

Shifting purchasing decisions

FOOD AND BEVERAGE RECAP

SECOND QUARTER 2022



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In Q2 2022, food-at-home prices continued to remain elevated. Recent IRI data capturing point-of-sale statistics across all US food channels indicated that prices for food-at-home increased 14.4% year over year between July 2021 and July 2022¹. There are also emerging indicators that consumers are starting to respond to rising prices by changing purchasing decisions, proving that prices have reached a level that most can't afford to ignore. Consumers have demonstrated they can tolerate moderate price increases over long periods of time or sharp increases in price for a short period. However, sustained increases over a prolonged period triggers shifts in purchasing behaviour, which is where we are now. A recent survey of 2,700+ Canadian shoppers found that 82% of consumers have begun purchasing different products, taking advantage of promotional pricing, and reducing impulse purchases.²

Consumers are starting to trade down from preferred brands to more affordable, value-oriented brands within a category. For example, in beverage alcohol, value brand spirit products increased share by 4.1% in the 13-week period ending July 31, 2022, compared to the prior 13 weeks, taking share from premium and super-premium brands.¹ Similarly in food categories, consumers are shifting away from national brands in favour of private label brands, particularly in commodity categories or in categories where store brands are well established. Trading down is being done on a selective basis, however. Similar to the pattern exhibited during the 2008 recession, consumers are treating themselves to smaller luxuries such as premium imported beer brands.

During the pandemic, consumers were no longer seeking out the best deals. This was a result of supply chain issues impacting product availability as well as consumers trying to limit the number of trips to the grocery store. Promotional activity, including weekly sales and coupons, are now returning to pre-pandemic levels. Consumers are taking advantage of promotions - over the trailing 4-week period ending July 10, 2022, there was a significant lift in both dollar sales and volume for product categories that experienced promotions. For example, 55% of products in the ice cream and sherbet category was purchased on promotion, which generated over 90% additional category sales.¹

Overall, these changes indicate that shoppers are increasingly willing to switch products based on availability, quality and price point. There are ways that brands and private labels alike can capitalize on consumers' willingness to switch products and therefore drive overall value to stakeholders, such as:

- Incorporate more premium attributes in their products
- Highlight key product attributes clearly (e.g., organic, non-GMO, locally sourced)
- Modify packaging to help the product stand out on the shelf

Despite tighter budgets, consumers continue to seek certain attributes. Functional food products, plant-based options and sustainable products are still top of mind and consumers will substitute brands – either trading up or trading down – when they perceive these attributes are being met.

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¹ "Food Inflation Impact on Consumer Shopping Behaviour" IRI, August 9, 2022

² The Inflation Situation: How Rising Prices Influence Grocery Shoppers

Food & Beverage Recent Announced Transactions













Select Announced Transactions in Q2 2022

Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Alcoholic Beverages					
April 07, 2022	Lingua Franca LLC		Producer of wine offering chardonnay, pinot noir, rose, exclusive and others through winery and direct shipping.	Constellation Brands, Inc.	
June 24, 2022	Stone Brewing Co. LLC		Operator of a craft brewery offering various types of beer from its brewing facilities at multiple locations.	Sapporo USA, Inc.	
June 29, 2022	Joseph Phelps Vineyards, Inc.		Producer and supplier of wine products such as red, white, ice and dessert wines, sold through retail store and online channels.	LVMH Moët Hennessy - Louis Vuitton, Société Européenne	
Beverages					
April 04, 2022	Westrock Coffee Company		Provider of integrated coffee, tea, flavours, extracts, and ingredients solutions for retail, foodservice and CPG customers.	Riverview Acquisition Corp.	
April 26, 2022	Club Coffee LP		Provider of coffee roasters and packaging solutions for private label customers and retail brands. ▸ EV – CAD\$150m	Olam International Limited	
May 02, 2022	T-Bev, Inc.		Manufacturer and distributor of tea extracts, instant tea, natural and organic caffeine and other botanical extracts catering to the functional beverage and dietary supplement markets.	Florida Food Products, LLC	
June 23, 2022	Javo Beverage Company, Inc.		Producer of fresh, clean-labelled coffee, tea and botanical extracts with a focus on beverage applications & sells to consumer brands & restaurants.	Florida Food Products, LLC	

*EY acted as financial advisor

















Select Announced Transactions in Q2 2022 (cont'd)

Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Confectionery					
April 25, 2022	Ricolino (Grupo Bimbo's confectionery business)		Manufacturer of lollipops, marshmallows, chocolates, gummies and other confectionery products which sells through traditional trade, supermarkets, convenience stores. <ul style="list-style-type: none">▸ EV – \$1.3b▸ EV/Revenue – 2.6x	Mondelez International, Inc.	
May 03, 2022	Les Industries Bernard & Fils Ltée		Producer of maple syrup such as blueberry syrup, organic pure maple syrup and cranberry syrup for the food industry.	Valeo Foods Ltd.	
Food Retail					
April 20, 2022	Tony's Fresh Market		Operator of a chain of grocery stores that offers products including bakery, dairy, frozen, meat, seafood, among others.	Apollo Global Management, Inc.	
May 11, 2022	The Fresh Market Holdings, Inc.		Operator of a chain of grocery stores offering fresh meat, seafood, prepared food, deli and cheese, bakery, grocery and dairy. <ul style="list-style-type: none">▸ EV – \$1.6b▸ EV/Revenue – 0.8x▸ EV/EBITDA – 8.0x	Cencosud S.A.	
June 08, 2022	Garden Foods Ltd		Provider of fresh groceries, specialty imports, prepared foods which sells through retail stores.	Longo Brothers Fruit Markets Inc	
June 13, 2022	Cardenas Markets, Inc.		Operator of a hispanic grocery chain offering traditional flavors, fruits, meat and seafood, bakery products and vegetables which also sells through online channels.	Apollo Global Management, Inc. (NYSE: APO)	

*EY acted as financial advisor















Select Announced Transactions in Q2 2022 (cont'd)

Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Ingredients					
April 11, 2022	IRCA S.p.A.		Producer of specialty ingredients which sells through B2B channels including patisseries, hotels, restaurants, and confectionery manufacturers.	Advent International Corporation	
May 05, 2022	OC Flavors		Manufacturer of liquid and powdered flavours including fruits, vanilla, chocolate, sweet, caramel, candy, coffee, dairy, masking, cola, floral and herbal for bakery, beverage and dairy customers.	Shore Capital Partners, LLC	
June 21, 2022	Grain Craft, Inc.		Producer and manufacturer of bulk and bagged flours for the baking, food service and pizza industries.	Redwood Capital Investments, LLC	
Snacks					
April 26, 2022	Second Nature Brands, Inc.		Manufacturer of chocolate products, snacks, and confectionery items which sells through retailers and online channel.	CapVest Partners LLP	
May 05, 2022	Johnvince Foods		Processor and distributor of private label, branded and bulk snack nuts, confectionery, dried fruits and other related products though grocery retail, department chains and convenience stores.	TorQuest Partners Inc.	
May 19, 2022	Dippin' Dots, LLC		Producer and distributor of frozen products including ice cream, yogurt, sherbet and flavoured ice products which sells through franchise locations, theme parks and others. ▸ EV – \$222m	J&J Snack Foods Corp.	
June 20, 2022	Clif Bar & Company		Maker of nutritious energy bars with organic ingredients which sells through online channel, as well as through grocery stores, convenience stores. ▸ EV – \$2.9b	Mondelez International, Inc.	

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Select Announced Transactions in Q2 2022 (cont'd)

