



CALABASAS CAPITAL

Food & Beverage Industry M&A Market Update

October 2023



Introduction to Calabasas Capital

- FINRA-registered Investment banking firm* serving privately held companies, including family-owned businesses and emerging growth companies, in the lower middle market (\$10-\$100mm revenue/\$1-\$10mm EBITDA)
- Senior team of financial professionals with significant experience in M&A advisory and private placements
- Strong domain expertise in target sectors and connectivity with senior management and boards of established companies and their financial sponsors

Mergers & Acquisitions

- Business sales
- Subsidiary dispositions
- Business purchases
- Mergers and JVs

Capital Raising

- Private Equity
- Subordinated Debt
- Senior Debt

*Calabasas Capital is a dba of Fallbrook Capital Securities Corp., member FINRA-SIPC.

Industry Focus and Expertise



Consumer

- Retail/Restaurants
- Food & Beverage
- E-Commerce
- CPG



Tech / Business Services

- SaaS/Software
- Defense/Govt. Services
- IT Enabled Services
- Marketing/Media



Industrial

- Aerospace & Defense
- Industrial Tech
- Manufacturing
- Distribution



Team

David Bonrouhi, Managing Director

- 25+ Years in Investment Banking & Private Equity
- Two years experience in Big 6 Public Accounting (PwC)
- CPA Licensed (non practicing)
- Series 7, 63 and 79 Securities Licenses
- Masters in Tax, B.S, in Accounting (Miami Univ. (OH)); MBA- UCLA Anderson School of Mgt
- MBA from UCLA's Anderson School of Management

Andrew D. Williamson, Managing Director

- 15+ Years in Investment Banking and VC
- 4 Years in CFO/GM roles at PE backed companies (Merex Group, DM Natural Products)
- 7 Years operating experience in VC backed software company (TSC) including 2 years with Oracle Corporation after being acquired.
- Licensed CA (ICAA), 3 years Big 6 Accounting & Consulting (PwC)
- Series 7, 63 and 79 Securities Licenses
- MBA -UCLA Anderson School of Mgt, Bachelors of Commerce (University of W. Australia)

Brandt Blanken, Managing Director

- Principal with Fallbrook Capital (parent co. and broker-dealer of Calabasas Capital)

Analysts: Michael Park, Spencer Gitlitz, Jason Tan

Calabasas Capital Knows the Food Industry



Has Been Acquired By



WHOLESALE PRODUCE
SUPPLY COMPANY

A Portfolio Company of



Calabasas Capital served as exclusive financial advisor to Bandwagon Brokerage

KT's Kitchens, Inc.

has sold certain of its assets related to

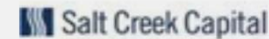


Bob's Big Boy
Salad Dressings & Sauces

to

The Flavor of California, LLC

an affiliate of



Calabasas Capital served as exclusive financial advisor to KT's Kitchens, initiated the transaction, identified the buyer and assisted in structuring and negotiating the transaction.

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.



