Natural & Organic Products
Buyer Snapshots

INDUSTRY POISED FOR PRIVATE EQUITY INVESTMENT

The natural & organic products industry continues to be highly fragmented and ripe with new product introductions and innovations by small companies which are often in need of growth capital, and are frequently turning to private equity buyers for such funding. Strong growth rates, profitable product categories and professional management teams have made the natural & organic products industry an attractive addition to many investment portfolios. Private equity has acquired stakes in nearly every segment of the industry, including fresh foods, prepared foods, coffee and tea, sports and fitness beverages, nutritional supplements, vitamins, personal care items and household goods. Furthermore, firms within the natural & organic space tend to produce unique and culturally popular products, making them an attractive asset for corporate buyers as well. This fact provides private equity buyers with a viable exit strategy for their natural & organic product investments.

In some cases, private equity investments are coming from firms with broad portfolios or from those with a wide range of consumer product holdings. Additionally, industry leaders are formulating investment firms of their own, creating a growing number of private equity groups exclusively committed to investing in the next generation of natural & organic companies. One example is the recent collaboration of public company United Natural Foods (UNFI), which partnered with private equity firms Swander Pace Capital and Jefferson Capital Partners. Together they have formed Branch Brook Holdings, a new entity that will target investments in the natural & organic products industry.

Capstone expects this new wave of investment activity in the natural & organic products market to remain high. We believe that the sector will continue to attract strong interest from private equity buyers based on compelling industry fundamentals including the public’s growing awareness of nutrition, favorable demographics, increased availability and convenience of products, and strong industry growth and profitability. In addition, there are several macro-economic factors which should continue to spur activity. These include a tremendous amount of un-deployed private equity capital (estimated at $430 billion, according to PitchBook Data, Inc.), the reappearance of commercial lenders, low interest rates and an improving economy, all of which should continue to fuel M&A activity in the natural & organic industry.

Several private equity groups have initiated a focus on the natural & organic products space in the last year. In order for privately owned companies to maximize value, companies should run a thorough sale process which includes contacting both traditional and non-traditional buyers and investors. Capstone maintains an active dialog with both corporate and private equity buyers in the industry, and a detailed database of active acquirers.
SAMPLE ACQUIRER PROFILE: CATTERTON PARTNERS

Catterton Partners has over $2.5 billion of equity capital under active management, making it one of the largest private equity firms in the United States focused on the consumer industry. Catterton brings complementary strategic and operating experience to its portfolio companies and supports management teams in accelerating the value creation process after investment. The Firm’s portfolio companies also benefit from a wide network of strategic industry contacts, active lending institutions, consultants, recruiters and management teams. These sources provide market and product expertise, multinational distribution capabilities, access to new customers, and valuable investment and commercial banking capabilities to those companies in which Catterton invests.

Throughout the Firm’s history, Catterton has helped portfolio companies to rapidly and successfully achieve their business goals and objectives, and to become leaders in their respective industry segments.

Catterton targets industry verticals in consumer categories, including the natural and organic products industry. Examples of natural and organic product companies in which Catterton is currently invested include the following:

- **Zarbee’s** – Acquired in June 2011, a leading developer of all-natural over-the-counter pediatric cough and cold supplements.
- **One Natural Experience** – A provider of all-natural, exotic and functional beverages that serve as a “better-for-you” alternative. Catterton Invested in the company in 2009.
- **The Nest Collective, Inc.** – A leading manufacturer of natural and organic baby food. The Company was acquired in December 2008 and subsequently acquired Plum Organics.
- **Van’s International Foods, Inc.** – Acquired in 2006, a developer of all-natural breakfast options. Van’s is an add-on to Healthy Food Holdings, Inc., which operates as a management holding company for branded, "better-for-you" foods.
- **Nature’s Variety** – A broad line of all-natural dog and cat foods.

