

# Prairie Industry Perspective

## Food & Beverage Industry

PRAIRIE

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### Recent Industry Performance

According to Boston Consulting Group (“BCG”) and Information Resources Inc.’s (“IRI”) annual “CPG Growth Leaders List,” the consumer packaged goods (“CPG”) industry – which includes products such as food, beverages and cleaning products – grew by about 10.4% in 2020, outpacing the prior three-year annual growth rate of 1.8%. In addition, the BCG/IRI report found that CPG volume growth (at 6.4%) outpaced price growth (3.7%) for the first time in more than a decade, driven by heightened demand in the early months of the COVID-19 pandemic.

Meanwhile, the Consumer Brands Association (“CBA”) reports slightly different figures, indicating that, during 2020, sales of CPG climbed by 9.4% to \$1.53 trillion. Further, for the first quarter of 2021 (latest available), the CBA says CPG saw year-over-year growth of 8.0%, with sales totaling \$1.62 trillion at an annualized rate. During January 2021, CPG sales were up 15.0% year-over-year, while February saw a 12.1% increase, even in spite of winter storms. In March 2021, CPG sales posted a 1.4% year-over-year decline, but the CBA noted that is in comparison to a 21.0% spike in CPG sales in March 2020. To put the data in perspective, annualized CPG sales of

\$1.65 trillion in March 2021 were only slightly lower than the \$1.68 trillion in panic-buying that occurred during March 2020, and March 2021 sales were the highest number seen during the pandemic since March 2020. “We couldn’t have predicted that a full year into the pandemic we’d still be seeing demand at these levels,” said CBA President and CEO Geoff Freeman.

Moreover, the BCG/IRI report highlighted 2020’s growth leaders among large, medium and small CPG companies. Food and beverage manufacturers dominated the rankings, propelled by the shift toward at-home eating. Bimbo Bakeries USA led among large CPG companies, followed by General Mills, Conagra Brands, Mondelez International (“Mondelez”) and The Hershey Company (“Hershey”). Mid-sized growth leaders (\$1.0 billion to \$6.0 billion) included Land O’Lakes and HP Hood, while Idahoan led among small players (\$100.0 million to \$1.0 billion). Notably, according to *Food Business News*, in many cases, small- to mid-size enterprises and start-ups “were able to get into the marketplace [in 2020] because of out-of-stocks of large CPG brands in retail...”

“During the pandemic, food and beverage companies also benefited from pack size innovation.”

During the pandemic, food and beverage companies also benefited from pack size innovation. For instance, Hershey began to provide larger pack sizes for at-home snacking. The company saw sales of its larger chocolate candy offerings increase 12.8%, while sales of smaller pack sizes grew 6.3%. Further, sales of HP Hood's milk products grew 21.6%, driven by increased distribution of larger sizes and a greater focus on 96-ounce cartons.

*Food Business News* reports that premiumization was another key growth driver in 2020. Land O'Lakes leveraged Vermont Creamery's premium positioning to gain 6.7 million new buyers of butter in 2020, a 17.0% increase from 2019. Meanwhile, Idahoan attracted more than four million new buyers during 2020 due to expanded premium offerings, with premium flavored mashed items driving 92.0% of the company's gains.

At the same time, product innovation slowed in 2020 as food and beverage companies focused on keeping their businesses operational while innovations at restaurants also slowed significantly. In 2020, new food and drink line extensions dropped by 29.0% versus the prior three-year average in multi-outlet retailers and convenience stores, according to a report from IRI.

### Packaged/Branded Food

Due to the fact that there was a boom in demand for packaged/branded food in 2020, manufacturers struggled to keep up with the demand for inventory. To meet the challenge, companies have been hiring more workers, adding new factory lines and raising wages. Some, such as General Mills and Clorox, have even temporarily turned to third-party manufacturers in order to respond to skyrocketing demand.

Due to these market conditions, many major packaged/branded food and beverage companies reported increased sales, as seen by the following examples:

- The world's biggest food group, Nestlé SA ("Nestlé"), reported total organic sales growth of 3.6% during 2020. In addition, during the first quarter of 2021, the company recorded organic sales growth of 7.7% and pricing growth of 1.2%. Also, in the first quarter, total

sales increased by 1.3% to 21.09 billion Swiss francs (US\$23.08 billion) from 20.81 billion Swiss francs in the first quarter of 2020. Moreover, Nestlé executives expect organic retail sales to moderate during 2021 but to remain at higher levels than in 2019, prior to the pandemic. Notably, however, according to Francois-Xavier Roger, executive vice president and chief financial officer at Nestlé, in 2021, the company is dealing with input price increases for commodities, packaging material and transportation costs, all of which have led the company to increase prices.

- During 2020, Kraft Heinz Company's ("Kraft") sales rose 4.8% for the year. In the U.S., net sales increased 7.6% to \$19.2 billion from \$17.8 billion in 2019. Additionally, U.S. organic net sales (organic net sales is net sales excluding, when they occur, the impact of currency, acquisitions and divestitures, and a 53rd week of shipments) rose 6.5% during 2020. Meanwhile, during the first quarter of 2021, net sales increased 3.9% to \$6.4 billion, and organic net sales increased 2.5% compared to the first quarter of 2020. In the U.S., net sales were up 2.5%, as were organic net sales. Further, pricing was up 1.5 percentage points during the first quarter of 2021 versus the prior year. Kraft expects to deliver a 2021 financial performance ahead of its strategic plan. Further, for the second quarter of 2021, and based on performance to date, Kraft expects a mid-single-digit percentage increase in organic net sales during the second quarter of 2021.
- Tyson Foods, Inc. ("Tyson"), the nation's largest meat processor by sales, reports that, for its fiscal 2021 first quarter, ending January 2, 2021, sales dipped slightly, to \$10.5 billion, compared to \$10.8 billion during the first quarter of fiscal 2020 (ending December 28, 2019). Meanwhile, during the second fiscal quarter, ending April 3, 2021, Tyson's sales rose by about 4.0% to \$11.3 billion compared to the same quarter a year earlier. Further, net income in the second quarter of 2021 totaled \$476.0 million, up 27.0% from \$376.0 million during the same period in fiscal 2020. Notably, Tyson expects fiscal 2021 revenue in the range of \$44.0 billion to \$46.0 billion, up from a previous forecast for revenue in the upper end of a \$42.0 to \$44.0 billion range. Still, Tyson warns that rising costs will impact profits later in the year, as increased costs for labor, transportation

and raw materials like grain and packaging are impacting numerous companies, including Tyson – and, as previously mentioned, Nestlé.

