

Prairie Industry Perspective

Food & Beverage Industry

PRAIRIE

December 2022



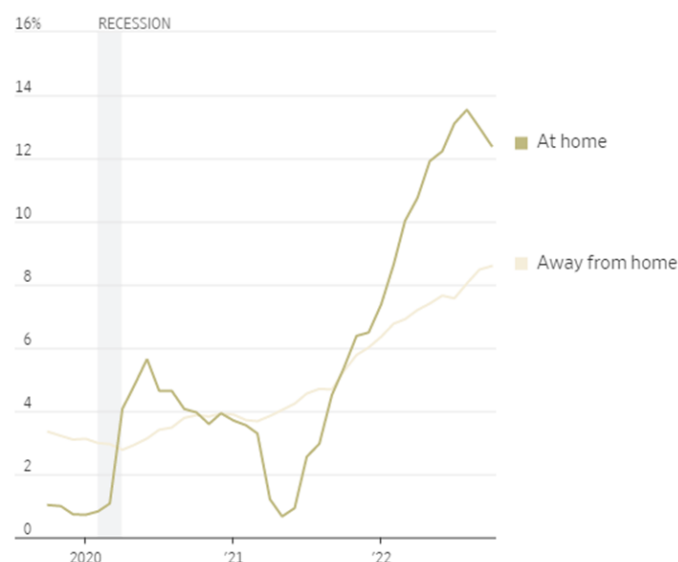
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Recent Industry Performance

During 2022, the cost of nearly all food and beverages (“F&B”) in the U.S. has been accelerating. Year-to-date through October 2022 (latest available), prices for groceries rose 12.4% compared to the same timeframe in 2021, while the cost of eating out increased 8.6%. Looking at the price tag for some specific products, the cost of eggs rose 43.0% during the first 10 months of 2022, butter was up 26.7%, the bill for flour soared 24.6%, lettuce increased 17.7%, the cost of potatoes jumped 15.2% and poultry prices grew 14.9%. The charge for bread, rice and coffee each rose 14.8%.

Groceries and Restaurants

Food, percentage change from a year ago



Source: Labor Department via St. Louis Fed

The Wall Street Journal (“WSJ”) notes that, in many cases, packaged food companies justified higher price tags on the impacts of inflation—in other words, packaged food companies said increasing the amount they charged consumers was the only way they could recoup the rising costs they had to pay for material costs, transportation and labor.

In response, some consumers altered their shopping habits by seeking out low-cost store brands, forgoing expensive meats, signing up for discount programs and comparing prices between various stores before making a selection. Meanwhile, The Kellogg Company’s (“Kellogg”) CEO Steve Cahillane notes that some consumers’ purchasing patterns changed in 2022 depending on the time of the month. For

example, he suggests that some shoppers became more likely to buy family-size products at the beginning of the month because they had more disposable income at that time. However, by month’s end, when they were often short on funds, consumers were often forced to spend more frugally.

That said, packaged food company executives tell the *WSJ* that rising prices have certainly not resulted in consumers forgoing branded products or “broadly [giving] up their snacks and candy.” Demand

remains high for many well-known products, and shoppers continue to purchase their favorite items—even if the cost has increased significantly. For example, Dirk Van de Put, CEO of Mondelez International (“Mondelez”), which makes Cadbury candy and Oreo cookies, reports, “We see the consumer saying that chocolate is really something they cannot live without.” Similarly, the *WSJ* reports that Kraft Heinz Company (“Kraft”) says shoppers “across all income levels continue to buy the company’s products, which range from pasta sauce to cream cheese,” despite price gains of around 15.0%. In fact, *The New York Times* (“NYT”) reports that, in general, “food executives have been surprised by how well the higher food prices have been accepted” by consumers.

Packaged/Branded Food

The price increases that many packaged food companies implemented in 2022 often resulted in a positive impact on total sales. Indeed, the *NYT* notes that recent earnings reports from major packaged food companies “revealed more robust earnings than many analysts expected, suggesting that many consumers are still able to absorb higher prices.”

- **Nestlé SA (“Nestlé”)**, the world’s largest packaged-food company, reports that sales increased by 9.3% at constant currencies during the third quarter of 2022, compared with the same period a year earlier. Notably, however, all of Nestlé’s growth during the quarter resulted from charging higher prices as opposed to selling more products. In fact, while prices rose 9.5% compared to the third quarter of 2021, the quantity of goods sold in the third quarter of 2022 fell by 0.2%. That said, according to Mark Schneider, Nestlé’s CEO, the higher prices implemented by the company did not totally offset the increased input costs the company is experiencing. Nevertheless, Schneider adds, “We delivered strong organic growth as we continued to adjust prices responsibly to reflect inflation.” For 2022 as a whole, Nestlé expects organic sales growth of around 8.0%.
- During the third quarter of 2022, net sales recorded by **Kraft** increased 2.9% to \$6.5 billion versus the year-prior period. Meanwhile, organic net sales increased 11.6%

versus the third quarter of 2021. At the same time, Kraft reports that its prices increased by 15.4 percentage points in the third quarter versus the year-prior period, with growth in both net sales and organic net sales “primarily driven by price increases to mitigate rising input costs.” Meanwhile, volume/mix declined 3.8 percentage points from the third quarter of 2021, with declines in both net sales and organic net sales that were “primarily driven by supply constraints and elasticity impacts from pricing actions.” According to Kraft executives, consumer demand remained strong during the quarter, and consumers still purchased the company’s products even as Kraft raised prices. For 2022 overall, Kraft says it “continues to expect [a] strong financial performance...and reaffirms” its forecast for organic net sales growth of a high-single-digit percentage increase versus the prior-year period.

