

Food, Beverage and Agribusiness

2021: Mid-year review

Move towards normalcy

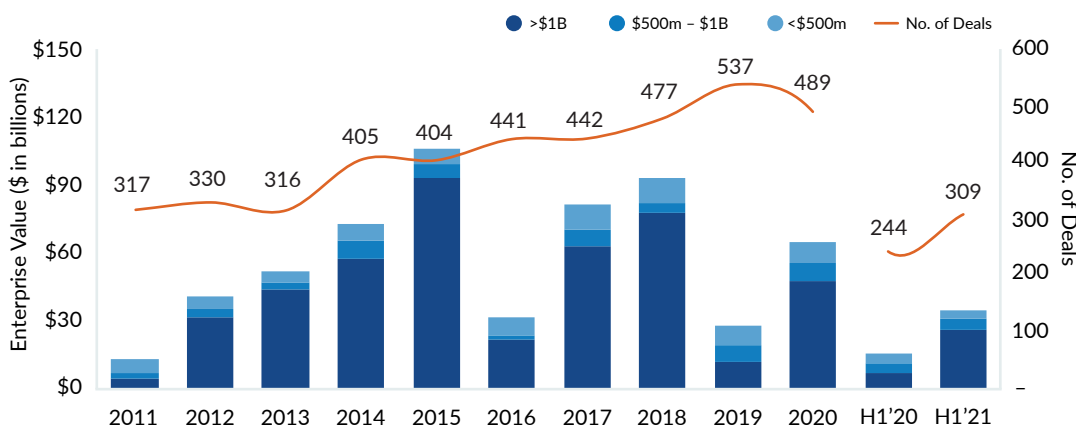
The first half of 2021 was characterized by continued resilience within the food, beverage and agribusiness (FB&A) industry, following a period of uncertainty through much of 2020. With more visibility on health and safety policies, changing consumer purchasing preferences and areas of sustainable growth, buyers and sellers have been adept at implementing strategic decisions to support their long-term growth plans. While certain foodservice operators struggled to regain their footing, most sub-sectors flourished—particularly those able to benefit from at-home dining and convenience trends—and took share in what appears to be an everchanging market with a strong long-term outlook.

US M&A momentum evidenced a temporary wait-and-see approach, with only three announced FB&A deals over \$1 billion during all of 2020, while, according to FactSet, there were 11 announced deals (US targets) valued at more than \$1 billion through June 30, 2021. Overall, US FB&A M&A volume hit a record during the first half of 2021 (309 deals), an increase of more than 26% during the same period in 2020. Valuations for quality deals remained at historically high levels, fueled by ongoing private equity fund raising, historically low interest rates and the specter of a Biden administration capital gains tax policy change taking effect in 2022.



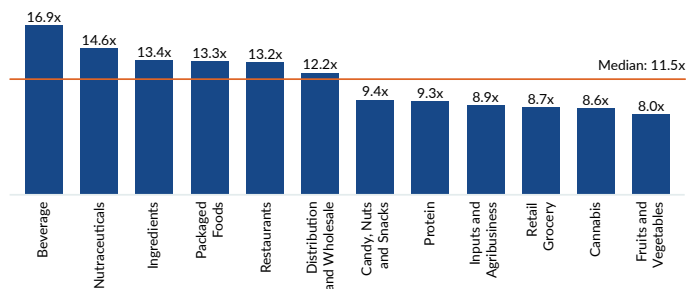
Paul Mariani
Managing Director
Investment Banking

CHART 1: US FOOD, BEVERAGE AND AGRIBUSINESS M&A VOLUME | 2011 - 1H2021



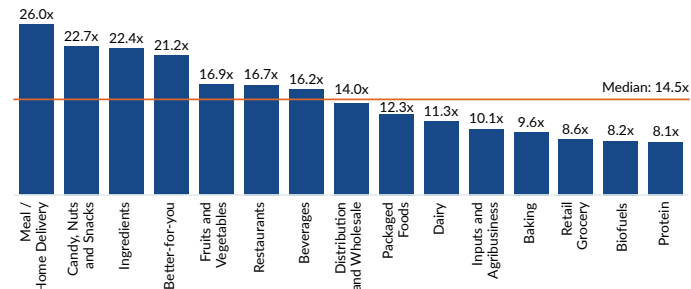
Source: FactSet as of June 30, 2021.

