



Capstone Partners

FOOD & BEVERAGE

Q1 2017

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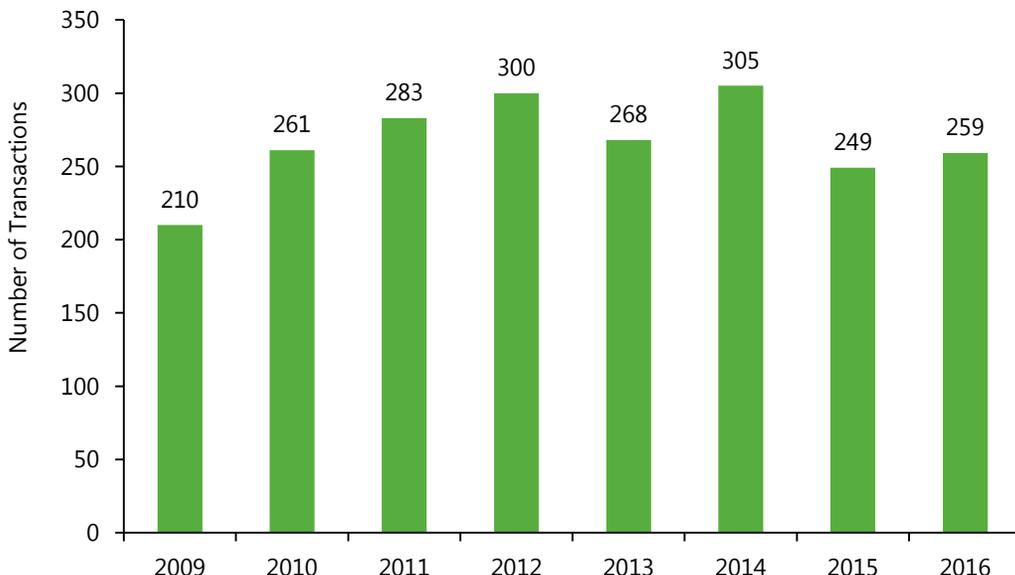
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MERGER & ACQUISITION ACTIVITY

The Food & Beverage industry saw robust M&A volume in 2016 due to strong economic growth and demand for better-for-you (BFY) snacks and beverage products. According to data published in November by the Bureau of Economic Analysis, real gross domestic product increased at an annual rate of 3.2% in the 3rd quarter of 2016. This is the largest quarterly increase since Q3 2014. As a result, consumers have seen climbing levels of disposable personal income, which rose 0.6% to \$86.5 billion from September to October 2016. In short, not only has the US experienced strong macroeconomic growth, but also consumers have realized growth in their personal spending power. The Food & Beverage industry has benefitted from this growth and one area consumers are spending more on is healthy products. Recent trends include a growing demand for products that minimize waste, are sustainable and plant based, and help consumers save preparation time. In addition, consumers' demand for classic brands and updated formulations of these brands remains strong as evidenced by the Gores Group's acquisition of Hostess.

Buyers and sellers remain confident in the M&A market as evidenced by robust 2016 deal volume, which has exceeded the level seen in 2015 by 4.0%. Both strategic and financial buyers have remained active in the industry, accounting for 70.3% and 29.7% of acquisitions, respectively. In 2016, private equity buyers have made up a larger proportion of acquisitions than in 2015, when they accounted for 26.1% of total deal volume. Median EBITDA multiples also increased in 2016, reaching 9.0x as compared with 8.4x in 2015.

M&A Activity: Food & Beverage



Source: Capital IQ and Capstone Partners LLC Research

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LONDON
LOS ANGELES
NEW YORK
ORANGE COUNTY
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SAN DIEGO
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BEVERAGE: SEGMENT HIGHLIGHT

Alcoholic and non-alcoholic beverage products saw healthy M&A activity in 2016 with 81 transactions announced or completed, comprising 31.3% of total Food & Beverage M&A volume. Public company EBITDA multiples remain strong in this segment, hovering around 14.0x. While beer brewers continued to see strong interest from potential buyers in 2016, Capstone has also noticed a recent uptick in acquisitions of distillers. Notably, High West Distillery was acquired by Constellation Brands for an enterprise value of \$160.0 million in October. Juice products have also been popular beverage acquisitions, including the recent acquisitions of Cru Juice and Blue Lake Citrus in September and November, respectively. Capstone expects that 2017 activity in the beverage segment will remain strong, as consumers demand BFY products and new variations on classic drinks, such as juices, teas, plant-based formulas and cultural recipes.

