Merger and acquisition (M&A) activity in the Food & Beverage industry was robust through year-to-date (YTD) December 2017 with 253 total transactions announced or completed, compared to 244 in the same period in 2016. The Alcoholic Beverages segment saw the highest level of deal volume with 44 total transactions as buyers targeted craft brewers, distillers and vintners. The Natural, Organic & Better-For-You (BFY) segment also saw strong activity with 30 deals, already surpassing the 17 deals seen for all of 2016. Other segments in high demand were Snacks (15 deals), Non-Alcoholic Beverages (17) and Branded Processed Foods (30). The Food & Beverage industry as a whole experienced increased interest from the private equity community, accounting for 33.6% of total deal volume YTD, compared to 28.0% in 2016. Overall, companies are seeing premium valuations as private equity groups compete to outbid strategic buyers. This is due, in part, to private equity groups having considerable cash on hand and access to inexpensive debt to fund acquisitions. The median EBITDA multiple for transactions increased significantly YTD 2017 to 13.5x compared to 10.3x in 2016.
**SEGMENT HIGHLIGHT: SNACKS**

The continued demand for BFY products has triggered an industry-wide transformation as companies must adapt to consumer preferences. Within the Snacks segment, traditional confectionary products have been replaced by those that are healthier and more natural. Rather than organically developing BFY products, industry leaders have acquired established companies in the space to expand their product offerings. For example, Mars recently announced a minority stake in Kind, the third largest snack bar in the world and leader in the health bar market. The move follows Nestle's announced intention to sell its American candy business, as well as the announced acquisition of RXBar by Kellogg (highlighted on the following page).

In addition to BFY confectionary snacks, the meat snack market is representative of the shifting landscape within the snack industry. For example, jerky products, formerly viewed as unhealthy and artificial, have been rebranded and replaced with new, innovative products that are marketed as a natural and healthy source of protein. In keeping with the BFY movement, meat snack revenue has achieved 7% compounded annual growth over the last four years to reach $2.8 billion. Market leaders, such as Link Snacks Inc. and Oberto Sausage Company, have increasingly marketed to athletes and physically active consumers in order to stress the performance benefits of jerky consumption.

**SEGMENT HIGHLIGHT: BEVERAGES**

Through YTD 2017, alcoholic and non-alcoholic beverage companies have been highly sought after in the M&A market. With 61 transactions announced or completed, beverage companies have accounted for 24.1% of total Food & Beverage industry M&A volume. Alcoholic beverage M&A activity has intensified as industry consolidation continues and valuations increase. Public company multiples have reached 17.6x EBITDA, surpassing the Natural & Organic segment as the highest publicly valued segment within the industry.

Meanwhile, demand for non-alcoholic beverage products has been driven by the preference for BFY products. According to *EcoFocus Worldwide*, the Natural Beverages market has driven 40% of the dollar growth in the Non-Alcoholic segment. Financial and strategic buyers have increasingly targeted natural beverage companies as the industry continues to grow at a rapid pace. In addition to coconut water, juices and plant protein wellness shots (mentioned in Capstone’s Q3 report), represent one of the latest trends in the natural beverages market. Wellness shots have emerged as healthy and natural alternatives to unhealthy, and potentially harmful energy drinks.

**SEGMENT HIGHLIGHT: PRODUCE**

A continued rise in disposable income has supported increased spending on fruits, vegetables and BFY products. According to *Statista*, fruit and vegetable revenue will amount to $48.2 billion for 2017 and is expected to grow at a compound annual growth rate (CAGR) of 2.2% through 2022. Per capita disposable income is expected to grow at a CAGR of 2.7% through 2021 according to *IBISWorld*. Capstone has identified a corresponding shift in M&A demand for produce and agribusiness companies as 14 deals have been announced or closed YTD, which is more than double the volume for all of 2016 (6 deals). Favorable macroeconomic conditions coupled with consumer demand for healthy products is expected to drive demand within the segment.
SEGMENT HIGHLIGHT: NATURAL, ORGANIC & BFY

The Natural, Organic & BFY segment has been one of the most consistent success stories in the Food & Beverage industry over the past decade. From 2007 to 2017, organic packaged food sales in the US jumped from about $9.6 billion to $15.0 billion, an increase of 56.8% overall or 4.6% per year. This has largely been due to changing consumer tastes as well as a healthy macroeconomic environment. As of October, per capita disposable income in the US had reached $39,277, the second highest level since 2007, according to FRED Economic Data. Stronger buying power has enabled consumers to purchase products in this segment which often are available at premium prices.