- The Kellogg Company (“Kellogg”) recorded net income of \$368.0 million in the first quarter of 2021, up 6.0% from \$347.0 million in the first quarter of 2020. Net sales were \$3.58 billion, up 5.0% from \$3.41 billion the year before. In North America, first quarter 2021 sales were \$2.13 billion, up 1.6% from \$2.1 billion. By product line, snack sales were up 3.8%, cereal was down 1.9% and frozen foods were up 0.6%. According to Kellogg, supply constraints were to blame for the sluggish sales of ready-to-eat cereal in the first quarter. For 2021 as a whole, Kellogg projects flat net sales, an improvement from a decline of 1.0% the company previously forecasted.
- Mondelez’s first quarter 2021 net revenues increased 7.9% from the first quarter of 2020, to \$7.2 billion, driven by organic net revenue growth of 3.8%. According to Dirk Van de Put, chairman and CEO, “Our first quarter results demonstrate that we are emerging from the COVID-19 pandemic stronger, as we continue to build upon our track record of robust growth, profitability and cash generation.” For 2021 as a whole, Mondelez forecasts net revenue growth of 3.0%.
- Finally, PepsiCo, Inc. reported fiscal first quarter 2021 (ending March 20, 2021) sales of \$14.8 billion, up from \$13.9 billion in the first quarter of fiscal 2020. Both Frito-Lay North America and PepsiCo Beverages North America (“PBNA”) performed well during the quarter; Frito-Lay’s sales were \$4.2 billion, up from \$4.1 billion the year before, and PBNA’s sales exceeded \$5.0 billion, up from \$4.8 billion.

While these packaged/branded firms have experienced positive results in 2021, at Coca-Cola Company (“Coca-Cola”), although some positive signs emerged during the first quarter of 2021, the company says that “the path to recovery remains asynchronous around the world.” In addition, the company suggests that prospects at Coca-Cola for the balance of the year will be highly reliant on progress in the battle against the COVID-19 pandemic and the associated ending of lockdowns. According to James Robert B. Quincey, chairman and CEO, although the company saw mid-single-digit volume declines through mid-February 2021,

“trends have improved since then. We’re pleased to say that March marked a return to volume levels seen in March of 2019 prior to the pandemic.” Coca-Cola’s net income in the first quarter of 2021 was \$2.26 billion, down 19.0% from \$2.8 billion in the first quarter of 2020. Net sales were \$9.02 billion, up 5.0% from \$8.6 billion. At the same time, unit case volume in North America fell 6.0% in the first quarter, relative to a year earlier. The region experienced strong growth in sparkling soft drink sales directed toward at-home channels with the fairlife, Simply and Topo Chico brands offering boosts. Notably, although the company continues to face some difficulties, Coca-Cola expects organic revenue growth for the full-year 2021 in the high single digits.

### Outlook

The CBA forecasts that the packaged/branded industry’s 2021 sales will rise by 7.4% to 8.5% compared to pre-pandemic results in 2019.

On the other hand, IRI and BCG predict that, in 2021, in-home food and beverage is likely to revert to flat growth as consumer mobility increases. IRI and BCG suggest that consumers are also expected to return to smaller, single-serve and multi-pack products as they revert to pre-pandemic consumption patterns. At the same time, increased premiumization from large CPGs and hyper-targeted smaller players will likely accelerate alongside continued development of private label and value brands, according to the BCG/IRI report.

Further, food and beverage research firm Datassential notes that 75.0% of U.S. adults say they are looking for new food and beverage ideas in 2021. In response, many major players, including General Mills, Coca-Cola, Kraft, Danone and Kellogg, have announced plans to accelerate their new product innovation programs for 2021, while moving to improve efficiencies by eliminating poorer performing stock-keeping units (“SKUs”). For example, Kraft expects to have 20.0% fewer SKUs by the end of 2021, and Mondelez will cut back by 20.0% as well, executives told analysts at the February 2021 Consumer Analysts Group of New York Annual Conference.



## Food Distribution

According to a May 17, 2021, report by food industry consulting firm Pentallact, in order to mitigate the economic difficulties caused by the COVID-19 pandemic, foodservice distributors implemented a variety of initiatives, including cost cutting, product and customer mix improvements, operational efficiency enhancements and financial engineering/restructuring. Pentallact noted, "Despite a case volume reduction in the 25% range over the past year, it appears that structural damage has been largely averted..."

Indeed, the most recent results for several participants in the food distributors industry show some favorable trends, including sequential improvement in case volumes and success in reducing operating expenses. For the three largest foodservice distributors, organic case volume was -10.3% in the first quarter of 2021 compared to -20.3% during the fourth quarter of 2020.

Despite these developments, Pentallact notes that significant margin pressures and challenges continue to exist. For example, food distributors face increasing product and labor costs, including driver and warehouse personnel shortages; supply chain bottlenecks; a reduced number of independent restaurant operators (although Pentallact believes there will be an influx of new entrants over the next 12 to 36 months); and a shift in consumer preference from full-service (mostly independent) to quick-service (mostly chain) restaurants whose scale and supply chain sophistication translate to markedly lower distributor margins, according to Pentallact.

More specific information regarding the results being experienced by various food distributors is delineated below:

- Sysco, a global food distributor and the largest food distributor in the U.S. – which sells to restaurants, healthcare and educational facilities, lodging establishments and other customers who prepare meals away from home – reported that, for its third fiscal quarter of 2021 (ended March 27, 2021), sales were \$11.8 billion, a decrease of 13.7% compared to the same period the prior year. However, during April 2021, sales increased 102.1% versus April 2020 – although

sales were down 8.8% from April 2019. In the U.S., Sysco's sales for the third fiscal quarter were \$8.4 billion, a decrease of 12.8% versus the same period in fiscal 2020. In the U.S., sales for the first fiscal quarter of 2021 were down 25.7% compared to the same period the prior year, and sales in the second fiscal quarter were down 23.9%. According to Kevin Hourican, Sysco's president and CEO, "A robust business recovery is now upon us. We are seeing consistently improving demand trends from our customers in the United States and we are ready to execute in international as markets reopen."