CHART 2: FOOD, BEVERAGE AND AGRIBUSINESS M&A MULTIPLES BY SUB-SECTOR – EV / EBITDA



Source: S&P Capital IQ as of June 30, 2021. M&A deals with disclosed multiples over latest three years.

CHART 3: PUBLICLY TRADED FOOD COMPANIES BY SUB-SECTOR – EV / LTM EBITDA



Source: S&P Capital IQ as of June 30, 2021.

TABLE 1: SELECTED FOOD, BEVERAGE & AGRIBUSINESS M&A DEALS (1H 2021)

Announced date	Acquirer	Target	Sub-sector	Rationale	EV (\$mm)	EV / EBITDA	EV / Revenue
Jun-21	FAT BRANDS	GLOBAL FRANCHISE GROUP	Restaurants	Diversification	\$443	11.1x	n/a
Jun-21	SEVEN-OAKS ACQUISITION CORP	BOXED	Grocery Delivery	SPAC	\$887	n/a	4.74x
May-21	HERSHEY THE HERSHEY COMPANY	LILLY'S SWEETS	Confectionery	Brand Dominance	\$425	n/a	3.64x
May-21	General Mills	Tyson Pet Products, Inc.	Pet	Diversification	\$1,200	n/a	5.00x
May-21	utz	FESTIDA FOODS	Candy, Nuts and Snacks	Brand Dominance	\$41	5.1x	n/a
Apr-21	Olam	OLDE THOMPSON since 1941	Spices & Seasonings (PL)	Consolidation	\$950	8.7x	1.23x
Apr-21	BainCapital PRIVATE EQUITY	DESSERT HOLDINGS	Packaged Foods	Private Equity	\$1,000	n/a	n/a
Mar-21	greenlane	KUSHCO HOLDINGS	Cannabis	Vertical Integration	\$168	16.1x	1.55x
Mar-21	LINDSAY GOLDBERG	ARYZTA North American Bakery Business	Bakery	Carve-out	\$850	n/a	0.56x
Mar-21	Nestlé	+essentia	Functional Beverage	Diversification	n/a	n/a	n/a
Feb-21	Hormel Foods	PLANTERS	Candy, Nuts and Snacks	Brand Dominance	\$3,350	12.5x	3.05x
Jan-21	utz	WINNERS	Candy, Nuts and Snacks	Brand Dominance	\$25	7.4x	1.00x
Jan-21	PEAK ROCK CAPITAL	SHIPLEY DONUTS MAKE LIFE DELICIOUS	Bakery	Private Equity	n/a	n/a	n/a

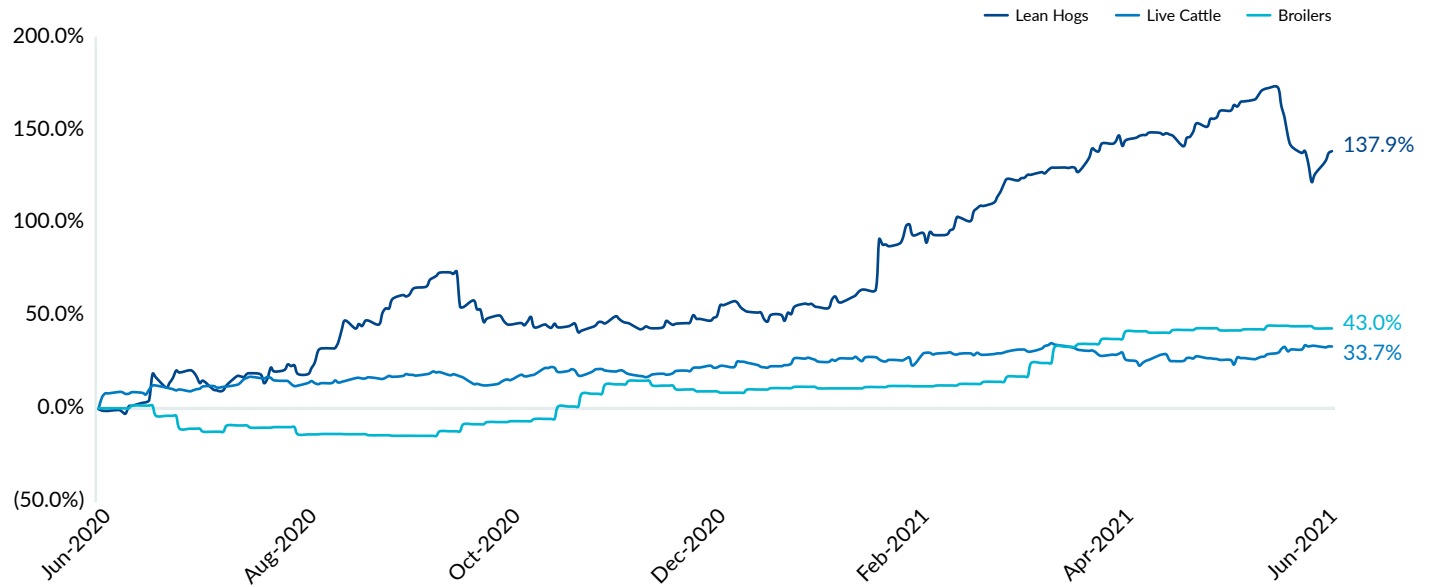
Sources: CapIQ and Company announcements. EBITDA multiples are synergy-adjusted where applicable. | Mesirow did not represent any of the acquirers or targets in connection with the transactions noted on this page and is not currently representing any of the listed acquirers or targets.

