

# Food & Beverage M&A Recap

Q2 2023

## EDITORS



**Zahra Jamani**  
Senior Vice President



**Ryan Marinelli**  
Analyst

# Snacking industry remains resilient despite rising consumer costs and economic headwinds

Many families are adjusting to an uncertain economic environment that is driving up everyday costs for consumers across North America. Families are becoming more selective and price conscious with everyday purchases. However, in the face of rising costs, the snacking industry has continued to experience growth, with the average individual consuming a food or beverage as a snack 11 times a day.

In this quarter's Recap, we highlight some factors that support the positive outlook in the snacking industry, even as consumers manage rising costs.

## 1 Meal replacement options

Post pandemic, there has been a noticeable shift towards snacks serving as meal replacements. Studies show that one-fifth of adults consume a diet of five or more small meals as opposed to three large meals, an increase of 7% relative to pre-pandemic levels. Consumers are seeking convenient and nutritious options to replace traditional meals, particularly at breakfast and lunch.

This divergence from conventional consumption patterns is driven by time constraints, health-consciousness and the desire for portion control. Brands have increasingly introduced snacks formulated with balanced macronutrients, including proteins, fibres and healthy fats, to cater to the growing demand for convenient meal alternatives.

## 2 Return to portable snacks

The snacking industry is experiencing a heightened demand for convenient, grab-and-go options, with one-fifth of all eating occasions taking place away from home as people resume commuting, traveling and engaging in activities. Snacks that are easily portable, individually portioned, and mess free continue to gain traction.

According to Nielsen, the sale of snack bars in Canada witnessed significant growth in 2023, increasing by 14% compared to the prior year, indicating the rising popularity of convenient, on-the-go snacking options. Brands have capitalized on this trend by launching snack formats such as single-serve packs, snack bars and resealable pouches, catering to the need for convenience and mobility.

The snack food market in Canada reached a value of CAD6.2 billion in 2021 and is expected to continue growing in the coming years, driven by factors such as changing consumer lifestyles, increased snacking occasions and product innovation.

The snacking landscape in 2023 has witnessed a convergence of market trends, including the prioritization of meal replacements, the return to portable snacks, the "lipstick effect" and changes in children's snacking preferences. Market projections indicate that the future of the snack industry is strong, with continued growth as market dynamics and consumer preferences provide tailwinds to companies that are best able to meet consumers' evolving preferences. Companies that continue to evolve and satisfy consumer preferences will benefit from heightened market interest and increased market valuation when preparing to divest their business(es).

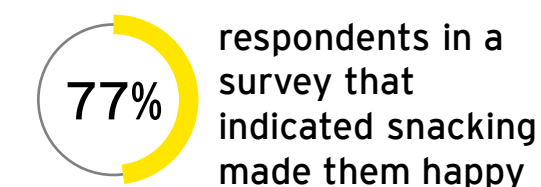
## 3 Growth of small indulgence demand: the lipstick effect

Consumers are increasingly prioritizing groceries and refraining from discretionary purchases as inflation tightens consumer spending. Consumers have moved to small indulgences despite economic headwinds, a phenomenon known as the "lipstick effect." This has bolstered the snack industry as consumers have demonstrated their willingness to spend on the pleasure, convenience and emotional satisfaction derived from affordable luxuries like their favourite snack.

Snacks offering unique flavors, upscale ingredients and artisanal qualities have gained popularity as people forgo larger-ticket spending and strive to elevate their everyday experiences amid challenging economic times. Research also indicates that the lipstick effect demand for snacks is up 20% over pre-pandemic levels, with peak demand for evening sweets and snacks such as ice cream, chocolate, frozen and baked goods, and chips. Brands have adapted by diversifying their product offerings, exploring new flavours, and employing digital marketing strategies to engage consumers and maintain their loyalty.

## 4 Kid snacking trends











Snacking trends in 2023 were significantly influenced by the preferences of children, the largest group of snack eaters. Parents continue to seek healthier, kid-friendly snack options that are tasty and free from artificial ingredients and excessive sugar. The industry has responded by introducing innovative snacks designed specifically for children, incorporating fun shapes, natural colours and nutritious ingredients. Brands have also focused on providing allergen-free and organic options, addressing the growing concerns of parents regarding their children's dietary needs.





