

# FOCUS

Investment Banking

# M&A INDUSTRY REPORT

## Food & Beverage

**FOCUS Investment Banking is a leading middle-market investment bank with deep industry expertise, a nationwide footprint and a global reach.**



# FOCUS

Investment Banking

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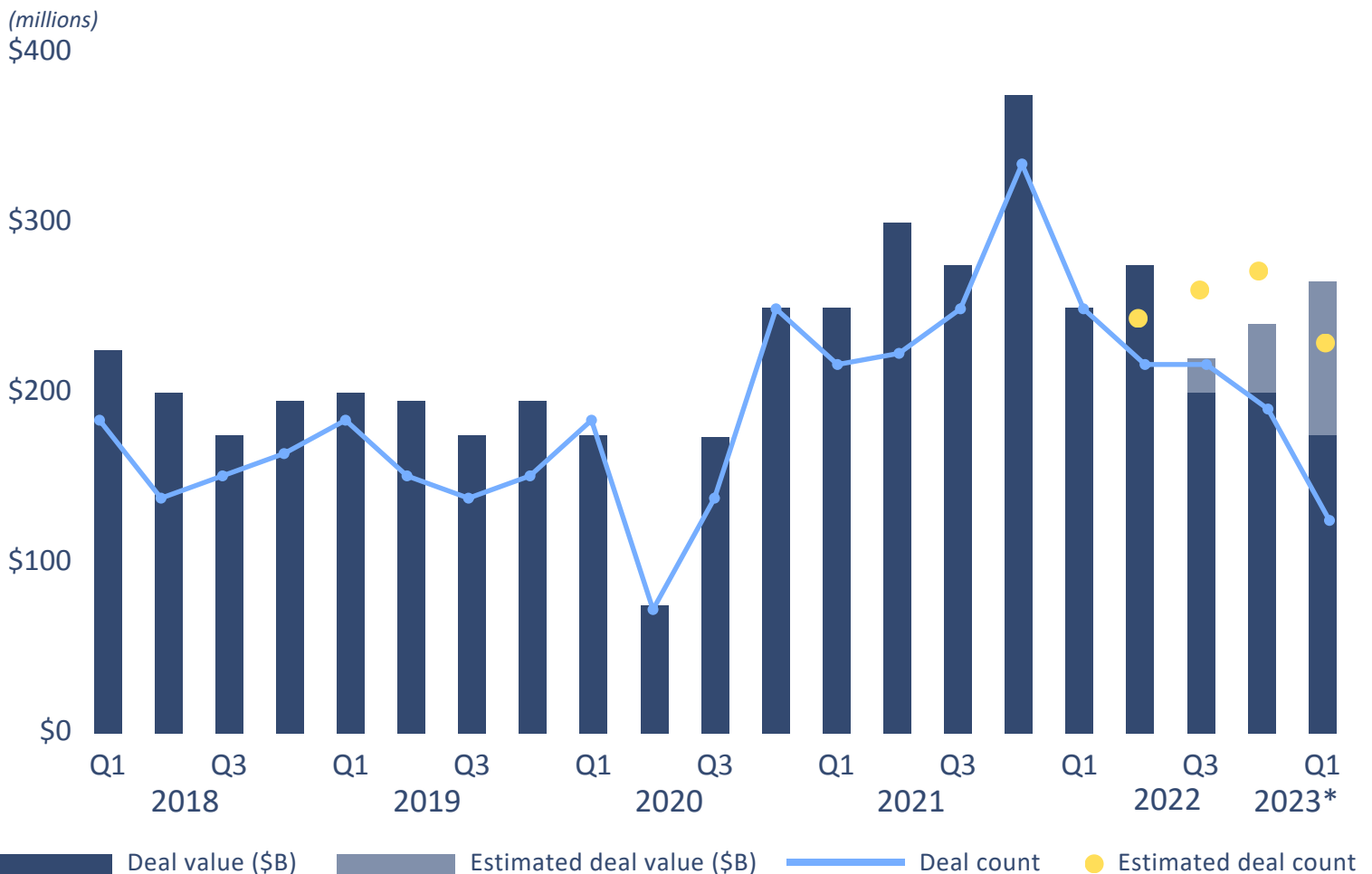
**OUR TEAM**



