



TriVista

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## THE ART OF THE FOOD DEAL

*How & Why Strategics and Private Equity Firms  
are Investing in Growing Food Companies*

### PANELISTS:

- Brad Schreiber – Managing Director, Headwaters MB
- Jeremy Holland – Principal, The Riverside Company
- Mike McSweeney – Senior Vice President, TriVista
- Jennifer Frankenberg – FB&C Director, TriVista

SEPTEMBER 10<sup>TH</sup> 2014

TRIVISTA.COM



MIKE MCSWEENEY  
Senior Vice President

Currently, Mike leads TriVista's Food, Beverage & Consumables Practice and is a member of TriVista's Global Executive Leadership Team. Since joining TriVista in 2007, Mike has worked on and led more than 50 consulting engagements in more than 20 countries, for clients across a wide industry spectrum. Mike has advised more than twenty Private Equity firms on M&A transactions across several industry sectors, with enterprise values from \$20 million to more than \$1 bn.

#### **RELEVANT EXPERIENCE:**

- > 50 Consulting Engagements
- > 15 Food & Beverage M&A transactions
- Supported PEG with acquisition of food products business with revenue in excess of \$1 billion
- Led global operational and food safety diligence team for a leading PEG on a \$250 MM corporate carve out (US, Mexico, China, Thailand, Philippines)

#### **CONTACT:**

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JENNIFER FRANKENBERG  
Director, Food, Beverage &  
Consumables

Jennifer is a Director in TriVista's Food, Beverage & Consumables Practice where she oversees TriVista's Food Safety Due Diligence activities. Jennifer possesses a strong combination of food safety, supply chain, operations, and risk management experience in the food and consumables space.

**AREAS OF EXPERTISE:**

- Bakery
- Dairy
- Fresh Fruits and Vegetables
- Fresh and Processed Meat
- Foodservice
- Retail Food Stores
- Food Transportation
- Sanitary Design of Food Equipment
- Risk Assessment
- GFSI

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## Brad Schreiber – Headwaters MB



BRAD SCHREIBER  
Managing Director

Brad is a managing director and co-head of consumer and industrial investment banking groups at Headwaters MB. Brad has more than twenty years experience in investment and commercial banking, previously at D.A. Davidson, McGladrey Capital Markets, Citigroup and Wells Fargo. He has advised private and publicly-traded companies and private equity groups on domestic and international mergers & acquisitions, debt & equity capital raises, and strategic planning projects across a variety of food & beverage and other branded consumer segments.

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# Jeremy Holland – The Riverside Company



JEREMY HOLLAND  
Principal, Origination

**Jeremy Holland** is Principal of Origination at The Riverside Company, a global private equity firm with more than \$4.6 billion in assets and more than 350 acquisitions' worth of experience. Working with various teams across various deal sizes and industries, he has closed more than 12 acquisitions in the last 24 months. Holland has 17 years of private equity experience and holds a BS in Finance from California State University, Northridge.

#### **AREAS OF EXPERTISE:**

- Investing in companies of all sizes up to \$250 million in enterprise value
- Consumer Goods
- Franchising

#### **CONTACT:**

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## M&A ACTIVITY & VALUATION TRENDS

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Brad Schreiber  
Headwaters MB



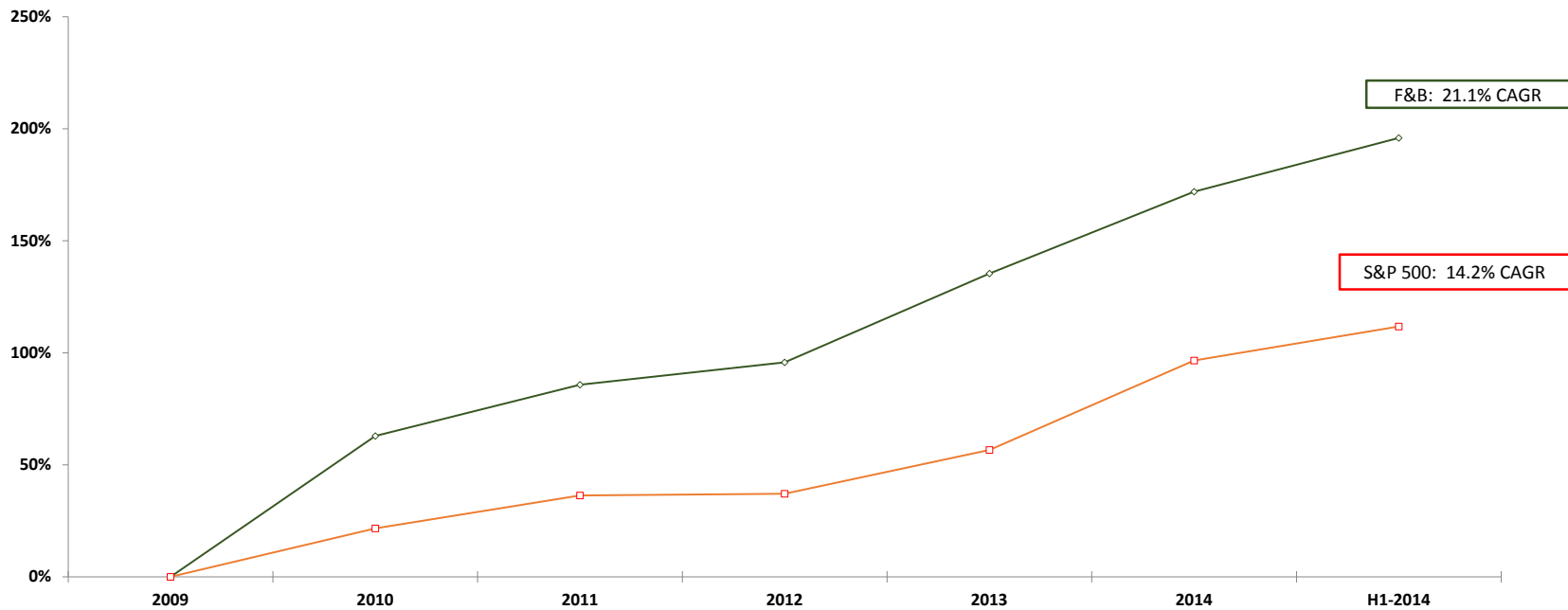
# Selection of Recent Food & Beverage Transactions



# Why are Buyers & Investors Interested in Food & Beverage?

- Food & beverage stocks have outperformed the overall market since the Q1 2009 low.