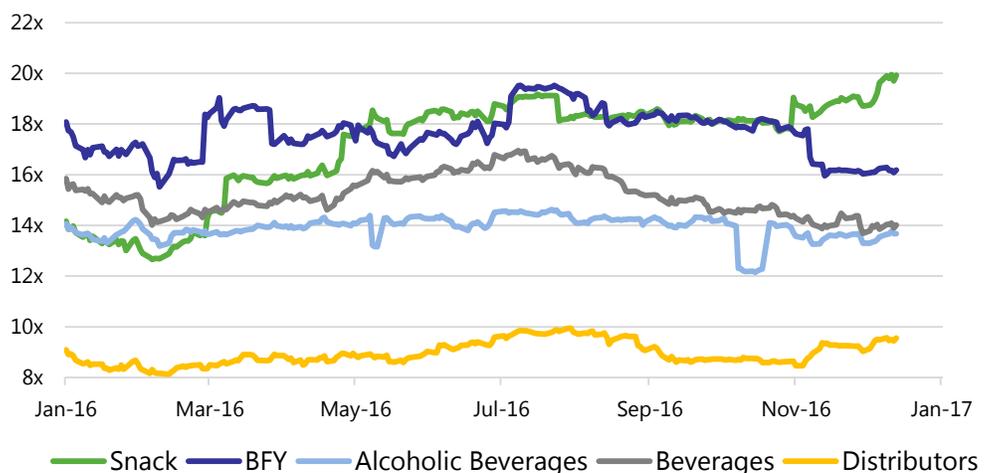
GROCERY DISTRIBUTION: SEGMENT HIGHLIGHT

The grocery distribution segment has experienced healthy growth over the past five years due to low fuel costs and strong consumer spending. *IBISWorld* estimates that the industry grew at a CAGR of 4.7% over the five years through 2016, reaching \$201.7 billion in revenue. While Sysco, C&S Wholesale and US Foods account for about half of the market, demand for specialized and local foods have allowed smaller players to compete. Multiples for public distributors remain strong at almost 10.0x, with numerous acquisitions helping to drive growth in 2016. Organic and BFY distributors have been highly sought after as evidenced by the acquisitions of Gourmet Guru (August), Nor-Cal Produce (March) and Global Organic Specialty Source (March). Capstone advised Global Organic on their sale to Albert’s Organics, a subsidiary of UNFI.

BFY SNACKS: SEGMENT HIGHLIGHT

One sub-segment of BFY products that has seen especially strong growth is snacks. High consumer discretionary income and demand for BFY products have boosted sales of traditional products, such as nuts, while also driving the development of innovative products, such as roasted chickpeas and kale chips. These factors have helped drive public EBITDA multiples of snack companies up by 40.8% over the past year, reaching 19.9x in December 2016. Capstone expects BFY snacks to be a driver of M&A activity in 2017.

Food & Beverage: Average Public Company EBITDA Multiples



NOTABLE M&A TRANSACTIONS

Several notable transactions were completed or announced in the Food & Beverage industry through Q1 2017. Select transactions are outlined below, followed by a more comprehensive list in the following tables.