## M&A INDUSTRY OVERVIEW

The strong M&A markets in 2021 and 2022 cooled as concerns about a pending recession and high interest rates reduced both the supply of companies for sale as well as the demand from buyers. Strategic and financial buyers continue to have ample funds to deploy, resulting in continued steady demand for higher quality companies for sale, while companies with lower margins and lower growth rates experienced reduced demand. Many private equity firms and strategic acquirers have had initial success with their recent 2021 and 2022 acquisitions and, with a potential recession, have been more selective with some buyers even going “pencils down” on new acquisitions.

### PE DEAL ACTIVITY BY QUARTER

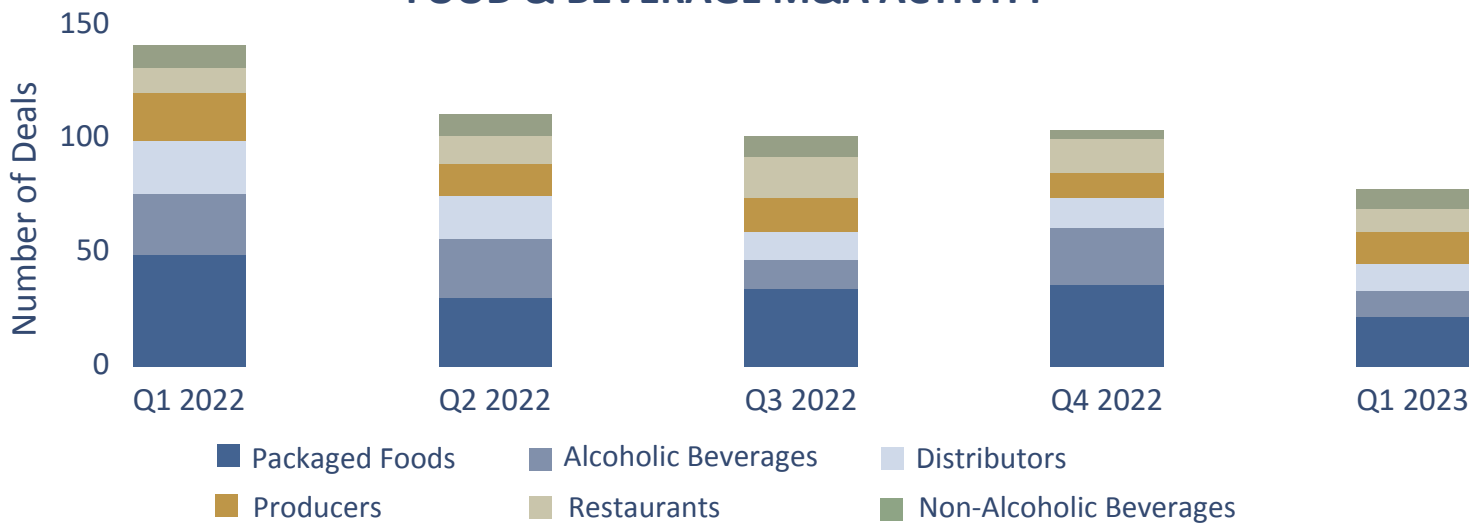


Source: PitchBook Geography: US  
\*As of March 31, 2023

## SECTOR HIGHLIGHTS

Acquisitions in the food, beverage, and restaurant sectors mirrored the decline in the overall market with middle market food, beverage, and restaurant transaction activity declining over 30% from 2022 levels. In the first quarter of 2023, the sectors had 78 middle market transactions, down from an average of 114 transactions per quarter in 2022\*. The largest decline came in the packaged foods, alcohol, and food distribution sectors while food producers, restaurants, and non-alcoholic beverage transactions were consistent with prior year activity. Overall, the F&B industry remains resilient and an attractive sector for M&A activity as companies adapt to the evolving demands of consumers.