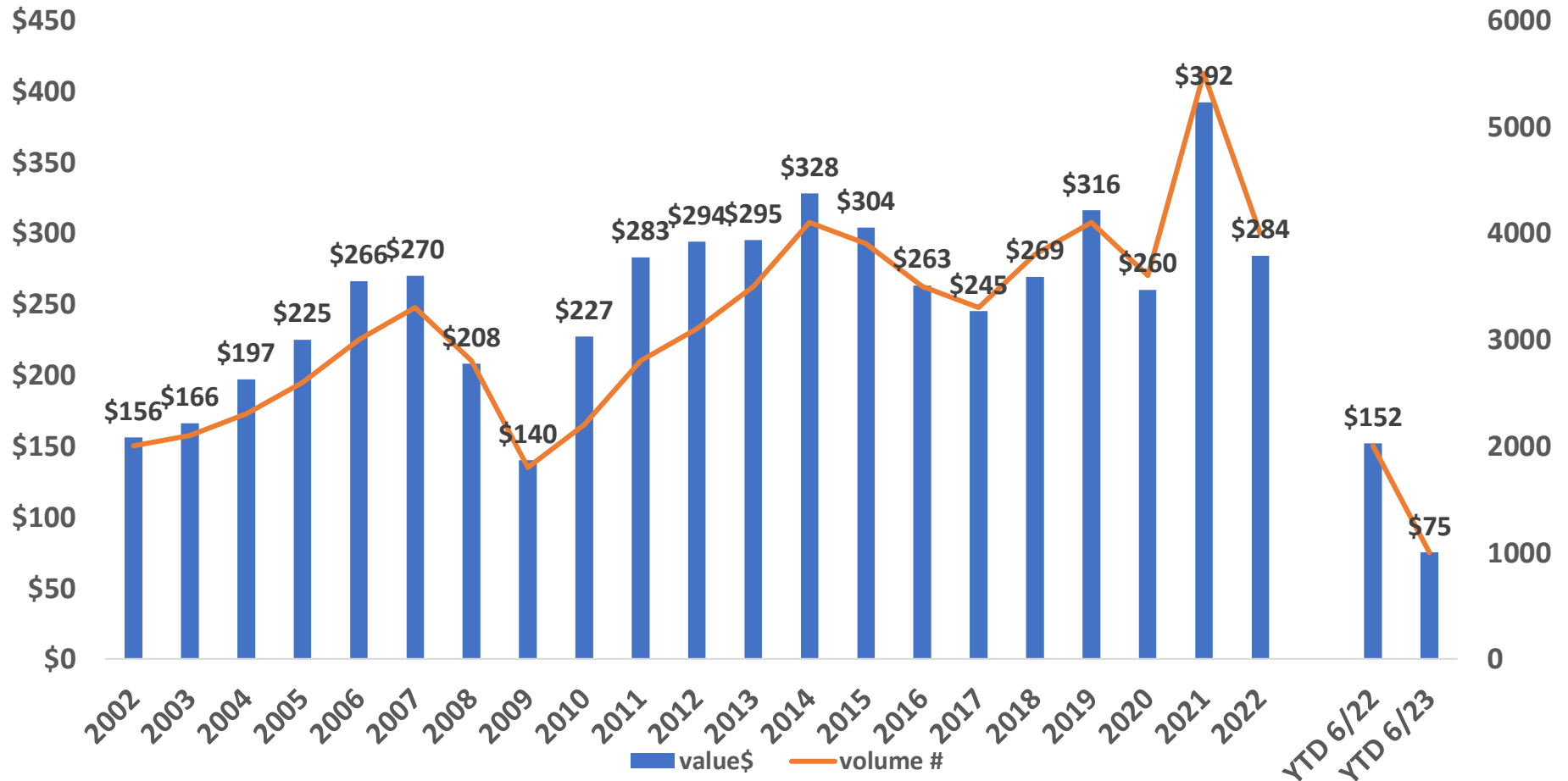
has obtained debt financing from



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