- US Foods, the second-largest food distributor in the U.S., serving approximately 300,000 restaurants and foodservice operators, said net sales in the first quarter of 2021 decreased 0.7% to \$6.3 billion. This is an improvement from a 10.5% drop in the third quarter of fiscal 2020 and an 11.5% decline in the fourth quarter of fiscal 2020. According to Chairman and CEO Pietro Satriano, "During the first quarter, we saw a meaningful recovery in case volume with our restaurant and hospitality customers. This momentum has continued into the early part of the second quarter as restrictions on in-person dining continue to be lifted in markets across the country."
- During its third quarter of fiscal 2021 (ending March 27, 2021), Performance Food Group ("PFG") recorded net sales of \$7.2 billion, up 3.0% from the third quarter of fiscal 2020. In addition, net sales for the first nine months of fiscal 2021 totaled \$21.1 billion, an increase of 9.2% versus the comparable prior year period. The increase in net sales was primarily attributable to PFG's acquisition of Reinhart Foodservice, LLC, which was completed in December 2019, partially offset by the effects of the COVID-19 pandemic. The acquisition of Reinhart contributed \$4.2 billion to net sales for the first nine months of fiscal 2021 compared to \$1.4 billion of net sales for the prior year period. For the fiscal fourth quarter of 2021, PFG expects net sales to reach at least \$8.2 billion.
- United Natural Foods Inc. ("UNFI"), serving natural product superstores, independent retailers, conventional supermarket chains, ecommerce retailers and foodservice customers, said net sales in its second

quarter of fiscal 2021 (ended January 30, 2021) were \$6.89 billion, up 7.1% from the same period of fiscal 2020. According to UNFI, net sales from continuing operations benefited from strong customer demand from existing and new retailers, including the continued benefits of cross selling, which was partially offset by lower sales resulting from previously lost stores, including closures associated with three customer bankruptcies that occurred prior to the pandemic. For fiscal 2021 as a whole, the company forecasts revenue of \$27.0 to \$27.8 billion assuming "...that food-at-home consumption remains elevated and exceeds food consumed away from home..." for the rest of fiscal 2021.

Notably, due to supply chain difficulties, some food distributors are receiving incomplete orders from manufacturers. In response, during February 2021, Sysco alerted suppliers to fees it began assessing in April 2021 for partial orders, billing discrepancies and missing data such as nutritional information. Sysco also told suppliers it expects them to put Sysco's orders ahead of those from other customers. "We believe all our supplier partners subject to these policies have the capabilities to meet them," said Sysco spokeswoman Shannon Mutschler, adding that this will help restaurant customers as they reopen. Also, according to Nicole Mouskondis, co-CEO of food distributor Nicholas and Co., some restaurant chains have told their food distributors they could be fined for late deliveries, and some replaced longtime distributors with competitors that claim they can procure the goods needed by customers.

At the same time, manufacturers are raising prices for a range of food and other consumer products. "Almost everything is going up," said Jagtar Nijjar, director of imports and commodities at distributor Gordon Food Service Inc. Even at higher prices, the pent-up demand for restaurants is enormous. "People feel bad for their local restaurants. They want to support them," said Sysco's Hourican. According to *The Wall Street Journal*, this is occurring "as companies are trying to get back to business as usual amid a reopening economy. Restaurants are adding back more seats in dining rooms, grocers are resuming service at salad and hot-food bars, and companies are bringing back more people to the office."

## Foodservice Outlook

Consumers continued to ramp up their spending in restaurants in April 2021 (latest available), which the National Restaurant Association ("Association") says was "driven by rising vaccination numbers and the easing of restrictions in many parts of the country." Eating and drinking places – which generate approximately 75.0% of total restaurant and foodservice sales – registered sales of \$64.9 billion on a seasonally-adjusted basis in April, according to preliminary data from the U.S. Census Bureau. That represented the third month of strong sales increases since December 2020. Moreover, sales in April 2021 were nearly \$14.0 billion above December 2020 sales and about \$35.0 billion above sales in April 2020, the pandemic's low point.

Despite the recent gains, sales at eating and drinking places in April 2021 remained \$1.3 billion – or 2.0% – below their pre-pandemic level in February 2020. As such, the industry's total pandemic-induced sales losses continue to mount. In total, between March 2020 and April 2021, restaurant and foodservice sales were down \$290.0 billion from expected levels, according to Association estimates. This includes the sales shortfall at eating and drinking places, plus a sharp reduction in spending at foodservice operations in sectors such as lodging, arts/entertainment/recreation, education, healthcare and retail.

Moreover, Hudson Riehle, senior vice president of the Research & Knowledge Group at the Association, indicates that "...90% of [restaurant] operators say recruiting and retaining employees will likely be more difficult after the pandemic is over than it was before it began. This is a large contributor to why more than half of full-service operators and 42% of limited-service operators polled are unable to open at the maximum-allowed capacity and grow back their business – they do not have enough employees to staff the restaurant."

Additionally, Datassential anticipates that restaurant operators who continue to experience economic challenges will reduce the number of items on their menus in 2021.

That said, according to Riehle, "We continue to see positive growth in sales as consumer confidence grows."

## Food and Beverage M&A Activity

Thus far in 2021, a multitude of packaged/branded food companies and food distributors have announced M&A plans. Much of this activity has been focused in the packaged/branded food segment, with many of these transactions evidencing the importance the segment continues to place on consumer demand for wellness, functional and plant-based products. M&A transactions announced since the beginning of 2021 include the following:

- In May 2021, Utz Brands, Inc. entered into an agreement to acquire Great Lakes Festida Holdings, Inc., the owner and operator of Festida Foods, for \$41.0 million. Festida Foods is a co-packer of tortilla and corn chips as well as pellet snacks and is the largest manufacturer of chips for Utz's On the Border tortilla chip brand. "We expect that this strategic acquisition will enable strong supply chain synergies for our On the Border brand and enhance our ability to expand both On the Border and other Utz power brands geographically in the Midwest," said Dylan B. Lissette, CEO of Utz Brands.
- Also in May 2021, Nestle Health Science agreed to acquire functional hydration brand Nuun, a portfolio company of private equity firm TSG Consumer Partners, for an undisclosed sum. The transaction is expected to close in the third quarter of 2021. The addition of Nuun complements Nestle Health Science's portfolio of active lifestyle nutrition brands, which includes Garden of Life, Boost, Vital Proteins and Persona, among others. In addition, in late April 2021, the business unit announced plans to acquire several vitamin and supplement brands owned by The Bountiful Co. for \$5.75 million. Brands included in that transaction are Nature's Bounty, Puritan's Pride, Solgar and Osteo Bi-Flex.
- 8th Avenue Food & Provisions, Inc., which is partially owned by Post Holdings, Inc., reached an agreement in March 2021 to acquire the Ronzoni dry pasta brand and a dry pasta manufacturing facility located in Winchester, VA, from Riviana Foods Inc. in a transaction valued at \$95.0 million. According to IRI, the Ronzoni brand generated dollar sales of \$132.48 million during the 52 weeks ended February 21, 2021 (latest available), which was up 29.0% from the same period a year prior.
- Olam Food Ingredients, a business unit of Olam International, is acquiring Olde Thompson from the private equity firm Kainos Capital for approximately \$950.0 million. Based in Oxnard, CA, Olde Thompson is a private label manufacturer of dry spices and seasonings.
- In April 2021, SunOpta Inc. acquired the Dream and WestSoy brands from The Hain Celestial Group, Inc., for \$33.0 million. The Dream brand is the number two brand of shelf-stable, plant-based milks. WestSoy is a branded shelf-stable soy beverage.
- U.S. Sugar, a privately-held agribusiness based in Clewiston, FL, will acquire the business and assets of Imperial Sugar Co. from Louis Dreyfus Co.; the two companies entered into a definitive agreement announced on March 24, 2021. The transaction includes Imperial Sugar's consumer-facing sugar brands sold mainly across the southern U.S. It is expected the transaction will close in the second half of 2021.
- Private equity firm Lindsay Goldberg reached an agreement to acquire the North American business of Switzerland-based Aryzta AG for \$850.0 million. Aryzta North America provides bread, sweet and savory baked foods and snacks to customers in the quick-service restaurant, foodservice and retail markets across the U.S. and Canada. The company's portfolio includes both private label and branded offerings under the Otis Spunkmeyer, La Brea Bakery and Oakrun Farm Bakery brands. Aryzta North America operates 15 production facilities with more than 4,000 employees in the U.S. and Canada.
- Specialty food manufacturer Tribe 9 Foods reached an agreement in April 2021 to acquire Carla's Pasta for \$26.3 million. Headquartered in South Windsor, CT, Carla's Pasta makes filled pastas at a 100,000-square-foot plant. The transaction was made as part of a bankruptcy auction in Hartford County, CT. "The pandemic hit us incredibly hard – there's no doubt about that," said Sandro Squatrito, vice president of business development for Carla's Pasta. "While it hurt

