



# food&beverageREPORT

## INDUSTRY OVERVIEW

The food & beverage industry continued to regain its pre-recession standing in Q4 of 2014. Despite a 1.1% annual industry contraction between 2009 and 2014, rising per capita disposable income, growing number of households and increased consumer spending are expected to boost annual growth to 0.4% between 2014 and 2019. Supermarkets saw their market share rise to 91% of the \$760 billion US food retail market as consumers cut back on spending by dining out less. Pepsi and Coke continue to dominate the beverage market with estimated 2014 revenue of \$16.1 billion and \$14.8 billion respectively. Because of their size, product offerings and distribution network, larger firms such as Coke and Pepsi are able to enjoy net profit margins above the industry average of 3.5%.

The food & beverage industry is at a mature phase in its industry life cycle and is projected to grow slower than the overall economy. However, within the industry, established name brands will continue to adapt to meet the demands of health-conscious consumers. The organic food market continues to witness double-digit growth and is widening in all food categories. Health-conscious M&A and capital-raising activity in Q4 included companies such as Good Karma Foods, Inc, Lola Granola Bar Corporation, Suja Juice Inc and Wholesome Valley Foods.

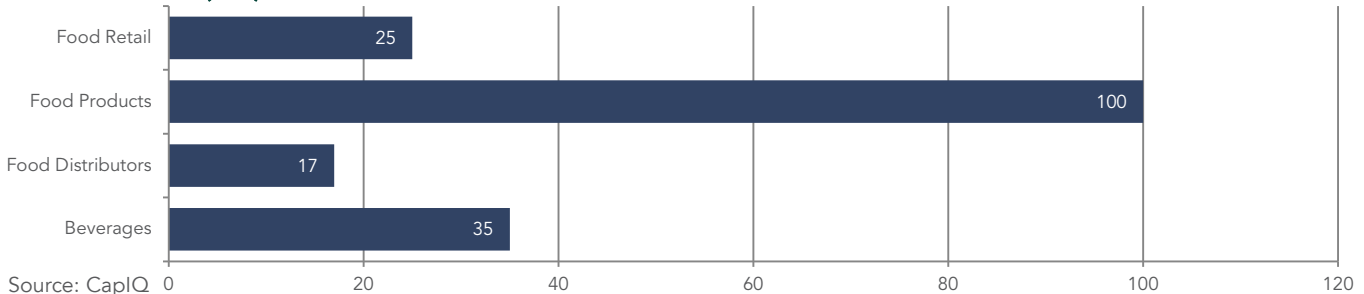
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## TRANSACTION HIGHLIGHTS

### TRANSACTIONS

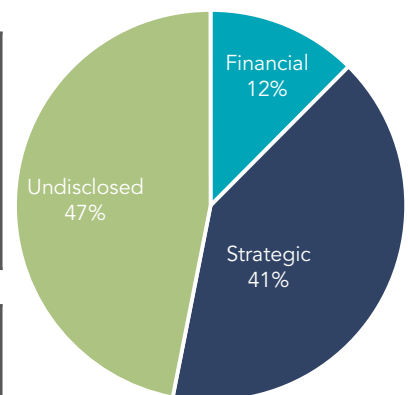
#### # BY SEGMENT (Q4)



## STRATEGIC VS. FINANCIAL TRANSACTIONS

### HIGHLIGHTS

STRATEGIC TRANSACTIONS	<p><b>10.26.14</b> Grupo Cutrale and Banco Safra announced that they would acquire <b>Chiquita Brands</b> for a total value of \$1.28 billion including debt. <b>Grupo Cutrale</b> is expanding into the banana market amid declining orange juice consumption globally. New Jersey-based <b>Pinnacle Foods</b> announced that they would acquire plant-based Canadian food specialist <b>Garden Protein International</b> for C\$175m (USD\$154m)</p>
FINANCIAL TRANSACTIONS	<p><b>10.07.14</b> <b>Impossible Foods, Inc</b> secured \$75 million in VC funding from <b>Horizons Ventures Limited, Khosla Ventures, and Google.</b></p>



The information contained herein is based on sources we believe reliable but is not guaranteed by us and is not to be considered all inclusive. It is not to be construed as an offer or consultation of an offer to sell or buy any securities.