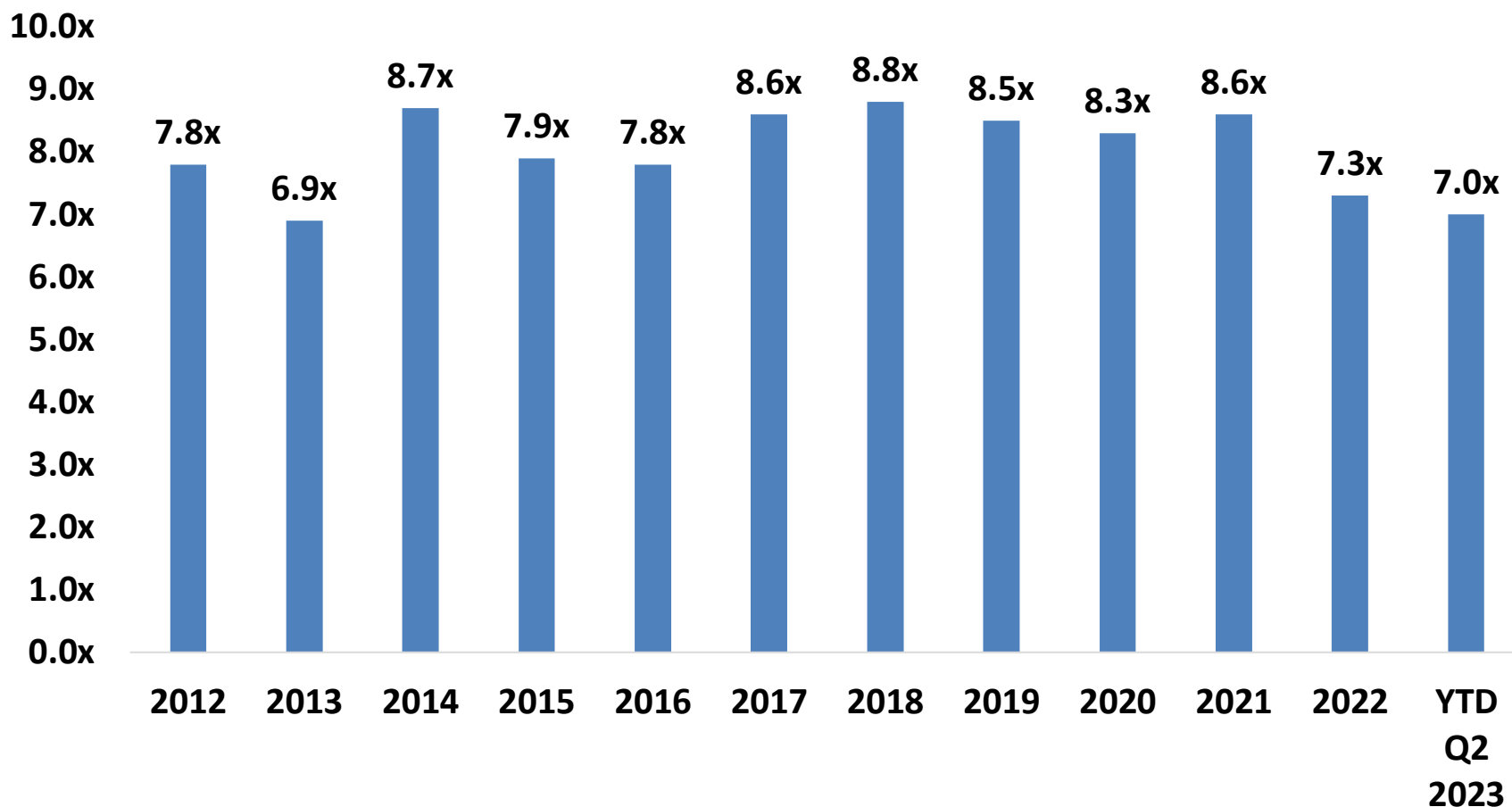
U.S. Middle Market M&A Activity

Middle Market M&A peaked in 2021 and declined by 51% in 1H 2023 vs. 1H 2022.



