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ARTICLE

# GrubMarket: One of the Most Active Buyers in Food Distribution M&A

## OVERVIEW

# GrubMarket, a B2B food marketplace that primarily sells to retail grocers, has become one of the most active buyers in food distribution M&A.

Since its founding in 2014 the company has made north of 60 acquisitions, with the majority of those acquisitions focused on B2B produce distributors.

Why is GrubMarket, a technology company, buying up B2B food distributors? In this article, we cover how the company grew from a startup venture to one of the largest private food tech companies in the U.S., fueled by millions of dollars in funding, a bold acquisition strategy, and a mission to digitally transform the global and American food supply chain.

When Mike Xu founded GrubMarket in San Francisco, it could have been passed off as another tech company trying to enter the online grocery space. But Xu was a different type of Silicon Valley founder. He grew up in rural China, surrounded by farmers and growers, before landing at the University of Wisconsin to study Computer Science. During that time, Xu rented a small plot of land from the university to run a vegetable farm. Those dual experiences shaped Xu's vision of modernizing the food supply chain.

Xu started his career in tech, working at titans like Oracle, but maintained a passion for solving problems within the food system. As one of the least digitized industries in the U.S., fresh foods presented a compelling case. Highly perishable products that rely on sophisticated systems, yet business activities are still predominantly offline – pricing lists manually emailed each week, orders taken over the phone, and inventory managed through legacy systems.

Xu saw an opportunity to modernize the system by leveraging technology to help operators do more high-value work: moving products, developing new sales channels, and connecting with customers.

GrubMarket launched with a hybrid business model serving both B2C (via its online grocery channel) and B2B (through its wholesale eCommerce platform) customers. While online grocery was capturing customer (and investor) attention, it became clear there was an untapped opportunity on the B2B side, specifically in perishable foods. Xu would need to build the company's supplier network alongside development of its technology platform. With millions in funding from backers like 301, Grosvenor Food & AgTech, and Tiger Global, Xu and his team had the capital to pursue their growth strategy. Enter M&A, a key ingredient in the GrubMarket's development.

### GrubMarket

**Founder and CEO:** Mike Xu

**Launched:** 2014

**Headquarters:** San Francisco

**Target Industry:** Food wholesale / distribution

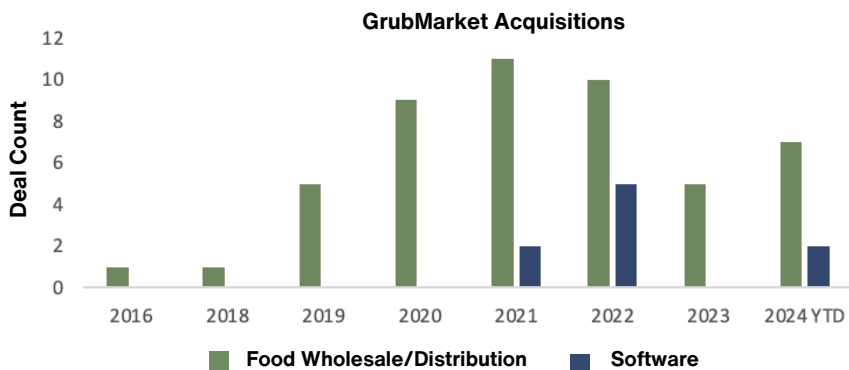
**Footprint:** U.S. and Canada

**Funding:** \$560 million

**Valuation:** \$3.5 billion

**Key technologies:** Artificial intelligence, cloud computing, generative AI

**Acquisitions to date:** 60+



## GrubMarket's M&A Strategy

To understand GrubMarket's M&A spree over the past few years, it helps to begin with why the company has, and continues to, focus on fresh foods distributors.


As a B2B food marketplace, GrubMarket's M&A strategy prioritizes fresh food distributors for key reasons: the acquisitions help GrubMarket grow its wholesale network and gain new customers, effectively creating a consistent source of supply (the perishable products that, through the acquisitions, become GrubMarket's 1P inventory) and a larger pool of buyers (the retailers that the acquired distributors serve). At the same time, the acquisitions enable distributors to modernize their systems with GrubMarket's software solutions, giving users a single tech platform to streamline operations and connect with a broader network of customers. But the company didn't stop there. It has also opened up a marketplace of 3P sellers, allowing other fresh food distributors to join GrubMarket's network.

