

PKF Investment Banking

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Q3 2023 Food & Beverage Quarterly Review

Fall 2023

**KNOW
GREATER
VALUE®**

Trusted Advisors with Proven Deal Track Record

*PKF Investment Banking is the investment banking affiliate of PKF O'Connor Davies, a full-service certified public accounting and consulting firm **with more than 1,500 professionals led by over 200 partners in 18 offices in the United States.***

*The PKF Investment Banking team has successfully completed **over 250 M&A advisory and capital raise engagements in North America and abroad.***

*We focus on **privately held companies** and have extensive knowledge with decades of experience **advising middle market businesses.***

Broad Global Reach Across the PKF Network

- We serve as a liaison to **over 400 member firms located in 150 countries and 5 continents** through PKF International
- This global network of independent firms ensures direct access to exceptional advisory professionals with local / regional expertise

20,000
professionals
across the globe

224
independent
advisory firms

480+
offices
worldwide

PKF Investment Banking Services

- **Sell-Side M&A**
 - Perform a comprehensive business review to enhance value and certainty to close
 - Develop marketing materials and financial models
 - Global outreach to all capable buyers
 - Evaluate and negotiate offers
 - Ensure transaction closes in an efficient and timely manner
- **Buy-Side M&A**
 - Develop acquisition strategy and search criteria
 - Research and develop target company database
 - Conduct tailored marketing campaign to reach target universe
 - Assist with due diligence, deal and integration issues
 - Advise on value, structure, terms, process and closing
- **Exit Readiness and Transaction Planning**
 - Proactively prepare business owners and management teams for a successful transaction with optimal results
 - Improve performance and enhance shareholder value

PKF Investment Banking - Differentiating Attributes



High-Caliber Personal Attention

Senior banker actively involved across the entire M&A process

Middle market focus

Reputation for integrity and track record of excellence



Superior Execution Model

Systematic yet flexible approach – *no cookie cutters*

Designed to meet client needs and goals

Focus on certainty to close and maximum value



Global Reach

Global footprint and reach directly and via the PKFOD global network

Bold go-to-market strategy aimed at identifying and engaging all capable targets



Exceptional Marketing

Dynamic marketing and positioning grounded in data analytics

Generating more client options – increased odds of success and better terms and value



Subject Matter Experts

Full access to all PKFOD experts in accounting, tax, valuation and diligence

Entrepreneurial mindset ensuring all potential deal issues are identified / mitigated



PKF Investment Banking

PKF Investment Banking partnered with Food'NBev Connect, a Northeast-based food and beverage emerging brands accelerator, to host a virtual panel on "Funding Growth when Traditional Routes are Closed".

TOPICS OF DISCUSSION

Emerging growth companies, regardless of industry, face similar early-stage funding hurdles.

As businesses grow, capital requirements get larger – inventory build, distribution build, trade promotion, staffing / talent, marketing, etc.

- 1. Why is it so challenging to get funding and what are some of the funding options?*
- 2. What are the key issues for brands and investors?*
- 3. What if growth and / or timing don't fit the typical investment horizon – how can businesses widen the lens and get more investors interested? How can entrepreneurs address liquidity / working capital needs without giving away equity?*

FUNDING GROWTH WHEN TRADITIONAL ROUTES ARE CLOSED

POSITIONING YOUR BRAND TO SUCCEED

September 26, 2023



Gary Breitbart
Executive Director
Food'NBev Connect



Alberto Sinesi
Director
PKF Investment Banking



Dominic Rispoli
Co-CEO
Wisteria

Market and Industry Highlights for Q3 2023

Macroeconomic Snapshot

- GDP expanded at a **4.9% Q-o-Q annualized rate** in the third quarter of 2023, illustrating the resilience of the US economy amidst repeated external shocks and a prolonged monetary tightening cycle.
- Inflation has trended consistently lower for months (**Core CPI at 4.1% as of 9/2023**) and unemployment rate remains low (**3.8% as of 9/2023**).
- While a recession is still a possibility, confidence in a 'soft landing' is rising as the Fed is likely to pause further rate increases through 2023.
- Post-pandemic "revenge spending" and personal savings continue to bolster consumer spending despite lower sentiment and uncertainty.