Commodity volatility waning?

Commodity price volatility reached levels not seen since 2007/2008 as a combination of record fiscal stimulus, working out supply chain bottlenecks and the expectation

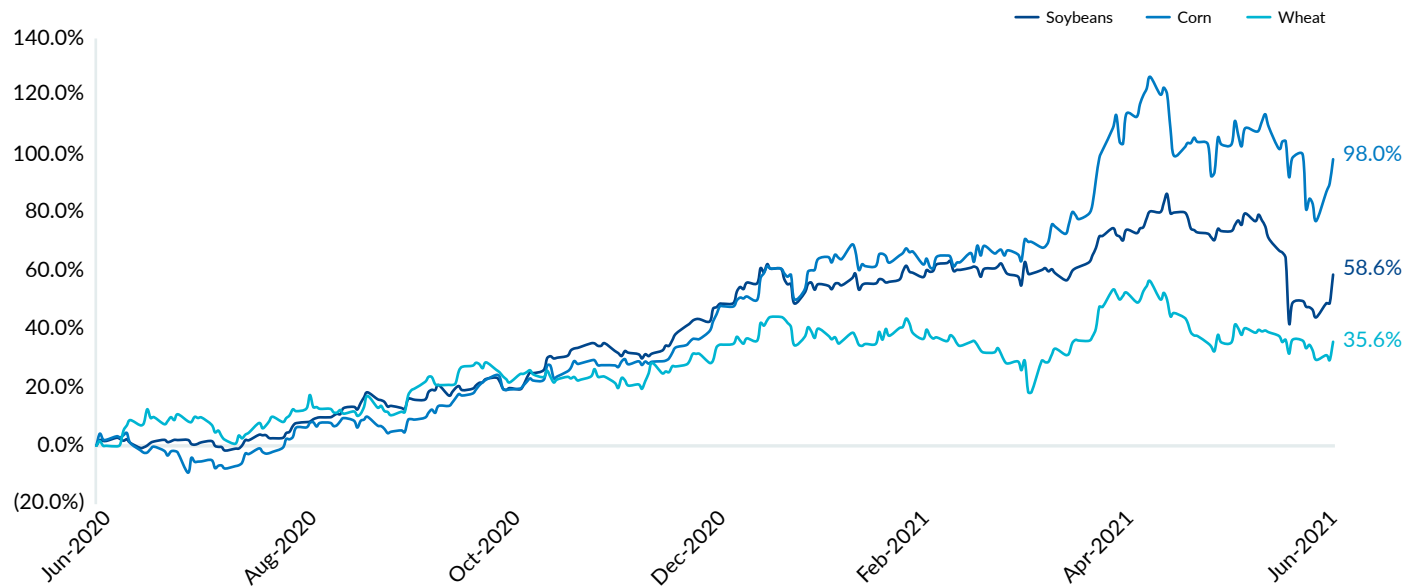
that vaccines may eradicate the pandemic-fueled uncertainty in the markets.