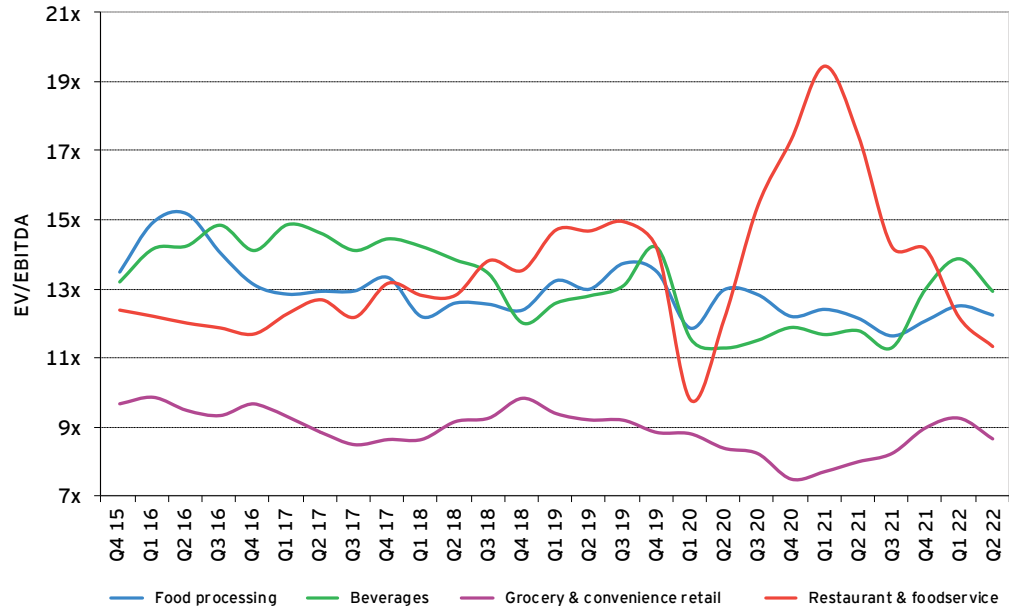
Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Prepared food					
May 11, 2022	TNT Crust, Inc.		Manufacturer of frozen pizza crusts for regional and national pizza chains, foodservice distributors, and retail outlets.	General Mills, Inc.	
May 24, 2022	Bonduelle SA (Bonduelle Americas Long Life)		Processor and marketer of canned and frozen vegetables in the retail supermarket and food service sectors, under the Del Monte, Artic Gardens and Bonduelle brands as well as private label. ▶ EV – CAD\$850m ▶ EV/Revenue – 0.9x ▶ EV/EBITDA – 8.2x	Caisse de Dépôt et Placement du Québec; Fonds de Solidarite FTQ	
May 25, 2022	Helper and Suddenly Salad Businesses of General Mills, Inc.		Provider of main meals and side dishes business under the Helper and Suddenly Salad brands. ▶ Deal value – \$610m ▶ EV/Revenue – 2.6x	Eagle Family Foods Group	
June 06, 2022	Cuisine Solutions Inc.		Provider of prepared sous vide food products to food service, on-board, military, and retail customers. ▶ Deal value – \$250m	Bain Capital, LP.	
Restaurants					
June 15, 2022	Fat Bastard Burrito Co.		Operator of a chain of quick-service restaurants offering chicken, steak, pork, burritos along with quesadillas and tacos.	Mary Brown's Inc.	
Produce					
June 03, 2022	Mucci Farms Ltd.		Grower, marketer and distributor of greenhouse-grown produce including tomatoes, cucumbers and peppers.	Cox Enterprises, Inc.	

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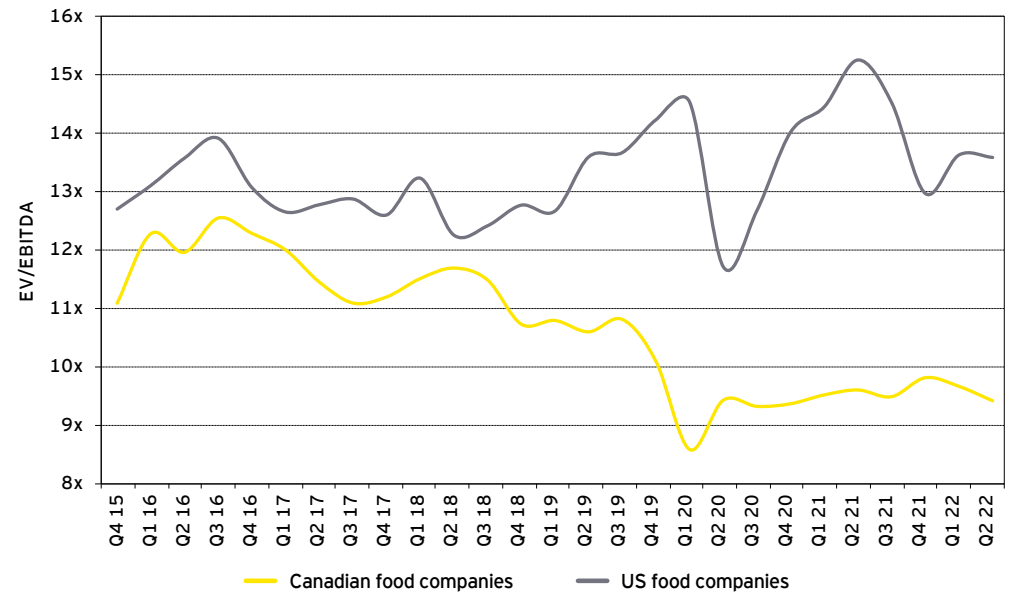