### FOOD & BEVERAGE M&A ACTIVITY



Source: S&P Capital IQ and FOCUS Investment Banking research (March 2023)

\*Note: Only includes food & beverage deals where target was based in the United States or Canada

## Acquisition Activity by Sector

### Packaged Foods

Acquisition activity slowed for packaged food companies in the first quarter with 23 transactions, down from an average of 37 deals per quarter in 2022. Notable strategic acquisitions were Tyson Foods acquiring Williams Sausage Co.; Flagship Food Group adding Yucatan Foods to its assortment of brands; and Great Kitchens acquiring Uno Foods. Private equity transactions included Hometown Food Co., a portfolio company of Brynwood Partners, acquiring Birch Benders; PNC Riverarch adding Backerhaus Veit to its Costanza Bakery platform; and Lightspring Capital acquiring The Great Lakes Potato Chip Company.



## SECTOR HIGHLIGHTS CONTINUED

### Producers

M&A activity for producers—companies that provide fresh or minimally processed produce, meat, seafood, and dairy—remained steady with a total of 14 transactions in the first quarter compared to an average of 15 deals per quarter in 2022. Notable transactions included Miami Beef Company’s acquisitions of Brooklyn Burger and Devault Foods; AgriFORCE Growing Systems’ purchase of Berry People; and GrubMarket’s expansion on the West Coast with the acquisition of Custom Produce Sales.

### Distributors

Food and beverage distributors continued to see roll-up in the industry with 12 mid-market deals in the first quarter. Notable acquisitions include Sysco acquiring Concord Foods and SpartanNash acquiring Great Lakes Foods. Specialty distributors were active with transactions in seafood, fruits/vegetables, coffee, candy, and Italian products.

### Alcoholic Beverages

The Alcoholic beverages sector transaction activity slowed substantially with only 11 mid-market transactions in the first quarter. Micro-brewery transactions included two old line micro-breweries – Avery Brewing, founded in 1993, sold to MAHOU, the Spanish brewery; and Ipswich Ale, founded in 1991, merging with Essex County Brewery. Distilled spirits had five transactions including Bacardi acquiring D’USSE Cognac and Pernod Ricard acquiring Skrewball Spirits.

### Non-Alcoholic Beverages

In the non-alcoholic beverage sector, water and healthy beverage companies continued to be popular while Royal Crown Company, the old-line cola company with brands including RC Cola and Nehi, sold to Macay Holdings. Sierra Nevada ventured outside the beer category to acquire Riot Energy; other healthy beverages and water deals included Trivest Partners’ acquisition of Beaumont Juice and Langer Juice Company’s purchase of Deer Lake Springs.

### Restaurants

Private equity continued to dominate the restaurant sector with seven of ten transactions in the first quarter. PEG acquisitions included Mohr Capital acquiring And Go Concepts; Lionheart Equities purchasing BurgerFi International; Riveter Capital acquiring Twelve Oaks Catering; and PG Growth buying Wild Eggs.

