NEWSLETTER

Food & Beverage

The Coronavirus Impact: Insights & Takeaways

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The Coronavirus crisis is forcing Food & Beverage companies to adapt to newer, disruptive trends in the short-term. Channels have shifted, and changing consumer purchasing habits are dictating product mix and alternative delivery methods, with lasting implications across the supply chain:

- As on-premise consumption declines and more food is prepared at home, the Food Retail sector will continue to see growing demand, while Foodservice and Hospitality will be forced to adapt or struggle to operate.
- Virus-induced fears have elevated safety and reliability in consumer food choices, with home seclusion accelerating demand for at-home meal preparation and innovative delivery options.
- Online shopping, home cooking, and increased consumption of locally-sourced and healthy foods are among the more permanent shifts expected, with growing importance placed on eCommerce, safe and sustainable local production, and functional foods. Additionally, the recessionary economy will propel private label's growth trajectory as consumers prioritize value in buying decisions.

Our Global Food & Beverage Team provides extensive sector-specific expertise and close relationships with global buyers and sellers, both within your local market and throughout the world. Many of our advisory transactions are cross-border.

Introduction

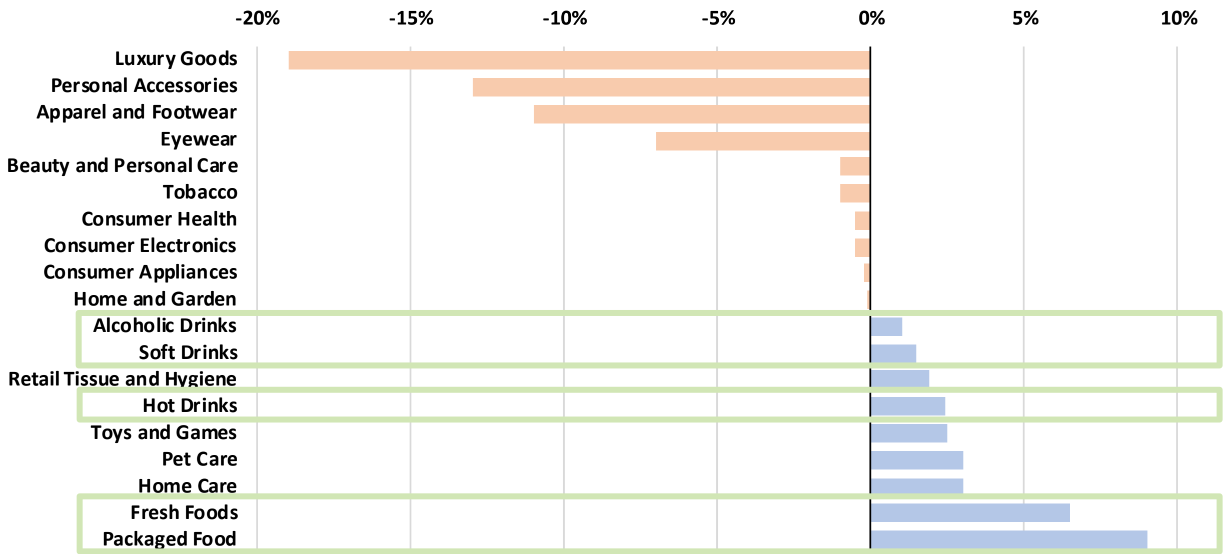
The coronavirus (COVID-19) pandemic has dramatically impacted most industries, leading to a severe contraction in the global economy. According to Fortune.com, ~94% of Fortune 1,000 manufacturers are being affected due to dislocation caused by the crisis. Supply chain disruptions have been devastating, and restrictions on the movement of people and goods has limited commercial activities resulting in reduced economic activity. Government stimulus efforts and stringent containment measures are speeding up the recovery, with evidence suggesting that infection rates may be nearing a peak.