Catterton works to create value in a company by assisting management in identifying key strategic, operating and financial priorities, and providing required resources. Specifically, Catterton seeks to add value to each investment through:

- **Strategic Planning** – leverages affiliations with industry experts and industry contacts to develop and implement strategic plans for portfolio companies.
- **Recruiting and Retaining Key Members** – Catterton invested in companies with strong management teams in place and recruits industry leaders when necessary.
- **Enhancing Operating Performance** – Catterton ensures the proper infrastructure is in place to foster growth.
- **Experience** – Collectively, the investment professionals at Catterton have over 300 years of relevant industry, investment and operating experience.
SAMPLE ACQUIRER PROFILE: TSG CONSUMER PRODUCTS

TSG Consumer Partners specializes in investment in middle-market consumer product companies. The Firm targets a wide variety of industry verticals including food, beverage, personal care, health and beauty care, apparel and footwear, accessories, automotive, household products, fashion, pet care, consumer packaged goods, sports and recreation, franchise concepts and restaurants. The Firm typically invests between $15 million and $100 million in companies with revenues between $20 million and $300 million. TSG Consumer Partners was founded in 1987 and is based in San Francisco, California.

TSG prefers to invest in branded consumer products and services which compete in markets that are well established and not typically subject to the risks associated with economic cycles or technological obsolescence. TSG’s investment horizon is typically five to seven years. The Firm is attracted to growth-oriented companies with a focused business model.

Since its founding in 1987, TSG has invested in over 45 consumer product and services companies. The following natural and organic product companies are part of TSG’s current portfolio.

- **Stumptown Coffee Roasters** – Acquired in 2011, a producer and retailer of organic coffee. TSG is expected to grow the small town “coffee house” with hopes of later selling it to a larger strategic buyer.
- **Julian’s Recipe** – A manufacturer of all-natural waffles and pancakes. TSG’s acquisition of a minority stake in Julian’s adds breadth to their food and beverage portfolio. The Company was acquired in 2010.
- **Dogswell** – Acquired in 2008, a producer of premium, all-natural pet foods. The Company offers dry and canned food for dogs and cats.
- **Pevonia International** – A developer and producer of natural and organic skincare products and in-spa treatments. Pevonia was acquired by TSG in 2008.
- **MonaVie LLC** – A developer and marketer of scientifically formulated nutritional natural products. TSG Consumer Partners made an equity investment for a minority stake in 2008.
- **CytoSport, Inc.** – A manufacturer of sports-oriented nutritional products for athletes and individuals with an active lifestyle. TSG Consumer Partners, Partnership Capital Growth, along with CytoSport’s founders, completed the acquisition of Cytosport Inc. in a recapitalization transaction in 2007.

TSG is dedicated to providing management with analytic, strategic, financial and operating support, while allowing each company’s leadership to act autonomously in day-to-day operations. TSG is one of the recognized leaders in the U.S. in building and investing in leading middle-market branded consumer companies.
SAMPLE ACQUIRER PROFILE: GREENMONT CAPITAL PARTNERS

Greenmont Capital Partners is an investment fund founded by natural product industry insiders and focusing on early-stage companies in the $500 billion “Lifestyles of Health and Sustainability” (LOHAS) market. The Firm is strategically headquartered in Boulder, Colorado, a city widely regarded as the epicenter or "Silicon Valley" of the natural products industry, providing optimal flow of information, contacts, resources and investment opportunities in the LOHAS space. Greenmont seeks to invest between $500,000 and $7 million in companies with annual revenues between $1 million and $20 million.

Since its founding in 2004, Greenmont has made numerous investments in the natural and organic space. Listed below are natural and organic firms in which Greenmont is currently invested.

- Madhava Honey – Acquired in July 2010, a manufacturer of unprocessed sweeteners and honey products. Madhava distributes its products through third party vendors, local groceries and natural food stores.
- EcoSMART Technologies – A producer dedicated to creating all-natural pesticides, acquired in October 2010. The Company claims to have created the world’s only 100% safe pesticide proven to work.
- Mary’s Gone Crackers – A manufacturer of organic cookies, crackers, crumbs and pretzel-sticks acquired in October 2007. The Company markets its products mainly through a network of retailers and online sources.

SAMPLE ACQUIRER PROFILE: WHITE ROAD INVESTMENTS

White Road Investments is a private equity firm dedicated to helping natural and organic producers grow while maintaining their initial vision. Founded in 2009 by Clif Bar owner Gary Erickson, White Road stands out as a private equity firm seeking only value driven companies offering innovative consumer products dedicated to a healthy and sustainable lifestyle. The Company invests $750,000 to $2 million in firms with annual revenues of $1 to $2 million.