us to file for bankruptcy, we're grateful that a value-driven organization such as Tribe 9 will be at the helm going forward."

- Mondelez agreed to acquire Grenade, a maker of protein-centric bars, spreads, shakes and cookies that is headquartered in the U.K. and has a U.S. office in Boise, ID. Terms of the agreement were not disclosed. Grenade products are marketed under the Carb Killa banner. The leading products in the company's portfolio are the bars and spreads. The acquisition of Grenade will be Mondelez's third in 2021. In early March, the company announced plans to acquire Gourmet Food Holdings Pty Ltd. of Melbourne, Australia, a maker of biscuits and crackers. In January, Mondelez acquired Hu Master Holdings, the parent company of Hu Products, a maker of wellness-focused vegan and paleo-friendly snacks.
- One Rock Capital Partners in partnership with Metropoulos & Co. entered into an agreement to acquire Nestle Waters North America for approximately \$4.3 billion. Brands included in the sale are Poland Spring, Deer Park, Ozarka, Ice Mountain, Zephyrhills, Arrowhead, Pure Life and Splash. Nestle will retain ownership of the Perrier, S. Pellegrino and Acqua Panna water brands.
- Plant-based foods maker Tattooed Chef, Inc. has entered into agreements to acquire New Mexico Food Distributors, Inc. and Karsten Tortilla Factory, LLC (collectively referred to as Foods of New Mexico) for approximately \$35.0 million. Headquartered in Albuquerque, NM, Foods of New Mexico manufactures ready-to-eat Mexican food items for both retail and foodservice.
- Sun-Maid Growers of California entered the prepared baby and children's food categories with the acquisition of Plum Organics from The Campbell Soup Company. Terms of the acquisition were not disclosed.
- Hormel Foods is acquiring Kraft's nut business, which includes the Planters brand, for \$3.35 billion in cash. Included in the transaction are most products sold under the Planters brand, including mixed nuts, trail

mix, Nut-trition products, Cheez Balls, Cheez Curls and Corn Nuts. The agreement also includes global intellectual property rights to the Planters brand and manufacturing facilities in Fresno, CA; Fort Smith, AK; and Suffolk, VA. The Planters nut snack business had sales of approximately \$1.1 billion in 2020.

- Private equity firm Brynwood Partners VIII LP ("Brynwood") acquired De Wafelbakkers from The Oklahoma Publishing Company, a subsidiary of the Anschutz Corporation. Financial terms were not disclosed. Based in North Little Rock, AK, De Wafelbakkers is a manufacturer of branded, co-manufactured and private label frozen pancakes, waffles and French toast.
- Private equity firm Kelso & Company acquired Ferraro Foods from another private equity firm, Kainos Capital. Financial terms of the transaction were not disclosed. Headquartered in Piscataway, NJ, Ferraro Foods is a specialty foodservice distributor primarily supplying the Italian restaurant and pizzeria segment in the Eastern U.S. Ferraro sources more than 7,000 products from around the world and distributes to more than 6,000 end customers.
- Above Food Corporation recently finalized a share purchase agreement to acquire Farmer Direct Organic Foods Ltd. ("FDO"), which offers legume proteins and grains that are certified organic. Synergies exist between FDO's supply chain and product portfolio and Above Food's certified organic terminal, according to Above Food. FDO's food products are currently distributed in more than 2,000 retail locations, including Whole Foods Market.