- **Tyson Foods, Inc. (“Tyson”)**, a leading producer of protein, including brands such as Tyson, Jimmy Dean, Hillshire Farm, Ball Park, Wright, Aidells, ibp and State Fair, reports that, for its fiscal 2022 fourth quarter, ending October 1, 2022, sales rose about 7.0% to \$13.7 billion as prices across its business rose 5.0% and sales volume grew 2.0%. For the entire year, Tyson’s sales reached \$53.3 billion, compared to \$47.0 billion in fiscal 2021, while the company’s average sales price was up 12.0% and sales volumes were flat. At the same time, the company’s profit for the three months ending October 1st fell to \$538.0 million from \$1.4 billion a year earlier. Still, for fiscal 2022 overall, the company’s profit was \$3.2 billion, up from \$3.0 billion one year before. Notably, the company’s fiscal 2022 results varied—sometimes rather significantly—between its various segments. For instance, the average sales price for beef was 8.0% lower in the company’s fourth quarter compared with the same period the year prior as consumers opted for less costly cuts of meat. However, for fiscal year 2022 as a whole, the average sale price for beef rose 10.0%. Similarly, the price of pork was 1.5% lower in the fourth quarter but up 4.1% for the year. The sales price of chicken, meanwhile, surged by about 18.0% for both the quarter and the year. Prices also increased 11.4% during the fourth quarter for Tyson’s prepared foods business, which includes brands such as Jimmy Dean and Ball Park, and

13.5% in fiscal 2022. Looking to fiscal 2023, Tyson projects full-year sales of between \$55.0 and \$57.0 billion.

- **Kellogg** reports that net sales rose 9.0% from \$3.6 billion in the third quarter of 2021 to \$3.9 billion in the third quarter of 2022 (ending October 1st). Meanwhile, organic sales rose 13.4% from \$3.6 billion to \$4.1 billion in the comparative quarters. Notably, the company's North America division reported that, in the third quarter of fiscal 2022, net sales rose by 14.0% year-on-year driven by both price/mix and volume growth. The North American division also featured sustained momentum in snacks and continued acceleration in cereal as the division resumed commercial activity after rebuilding inventory following 2021's fire and strike. In any case, the company raised its guidance for organic-basis net sales growth to approximately 10.0% from its prior guidance of approximately 7.0% to 8.0%.
- During the third quarter of 2022, net revenues for **Mondelez** increased 8.1% from the third quarter of 2021, to \$7.8 billion, driven by organic net revenue growth of 12.1% and incremental sales from the company's acquisitions of Clif Bar and Chipita, partially offset by unfavorable currency. Pricing and volume drove organic net revenue growth during the quarter. According to Van de Put, the third quarter's results are evidence that the company's brands remain in demand, even in spite of the price increases the company has imposed. However, during the quarter, the company's profit fell to \$532.0 million, or \$0.39 per share, from \$1.3 billion, or \$0.89 per share, the prior year. Still, adjusted earnings per share ("EPS") totaled \$0.74, above analysts' expectation of \$0.69 per adjusted share, according to financial data and analytics firm FactSet. For fiscal 2022 as a whole, Mondelez has updated its forecast and now expects 10.0% organic net revenue growth versus the prior outlook of 8.0%. Additionally, the company anticipates adjusted EPS will rise by 10.0% for fiscal 2022, excluding currency fluctuations, versus a prior forecast of mid-to-high single digits.
- **PepsiCo ("Pepsi")** reported fiscal third quarter 2022 (ending September 3, 2022) net revenue of nearly \$22.0 billion, up 8.8% from \$20.2 billion in the third quarter of fiscal 2021. Additionally, organic revenue climbed 16.0%

during the quarter, fueled by an average 17.0% price increase on the company's products compared to the prior year. Notably, Pepsi also reported a profit of \$2.7 billion, or \$1.95 per share, in the fiscal third quarter compared with \$2.2 billion, or \$1.60 per share, in the fiscal third quarter of 2021. The higher prices the company has been able to charge, along with what Hugh Johnston, Pepsi's chief financial officer, classifies as a better-than-expected consumer reaction to them, are the main reasons that Pepsi has lifted its outlook for the full fiscal year's sales growth. It now forecasts that organic sales will rise by 12.0% in fiscal 2022, double Pepsi's original expectation at the outset of the year.

- **Coca-Cola Company ("Coca-Cola")** reports that, during the third quarter of 2022, net revenues grew 10.0% to \$11.1 billion, and organic revenues grew 16.0%. In addition, Coca-Cola's Chief Financial Officer John Murphy indicates that, during the third quarter, Coca-Cola's prices were 7.0% higher, on average, than during the third quarter of 2021. While the company forecasts that organic revenue will increase by 14.0% to 15.0% overall during 2022, Coca-Cola also expects that global inflation will continue to impact its expenses "across the board" in 2023, and that commodity prices will remain volatile. Moreover, the *WSJ* reports that Coca-Cola is introducing packages at lower price points as it prepares for a global recession. On a conference call with analysts, CEO James Quincey said that, in a recession, consumers tend to try to reduce the amount they spend on each shopping trip, making affordable price points important. Therefore, Coca-Cola's new offerings in the U.S. include quarter-liter bottles and multipacks with fewer cans.

Packaged/Branded Food & Beverage Outlook

Nestlé and Mondelez—along with many other packaged food companies—plan to continue to pass the increases in cost they are experiencing on to their customers. As a result, they expect to continue to increase their prices moving into 2023.

However, some critics say that packaged food companies are taking advantage of consumers. For instance, the *NYT* reports that, "some food companies...are continuing to raise prices even if their own inflation-driven costs have been

covered. Critics say the moves are all about increasing profits, not covering expenses.” In that regard, the *NYT* notes that, according to Jason English, an analyst at Goldman Sachs, packaged food company Conagra Brands has been successful in pricing its products above the rate of inflation and has already recovered its profit margins. It remains to be seen how consumers will respond to additional price increases and whether pricing will impact demand.