White Road has engaged in numerous partnerships with natural and organic product producers, of which it strives to leave mission, vision and value set untouched. Below are some of the companies in which White Road is invested.

- Fresh Hemp Foods Ltd. – dba Manitoba Harvest Hemp Foods & Oils, manufactures organic hemp foods and oils. As of January 2012, White Road holds a minority stake. Fresh Hemp Foods will use the investment to strengthen its supply chain to better meet the growing demand for hemp foods.
- Guayaki – A producer of organic and sustainably harvested Yerba Mate. The Company is committed to organic growing and rainforest protection.
- The Honest Kitchen – A manufacturer of all-natural, human grade dehydrated pet food. Acquired in September 2011, The Honest Kitchen will use the investment proceeds to accelerate distribution expansion, add to its sales force, continue product innovations and amplify marketing efforts.
## SELECTED NATURAL & ORGANIC M&A TRANSACTIONS

<table>
<thead>
<tr>
<th>Date</th>
<th>Target</th>
<th>Acquirer</th>
<th>Target Business Description</th>
<th>Enterprise Value (mm)</th>
<th>$EV / LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-12</td>
<td>Kozy Shack Enterprises</td>
<td>Land O Lakes</td>
<td>Produces and distributes a line of all-natural puddings and desserts.</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Jul-12</td>
<td>AMT Labs</td>
<td>Innophos</td>
<td>Manufactures custom formulations for nutraceuticals, sports supplements and beverages.</td>
<td>$20.0</td>
<td>-</td>
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<tr>
<td>Jul-12</td>
<td>Coco Distributing Co.</td>
<td>Ludwig Distributing</td>
<td>Produces and distributes natural beverages.</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Jul-12</td>
<td>Udi's Healthy Foods</td>
<td>Smart Balance</td>
<td>Manufactures gluten-free and high-grain breads.</td>
<td>$125.0</td>
<td>2.1x</td>
</tr>
<tr>
<td>Jul-12</td>
<td>Blue Moose of Boulder</td>
<td>Sartori Inspirations</td>
<td>Produces a full line of natural hummus, salsas and pestos.</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Jun-12</td>
<td>Only Natural</td>
<td>Union Equity</td>
<td>Manufactures and wholesales natural food supplements.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jun-12</td>
<td>Solis Brands</td>
<td>The Jel Sert Company</td>
<td>Develops and commercializes healthy and nutritious foods and beverages for consumers.</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Jun-12</td>
<td>Sunflower Farmers Markets</td>
<td>Sprouts Farmers Market/ Apollo Global Management</td>
<td>Operates 13 natural &amp; organic food stores in Colorado, Arizona, New Mexico and Nevada.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jun-12</td>
<td>New Chapter</td>
<td>Procter &amp; Gamble</td>
<td>Produces organic whole-food vitamin, mineral and herbal supplements.</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Jun-12</td>
<td>RNL USA</td>
<td>Green Mountain Development</td>
<td>Distributes natural healthcare products, including health and wellbeing solutions.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jun-12</td>
<td>Only Natural</td>
<td>China Health Resource</td>
<td>Engages in the development and marketing of botanical based medicinal products.</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Jun-12</td>
<td>Organic Avenue</td>
<td>Weld North</td>
<td>Manufactures organic food and beverage products as well as organic household necessities.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>May-12</td>
<td>Bella Bean Organics</td>
<td>Coon Rock Farm</td>
<td>Distributes natural and organic food products.</td>
<td>-</td>
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</tr>
<tr>
<td>May-12</td>
<td>Asantaa Holdings International</td>
<td>Two Kings</td>
<td>Produces and markets nutritional products in the United States and Canada.</td>
<td>-</td>
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<tr>
<td>May-12</td>
<td>LovingEco</td>
<td>JP Selects</td>
<td>Operates a social commerce platform that offers eco-friendly products at discounted prices.</td>
<td>-</td>
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<td>Apr-12</td>
<td>Naturally Fresh</td>
<td>Treehouse Foods</td>
<td>Manufactures natural dressings, sauces and dips.</td>
<td>$25.0</td>
<td>0.3x</td>
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<tr>
<td>Apr-12</td>
<td>Earth Fare</td>
<td>Oak Hill Capital Partners</td>
<td>Operates a chain of natural &amp; organic supermarkets in the United States.</td>
<td>$300.0</td>
<td>-</td>
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<tr>
<td>Apr-12</td>
<td>Wholesome Sweeteners</td>
<td>Arlon Group</td>
<td>Provides organic, natural and unrefined sweeteners.</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Mar-12</td>
<td>New Chapter</td>
<td>Procter &amp; Gamble</td>
<td>Produces and distributes whole food supplements.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mar-12</td>
<td>Mrs. Mays Naturals</td>
<td>Dole Food Co.</td>
<td>Produces healthy snack products, including bars, crunches, fruit chips, and fruit &amp; nut toppers.</td>
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<tr>
<td>Feb-12</td>
<td>FoodShouldTasteGood</td>
<td>General Mills</td>
<td>Produces specialty, gourmet and natural chips.</td>
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<tr>
<td>Feb-12</td>
<td>Trilogy Fragrances</td>
<td>Symrise AG</td>
<td>Manufactures natural and organic fragrances for use in household, personal care and spa products.</td>
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<td>-</td>
</tr>
<tr>
<td>Feb-12</td>
<td>Alacer</td>
<td>Pfizer</td>
<td>Manufactures dietary supplements and nutritionally enhanced products.</td>
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</tr>
<tr>
<td>Feb-12</td>
<td>The Wholefood Farmacy</td>
<td>WHAM</td>
<td>Offers whole food meals, soups, smoothie mixes and healthy snacks.</td>
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<td>-</td>
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<tr>
<td>Feb-12</td>
<td>GeneWize Life Sciences</td>
<td>Capsalus</td>
<td>Manufactures health, beauty and wellness products.</td>
<td>$5.0</td>
<td>0.6x</td>
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<td>Feb-12</td>
<td>Zizzaz</td>
<td>Tracksoft Systems</td>
<td>Manufactures vitamin and energy powder mix products.</td>
<td>$1.0</td>
<td>-</td>
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<tr>
<td>Jan-12</td>
<td>EVOL Foods</td>
<td>Alliance Consumer Growth; Bee Partners; Revelry Brands</td>
<td>Manufactures natural and organic frozen meals and snacks.</td>
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</tbody>
</table>

