



GREENWICH
CAPITAL GROUP



INDUSTRY UPDATE

Food & Beverage

Q3 2017

INDUSTRY UPDATE | U.S. Middle-Market M&A

M&A Activity Rebounds in Q3 2017

Middle-market M&A activity rebounded from the recent low in Q2 2017, with deal flow increasing 2.3% from Q2 2017. While that is positive news for the middle-market deal environment, this level of activity remains 2.7% lower than Q3 2016 and much lower than the run rate observed from 2014 through Q3 2016. While there was still uncertainty around potential tax, trade, healthcare and regulatory changes, these uncertainties are becoming clearer as we move further past the presidential election. It is also anticipated that the recent strong showing by the public markets, as well as the improving earnings numbers, will enhance the M&A appetite of the buyer base in the fourth quarter and into 2018.

Values Remain Strong as Interest in the Upper Middle Market Continues to Climb

While M&A volumes have been lower in recent quarters than they have been historically, deal values are improving. Enterprise values in Q3 2017 averaged \$66.8 million, representing the strongest quarter this year in terms of deal value and a 6.7% increase from the first quarter. This is a natural outcome as companies continue to improve earnings as the economic expansion continues and the M&A market remains strong.

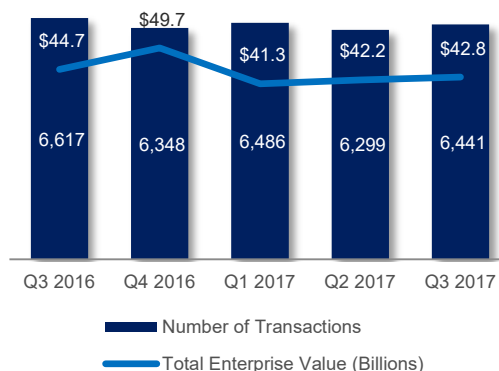
The healthy deal values can also be observed through the amount of middle-market deals that are valued over \$100 million versus those valued below \$100 million. In Q3, 22.7% of all middle-market transactions were valued between \$100 million and \$500 million. This is higher than the first two quarters of 2017 and significantly higher than the percentage historically, which hovered between 13% and 16% until 2014 and has continued to climb from the 16% observed in Q1 2014 to where it is today.

Foreign Buyers Increase Their Presence and Financial Buyers' Interest Remains in the Middle Market

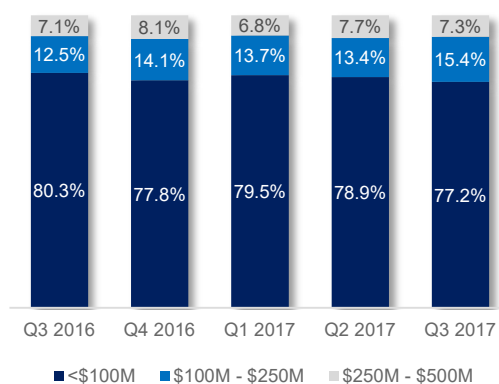
Foreign acquirers continue to grow their presence in the middle market, accounting for 12.2% of the overall middle-market buyer base in Q3 2017. While this is a slight decrease from the prior quarter, this level of activity from foreign buyers remains much higher than the five years prior to 2016. During this period from 2011 through 2015, the percentage of deals completed by foreign acquirers ranged from 9.1% and 10.4% annually.

While foreign acquirers have become more active in the middle market, financial investors have shown continued interest in the sector as well. In Q3 2017, 35% of middle-market transactions were completed by financial buyers, an increase from the 31% observed over the first two quarters of 2017. That said, financial investors' share of middle-market deal flow has maintained a steady level between 35% and 38% over the past five years.

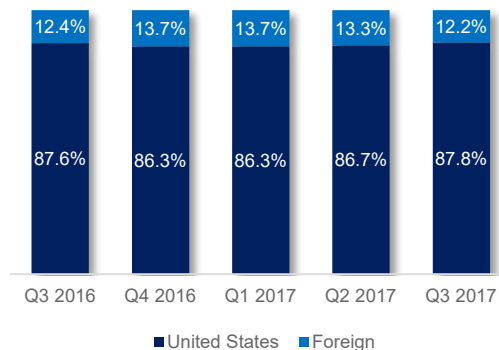
Middle-Market M&A Volume and Value



M&A Activity by Enterprise Value



M&A Activity by Buyer Region



Source: Capital IQ



INDUSTRY UPDATE | Food & Beverage

Deal Values Rise as Overall Volume Declines

Q3 2017 proved to be an unusually soft quarter in terms of volume for Food and Beverage (“F&B”) middle-market M&A, with activity down 14% compared to Q3 2016. Deal flow in Q3 2017 represents the lowest level of activity since 2014. Although volume decreased, there has been a significant increase in the average deal value. The average value in Q3 2017 of \$91.6 million is nearly three times more than the same period in 2016. The increase in average deal value can be attributed to the ongoing trend of large Consumer Packaged Goods (“CPG”) companies making acquisitions in excess of \$100 million. CPG companies are struggling to find organic growth and are looking to up-and-coming brands that have developed consumer loyalty and meaningful market share to energize sales. A couple key examples of this can be seen through ConAgra’s acquisition of Angie’s Artisan Treats for \$250 million in September 2017 and B&G Foods’ acquisition of Back to Nature for nearly \$163 million in August 2017.