Food Distribution

According to food industry consulting firm Pentallact, despite a decline in consumer visits to restaurants and ongoing—but “moderating”—cost pressures, the financial results for large foodservice distributors during the third calendar quarter of 2022 “met or exceeded analyst expectations for sales and profitability.” Pentallact indicates that, while these results are evidence of the distributors’ focus on improving strategies such as product mix and channel diversification, “[p]erhaps most tellingly, the results reflect a resilient end-market that has, to date, generally accepted painful menu price increases.” Following is the most recent information available regarding the financial results experienced by several major U.S. food distributors:

- **Sysco**, a global food distributor as well as the largest food distributor in the U.S.—selling to more than 70,000 customers globally, including restaurants, healthcare and educational facilities, lodging establishments and other customers who prepare meals away from home—reports that, for the first quarter of fiscal year 2023 (ended October 1, 2022), sales were \$19.1 billion, an increase of 16.2% compared to the same period in fiscal year 2022. Notably, international operations grew 13.4% from the first quarter of fiscal year 2022, reaching \$3.3 billion. Further, \$13.6 billion of sales came from the company’s U.S. operations, a 17.2% year-over-year increase from \$11.6 billion in the first quarter of fiscal year 2022. Meanwhile, Sysco’s gross profit increased 17.4% to \$3.5 billion, primarily due to higher volumes, management of inflation and partnership growth initiatives. Additionally, operating expenses increased \$414.5 million, or 17.7%, compared to the same period in fiscal 2022, driven by increased volumes, cost inflation, continued operational pressures from the

operating environment and the company’s planned investments to drive its transformation initiatives. Sysco’s President and CEO Kevin Hourican reports the company experienced sales growth of more than 1.40 times the rest of the industry, putting Sysco on pace to grow by more than 1.35 times the market for fiscal year 2023. In May 2021, Sysco made public a plan to grow 1.50 times faster than the market average and cut \$750.0 million in costs by fiscal year 2024.

- **US Foods**, the second-largest food distributor in the U.S., serving approximately 250,000 restaurants and foodservice operators, says net sales in the third quarter of 2022 increased 13.0% from the third quarter of 2021 to \$8.9 billion. Net sales were driven by food cost inflation of 12.0% compared to the same quarter one year prior. Further, gross profit increased 17.6% to \$1.5 billion. According to US Foods, “Key drivers included optimized pricing, increased freight income from improved inbound logistics, cost of goods sold optimization and food cost inflation in multiple product categories.”
- During its first quarter of fiscal 2023 (ending October 1, 2022), **Performance Food Group (“PFG”)** recorded net sales of \$14.7 billion, up 41.7% from the first quarter of fiscal 2022. Notably, the increase in net sales was primarily attributable to the acquisition of Core-Mark Holding Company, Inc. (“Core-Mark”), one of the largest distributors of fresh and broadline products to the convenience retail industry, in the first quarter of fiscal 2022 and an increase in selling price per case as a result of inflation. The acquisition of Core-Mark contributed \$4.7 billion of net sales in the first quarter of fiscal 2023 compared to \$1.6 billion of net sales in the first quarter of fiscal 2022. Overall product cost inflation for PFG was approximately 12.3%. Moreover, first quarter net sales for the foodservice segment increased 15.2% to \$7.3 billion compared to the prior-year period. The increase in net sales was driven by a rise in selling price per case as a result of inflation. Overall product cost inflation for the foodservice segment was approximately 13.6% for the first quarter of fiscal 2023.
- **United Natural Foods Inc. (“UNFI”)**—the largest grocery wholesaler in North America, delivering products to more than 30,000 locations, including natural product

superstores, independent retailers, conventional supermarket chains, ecommerce retailers and foodservice customers—reported net sales in its fourth quarter of fiscal 2022 (ended July 30, 2022) were \$7.3 billion, up 8.0% from the same period in fiscal 2021, primarily driven by inflation and new business from both existing and new customers, including the benefit of cross selling, partially offset by supply chain challenges and reduced unit sales growth. According to UNFI CEO Sandy Douglas, “Our fourth quarter capped a year of improving operational performance driving strong financial results. Our commitment to delivering higher customer service levels amidst significant industry and economic uncertainty helped us achieve market share gains.” Based on expectations for continued momentum in fiscal 2023, UNFI forecasts net sales of \$29.8 to \$30.4 billion.

Moreover, Pentallact notes that, during the third quarter of 2022—in addition to Sysco, US Foods and PFG—the other major publicly-traded foodservice distributor, Chef’s Warehouse, a \$2.0 billion distributor of specialty food and center-of-the-plate items to fine dining and independent restaurants, increased its sales and gross profit by 36.3% and 43.5%, respectively, on organic increases of 18.3% for specialty food cases and 11.6% for center-of-the-plate pounds.

Food Distribution Outlook

According to Pentallact, the major foodservice distributors “show an impressive increase in gross profit per case,” which the firm says is a key performance indicator, as well as “a sequential deceleration of operating expense increase.” Pentallact forecasts that these factors “will lead to ongoing earnings leverage, which we expect to be significant over the next several years.”

Moving forward, based on remarks by senior management at several distributor firms, published data and Pentallact’s own observations, the firm suggests that “product cost inflation is easing in many categories such as proteins, the labor situation is improving...inbound fill rates, while still problematic, are on the upswing and customer receptivity to distributor brands is increasing in this environment.” Further, the major distributors are expected to expand their supplier bases in order to improve supply chain reliability. As

a result, Pentallact concludes that firms such as Sysco, US Foods and PFG “are in an enviable position to benefit considerably from a normalizing market.”

Food and Beverage M&A Activity

According to S&P Capital IQ, based on the number of deals announced, merger and acquisition (“M&A”) volume in the F&B industry peaked during 2021. Nevertheless, The Food Institute notes that, although a number of macroeconomic factors—including rising input costs, labor shortages, rising global tensions and historically high inflation—have resulted in a decline in deal flow during 2022, the M&A pipeline in the F&B industry has remained relatively strong. Not only does M&A continue to offer strategic growth opportunities within the numerous sub-sectors of the F&B value chain at a time when demand remains high, but, for some buyers, M&A includes manufacturing facilities, which help lessen the purchaser’s reliance on sometimes unreliable supply chains. Some of the notable M&A transactions announced in the second half of 2022 include the following:

- On November 14, 2022, E & J Gallo Winery announced its acquisition of California wine producer Denner Vineyards. Terms of the transaction were not disclosed. According to Denner Vineyards founder Ron Denner, “Gallo is a family company with a commitment to quality. I have no doubt they will be good stewards of the land and preserve our legacy of creating sought-after wines and offering best-in-class winery experiences.” Denner Vineyards is best known for its proprietary red blends, Rhône and Bordeaux varietal wines.
- In November 2022, Dessert Holdings completed its acquisition of Dianne’s Fine Desserts from Geneva Glen Capital. Terms of the transaction were not disclosed. As part of the deal, Dessert Holdings acquired Dianne’s thaw-and-serve dessert product line of cheesecakes, layer cakes, pies, tarts, brownies, bars and other specialty desserts. According to *Food Business News*, this deal “marks the second expansion of the Dessert Holdings umbrella following its acquisition by Bain Capital Private Equity in 2021.” In January 2022, Dessert Holdings also acquired gourmet dessert producer Steven Charles, adding it to the company’s existing

portfolio of brands including The Original Cakerie, a manufacturer of clean label desserts; Lawler's Desserts, a producer of layer cakes, pies and other desserts; and Atlanta Cheesecake Co., a cheesecake and fusion desserts manufacturer.

- During October 2022, RG1 Holding Co., LLC, a subsidiary of Ruiz Food Products, Inc. ("Ruiz Foods"), merged with Culinary International, LLC, a Vernon, CA-based contract manufacturer of ready-to-eat frozen and refrigerated foods, including handhelds, appetizers, entrees and tortillas. Founded in 1964, Ruiz Foods manufactures prepared frozen foods for distribution to retail, convenience stores, clubs, vending, industrial and foodservice. The company, with brands such as El Monterey, Tornados, Artisan Bistro and Plantivore, has five facilities in the U.S. Terms of the transaction were not disclosed. The acquisition includes Culinary International's 75,000-square-foot manufacturing facility in Vernon, CA, and its nearby 43,200-square-foot dry goods and cold storage facility. The transaction should provide Ruiz Foods with additional flexible manufacturing capacity on the West Coast. "Culinary International has been a respected and valued supplier for over six years, and we are very proud of this long-term relationship," says Dan Antonelli, president and CEO of Ruiz Foods. "Their expertise in producing retail and foodservice frozen Mexican products will enhance our capacity for flexible manufacturing on the West Coast."
- Also, during October 2022, it was announced that Nestlé is acquiring Seattle's Best Coffee from Starbucks Corporation ("Starbucks"). Terms of the agreement were not disclosed. The Seattle's Best Coffee business includes whole bean, roast and ground packaged coffee as well as K-Cup pods in a variety of roasts and flavor profiles. According to Nestlé, the merger will allow Nestlé to add Seattle's Best Coffee to the global coffee alliance, a partnership between Nestlé and Starbucks, and will add depth to Nestlé's North America coffee portfolio by expanding the company's position in the category. *Food Business News* reports that the alliance between Nestlé and Starbucks was formed in 2018. It is a perpetual licensing agreement between the companies that allows Nestlé to sell and distribute some Starbucks products at retail and foodservice outside of

Starbucks stores. According to *Food Business News*, Nestlé paid Starbucks \$7.2 billion as part of the agreement. In 2021 (latest available), total global sales of Starbucks products distributed by Nestlé reached approximately \$3.1 billion. Meanwhile, the divestment of Seattle's Best Coffee will allow Starbucks to focus on its core business, which Michael Conway, group president, Starbucks International and Channel Development, says is elevating "the premium coffee experience for consumers through the Starbucks brand."

- In September 2022, Wayne Farms and Sanderson Farms, Inc. officially combined their businesses under the Wayne-Sanderson Farms label. The two chicken producers merged following the \$4.5 billion joint acquisition of Sanderson Farms by Continental Grain Co., the parent company of Wayne Farms, and Cargill. Prior to the merger, each company focused on different market sectors, with Wayne Farms specializing in the restaurant and foodservice markets while Sanderson Farms specialized in retail. The new Wayne-Sanderson Farms brand aims to serve all of these market segments and to combine the previously separate market shares. Wayne-Sanderson's name and logo also reflect this union. In fact, according to Clint Rivers, CEO of Wayne-Sanderson Farms, the name and logo were designed to retain the reputation and recognition each company has built.
- Indoor farming company Gotham Greens acquired FreshH2O Growers Inc., a VA-based producer of leafy green salad products, for an undisclosed sum. The purchase includes a 540,000-square-foot hydroponic greenhouse in Stevensburg, VA, that supplies grocery stores in the Mid-Atlantic region. *Food Dive* reports that, while Gotham Greens currently has a presence in the Northeast, Midwest, Mountain and Western regions, the acquisition of FreshH2O Growers "fills in some of the gaps between Gotham Greens' Northeast and Southeast markets." The purchase will also help the company achieve its goal of doubling the size of its greenhouse capacity to more than 1.2 million square feet in 2022.
- Balchem Corporation ("Balchem"), a global special ingredients supplier, acquired Cardinal Associates Inc. of Vancouver, WA, operating as Bergstrom Nutrition

("Bergstrom"), on August 31, 2022, for an undisclosed sum. Bergstrom, through its OptiMSM brand, specializes in the production of methylsulfonylmethane ("MSM") using a proprietary, multi-stage distillation process. According to Bergstrom, as a widely used nutritional ingredient, MSM offers functional benefits for joint health, sports nutrition and healthy aging. Balchem will add Bergstrom to its human nutrition and health business unit, which delivers customized food and beverage ingredient systems.

- In late August 2022, FlavorSum, LLC ("FlavorSum") acquired natural, non-GMO flavor manufacturer Meridian Flavors, Inc. of Fenton, MO. Terms of the transaction were not disclosed. The acquisition is part of FlavorSum's strategy to expand its resources and support capabilities for small, mid-sized and emerging food and beverage companies. "With the onboarding of Meridian Flavors, we strengthen our ability to support our customers' goals through talent, capabilities and flavor offerings," states Brian Briggs, CEO at FlavorSum.
- Fermented Food Holdings, Inc. ("FFH") purchased GLK Foods, LLC's ("GLK") sauerkraut business for an undisclosed sum. As part of the merger, FFH will acquire several sauerkraut brands, including Silver Floss, Cortland Valley, Saverne and Flannigan. According to *Food Business News*, Saverne offers organic and artisanal sauerkraut varieties while the other brands offer conventional flavors. "We believe that the acquisition of GLK's sauerkraut business will add critical supply chain capabilities and distribution reach to unlock our next chapter of growth," says Oliver Joost, co-president of FFH.
- Del Monte Foods, Inc. acquired the Kitchen Basics line of ready-to-use conventional and organic broths and stocks from McCormick & Co. of Hunt Valley, MD. Terms of the acquisition were not disclosed. According to Bibie Wu, chief marketing officer of Del Monte Foods, the acquisition was made in light of the fact that, "We've seen heightened interest in broth and stocks over the last few years as consumers double down on home meal preparation, health and wellness."