LTM = last twelve months; EV = enterprise value  
Sources: Capstone Partners LLC research; Capital IQ; public filings and press releases
CAPSTONE PARTNERS: COMPLETED CONSUMER PRODUCTS & SERVICES TRANSACTIONS

Capstone Partners has completed several transactions in the consumer products & services space. These transactions span the major categories of manufacturing, retail, wholesale and services. They include a wide range of companies offering a diversity of products such as those related to food, pet, juvenile, drug and neutraceutical, and recreational products and services. Capstone’s experience in the consumer products & services sector provides us with deep insight into the valuable attributes and likely valuation ranges of target companies, the active buyers in the industry and the nuances of transactions in this space.

Q3 2012 Natural & Organic Products

Senior Members of Doc’s Drugs, Ltd.

AN INDIVIDUAL INVESTOR
ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a leading national investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including one in Natural & Organic Products. The firm also possesses merchant banking capabilities to actively co-invest in transactions.

Additional information about Capstone Partners can be found at www.capstonellc.com.

LEADERSHIP TEAM

BOSTON
John Ferrara
President, Managing Partner
(617) 619-3325
jferrara@capstonellc.com

Kevin Jolley
Managing Director
(617) 619-3330
kjolley@capstonellc.com

CHICAGO
Ted Polk
Managing Director
(312) 674-4531
tpolk@capstonellc.com

LOS ANGELES
David Bench
Managing Director
(949) 460-6431
dbench@capstonellc.com

PHILADELPHIA
Eric Williams
Managing Director
(215) 854-4065
ewilliams@capstonellc.com

SAN DIEGO
David Michaels
Managing Director
(858) 926-5950
dmichaels@capstonellc.com