



CALABARAS CAPITAL

Food & Beverage M&A Outlook Q2 2015

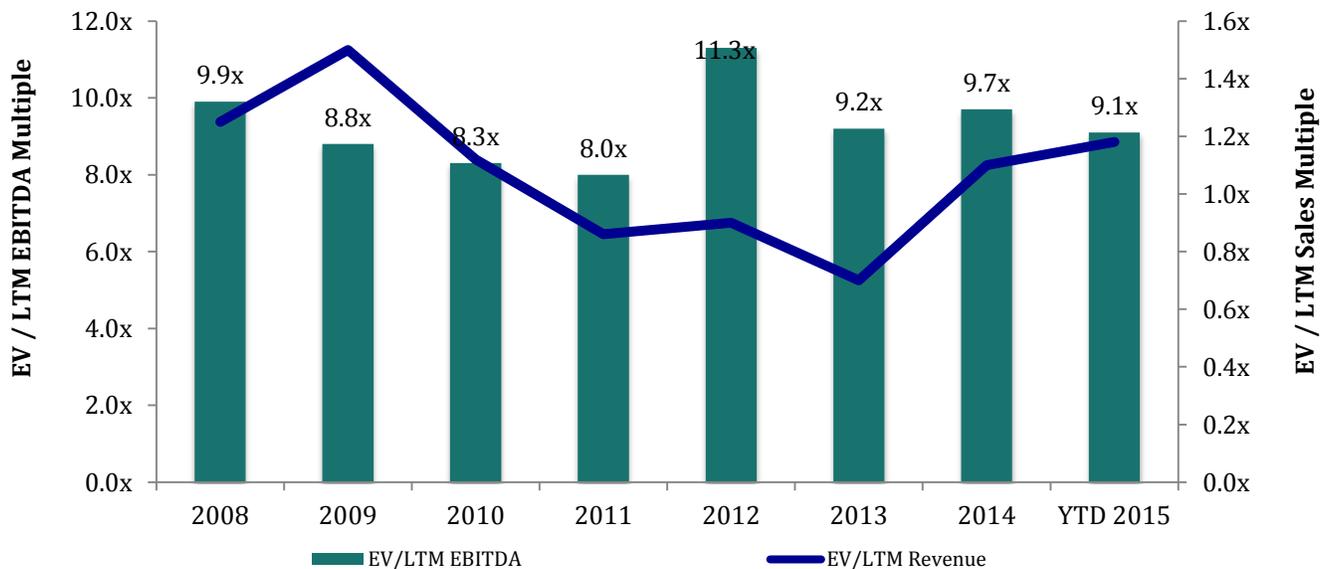
About Us

Calabaras Capital is a boutique investment banking firm focused on serving lower middle-market privately-held companies. We specialize in representing and advising businesses on sell-side and buy-side mergers and acquisitions and we raise private equity and debt capital.

Overview

- M&A activity has remained strong due to strong industry fundamentals and a positive economic environment.
- Deal count has been increasing since 2012, climaxing in 2014 with 305 transactions recorded.
- In the first half of 2015, roughly 225 deals totaling \$70.9 million have been completed. At this pace, 2015 will exceed 2014 levels, the most active year since 2007.
- Revenue and EBITDA multiples remain quite strong at 1.2x and 9.1x, respectively during the first half of 2015.