Food & Beverage Index Versus the S&P500



Source: Capital IQ – YTD as of 8/21/14

Price performance cumulative over annual periods beginning 1/2/09

Trading multiples use LTM financials over CY

F&B Index comprised of HWMB selected universe

—◇— Food & Beverage Index —□— S&P 500

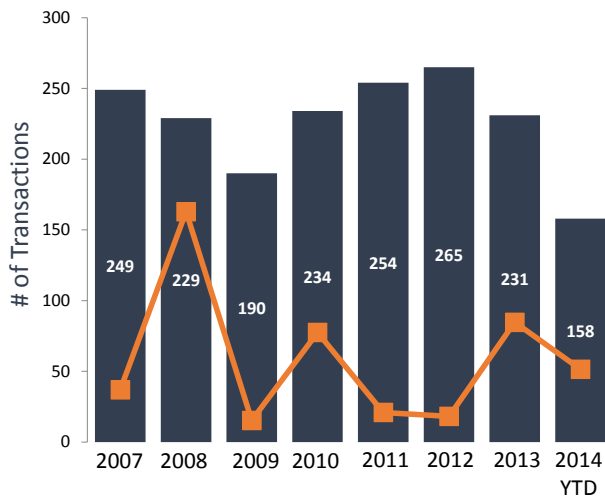


# Food & Beverage M&A Activity

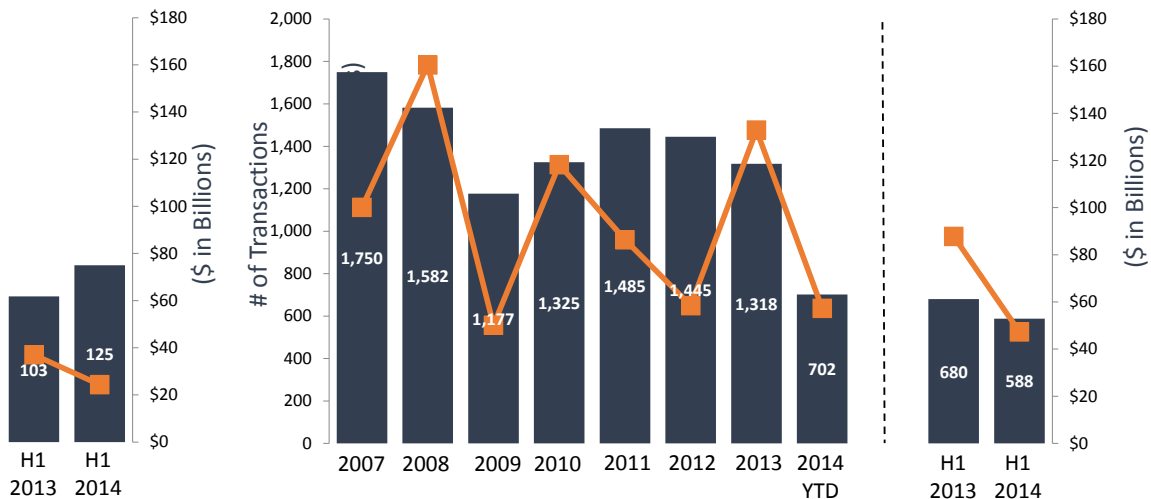
- M&A activity in the Food & Beverage space has followed trends in the overall market.
- The number of transactions in the US increased in H1 2014 compared to H1 2013 on pace for a strong year, but declined globally.
- Annual transaction value has fluctuated with mega deals driving spikes.

## Volume & Value

U.S.



Global



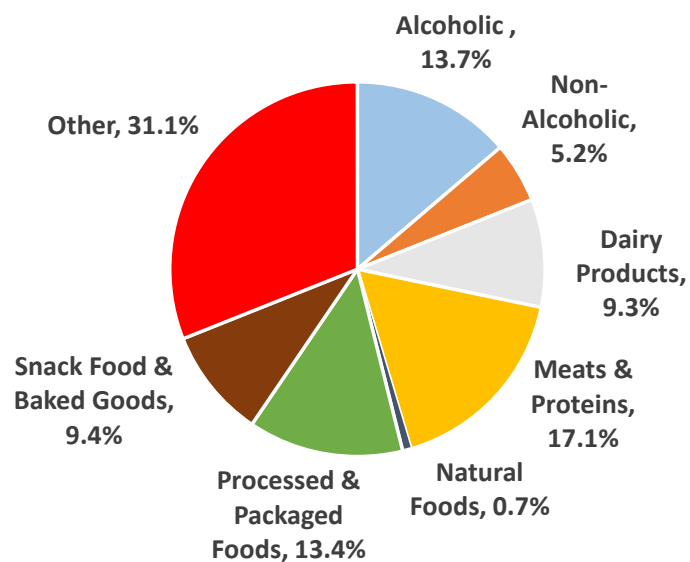
■ # of Transactions    ■ Total Transaction Value