COVID-19 has compelled Food & Beverage players to rethink their operations as a result of rapidly-changing short-term market challenges, which has had implications on the entire supply chain. Channel sales have undergone a dramatic shift due to a virtual shutdown of on-premise outlets (foodservice/restaurants), which, in turn, has fueled growing demand in off-premise consumption. Major brands are seeing disruption in customer loyalty as limited choices on shelves prompts adaptation to the "available option". As consumers stockpile amid quarantines and elevate safety and reliability in purchasing decisions, companies are responding by redirecting sales to off-premise retailers, altering product mixes, and turning to local sourcing options. This changing landscape has further accelerated the need for brands to pursue omni-channel and direct sales strategies, with demand for eCommerce and other home delivery models expected to remain after the recovery.

Volatility is weighing on the M&A market, with some investors adopting a "wait-and-see" approach to deal-making. However, the market continues to present acquisition opportunities, and buyers are proceeding with caution and sharpened pencils. Food & Beverage assets will likely be viewed as a "flight to safety," particularly for those serving the off-premise, omni-channel, and direct-to-consumer channels. An emergence of struggling companies will necessitate financial restructurings, and private equity sponsors will be ideal partners to facilitate these transactions. In addition, minority equity investments could see an uptick as sponsors and sellers look for ways to share risk. The long-term outlook for Food & Beverage M&A continues to be optimistic and is expected to return to pre-COVID-19 levels.

World Baseline Scenario Forecast: Industry Retail Sales % '19-'20

The Food & Beverage industry is likely to see the largest gains in fresh foods and packaged food as more consumers prepare meals at home.



Source: Euromonitor International

COVID-19: Current Overview

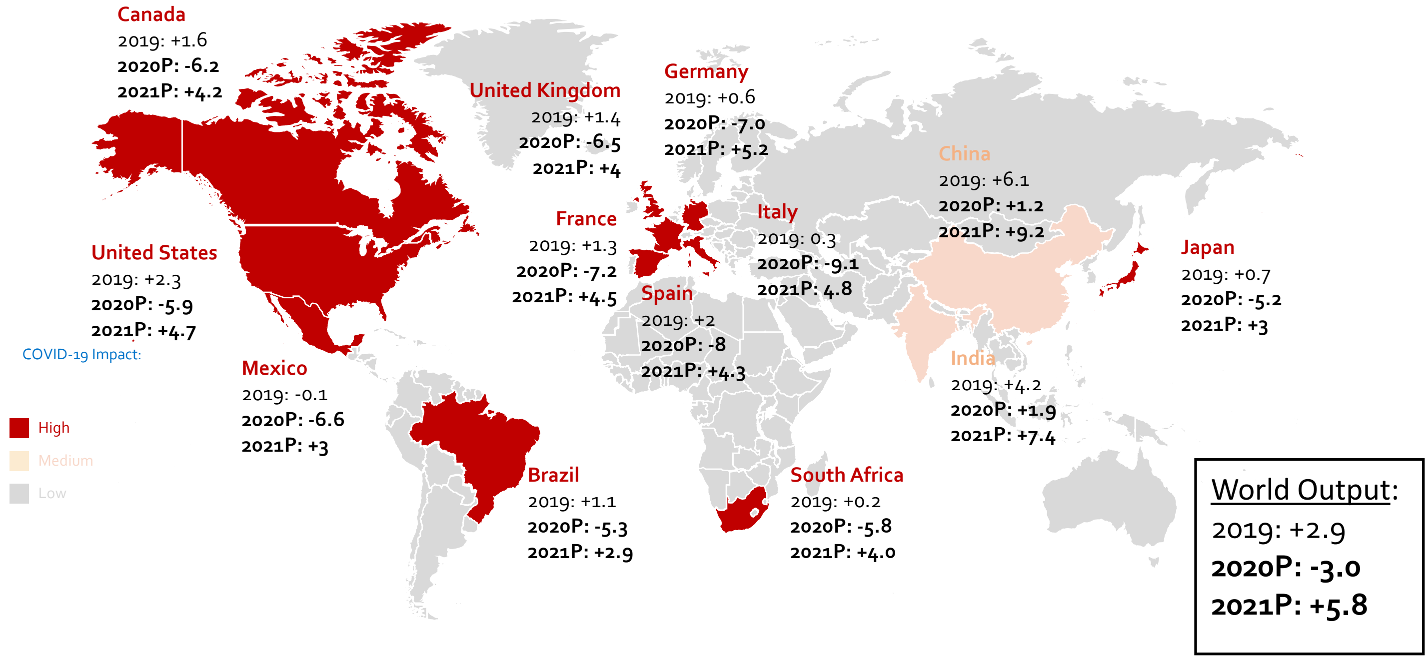
The Global Economic Impact of Coronavirus

