



Food and Beverage 2020 Year in Review

January 2021



CITY CAPITAL ADVISORS

Introduction

While COVID-19 significantly impacted 2020 consumer and company performance trends in the U.S. Food, Beverage and Agribusiness sectors, capital raising and M&A activity continued. Sales in March, April and May were substantially impacted as cities and travel shut down while individual companies grappled with developing strategies to operate safely and effectively. Companies servicing the Foodservice and C-Store channels were hit harder than those selling into the Retail channel. Product categories that offer longer shelf lives, appeal to comfort and indulgence cravings and provide convenient, at-home meal preparation solutions performed better than others. The latter part of the year became a story of companies not able to meet exceedingly high demand due to the challenges of staffing production lines. This challenging environment also highlighted the strengths and weaknesses of companies able to adapt their models to sell through online and home-delivery channels.

Our view is that food producers are beyond the low point of negatively impacted sales and should expect business to rebound in 2021. The ability of communities and companies to better navigate safety risks, as well as greater protections and confidence through vaccination programs and therapeutic developments, will stimulate economic activity and spending. The outlook for food and beverage companies is, therefore, positive in terms of expected financial and growth trends. M&A activity and capital raising in the sector is expected to be fueled by increasing valuations, low interest rates, strategic companies aggressively seeking growth, and private equity money that has been waiting to be put to work. In addition, we are seeing companies now coming to market who waited to explore strategic alternatives until greater stability returned to the market and recent trends can be better explained.

In the report we highlight certain 2020 industry and financial market trends for U.S. food and beverage companies operating amidst COVID-19. We look forward to an active 2021!

Please contact Rachel using the information below to request a copy of the full report.

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Executive Summary

Industry Trends

- Strategic companies were aggressive during 2020 pursuing M&A
 - Acquisitions were clearly a strategy as companies sought growth and leveraged strong balance sheets with capacity to fund transactions
 - Strategic companies paid for synergies and tax benefits
 - Carve-outs of business segments also occurred as strategic companies aimed to jettison underperforming and non-core brands and business segments
- Growing consumer demand spurred 2020 investment in particular areas:
 - Better-for-you, functional products and ingredients (including plant-based) without compromising taste, efficacy and convenience
 - Comfort and indulgence
- **The year of the SPAC:** In 2020 SPAC IPOs accounted for virtually all growth in the U.S. IPO market versus 2019 levels, underscoring investor acceptance and supported by a booming stock market
 - SPAC sponsors are motivated by meaningful company ownership obtained at minimal cost, while sellers to a SPAC are motivated by public valuations and the less-restrictive path to become a public company
 - Companies considering selling/going public through a SPAC need to understand certain complex dynamics and evaluate carefully the advantages and considerations of a SPAC transaction relative to other alternatives
 - Like other industries, the food and beverage industry saw its share of SPAC IPOs and completed SPAC mergers increase significantly in 2020
 - Herein we include:
 - A discussion of the SPAC process
 - Benefits and considerations of a merger with a SPAC
 - Case studies on three food SPAC mergers completed in 2020

Executive Summary (continued)

Financial Market Trends

- The desire for deal-making never went away, even during the depths of the pandemic. A mid-year lull, merely a matter of investors adjusting to a more uncertain environment, was followed by significant Q4 activity from processes commencing late summer
- M&A valuations remained high as buyers used creativity in deal-structuring, focused on longer-term opportunities over short-term financial volatility, and as interest rates remained low with lending multiples only slightly below pre-COVID levels
- Public company valuations:
 - Have rebounded nicely from their March 23, 2020 lows
 - In certain cases where company performance has not yet improved (for example, companies serving or operating in the airline or casual/fine dining restaurant arenas), the valuations remain high as investors treat negative company trends as temporary and expect performance improvement post-COVID
 - Stock price performance continues to soar in attractive segments of the manufacturing market including healthy, plant-based and better-for-you companies as well as beverages and value-added ingredients
 - Meal kit, online grocery and food home delivery also trended well on the valuation front as consumer-behavior shifts drove sales and profit momentum and growth expectations



City Capital Advisors

A PREMIER INVESTMENT BANK

City Capital Advisors is a premier investment bank whose sole mission is to provide senior-level expert financial advice and execution services to leading middle-market companies and their owners.

Our Managing Directors have advised clients on over 500 successful transactions during their investment banking careers, with a cumulative transaction value approximating \$70 billion.

In its relatively short history, City Capital Advisors has successfully completed over 50 transactions aggregating over \$5 billion in value.