The emergence of BFY products has provided companies with ample opportunities for acquisitive growth. While research and development of new products can be time consuming, risky and expensive, corporate buyers have increasingly turned to acquisitions, completing 47 transactions in this segment over the past two years. Private equity groups have been attracted to the sustained growth of this segment and its potentially high exit valuations. As a result, they have accounted for 34.0% of deals over the same time frame. The growth of the Natural, Organic & BFY segment has driven company valuations to premium levels. Over the last-twelve-months (LTM) public company EBITDA multiples have risen by 10.8% to 15.6x, outpacing S&P 500 multiples which grew by 9.7%. Niche organic sectors that are expected to be highly sought after acquisition targets are dairy ($3.5 billion in US sales for 2017), baby food ($783.9 million), snack bars ($203.1 million) and packaged food ($15.0 billion).

NOTABLE TRANSACTION

Kellogg acquires RXBar (October 2017) – Kellogg announced the acquisition of five year old “whole food” protein bar company, RXBar, for $600 million or 6.0x revenue. RXBar has taken advantage of demand for food and beverage products with simplified ingredients that are easily recognizable—a demand made by 68% of global consumers according to a study by Hershey. Kellogg CEO Steve Cahillane commented, “Adding a pioneer in clean-label, high-protein snacking to our portfolio bolsters our already strong wholesome snacks offering. RXBAR is an excellent strategic fit for Kellogg as we pivot to growth. With its strong millennial consumption and diversified channel presence including e-commerce, RXBAR is perfectly positioned to perform well against future food trends.”
## BFY PRODUCTS: SELECT M&A TRANSACTIONS

<table>
<thead>
<tr>
<th>Ann. Date</th>
<th>Target</th>
<th>Acquirer</th>
<th>Target Business Description</th>
<th>Enterprise Value (mm)</th>
<th>Revenue</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/20/17</td>
<td>VeggieLand</td>
<td>Nature soy</td>
<td>Processes vegetarian food products including veggie, garden and black bean burgers.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/19/17</td>
<td>Sunshine Beverages</td>
<td>Teall Investments</td>
<td>Produces better-for-you beverages.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/07/17</td>
<td>Love You Foods</td>
<td>Disruptive Enterprises</td>
<td>Manufactures low carb food products that are meant to replace carbohydrates in diets.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11/01/17</td>
<td>FMC Health and Nutrition</td>
<td>Dupont</td>
<td>Produces healthy food and supplements made from alginates, carrageenan and micro crystalline cellulose.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10/27/17</td>
<td>Standard Functional Foods</td>
<td>Hearthside Food Solutions</td>
<td>Manufactures nutritional and healthy snack bars.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10/26/17</td>
<td>HappyFamily</td>
<td>Danone</td>
<td>Produces and supplies organic foods for babies, toddlers and kids.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10/18/17</td>
<td>Elevate Me</td>
<td>Naturally Splendid</td>
<td>Manufactures energy oatmeal, energy bars and perk bars.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>09/07/17</td>
<td>Sweet Earth</td>
<td>Nestlé</td>
<td>Manufactures vegetarian sandwiches, wraps, salads, parfaits, burritos and burgers.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/21/17</td>
<td>Daiya Foods</td>
<td>Otsuka Pharmaceutical</td>
<td>Produces and supplies plant-based food items.</td>
<td>$325.5</td>
<td>4.5x</td>
<td></td>
</tr>
<tr>
<td>07/20/17</td>
<td>Hibal Energy</td>
<td>Anheuser-Busch</td>
<td>Manufactures non-alcoholic organic energy drinks.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/14/17</td>
<td>Healthy Natural</td>
<td>Rosewood</td>
<td>Manufactures nutritional food products in the form of powder drink mixes.</td>
<td>$18.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/03/17</td>
<td>Stonyfield Farm</td>
<td>Groupe Lactalis</td>
<td>Produces and sells organic yogurt.</td>
<td>$875.0</td>
<td>2.4x</td>
<td>20.0x</td>
</tr>
</tbody>
</table>