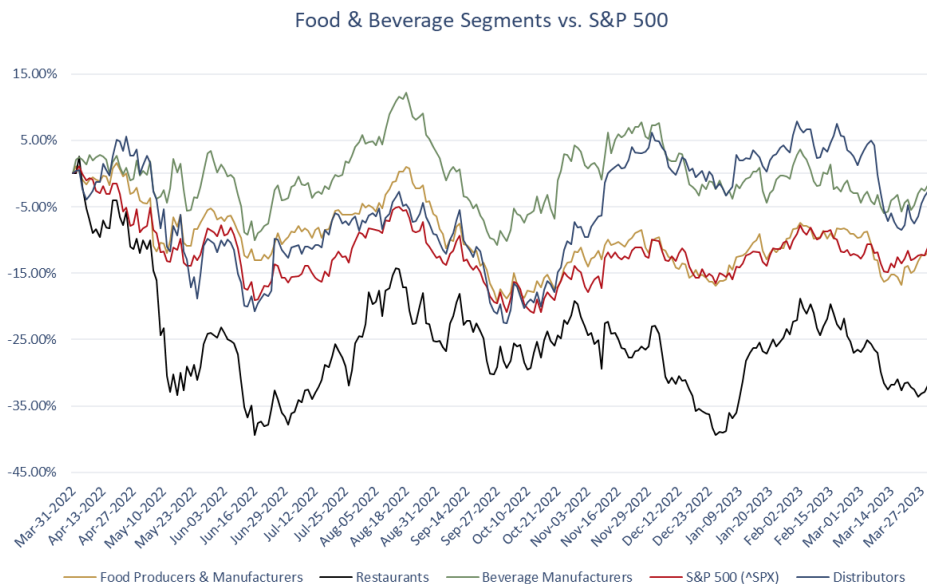


## PUBLIC COMPS

Inflation, the war in Ukraine, rising interest rates, and concerns about an economic slowdown all contributed to stock market volatility over the past year. The stock performance of the mid-market public beverage companies, and distributors outperformed the overall market, while restaurants underperformed (see pages 6-7 for public companies included in FOCUS' F&B index).

The restaurant sector was dragged down by Sweetgreen and Dutch Brothers falling back to earth after strong initial public offerings in 2021. The sector has also suffered due to continued labor shortages and a potential recession which has caused dining out budgets to decline.

On a more positive note, the beverage and distribution sectors have performed well as demand has been relatively consistent, allowing price increases without experiencing a falloff in volume. In addition, the beverage industry is benefiting from a gradual shift to healthier products.



The current valuation data by sector illustrates the importance of EBITDA margin as the higher margin beverage and restaurant companies have the highest TEV/EBITDA multiples while low margin food distributors had the lowest TEV/EBITDA valuation multiples. Similarly, focusing on the growth rate of individual restaurant companies illustrates the importance of growth on valuations. The three companies with the highest growth rate (Dutch Brothers, MTY Group, and Shake Shack) also had the highest valuation multiples with Dutch Brothers and Shake Shack having TEV/EBITDA of 39x and 21x, respectively.

Pages 6 - 7 contain public companies included in FOCUS' food & beverage index  
 Source: S&P Capital IQ and FOCUS Investment Banking research (March 2023)



## BEVERAGES

COMPANY	BUSINESS DESCRIPTION	Total Enterprise Value (\$, mm)	LTM Revenue (\$, mm)	LTM Total Revenues, 1 Yr Growth %	LTM EBITDA (\$, mm)	TEV/LTM EBITDA Margin %	TEV/Total Revenue LTM	TEV/EBITDA LTM
National Beverage Corp. (NasdaqGS:FIZZ)	National Beverage Corp., through its subsidiaries, develops, produces, markets, and sells a portfolio of sparkling waters, juices, energy drinks, and carbonated soft drinks.	4,839.2	1,170.5	5.0%	203.5	17.4%	4.1x	22.2x
TreeHouse Foods, Inc. (NYSE:THS)	TreeHouse Foods, Inc. manufactures and distributes private label foods and beverages in the United States and internationally.	4,351.6	3,454.0	17.3%	221.6	6.4%	1.3x	15.5x
Primo Water Corporation (TSX:PRMW)	Primo Water Corporation provides pure-play water solutions for residential and commercial customers.	4,075.4	2,215.1	6.8%	384.4	17.4%	1.8x	9.2x
The Boston Beer Company, Inc. (NYSE:SAM)	The Boston Beer Company, Inc. engages in the production and sale of alcohol beverages primarily in the United States.	3,881.7	2,090.3	1.6%	207.4	9.9%	1.9x	17.8x
The Hain Celestial Group, Inc. (NasdaqGS:HAIN)	The Hain Celestial Group, Inc. manufactures, markets, and sells organic and natural products.	2,470.4	1,853.5	-1.2%	159.4	8.6%	1.3x	14.1x
MGP Ingredients, Inc. (NasdaqGS:MGPI)	MGP Ingredients, Inc., together with its subsidiaries, produces and supplies distilled spirits, branded spirits, and food ingredients.	2,324.7	782.4	24.8%	170.4	21.8%	3.0x	13.4x
SunOpta Inc. (NasdaqGS:STKL)	SunOpta Inc. engages in manufacture and sale of plant-based and fruit-based food and beverage products to retailers, food service operators, branded food companies, and food manufacturers.	1,304.6	934.7	15.0%	68.1	7.3%	1.4x	15.9x
Lassonde Industries Inc. (TSX:LAS.A)	Lassonde Industries Inc., together with its subsidiaries, engages in the development, production, and marketing of a range of ready-to-drink beverages, fruit-based snacks, and frozen juice concentrates.	760.7	1,599.3	13.6%	100.6	6.3%	0.5x	7.3x