# Food and beverage recent announced transactions

## Select announced transactions in Q2 2023















All figures in USD, unless otherwise noted

Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
<b>Alcoholic Beverages</b>					
Jun 01, 2023	Penelope Bourbon LLC		Producer and retailer of alcoholic beverages offering grain, barrel-toasted, straight whiskeys, cocktails and merchandise. ▶ EV – \$215.8m	Luxco, Inc.	
Jun 12, 2023	Ace Beverage Group Inc.		Producer of better-for-you beverage alcohol products including RTD and beer products, distributed through the Canadian liquor board channel. ▶ EV – C\$165.0m	Corby Spirit and Wine Limited (TSX:CSW.A)	
Jun 23, 2023	Domaine Curry Wine		Producer of wines and operates a portfolio of brands engaged in the distribution, production and selling of various wines.	Constellation Brands, Inc. (NYSE:STZ)	
<b>Bakery</b>					
Apr 28, 2023	Natural Bakery Ltd.		Operates a bakery shop and also manufactures varieties of rye breads and pumpernickel loaf through its production plant.	Grupo Bimbo, S.A.B.	
Jun 20, 2023	Golden Malted and Heartland Waffles		Producer and supplier of pancake and waffle flour products which is sold through distributors, as well as through its website.	Arbor Investments	





Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
<b>Bakery</b>					
Jun 28, 2023	Panera Bread Company		Operates bakery-cafes offering daily baked goods, including freshly baked bagels, breads, muffins and sweet goods as well as provides catering services.	Hamra Enterprises, Inc.	
<b>Confectionery</b>					
Jun 07, 2023	Foley's Candies LP		Provider of chocolate and compound coatings to industrial manufacturers.	Puratos Canada Inc.	
<b>Distribution</b>					
May 19, 2023	Renzi Foodservice		Distributor of food products in Watertown, New York serving independent restaurants, healthcare facilities, schools, government organizations and convenience stores.	US Foods Holding Corp. (NYSE: USFD)	
<b>Food Retail</b>					
Apr 28, 2023	MAPCO Express, Inc.		Operates convenience stores and gas stations offering products in food and beverages, snacks and pastries and other categories. ▶ EV – \$725.0m	Circle K Stores Inc.; Majors Management, LLC	
<b>Fresh produce</b>					
May 01, 2023	Hardie's Fruit and Vegetable Company, LP		Provider of fruits and vegetables offering apples, berries, stone fruit, citrus, cucumber, corn, onions and others through distribution centers and online channel. ▶ EV – \$48m	The Chefs' Warehouse, Inc. (NasdaqGS:CHEF)	
<b>Frozen Products</b>					
Apr 19, 2023	Marsan Foods Limited		Producer and retailer of frozen and pre-packaged meals such as entrées, side dishes, and desserts, catering to grocery stores, restaurants, and food service providers.	Roskam Baking Company	



\*Operational HQ in US

Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
<b>Packaged Food</b>					
May 11, 2023	Harvest Food Group, LLC		Operates as a contract manufacturer, supplier, and distributor of frozen food offering entrees, side dishes, meal kits, blends and a variety of products & ingredients.	Industrial Opportunity Partners, LLC	
May 22, 2023	First Place Foods, LLC		Manufacturer of fresh pickles, fermented pickles, relish, and other pickled vegetables for the food service and institutional channels.	Patriot Pickle, Inc.	
Jun 14, 2023	Yasso, Inc.		Producer and seller of frozen Greek yoghurt bars offering raspberry, blueberry, strawberry, vanilla bean, mango, and coconut flavours which sells through stores and online.	Unilever PLC (LSE:ULVR)	
Jun 16, 2023	Love Child (Brands) Inc.		Manufacturer and supplier of organic food products for infants and toddlers such as mango and strawberry purées, pat-a-cakes, toodle o's, fruit bars and snacks.	Nature's Path Foods Inc.	
<b>Pet food</b>					
Jun 20, 2023	Raw Advantage Processing, LLC		Manufacturer of freeze-dried and frozen raw pet food & treats and also provides pet food contract manufacturing and private label services.	BrightPet Nutrition Group, LLC	
Jun 20, 2023	Three Dog Bakery, LLC		Producer and distributor of dog food treats for retailers, grocery stores, drug stores, mass merchandisers, club stores and direct-to-consumer online stores.	Topspin Partners LBO, LP	
<b>Restaurants</b>					
May 03, 2023	Ruth's Hospitality Group, Inc.		Operates 81 company-owned and 74 franchised fine-dining restaurants under the name Ruth's Chris Steak House. <ul style="list-style-type: none"> <li>▶ EV – \$949.9m</li> <li>▶ EV/Revenue – 1.8x</li> <li>▶ EV/EBITDA – 8.1x</li> </ul>	Darden Restaurants, Inc. (NYSE:DRI)	



Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
<b>Snacks</b>					
May 30, 2023	Emerald Nuts of Campbell Soup Company		Operates as a provider of branded snack nuts and also provides go-to option for consumers seeking better-for-you snacking on the go. <ul style="list-style-type: none"> <li>▶ EV – \$40.0m</li> <li>▶ EV/Revenue – 0.9x</li> </ul>	Flagstone Foods, Inc.	
Jun 07, 2023	John Wm. Macy's CheeseSticks, Inc.		Manufacturer of baked cheese sticks, cheese crisps, and crostinis which sells through online and distributors.	Del Sol Food Company, Inc.	



Our food and beverage index consists of the following publicly traded companies:

**US food and beverage companies**      Ticker symbol

**Food processing**

Tyson Foods	TSN
The Kraft Heinz Company	KHC
Mondelez International, Inc.	MDLZ
General Mills, Inc.	GIS
ConAgra Brands, Inc.	CAG
Campbell Soup Company	CPB
McCormick & Company, Incorporated	MKC
Hormel Foods Corporation	HRL
The Hershey Company	HSY
Kellogg Company	K

**Beverages**

The Coca-Cola Company	KO
Pepsico, Inc.	PEP
Constellation Brands Inc.	STZ

**Grocery and convenience retail**

The Kroger Co.	KR
Weis Markets, Inc.	WMK

**Restaurant and foodservice**

Starbucks Corporation	SBUX
McDonald's Corp.	MCD
Jack in the Box Inc.	JACK
Yum! Brands, Inc.	YUM
Darden Restaurants, Inc.	DRI
Brinker International, Inc.	EAT
Dine Brands Global, Inc.	DIN

**Canadian food and beverage companies**

**Food processing**

Maple Leaf Foods Inc.	MFI
George Weston Limited	WN
Saputo Inc.	SAP
High Liner Foods Inc.	HLF

**Beverages**

Molson Coors Brewing Company	TAP
Primo Water Corporation	PRMW
Lassonde Industries Inc.	LAS.A
Andrew Peller Limited	ADW.A
Corby Spirit & Wine Limited	CSW.A

**Grocery and convenience retail**

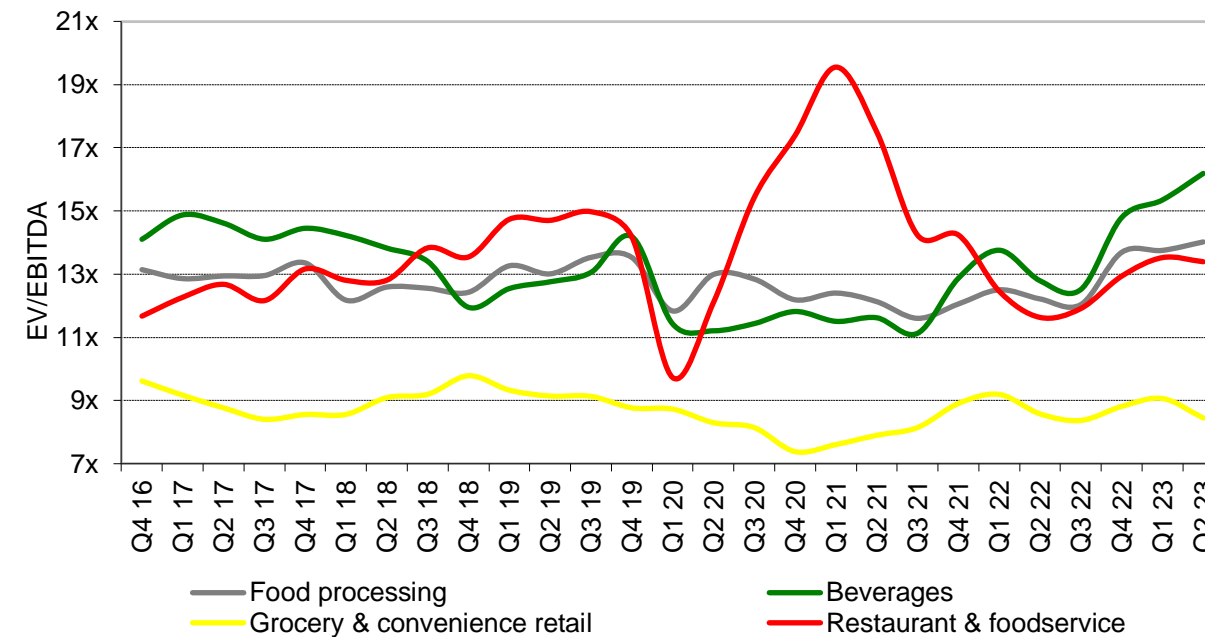
Loblaw Companies	L
Metro Inc.	MRU.A
Alimentation Couche-Tard Inc.	ATD.B