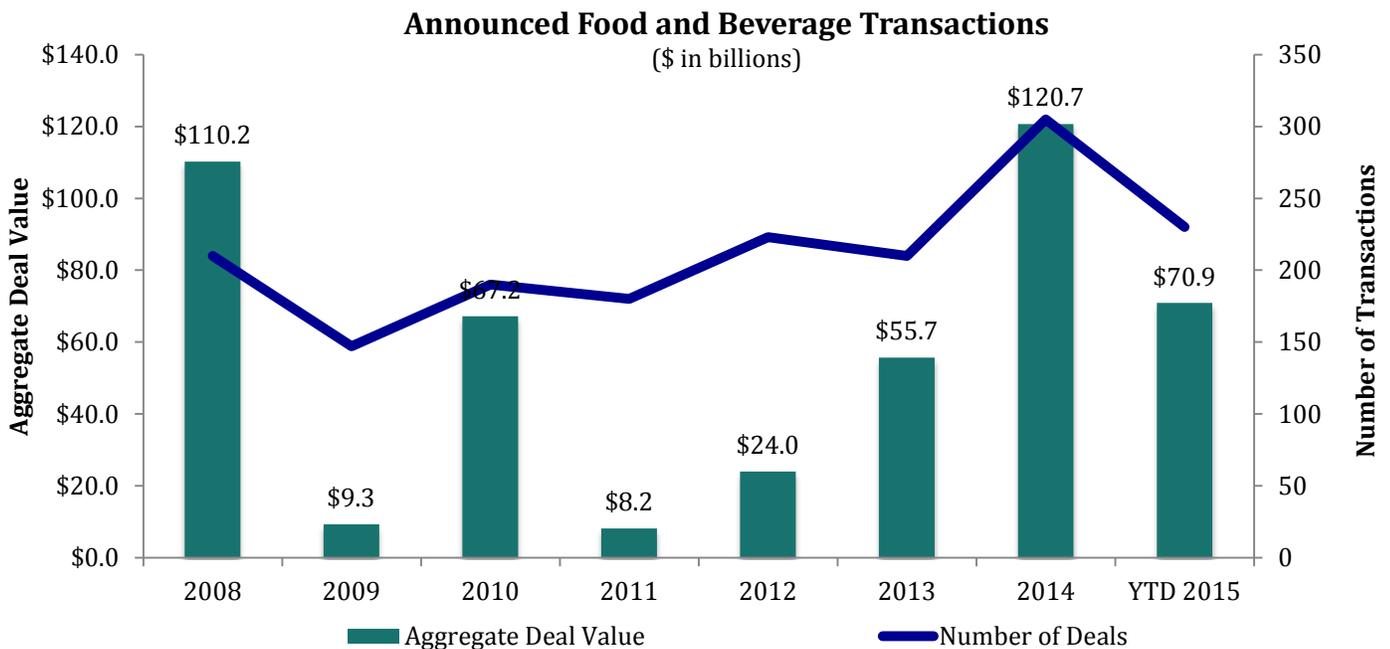
Median Food and Beverage Transaction Multiples



Source: Capital IQ, Harris & Williams & Co. market analysis report dated as June

- Strategic buyers continue to outpace financial sponsors in the industry as the former actively seek acquisitions as they reposition their product portfolios and expand into new markets.

- Private equity firms continue to remain very active in the industry because of its fragmented nature and relative stability. PE firms are able to capitalize on carve-outs from large companies looking to sell non-core businesses. Although these corporate orphans may be experiencing slow growth, many maintain strong cash flow positions enabling financial buyers to use leverage in making acquisitions. Industry-focused PE firms see untapped growth potential in many of these brands.
- In the second half of 2015, robust M&A activities are to be expected, with middle market deals driven by a low interest rate environment, a growing economy, well-capitalized strategic buyers and key industry fundamentals.



Source: Capital IQ, Harris & Williams & Co. market analysis report dated as June 2015

