

# FOOD · BEVERAGE

FOURTH QUARTER

2018

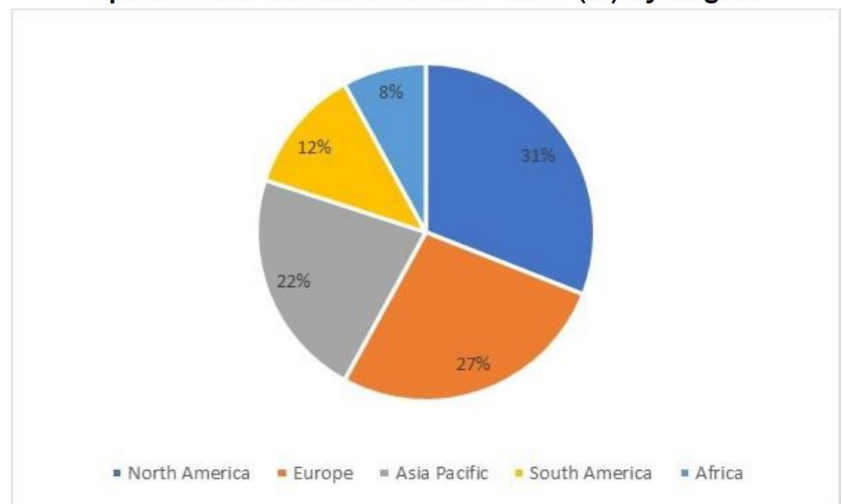
The Food & Beverage Industry Practice Group draws on the experience of CFA dealmakers, who as former business owners, CEOs, and industry professionals, have first-hand knowledge and have completed many transactions in sectors throughout the Food & Beverage category. Working with your local CFA representative, 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 Q3 2018 included 45 closed deals, according to data published by industry data tracker FactSet.

One of the notable middle market transactions was announced in September when The Hershey Co. acquired Pirate Brands, LLC from B&G Foods, Inc. for US\$420 million in cash, subject to adjustments. The Hershey Co. engages in the manufacture and marketing of chocolate and sugar confectionery products. Pirate Brands operates as a natural snack food maker. Its products include baked, fried and air popped snacks. The company offers its products through stores in the US, Canada, Europe and Asia. The company was founded in 1987 and is headquartered in Sea Cliff, NY.

**Sports Drink Market: Revenue Share (%) by Region**



Source: FTR Transportation Intelligence

The value for sports/energy drinks continues to climb as evidenced by basketball star Kobe Bryant's \$6m investment in Body Armor climbing to a value of approximately \$200m after Coca Cola invested in the product.

## Transactional Overview

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

**September 2018** - Union Capital Associates LP acquired Albie's Foods, Inc. for an undisclosed amount. Union Capital Associates is a private equity firm located in Greenwich, Connecticut with an additional office in Downers Grove, Illinois. Albie's Foods produces homemade convenience foods for the foodservice and retail industries. The firm's products include breadsticks, calzones, pastas and pot pies. The company was founded in 1987 and is headquartered in Gaylord, MI.



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**July 2018** - Dean Foods Co. acquired an undisclosed majority stake in Good Karma Foods, Inc. for an aggregate price of US\$35.7 million. Dean Foods engages in the manufacture, sale and direct-to-store distribution of fluid milk and other dairy and dairy case products. Good Karma Foods produces flaxseed-based milk and yogurt alternatives. It offers unsweetened, vanilla and chocolate flavored flaxmilk. The company is headquartered in Boulder, CO.

**July 2018** - Axa Millésimes SAS, a subsidiary of AXA SA, acquired Outpost Wines, LLC for US\$40 million. Axa Millésimes engages in investment fund services. Outpost Wines produces wines. It offers Cabernet Sauvignon, Zinfandel, Petite Sirah and Grenache. The company was founded in 1998 and is headquartered in Angwin, CA.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
Smucker J. M. Co. /US Baking Bus	Brynwood Partners
The Louis Maull Co. /Barbecue Brand	Allied Investments LLC /MO
Supreme Sweets, Inc.	US Highland, Inc.
Cocoa Nymph Chocolates & Confections, Inc.	Ascent Industries Ltd.
Specialty Foods Group, Inc.	Indiana Packers Corp.
Duck Pond Cellars	The Great Oregon Wine Co.
Pirate Brands LLC	The Hershey Co.
NORPAC Foods, Inc. / Frozen Soup Business	Kettle Cuisine LLC; Kainos Capital LLC
Desi Brands, Inc.	AUA Private Equity Partners LLC; Raymundos Food Group LLC

## Industry Update

As the USDA finalizes marketing regulations on genetically modified organisms (GMOs), food manufacturers may seek to educate consumers about their products and their overall impact on health. The Information Technology and Innovation Foundation - a Washington, DC-based think tank - petitioned the FDA in September 2018, asking it to forbid the use of "non-GMO" on food labeling. The Non-GMO Project, which began a decade ago, has been criticized for its definition of GMO. At issue is transgenic technology, which is used to modify animals and crops with the addition of DNA from another species to promote useful features, such as disease or pest resistance. Unlike the USDA Organic label, "non-GMO" labeling is currently not legally defined.

## Industry Indicators

- The consumer price index for food, an indicator of food product values, rose 1.4% in September 2018 compared to the same month in 2017.
- US nondurable goods manufacturers' shipments of food products, an indicator of demand for food manufacturing, rose 1.8% year-to-date in August 2018 compared to the same period in 2017.
- US retail sales for food and beverage stores, a potential measure of food demand, increased 3.8% in the first nine months of 2018 compared to the same period in 2017.
- Total US wholesale sales of nondurable goods, a potential measure of food demand, rose 8.8% in August 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.