## Notable Closed M&amp;A Transactions — Packaged Food &amp; Beverage Products

Year Closed	Target	Acquirer	Target Packaged Food & Beverage Category
	Name:	Name:	
2021	Nuts Business of The Kraft Heinz Company	Hormel Foods Corporation (NYSE:HRL)	Branded nuts, cheez balls, and cheez curls
2021	Starwest Botanicals, Inc.	Incline Management, L.P.	Botanicals, herbs, and spices
2021	Ready-to-Eat Cereal Business of TreeHouse Foods, Inc.	Post Holdings, Inc. (NYSE:POST)	Cereals
2021	Kona Sea Salt	The Hawaiian Islands Trading Company LLC	Salt
2021	Ronzoni Dry Pasta Brand	8th Avenue Food & Provisions, Inc.	Dry pasta
2021	JTM Foods, LLC	Tenex Capital Management, L.P.	Snack foods, snack pies, and marshmallow crispy treats
2021	Kodiak Cakes, LLC	L Catterton Partners	Whole grain pancakes and mixes
2021	Man Cave Foods, LLC	Swander Pace Capital	Chicken snack sticks
2021	Olde Thompson Inc.	Olam Holdings B.V	Spices
2021	Custom Made Meals LLC	Stellex Capital Management LLC	Oven-ready entrees, appetizers, and sides
2021	Haystack Mountain Creamery	The Stage Fund	Goat milk cheeses
2021	Pete and Gerry's Organics, LLC	British Columbia Investment Management Corp	Organic eggs
2021	Aspire Bakeries	Lindsay Goldberg LLC	Specialty frozen baked goods
2021	Picky Bars, LLC	Laird Superfood, Inc. (NYSEAM:LSF)	Energy bars
2021	Wheat Parent, Inc.	Tilia Holdings, LLC	Bakery products
2021	Assets of Carla's Pasta, Inc.	Tribe 9 Foods LLC	Pasta
2021	Hain Celestial Group's Non-dairy Beverages Business	SunOpta Inc. (TSX:SOY)	Plant-based beverages
2021	Proteus Industries Inc.	Kemin Industries, Inc.	Fish protein products
2021	De Wafelbakkers, LLC	Brynwood Partners Management LLC	Frozen breakfast products
2021	U.S. Waffle Company, Inc.	Cérélia SA	Pancakes and waffles
2021	Revolution Tea, LLC	LIFEBRANDS Natural Food GmbH	Tea
2021	Frozen Manufacturing Business of Dawn Food Products	Rise Baking Company	Frozen foods
2021	Assets of BOU Brands, LLC	Bulligo LLC	Soups
2021	Bubba's Foods LLC	Ka-Pop! Snacks	Grain-free snack foods
2021	Urban Accents, Inc.	Stonewall Kitchen, LLC	Seasonings and spices
2021	Lancaster Fine Foods, Inc.	STIR Foods, LLC	Sauces, dressings, and condiments
2021	Follow Your Heart, Inc.	Danone S.A. (ENXTPA:BN)	Natural food products
2021	Gnocchi Bar	Stone Way Eateries, LLC	Pasta
2021	Fresh Foods Corporation Of America	Sara Lee Frozen Bakery	Snack pies
2021	Feel Good Organics, LLC	WM Partners, LP	Organic products
2021	GBS Partners, Inc.	MBH Corporation PLC (DB:M8H)	Sausage products
2021	Sprout Foods, Inc.	Neptune Wellness Solutions Inc. (TSX:NEPT)	Organic food products
2021	Certain Assets of Vitner's brand	Utz Quality Foods, LLC	Chips and snack products
2021	Wholesome Sweeteners, Inc.	Whole Earth Brands, Inc. (NasdaqCM:FREE)	Sweeteners
2021	Atwell Pecan Co., Inc.	Stuckey's Corporation	Pecans and gourmet candies
2021	Torie & Howard, Inc.	American Licorice Company	Candies
2021	Dry pasta business of Catelli Foods Corporation	Barilla America, Inc.	Pasta
2021	Peter Pan® Peanut Butter Business of Conagra Brands	Post Holdings, Inc. (NYSE:POST)	Peanut butter
2021	PLM Operations, LLC	Tropicale Foods Inc.	Ice cream
2021	Hu Master Holdings, LLC	Mondelez International, Inc. (NasdaqGS:MDLZ)	Chocolate
2020	Hammer & Tuffy's Granola, LLC	Five V Capital	Granola
2020	Wahl's Candies Inc.	Fowler's Chocolates Inc.	Candy and chocolates
2020	Truitt Bros. Inc.	Baxters Food Group Limited	Entrees, soups, sauces, and related products
2020	Truco Enterprises, LP	Heron Holding Corporation	Chips, salsa and queso
2020	Certain Assets of its Dry Pasta and Noodles Business	American Italian Pasta Company	Pasta
2020	Brinkhoff & Monoson, Inc.	Norwest Equity Partners	Spices and seasonings
2020	Nature's Bakery, LLC	KIND LLC	Bakery products
2020	BFY Brands LLC	Frito-Lay North America, Inc.	Healthy snacks

Sources: S&amp;P Capital IQ and public data



## Notable Closed M&A Transactions — Food Distribution

Year Closed	Target	Acquirer	Target Distribution Category
	Name:	Name:	
2021	School Lunch Products, Inc.	GS Foods Group, Inc.	School lunch food products
2021	Southeastern Meats, Inc.	Borgman Capital LLC	Frozen meats, vegetables, and specialty items
2021	DecoPac, Inc.	Kohlberg & Company, L.L.C.	Bakery food products
2021	Nutriscience Innovations, LLC	Tilia Holdings, LLC	Nutritional food ingredients
2021	Vaccaro & Sons Produce, Inc.	GrubMarket, Inc.	Produce and dairy products
2021	Jana Food Services, Inc.	GrubMarket, Inc.	Diversified food products
2021	Nature's Best, Inc.	Halo Collective Inc. (OTCPK:HCAN.F)	Health and natural food products
2021	Ferraro Foods, Inc.	Kelso & Company, L.P.	Italian and pizzeria products
2021	RJ Produce, Inc.	GrubMarket, Inc.	Produce
2021	In2food, Inc.	Dobla USA Manufacturing, LLC	Pastry and chocolate ingredients
2021	Conner Produce Co. Inc.	Crook Brothers, Inc.	Diversified food products
2021	Assets of Pocono Produce Co., Inc.	Metropolitan Foods, Inc.	Diversified food products
2021	Awesome Vibes, Inc.	Pacific Coast Fruit Company, Inc.	Diversified food products
2021	Wine & Spirits Distribution Business	CC One Virgin Islands, LLC	Wines and spirits
2021	Wustefeld Candy Co. Inc.	National Convenience Distributors, LLC	Grocery and convenience products
2021	Fresno Produce, Inc.	GS Foods Group, Inc.	Produce
2021	Richmond Wholesale Meat Co.	IMB Partners	Diversified food products
2021	Bengard Marketing, Inc.	GrubMarket, Inc.	Fruits
2021	Hayes Distributing, Inc.	Good Source Solutions, Inc.	Produce
2021	Culinary Collective	Ocean Brands GP.	Diversified food products
2021	Leonardo's Produce, LLC	FreshEdge, LLC	Groceries and canned foods
2021	J. Shenouda, Inc.	Lipari Foods, LLC	Diversified food products
2021	The Organic Corporation B.V./Tradin Organics USA LLC	Amsterdam Commodities N.V. (ENXTAM:ACOMO)	Food ingredients
2021	Piedmont Coca-Cola Bottling Partnership	Ventures Acquisition LLC	Beverages
2021	Leo's Apples Inc	GrubMarket, Inc.	Fruits
2021	Higgins & White Inc	Skidmore Sales & Distributing Company, Inc.	Food ingredients
2021	Colorado Boxed Beef Company	Quirch Foods, LLC	Refrigerated and frozen products
2021	Best Fresh Produce Inc.	GrubMarket, Inc.	Produce
2021	Brands Within Reach, LLC	Zachert Private Equity GmbH	Food and beverage products