- On August 1, 2022, Mondelez International, Inc. ("Mondelez") completed its acquisition of Emeryville, CA-based Clif Bar & Co. for \$2.9 billion. Prior to the deal, Mondelez's snack bar business generated approximately \$300.0 million in sales. With the addition of Clif Bar, Mondelez's bar business is expected to exceed \$1.0 billion in revenues. *Food Business News* notes that the acquisition of Clif Bar builds on Mondelez's continued prioritization of fast-growing snacking segments in key geographies.
- Creatd, Inc., the parent company of Creatd Ventures, recently acquired plant-based breakfast brand Brave. Creatd Ventures' portfolio includes Camp, a gluten-free, plant protein-packed pasta brand; Dune, a line of functional beverages promoting stress relief and immune health benefits; and Basis, a brand of hydration mixes. Brave offers packets of overnight oats formulated with organic, plant-based seeds, nuts and fruit. Terms of the transaction were not disclosed. Notably, Creatd Ventures plans to continue to pursue acquisitions "that align with and complement the brands in our existing Ventures portfolio," says Jeremy Frommer, executive chairman.
- In July 2022, Grain Processing Corporation ("GPC"), a part of the Kent Corporation family of companies, completed its acquisition of Grinnell, IA-based Natural Products, Inc. ("NPI"). NPI makes full-fat soy ingredients made from non-GMO or certified organic soybeans and processes other beans and grains, including chickpeas and oats. Terms of the transaction were not disclosed. "Consumers today want transparency, pristine quality, and assurance their food is healthy and made to the highest quality standards," says Patrick Homoelle, president of GPC. "With NPI's plant-based, non-GMO, organic, and gluten-free ingredient solutions, this acquisition is a great fit with our field to family portfolio of businesses."

Notable Closed M&A Transactions — Packaged Food & Beverage Products

Year Closed	Target	Acquirer	Target Packaged Food & Beverage Category
	Name:	Name:	
2022	City Foods Inc.	LHG Foods Inc.	Beef products
2022	Kohana Coffee, LLC	Westrock Beverage Solutions, LLC	Meats
2022	Larry Mac's Cheese Spreads LLC	Halls Beer Cheese LLC	Cheese
2022	Dianne's Fine Desserts, Inc.	BCPE North Star US Holdco 2, Inc.	Frozen thaw-and-serve desserts
2022	TruFood Manufacturing	Mubadala Capital	Private-label nutrition bars and desserts
2022	Elev8 Hemp, LLC	Apple Rush Company, Inc. (OTCPK:APRU)	Hemp seeds and protein powders
2022	Pod Pack International, LTD.	Joe's Garage Coffee, LLC	Coffee
2022	Spice Chain Corporation	iSpice Foods Inc	Spices
2022	Gathered Foods Corporation	Wicked Foods, Inc.	Plant-based food substitutes
2022	Water Lilies Food LLC	Blue Point Capital Partners, LLC	Asian food products
2022	Freeze-Dry Foods Inc.	Thrive Foods LLC	Freeze-dried food products
2022	Mill Creek Cheese LLC	V&V Supremo Foods, Inc.	Cheese
2022	American Foods Group, LLC	Premium Brands Holdings Corporation (TSX:PBH)	Beef products
2022	Jobbers Meat Packing Co. Inc.	Randall Foods, Inc.	Meats
2022	Paniolo Cattle Company LLC	Parker Ranch, Inc.	Beef products
2022	Seattle Gourmet Foods, Inc.	Promise Holdings LLC.	Gourmet food products
2022	Chef Inspirational Foods, Inc.	T & L Creative Salads, Inc.	Prepared salads
2022	Javo Beverage Company, Inc.	Florida Food Products, LLC	Coffee
2022	Maytag Family Farms, Inc.	AgCertain Industries, Inc.	Cheese products
2022	Chameleon Cold Brew, LLC	SYSTEM Foods	Coffee
2022	Syracuse Food Group, LLC	Standard Meat Company, LP	Sausages and meatballs
2022	Foster Poultry Farms, Inc.	Atlas Holdings LLC	Meat products
2022	Dairyfood USA Inc.	Gilman Cheese Corporation	Dairy products
2022	Sanders Candy, LLC	CapVest Partners LLP	Snacks and treats
2022	DJ's Boudain, LLC	Treaty Oak Equity LLC	Cajun products
2022	D'Artagnan, Inc.	Fortune International, LLC	Natural and organic meats
2022	Leonetti's Inc	Premium Brand Holding Corporation	Italian food products
2022	Mercer Food, LLC	Mubadala Capital	Freeze-dried food products
2022	Casper's Ice Cream, LLC	MidOcean Partners LLP	Ice cream and other frozen products
2021	Clover Stornetta Farms, Inc.	Alpina Productos Alimenticios S.A.	Dairy products
2021	Pancho's Mexican Foods Inc	Sabrosura Foods, LLC	Queso dip
2021	R.W. Garcia Co. Inc.	Utz Brands, Inc. (NYSE:UTZ)	Snack food items
2021	LinkOne Marine Solutions, LLC	3D Corporate Solutions, LLC	Fish products
2021	Popcornopolis, LLC	Barcel USA, LLC	Popcorn
2021	Ohayo Valley Inc.	Cult Food Science Corp.	Beef products
2021	Calabro Cheese Corporation	Granarolo S.p.A.	Dairy Products
2021	Hope Foods, LLC	Savencia SA (ENXTPA:SAVE)	Organic food dips and spreads
2021	Monogram Food Solutions LLC	PPC Investment Partners LP; HF Capital	Snack foods
2021	Wild Planet Foods Inc.	Bolton Group S.R.L.	Seafood
2021	Health-Ade, LLC	First Beverage Ventures	Fermented tea
2021	Maid-Rite Specialty Foods, LLC	Premium Brands Holdings Corporation (TSX:PBH)	Portion-controlled meat products
2021	The Fruit Square People Inc.	Bake'n Joy Foods, Inc.	Bakery products
2021	Bagel Boy, Inc.	Crown Bakeries	Bagels, flatbreads, pitas, and sandwich thins

