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Why Private Label Foods Are Attracting Investors

Consumers aren't just trying private label goods, they're flocking to them... and staying.

Once considered a low-price and substandard option, today's private label products are viewed as high-quality and on par with name brands, if not better. The shift is pushing retailers to expand their private label offerings and increasingly look to third-party manufacturers for production capacity and innovation.

Below, we cover the rise of the private label segment and why investors are drawn to private label and co-manufacturers across the food and beverage industry. For operators in this space, we share attributes that could enhance a company's value and strengthen its position in the market.

NO-NAME, BIG GAINS: THE PRIVATE LABEL BOOM

The rise of private labels traces back to the COVID-19 crisis, when consumers grappled with empty store shelves and turned to private label goods (drawn to the high availability and low price of the products). Post-COVID, consumers continued to purchase private labels as inflation persisted, believing the products offered the same or higher quality for less money. Today, it's not only price and value when consumers consider purchasing private label products – they're also considering quality, taste, and variety. Experience and exclusivity are also factors (think of Trader Joe's unwavering fan base).

The consumer shift shows staying power: over 95% of consumers are buying private label products, according to the Food Industry Association's "Power of Private Brands 2023" report. Private label sales rose 3.9% in 2024, reaching a record \$271 billion, and outpaced national brands based on data from Circana. Departments with the highest private label growth included refrigerated (+7.5%), general food (+4.3%), and beverages (+4%). Many retailers are prioritizing private label as part of their overall strategy, recognizing the products' higher margins and appeal to a wide range of shoppers.

- Kroger is heavily investing in private label brands, from rolling out new products to expanding existing lines. The company recently debuted Field & Vine, a fresh produce line sourced from U.S. farmers. Other initiatives include Mercado, a Hispanic-inspired private label brand, and Smart Way, a line of affordable staples.
- Walmart, no stranger to private label with its successful Great Value line, launched premium brand bettergoods in 2024. The brand's products cater to culinary experiences (think specialty salts and seasonings) or various dietary needs (gluten-free or free from artificial additives).
- Sprouts Farmers Markets has ramped up its label offerings, focusing on health and wellness products along with items consumers typically won't find at traditional grocery stores (like hot honey chicken tenders or flavored cauliflower rice). Recent years have seen the company add 300 to 400 new products annually.

NO-NAME, BIG GAINS: THE PRIVATE LABEL BOOM CONTINUED

Retailers, armed with customer data and consumer insights, are turning to co-manufacturing to produce their private label products. Several major grocers have brought their private label production in-house, but for many retailers, outsourcing manufacturing offers benefits – cost savings, flexibility and scalability, and speed to market. Given the critical nature of production, from product development to rapidly scaling a new private label brand, retailers are increasingly reliant on co-manufacturers and private label providers – creating significant growth opportunities for operators in the space.

OPPORTUNITIES FOR PRIVATE LABEL AND CONTRACT MANUFACTURING M&A

Recent years have witnessed an upturn in mergers and acquisitions in the private label and contract manufacturing space, with both financial and strategic buyers taking an interest. What's the appeal? Financial buyers like that third-party manufacturers produce essential goods, creating consistent demand from retailers, while also being brand-agnostic (i.e., not competing for shelf space). They also see a high growth market as retailers accelerate their private label initiatives. And with a lack of large-scale providers, financial buyers see an opportunity to establish platforms and execute roll-up strategies. Strategics, too, are investing in and acquiring third-party manufacturers to strengthen supply chains, increase domestic production capacity, and foster customer loyalty via private label brands.

SELECT M&A TRANSACTIONS

Date	Target	Buyer	Target Description
Mar-25	 MSI Express™	 NONANTUM CAPITAL PARTNERS	Contract manufacturer for food and beverage brands; services include dry foods blending and packaging and liquid packaging
Feb-25	 Classic COOKIE	 LEGACY BAKEHOUSE	Produces private label cookie, brownie, and cookie dough products
Nov-24	 BIG BEVERAGES	 CELSIUS	Co-packer to beverage brands
Oct-24	 PARK 100 FOODS Custom Order	 OSI	Specializes in contract manufacturing for food service operators
Jun-24	 CK	 N NEXUS	Producer of private label salty snacks
Apr-24	 FLAVOR PRODUCERS	 Glanbia	Provider of natural and organic flavors and extracts; contract manufacturer food, beverage, and nutraceutical companies
Jan-24	 alter eco	 TREK ONE CAPITAL	Manufacturer of branded and private label dark chocolate bars, truffles, granola, and quinoa
Jan-24	 SALM PARTNERS	 Johnsonville	Contract manufacturer of smoked sausages and hot dog products
Mar-23	 Lily's ICE CREAM	 GOURMET CREAMS	Manufacturer and wholesaler of gourmet ice creams; co-packer for larger food companies
Aug-22	 WATER LILIES INSPIRED ASIAN CUISINE	 BLUEPOINT Capital Partners	Manufactures premium Asian-inspired frozen foods for retail private label and foodservice customers
Jan-22	 Casper's ICE CREAM	 MID OCEAN Partners	Manufactures branded and private label Ice cream and frozen novelties

ATTRIBUTES DRIVING VALUATIONS IN PRIVATE LABEL AND CO-MANUFACTURING

Growing investor interest creates a favorable M&A market for private label and co-manufacturers, namely that as competition among buyers heats up, high quality assets could command premium valuations. While no deal looks the same, the attributes listed below, along with other considerations like market conditions, often inform what a buyer will pay.



Expertise and Capabilities

- Specialized knowledge and capabilities for specific food products
- Flexibility to accommodate custom recipes, ingredients, and packaging
- Certifications to meet product standards



Supplier Network

- Direct, preferred relationships with suppliers
- Sourcing strategy that prioritizes high quality ingredients and transparency



Formulation and Innovation

- Investment in R&D to create new and improved formulations
- Innovation in product offerings, demonstrating a deep understanding of consumer preferences and trends



Manufacturing

- High-volume production capacity
- Advanced manufacturing tools and technologies



Quality and Safety Standards

- Clear policies and expectations regarding food quality and safety standards
- Up-to-date with the latest food safety standards and practices
- Culture of continuous improvement



Customer Relationships

- Strong customer relationships, supported by defined offerings and differentiations that drive loyalty
- Diversified customer base



Investments Made in Facilities

- Regular facility upgrades that drive efficiency, flexibility, and quality



Profit Growth

- Strategies identified/implemented to deliver operational improvements and drive margin expansion

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
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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
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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.



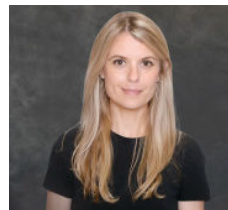
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Barry Calogero, a FOCUS Managing Director, brings more than 30 years of executive management and consulting experience, with an emphasis on driving operational excellence and improving the enterprise value of companies around the world. He has deep 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.



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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.