CHART 4: LIVESTOCK COMMODITY PERFORMANCE – LATEST TWELVE MONTHS



Source: S&P Capital IQ as of June 30, 2021.

CHART 5: GRAIN COMMODITY PERFORMANCE – LATEST TWELVE MONTHS



Source: S&P Capital IQ as of June 30, 2021.

As an aside, and in celebration of a move towards normalcy, Mesirov attended the Sweets and Snacks show in Indianapolis in June, which was the first in-person trade show held in that city. The show was well attended and felt like a step in the right direction as we look forward to a number of in-person events throughout the remainder of 2021 (note: we plan to attend Expo East (Philadelphia, September), SupplySide West (Las Vegas, October), and PLMA (Rosemont, December) over the coming months.).

Sector spotlight: Premium indulgent foods

With strong and continued demand for bold, unique flavors and high quality ingredients, “premiumization” was already “a thing” before the pandemic hit, partially bucking the growing “health and wellness” trend by supplementing BFY demand with “clean label”, “premium”, “authentic” (and in some cases, “not-so-good-for-you”) ingredients. While consumers are still searching for opportunities to stretch the household retail dollar, the premium end of the indulgence continuum has enjoyed sustained long-term demand. From “mocktails” to confectionery products to pet food, packaged food manufacturers across the spectrum are making premium products increasingly available to retailers and consumers. While “value” is still a key consideration for many consumers who view premium products as an occasional treat, the category is steadily growing overall regardless of higher price points. For example, according to IRI, dollar sales for foods containing a (premium) “lifestyle” diet claim grew approximately 13% in 2020.

Consumption demand is not just limited to more affluent buyers. Households of all income levels are reaching for these higher quality, bolder product offerings, whether it be for perceived health benefits or indulgence. Another IRI report found that “low-income households report making small indulgence purchases at a similar rate as other households,” and further noted these households are “most likely to seek premium items and to replace the restaurant experience with quality at-home meals.”

By focusing on quality, unique flavors and functional benefits, premiumization also provides yet another route for both conventional and emerging product development to innovate up and down the spectrum while building market share in both branded and private label, and balancing other consumer values, such as sustainability and corporate stewardship.

Multiples in the indulgent category have caught wind too with median revenue and EBITDA multiples approximating more than 2.00x and 11.6x, respectively, for the CY 2017 – 2021 period.

“Households of all income levels are reaching for these higher quality, bolder product offerings, whether it be for perceived health benefits or indulgence.”

Consumers’ perspectives on premium indulgent foods

85%

BFY shoppers who say they give in to over half of their cravings for indulgent foods

