

Food & Beverage M&A Recap

Q3 2023

EDITORS



Zahra Jamani
Senior Vice President



Ryan Marinelli
Analyst

The evolving beverage industry and opportunities for growth in the alcoholic and non-alcoholic sectors

The beverage industry can be broken down into various sub-sectors of alcoholic and non-alcoholic drinks. Each has its own unique opportunities and trends that impact industry stakeholders' strategies. Consumer priorities are evolving and beverage companies need to continuously innovate to introduce new products and services that cater to these emerging consumer trends. We have used three product categories in the beverage universe to illustrate these consumer priorities.

1 Sports drinks

Sports drinks were first developed to help athletes improve their performance and replenish their energy. Demand then grew with the recreational athlete, driving market expansion for beverages such as Gatorade, Powerade and Muscle Milk. As consumers became more focused on their health, they demanded lower-calorie beverages with functional benefits and less sugar.

Sports drink companies have had to innovate and adapt in response, releasing new products and adapting old ones to meet consumer preferences. As an example, Powerade recently announced a new formula with 50% more electrolytes compared to its original sports drink offering and the addition of vitamins B and C.

As these beverages provide more features, it can also increase consumption points with the consumer, thereby driving category growth. These trends have also presented consolidation opportunities for large and medium-sized companies, which may pursue inorganic growth strategies with newer brands that can provide an avenue for growth.

2 Fruit and juice drinks

Consumer preferences for wellness and pleasure have been significant drivers of juice consumption in 2023, with close to half of consumers drinking juice for its health benefits. The biggest concern among fruit and juice consumers, however, is the high sugar content in most products, which outweighs the potential health benefits.

Companies have continued to roll out products with reduced sugar while keeping the taste profile of the product intact. For example, Capri Sun reformulated its original juice product to contain 40% less sugar, while maintaining the taste experience for kids.

Many traditional beverages create a nostalgic feeling for consumers, transforming them back to their childhoods. Capitalizing on this experience while putting a modern twist on the product has proven an effective way of driving category growth.

3 Beverage alcohol

The beverage alcohol market is evolving to offer consumers more specialized products that are aligned with consumers' values and drinking occasions. Premiumization has had a significant impact on the industry. Consumers are open to trying new drink options, especially spirit-based cocktails, and are willing to pay up for brands that offer premium ingredients and a story of the products' evolution.

At the same time, convenience is paramount for consumers, which has continued to drive the ready-to-drink market. Ready-to-drink products are evolving from their most recent iteration to lean into unique flavour profiles and incorporate perceived health benefits.

In the wine market, sparkling wines, especially champagne and prosecco, are becoming popular among younger consumers. Additionally, new packaging formats, such as canned wine, have proven successful with younger demographics catering to the need for convenience.

Despite opportunity in the traditional beverage alcohol market, an increasing number of consumers are reducing alcohol consumption. A growing number of non-alcoholic brands are gaining traction in the market and traditional beverage alcohol players are making a build/buy decision for the category.

Key questions CXOs are asking on evolving consumer priorities

- ▶ How do we evolve the portfolio to meet growing consumer demand for healthy products?
- ▶ How do we explore partnerships or acquisition options to realign product portfolio, such as keto, immunity boosting, CBD offerings?
- ▶ How do we invest in capabilities to develop new personalized health products at scale?
- ▶ How do we create product differentiation through brand experience, such as product cafes, better services? How do we optimize marketing spend?
- ▶ How do we stay competitive against private-label products?









In this dynamic market, companies armed with a well-defined and adaptable strategy, coupled with a keen ability to innovate in response to evolving consumer preferences, will have the opportunity to drive growth and create value. As companies seek to align with changing consumer tastes and market trends, strategic M&A activities can become a valuable tool to support growth and expand into new markets and products. These alliances enable businesses to pool resources, bolster their product portfolios and establish a more formidable presence in the ever-evolving beverage industry, ultimately enhancing their competitive edge.

