High	384.4	21.8%	4.1x	22.2x
Low	23.3	6.3%	0.5x	7.3x
Mean	171.0	11.5%	1.8x	14.2x
Median	170.4	8.6%	1.4x	14.1x

## FOOD DISTRIBUTORS

COMPANY	BUSINESS DESCRIPTION	Total Enterprise Value (\$, mm)	LTM Revenue (\$, mm)	LTM Total Revenues, 1 Yr Growth %	LTM EBITDA (\$, mm)	TEV/LTM EBITDA Margin %	TEV/Total Revenue LTM	TEV/EBITDA LTM
SpartanNash Company (NasdaqGS:SPTN)	SpartanNash Company distributes and retails grocery products.	1,628.5	9,643.1	8.0%	163.9	1.7%	0.2x	7.2x
United Natural Foods, Inc. (NYSE:UNFI)	United Natural Foods, Inc., together with its subsidiaries, distributes natural, organic, specialty, produce, and conventional grocery and non-food products in the United States and Canada.	4,885.1	29,863.0	7.5%	617.0	2.1%	0.2x	5.2x
Performance Food Group Company (NYSE:PFGC)	Performance Food Group Company, through its subsidiaries, markets and distributes food and food-related products in the United States.	14,252.8	52,587.2	34.4%	1,048.6	2.0%	0.3x	11.3x
US Foods Holding Corp. (NYSE:USFD)	US Foods Holding Corp., through its subsidiary, US Foods, Inc., engage in marketing, sale, and distribution of fresh, frozen, and dry food and non-food products to foodservice customers in the United States.	14,202.2	34,057.0	15.5%	1,016.0	3.0%	0.4x	12.9x
HF Foods Group Inc. (NasdaqCM:HFFG)	HF Foods Group Inc., through its subsidiaries, markets and distributes fresh produce, frozen and dry food, and non-food products to Asian and Chinese restaurants, and other foodservice customers in the United States.	393.4	1,170.5	46.9%	36.6	3.1%	0.3x	9.4x
The Chefs' Warehouse, Inc. (NasdaqGS:CHEF)	The Chefs' Warehouse, Inc., together with its subsidiaries, engages in distribution of specialty food products in the United States and Canada.	2,024.7	2,613.4	49.7%	131.1	5.0%	0.8x	11.6x
The Andersons, Inc. (NasdaqGS:ANDE)	The Andersons, Inc. operates in trade, renewables, and plant nutrient sectors in the United States and internationally.	2,438.8	17,325.4	37.4%	352.4	2.0%	0.1x	6.3x

High	1,048.6	5.0%	0.8x	12.9x
Low	36.6	1.7%	0.1x	5.2x
Mean	480.8	2.7%	0.3x	9.2x
Median	352.4	2.1%	0.3x	9.4x

Source: S&P Capital IQ and FOCUS Investment Banking research  
EBITDA multiples reflect EBITDA adjustments for extraordinary items.