Originated in Wuhan, China, COVID-19 has spread globally, with the United States, Italy, Spain, Germany, France, and China among the most affected countries at the outset. Currently, the number of confirmed cases worldwide has risen to nearly 3,000,000.

Governments have enforced stringent health and safety measures in an attempt to contain the spread, including the use of national- and state-level lockdowns, travel restrictions , and nationwide healthcare awareness, which have had a dramatic effect on the movement of people and goods. Supply chain disruptions have been devastating for many industries, which are facing challenges in procuring the required inputs to manufacture products. Consumers are spending less time in commercial activities including work, education, fitness, and entertainment which has resulted in reduced discretionary spending.

The coronavirus pandemic has dramatically impacted several industries leading to a severe contraction in the global economy. In March, the International Monetary Fund ("IMF") declared a global economic recession–pointing to the long duration of the outbreak and inadequate containment over two quarters–and subsequently lowered its GDP growth forecast. It is estimated that the COVID-19 crisis will result in a $2.0+ trillion loss to the global economy in 2020, according to forecasts from the United Nations.

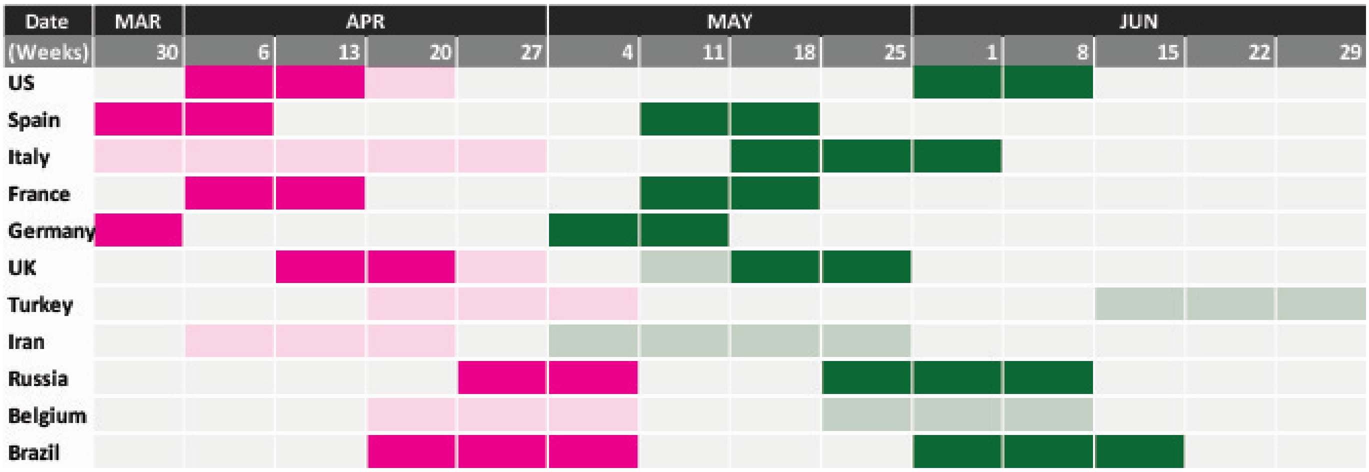
Real GDP Growth Forecast (%) for G20 Economies 2020-21



Source: IMF.org as of April 14, 2020, Our World in Data, GMAP Estimates

Regional Update: Is the Worst Over?