Food and beverage recent announced transactions













Select announced transactions in Q3 2023

All figures in USD, unless otherwise noted









Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Bakery					
Sep 27, 2023	Commercial Bakeries Corporation		Formulator and manufacturer of private label cookies & biscuits sold to grocery retail across North America.	Graham Partners LP	
Beverages					
Jul 03, 2023	Bang Energy		Producer of sports nutrition drinks such as naturally flavoured sports supplements and performance beverages. ▶ EV – \$362.0m	Monster Beverage Corp	
Sep 26, 2023	Nor-Cal Beverage Co., Inc.		Operates as an independent co-packer of teas, chilled juices, waters and energy drinks.	Manna Beverages & Ventures, LLC	
Confectionary					
Jul 12, 2023	Brittle-Brittle Inc.		Manufacturer of all-natural candy and confectionary products, including peanut brittle, toffee and other nut-based snack products.	Azalea Capital, LLC	

Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Confectionery					
Aug 14, 2023	The Bazooka Companies, Inc.		Manufacturer of a wide variety of kid's sugar confectionery, candies and bubble gum brands. ▶ EV – \$700m	Apax Partners LLP	
Dairy					
Aug 01, 2023	Marie Morin Canada		Producer and seller of desserts and offers chocolate mousses, hot chocolate soufflés, lemon cheesecakes, crème brûlees, apple crumbles and caramel custards.	Lactalis Canada Inc.	
Distribution					
Jul 25, 2023	Sirna & Sons Inc.		Operates as a wholesale food distributor providing produce, dairy and catering services to institutions.	FreshEdge. LLC	
Aug 21, 2023	ifiGourmet, LLC		Importer and distributor of gourmet dessert products and ingredients servicing in-store bakery, restaurant chain and foodservice customers across the US.	Roland Foods LLC	
Sep 12, 2023	Mendez International Tropical Foods, Inc.		Distributor of tropical fruits, including plantains, bananas, avocados, limes, mangos and taro, sourced from producers across Costa Rica, Ecuador, the Dominican Republic and Jamaica.	GrubMarket, Inc.	
Sep 29, 2023	Blue Apron Holdings, Inc.		Operates as a direct-to-consumer platform that delivers fresh meals to consumers in the US. ▶ EV – \$111.6m ▶ EV/Revenue – 0.3x	Wonder Group, Inc.	
Frozen					
Aug 01, 2023	Alpha Foods		Operates as a manufacturer of frozen plant-based meals with a presence at 11,000 retail doors.	LiveKindly Collective	



Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Packaged Food					
Jul 12, 2023	Nature's One, LLC		Producer of organic baby nutrition products focused on optimal health, growth and brain development.	Bobbie Baby Inc.	
Aug 07, 2023	Sovos Brands, Inc.		Offers pasta sauces, dry pasta, soups, frozen entrees, frozen pizza, yogurts, pancake and waffle mixes, other baking mixes, and frozen waffles. <ul style="list-style-type: none"> ▶ EV – \$2,786.8m ▶ EV/Revenue – 3.0x ▶ EV/EBITDA – 15.7x 	Campbell Soup Company	
Sep 11, 2023	Hostess Brands, Inc.		Provider of snack cakes, donuts, sweet rolls, breakfast pastries, cookies, snack pies and related products. <ul style="list-style-type: none"> ▶ EV – \$5,531.8m ▶ EV/Revenue – 4.0x ▶ EV/EBITDA – 18.2x 	The J. M. Smucker Company	
Pet Food					
Aug 24, 2023	Alpha Inc.		Manufacturer of pet foods and treats offering foods and diets for canines, aquariums, felines, reptiles, aquatics, zoological and exotic birds for various brands.	PAI Partners	
Restaurants					
Aug 07, 2023	Fiesta Restaurant Group, Inc.		Owens, operates and franchises for the Pollo Tropical restaurant brand and specializes in the operation of fast casual/quick service restaurants. <ul style="list-style-type: none"> ▶ EV – \$353.3m ▶ EV/Revenue – 0.9x ▶ EV/EBITDA – 7.6x 	Authentic Restaurant Brands	
Sep 25, 2023	Barbeque Integrated, Inc. (Smokey Bones Barbeque & Grill)		Operates as a full-service restaurant chain delivering barbecue, ribs, seared steaks in 61 locations across 16 states. <ul style="list-style-type: none"> ▶ EV – \$30.0m 	FAT Brands Inc.	



Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Sauces & Dips					
Jul 24, 2023	Henry Broch Foods		Provider of sauces, seasonings, dips and purees to the retail, manufacturing and foodservice markets.	JDM Food Group	
Snacks					
Sep 06, 2023	Snack Bars Business Unit of Treehouse Foods, Inc.		Manufacturer of private label snack bar products, including fruit and grain, chewy, crunchy and protein bars. ▶ EV – \$63m	John B. Sanfilippo & Son, Inc.	
Sep 25, 2023	Ballreich Snack Food Company, LLC		Operates as a manufacturer of potato chips and packaged snack foods.	Grippio Potato Chip Company, Inc.	
Sep 27, 2023	Sahale Snacks, Inc.		Manufacturer of nut and fruit snack mixes offering glazed mixes, fruit and nut trail mixes, coconut snacks, bean and nut snacks. ▶ EV – \$34.0m ▶ EV/Revenue – 0.7x	Kar Nut Products Company, LLC	



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

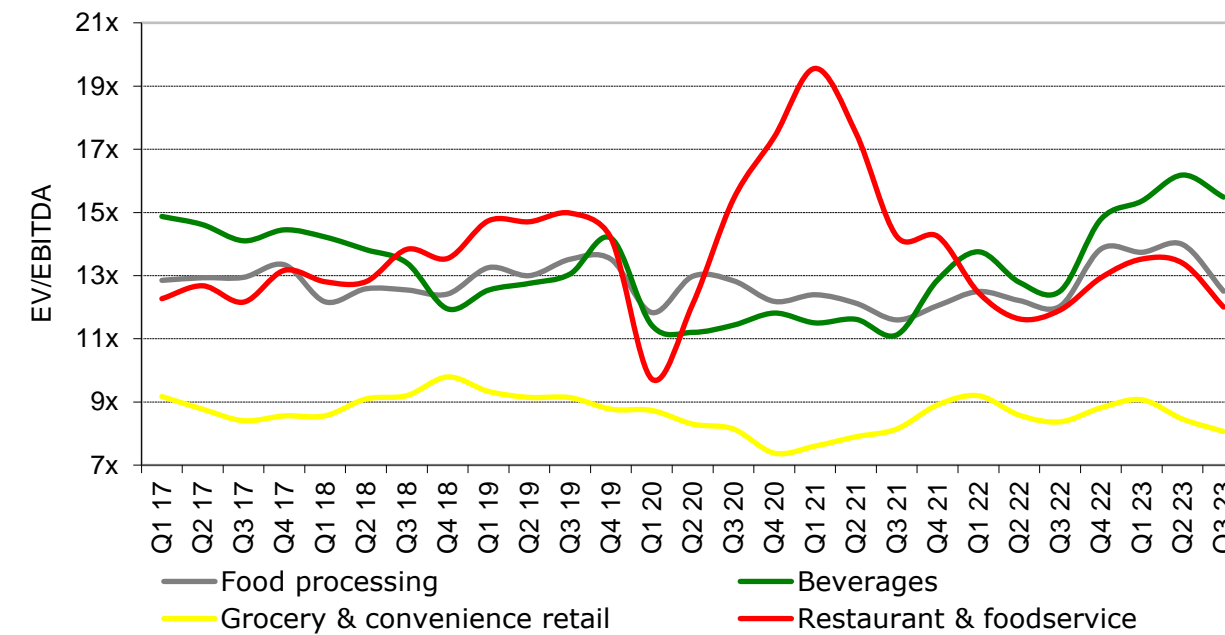
Loblaw Companies	L
Metro Inc.	MRU.A
Alimentation Couche-Tard Inc.	ATD.B

Restaurant and foodservice

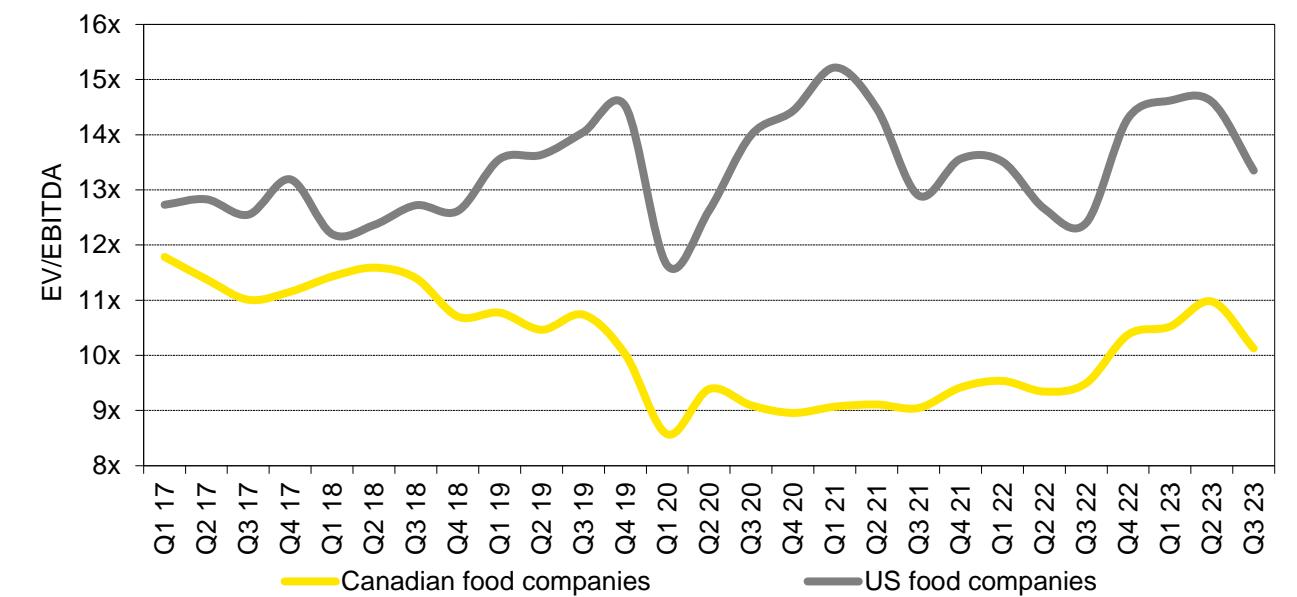
MTY Food Group Inc.	MTY
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EY Food and Beverage Index