M&A / Credit Market Snapshot

- The broader M&A market is facing numerous headwinds – however, transactions are still happening, just on a more selective basis.
- Middle market deal activity, while still impacted, has proven resilient due to smaller transaction sizes with less reliance on financing.
- Private credit markets are growing in the high-interest rate environment – as large deals have moderated; credit activity has transitioned to refinancing larger bank facilities and funding general corporate activities.
- Additionally, private fund managers are increasingly providing creative structures reflecting the current market need for flexibility.

Food and Beverage Industry Observations

- Compared to many other consumer industry sub-sectors, food and beverage remains one of the more active verticals.
- Deflationary trends (e.g., input costs) coupled with a resilient pent-up demand have continued to spur sustained M&A activity – also, valuation multiples remain strong for high-quality assets.
- Large-deal size M&A appears to be picking up with numerous announcements of upcoming transactions, e.g., **J.M. Smucker will acquire Hostess Brands for \$5.6bn, or 18.5x EBITDA; Campbell Soup Company and Sovos Brands entered into an agreement for Campbell to acquire Sovos Brands for \$2.7bn, or 15.7x EBITDA.**
- Deal activity has been spread across various sub-segments within the food and beverage industry – segments such as bakery, confectionary, produce, and distribution have witnessed sustained acquisition appetite in the current market.
- **Strategic buyers have continued to pursue accretive acquisitions** as they seek synergies, economies of scale and additional revenue opportunities, often paying healthy multiples.
- **Private equity buyers have been selective given elevated debt financing costs**, electing to focus on businesses with proven cash flows, strong revenue visibility, and robust gross margins.

Food and Beverage Industry Trends for Q3 2023

Key Industry Takeaways

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Consumer interest in plant-based products remains steady leaving room for plant-based product concepts beyond meat
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Focus on foundational wellness – brain health, digestive health, and immunity are top concerns consumers are prioritizing
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Consumers are opting for more value-driven meals which can be stretched over multiple meals vs. ready-to-eat products
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Beverage as medicine – shoppers continue to rally behind beverages which boost key health elements (detox, sleep, etc.)
- 

Reducing waste is a top consumer priority; strong shifts toward sustainable packaging and environmentally friendly processes
- 

The pet category shows strong resilience across all verticals with pet owners continuing to spend on products and services
- 

Mushrooms as a functional ingredient category is witnessing growth in terms of both sales and units sold
- 

Large strategic players and middle market brands are investing in self-manufacturing capabilities via M&A

Select Industry Data

<p>13.3% 3-year CAGR total U.S. plant-based food market</p>	<p>42% of consumers prioritize brain health (cognition, focus) in their purchasing</p>
<p>6 in 10 Americans worry about food waste (people in need, wasted money)</p>	<p>71% Y-o-Y sales growth (in \$ terms) for reishi mushrooms</p>
<p>85% of value-oriented shoppers are willing to pay more for health / wellness</p>	<p>80% of consumers expressed desire to lose weight or keep healthy eating habits</p>
<p>58% of consumers globally are shifting to non-alcoholic / low-ABV beverages</p>	<p>37% Y-o-Y increase in women who use food and beverage for health needs</p>
<p>Nearly 1 in 5 households acquired a cat or a dog during the pandemic</p>	<p>46% of consumers eat snacks instead of meals</p>

Source: SPINS, Kroger Shopper Data, Campbell Soup Q4 2023 Earnings Presentation, New Hope, Statista, ASPCA

Recent Food and Beverage Transactions

Select M&A Transactions Highlights

Investor	Target	Date	Investor	Target	Date	Investor	Target	Date
		Sep 2023 (P)			Aug 2023 (P)			Aug 2023
		Sep 2023			Aug 2023			Aug 2023
		Sep 2023			Aug 2023 (P)			Aug 2023
		Sep 2023			Aug 2023			Jul 2023 (P)
		Sep 2023			Aug 2023			Jul 2023
		Sep 2023 (P)			Aug 2023 (P)			Jul 2023 (P)

Note: (P) denotes a pending transaction as of September 30, 2023
 Source: FactSet, PKF Investment Banking