Source: Capital IQ – YTD as of 8/21/14  
 Multiples use LTM financials  
 Universe includes all Global transactions for which transaction data was disclosed

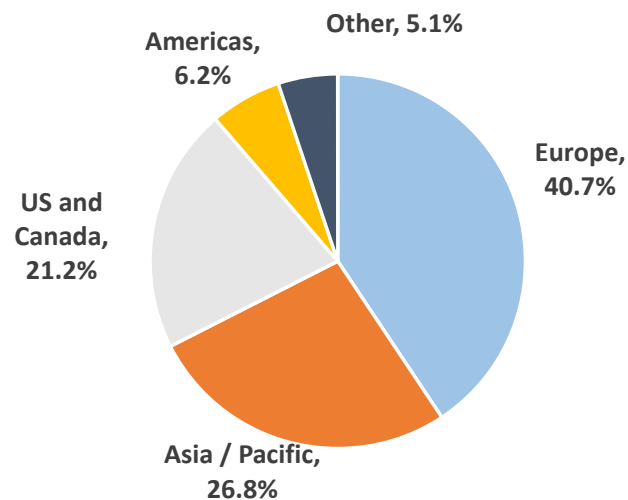
# Global Food & Beverage M&A Activity by Segment & Geography

- Meat & protein, alcoholic beverages and processed/packaged foods were the most-active segments in 2013 and H1 2014.
- The majority of transactions occurred in Europe, Asia/Pacific and US & Canada, with the US continuing to account for the largest volume by a single country.

M&A Activity by Segment



M&A Activity by Geography



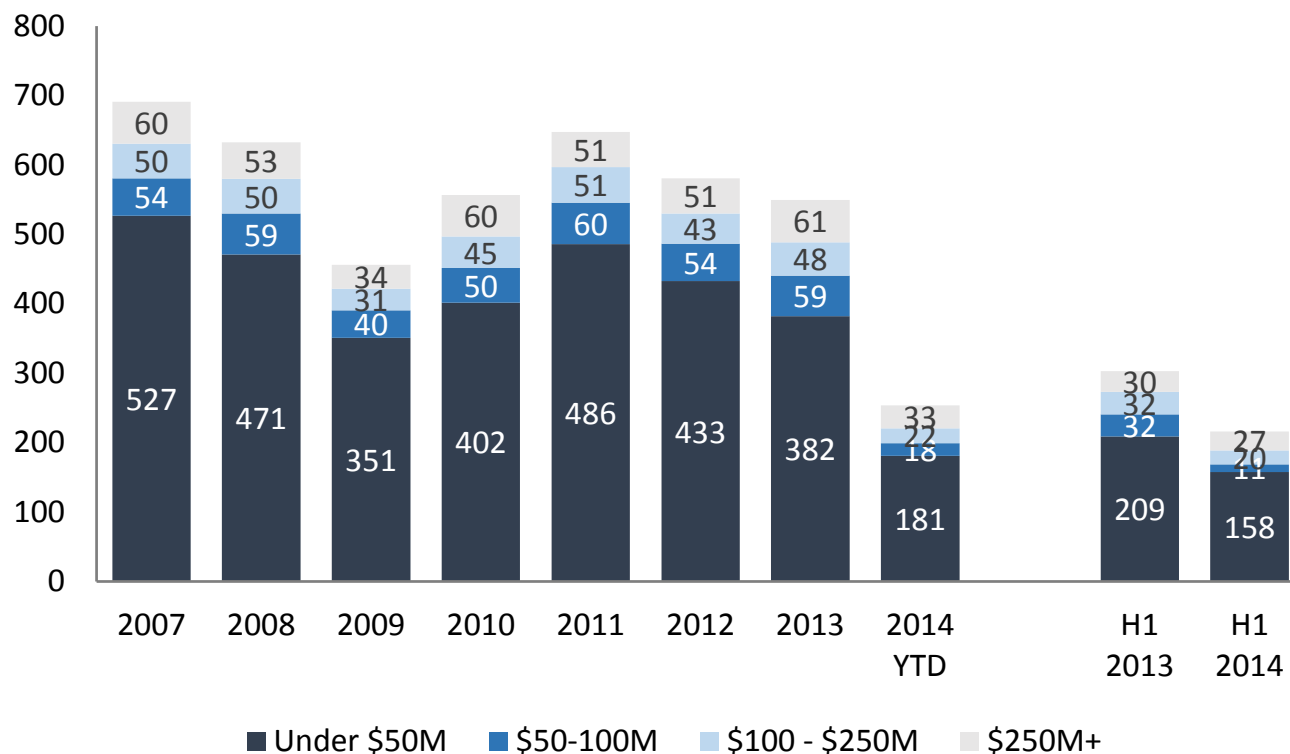
Source: Capital IQ - 1/1/13 – 6/30/14

Universe includes all Global transactions for which transaction data was disclosed  
 "Other" segment includes Agribusiness, Ingredients/Flavors, Fruits & Vegetables, Others  
 Americas include all of North & South America excluding the US and Canada

# Smaller Transactions Account For Majority of Activity

- While larger transactions get all the press, almost 75% of Food & Beverage M&A transactions since 2007 have been under \$50 million.