Estimated Peak Weeks and Decline to Zero New Cases for Top Infected Countries



Source: GlobalData

Note: Peak weeks of outbreak shown in pink. Recovery weeks with decline in daily new cases close to zero shown in green. Lighter colored squares represent uncertain estimates

Americas

COVID-19 is spreading across the Americas region with the largest impact initially on the United States, which now reports the highest number of cases worldwide. The impact on the U.S. economy will materialize in 2H 2020 with GDP forecasted to contract 5.9% for the full year. Changes in consumption habits, social distancing, and reduced demand have driven unemployment to record highs in recent months across North and South America. However, the impact is expected to be short-term; unemployment is projected to decline and economic growth is forecasted to rebound.

Path to Recovery:

Brazil: Brazil's coronavirus plan is to inject $34 billion into the economy in an attempt to stimulate the private sector, protect the supply chain, and maintain jobs. Meanwhile, delivery and eCommerce platforms are playing a key role in the Food & Beverage industry to boost sales and enable commerce. GDP growth is forecasted to rebound to +2.9% in 2021.

Mexico: Mexico's health authorities recently announced the beginning of Phase 3 (the highest infection phase) on April 21. All non-essential sectors have halted production, with an expectation of resuming regular activities at the beginning of June. However, there are internal and external pressures to activate specific sectors (e.g. automotive) sooner in order to keep the majority of jobs intact and avoid disruption of supply chains, as per the USMCA trade agreement. The final outcome is yet to be decided by the Mexican authorities. GDP growth is forecasted to rebound to +3.0% in 2021.

The United States: Most U.S. states appear to have peaked under strict virus containment measures, with anticipated reopening in a staged format during May and June. President Trump has recently unveiled a phased approach to opening up states that have been less severely impacted, beginning May 1. However, the decision will ultimately be left to the discretion of state governors with guidelines from the federal government. GDP growth is forecasted to rebound to +4.7% in 2021.

Source: International Monetary Fund

Europe

Euro area GDP is projected to contract 7.5% in 2020 due to reduced consumption and the sharp downward revision to U.S. growth (the EU's biggest export market). The economy is expected to rebound in 2021 to +4.7% growth. New cases have recently declined, boosting investor confidence and consumer optimism in the market.

Path to Recovery:

France: In April, approximately 2,500 French food markets were granted an exemption from the COVID-19 lockdown and permitted to reopen, under strict compliance with health regulations. Most are small-scale and located in rural areas where such markets are the only way to access food products. GDP growth is forecasted to rebound to +4.5% in 2021.

Germany: Germany aims to ease restrictions in a staged format once targeted reductions in infection rates are achieved (less than one person per patient). Bookshops, florists, fashion stores, bike and car outlets, and other smaller shops (less than 800 sq m) were permitted to reopen on April 20. GDP growth is forecasted to rebound to +5.2% in 2021.

Italy: For the first time since the pandemic, Italy has seen a decline in the number of infections and deaths caused by COVID-19. The Italian government plans to enter Phase 2 of the lockdown, which includes allowing citizens to leave their homes to visit family members, as well as opening some parts of the economy including the automobile, construction, and fashion industries. GDP growth is forecasted to rebound to +4.8% in 2021.

Netherlands: All food shops and markets remained open during the partial lockdown. Restaurants are closed for dining-in but are allowed to prepare food for take away or home delivery. Easing of the lockdown will take place in several stages and start with opening primary schools and daycare. Currently, restaurants are not expected to open before May 20.

UK: Health Secretary Matt Hancock recently announced that the region has "reached its peak" and that testing capacity has expanded "ahead of plan." Although social distancing will persist for a period of time, the UK government will introduce large scale contact tracing as a way of easing lockdown restrictions. GDP growth is forecasted to rebound to +4.0% in 2021.