Sound familiar? It's a strategy similar to how Amazon built its dominant marketplace. Amazon initially built demand offering 1P supply (acting as a traditional online retailer selling its products), then opened up its marketplace to 3P sellers. This is how Amazon Business came to be, which started with 1P sales before the addition of a B2B marketplace that now generates tens of billions in sales.

Borrowing from Amazon's playbook, GrubMarket has been rapidly building its 1P supply via a buying spree over the past several years. In 2018 the company purchased So Cal Farm Network to expand its produce supply chain along the West coast. Since then, the GrubMarket team has targeted industry veterans, many of them family-owned and operated businesses. Its acquisitions include Grant Hunt, a distributor with operations dating back 90 years, and SGS Produce, which was founded in 1907 (see the full list of acquisitions on pages 5 and 6 of this article).

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Source: S&P Capital IQ



GrubMarket's M&A activity accelerated between 2019 and 2023. Perhaps not coincidentally when the food industry was feeling the impact of COVID-19 and many owners decided to exit. The result? The company swiftly acquired 40 regional fresh food distributors, along with a handful of tech startups that add to its technology capabilities. The company shows no signs of slowing down and has made 9 acquisitions this year alone, including purchasing online grocery startup GoodEggs as well as Butter, a wholesale software company that serves food service operators (primarily restaurants). The Butter acquisition is particularly notable, as it enables Butter to access GrubMarket's suppliers while also giving those suppliers a connection to restaurants (and helps GrubMarket expand its market beyond retail grocery store customers).

#### **Software for Producers**

*When GrubMarket acquires a distributor, it gives the acquired company its software tool, WholesaleWare, to help run the business more efficiently. WholesaleWare provides wholesalers and distributors with sales and online ordering, inventory management, lot traceability, and automated routing and logistics.*

*GrubMarket also sells WholesaleWare to other third-party distributors at a subsidized rate. If a distributor uses WholesaleWare, then that inventory is seamlessly added to the GrubMarket marketplace, while also giving GrubMarket insights into data and inventory levels across its distributor network.*

## **What's Next?**

Xu has a clear vision for GrubMarket: transform the domestic and global food system through technology, network effects, and business scale to create vibrant hubs of produce production and distribution. While food distribution is notoriously challenging thanks to its razor-thin margins, and online grocery companies have struggled to reach success, GrubMarket's performance suggests otherwise. The company increased revenue from \$150 million in 2019 to \$1 billion in 2022 and has achieved consistent profitability. It's weighing a potential IPO in late 2025. And it continues to lean on M&A to build its network and drive market expansion. For anyone in food distribution, GrubMarket is one to watch.