### FOOD MANUFACTURING

COMPANY	BUSINESS DESCRIPTION	Total Enterprise Value (\$, mm)	LTM Revenue (\$, mm)	LTM Total Revenues, 1 Yr Growth %	LTM EBITDA (\$, mm)	TEV/LTM EBITDA Margin %	TEV/Total Revenue LTM	TEV/EBITDA LTM
Premium Brands Holdings Corporation (TSX:PBH)	Premium Brands Holdings Corporation, through its subsidiaries, manufactures and distributes food products.	5,212.5	4,483.4	22.3%	270.1	6.0%	1.2x	17.6x
TreeHouse Foods, Inc. (NYSE:THS)	TreeHouse Foods, Inc. manufactures and distributes private label foods and beverages in the United States and internationally.	4,351.6	3,454.0	17.3%	221.6	6.4%	1.3x	15.5x
The Hain Celestial Group, Inc. (NasdaqGS:HAIN)	The Hain Celestial Group, Inc. manufactures, markets, and sells organic and natural products.	2,470.4	1,853.5	-1.2%	159.4	8.6%	1.3x	14.1x
John B. Sanfilippo & Son, Inc. (NasdaqGS:JBSS)	John B. Sanfilippo & Son, Inc., through its subsidiary, JBSS Ventures, LLC, processes and distributes tree nuts and peanuts.	1,155.7	1,003.3	12.2%	104.6	10.4%	1.2x	10.8x
Mission Produce, Inc. (NasdaqGS:AVO)	Mission Produce, Inc. engages in the sourcing, farming, packaging, marketing, and distribution of avocados, mangoes, and blueberries to food retailers, distributors, and foodservice customers.	1,010.2	1,042.8	11.5%	49.8	4.8%	1.0x	17.8x
Seneca Foods Corporation (NasdaqGS:SENE.A)	Seneca Foods Corporation provides packaged fruits and vegetables in the United States and internationally.	844.0	1,510.7	11.3%	114.5	7.6%	0.6x	6.5x
High Liner Foods Incorporated (TSX:HLF)	High Liner Foods Incorporated processes and markets frozen seafood products.	761.1	1,069.7	22.2%	95.4	8.9%	0.7x	7.6x
Calavo Growers, Inc. (NasdaqGS:CVGW)	Calavo Growers, Inc. markets and distributes avocados, prepared avocados, and other perishable foods to retail grocery and foodservice customers, club stores, mass merchandisers, food distributors, and wholesale customers worldwide.	590.6	1,143.2	3.1%	25.6	2.2%	0.5x	16.0x
Vital Farms, Inc. (NasdaqGM:VITL)	Vital Farms, Inc., a food company, provides pasture-raised products.	555.4	362.1	38.8%	9.8	2.7%	1.5x	3.5x
Whole Earth Brands, Inc. (NasdaqCM:FREE)	Whole Earth Brands, Inc. operates as a food company worldwide.	536.5	538.3	9.0%	43.2	8.0%	1.0x	10.0x

High	270.1	10.4%	1.5x	17.8x
Low	9.8	2.2%	0.5x	3.5x
Mean	109.4	6.6%	1.0x	11.9x
Median	100.0	7.0%	1.1x	12.5x

### RESTAURANTS

COMPANY	BUSINESS DESCRIPTION	Total Enterprise Value (\$, mm)	LTM Revenue (\$, mm)	LTM Total Revenues, 1 Yr Growth %	LTM EBITDA (\$, mm)	TEV/LTM EBITDA Margin %	TEV/Total Revenue LTM	TEV/EBITDA LTM
Dine Brands Global, Inc. (NYSE:DIN)	Dine Brands Global, Inc., together with its subsidiaries, owns, franchises, and operates restaurants.	2,528.5	909.4	1.5%	214.3	23.6%	2.8x	11.7x
BJ's Restaurants, Inc. (NasdaqGS:BJRI)	BJ's Restaurants, Inc. owns and operates casual dining restaurants in the United States.	1,193.5	1,283.9	18.1%	67.8	5.3%	0.9x	9.1x
MTY Food Group Inc. (TSX:MTY)	MTY Food Group Inc. operates and franchises quick-service, fast-casual, and casual dining restaurants.	1,872.0	645.4	50.3%	145.0	22.5%	3.5x	13.7x
Sweetgreen, Inc. (NYSE:SG)	Sweetgreen, Inc., together with its subsidiaries, develops and operates fast-casual restaurants serving healthy foods prepared from seasonal and organic ingredients.	842.5	470.1	38.3%	(138.4)	(29.4%)	1.8x	NM
Chuy's Holdings, Inc. (NasdaqGS:CHUY)	Chuy's Holdings, Inc., through its subsidiaries, owns and operates full-service restaurants under the Chuy's name in the United States.	763.4	422.2	6.5%	45.8	10.9%	1.8x	10.7x
Shake Shack Inc. (NYSE:SHAK)	Shake Shack Inc. owns, operates, and licenses Shake Shack restaurants (Shacks).	2,615.6	900.5	21.7%	48.3	5.4%	2.9x	21.3x
Portillo's Inc. (NasdaqGS:PTLO)	Portillo's Inc. owns and operates fast casual and quick service restaurants in the United States.	1,864.0	587.1	9.8%	61.5	10.5%	3.2x	20.0x
Dutch Bros Inc. (NYSE:BROS)	Dutch Bros Inc. operates and franchises drive-thru shops.	2,563.6	739.0	48.4%	45.1	6.1%	3.5x	39.1x
First Watch Restaurant Group, Inc. (NasdaqGS:FWRG)	First Watch Restaurant Group, Inc. operates and franchises restaurants under the First Watch trade name in the United States.	1,409.4	730.2	21.5%	54.7	7.5%	1.9x	11.8x