Recent Food and Beverage Transactions (continued)

Select M&A Transactions Highlights (continued)

Investor	Target	Date	Investor	Target	Date	Investor	Target	Date
		Jul 2023			Jul 2023			Jul 2023
		Jul 2023			Jul 2023			Jul 2023 (P)

Select Public Offerings and Private Placements Highlights

		Sep 2023			Sep 2023			Aug 2023
	Sep 2023 (*)			Aug 2023			Jul 2023	
		Sep 2023			Aug 2023			Jul 2023

Note: (*) denotes a Public Offering; (P) denotes a pending transaction as of September 30, 2023
 Source: FactSet, PKF Investment Banking

Public Comparables – Median Values

Category	% of High 52-Week	3-Yr. Revenue CAGR	LTM EBITDA Margin	EV / LTM		EV / NTM	
				Revenue	EBITDA	Revenue	EBITDA
Branded Foods	75.4%	3.0%	19.3%	1.93x	10.2x	1.90x	9.5x
Private Label	78.8%	1.2%	11.9%	1.48x	12.4x	1.76x	10.9x
Nutrition	87.7%	11.2%	15.0%	1.89x	14.2x	1.82x	11.1x
Baked Goods	84.2%	7.9%	12.8%	1.31x	12.4x	1.74x	13.5x
Dairy	82.5%	3.9%	9.0%	1.02x	9.8x	0.95x	9.3x
Snacks	81.8%	7.8%	14.2%	2.55x	16.8x	2.81x	15.1x
Protein Processing	74.1%	9.6%	5.1%	0.49x	9.4x	0.69x	8.2x
Produce	78.3%	4.0%	5.2%	0.57x	9.2x	0.46x	8.3x
Agribusiness	63.1%	22.0%	23.1%	1.11x	4.4x	1.37x	6.9x
Ingredients & Flavors	75.9%	6.5%	16.8%	2.37x	14.4x	2.68x	12.9x

Public Comparables – *Median Values* (continued)

Category	% of High 52-Week	3-Yr. Revenue CAGR	LTM EBITDA Margin	EV / LTM		EV / NTM	
				Revenue	EBITDA	Revenue	EBITDA
Food Distribution	75.6%	9.7%	2.2%	0.24x	10.6x	0.31x	8.5x
Grocery & Retail	89.3%	4.4%	6.1%	0.34x	5.9x	0.41x	6.3x
Food E-Commerce	51.4%	27.4%	NMF	0.91x	NMF	0.80x	14.5x
Non-Alcoholic	84.5%	5.5%	19.7%	3.26x	15.7x	3.15x	14.2x
Wine, Beer, Spirits	86.3%	4.5%	17.8%	2.25x	13.5x	2.14x	12.3x
Fast Casual	74.7%	12.9%	10.2%	2.12x	20.7x	2.50x	16.0x
Quick Service	85.3%	6.5%	29.4%	5.17x	17.2x	4.80x	13.4x
Casual Dining	78.4%	12.4%	11.5%	0.97x	10.9x	0.93x	9.7x
Family Dining	60.0%	10.9%	17.0%	1.84x	10.5x	1.79x	9.4x

Senior Consumer Team Bios

Alberto Sinesi, *Director*

Alberto Sinesi is a Director with over 12 years of experience in investment banking and corporate development. Mr. Sinesi has advised public and private clients on over 30 domestic and cross-border, sell-side and buy-side M&A transactions. He has worked with clients across a variety of consumer verticals, including consumer products, e-commerce / direct-to-consumer, food and beverage and retail / multi-site segments both in North America and Europe. Additionally, he has provided valuation and transaction opinion services to public and private investment funds, encompassing private equity institutions, private credit funds, investment banks, hedge funds and business development companies.

Prior to joining PKF Investment Banking, Mr. Sinesi spent over a decade in the M&A and Valuations & Opinions groups at Lincoln International, a global middle market investment banking advisory firm. Mr. Sinesi received his Master of Business Administration from ESADE Business School (Spain) and New York University, Leonard N. Stern School of Business, and his Master of Arts in Finance and Business Administration from the University of Genoa (Italy).



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