EY* food and beverage index

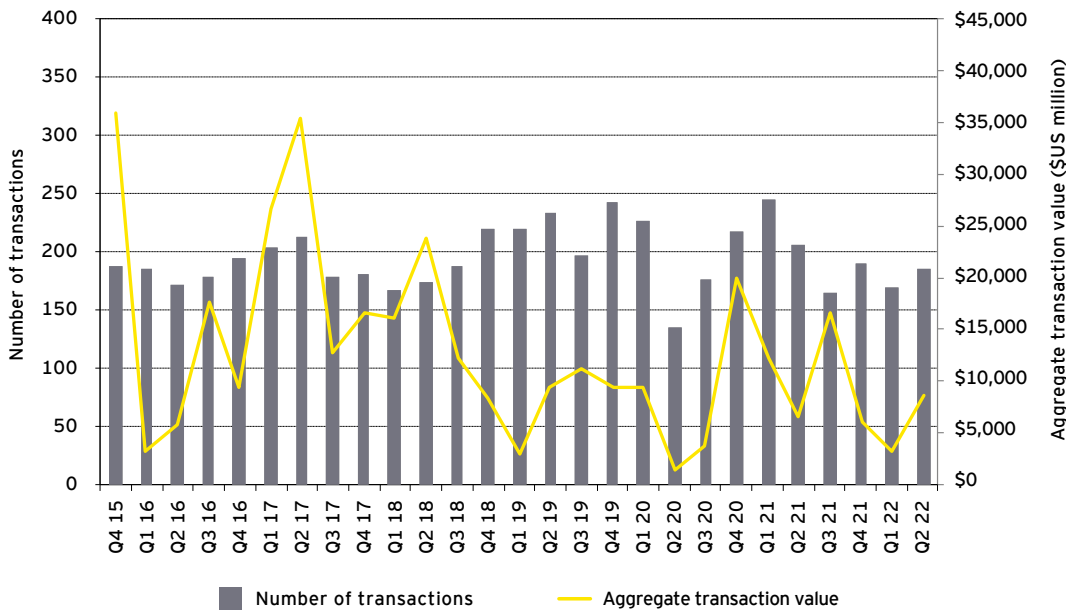
Enterprise value trends by sector



Enterprise value trends by country



North American transaction volume and size



Note: The indices used in this newsletter have been compiled by Ernst & Young Orenda Corporate Finance Inc. solely for illustrative purposes. The companies chosen are publicly traded companies that are commonly used for industry composites to show stock performances within a sector. The indices do not include all public companies that could be categorized within each sector, and were not created as benchmarks, nor should they imply benchmarking or recommendations for a particular stock and/or sector.

Charts: EY Orenda Corporate Finance Inc. | Data source: Capital IQ, Inc., Bloomberg | * Ernst & Young Orenda Corporate Finance Inc.

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

US food and beverage companies

Food processing

Tyson Foods
The Kraft Heinz Company
Mondelez International, Inc.
General Mills, Inc.
ConAgra Brands, Inc.
Campbell Soup Company
McCormick & Company, Incorporated
Hormel Foods Corporation
The Hershey Company
Kellogg Company

Beverages

The Coca-Cola Company
Pepsico, Inc.
Constellation Brands Inc.

Grocery and convenience retail

The Kroger Co.
Weis Markets, Inc.

Restaurant and foodservice

Starbucks Corporation
McDonald's Corp.
Jack in the Box Inc.
Yum! Brands, Inc.
Darden Restaurants, Inc.
Brinker International, Inc.
Dine Brands Global, Inc.

Ticker symbol

TSN
KHC
MDLZ
GIS
CAG
CPB
MKC
HRL
HSY
K

KO
PEP
STZ

KR
WMK

SBUX
MCD
JACK
YUM
DRI
EAT
DIN

Canadian food and beverage companies

Food processing

Maple Leaf Foods Inc.
George Weston Limited
Saputo Inc.
High Liner Foods Inc.

Beverages

Molson Coors Brewing Company
Primo Water Corporation
Lassonde Industries Inc.
Andrew Peller Limited
Corby Spirit & Wine Limited

Grocery and convenience retail

Loblaw Companies
Metro Inc.
Alimentation Couche-Tard Inc.

Restaurant and foodservice

MTY Food Group Inc.
Recipe Unlimited Corporation

MFI
WN
SAP
HLF

TAP
PRMW
LAS.A
ADW.A
CSW.A

L
MRU.A
ATD.B

MTY
RECP

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