**Restaurant and foodservice**

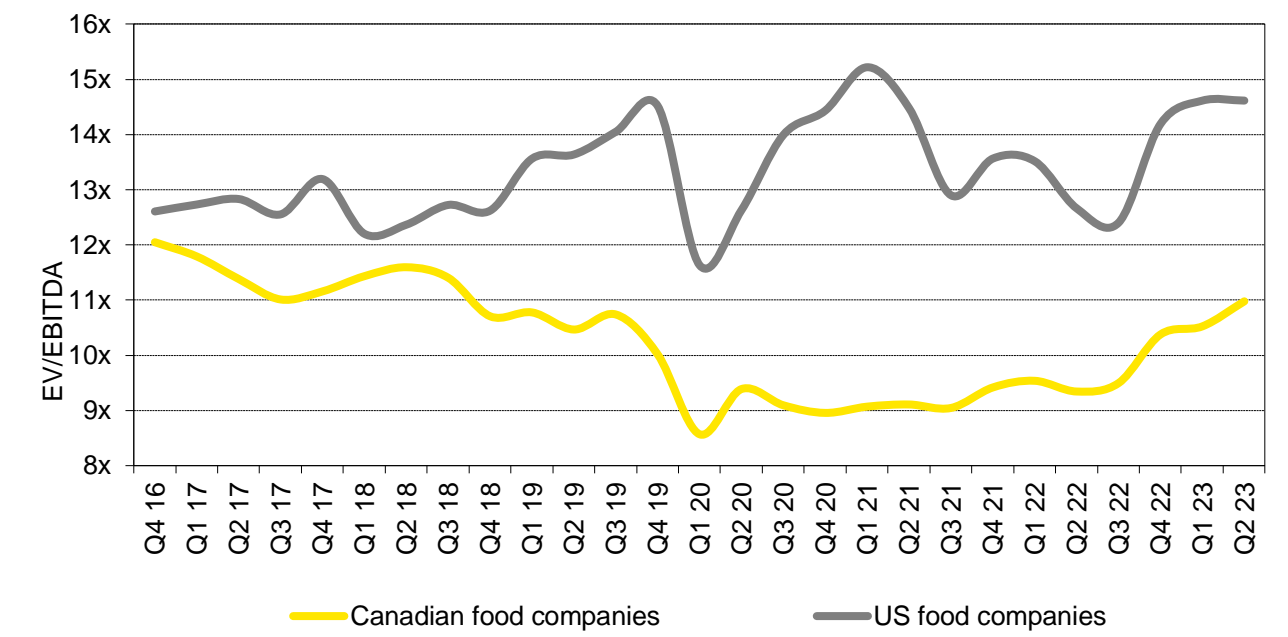
MTY Food Group Inc.	MTY
---------------------	-----