## SNACK PRODUCTS: SELECT M&A TRANSACTIONS

<table>
<thead>
<tr>
<th>Ann. Date</th>
<th>Target</th>
<th>Acquirer</th>
<th>Target Business Description</th>
<th>Enterprise Value (mm)</th>
<th>Revenue</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/13/17</td>
<td>Kii Naturals</td>
<td>Nustef Bakery</td>
<td>Offers signature artisans crisps.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10/06/17</td>
<td>RXBAR</td>
<td>Kellogg</td>
<td>Produces and sells protein bars.</td>
<td>$600.0</td>
<td>6.0x</td>
<td>-</td>
</tr>
<tr>
<td>09/22/17</td>
<td>Angie’s Artisan Treats</td>
<td>Conagra Brands</td>
<td>Produces and sells popcorns and other snack items.</td>
<td>$250.0</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>09/05/17</td>
<td>Cinnaroll Bakeries</td>
<td>Skidmore Group</td>
<td>Manufactures cinnamon rolls, baked snacks and coffee.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08/29/17</td>
<td>Popcorn, Indiana</td>
<td>Eagle Family Foods</td>
<td>Produces gourmet and whole grain popcorn and chips.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08/20/17</td>
<td>Back to Nature Foods</td>
<td>B&amp;G Foods</td>
<td>Produces cookies, crackers, granolas, juices and nuts.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08/14/17</td>
<td>Nature’s Rancher</td>
<td>Pederson’s Natural Farms</td>
<td>Produces ready-to-eat snacks.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/20/17</td>
<td>Country Archer Jerky</td>
<td>Monogram Capital</td>
<td>Provides premium beef jerky.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>05/23/17</td>
<td>Gypsy Crunch</td>
<td>Hispanica</td>
<td>Manufactures granola snacks.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## BEVERAGES: SELECT M&A TRANSACTIONS

<table>
<thead>
<tr>
<th>Ann. Date</th>
<th>Target Business Description</th>
<th>Enterprise Value (mm)</th>
<th>Revenue</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/03/17</td>
<td>Produces concentrated coffees.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/30/17</td>
<td>Manufactures beers.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/25/17</td>
<td>Manufactures and distributes non alcoholic beverages.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/16/17</td>
<td>Produces beer.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/08/17</td>
<td>Operates a distillery and produces distilled spirits and other alcoholic beverages.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>09/25/17</td>
<td>Produces English, French and Michigan ciders.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>08/21/17</td>
<td>Offers coffees, hot and iced teas, frozen beverages and cocoas.</td>
<td>$58.6</td>
<td>0.6x</td>
<td>-</td>
</tr>
<tr>
<td>08/17/17</td>
<td>Produces cold pressed juices.</td>
<td>$5.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>08/16/17</td>
<td>Produces brandies and spirits.</td>
<td>$5.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>08/15/17</td>
<td>Distributes shelf-stable and cold-brew coffees.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>08/03/17</td>
<td>Offer beverage distribution, production and packaging of soft drinks, beer, malt beverages and energy drinks.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>08/03/17</td>
<td>Produces beers and ales.</td>
<td>$85.0</td>
<td>2.6x</td>
<td>-</td>
</tr>
<tr>
<td>08/02/17</td>
<td>Produces lemonades, limeades and teamonades.</td>
<td>$215.0</td>
<td>8.6x</td>
<td>-</td>
</tr>
</tbody>
</table>

## DISTRIBUTORS: SELECT M&A TRANSACTIONS

<table>
<thead>
<tr>
<th>Ann. Date</th>
<th>Target Business Description</th>
<th>Enterprise Value (mm)</th>
<th>Revenue</th>
<th>EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/22/17</td>
<td>Distributes custom frozen foods.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11/02/17</td>
<td>Distributes dairy products to the restaurant industry, retail chains and wholesale food distributors.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/24/17</td>
<td>Provides food distribution services.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/16/17</td>
<td>Distributes Italian cheese products.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10/04/17</td>
<td>Distributes food products for restaurants and the food service industry.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>09/06/17</td>
<td>Distributes frozen fruits and vegetables, animal proteins and grains.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>08/17/17</td>
<td>Produces and distributes beef, pork and chicken cuts and pizza supplies to restaurants and grocery stores.</td>
<td>$425.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>07/14/17</td>
<td>Distributes food ingredients.</td>
<td>$18.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>07/10/17</td>
<td>Distributes food service products intended to deliver fresh foods.</td>
<td>$174.0</td>
<td>0.1x</td>
<td>-</td>
</tr>
</tbody>
</table>
**CAPSTONE PARTNERS: COMPLETED CONSUMER PRODUCTS TRANSACTIONS**