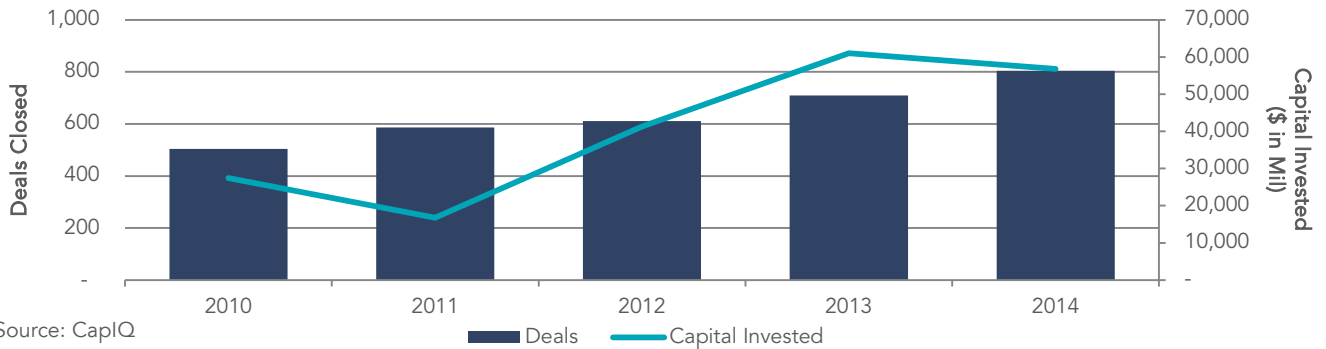
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## TRANSACTION ACTIVITY

Date	Target	Buyer	Target Description	Transaction Comments
12/25/2014	Distant Lands Trading Co.	ITO EN (North America) Inc.	Beverage Distribution	Japan's largest tea company, Ito En, announced on December 25 that it would be acquiring coffee manufacturer Distant Lands Trading for \$86 million. This acquisition should position Ito En to take advantage of Distant Lands extensive distribution network in North America for Ito En's tea business
12/5/2014	McCleskey Mills, Inc	Olam International Limited (SGX:O32)	Food Products	Olam International, a leading agribusiness operating in 65 countries, acquired a 100% interest in McCleskey Mills for \$176 million, a leading US peanut sheller with approximately 12% US market share.
12/3/2014	734 Citrus Holdings, LLC	Alico Inc. (NasdaqGS:ALCO)	Food Products	734 Citrus Holdings, LLC was acquired by Alico Inc. for \$72 million. 734 Citrus Holdings, LLC was one of three citrus producers acquired in a deal totaling \$363 million involving nearly 28,000 acres of land. Alico, Inc.'s stock responded by jumping 14% the following day
10/16/2014	Iquique US, LLC	Kirin International, Inc.	Seafood Production	Iquique US, LLC is one of the largest producers of frozen at sea flatfish, cod and other groundfish, with a global distribution network. The company was acquired by Kirin International for \$7.05 million on October 16, 2014
9/29/2014	Einstein Noah Restaurant Group Inc. (BAGL)	JAB Holding Co.	Food Retail	JAB Holding Co. announced that it would pay \$20.25 per share in cash, a 51 percent premium over Einstein Noah's last closing price. Einstein Bros. Bagels will be added to JAB Holding Co.'s current portfolio that includes majority stakes in Peet's Coffee & Tea Inc and Caribou Coffee.