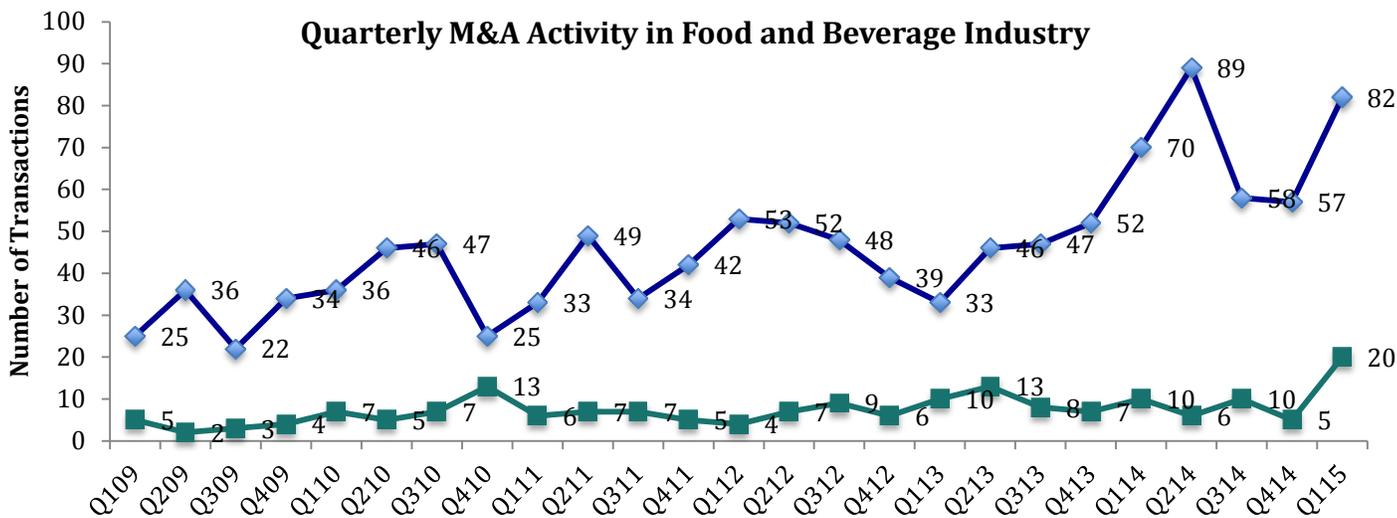
Drivers of Consolidation

A wide range of highly targeted and strategic acquisitions are occurring in the industry. Drivers of such transactions include food manufacturers pursuing new sub-sectors with promising long-term growth prospects, companies' efforts to revive sales through expansion into new markets and the opportunity to improve margins through economies of scale. Key industry drivers have included:

Low Interest Rates & Strong Public Market Capitalizations

Strong stock market performance and low interest rates have continued to fuel M&A activities in all industries including Food & Beverage. As of June 31, 2015, Food and Beverage Industry Stock Performance has been strong. All industry segments exhibited positive stock gains during the prior twelve months. The Natural and Organic Food segment outperformed relative to the S&P 500 with

gains of 12.4%. The bull market in U.S. equities has benefitted acquirers who use their common stock as acquisition currency. The ability of most consumer staples companies to generate consistent revenue and cash flow leads to strong credit ratings and low interest rates, which brings down their cost of capital.



Source: Capital IQ, Harris & Williams & Co. market analysis report dated as June 2015

Appetite for Growth

Investors are attracted to the Food and Beverage Industry because of its large size and continuous growth, as well as its ability to be relatively insulated from fluctuations in the economy. However, low organic growth has been a challenge. With industry growth at only 1%¹ per year, many have been actively seeking to make acquisitions to complement organic growth.

Changing Consumer Preferences

Changing habits will be a major factor affecting the packaged food industry in the years to come. **Rising health consciousness** has increased the demand for healthy and organic food, and an increasing **demand for convenience** has affected the food industry as well. A growing number of consumers are replacing meals, especially breakfast, with snack food. Failure to adapt to rising demand for healthier and more convenient food will result in shrinking market share and contracted profit margins. For example, the operating margins of Kellogg’s ‘Morning Foods’ division have been declining steadily due to the strong bias of its product portfolio towards cereals whose high sugar content is increasingly being questioned. Changes in eating habits has been a key driver for companies to seek acquisitions of smaller companies with innovate products that allow them to

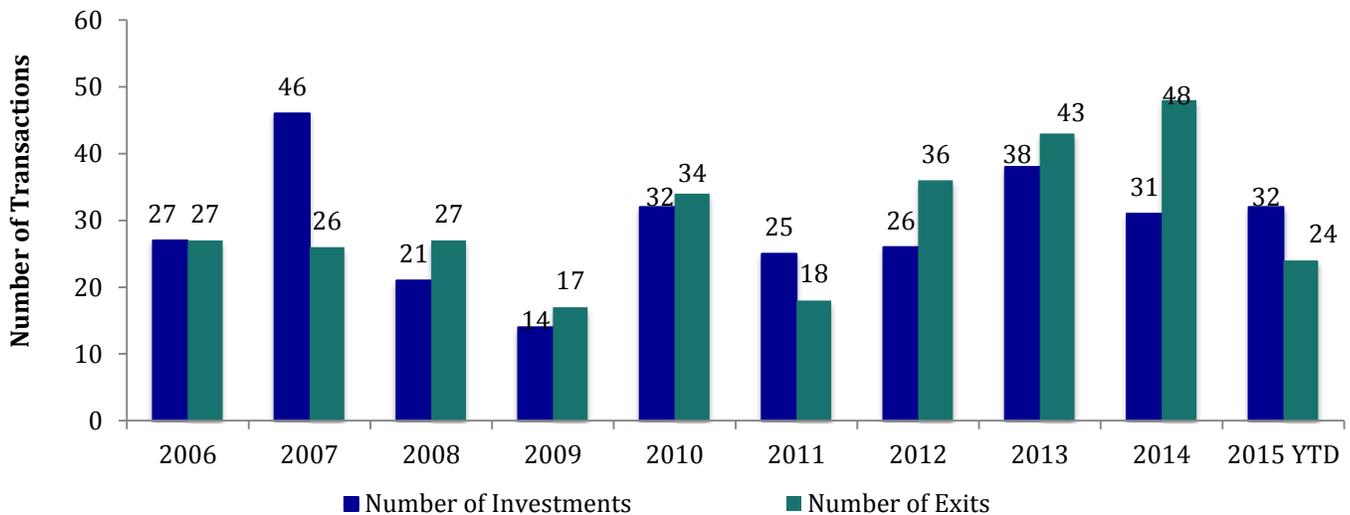
¹ Capstone Partners, Food& Beverage report Q2 2015

adapt their product portfolio to consumer preferences.