Total Number of Food & Beverage Transactions Globally by Deal Size



Source: Capital IQ - 8/21/14

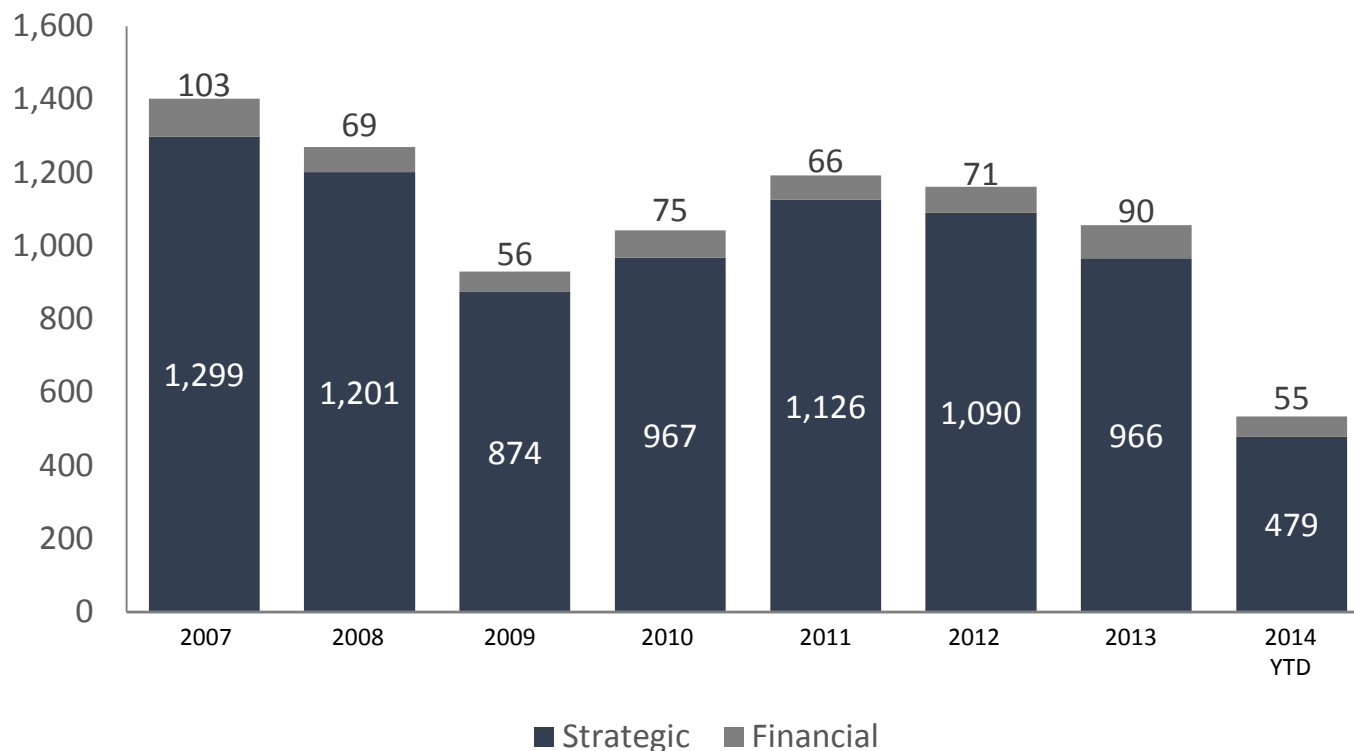
Includes transactions for which values were disclosed

Totals differ from buyer breakdown due to undisclosed information

# Strategic vs. Private Equity Acquirers

- Over 93% of Food & Beverage M&A transactions since 2009 were completed by strategic acquirers.
- Private equity acquirers accounted for almost 10% of F&B transactions in 2013 and YTD 2014, up from around 6% in past years.

Global Food & Beverage Buyer Type



Source: Capital IQ - 8/21/14

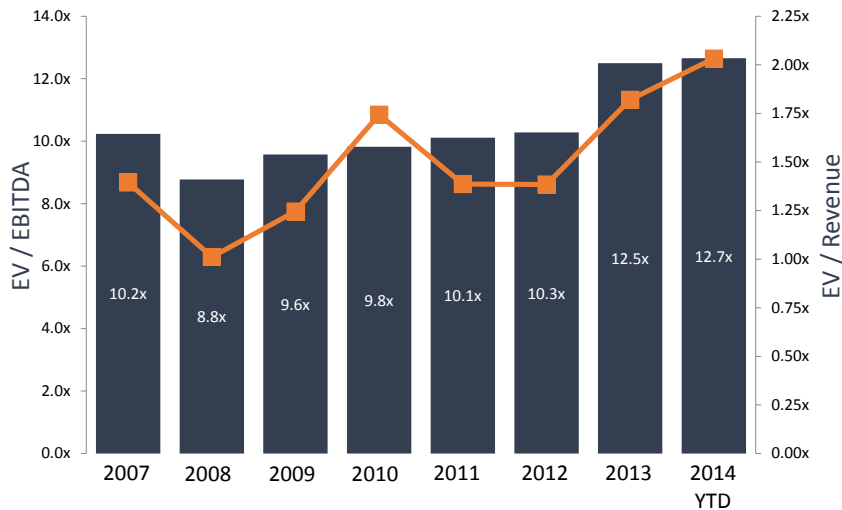
Universe includes all Global transactions for which buyers were disclosed