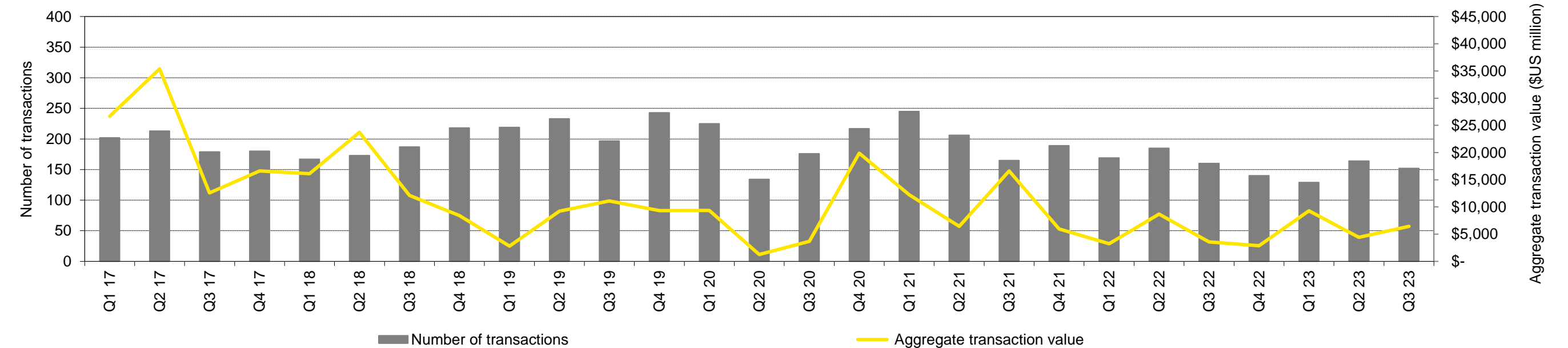
Enterprise value trends by sector



Enterprise value trends by country



North American transaction volume and size¹



¹Note: 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

Ontario



Andrew Schaefer
Senior Vice President
+1 416 932 6244
andrew.schaefer@ca.ey.com



Ryan Marinelli
Analyst
+1 416 932 4932
ryan.marinelli@ca.ey.com

Prairies



Michael Campbell
Senior Vice President
+1 306 649 8305
michael.campbell@ca.ey.com



Alexander May
Vice President
+1 780 441 4680
alexander.may@ca.ey.com

British Columbia



Robert Withers
Senior Vice President
+1 604 899 3550
robert.withers@ca.ey.com



Samuel Watson
Vice President
+1 604 891 8480
samuel.watson@ca.ey.com

Québec



Todd Caluori*
Senior Vice President
+1 514 879 2793
todd.m.caluori@ca.ey.com



François Tellier*
Senior Vice President
+1 514 874 4351
francois.tellier@ca.ey.com

Atlantic



Michael Lutes
Senior Vice President
+1 416 943 2699
mike.j.lutes@ca.ey.com



Barry Munro*
President
+1 403 206 5017
barry.g.munro@ca.ey.com

Capital Markets



Bill Wu
Senior Vice President
+1 416 943 2545
bill.wu@ca.ey.com



Barkin Sayiner
Senior Vice President
+1 416 943 3890
barkin.sayiner@ca.ey.com

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