We advise private and publicly-held middle-market companies, typically valued between \$30 million and \$500 million, seeking one or more of the following services:

- MERGER AND ACQUISITION ADVISORY
- PRIVATE EQUITY AND
- DEBT CAPITAL FORMATION
- LEVERAGED BUYOUTS AND
- OWNERSHIP RECAPITALIZATIONS
- FINANCIAL RESTRUCTURINGS



CITY CAPITAL ADVISORS

DEEP SECTOR EXPERIENCE

Product Categories

- Agribusiness
- Bakery
- Beverage
- Condiments & Sauces
- Confectionery
- Consumer Packaged Goods
- Dairy
- Dry Blended
- Ingredients
- Natural & Organic
- Prepared Foods
- Produce
- Protein
- Snacking

Label Strategies

- Branded
- Private Label
- Contract Manufacturing

Distribution Channels

- Retail
- Direct to Consumer
- Foodservice
- Industrial / B2B

MANAGING DIRECTORS

OUR GROUP OF MANAGING DIRECTORS IS AMONG THE MOST EXPERIENCED IN THE INVESTMENT BANKING INDUSTRY

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CITY CAPITAL PROFESSIONALS HAVE CLOSED FOOD TRANSACTIONS AGGREGATING TO ~\$30 BILLION IN VALUE