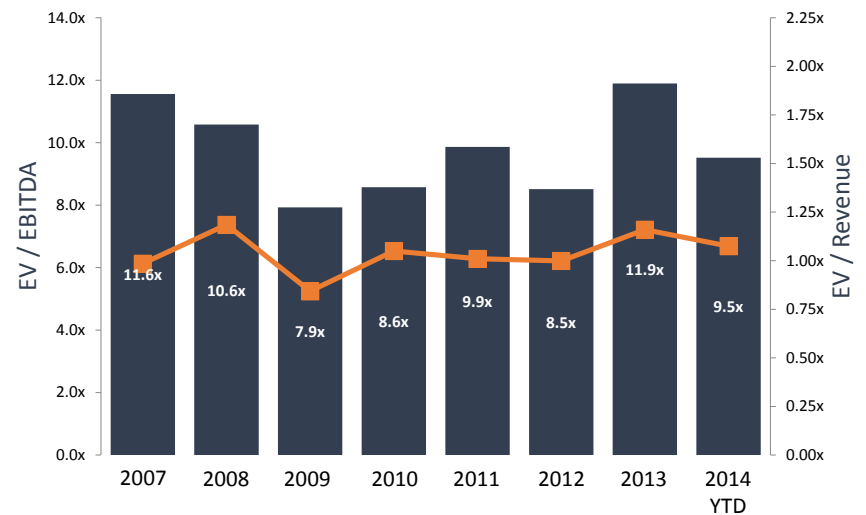
# Global Food & Beverage Valuation Multiples

- Median transaction valuations returned to pre-recession levels in 2013. Although slipping a bit YTD 2014, multiples still exceed the five-year average since 2009.
- Premium valuations have been driven in large part by a scarcity of good companies for sale, low interest rates, strong financing markets, significant amounts of strategic and private equity money, and international competition.

## Public Trading Multiples



## Transaction Multiples



■ EV / EBITDA

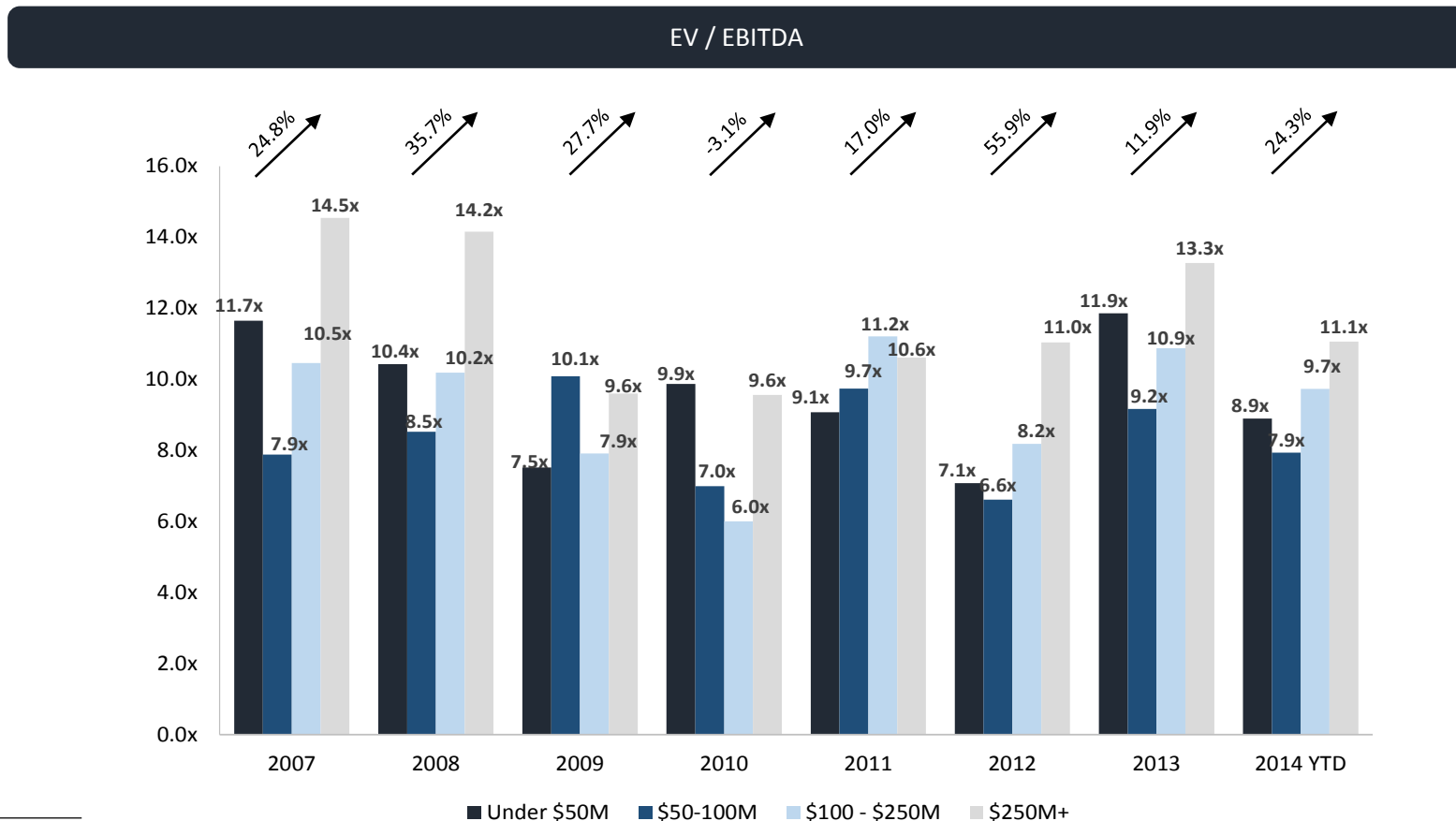
■ EV / Revenue

Source: Capital IQ - 8/21/14

Universe includes all Global transactions for which values were disclosed  
 Multiples use LTM financials

# Size Drives Higher Multiples

- While smaller transactions rule the market by volume, larger transactions command greater multiples.
- Transactions over \$250 million command almost 25% higher premiums, on average (measured by EBITDA), than those under \$50M.