# EY Food and Beverage Index

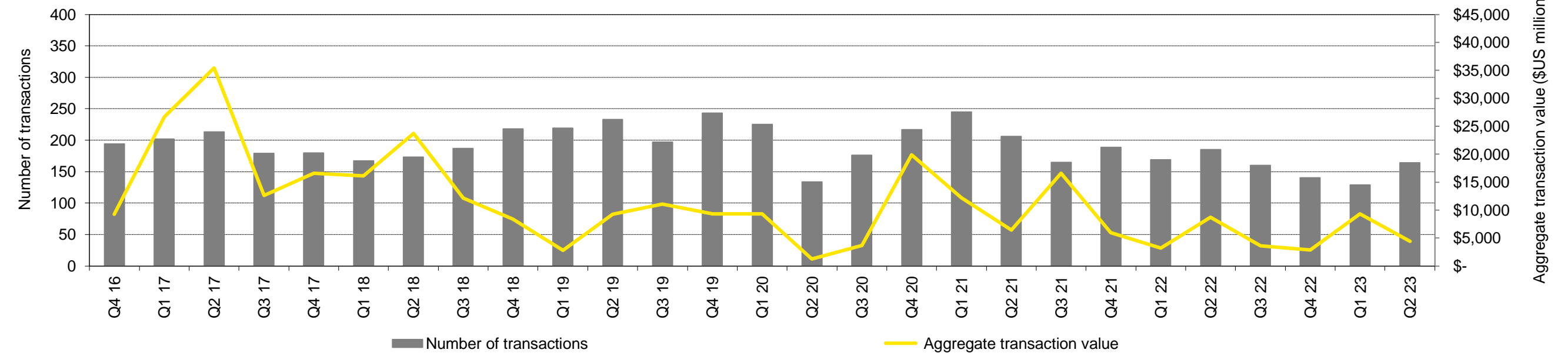
**Enterprise value trends by sector**



**Enterprise value trends by country**



**North American transaction volume and size<sup>1</sup>**



<sup>1</sup>Note: The Kroger Co. acquisition of Albertsons Companies Inc. announced in Q4, 2022, at an approximate value of \$34 billion, is not included. The Berkshire Hathaway Inc. acquisition of an additional 41.4% of Pilot Travel Centers LLC transaction closed in Q1, 2023, at an approximate value of \$8 billion, is not included.



# Our F&B Team

## National Leader



**Zahra Jamani\***  
Senior Vice President  
Toronto  
+1 416 943 3683  
[zahra.jamani@ca.ey.com](mailto:zahra.jamani@ca.ey.com)

## Ontario



**Andrew Schaefer**  
Senior Vice President  
+1 416 932 6244  
[andrew.schaefer@ca.ey.com](mailto:andrew.schaefer@ca.ey.com)



**Ryan Marinelli**  
Analyst  
+1 416 932 4932  
[ryan.marinelli@ca.ey.com](mailto:ryan.marinelli@ca.ey.com)

## Prairies



**Michael Campbell**  
Senior Vice President  
+1 306 649 8305  
[michael.campbell@ca.ey.com](mailto:michael.campbell@ca.ey.com)



**Alexander May**  
Vice President  
+1 780 441 4680  
[alexander.may@ca.ey.com](mailto:alexander.may@ca.ey.com)

## British Columbia



**Robert Withers**  
Senior Vice President  
+1 604 899 3550  
[robert.withers@ca.ey.com](mailto:robert.withers@ca.ey.com)



**Samuel Watson**  
Vice President  
+1 604 891 8480  
[samuel.watson@ca.ey.com](mailto:samuel.watson@ca.ey.com)

## Québec



**Todd Caluori\***  
Senior Vice President  
+1 514 879 2793  
[todd.m.caluori@ca.ey.com](mailto:todd.m.caluori@ca.ey.com)



**François Tellier\***  
Senior Vice President  
+1 514 874 4351  
[francois.tellier@ca.ey.com](mailto:francois.tellier@ca.ey.com)

## Atlantic



**Michael Lutes**  
Senior Vice President  
+1 416 943 2699  
[mike.j.lutes@ca.ey.com](mailto:mike.j.lutes@ca.ey.com)



**Barry Munro**  
Senior Vice President  
+1 403 206 5017  
[barry.g.munro@ca.ey.com](mailto:barry.g.munro@ca.ey.com)

## Capital Markets



**Bill Wu**  
Senior Vice President  
+1 416 943 2545  
[bill.wu@ca.ey.com](mailto:bill.wu@ca.ey.com)



**Barkin Sayiner**  
Senior Vice President  
+1 416 943 3890  
[barkin.sayiner@ca.ey.com](mailto:barkin.sayiner@ca.ey.com)

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](http://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](http://ey.com).

Ernst & Young Orenda Corporate Finance Inc. is registered as an exempt market dealer in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan.

© 2023 Ernst & Young LLP. All Rights Reserved. A member firm of Ernst & Young Global Limited.

4059037

ED None

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact Ernst & Young or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.

[ey.com/en\\_ca/strategy-transactions](http://ey.com/en_ca/strategy-transactions)