Sources: S&P Capital IQ and public data

## Publicly Traded Food & Beverage Companies

(\$ in millions) Company	Stock Ticker	Enterprise Value	% of 52- Wk. High	LTM Revenue	LTM EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Years	LTM Margins G. Profit	LTM Margins EBITDA	EV / LTM Revenue	EV / LTM EBITDA	EV / NFY Revenue	EV / NFY EBITDA
<b><u>Branded Processed &amp; Packaged Foods</u></b>													
B&G Foods, Inc.	BGS	\$ 4,386	67.8%	\$ 2,024	\$ 384	19.2%	6.7%	24.8%	19.0%	2.2x	11.4x	2.2x	11.9x
Campbell Soup Company	CPB	20,065	91.5%	8,965	2,024	11.0%	6.7%	34.8%	22.6%	2.2x	9.9x	2.4x	11.8x
Conagra Brands, Inc.	CAG	27,842	98.6%	11,733	2,668	13.0%	14.4%	29.3%	22.7%	2.4x	10.4x	2.6x	12.5x
Flowers Foods, Inc.	FLO	5,981	98.7%	4,341	585	3.1%	3.3%	50.0%	13.5%	1.4x	10.2x	1.5x	13.6x
General Mills, Inc.	GIS	50,858	96.3%	18,626	4,291	11.1%	6.0%	35.6%	23.0%	2.7x	11.9x	2.9x	13.8x
The Hershey Company	HSY	39,405	99.1%	8,408	2,311	5.0%	3.4%	46.3%	27.5%	4.7x	17.1x	4.6x	17.4x
Hormel Foods Corporation	HRL	26,193	92.8%	9,869	1,384	2.8%	1.8%	19.3%	14.0%	2.7x	18.9x	2.5x	18.2x
Hostess Brands, Inc.	TWNB	2,990	94.4%	1,039	258	11.9%	9.1%	36.5%	24.8%	2.9x	11.6x	2.8x	11.5x
John B. Sanfilippo & Son, Inc.	JBSS	1,099	97.1%	856	97	(4.1%)	(0.9%)	20.9%	11.3%	1.3x	11.4x	1.3x	n/a
J & J Snack Foods Corp.	JJSF	3,149	99.1%	964	68	(19.2%)	(5.5%)	21.0%	7.0%	3.3x	46.4x	2.8x	22.0x
The J. M. Smucker Company	SJM	19,378	98.2%	8,003	1,867	2.6%	2.8%	39.3%	23.3%	2.4x	10.4x	2.5x	11.7x
Kellogg Company	K	30,441	91.1%	13,942	2,494	3.5%	2.3%	34.2%	17.9%	2.2x	12.2x	2.2x	13.3x
Lancaster Colony Corporation	LANC	5,147	100.0%	1,402	235	4.9%	5.2%	27.0%	16.7%	3.7x	21.9x	3.5x	18.8x
McCormick & Company, Incorporated	MKC	29,270	84.8%	5,871	1,298	10.2%	5.5%	41.1%	22.1%	5.0x	22.6x	4.8x	22.0x
Mondelez International, Inc.	MDLZ	107,194	98.9%	27,112	6,963	4.1%	1.1%	40.4%	25.7%	4.0x	15.4x	3.8x	17.8x
Nestlé S.A.	NESN	390,043	99.7%	95,712	22,122	(8.8%)	(2.0%)	49.4%	23.1%	4.1x	17.6x	4.1x	18.4x
PepsiCo, Inc.	PEP	241,282	99.3%	71,311	13,492	4.6%	3.7%	54.7%	18.9%	3.4x	17.9x	3.2x	16.5x
<b>Median</b>		<b>\$ 26,193</b>	<b>98.2%</b>	<b>\$ 8,408</b>	<b>\$ 1,867</b>	<b>4.6%</b>	<b>3.4%</b>	<b>35.6%</b>	<b>22.1%</b>	<b>2.7x</b>	<b>12.2x</b>	<b>2.8x</b>	<b>15.2x</b>
<b>Mean</b>		<b>\$ 59,101</b>	<b>94.6%</b>	<b>\$ 17,069</b>	<b>\$ 3,679</b>	<b>4.4%</b>	<b>3.7%</b>	<b>35.6%</b>	<b>19.6%</b>	<b>3.0x</b>	<b>16.3x</b>	<b>2.9x</b>	<b>15.7x</b>

### Private Label Food & Beverage

Lamb Weston Holdings, Inc.	LW	\$ 14,288	97.0%	\$ 3,510	\$ 726	(11.1%)	1.7%	22.6%	20.7%	4.1x	19.7x	3.7x	16.5x
Seneca Foods Corporation	SENE.A	548	76.9%	1,471	187	14.0%	6.9%	15.1%	12.7%	0.4x	2.9x	n/a	n/a
TreeHouse Foods, Inc.	THS	4,770	89.6%	4,322	557	0.4%	(11.6%)	19.6%	12.9%	1.1x	8.6x	1.1x	9.4x
<b>Median</b>		<b>\$ 4,770</b>	<b>89.6%</b>	<b>\$ 3,510</b>	<b>\$ 557</b>	<b>0.4%</b>	<b>1.7%</b>	<b>19.6%</b>	<b>12.9%</b>	<b>1.1x</b>	<b>8.6x</b>	<b>2.4x</b>	<b>12.9x</b>
<b>Mean</b>		<b>\$ 6,536</b>	<b>87.8%</b>	<b>\$ 3,101</b>	<b>\$ 490</b>	<b>1.1%</b>	<b>(1.0%)</b>	<b>19.1%</b>	<b>15.4%</b>	<b>1.8x</b>	<b>10.4x</b>	<b>2.4x</b>	<b>12.9x</b>

### Food Ingredients

Givaudan SA	GIVN	\$ 46,377	99.4%	\$ 7,146	\$ 1,565	1.9%	7.8%	42.1%	21.9%	6.5x	29.6x	6.2x	27.2x
Ingredion Incorporated	INGR	8,158	98.1%	6,058	984	(2.5%)	1.2%	21.6%	16.2%	1.3x	8.3x	1.2x	9.0x
International Flavors & Fragrances Inc.	IFF	46,867	97.4%	6,202	1,406	19.5%	21.0%	39.6%	22.7%	7.6x	33.3x	4.0x	16.9x
Kerry Group plc	KRZ	26,107	89.0%	8,506	1,180	(4.0%)	2.8%	46.8%	13.9%	3.1x	22.1x	2.9x	19.5x
Sensient Technologies Corporation	SXT	4,265	99.3%	1,341	236	1.1%	(0.9%)	32.0%	17.6%	3.2x	18.1x	3.3x	18.2x
Symrise AG	SY1	19,925	91.2%	4,306	906	3.3%	5.5%	39.5%	21.0%	4.6x	22.0x	4.4x	20.5x
Tate & Lyle plc	TATE	5,792	96.4%	3,867	723	(2.6%)	1.2%	100.0%	18.7%	1.5x	8.0x	1.5x	8.6x
<b>Median</b>		<b>\$ 19,925</b>	<b>97.4%</b>	<b>\$ 6,058</b>	<b>\$ 984</b>	<b>1.1%</b>	<b>2.8%</b>	<b>39.6%</b>	<b>18.7%</b>	<b>3.2x</b>	<b>22.0x</b>	<b>4.0x</b>	<b>16.9x</b>
<b>Mean</b>		<b>\$ 22,499</b>	<b>95.8%</b>	<b>\$ 5,347</b>	<b>\$ 1,000</b>	<b>2.4%</b>	<b>5.5%</b>	<b>45.9%</b>	<b>18.9%</b>	<b>4.0x</b>	<b>20.2x</b>	<b>3.8x</b>	<b>17.7x</b>

