

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 mutiples only slightly below preCOVID 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 consumerbehavior shifts drove sales and profit momentum and growth expectations

City Capital Advisors

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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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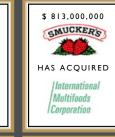




















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Rachel advises privately-held and public companies in the food, agribusiness, and beverage sectors. Rachel focuses on assisting clients in mergers and acquisitions in addition to private equity capital formation and ownership recapitalizations. Prior 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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