- ▶ **Jusu Bars acquires Cru Juice (September 2016)** – Two Canada-based juice companies have merged due to Jusu Bars’ fall acquisition of Cru Juice. Jusu specializes in cold-pressed juices, non-dairy milk substitute products, plant-based shots and raw meals and snacks. “We know Canadians love the convenience of fast food, and we have developed and are providing extremely healthy, nutritious products to meet these needs,” said Jusu Founder, President and CEO Bruce Mullen. “Our grab-and-go juices and raw foods provide people with food choices that positively impact their health, and help avoid the ever-increasing lifestyle diseases that are afflicting ourselves, friends and families.” Cru Juice (‘cru’ meaning ‘raw’ in French) is a highly complementary acquisition for Jusu Bars, for both its product line and ideology. Cru Juice offers cold-press juices in an assortment of greens, roots, fruits, nut mylks and citrus blends, and since opening in April 2014, has already expanded to five retail locations and employs more than 65 workers. “We’re proud to have built Cru and positioned the company as a leader in a food movement that is experiencing unprecedented growth,” said Cru Juice Co-Founder Naomi Le Bihan. “Our goal was to design whole, non-GMO and preservative free foods to fuel busy lives.”
- ▶ **United Natural Food acquires Gourmet Guru (August 2016)** – BFY food provider United Natural Foods (UNFI) acquired the all natural and organic food distributor Gourmet Guru. The terms of the deal were not disclosed. “We are excited to strengthen our expertise in identifying new and fast-growing health and wellness brands with the strategic acquisition of Gourmet Guru,” said Steven Spinner, UNFI’s President and CEO. “We look forward to working with Jeff Lichtenstein, CEO of Gourmet Guru, who will remain at the company in a leadership role.” The acquisition diversifies UNFI’s merchandising and service skills and enhances its ability to offer local and innovative brands. “UNFI recognizes the importance of helping exciting and new producers of fresh and organic foods and Gourmet Guru is proud to become a part of UNFI,” commented Lichtenstein. “We look forward to helping UNFI bring exciting and differentiated products to market.”
- ▶ **Utz acquires Golden Enterprises (July 2016)** – The US’s largest privately held snack food company, Utz Quality Foods, acquired Golden Enterprises for an implied enterprise value of \$135.0 million and at an EBITDA multiple of 16.3x. Operating under the brand name Golden Flake, Golden Enterprise is an Alabama-based salted snack provider and the creator of “The South’s Original Potato Chip.” The deal will create operational synergies and expand Utz’s product portfolio. “We are excited about the opportunity to partner with Golden Flake,” said Utz’s CEO Dylan Lissette. “Golden Flake’s product line, market coverage, and manufacturing facilities blend well with Utz’s desire to expand and grow our markets in the south.” Golden Enterprises’ CEO Mark McCutcheon similarly noted, “This merger will allow the Golden Flake brand to continue to grow in our core southeastern markets, while expanding the product selections for our consumers. Utz is a very community-oriented company, and we look forward to the future that Utz and Golden Flake will create together.”

BFY PRODUCTS: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
12/20/16	Sweet Harvest Foods	Natural American Foods	Produces honey, organic honey and premium peanut butters.	-	-	-
11/03/16	Origin Food's Frutel Brand	Diaz Wholesale & Manufacturing	Produces drinkable yogurts made with fruits.	-	-	-
09/21/16	Cru Juice	Jusu Bars	Blends and bottles raw and cold-pressed juices.	-	-	-
08/23/16	Milkmakers	Munchkin	Produces cookies and teas for improving milk production for breastfeeding moms.	-	-	-
07/29/16	Dr. Smoothie Brands	Bevolution	Produces organic smoothies, whole foods, nutrition bars and collagen-based products.	-	-	-
07/07/16	WhiteWave Foods	Danone	Manufactures branded plant-based foods and beverages.	\$12,475.3	3.0x	24.9x
06/17/16	nature soy	Keystone Capital	Produces soy and vegetarian products for grocery stores, supermarkets and natural food stores.	-	-	-
06/16/16	Pure of Holland	Kashi	Produces nutritious and healthy snack foods.	-	-	-
05/16/16	Haddon House Food	United Natural Foods	Distributes organic and gourmet ethnic products.	\$217.5	0.4x	-
05/02/16	Boundless Nutrition	Amplify Snack Brands	Offers nutritional snack bars and cookies.	\$30.8	-	-
03/31/16	Harvest Innovations	Archer Daniels Midland	Provides minimally processed, expeller-pressed soy proteins, oils and gluten-free ingredients.	\$93.3	-	-
03/24/16	Nasoya Food	Pulmuone Foods	Offers organic tofu and soyfoods including noodles, pasta wraps, vegan sandwich spreads and soy milks.	\$50.2	1.0x	-

SNACK PRODUCTS: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
12/28/16	Wild Joe's Beef Jerky	Simply Unique Snacks	Produces and sells beef jerkies.	-	-	-
11/03/16	Classic Snacks	Nassau Candy	Produces and packages snack and nut mixes.	-	-	-
10/25/16	Lush Gourmet Foods	Ferris Coffee and Nut	Produces and sells small-batch handcrafted nuts.	-	-	-
09/26/16	Reallygoods	Nature's Path Foods	Offers dehydrated and crunchy snack products in original, savory, and chocolate flavors.	-	-	-
07/19/16	Golden Enterprises	Utz Quality Foods	Offers potato chips, tortilla chips, corn chips, fried pork skins, puff corn, and baked and fried cheese curls.	\$133.0	1.0x	15.2x
07/13/16	AmuseMints Sweets & Snacks	Nassau Candy	Produces mint candies and confections.	-	-	-
07/05/16	Hostess Brands	Gores	Produces breads, rolls, croutons, snack cakes, donuts and sweet rolls.	\$2,300.0	3.5x	10.5x
05/18/16	Justin's	Hormel Foods	Manufactures and sells nut butters.	-	-	-
05/09/16	Friendly's Mfg. and Retail Bus.	Dean Foods	Manufactures and retails ice cream.	\$155.0	0.9x	-
04/26/16	BarkThins	Hershey	Manufactures snacking chocolates.	\$300.0	4.3x	-

