

FOOD · BEVERAGE

THIRD QUARTER

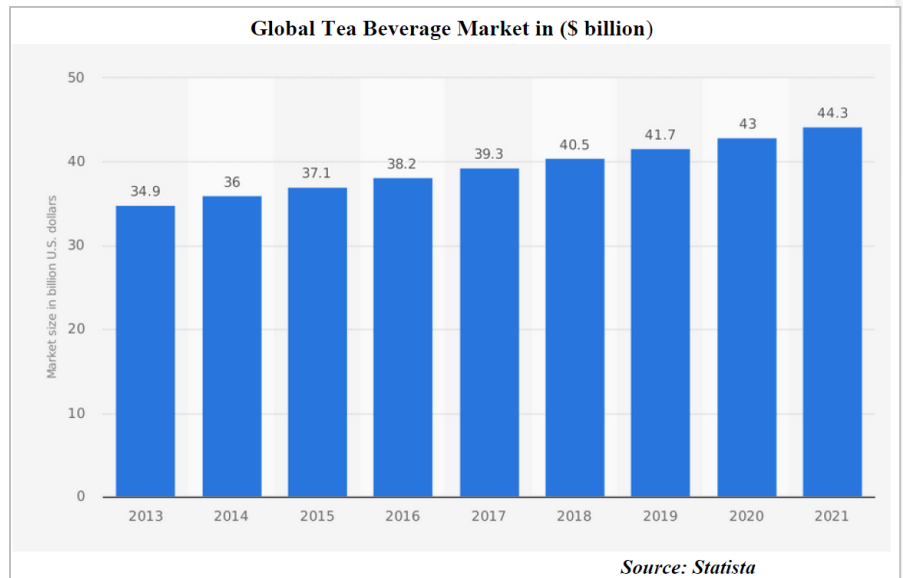
2018

The Food & Beverage Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Food & Beverage category. 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 Q2 2018 included 70 closed deals, according to data published by industry data tracker *FactSet*.

One of the notable middle market transactions closed in May when Lassonde Industries, Inc. acquired Old Orchard Brands, LLC for US\$158.9 million in cash, contingent payout and other payment. Under the terms of the agreement, Lassonde Industries paid US\$146 million in cash and an additional US\$10 million over next two years subject to specified financial milestones. The transaction is in line with Lassonde Industries' growth strategy and improves its manufacturing footprint in the Midwestern United States. Founded in 1985, Old Orchard Brands, is located in Sparta, Michigan and processes and bottles fruit juices, frozen juice concentrates and nonalcoholic drink mixers.



The recent acquisition of Body Armor by Coca Cola is a continued example of the growth in the specialty beverage sector. This has been particularly evident in the tea sector.

Transactional Overview

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

June 2018 - Sweetheart Candy Co LLC, a portfolio company of Round Hill Investments LLC, acquired New England Confectionery Co Inc, a portfolio company of Ares Capital Management LLC for US\$17.3 million out of bankruptcy.



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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New England Confectionery Co. produces, manufactures, and sells candies. Its products include Sweethearts, Mary Jane, Candy Buttons, Clark bars, Squirrel Nut Zippers, Slap Stix and Sky Bar. The company was founded in 1847 and is headquartered in Revere, MA.

June 2018 - A private group led by Fondation Le Fonds De Développement De La Csn Pour La Co, Champlain Financial Corp, Investissement Québec and Fonds de Solidarité FTQ acquired Baxters Canada, Inc. from Boparan Holdings Ltd for CAD24 million (US\$18.2 million). Founded in 1976, Baxters Canada is located in Saint-Hyacinthe, Québec, Canada and manufactures canned soup.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Cajohns Fiery Foods Co.	Hot Shots Distributing, Inc.
Sara Lee Frozen Bakery	Blackstone Corporate Private Equity; Kohlberg & Co. LLC
WorkFlourish	Craftwork Coffee Co.
Wild Calling! Pet Foods LLC	Barkstrong LLC
Zipfizz Corp.	KUC Holding Co. Ltd.
Carolina Beverage Group LLC	Brynwood Partners; Cold Spring Brewing Co.
Panera Bread Co. /38 Cafes/	Manna Development Group LLC
Purple Carrot Co.	Fresh Del Monte Produce, Inc.

May 2018 - Harvest One Cannabis, Inc. acquired SarPes Beverages LLC, doing business as Dream Products LLC, for US\$26.7 million in cash and stock. Harvest One Cannabis produces medical marijuana. The company is headquartered in Vancouver, Canada. Sarpes Beverages manufactures sleep aid water. The company is headquartered in Golden Beach, FL.

Industry Update

Intensifying trade tensions between the US and other key trading partners could create challenges for US food manufacturers. In early July 2018 Canada imposed retaliatory 10% duties on imports of several US food products after the US placed tariffs on imports of Canadian aluminum and steel. US food products affected by Canada's tariffs include beef, soups, chocolate, yogurt, coffee, ketchup, and salad dressing. China, Mexico, and the EU also have placed duties on imports of US food products in response to steel and aluminum tariffs ordered by the US. In July 2018 China placed 25% tariffs on several US food product exports, including pork, beef, chicken, seafood, soybeans, wheat, rice, and a variety of fruits and vegetables. Mexico imposed tariffs on US pork and cheese, and the EU has put new duties on US exports of sweet corn, rice, and peanut butter.

Industry Indicators

- The consumer price index for food, an indicator of food product values, rose 1.4% in July 2018 compared to the same month in 2017.
- US nondurable goods manufacturers' shipments of food products, an indicator of demand for food manufacturing, rose 2.3% year-to-date in June 2018 compared to the same period in 2017.
- US retail sales for food and beverage stores, a potential measure of food demand, increased 3.9% in the first seven months of 2018 compared to the same period in 2017.
- Total US wholesale sales of nondurable goods, a potential measure of food demand, rose 7.9% in June 2018 compared to the same period in 2017.

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. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, please call your local Corporate Finance Associates office.