Sources: S&P Capital IQ and public data

Notable Closed M&A Transactions — Food Distribution

Year Closed	Target	Acquirer	Target Distribution Category
	Name:	Name:	
2022	S. S. Logan Packing Company	Buzz Products, Inc.	Wholesale distributor of meat products
2022	Lipari Foods, LLC	Littlejohn & Co., LLC	Food distributor
2022	Left Coast Food Co.	Green Farms, Inc.	Distributes produce, dry goods and frozen goods
2022	NW Foodservice Distribution, Inc.	Harbor Foodservice	Distributes a variety of food products
2022	FreshEdge, LLC	Wind Point Advisors, LLC	Distributes a variety of fresh food products
2022	Off The Dock Seafood, LLC	Fortune International, LLC	Frozen seafood distributor
2022	Marina Ice Cream Corp.	GlacierPoint Enterprises, Inc.	Distributes ice cream and frozen products
2022	Palo Alto Foods, Inc.	Cheetah Technologies, Inc.	Food distributor
2022	New Orleans Fish House, LLC	Fortune International, LLC	Distributes seafood and specialty products
2022	John Graves Food Service, Inc.	GS Foods Group, Inc.	Operates as a full-line wholesale food distributor
2022	Phyljohn Distributors, Inc.	GlacierPoint Enterprises, Inc.	Distributes ice cream products
2022	Valley Food Services, Inc	Worldwide Produce	Produce and dairy
2022	BERKSHORE, LLC	Wulf Fish Wholesale, LLC	Sea food products
2022	Chef's Choice Products CO.	Worldwide Products	Diversified food products
2022	Salix Fruits LLC	GrubMarket, Inc.	Fruits
2022	Stanz Foodservice, Inc.	Troyer Foods, Inc.	Diversified food products
2022	Ziyad Brothers Importing, LLC	Peak Rock Capital LLC	Diversified food products
2022	Restaurant Beverage Service, Inc.	Julius Meinel Industrieholding GmbH	Specialty beverages
2022	Siegel Egg Co. Inc.	Rotunda Capital Partners	Egg, dairy, and bakery ingredients
2022	Stratum Nutrition	Maxim Corporate Partners, LLC	Nutrition ingredients
2021	Capital Seaboard Inc.	The Chef's Warehouse, Inc (NasdaqGS:CHEF)	Agricultural and dairy products
2021	Monteverdes Inc.	FreshEdge, LLC	Diversified food product
2021	DMH Ingredients, Inc./Naturestock Foods	Batory Foods, Inc.	Diversified food product
2021	Thurston Foods, Inc.	GS Foods Group, Inc.	Diversified food product
2021	Wholesale Produce Supply, LLC	The Baupost Group, LLC; Cross Rapids Capital LP	Produce
2021	Paragon Wholesale Foods Corp.	FreshPoint, Inc.	Dairy and meat products
2021	Shapiro-Gilman-Shandler Co., Inc.	GrubMarket, Inc.	Diversified food product
2021	C & C Produce, LLC	GS Foods Group, Inc.	Produce
2021	E&M Logistics Inc.	Mill Point Capital LLC	Ice cream and other food products
2021	Atlantic Fresh Trading LLC	GrubMarket, Inc.	Produce
2021	Grant J. Hunt Company	GrubMarket, Inc.	Produce
2021	Terminal Produce Corp.	GrubMarket, Inc.	Produce and seafood
2021	JM Swank, LLC	Brenntag Specialties, LLC	Diversified food products
2021	R&C Berndt, Inc.	GrubMarket, Inc.	Fruits
2021	Lakeview Farms, Inc.	CapVest Partners LLP	Diversified food products
2021	Kirnlund Food Distribution, Inc.	HF Foods Group Inc. (NasdaqCM:HFFG)	Chinese food products
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