Source: CapIQ

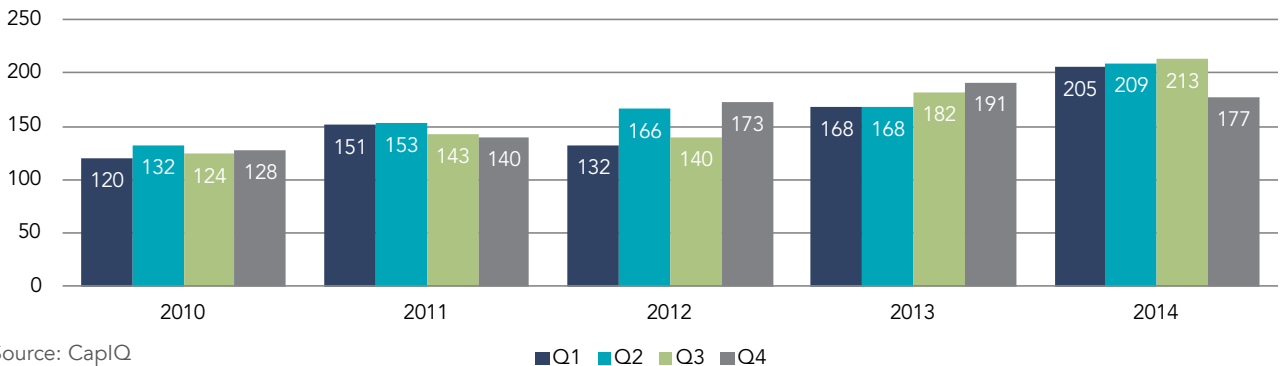
## US FOOD & BEVERAGE M&A ACTIVITY



Source: CapIQ

## FOOD & BEVERAGE TRANSACTIONS

### # OF TRANSACTIONS BY QUARTER



Source: CapIQ

\*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the industry.



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## PUBLIC BASKET

The food & beverage public basket continued its trend of tightly following S&P 500 movement in Q4. The industry experienced strong growth in October and November, but experienced a sharp sell off in December amid falling oil prices and fears of stunted growth in global economies, specifically Asia and Europe.

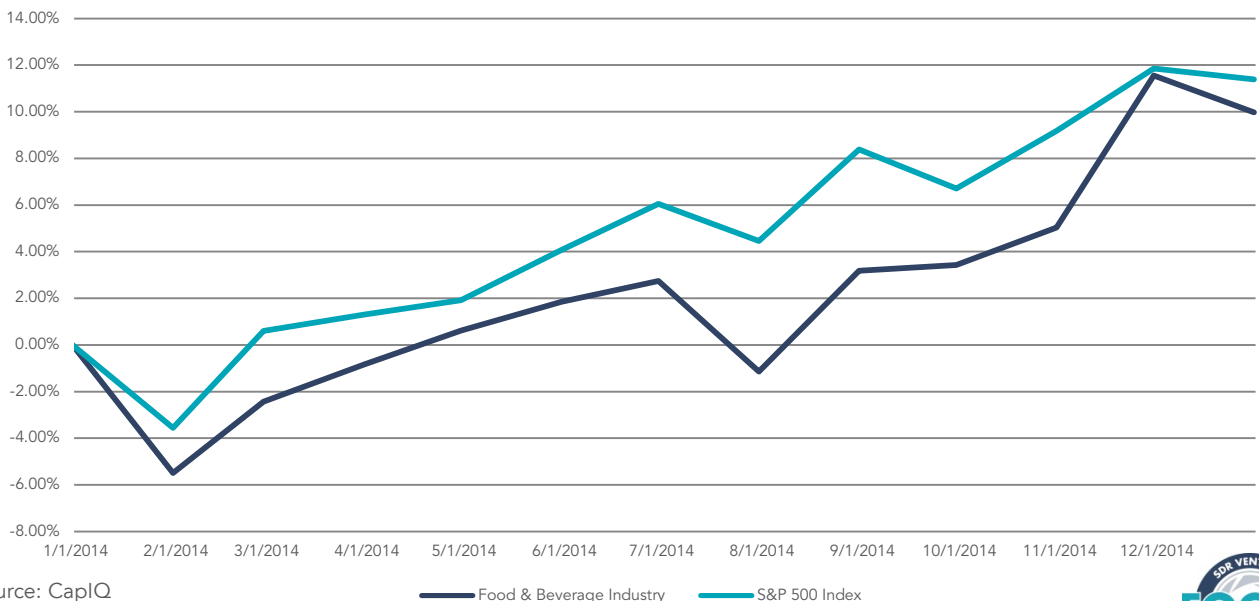
The food & beverage industry has slightly underperformed the S&P 500 index over the last twelve months though it has outperformed other industry segments such as oil & gas as well as health & wellness.