## M&A TRANSACTIONS

Date	Target Name	Business Description
Aug-2024	FreshGoGo, Inc.	FreshGoGo, Inc. operates an online grocery and food e-commerce platform.
Aug-2024	Good Eggs, Inc.	Good Eggs, Inc. sells groceries online.
Jul-2024	Best Oriental Produce, Inc.	Best Oriental Produce, Inc. is a provider of Asian squash in the U.S. and a major importer of young coconut from Thailand.
Jul-2024	Brothers Produce LLC	Brothers Produce LLC distributes fresh fruits and vegetables.
Jun-2024	Parsemony Inc.	Parsemony Inc. designs and develops enterprise-wide software for fresh food businesses.
May-2024	Butter Technologies, Inc.	Butter Technologies, Inc. operates as an online platform for food supply chain.
Apr-2024	Global Produce	Global Produce is a fresh produce provider with operations in South Africa, Asia, Europe, and other regions.
Mar-2024	Performance Produce	Performance Produce supplies fruits and vegetables.
Jan-2024	J.C. Cheyne & Co.	J.C. CHEYNE & CO. produces and sells onions and potatoes.
Dec-2023	A&B Tropical Produce, LLC	A&B Tropical Produce, LLC produces and sells tropical fruits and vegetables.
Oct-2023	PA China Farm	PA China Farm distributes fruits and vegetables.
Sep-2023	Mendez International Tropical Foods, Inc.	Mendez International Tropical Foods, Inc. engages in the wholesale distribution of tropical fruits and vegetables.
Aug-2023	London Fruit, Inc.	London Fruit, Inc. imports and distributes avocados, mangos, and limes to wholesalers and retailers in the United States.
Mar-2023	Custom Produce Sales, Inc.	Custom Produce Sales, Inc. is a provider of fresh fruits and vegetables to business customers across the United States.
Nov-2022	Fresh Software Solutions LLC	Fresh Software Solutions LLC develops cloud-based enterprise software for distributors, wholesalers, repackers, and food service suppliers across North America.
Oct-2022	Rainfield Ranches, LP	Rainfield Ranches, LP grows and distributes green onions.
Sep-2022	JC Produce LLC	JC Produce LLC distributes fresh produce and other perishables in California.
Aug-2022	Frantoni Corporation	Frantoni Corporation designs and develops ERP software systems.
Aug-2022	Granite State Software	Granite State Software designs and develops enterprise software for food supply chain businesses.
Jul-2022	Q . F . & V . LLC	Quality Fruit is a family-owned distributor of fresh produce in the West Texas, New Mexico, and Northern Mexico regions.
May-2022	Produce Connection and Spring Valley	Produce Connection and Spring Valley produces fruits and vegetables.
May-2022	Vega Produce LLC	Vega Produce LLC distributes Asian fruits and vegetables in the United States.
Apr-2022	Salix Fruits LLC	Salix Fruits LLC imports and distributes fresh fruits.
Apr-2022	WaudWare Incorporated	WaudWare Incorporated builds software solutions for businesses operating in the North American fresh produce industry.
Apr-2022	Regatta Tropicals Ltd.	Regatta Tropicals Ltd. is a fresh fruit distributor.
Mar-2022	Sunfed Produce, L.L.C.	Sunfed Produce, L.L.C. produces vegetables and fruits.

Source: S&P Capital IQ

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Date	Target Name	Business Description
Feb-2022	Daylight Foods Inc.	Daylight Foods Inc. provides fresh food to grocers and restaurants.
Feb-2022	Nova Libra, Inc.	Nova Libra, Inc. operates as an e-commerce technology solution provider.
Jan-2022	Terra Exports LLC	Terra Exports LLC exports and distributes fresh fruits and vegetables across the globe.
Oct-2021	Funtech Software Inc.	Funtech Software Inc is a software company based in Vancouver, British Columbia.
Oct-2021	Shapiro-Gilman-Shandler Co., Inc.	Shapiro-Gilman-Shandler Co., Inc. distributes food products to retailers, distributors, and wholesalers.
Sep-2021	Farmigo, PBC.	Farmigo, PBC. provides an online marketplace for consumers to find, select, and receive fresh food.
Sep-2021	Bartolotta, Inc.	Bartolotta LLC produces and distributes fresh fruits and vegetables.
Aug-2021	Atlantic Fresh Trading, LLC	Atlantic Fresh Trading LLC distributes fresh fruits and vegetables for customers across the United States.
Aug-2021	L&J Produce	L&J Produce operates as a fruits and vegetables wholesaler.
Aug-2021	Grant J. Hunt Company	Grant J. Hunt Company imports and distributes fruits and vegetables.
Jul-2021	Terminal Produce Corp.	Terminal Produce Corp. distributes tropical fruits, vegetables, and and seafood.
Jun-2021	R & C Berndt, Inc.	R & C Berndt Inc. is an importer, marketer, and shipper of fresh fruit products sourced globally.
May-2021	Vaccaro & Sons Produce, Inc.	Vaccaro & Sons Produce, Inc. distributes fruits, vegetables, and dairy products.
Apr-2021	Jana Food Services, Inc.	Jana Food Services, Inc. operates as a food distribution company.
Mar-2021	RJ Produce, Inc.	RJ Produce, Inc. operates as a produce wholesaler that sources fruits and vegetables from growers directly from Mexico and domestically.
Jan-2021	Bengard Marketing, Inc.	Bengard Marketing, Inc. distributes fruits in the United States.
Dec-2020	Leo'S Apples Ltd.	Leo's Apples Inc engages in the distribution of fruits.
Oct-2020	Best Fresh Produce Inc.	Best Fresh Produce Inc. distributes fresh fruits and vegetables.
Sep-2020	Freshtex Produce LLC	Fresh Tex Produce is a grower, shipper, and importer of fresh fruits and vegetables.
Aug-2020	Grand Food Inc.	Grand Food Inc. provides meat to restaurants, markets, institutions, and foodservice operators.
Jul-2020	Cali Fresh Produce Inc	Cali Fresh Produce Inc produces and distributes fruits and vegetables.
Jul-2020	Growers Produce, Inc.	Growers Produce Inc produces and sells cherries and other seasonally grown fruits.
Jun-2020	Hung San Foods, Inc.	Hung San Foods, Inc. is a produce and specialty food supplier.
Apr-2020	Boston Organics LLC	Boston Organics LLC is an online farm-to-grocery delivery service.
Jan-2020	Eating with the Seasons Inc. & EJ Food Distributor Inc.	Eating with the Seasons, LLC produces organic fruits and vegetables. EJ Food Distributor Inc. sources and delivers dry goods for restaurants.