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
<u>Branded Processed & Packaged Foods</u>											
B&G Foods, Inc.	BGS	\$ 3,245	36.0%	\$ 2,112	\$ 282	5.9%	8.6%	19.1%	13.3%	1.5x	11.5x
Campbell Soup Company	CPB	20,768	99.0%	8,562	1,876	1.0%	1.8%	30.7%	21.9%	2.4x	11.1x
Conagra Brands, Inc.	CAG	27,177	98.8%	11,787	2,008	5.6%	5.3%	24.8%	17.0%	2.3x	13.5x
Flowers Foods, Inc.	FLO	7,048	99.4%	4,707	584	7.7%	4.8%	48.2%	12.4%	1.5x	12.1x
General Mills, Inc.	GIS	61,918	98.5%	19,171	4,031	4.7%	4.6%	32.6%	21.0%	3.2x	15.4x
The Hershey Company	HSY	52,114	96.0%	10,093	2,604	14.3%	8.5%	43.3%	25.8%	5.2x	20.0x
Hormel Foods Corporation	HRL	28,295	86.4%	12,459	1,575	9.4%	9.5%	17.4%	12.6%	2.3x	18.0x
Hostess Brands, Inc.	TWNK	4,320	89.4%	1,316	279	19.5%	13.3%	34.5%	21.2%	3.3x	15.5x
John B. Sanfilippo & Son, Inc.	JBSS	1,019	91.0%	982	100	12.3%	3.3%	20.2%	10.1%	1.0x	10.2x
J&J Snack Foods Corp.	JJSF	3,155	98.6%	1,381	135	20.6%	5.2%	26.8%	9.8%	2.3x	23.4x
The J. M. Smucker Company	SJM	21,007	98.7%	8,169	1,635	3.3%	2.2%	32.0%	20.0%	2.6x	12.8x
Kellogg Company	K	31,863	94.9%	14,902	2,593	4.8%	2.9%	30.2%	17.4%	2.1x	12.3x
Lancaster Colony Corporation	LANC	5,566	95.5%	1,710	213	13.2%	8.8%	21.2%	12.4%	3.3x	26.1x
McCormick & Company, Incorporated	MKC	28,062	79.9%	6,385	1,216	3.9%	6.2%	36.9%	19.0%	4.4x	23.1x
Mondelez International, Inc.	MDLZ	112,503	98.0%	30,459	6,985	7.4%	5.8%	36.5%	22.9%	3.7x	16.1x
Nestlé S.A.	NESN	386,156	87.6%	95,616	28,679	7.0%	(0.7%)	46.7%	30.0%	4.0x	13.5x
PepsiCo, Inc.	PEP	291,797	99.6%	83,644	16,306	9.1%	8.2%	53.2%	19.5%	3.5x	17.9x
Median		\$ 27,177	96.0%	\$ 8,562	\$ 1,635	7.4%	5.3%	32.0%	19.0%	2.6x	15.4x
Mean		\$ 63,883	91.0%	\$ 18,438	\$ 4,182	8.8%	5.8%	32.6%	18.0%	2.9x	16.0x
<u>Private Label Food & Beverage</u>											
Lamb Weston Holdings, Inc.	LW	\$ 14,699	98.3%	\$ 4,240	\$ 933	12.1%	3.4%	22.5%	22.0%	3.5x	15.8x
Seneca Foods Corporation	SENE.A	836	97.1%	1,483	123	6.2%	5.3%	9.2%	8.3%	0.6x	6.8x
TreeHouse Foods, Inc.	THS	4,553	96.5%	4,656	381	40.8%	2.3%	15.0%	8.2%	1.0x	11.9x
Median		\$ 4,553	97.1%	\$ 4,240	\$ 381	12.1%	3.4%	15.0%	8.3%	1.0x	11.9x
Mean		\$ 6,696	97.3%	\$ 3,460	\$ 479	19.7%	3.7%	15.6%	12.8%	1.7x	11.5x
<u>Food Ingredients</u>											
Givaudan SA	GIVN	\$ 36,764	65.4%	\$ 7,292	\$ 1,528	7.6%	5.4%	40.7%	21.0%	5.0x	24.1x
Ingredion Incorporated	INGR	8,648	96.2%	7,714	943	14.6%	5.7%	18.6%	12.2%	1.1x	9.2x
International Flavors & Fragrances Inc.	IFF	37,557	70.3%	12,627	2,762	27.6%	35.5%	33.8%	21.9%	3.0x	13.6x
Kerry Group plc	KRZ	19,359	76.6%	8,181	1,140	9.9%	4.0%	49.8%	13.9%	2.4x	17.0x
Sensient Technologies Corporation	SXT	3,654	73.2%	1,429	257	3.9%	2.4%	34.3%	18.0%	2.6x	14.2x
Symrise AG	SY1	18,542	83.4%	4,368	940	15.8%	8.5%	38.1%	21.5%	4.2x	19.7x
Tate & Lyle plc	TATE	3,934	80.7%	1,747	275	23.0%	(18.0%)	55.6%	15.8%	2.3x	14.3x
Median		\$ 18,542	76.6%	\$ 7,292	\$ 943	14.6%	5.4%	38.1%	18.0%	2.6x	14.3x
Mean		\$ 18,351	78.0%	\$ 6,194	\$ 1,121	14.6%	6.2%	38.7%	17.8%	2.9x	16.0x
<u>Grocery & Foodservice Distribution</u>											
AMCON Distributing Company	DIT	\$ 214	68.6%	\$ 1,544	\$ 35	21.7%	14.7%	8.3%	2.3%	0.1x	6.1x
Performance Food Group Company	PFGC	13,589	98.7%	51,013	1,169	59.7%	33.5%	11.2%	2.3%	0.3x	11.6x
SpartanNash Company	SPTN	1,672	88.0%	9,427	253	3.8%	3.8%	15.7%	2.7%	0.2x	6.6x
Sysco Corporation	SY	54,015	94.0%	71,306	3,633	27.4%	5.8%	18.0%	5.1%	0.8x	14.9x
The Chefs' Warehouse, Inc.	CHEF	1,852	92.8%	2,380	145	62.0%	15.1%	23.4%	6.1%	0.8x	12.8x
United Natural Foods, Inc.	UNFI	4,810	78.5%	28,928	981	7.3%	9.0%	14.5%	3.4%	0.2x	4.9x
US Foods Holding Corp.	USFD	13,456	91.0%	33,181	1,002	18.6%	9.8%	15.9%	3.0%	0.4x	13.4x
Median		\$ 4,810	91.0%	\$ 28,928	\$ 981	21.7%	9.8%	15.7%	3.0%	0.3x	11.6x
Mean		\$ 12,801	87.4%	\$ 28,254	\$ 1,031	28.6%	13.1%	15.3%	3.5%	0.4x	10.0x
<u>Food Retail</u>											
Ingles Markets, Incorporated	IMKT.A	\$ 2,178	97.9%	\$ 5,679	\$ 504	-	-	24.9%	8.9%	0.4x	4.3x
The Kroger Co.	KR	46,966	77.1%	146,484	8,346	8.0%	6.4%	22.2%	5.7%	0.3x	5.6x
Natural Grocers by Vitamin Cottage, Inc.	NGVC	282	41.9%	1,090	113	3.2%	6.4%	28.0%	10.4%	0.3x	2.5x
Sprouts Farmers Market, Inc.	SFM	3,554	96.5%	6,320	743	1.8%	4.5%	36.7%	11.8%	0.6x	4.8x
Village Super Market, Inc.	VLGE.A	293	90.3%	2,061	131	1.5%	7.8%	28.1%	6.4%	0.1x	2.2x
Median		\$ 2,178	90.3%	\$ 5,679	\$ 504	1.8%	6.4%	28.0%	8.9%	0.3x	4.3x
Mean		\$ 10,655	80.7%	\$ 32,327	\$ 1,967	2.9%	5.0%	28.0%	8.6%	0.3x	3.9x