- Starbucks (SBUX) stock has performed well as the company continues its expansion into global markets. Starbucks's operating margins are 33.5% in China and the Asian Pacific region compared to 24.4% in the Americas.
- The Cheesecake Factory (CAKE) saw its market cap increase by 10.43% or \$226.71 million in Q4 after posting mixed Q3 results that exceeded revenue expectations but missed on earnings per share.
- After an extremely difficult Q2 and stagnant Q3, Natural Grocers by Vitamin Cottage (NGVC) rallied in Q4, increasing in value by 73.11% between October and year's end, though the stock still ended the year down 33.64% on a TTM basis.

Company	Symbol	State	Market Cap		Stock Price			Price/ LTM EPS	Price/ Book	TEV/ Rev	TEV/ EBITDA
			(\$ in Mil)	Price	Month Change	YTD Change					
Anheuser-Busch InBev SA/NV	ENXTBR:ABI		\$ 150,818	\$ 93.9	(0.64%)	21.49%	33.1x	3.6x	5.2x	13.4x	
The Coca-Cola Company	NYSE:KO	GA	\$ 184,928	\$ 42.2	(5.82%)	2.20%	24.3x	5.5x	4.4x	14.8x	
Dean Foods Company	NYSE:DF	TX	\$ 1,818	\$ 19.4	13.67%	12.74%	NM	2.8x	0.3x	12.6x	
Farmer Brothers Co.	NasdaqGS:FARM	CA	\$ 471	\$ 29.5	3.26%	26.61%	85.8x	4.0x	0.9x	14.7x	
Natural Grocers by Vitamin Cottage, Inc.	NYSE:NGVC	CO	\$ 633	\$ 28.2	25.31%	(33.64%)	46.6x	6.4x	1.2x	15.7x	
Starbucks Corporation	NasdaqGS:SBUX	WA	\$ 61,398	\$ 82.1	1.03%	4.67%	32.7x	11.7x	3.7x	16.2x	
Core-Mark Holding Company, Inc.	NasdaqGS:CORE	CA	\$ 1,432	\$ 61.9	3.03%	63.12%	32.2x	3.1x	0.2x	14.2x	
Rocky Mountain Chocolate Factory Inc.	NasdaqGM:RMCF	CO	\$ 80	\$ 13.1	3.72%	13.01%	17.4x	3.9x	2.0x	11.0x	
SpartanNash Company	NasdaqGS:SPTN	MI	\$ 980	\$ 26.1	12.04%	7.66%	16.0x	1.3x	0.2x	7.6x	
The Cheesecake Factory Incorporated	NasdaqGS:CAKE	CA	\$ 2,401	\$ 50.3	3.88%	4.23%	28.8x	4.6x	1.3x	10.6x	
<b>Average</b>			<b>\$ 40,496</b>	<b>\$ 44.7</b>	<b>5.95%</b>	<b>12.21%</b>	<b>35.2x</b>	<b>4.7x</b>	<b>1.9x</b>	<b>13.1x</b>	