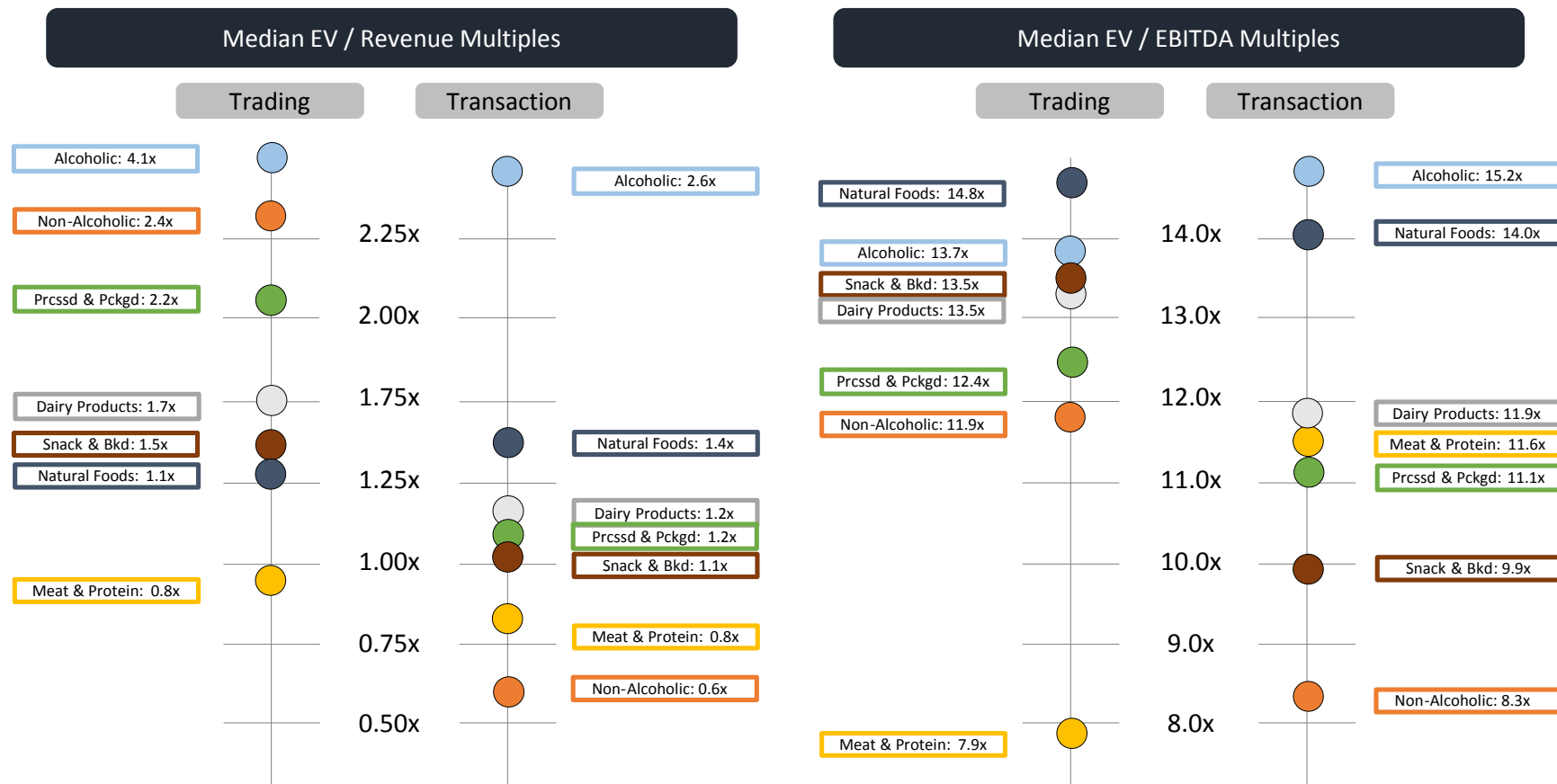
Source: Capital IQ - 8/21/14

Universe includes all Global transactions for which values were disclosed

Multiples use LTM financials

# Valuation Multiples By Segment

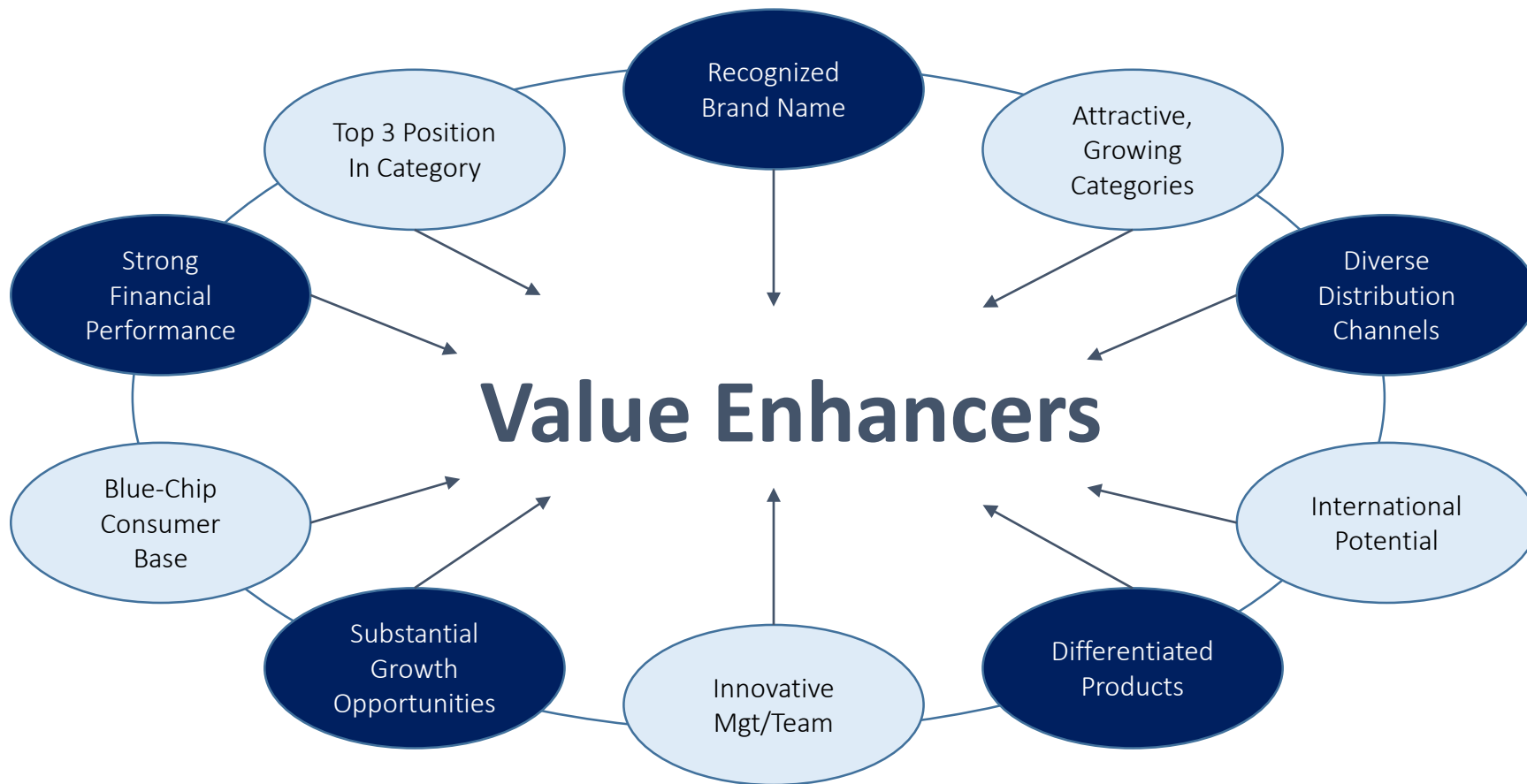
- Alcoholic beverages, natural foods and dairy segments have seen the highest valuation multiples recently.
- Multiple expansion has been highest in natural foods, non-alcoholic beverages and snack & baked goods segments since 2009.



Source: Capital IQ – Multiples as of 2014 YTD  
 Multiples use LTM financials  
 Transaction multiples from 1/1/13 – 8/21/14  
 Universe includes all Global transactions within select sub-industry's

# Attributes that Drive Value

- Key attributes that maximize interest and ultimately garner premium valuations include:





# Top 3 Qualities that Command Premium Valuations

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**Strong Brand**

**High Margins**

**Growth/Sell Through**

**=**



# Outlook

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- The M&A market in Food & Beverage will remain active in H2 2014 and 2015.
- Increasing demand for natural/organic, convenient, healthy and ethnic snacks, beverages and foods will drive continued activity and premium valuations in those segments.
- It's a seller's market. Extraordinary premiums are being paid for even "less-sexy" companies.