Lower Middle Market M&A Valuation Multiples

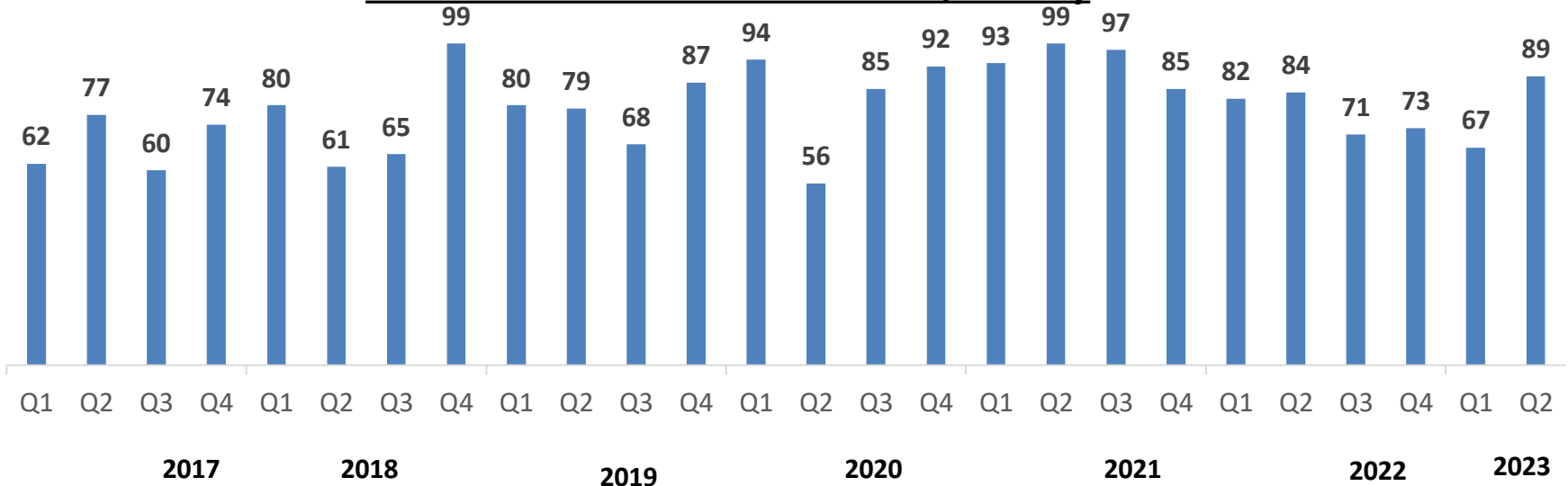
According to PitchBook, Lower Mid-Market EBITDA multiples (deals up to \$200MM) in North America have decreased by 19% in 2023 compared to the recent peak in 2021.



Trends in Food & Beverage M&A

- On a TTM basis as of 2Q23, 295 deals were announced, a decline of 15% year-over year.
- However, in 2Q23, 89 F&B transactions were completed, the most since 3Q21 after which deal flow declined steadily for six straight quarters in line with the overall M&A market.
- F&B industry has been very resilient despite several economic obstacles (inflation, interest rates, recessions fears) due to essential nature of the goods and the abundance of excess capital on the balance sheets of large corporations.
- While many F&B companies have been able to maintain margins by matching rising input costs with higher prices at retail, consumers have begun to push back.

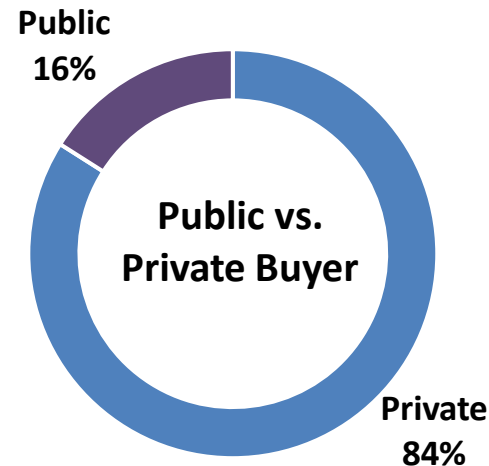
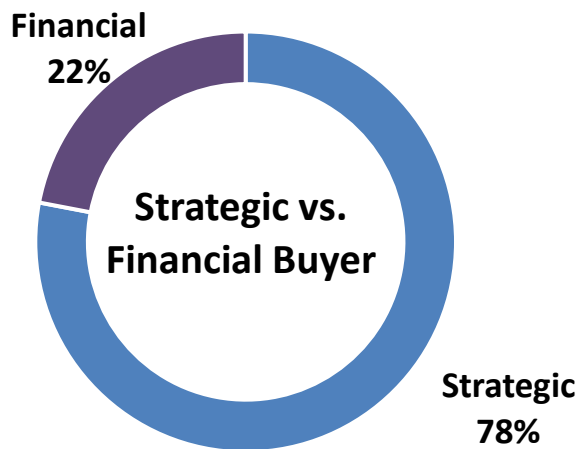
Number of Announced Deals - Quarterly