Source: CapIQ

## FOOD & BEVERAGE INDUSTRY VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ

— Food & Beverage Industry — S&P 500 Index



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## INDUSTRY SEGMENTS

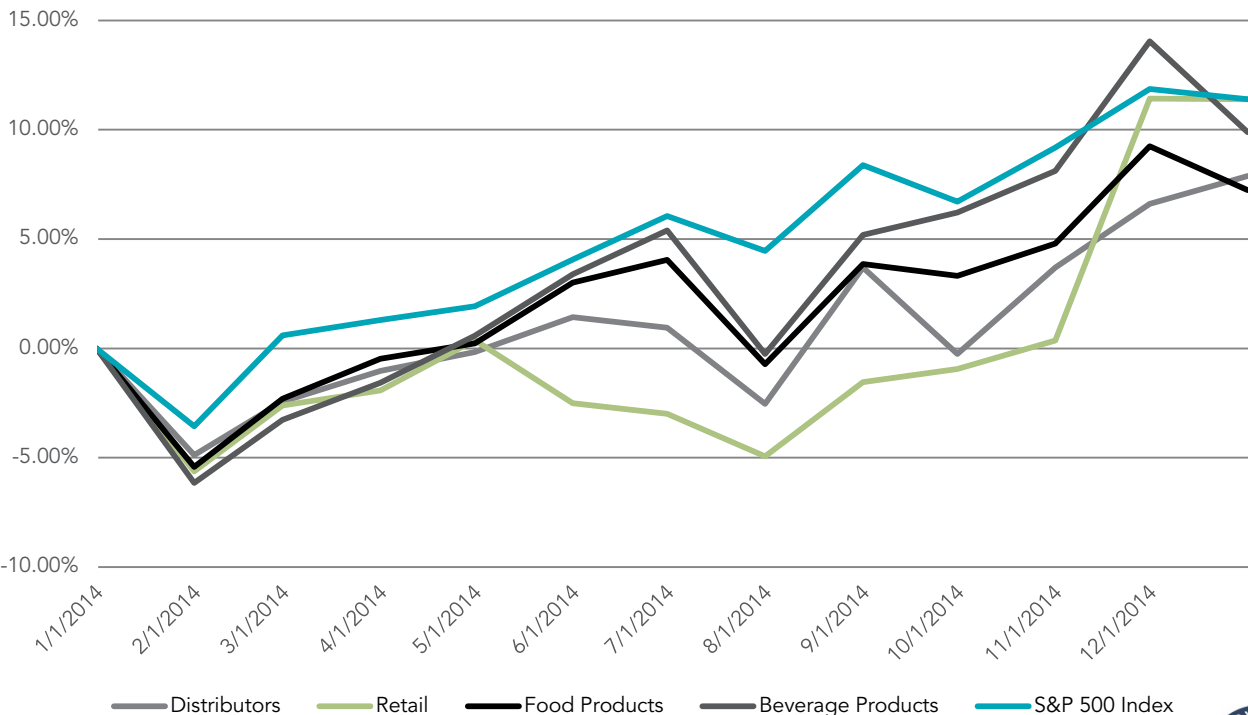
The retail segment of the food & beverage industry was the only segment to match the S&P 500 in 2014 thanks in part to an exceptional Q4 from Wal-Mart whose stock has surged as a safe haven for investors looking for an “anti-oil play” predicated on the notion that Wal-Mart’s low-income customers will have increased disposable income while gas prices remain low, boosting demand for Wal-Mart products.

Distributors, food products and beverage product segments each grew in 2014 by 7.9%, 7.2% and 9.9% respectively, but lagged the S&P 500’s growth of 11.4%. Beverage products surged ahead of the S&P 500 in early December but then fell, driven by poor performances from Coke, Pepsi and Mondeles. The soft drink companies have been heavily impacted by currency issues and global exposure as the dollar continues to strengthen.

Market Segment	Average Market Cap	Stock Price Delta			Price/ LTM EPS	Price/ Book	TEV/ Sales	TEV/ EBITDA
		Month	YTD	LTM				
Distributors	\$ 3,847	1.2%	7.8%	7.8%	38.58x	3.18x	1.20x	18.58x
Retail	\$ 14,530	(0.0%)	11.4%	11.4%	28.45x	4.92x	0.95x	11.08x
Food Products	\$ 9,961	(1.8%)	7.2%	7.2%	32.50x	3.58x	1.99x	19.83x
Beverage Products	\$ 21,605	(3.6%)	9.9%	9.9%	32.80x	5.33x	2.50x	14.05x
Industry Average	\$ 11,355	(1.4%)	10.0%	10.0%	32.17x	5.11x	1.91x	16.03x
S&P 500 Average	\$ 37,752	(0.4%)	11.4%	11.4%	27.95x	4.98x	3.25x	11.76x