Source: S&P Capital IQ

## PRACTICE TEAM



**Robert Adams**  
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Robert is a leading Corporate Finance Advisor with a wealth of experience in Debt Fundraising and M&A. He is a Fellow of Chartered Accountants Ireland. He has developed a strong reputation for financing and refinancing business and property based portfolios, working across a broad range of Corporate Finance activities. He has significant commercial experience in undertaking M&A, Business Reviews, Due Diligences and Strategic Advisory for Corporate clients. Robert has developed a large client base across a broad range of sectors throughout Ireland.



**Rick Thomas**  
CEO  
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Rick Thomas, FOCUS' CEO, has 25 years of consulting, management and M&A advisory experience across industries including manufacturing, distribution, and food service. Prior to joining FOCUS, he served as Vice President at VSI, a boutique investment banking firm located in Washington, DC. He led M&A activities for publicly and privately held companies in the middle market, several of which have annual revenues in excess of \$1 billion.



**Brian Barrett**  
Managing Director  
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Brian Barrett, a FOCUS Managing Director, has extensive expertise in providing strategic advice to entrepreneurs, business owners and companies to assist them in achieving their strategic ambitions and preparing for significant value events. He has over 16 years of corporate finance experience working with SME's, large corporates and semi state bodies across Ireland. Brian has successfully project management and complete many significant transactions across multiple sectors, including retail, technology, food & beverage, agriculture, logistics, banking, energy and leisure.



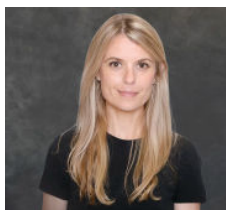
**Barry Calogero**  
Managing Director  
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Barry Calogero, a FOCUS Managing Director, brings more than 30 years of executive management and consulting experience, with an emphasis on driving operational excellence and improving the enterprise value of companies around the world. He has deep expertise across industries including food & beverage manufacturing and distribution. Previous to FOCUS, he was COO of Coastal Sunbelt Produce, where he was responsible for operations, supply chain management, street sales, and asset velocity of the private equity-backed, \$300 million company.



**Kate Elliott**  
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Kate Elliott is the Director of Research and oversees the production of research, financial modeling and analysis, and writing assignments that are integral to FOCUS' process-driven methodology for executing M&A transaction work.



**Beth Johnson**  
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Beth Johnson, a FOCUS associate, supports buy-side and sell-side engagements as well as capital raising. Prior to FOCUS, she led capital raise events as the Director of Development at 4P Foods, a fresh foods distributor serving B2B and B2C customers across the mid-Atlantic region. Her experience includes working with founder-owned businesses in the natural/organic segment and agtech ventures, with an emphasis on regenerative agriculture.