40%

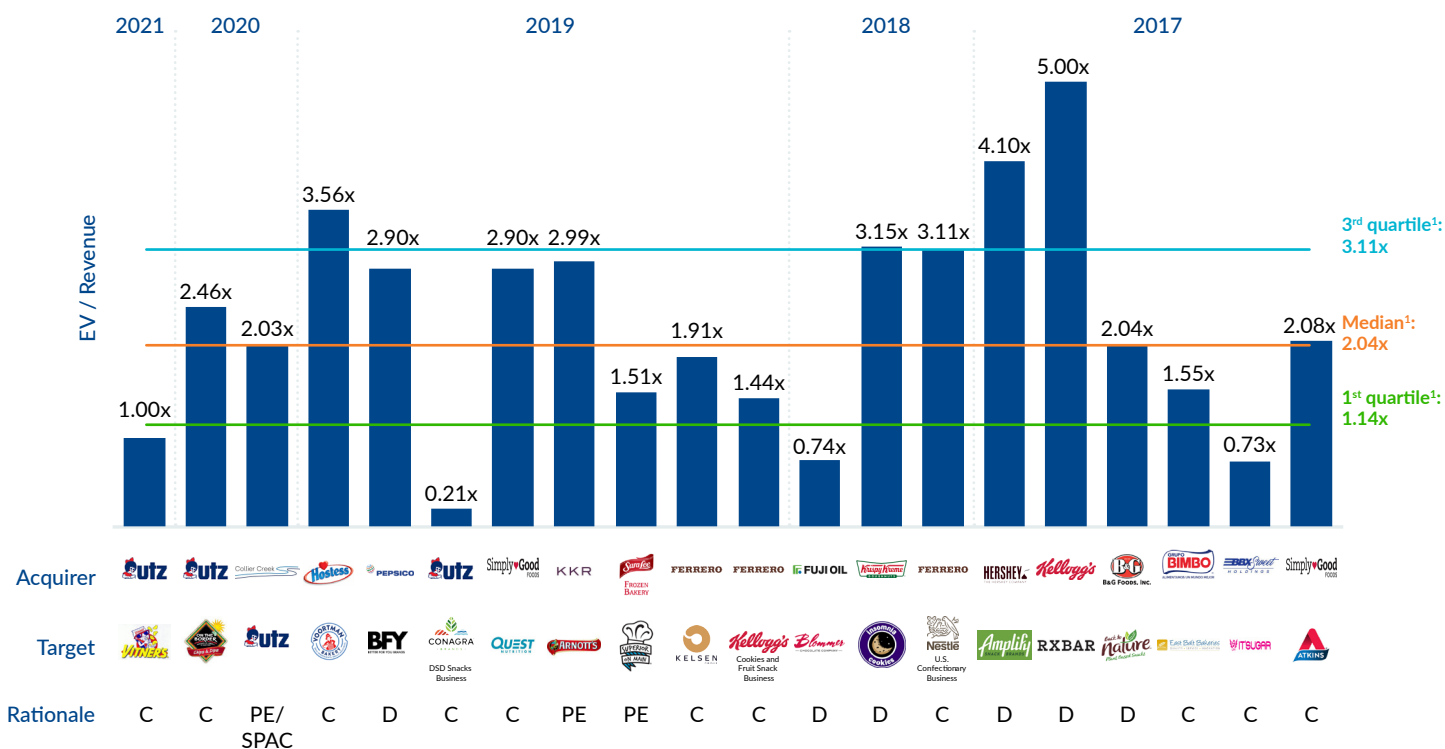
Shoppers who say they expect to pay a premium for healthy and functional snacks

35%

Shoppers who reported increasing their snack consumption due to the availability of healthier, more expensive options

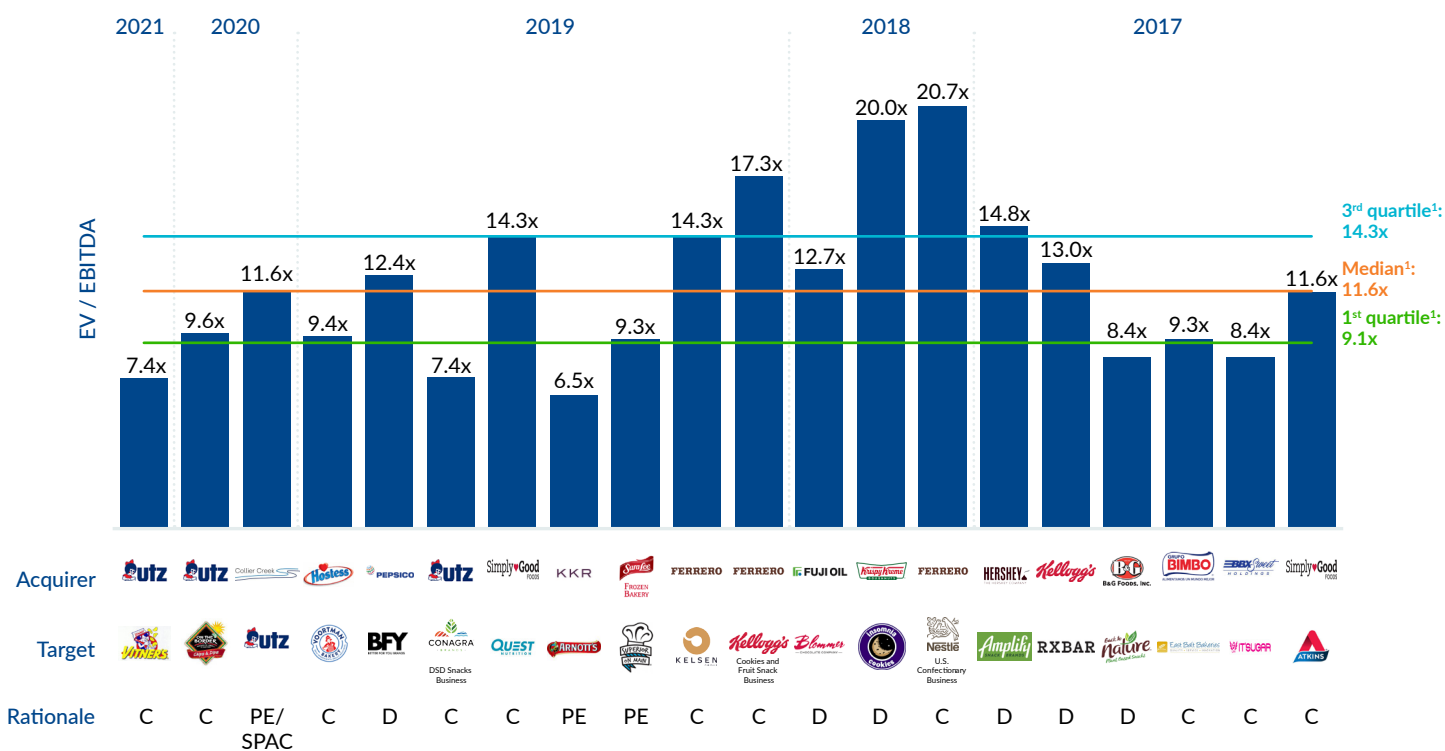
Source: Nielsen, FONA International Premiumization Report – 2019, Mintel Research: Progressive Grocer – Its Snack Time, LEK Survey.