Source: CapIQ

## FOOD & BEVERAGE SEGMENTS VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ

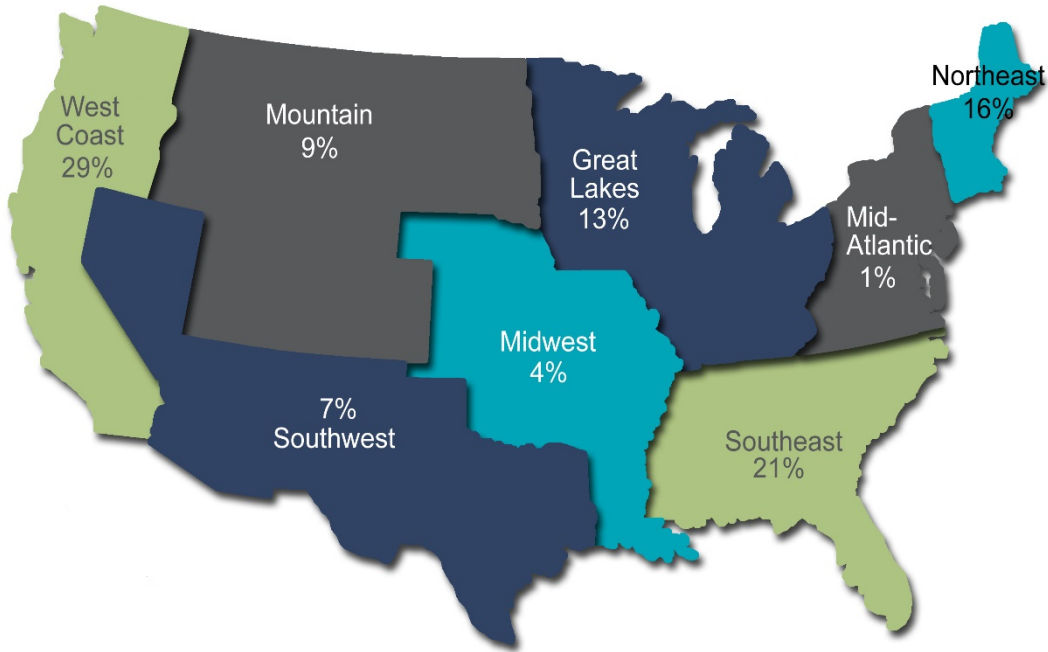


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## INDUSTRY GEOGRAPHY

### COMPANIES BY REGION

FOOD & BEVERAGE COMPANIES BY REGION AS OF DECEMBER 31, 2014



Source: CapIQ

### COMPANIES BY SIZE

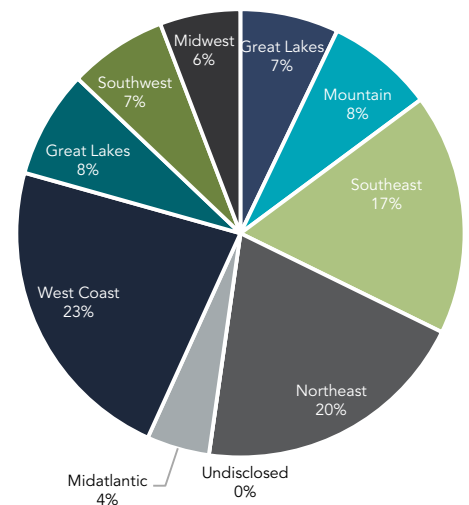
State	Undisclosed	\$ 0 - 5 Revenue	\$ 5 - 10 Revenue	\$ 10 - 25 Revenue	\$ 25 - 50 Revenue	\$ 50 - 100 Revenue	\$ 100+ Revenue
AZ	137	38	60	46	26	8	12
CO	228	42	74	43	13	7	20
KS	125	23	57	40	20	14	17
ND	64	14	30	15	5	7	6
NE	111	24	53	30	9	7	14
NM	40	8	35	19	6	4	6
OK	105	18	51	33	13	11	6
SD	49	11	25	17	6	3	7
TX	585	129	319	192	71	28	79
UT	94	18	46	38	15	7	11
WY	14	1	7	6	1	0	1