### Grocery & Foodservice Distribution

AMCON Distributing Company	DIT	\$ 126	90.5%	\$ 1,202	\$ 26	13.5%	9.4%	7.7%	2.1%	0.1x	4.9x	n/a	n/a
Core-Mark Holding Company, Inc.	CORE	2,421	96.2%	13,609	219	0.7%	3.0%	6.5%	1.6%	0.2x	11.1x	0.2x	12.4x
Performance Food Group Company	PFGC	9,191	85.5%	26,869	610	6.6%	15.5%	11.7%	2.3%	0.3x	15.1x	0.3x	12.7x
SpartanNash Company	SPTN	1,237	84.5%	9,150	276	3.4%	4.6%	15.5%	3.0%	0.1x	4.5x	0.2x	7.6x
Sysco Corporation	SY	48,558	92.0%	44,028	1,590	(26.0%)	(8.7%)	18.2%	3.6%	1.1x	30.5x	0.8x	14.8x
The Chefs' Warehouse, Inc.	CHEF	1,459	91.3%	1,016	(11)	(36.9%)	(8.6%)	23.2%	(1.1%)	1.4x	n/a	1.0x	29.3x
United Natural Foods, Inc.	UNFI	4,839	94.1%	27,347	1,161	5.1%	41.3%	14.7%	4.2%	0.2x	4.2x	0.2x	8.4x
US Foods Holding Corp.	USFD	14,278	93.5%	22,841	567	(13.0%)	(1.9%)	16.2%	2.5%	0.6x	25.2x	0.5x	12.1x
<b>Median</b>		<b>\$ 3,630</b>	<b>91.7%</b>	<b>\$ 18,225</b>	<b>\$ 422</b>	<b>2.0%</b>	<b>3.8%</b>	<b>15.1%</b>	<b>2.4%</b>	<b>0.3x</b>	<b>11.1x</b>	<b>0.3x</b>	<b>12.4x</b>
<b>Mean</b>		<b>\$ 10,264</b>	<b>91.0%</b>	<b>\$ 18,258</b>	<b>\$ 555</b>	<b>(5.8%)</b>	<b>6.8%</b>	<b>14.2%</b>	<b>2.3%</b>	<b>0.5x</b>	<b>13.6x</b>	<b>0.5x</b>	<b>13.9x</b>