<p>\$ CONFIDENTIAL</p> <p>MOREY'S SINCE 1926</p> <p>HAS BEEN ACQUIRED BY</p> <p>RICH'S</p>	<p>\$ CONFIDENTIAL</p> <p>AMETEK SINCE 1952</p> <p>HAS BEEN ACQUIRED BY</p> <p>SunnySky PRODUCTS</p> <p>A PORTFOLIO COMPANY OF</p> <p>Seidler Equity Partners</p>	<p>\$ CONFIDENTIAL</p> <p>NU-PAK</p> <p>HAS BEEN RECAPITALIZED BY</p> <p>THE HALIFAX GROUP</p>	<p>\$ CONFIDENTIAL</p> <p>Welcome</p> <p>GAMAY FOODS</p> <p>HAS BEEN RECAPITALIZED BY</p> <p>HERITAGE CAPITAL</p>	<p>\$ CONFIDENTIAL</p> <p>hospitality mints</p> <p>HAS BEEN ACQUIRED BY</p> <p>MOUNT FRANKLIN FOODS, LLC</p>	<p>\$ CONFIDENTIAL</p> <p>J&J SNACK FOODS CORP.</p> <p>HAS ACQUIRED</p> <p>LABRIOLA ARTISAN BREADS</p>	<p>\$ CONFIDENTIAL</p> <p>BAKEWISE BRANDS</p> <p>A PORTFOLIO COMPANY OF MERIT CAPITAL AND ANCOR CAPITAL</p> <p>HAS BEEN ACQUIRED BY</p> <p>Yamazaki</p>	<p>\$ CONFIDENTIAL</p> <p>SMUCKER'S</p> <p>HAS SOLD ITS BAKERY INGREDIENTS BUSINESS TO</p> <p>BALDWIN RICHARDSON FOODS CO.</p>
<p>\$ CONFIDENTIAL</p> <p>J&J SNACK FOODS CORP.</p> <p>HAS ACQUIRED</p> <p>Hill & Valley</p>	<p>\$ CONFIDENTIAL</p> <p>Spangler SINCE 1908</p> <p>HAS ACQUIRED THE SWEETHEARTS, NECCO WAFERS AND CANADA MINTS BRANDS FROM</p> <p>Necco</p>	<p>\$ CONFIDENTIAL</p> <p>GRYPHON INVESTORS</p> <p>HAS ACQUIRED</p> <p>AND FOODS</p>	<p>\$ 36,000,000</p> <p>Markellare Foods</p> <p>A PORTFOLIO COMPANY OF</p> <p>SWAN DER FACE CAPITAL</p> <p>HAS BEEN ACQUIRED BY</p> <p>greencore GROUP INC.</p>	<p>\$ CONFIDENTIAL</p> <p>Harry's FRESH FOODS</p> <p>HAS BEEN ACQUIRED BY</p> <p>SUN CAPITAL PARTNERS, INC.</p> <p>AND</p> <p>MAIN STREET CAPITAL HOLDINGS</p>	<p>\$ CONFIDENTIAL</p> <p>Tri-Sweets</p> <p>HAS BEEN ACQUIRED BY</p> <p>Wholesome! THE WHOLEY</p> <p>A PORTFOLIO COMPANY OF</p> <p>Arlon</p>	<p>\$ CONFIDENTIAL</p> <p>Gehl's</p> <p>HAS BEEN ACQUIRED BY</p> <p>WIND POINT PARTNERS</p>	<p>\$ CONFIDENTIAL</p> <p>QUANTUM Foods</p> <p>HAS SOLD CERTAIN ASSETS TO</p> <p>WLF West Liberty Foods</p>
<p>\$ CONFIDENTIAL</p> <p>AN AFFILIATE OF SUN CAPITAL PARTNERS, INC.</p> <p>HAS EXITED ITS INVESTMENT IN</p> <p>Sunrise Growers & Frozzan Foods</p> <p>CONCURRENT WITH AN INVESTMENT IN THE COMPANY BY</p> <p>PAINE + PARTNERS</p>	<p>\$ CONFIDENTIAL</p> <p>Vosges</p> <p>SERIES A PREFERRED EQUITY OFFERING</p>	<p>\$ 813,000,000</p> <p>SMUCKER'S</p> <p>HAS ACQUIRED</p> <p>International Multifoods Corporation</p>	<p>\$ 64,600,000</p> <p>OLD ORCHARD</p> <p>HAS BEEN ACQUIRED BY</p> <p>ALLIED CAPITAL</p>	<p>\$ CONFIDENTIAL</p> <p>NIRAN BAKERY SINCE 1952</p> <p>HAS MERGED WITH</p> <p>Natural Food Holdings</p>	<p>\$ 82,225,000</p> <p>John B. Sanfilippo & Son, Inc.</p> <p>FOLLOW ON EQUITY OFFERING</p>	<p>\$ CONFIDENTIAL</p> <p>SMUCKER'S</p> <p>HAS SOLD ITS DAIRY BUSINESS TO</p> <p>Sabroso company</p>	<p>\$ CONFIDENTIAL</p> <p>gourmet BOUTIQUE.</p> <p>HAS BEEN ACQUIRED BY MANAGEMENT AND AN INVESTOR GROUP</p>
<p>\$ 23,146,000,000</p> <p>WRIGLEY</p> <p>HAS AGREED TO BE ACQUIRED BY</p> <p>MARS AND BERKSHIRE HATHAWAY INC.</p>	<p>\$ CONFIDENTIAL</p> <p>NATURALLY POTATOES REFRIGERATED</p> <p>HAS BEEN ACQUIRED BY</p> <p>Libra Foundation</p>	<p>\$ CONFIDENTIAL</p> <p>SaraLee</p> <p>HAS ACQUIRED</p> <p>Aoste</p>	<p>PROTEIN20</p> <p>GROWTH EQUITY PRIVATE PLACEMENT</p>	<p>\$ 731,000,000</p> <p>SMUCKER'S</p> <p>HAS MERGED WITH</p> <p>Jif AND Crisco BRANDS FROM Procter & Gamble</p>	<p>\$ CONFIDENTIAL</p> <p>inspired NATURAL FOODS</p> <p>HAS BEEN ACQUIRED BY</p> <p>THE HAIN CELESTIAL GROUP</p>	<p>\$ 105,000,000</p> <p>TAYLOR PACKING CO.</p> <p>HAS BEEN ACQUIRED BY</p> <p>Cargill</p>	<p>\$ CONFIDENTIAL</p> <p>Natural Ovens Bakery</p> <p>HAS BEEN ACQUIRED BY</p> <p>ALPHA Bakery Co., Inc.</p>
<p>\$ 3,000,000,000</p> <p>SMUCKER'S</p> <p>HAS AGREED TO MERGE WITH</p> <p>FROM Folgers & P&G</p>	<p>\$ CONFIDENTIAL</p> <p>Ball</p> <p>HAS MERGED ITS EUROPEAN AND UK OPERATIONS WITH</p> <p>FLORENZIS - If you want to grow</p>	<p>\$ CONFIDENTIAL</p> <p>KIM & SCOTT'S GOURMET PRETZELS</p> <p>HAS BEEN ACQUIRED BY</p> <p>J&J SNACK FOODS CORP.</p>	<p>\$ CONFIDENTIAL</p> <p>ALPHA Bakery Co., Inc.</p> <p>HAS ACQUIRED A SWEET-GOODS BAKERY BUSINESS FROM</p> <p>CONAGRA BRANDS</p>	<p>\$ CONFIDENTIAL</p> <p>RMH FOODS</p> <p>HAS BEEN ACQUIRED BY</p> <p>SANDRIDGE Food Corporation</p>	<p>\$ CONFIDENTIAL</p> <p>J&J SNACK FOODS CORP.</p> <p>HAS ACQUIRED THE FROZEN HANDHELD BUSINESS FROM</p> <p>CONAGRA BRANDS</p>	<p>\$ CONFIDENTIAL</p> <p>Malt & Meal</p> <p>HAS ACQUIRED THE BAGGED CEREAL DIVISION OF</p> <p>QUAKER QUAKER FOOD AND BEVERAGES</p>	<p>\$ CONFIDENTIAL</p> <p>Carlson's GOLDEN MALTED</p> <p>HAS BEEN ACQUIRED BY</p> <p>PNC RIVERARCH CAPITAL</p>

Contributors



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MANAGING DIRECTOR
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Rachel advises privately-held and public companies in the food, agribusiness, and beverage sectors. Rachel focuses on assisting clients in mergers and acquisitions in addition to private equity capital formation and ownership recapitalizations. Prior to joining City Capital, Rachel was an Investment Banking Partner at William Blair & Company specializing in Consumer Product and Retail transactions.

Representative investment banking clients Rachel has advised in these sectors include Morey's Seafood International, Welcome Dairy Holdings, Gehl Foods, Sunrise Growers~Frozsun Foods, New Carbon Company (*Golden Malted*®), The J.M. Smucker Company, Wm. Wrigley Jr. Company, John B. Sanfilippo, Sara Lee Corporation and Malt-O-Meal.

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