\* Revenue in millions

Source: CapIQ

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### TRANSACTIONS BY REGION



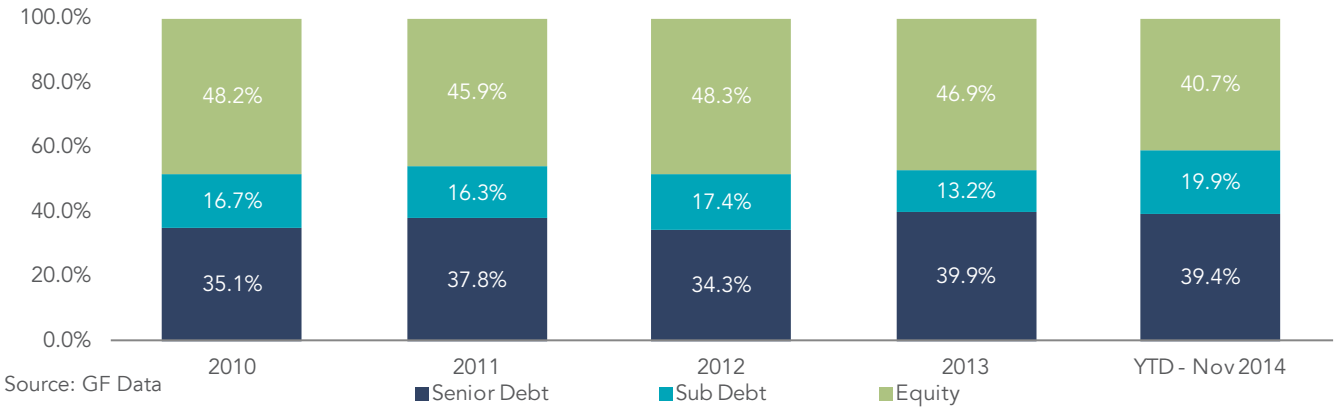
Source: CapIQ



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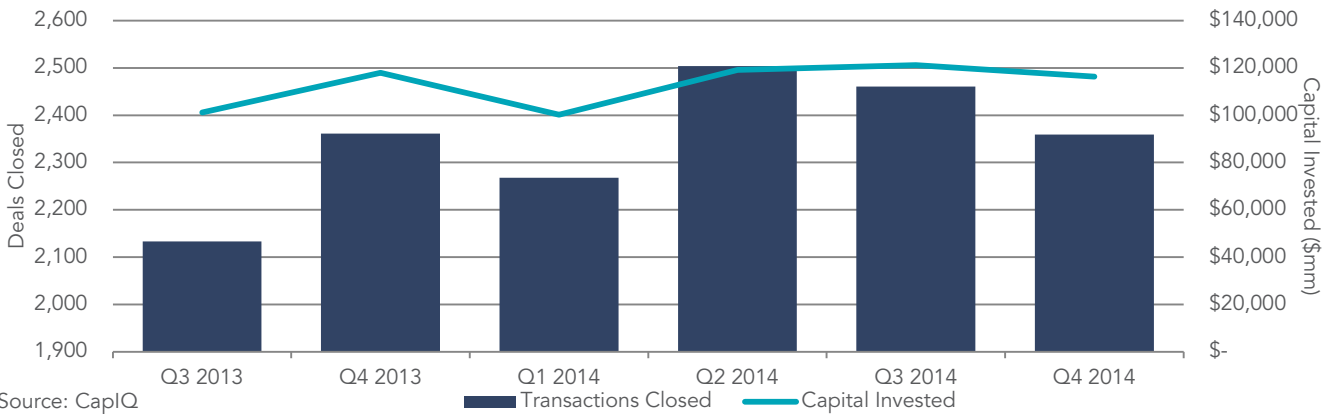
## M&A MARKET ACTIVITY, OVERALL LOWER MIDDLE MARKET