- The pendulum will swing back. Multiples will likely decline in the next 1-3 years.



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## WHAT'S DRIVING INVESTOR INTEREST?

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Jeremy Holland  
The Riverside Company



*Riverside*

## Partnership . Growth . Integrity

Riverside's hands-on approach aims to accelerate growth and help companies thrive.

- Proud to partner with strong management teams to take companies to the next level.
- Uniquely focused exclusively on making smaller companies bigger and better.
- Local presence in **North America**, **Europe** and the **Asia-Pacific** region with more than 200 locals speaking over two dozen languages.

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**Visit [www.riversidecompany.com](http://www.riversidecompany.com) to learn more.**

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**\$4.6b**

**ASSETS UNDER MANAGEMENT\***

\*As of July 28, 2014.

**70+**

**COMPANIES WORLDWIDE**

**25+**

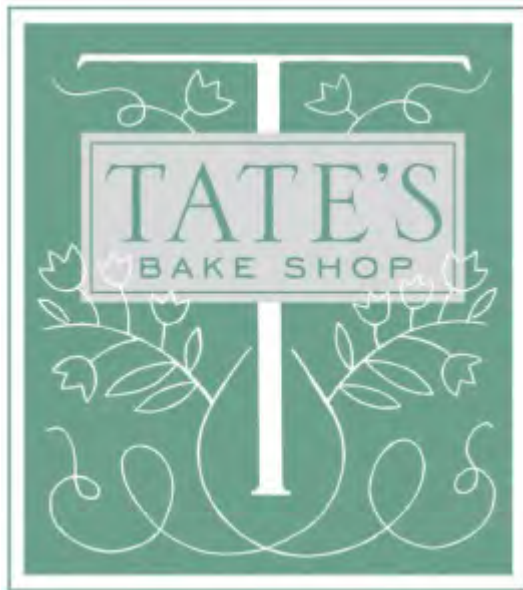
**YEARS EXPERIENCE**



## Uinta Brewery



## Tate's Bake Shop





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## KEY INVESTMENT CONSIDERATIONS

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Mike McSweeney  
Jennifer Frankenberg  
TriVista



Where is the risk?