A notable deal was General Mill's acquisition of Annie's in September 2014 for \$820 million, a multiple of 4x revenue of \$204 million for Annie's in 2014. Although much smaller than General Mills (\$17 billion in revenue), Annie's much higher growth rate (20% vs. GM at less than 1%) and focus on healthy and organic food allows General Mills to diversify its product portfolio and increase its own growth rate. The deal made sense for Annie's as well which was facing a margin squeeze from rising commodity prices at the time.

Another example was Campbell Soup's acquisition of Garden Fresh Gourmet, a maker of salsa and hummus, for \$231 million in June 2015. Campbell has been struggling with stagnant sales growth in its core soup products and V8 juice. By acquiring Garden Fresh Gourmet, Campbell's obtains exposure to the higher growth segments of ethnic natural and organic foods.

Private Equity Investments & Exit in Food and Beverage Industry



Source: Capital IQ, Harris & Williams & Co. market analysis report dated as June 2015

Selected Notable Transactions²

- On July 13, 2015, **B&G Foods Inc.** acquired pizza crust brand **Mama Mary's**, which was backed by Mayfield Heights, Ohio-based private equity firm Linsalata Capital Partners, for \$50 million. Headquartered in Parsippany, New Jersey, B&G is a manufacturer, seller and distributor of shelf-stable foods. The buyer expects the acquisition will bring in \$35 million in sales, and adjusted EBITDA of \$7.5 million annually.
- In July 2015, private equity firm **North Castle Partners** acquires a majority stake in **Sprout**

² Source: Press releases

Organic Foods Inc., which makes baby food and other products including vegetables, fruits, grains and proteins. North Castle is a Greenwich, Connecticut-based private equity firm that focuses on the healthy living markets. The firm currently owns weight-loss company Jenny Craig. Terms of the deal are not disclosed.

- In June 2015, **Centre Lane Partners LLC** paid \$16.9 million to purchase bankrupt **Saladworks**, a salad chain restaurant that originally operated 108 fresh-tossed salad restaurants. Centre Lane is a private equity firm headquartered in New York.
- In June 2015, London-based private equity firm **Permira** acquired **Medora Snacks LLC** and **Ideal Snacks Holding Corp.** Headquartered in Middletown, New York, Medora makes PopCorners, PopCorners Whole Grain and popped bean chips and Ideal is a New York-based contract manufacturer for popped snacks. Terms of the deal are not disclosed. Permira will combine the two companies into one holding company called BFY Holdings I LLC, based in New York.
- On June 9, 2015, Laguna Beach, California-based **Flavor Infusion, LLC** sold its business to **Symrise, Inc**, a subsidiary of Symrise AG. Flavor Infusion was established in 2004 by Dan DeClark and produced a range of natural flavor products for beverage applications. The deal will consolidate Symrise's leading position in the global flavors market and enhance its ability to compete in the flavored waters and beverage categories.
- In April 2015, Vitaligent LLC, a St. Louis-based franchise group led by David Peacock, purchased Jamba Inc.'s 100 company units in California for \$36 million. Jamba Inc. offers smoothies, juices and specialty food at its outlets.
- In March 2015, Chicago private equity firm **Wind Point Partners** acquired dairy business **Gehl Foods** for an undisclosed amount. Headquartered in Germantown, Wisconsin, Gehl makes and distributes shelf-stable dairy products.
- In February 2015, **Blue Bottle Coffee**, an international specialty coffee roaster headquartered in Oakland, California, purchased **Perfect Coffee**, a Bay Area startup that created a pre-ground coffee system. This was the third major acquisition for Blue Bottle Coffee in the past ten months, following the company's purchase of **Handsome Coffee Roaster**, a Los Angeles-based coffee roaster and café, and **Tonx.org**, a Los Angeles-based subscription-only coffee roaster, in April of 2014.
- In a deal announced in August 2014, **Peet's Coffee & Tea Inc.**, partnered with private equity firm Next World Group, to acquire **Mighty Leaf Tea**, a San Rafael, California-based operation known for artisan and blended teas.
- In July 2014, **Hormel Foods Corp.** with \$8 billion in revenue, acquired **CytoSport Holdings Inc.**, the maker of the market-leading protein supplement drink **Muscle Milk**, with \$370 million in

revenue, for \$450 million from San Francisco-based private equity firm, TSG Consumer Partners. TSG announced that during its 7-year holding period, sales of Cytosport quadrupled.