### CAPITAL STACK - \$10-25 MILLION TEV



Source: GF Data

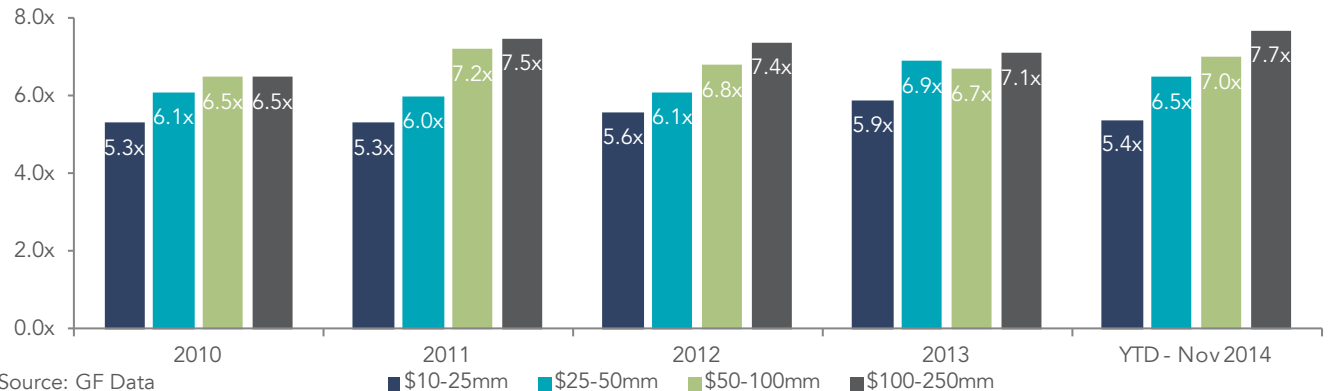
### US MIDDLE MARKET M&A ACTIVITY



Source: CapIQ

### TRANSACTION MULTIPLES

#### EBITDA MULTIPLES BY TRANSACTION SIZE



Source: GF Data

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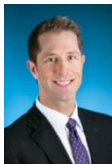




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## ABOUT SDR VENTURES

SDR Ventures is a boutique investment bank serving privately held business owners of companies with values up to \$300 million. Operating beyond the confines of a traditional investment bank, SDR's approach of Thinking Like Owners<sup>SM</sup> helps business owners maximize value in their business. SDR offers transaction advisory, capital formation, strategic advisory and performance exchange services.



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## SERVICES

### TRANSACTION ADVISORY

#### Buy Side

Running a proven process effective at generating responses, identifying “off-the-radar” opportunities, negotiating and closing accretive acquisitions.

#### Sell Side

Our process is designed to identify the “right” buyer and maximize shareholder value for our clients.

### PRIVATE CAPITAL FORMATION

#### Capital Placement

An effective and efficient process negotiating favorable debt and equity with the right capital partner for our clients.

#### Recapitalization

Whether recapitalizing a majority or minority of your company, we tailor our process to each client's specific needs to generate multiple options and favorable terms.

## RECENT TRANSACTIONS

<p>DECEMBER 2014</p> <p>Deal financing provided by GUARANTY BANK AND TRUST COMPANY</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>OCTOBER 2014</p> <p>Has been acquired by Polymet</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>AUGUST 2014</p> <p>Has been acquired by Private Investor Group</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p> <p>Has completed a equity recapitalization with REVELSTOKE CAPITAL PARTNERS, LLC</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>JULY 2014</p> <p>Has been acquired by FRONTENAC COMPANY</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>APRIL 2014</p> <p>Has been acquired by Barkwood, Inc.</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>
<p>MARCH 2014</p> <p>Commercial real estate loan provided by Hexagon</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>NOVEMBER 2013</p> <p>Has acquired A Business Unit of a Public Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>OCTOBER 2013</p> <p>Deal financing provided by ColBiz Structured Finance ColBiz Financial</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>SEPTEMBER 2013</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>SEPTEMBER 2013</p> <p>Has acquired Zeus &amp; Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>NOVEMBER 2012</p> <p>Has acquired Western Paper Distributors</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>

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