**CONFIDENTIAL**
- Corporate sale (IN PROCESS)
- US Value-Added Produce Distributor

**Global Organic Specialty Source, Inc.**
- Has been acquired by
- Albert’s Organics

**Johnson Creek Specialty Sales & Laura’s）， Inc.**
- Strategic joint venture

**Yukon Distribution, Inc.**
- Has been acquired by
- Kwik Tek
- Guardian Capital Partners

**Castro Cheese Co., Inc.**
- Has been acquired by
- Palladium Equity Partners

**Mason Vitamins**
- Has been acquired by
- Ito En North America, Inc.

**Tiny Love**
- Has been acquired by
- Dorel

**B.O.B.**
- Has been acquired by
- Britax
- Nordic Capital

**Erster Schubert’s**
- Has divested
- Lancaster Colony

**Crystals International**
- Has been acquired by
- Kerry

**Rusdola Products**
- Has been acquired by
- United Pet Group, Inc.

**UWS**
- Has been acquired by
- Thule

**Ginger®**
- Has been acquired by
- Fiskars

**Slime®**
- Has been acquired by
- Friend Skolner & Co.

**Sisters® since 1992**
- Has been acquired by
- North Atlantic Trading Company

**Malibu**
- Has recapitalized with
- Horizon Buildings
- Black Canyon Capital
Tom Elliott, Managing Director
telliott@capstonellc.com • (813) 251-7285

Tom Elliott is responsible for Capstone’s Food & Beverage practice as well as managing the firm’s investment banking activities in the Southeastern United States. Tom joined Capstone through the merger of his firm, EQV Capital Group, Inc., a middle market M&A boutique headquartered in Tampa, Florida. While operating EQV, Tom focused on providing middle market business owners with sophisticated financial and strategic advisory services in the areas of exit planning, valuations, recapitalizations and merger & acquisition transactions.

Prior to founding EQV, Mr. Elliott spent 12 years with the Southeast Regional office of Citigroup Capital Strategies. Prior to Citigroup, he worked as a Corporate Finance consultant, responsible for assisting private companies with capital raising activities ranging from venture capital funding to initial public offerings. Tom also spent four years working as a CPA for Ernst & Young. Tom has worked with clients across a variety of industries, including consumer products. Tom specializes in maximizing shareholder value in private company sales and recapitalizations. He earned his MBA from the University of Michigan and a BBA in Accounting from the University of Notre Dame.

Shawn Keenan, Director
skeenan@capstonellc.com • (813) 251-7299

Shawn Keenan is focused on providing strategic advisory services to clients in the Food and Beverage industry. Prior to joining Capstone, Shawn was with Raymond James investment banking where he led numerous merger and acquisition advisory as well as capital offering assignments resulting in over $2 billion of proceeds for clients. Shawn started his career in investment banking after graduating with his MBA from the Kellogg School of Management at Northwestern University. Prior to attending graduate school, he spent seven years as an officer in the United States Navy, achieving the rank of Lieutenant. Shawn attended the University of Florida on a Naval ROTC scholarship and graduated with a Bachelors of Arts in General Studies specializing in Industrial & Systems Engineering.
CAPSTONE’S OFFICE LOCATIONS

BOSTON
176 Federal Street
3rd Floor
Boston, MA 02110
(617) 619-3300

CHICAGO
200 South Wacker Drive
Suite 3100
Chicago, IL 60606
(312) 674-4531

LONDON
42 Brook Street
London W1K 5DB
United Kingdom
+44 (0) 203 427 5068

LOS ANGELES
401 Wilshire
Suite 1200
Santa Monica, CA 90401
(858) 926-5950

NEW YORK
340 Madison Avenue
10th Floor
New York, NY 10173
(212) 634-0855

ORANGE COUNTY
23046 Avenida de la Carlota
Suite 600
Laguna Hills, CA 92653
(949) 460-6431

PHILADELPHIA
1515 Market Street
12th Floor
Philadelphia, PA 19102
(215) 854-4063

SAN DIEGO
12707 High Bluff Drive
Suite 200
San Diego, CA 92130
(858) 926-5950

SILICON VALLEY
228 Hamilton Avenue
3rd Floor
Palo Alto, CA 94301
(650) 319-7370

TAMPA
1550 W Cleveland Street
Suite 10
Tampa, FL 33679
(813) 251-7285

ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is an award-winning investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Over the past 15 years, Capstone has earned a reputation as one of the most innovative firms in the industry, offering corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. The firm maintains seven industry practices, including: Business Services, Consumer Products, Education & Training, Government Services, Health & Medical, Manufacturing & Industrial, and Technology & Telecom. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

For more information about our expertise, please visit www.capstonellc.com