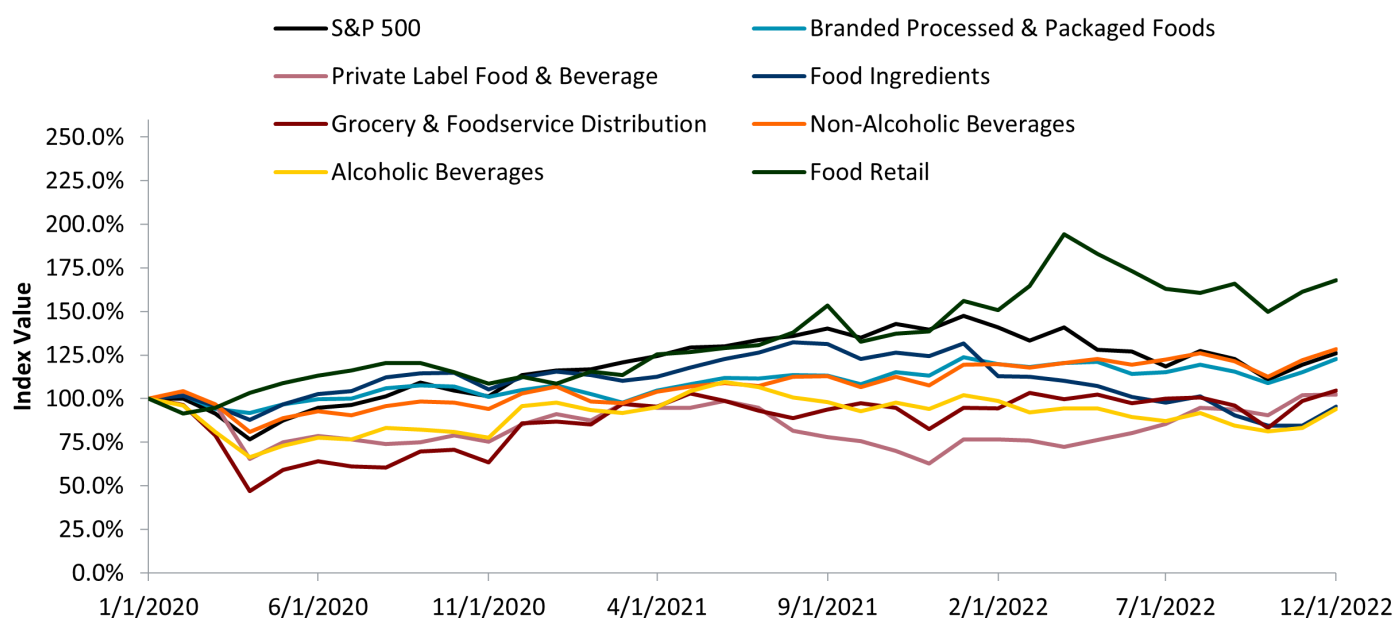
Publicly Traded Food & Beverage Companies

(\$ in millions) Company	Stock Ticker	Enterprise Value	% of 52- Wk. High	LTM Revenue	EBITDA	Revenue Growth 1 Year	3 Years	LTM Margins G. Profit	EBITDA	Rev
Non-Alcoholic Beverages										
The Coca-Cola Company	KO	\$ 305,463	94.9%	\$ 42,343	\$ 15,284	12.0%	5.6%	58.5%	36.1%	
Keurig Dr Pepper Inc.	KDP	66,493	93.7%	13,645	3,627	9.9%	7.5%	52.1%	26.6%	
Monster Beverage Corporation	MNST	51,221	98.8%	6,223	1,680	17.1%	14.9%	50.7%	27.0%	
National Beverage Corp.	FIZZ	4,724	88.9%	1,144	218	4.9%	5.1%	34.3%	19.0%	
PepsiCo, Inc.	PEP	291,797	99.6%	83,644	16,306	9.1%	8.2%	53.2%	19.5%	
	Median	\$ 66,493	94.9%	\$ 13,645	\$ 3,627	9.9%	7.5%	52.1%	26.6%	
	Mean	\$ 143,940	95.2%	\$ 29,400	\$ 7,423	10.6%	8.2%	49.8%	25.6%	

Alcoholic Beverages

Anheuser-Busch InBev SA/NV	ABI	\$ 211,924	95.3%	\$ 57,316	\$ 18,837	8.4%	1.8%	55.1%	32.9%	
Brown-Forman Corporation	BF.B	36,811	94.8%	4,034	1,408	11.6%	6.7%	61.0%	34.9%	
The Boston Beer Company, Inc.	SAM	4,470	70.2%	1,991	158	(8.3%)	19.3%	40.0%	7.9%	
Carlsberg A/S	CARL	22,085	82.5%	10,327	2,384	25.7%	4.4%	46.3%	23.1%	
Constellation Brands, Inc.	STZ	58,832	98.9%	9,441	1,665	7.4%	4.8%	52.3%	17.6%	
Diageo plc	DGE	126,682	93.6%	18,776	6,900	21.4%	6.3%	61.3%	36.7%	
Heineken N.V.	HEIA	71,993	87.2%	26,569	5,875	24.1%	3.2%	37.3%	22.1%	
Molson Coors Beverage Company	TAP	18,226	91.4%	10,691	1,740	7.4%	0.6%	33.6%	16.3%	
	Median	\$ 47,822	92.5%	\$ 10,509	\$ 2,062	10.0%	4.6%	49.3%	22.6%	
	Mean	\$ 68,878	89.2%	\$ 17,393	\$ 4,871	12.2%	5.9%	48.4%	23.9%	

Food & Beverage Index Performance vs. S&P 500



Almost all food & beverage sectors have rebounded from their March 2020 lows. Nonetheless, no sector has outperformed the S&P 500 over the latest one-year period with the exception of Food Retail.

Note: Valuation data as of 12/01/2022

Sources: S&P Capital IQ and public data

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