CHART 6: CANDY, NUTS AND SNACKS | DISCLOSED REVENUE MULTIPLES



Note: C: Consolidation; PE: Private Equity; D: Diversification; SPAC: Special Purpose Acquisition Company. | Source: Capital IQ, company filings and press releases. | 1. Based on all deals with disclosed multiples in the Candy, Nuts and Snacks sector from 2017-2021.

CHART 7: CANDY, NUTS AND SNACKS | DISCLOSED EBITDA MULTIPLES



Note: C: Consolidation; PE: Private Equity; D: Diversification; SPAC: Special Purpose Acquisition Company. | Source: Capital IQ, company filings and press releases. | 1. Based on all deals with disclosed multiples in the Candy, Nuts and Snacks sector from 2017-2021.

Outlook

We expect to see the strong trends of the latest twelve months continue through the remainder of 2021 and likely well beyond. The strong supply of FB&A companies contemplating a possible exit will continue to be met by strong demand from strategic buyers that utilize M&A as an essential component to accelerate growth, whether through accessing new channels, customers and/or capabilities critical to executing long-term growth strategies. The return of large-scale (>\$1 billion) FB&A transactions announced through the first half of 2021, coupled with relatively active IPO and SPAC markets, is a collective positive tell-tale for the industry overall. With no shortage of capital on the sidelines and the current Fed posture, among a confluence of other factors, we see limited risk this momentum will let up anytime soon. Further, we expect to see private equity firms continue to be aggressive in processes as they balance capital deployment with potential resource constraints, resulting in sterling assets continuing to realize premium valuations.

Notable Mesirow transactions

<p>SELL-SIDE ADVISOR</p>  <p>HAS BEEN ACQUIRED BY</p> 	<p>SELL-SIDE ADVISOR</p>  <p>HAS BEEN ACQUIRED BY</p>  <p>a joint venture between</p>  
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Dedicated advisor to the food, beverage and agribusiness sector

Mesirow Investment Banking is consistently focused on elevating the experience for our clients. With extensive sector-specific expertise and deep long-standing relationships, our dedicated Food, Beverage and Agribusiness team has a proven track record of completing highly tailored and successful transactions. Our highest priority is helping individuals and organizations achieve their financial and strategic goals.

Contact us

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Mesirow serves the following sectors within the value chain:

- Beverages
- Branded and private label packaged food
- Cannabis
- Contract manufacturing
- Dairy and dairy alternatives
- Distributors and wholesalers
- Fruits and vegetables
- Ingredients and flavors
- Inputs and agribusiness
- Milling, baking and confectionery
- Natural and organics
- Nutraceuticals
- Pet food and feed
- Protein
- Restaurants and retail grocery
- Snack foods

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