Trends in Food & Beverage M&A

- M&A activity in F&B remains predominantly driven by strategic buyers (including companies primarily owned by private equity investors), with strategic transactions representing 78% of total deal volume in the TTM June 2023 period.
- Strategics enjoy an advantage over PE buyers with corporates' existing credit lines and banking relationships while PE buyers rely on outside debt financing, which has been an issue in the current rising rate and tightening credit environment.
- Of the 295 deals announced over the TTM period, the year, 78% were completed by strategic buyers and 84% by privately owned buyers (with an average deal size below \$30MM, most are too small for public company buyers).

BY NUMBER OF ANNOUNCED DEALS



Trends in Food & Beverage M&A

Food and Beverage Subsector Definitions

Bakery:

Production and distribution of baked goods

Better-for-You:

Differentiated food products with health benefits

Confectionery/Snacks:

Chocolate, candy, nuts and other snacks

Dairy:

Production and distribution of dairy or dairy by-products, such as cheese or yogurt

General:

Conglomerates and general food businesses

Ingredients:

Goods used in the production of other food

Produce:

Fresh produce or other agricultural products

Protein Producers:

Meat and seafood producers and distributors

Specialty-Pet:

Producers of pet food and treats

Alcoholic Beverages:

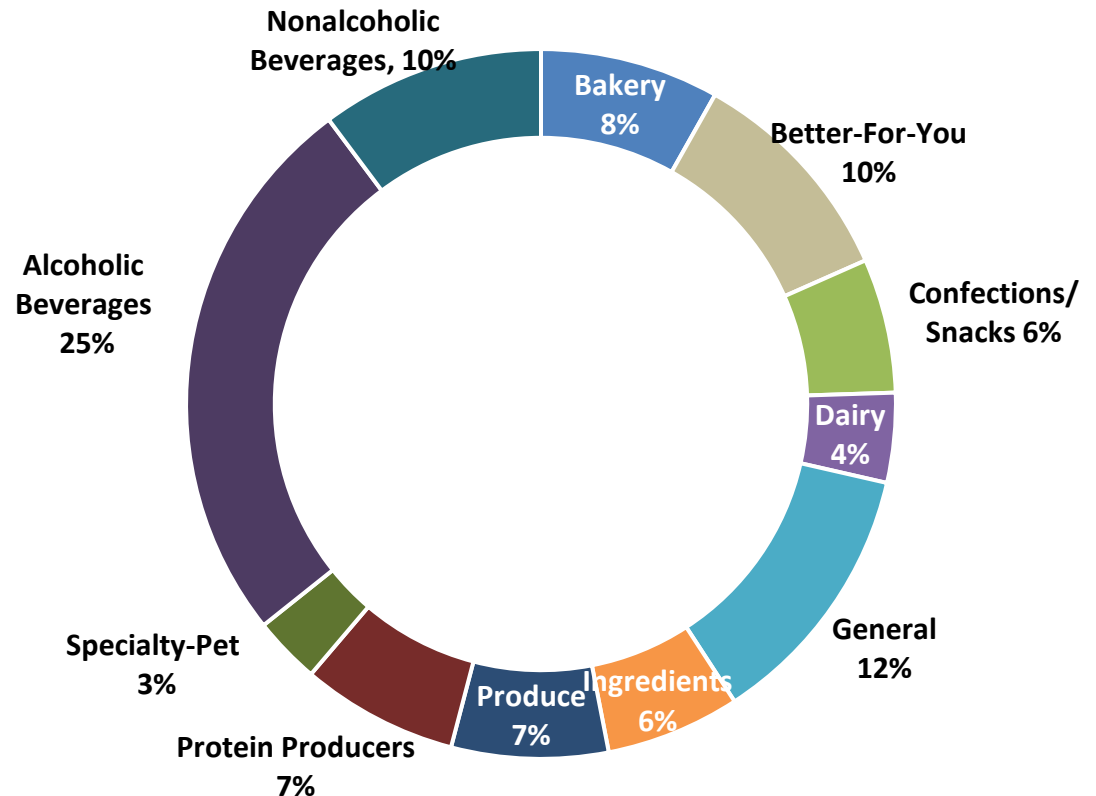
Wine, beer and spirits

Nonalcoholic Beverages:

Beverages that do not contain alcohol on and distribution of baked goods

- Recently there have been several significant deals in alcoholic beverages and ingredients in North America.