1. Market
2. Financials
3. Production
4. Supply Chain Management
5. Food Safety & Regulatory Compliance

# FOOD PRODUCTS VALUE CHAIN



Typical Diligence Focus

Recommended Diligence Focus



## 5 MOST IMPORTANT Production Considerations

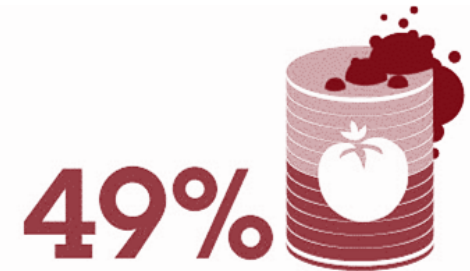
- 1 Process Capability & Competence
- 2 Continuous Improvement Philosophy
- 3 Capital Equipment
- 4 Building & Facility
- 5 Proprietary Processes





## 5 MOST IMPORTANT Supply Chain Considerations

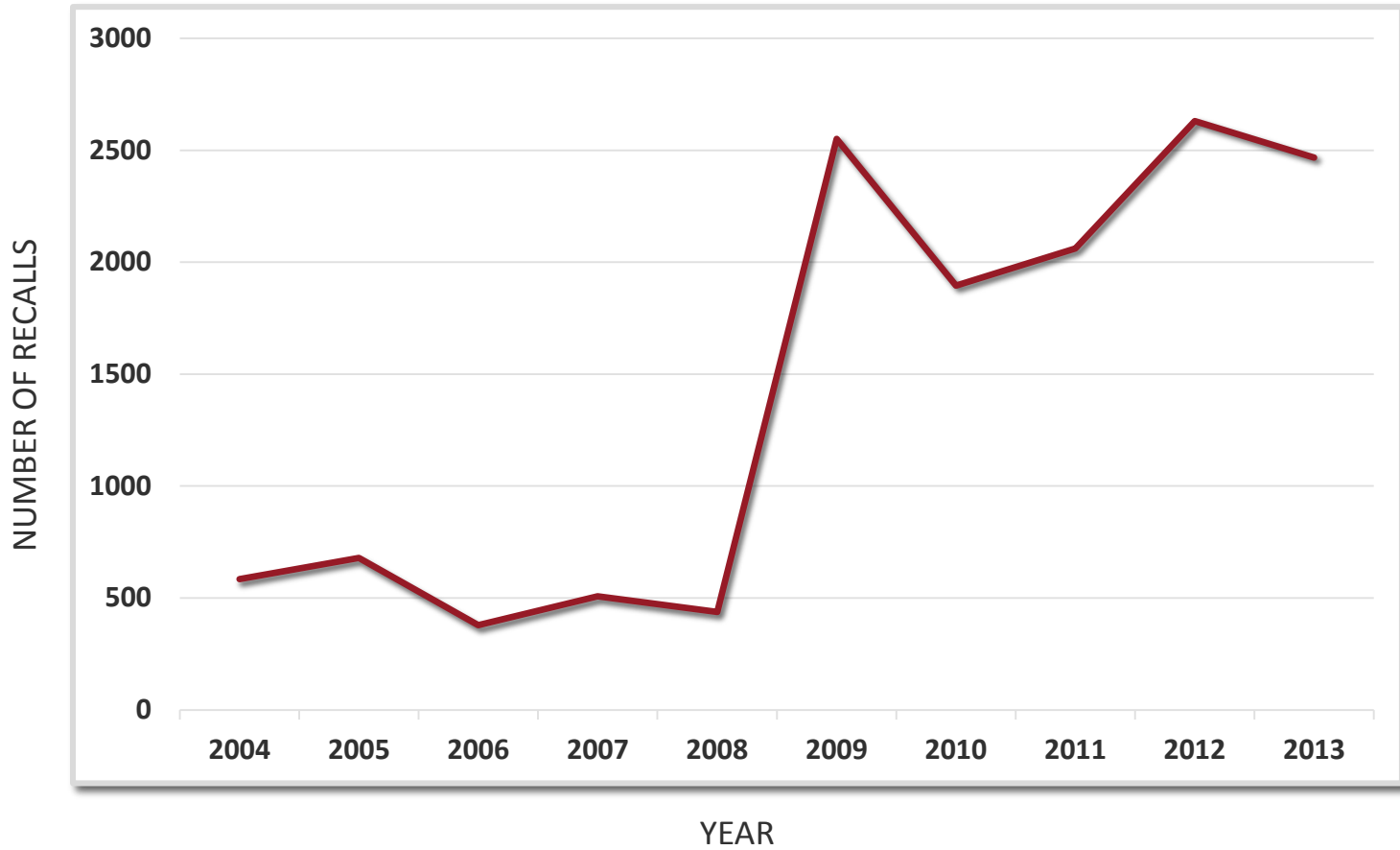
- 1 Supply Chain Competence
- 2 Supply Chain Performance – Scorecards, Metrics, Etc.
- 3 Co-Packer Capabilities & Gaps
- 4 Ingredient Supply Limitations & Restrictions
- 5 Supply Chain Continuity Planning



*Of respondents would be less likely to purchase a food product again if it was recalled due to a contamination.*

\*SOURCE: IBM study on food safety

## FDA FOOD PRODUCT RECALLS



\*SOURCE: SAGE Food Safety LLC





## 4 MOST IMPORTANT Food Safety Considerations

1

### Inherent product and/or ingredient risks

- Global supply chain impacts
- Regulatory oversight

2

### Robust food safety programs

- Good Manufacturing Practices (GMPs)
- Global Food Safety Initiative (GFSI)

3

### Labeling compliance

- New terms such as GMO-free, gluten-free, low-fat, healthy
- Allergen statements

4

### Management commitment

- Is the focus only on quality? How enthusiastic are they about food safety?
- Management attitude determines “food safety culture”

**15%**

*of the U.S. food supply  
is Imported...*

*and less than **3%**  
of those are  
inspected at the border*

\*SOURCE: FDA 2012



# FOOD PRODUCTS VALUE CHAIN



Where is the risk?



# TriVista



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Headwaters MB



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