High	214.3	23.6%	3.5x	39.1x
Low	(138.4)	(29.4%)	0.9x	9.1x
Mean	60.5	6.9%	2.5x	17.2x
Median	54.7	7.5%	2.8x	12.8x

Source: S&P Capital IQ and FOCUS Investment Banking research  
EBITDA multiples reflect EBITDA adjustments for extraordinary items.

## TRENDS TO WATCH

### *The Rise of Regenerative Agriculture*

Building off the rise of organically grown foods, food companies are incorporating regenerative agriculture into their sustainability strategies and supply chains. Regenerative agriculture applies practices that restore soil and ecosystem health, with the goal of making land more productive and biodiverse over time. Practices include cover cropping, no-till farming, and moving off synthetic fertilizers, herbicides, and fungicides. Companies pursuing regenerative agriculture strategies include PepsiCo's investment of \$216M into regenerative agriculture projects; ADM's launch of Knwbl Grwn, a new brand of direct-to-consumer ingredients that sources from farmers implementing regenerative agriculture practices; and Kind Snacks' Kind Acres Initiative, a pilot program designed to help the company better source 100% of its almonds from orchards leveraging regenerative practices by 2030.

### *Shoppers Shift to Private Label*

Private label products are on the rise as shoppers feel the pinch from inflation and look to stretch their grocery dollars. FoodDive [reports](#) that three in four consumers have switched to private label products and plan to keep buying them even as the economy improves.

### *Consumers Prioritize Health and Wellness*

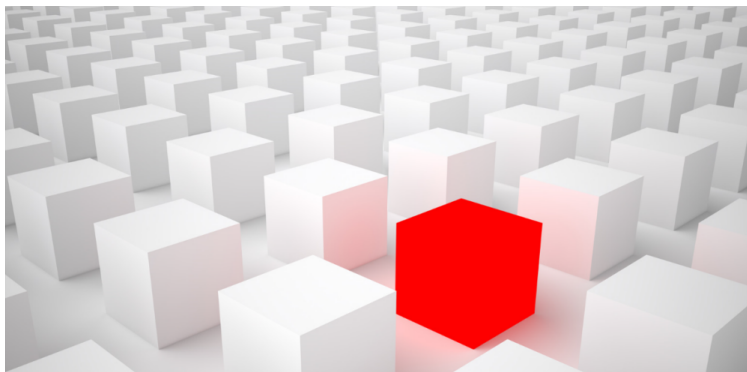
The global pandemic elevated a focus on health and wellness, as seen with consumers increasingly seeking out customized diets, functional foods and ingredients, and nutrients that build immunity and/or help manage health conditions. Companies are responding with products that boast a variety of attributes including natural ingredients, less sugar, and "clean" formulations. Coca-Cola recently entered a licensing deal with two of its products, Minute Maid and Simply, to be used on select produce distributed by Frutura's Dayka & Hackett brand. Instead of licensing its brands such as Sprite or Fanta—brands associated with sugar—the company opted for its better-for-you beverages to expand into fresh produce.