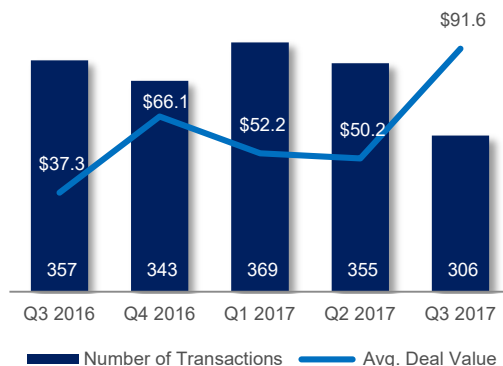
Deal Volume Continues to be Driven by the CPG Sector

Consolidation within the packaged food and beverage segment will continue to drive strategic acquisitions, especially as favorable market conditions (i.e., low interest rates, proposed tax reform) and idle cash stockpiles promote deal activity. Most of the key categories within the Packaged Foods sector, such as snacks, dairy, frozen and meats, have experienced strong category growth as a whole; however, the leading brands within those categories have lost market share to startup brands that consumers are more likely to trust. A primary example of this can be seen in the microwave popcorn category, as sales in ready-to-eat (“RTE”) popcorn have eclipsed microwave popcorn for the first time ever in 2016. ConAgra’s Orville Redenbacher brand has seen significant declines, which led to their recent acquisition of Angie’s Artisan Treats, which includes the RTE popcorn brand BOOM CHICKA POP. This is a significant paradigm shift from prior to 2010, when consumers favored large food manufacturers, such as Kraft Heinz, Mondelez and General Mills.

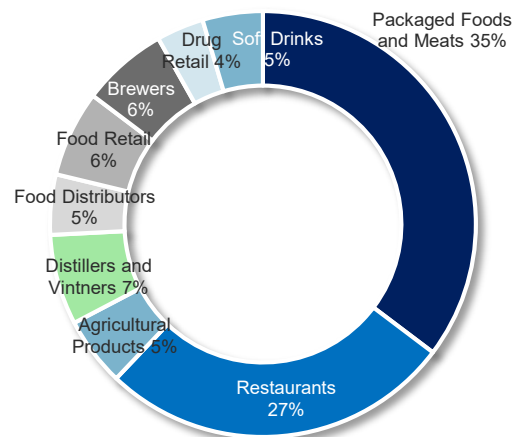
Private Equity Continues to be a Significant Component of Food and Beverage M&A

Both strategic and financial buyers have remained active in the Food and Beverage industry, accounting for 73% and 27% of acquisitions, respectively, in Q3 2017. Strategic buyers continue to dominate overall deal activity and have sought acquisitions to offset slowing organic growth and to diversify their offerings. However, for the last six quarters, financial buyers continued to play a meaningful role, accounting for approximately 25% to 30% of all deal flow, demonstrating a steady interest in the sector driven by its long-term growth opportunities and attractive future exit upside.

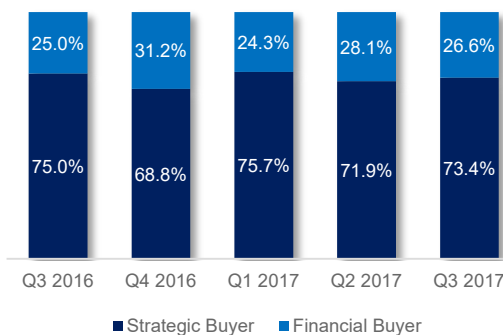
F&B M&A Volume and Avg. Value



Q3 2017 F&B Activity by Sector



F&B M&A Activity by Buyer Type



Source: Capital IQ



ABOUT THE REPORT

Research Methodology

For the purpose of this report, GCG defines middle-market M&A as an announced and/or completed transaction in which one company purchases a minority or majority equity stake in another company that is based in the United States and has an undisclosed or disclosed enterprise value less than or equal to \$500 million. The information provided in this market overview was obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. Statements provided herein reflect GCG's objective opinions and are not to be construed as legal, accounting, financial or investment advice.

Food & Beverage Expertise

GCG offers a unique breadth and depth of expertise in Food & Beverage from both an operational and transactional standpoint. Our professionals bring direct experience in senior operating roles within the industry to augment our investment banking and consulting services.

The range of segments that GCG has worked in extends from snack foods to dairy products, private label, manufacturing, retail and distribution, among many other segments. Our Food & Beverage professionals have deep roots in the industry and can provide clients with the guidance and support needed to expand their businesses, allow them to run more effectively and venture into new markets both domestically and globally. Our experience, community of networks and relationships have positioned us as industry leaders surrounding M&A, private placements and financial advisory in the Food & Beverage sector.

More about Greenwich Capital Group

Greenwich Capital Group ("GCG") is a middle market focused advisory firm offering a range of investment banking and consulting services to private companies, public companies and private equity investors. For additional perspective or to discuss M&A related opportunities in the food and beverage industry, please reach out to GCG's F&B practice leader, Andrew Dickow. For more information, please visit www.greenwichgp.com.



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