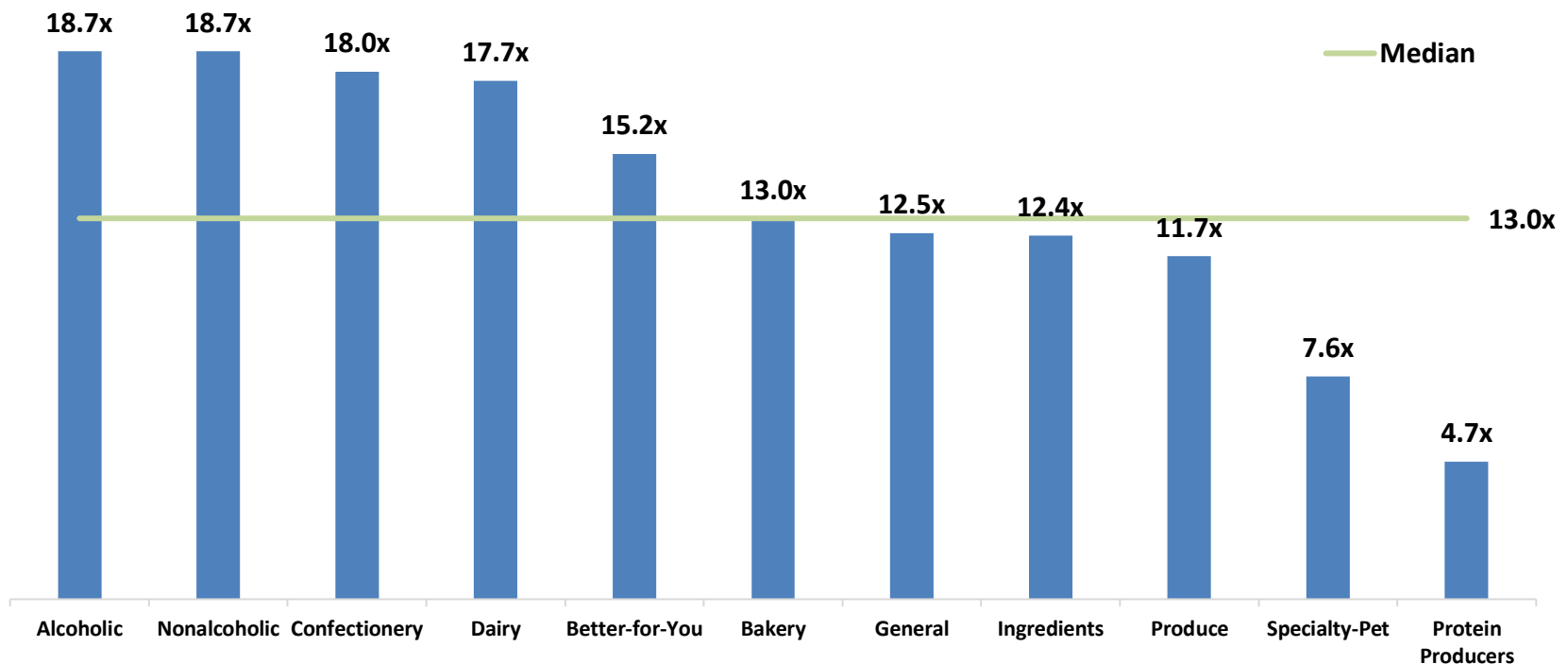
TTM June 2023 Deals by Subsector



Public Company Trading Multiples

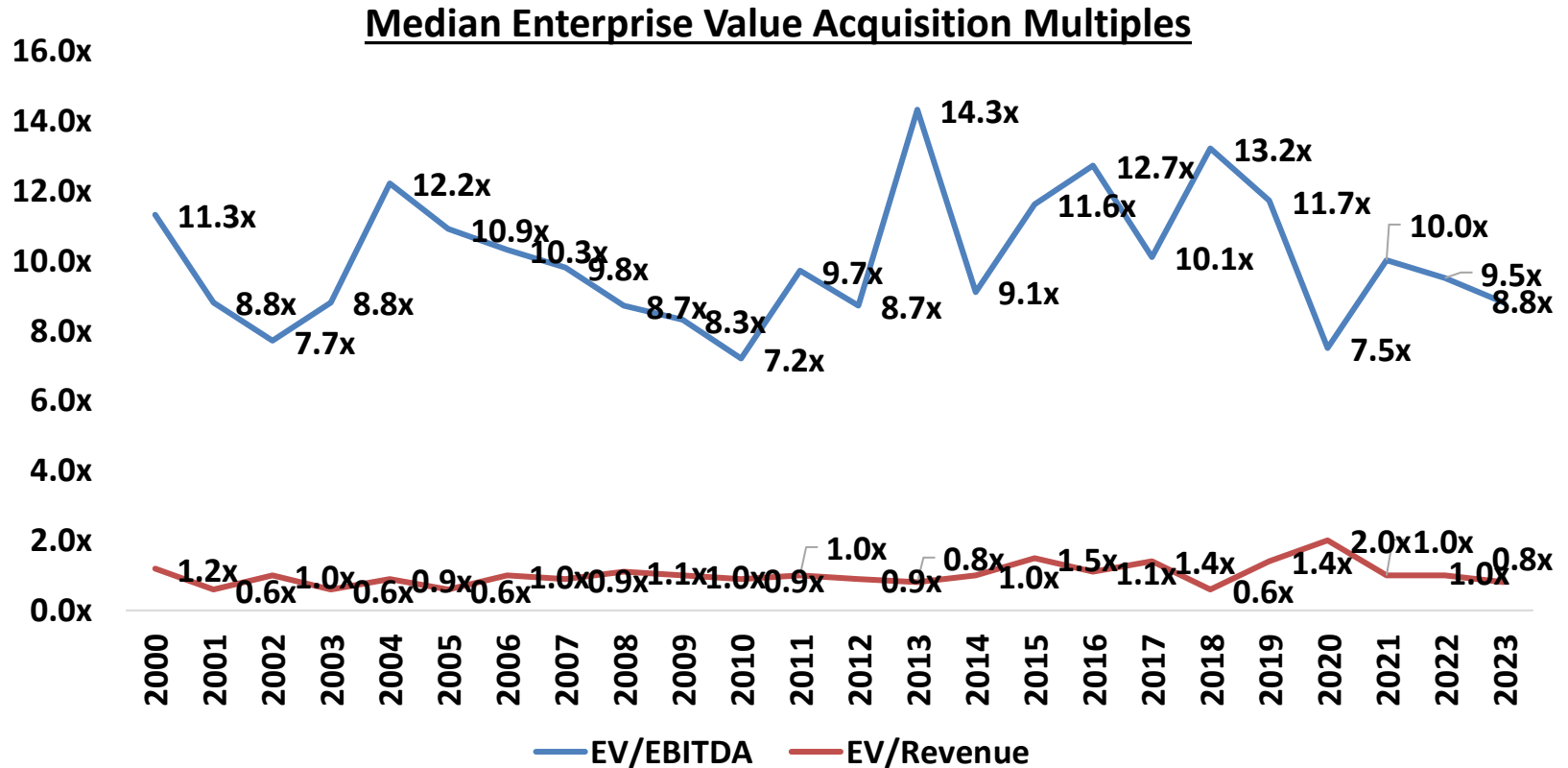
- Healthy publicly-traded valuations in terms of EBITDA multiples gives this important category of F&B strategic buyers ample room to pay high-single digit multiples for smaller add-on acquisitions.

