



FOOD · BEVERAGE

FIRST QUARTER

2015

This Industry Practice Group was established to draw on the experience of CFA advisors, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Food & Beverage M&A

M&A activity for North American based target companies in the food and beverage sector for Q4 2014 included 141 closed deals according to data published by industry data tracker FactSet, with an average enterprise value of \$124.5 million. The food and beverage sector contracted slightly between 2009 and 2014 (1.1%), but a recovering economy with rising per capita income and job growth is expected to bolster annual sector growth to 0.4% between 2014 and 2019.

Transactional Overview

Notable closed transactions for the period in the Food and Beverage sector include:

November 2014 - Pinnacle Foods Inc. acquired Garden Protein International Inc. from Yves Potvin, founder and president of Garden Protein International Inc., and TSG Consumer Partners LLC, for CAD175 million (US\$154.6 million). Garden Protein International, Inc. produces and markets plant based meat-like foods. Pinnacle Foods, Inc. is a manufacturer, marketer and distributor of high-quality, branded food products in North America.

October 2014 - Golden Peanut Co LLC, a subsidiary of Archer Daniels Midland Co, acquired Harrell Nut Co for US\$89 million. The acquisition includes processing facilities of Harrell Nut Co. Harrell Nut will provides fine quality nuts. Golden Peanut Co. LLC supplies peanut products. Its products include seeds, raw peanuts, peanut flour, roasted peanut oil & extract, and refined peanut oil.

October 2014 - Hershey Canada Inc., a subsidiary of The Hershey Co, acquired The Allan Candy Co Ltd from ReichmannHauer Capital Partners Inc. for CAD28 million (US\$25 million) in cash. The Allan Candy Company Limited was founded in 1931. The company offers products through confectionery distributors and retailers in Canada and the United States. Hershey Canada manufactures, distributes and sells confectionery, snack, refreshment and grocery products.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Anastasia Confections, Inc.	BBX Sweet Holdings LLC
Atlantic Trading Co. LLC	High Liner Foods, Inc.
The Toffee Box LLC	BBX Sweet Holdings LLC
Eastside Distilling LLC	Eurocan Holdings Ltd.
Teasdale Foods, Inc.	Snow Phipps Group LLC
Harrell Nut Co.	Golden Peanut Co. LLC
Chief Super Market, Inc.	Fresh Encounter, Inc.
Orion Food Systems LLC	One Rock Capital Partners LLC



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Industry Dynamics

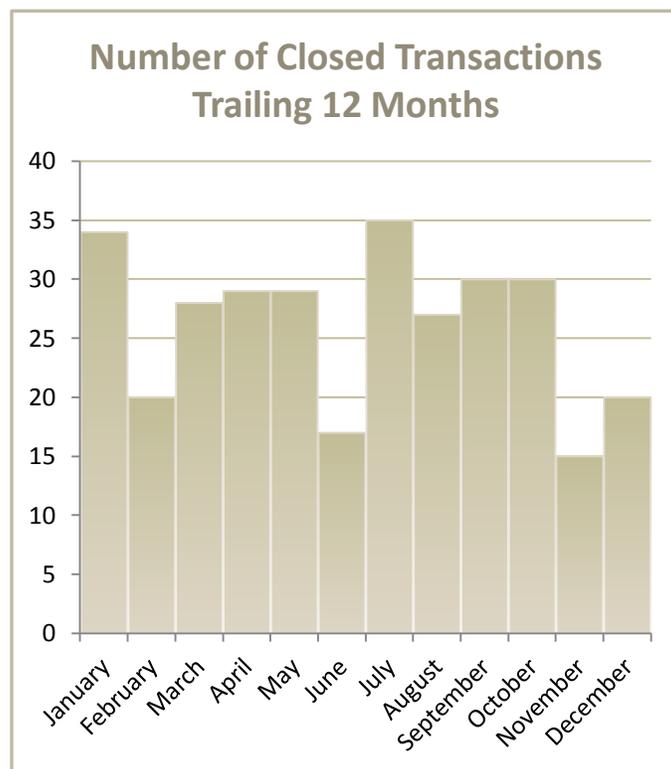
Over the past two years M&A activity in the food and beverage sector has been heavily driven by consolidation as large corporations gobble smaller brands in trendy sectors such as organic foods and energy drinks. However, there were also a fair amount of mega transactions over the same period as global brands looked to gain market share. Tysons' acquisition of Hillshire Farm is an example of a transaction where two meat-processing market leaders joined forces to make a strong case for domination in their space.

According to First Research, an industry research organization, commodity pricing has a strong effect on industry dynamics. The price of critical commodities such as corn, soybeans, wheat, dairy, coffee beans, beef, poultry, vegetables and sugars and oils can increase significantly due to poor farm yields, unpredictable weather patterns and market reactions to government farm subsidies. One sector that may soon feel the impact of government policy is dairy.

Dairy product manufacturers could see increased volatility in the market price of milk after the European Union phases out milk production quotas in April 2015. Established in 1984, the quota system caps the amount of milk that EU member states may produce annually - if a country exceeds the limit, as eight nations did in 2014, it must pay a tax penalty to the EU. Dairy product manufacturers can expect some volatility in global raw milk prices soon after the quotas are lifted, and they may be able to benefit from initial price declines as the market responds to the additional supply.

Yields on four of the world's top food crops - rice, wheat, corn, and soy - could decline by as much as 10 percent by 2050, posing a serious risk to food producers, according to researchers at the Massachusetts Institute of Technology. Diminished yields caused by ozone pollution could interfere with manufacturers' ability to meet growing worldwide demand for food, which is expected to increase by as much as 50 percent over the next 35 years.

- The consumer price index for food, an indicator of food product values, rose 3.4 percent in December 2014 compared to the same month in 2013.
- US nondurable goods manufacturers' shipments of food products, an indicator of demand for food manufacturing, rose 6.1 percent year-to-date in November 2014 compared to the same period in 2013.
- US retail sales for food and beverage stores, a potential measure of food demand, increased 3 percent in the first twelve months of 2014 compared to the same period in 2013.



The Food and Beverage Practice Group provides M&A advice to public and private companies in all sectors of the food and beverage industry, including frozen and non-frozen food manufacturing, meat processing, dairy, beverages, snack foods, restaurants, food franchises, food packing equipment and food distribution.