BEVERAGES: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
11/28/16	Blue Lake Citrus	Sun Orchard	Produces bulk juice, citrus oils and other citrus products.	-	-	-
10/05/16	High West Distillery	Constellation Brands	Produces whiskey, spirits and cocktails.	\$160.0	-	-
09/28/16	Avita Artesian Water	China Bilingual Tech & Education	Operates as an alkaline water producer and a bottling company.	-	-	-
09/27/16	Seattle Cider and Two Beers	Agrial	Produces cider and beer.	-	-	-
09/09/16	Boathouse Beverage	Anheuser-Busch InBev	Manufactures and distributes alcoholic seltzer.	-	-	-
08/23/16	Millstone Coffee	J. M. Smucker	Produces and supplies coffee.	-	-	-
08/04/16	S&D Coffee	Cott	Roasts, blends and supplies coffee, iced tea, and extracts.	\$355.0	-	-
07/29/16	Dr. Smoothie Brands	Bevolution	Produces specialty beverages including smoothies in various flavors.	-	-	-
07/20/16	Avita Artesian Water	iBrands	Operates as an alkaline water producer.	-	-	-
06/02/16	The Ridgefield's Brand	Country Pure Foods	Produces fruit juice.	\$13.8	1.1x	-
05/24/16	Driftwood Dairy	Vietnam Dairy Products	Produces and markets dairy and juice products.	\$10.0	-	-
04/19/16	Louis Dreyfus's Frozen Juice Bus.	Peace River Citrus	Manufactures frozen concentrated orange juices.	-	-	-
04/01/16	American Fruits and Flavors	Monster Beverage	Produces energy drinks.	\$688.5	-	7.9x

DISTRIBUTORS: SELECT M&A TRANSACTIONS

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
08/11/16	Gourmet Guru	United Natural Foods	Operates as an organic and natural food distributor.	-	-	-
07/28/16	Affiliated Foods Midwest	Associated Wholesale Grocers	Distributes groceries and food products.	-	-	-
07/08/16	Energy Source Distribution	Hispanica Intl. Delights	Distributes health drinks, energy drinks and beers in CA.	-	-	-
06/30/16	Glazer's	Southern Glazer's Wine and Spirits	Distributes and sells beer, wines, spirits, energy drinks, malts, whiskey and other alcoholic products.	-	-	-
06/23/16	Omni Shrimp	Naturalnano	Wholesales american shrimp.	-	-	-
06/13/16	Western Family Foods	Topco	Distributes grocery items under its brands to a network of retailer-owned grocery wholesalers.	-	-	-
03/31/16	Nor-Cal Produce	United Natural Foods	Distributes conventional and organic produce, and other fresh products in CA.	\$68.6	-	-
03/07/16	Global Organic Specialty Source	Albert's Organics	Distributes organic produce.	CF	CF	CF
02/29/16	Haddon House Food Products	United Natural Foods	Distributes grocery food products.	\$217.5	-	-

CAPSTONE PARTNERS: COMPLETED CONSUMER PRODUCTS TRANSACTIONS

CONFIDENTIAL

corporate sale
(IN PROCESS)

US Craft Brewer

CONFIDENTIAL

private placement
(IN PROCESS)

Meat Processor

Global Organic Specialty Source, Inc.

has been acquired by



strategic joint venture



has been acquired by



Castra Cheese Co., Inc.



has been acquired by



has been acquired by



has been acquired by



has been acquired by



has divested



Crystals International

has been acquired by



has been acquired by



gingher
a tradition of quality

has been acquired by



has been acquired by



has been acquired by



has been acquired by

North Atlantic Trading Company

THE FOOD & BEVERAGE TEAM



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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.



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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. There he participated in 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 Business Administration.



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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.

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about our expertise,
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