EV/TTM EBITDA Median Multiples by Subsector



Acquisition Multiples

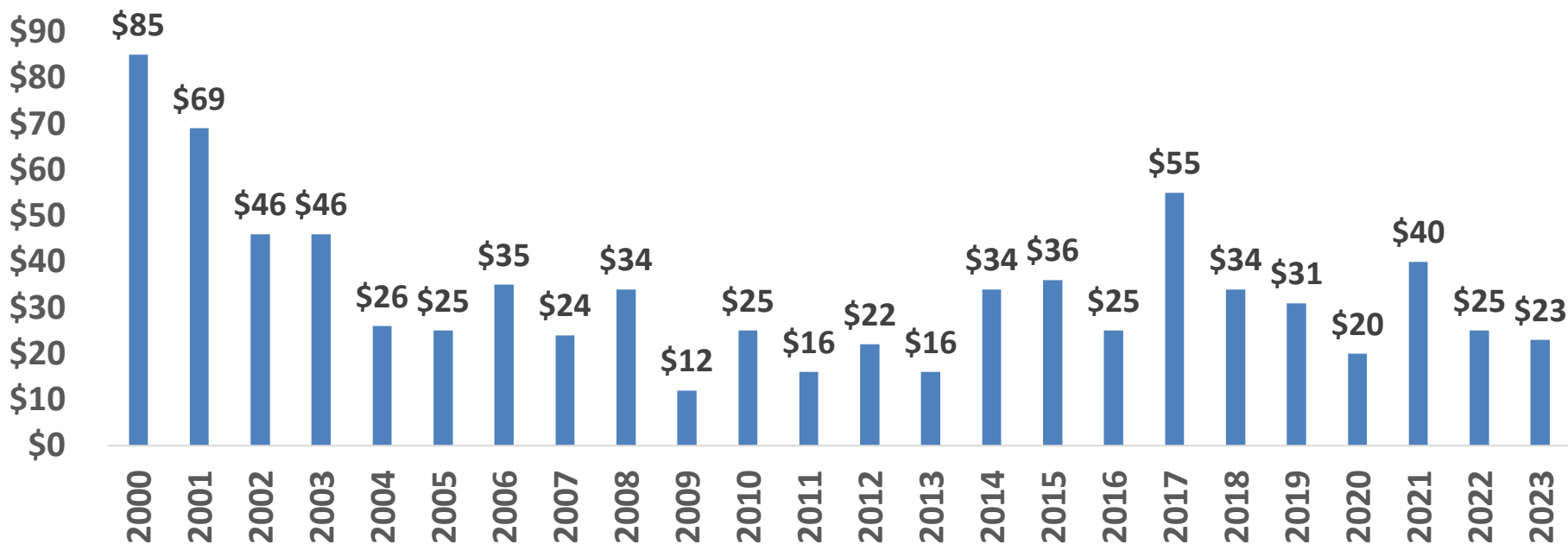
- Overall (including deals of all sizes that report the data) acquisition multiples in the F&B space have averaged 10x EBITDA and 1.0 Revenue in the past three years although since 2022 the medians have dipped below these levels



F&B Transaction Values

- Given the fragmented nature of the F&B industry, the deals tend to be on the smaller side—typically below \$50MM over the past 13 years and recently below \$30MM.

Median Transaction Value (\$ in millions)





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