## NEWS & INSIGHTS

### *Wage Inflation: When will it get better?*

As we all know, the United States is experiencing the highest inflation in 40 years. There are many causes, including disruptions to supply chains, increased demand for durable goods, pandemic assistance programs, and the war in Ukraine. Except for the war, many of these causes are receding and returning to normal, which has led to the price of many commodities such as gasoline and lumber returning to pre-pandemic levels. Click [here](#) to read more.



### *Are You Standing Out (In a Good Way?)*

When we look at the food and beverage market, we see two markets – global companies with strong brands and smaller, innovative companies targeting segments in health foods and other high growth categories. With global food and beverage companies wielding so much power, smaller players need to be smarter - strategically, operationally, financially - to succeed. Click [here](#) to read more.

### *The Easiest Method for Choosing a Restaurant Franchise*

It is easy to understand the allure of restaurant franchising. As a large and growing segment of the overall restaurant industry, restaurant franchising is attractive for its consistent, proven track record of returning cashflow. Restaurant owners can benefit from expanding their concept at a rapid pace, and entrepreneurs can enjoy the opportunity to own and operate their own businesses with the support and resources of an established brand. Click [here](#) to read more.



## RECENT TRANSACTIONS

*This announcement appears as a matter of record only*




has been acquired by

**Undisclosed Buyer**

A FOCUS Managing Director represented Finewine and introduced this transaction while working at a prior firm.

*This announcement appears as a matter of record only*



Initial Public Offering

A FOCUS Managing Director represented Krispy Kreme Doughnuts and introduced this transaction while working at a prior firm.

*This announcement appears as a matter of record only*



has been acquired by

**LONRHO**

A FOCUS Managing Director represented Oceanfresh Seafoods and introduced this transaction while working at a prior firm.

*This announcement appears as a matter of record only*



has been acquired by



A FOCUS Managing Director represented Little Big Burger and introduced this transaction while working at a prior firm.

*This announcement appears as a matter of record only*

**Smithfield**

has acquired

**Carroll's Foods, Inc.**

A FOCUS Managing Director represented Smithfield and introduced this transaction while working at a prior firm.

*This announcement appears as a matter of record only*

Private Investors have provided an equity infusion to




A FOCUS Managing Director represented Yummy Spoonfuls while working at a prior firm.

*This announcement appears as a matter of record only*


**R.O. Mayes Grain Elevator**

has been acquired by




A FOCUS Managing Director represented R.O. Mayes Grain Elevator and introduced this transaction while working at a prior firm.

*This announcement appears as a matter of record only*



has been acquired by



A FOCUS Managing Director represented Joseph's Gourmet Pasta and introduced this transaction while working at a prior firm.

*This announcement appears as a matter of record only*




has been acquired by

**A Family Office**

A FOCUS Managing Director represented Multnomah Whiskey Library and introduced this transaction while Working at a prior firm.

*This announcement appears as a matter of record only*



Going Private Transaction

A FOCUS Managing Director represented Domino's and introduced this transaction while working at a prior firm.



## IN THE MARKET

### Project Tap

Project Tap is well-established micro-brewery with strong distribution in its home market as well as a restaurant, event venue, and several satellite locations. The micro-brewery produces over 10,000 barrels a year and its products are available in over 700 bars, restaurants, and retail stores. The company recently signed a letter of intent with a projected closing at the end of the second quarter.

### Project Clear

Project Clear assists companies exporting fruits and vegetables into the United States. The company offers a series of services to ensure these “hot” loads clear customs quickly and efficiently. The company has \$3.0 million to \$3.5 million in EBITDA and continues to grow at a strong pace. FOCUS was recently engaged and anticipates taking the company to market late in the second quarter of 2023.

### Project Samoa

Project Samoa is a leading distributor and producer of ethnic foods located in the Southwest U.S. The company manufactures several branded food product lines as well as importing and distributing a wide range of branded food and beverage products from several Central and South American and Asia-Pacific countries. The company has revenues between \$40 and \$50 million and \$2 million in EBITDA. The company is currently under Letter of Intent.

To learn more about the FOCUS Food & Beverage team click [here](#).

## OUR TEAM



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