- In a deal announced in June 2014, **TreeHouse Foods** bought Gryphon Investors-backed **Flagstone Foods** for \$860 million and added a line of nuts and private label healthy snacks to its product portfolio.
- In May 2014, The **Southern California Egg Cooperative, Inc.** purchased the western Region of **Moark, LLC** from Land O' Lakes, Inc. The Southern California Egg Cooperative was created by four family-owned farms in 2010, which were owned by members of the Demler family who have been dedicated to producing high-quality California fresh eggs. Fontana, California-based Moark produces, processes and distributes fresh shell eggs for retail and food service customers.
- In April 2014, **The Hillshire Brands Co.** paid \$165 million to acquire **Van's Natural Foods**, which was sold by PE firm **Catterton Partners**. Phoenix-based Van's sells breakfast and snack foods while Hillshire was known for owning the Jimmy Dean, Ball Park, Sara Lee frozen bakery and Chef Pierre brands. The deal was expected to strengthen Hillshire's presence in the frozen food category.

Calabaras Capital

Our comprehensive services include:

- Sell-Side and Buy-Side Mergers & Acquisitions Advisory
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring
- Sales of non-core assets/divisions of larger public and private companies

Food Industry Transaction Experience



strategic advisory

Calabaras Capital advised Rice Garden on strategic alternatives.



strategic advisory

Calabaras Capital advised Dr. Sears on strategic and financing alternatives.



financial advisory

Calabaras Capital advised Slim Chickens on valuation and financing alternatives.



has been acquired by
A Private Investment Group

A managing director of Calabaras Capital served as exclusive financial advisor to Hamlet Group while at a previous firm.

Mandarin Holdings

has acquired



with financing provided by



A managing director of Calabasas Capital served as financial advisor to Mandarin Holdings while at a previous firm.

Six Holdings, LLC

has acquired the assets of



FRESH ASIAN
FLAVORS

from



CARLSON

with financing provided by



Calabasas Capital served as financial advisor to Stix Holdings, LLC an affiliate of Mandarin Express, Leeann Chin & Chin's Asia Fresh.

Stripes Restaurants, Inc



buy-side M&A and strategic advisory

Calabasas Capital acted as exclusive financial advisor to Stripes Restaurants.

Parco Holdings, LP



buy-side M&A and strategic advisory

Calabasas Capital served as exclusive financial advisor to Parco Holdings, LP.

Universal Foods



Strategic Advisory

A managing director of Calabasas Capital advised Universal Foods on its strategic and financing alternatives while at a previous firm.



strategic advisory & debt restructuring

A managing director of Calabasas Capital served as exclusive financial advisor to Chef Jays while at a previous firm.



has obtained debt financing from



A managing director of Calabasas Capital served as financial advisor to Crunchies while at a previous firm.

Contact Us

- David Bonrouhi, Managing Director, david@calabasacapital.com
- Brandt Blanken, Managing Director & Principal, blanken@calabasacapital.com
- Leslie Lum, Vice President, leslie@calabasacapital.com

For more information, please visit our website at www.calabasacapital.com.

Calabasas Capital

26610 Agoura Road, Suite 120

Calabasas, CA 91302

Securities offered through Fallbrook Capital Securities Corp. Member FINRA - SIPC

This should not be considered in any way an offer to buy or sell a security. This is for informational purposes only. Buying or selling a security involves substantial risk. Investment may be worth more or less than the original investment. An investment in securities products involves a high degree of risk and there can be no assurance that the investment objectives will be attained.

This message is for the named person only. It contains confidential, proprietary or legally privileged information. No confidentiality or privilege is waived or lost by any mis-transmission. If you receive this message in error, immediately delete it and all electronic copies, destroy any hard copies of it and notify the sender. You must not, directly or indirectly, use, disclose, distribute, print, or copy any part of this message without Senders authorization. This communication is not an intention by the sender or the sender's client or principal to conduct a transaction or make any agreement by electronic means. Nothing contained in this message or in any attachment shall satisfy the requirements for a writing, and nothing contained herein shall constitute a contract or electronic signature under the Electronic Signatures in Global and National Commerce Act, any version of the Uniform Electronic Transactions Act or any other statute.