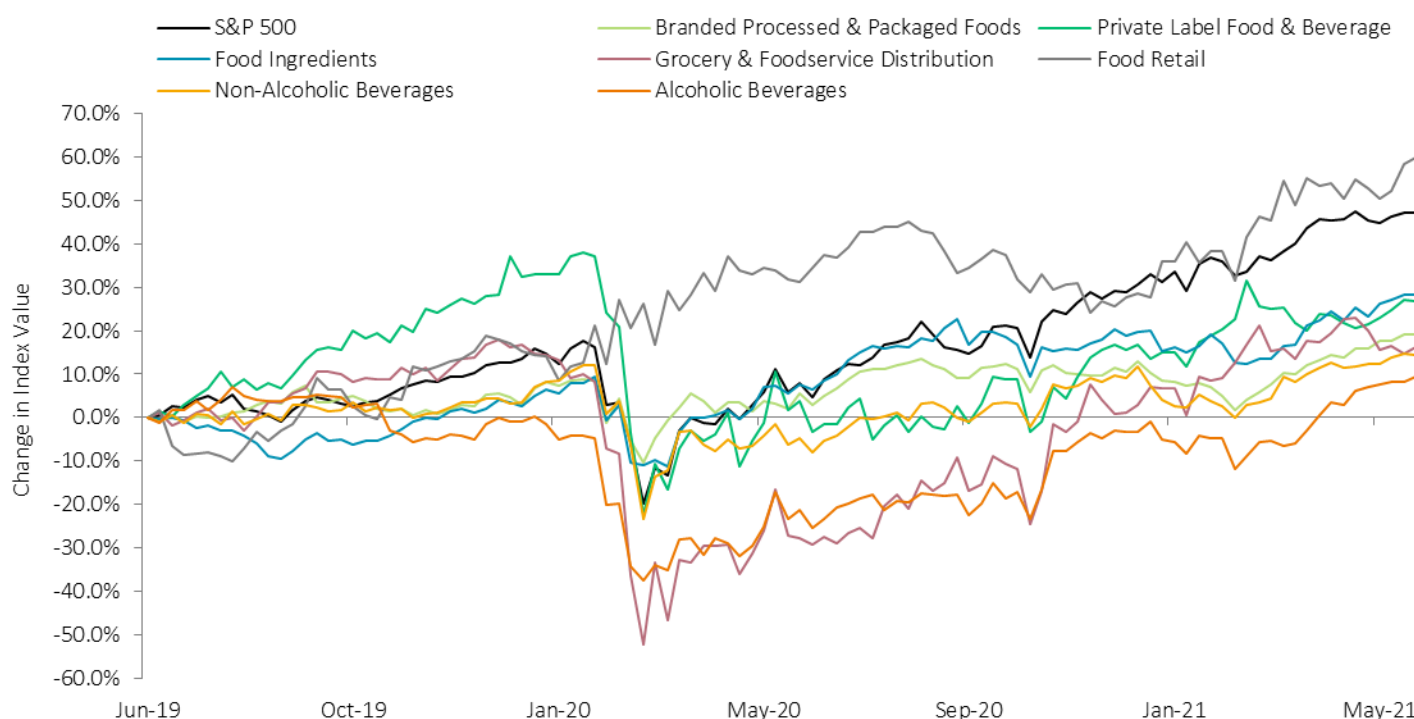
### Food Retail

Ingles Markets, Incorporated	IMKT.A	\$ 1,857	94.8%	\$ 4,762	\$ 473	9.2%	5.4%	26.8%	9.9%	0.4x	3.9x	n/a	n/a
The Kroger Co.	KR	41,204	90.6%	132,498	6,867	8.4%	2.4%	24.0%	5.2%	0.3x	6.0x	0.4x	7.9x
Natural Grocers by Vitamin Cottage, Inc.	NGVC	314	61.3%	1,054	111	9.8%	9.1%	32.1%	10.5%	0.3x	2.8x	0.6x	n/a
Sprouts Farmers Market, Inc.	SFM	3,296	97.0%	6,398	760	9.0%	9.9%	37.2%	11.9%	0.5x	4.3x	0.7x	9.9x
Village Super Market, Inc.	VLGE.A	336	86.1%	1,996	102	15.9%	7.4%	28.0%	5.1%	0.2x	3.3x	n/a	n/a
<b>Median</b>		<b>\$ 1,857</b>	<b>90.6%</b>	<b>\$ 4,762</b>	<b>\$ 473</b>	<b>9.2%</b>	<b>7.4%</b>	<b>28.0%</b>	<b>9.9%</b>	<b>0.3x</b>	<b>3.9x</b>	<b>0.6x</b>	<b>8.9x</b>
<b>Mean</b>		<b>\$ 9,401</b>	<b>86.0%</b>	<b>\$ 29,341</b>	<b>\$ 1,663</b>	<b>10.5%</b>	<b>6.8%</b>	<b>29.6%</b>	<b>8.5%</b>	<b>0.3x</b>	<b>4.1x</b>	<b>0.6x</b>	<b>8.9x</b>

## Publicly Traded Food & Beverage Companies

(\$ in millions) Company	Stock Ticker	Enterprise Value	% of 52- Wk. High	LTM Revenue	LTM EBITDA	Revenue Growth 1 Year	Revenue Growth 3 Years	LTM Margins G. Profit	LTM Margins EBITDA	EV / LTM Revenue	EV / LTM EBITDA	EV / NFY Revenue	EV / NFY EBITDA
<b>Non-Alcoholic Beverages</b>													
The Coca-Cola Company	KO	\$ 276,239	99.2%	\$ 33,433	\$ 13,230	(10.1%)	(1.1%)	59.4%	39.6%	8.3x	20.9x	7.4x	21.7x
Keurig Dr Pepper Inc.	KDP	65,766	99.3%	11,907	3,896	6.0%	-	56.2%	32.7%	5.5x	16.9x	5.4x	16.3x
Monster Beverage Corporation	MNST	47,686	95.0%	4,780	1,749	10.7%	11.2%	58.6%	36.6%	10.0x	27.3x	8.7x	24.8x
National Beverage Corp.	FIZZ	4,554	51.4%	1,074	255	9.8%	4.4%	39.1%	23.8%	4.2x	17.8x	4.2x	19.2x
PepsiCo, Inc.	PEP	241,282	99.3%	71,311	13,492	4.6%	3.7%	54.7%	18.9%	3.4x	17.9x	3.2x	16.5x
<b>Median</b>		<b>\$ 65,766</b>	<b>99.2%</b>	<b>\$ 11,907</b>	<b>\$ 3,896</b>	<b>6.0%</b>	<b>3.7%</b>	<b>56.2%</b>	<b>32.7%</b>	<b>5.5x</b>	<b>17.9x</b>	<b>5.4x</b>	<b>19.2x</b>
<b>Mean</b>		<b>\$ 127,105</b>	<b>88.8%</b>	<b>\$ 24,501</b>	<b>\$ 6,525</b>	<b>4.2%</b>	<b>3.6%</b>	<b>53.6%</b>	<b>30.3%</b>	<b>6.3x</b>	<b>20.1x</b>	<b>5.8x</b>	<b>19.7x</b>
<b>Alcoholic Beverages</b>													
Anheuser-Busch InBev SA/NV	ABE	\$ 250,964	99.8%	\$ 48,171	\$ 16,638	(5.7%)	(5.2%)	57.9%	34.5%	5.2x	15.1x	4.7x	13.0x
Brown-Forman Corporation	BF.B	38,867	95.9%	3,358	1,147	(1.2%)	1.5%	61.0%	34.2%	11.6x	33.9x	10.8x	30.9x
The Boston Beer Company, Inc.	SAM	13,128	80.7%	1,951	390	46.8%	29.8%	47.6%	20.0%	6.7x	33.7x	4.9x	24.1x
Carlsberg A/S	CARL	31,973	101.5%	9,621	2,290	(11.2%)	(1.2%)	48.4%	23.8%	3.3x	14.0x	n/a	n/a
Constellation Brands, Inc.	STZ	56,511	97.7%	8,615	3,728	3.3%	4.4%	53.1%	43.3%	6.6x	15.2x	6.7x	17.8x
Diageo plc	DGE	133,549	99.0%	15,600	5,349	(13.2%)	(2.1%)	59.6%	34.3%	8.6x	25.0x	7.4x	21.4x
Heineken N.V.	HEIA	87,559	97.9%	24,116	4,555	(17.7%)	(3.0%)	37.9%	18.9%	3.6x	19.2x	3.4x	15.3x
Molson Coors Beverage Company	TAP	21,204	99.3%	9,450	2,388	(9.0%)	(4.6%)	41.0%	25.3%	2.2x	8.9x	2.1x	9.6x
<b>Median</b>		<b>\$ 47,689</b>	<b>98.4%</b>	<b>\$ 9,535</b>	<b>\$ 3,058</b>	<b>(7.4%)</b>	<b>(1.6%)</b>	<b>50.8%</b>	<b>29.7%</b>	<b>5.9x</b>	<b>17.2x</b>	<b>5.0x</b>	<b>16.5x</b>
<b>Mean</b>		<b>\$ 79,219</b>	<b>96.5%</b>	<b>\$ 15,110</b>	<b>\$ 4,561</b>	<b>(1.0%)</b>	<b>2.5%</b>	<b>50.8%</b>	<b>29.3%</b>	<b>6.0x</b>	<b>20.6x</b>	<b>4.9x</b>	<b>16.0x</b>

## Food & Beverage Index Performance vs. S&P 500



Food & beverage sectors have rebounded from their March 2020 lows. Nonetheless, only the food retail sector has outperformed the S&P 500 over the last two years.

Note: Valuation data as of 06/08/2020

Sources: S&P Capital IQ and public data

## About Prairie Capital Advisors

Prairie offers investment banking, ESOP advisory, valuation advisory and financial reporting valuations to support the growth and ownership transition strategies of middle-market companies. Headquartered in Oakbrook Terrace, Illinois, Prairie is a leading advisor to closely-held companies nationwide.



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## Select Food & Beverage Experience



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