Rest of the World

Other countries such as China, India, Australia, and South Africa have had dramatic declines to their 2020 GDP growth estimates. These countries are facing simultaneous virus-induced shocks, including supply chain disruptions, restricted movement of people and goods, reduced demand for commodities, and capital outflow pressures. However, these countries are beginning or planning to resume business activities, and these economies are showing signs of recovery.

Path to Recovery:

Australia and New Zealand: As water-locked countries, both Australia and New Zealand benefited from solitude. New Zealand has shutdown all international flights into the country as of April 20. Infection rates in Australia have decreased more than 25% since mid-March, and Australia is one of the few nations to detail plans to re-open schools. Prime Minister Scott Morrison announced on April 21 that hospitals will resume many elective surgeries, and schools will be reopened shortly.

China: As the central hub for the global outbreak of COVID-19, China was the first country to experience economic declines. A majority of sectors have resumed activity: resumption rates across various industries has increased, led by Food & Beverage with 97.3%; 73% of restaurants (including on and off-premises) have reopened as of March 18. GDP is expected to grow 1.0% in 2020, down from 5.5% in 2019. However, GDP growth is forecasted to rebound to +9.2% in 2021

India: Some 7,500 of the largest wholesale farm markets and 25,000 small weekly markets have recently begun reopening and are operating and transporting produce while maintaining social distancing. Major foodservice companies such as Domino's have partnered with food retailers across the country to deliver basic grocery items to customers. Similarly, leading online grocer, Big Basket, has partnered with Uber to deliver its products to consumers. GDP growth is forecasted to rebound to +7.4% in 2021.

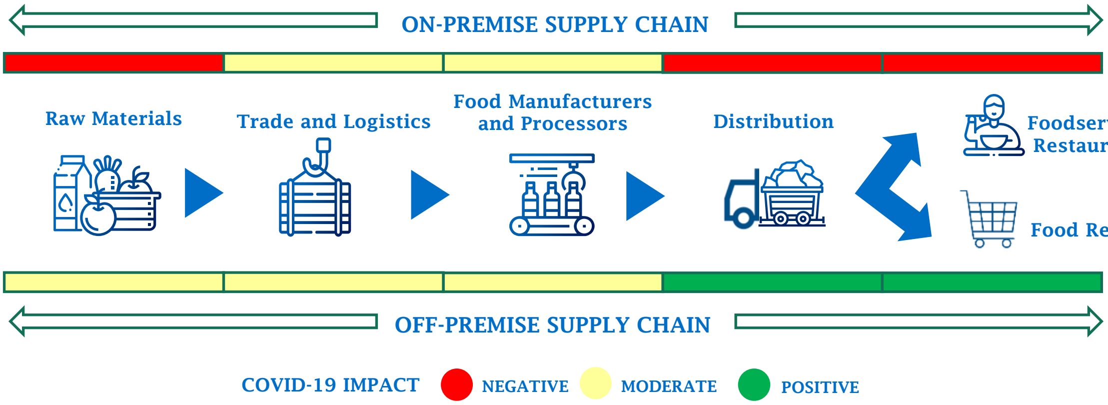
Source: International Monetary Fund

Food & Beverage Industry Insights

Analyzing the Food & Beverage Supply Chain: "A Tale of Two Cities"

COVID-19 has affected the Food & Beverage supply chain worldwide creating a disparity that can be defined as a "Tale of Two Cities." The differences in recent operating performance of businesses focused on the off-premise versus on-premise channels is virtually "night and day." While the duration of this impact is expected to be short-term, the ability of companies to quickly adapt to these disruptions may determine whether they prevail over the long-term. Conversely, off-premise retailers and food manufacturers continue to see swelling demand. Regardless, almost all businesses are facing labor issues due to social distancing, which may reduce or halt production and fall short of meeting consumer demand.

While the Food & Beverage industry is not immune to virus-induced challenges, the severity of the impact is moderately low relative to other industries. We believe the Food & Beverage industry has the potential to recover at a faster pace as its products are broadly-defined as "essential."



Raw Materials: Agriculture and Livestock Industries

NEGATIVE / MODERATE

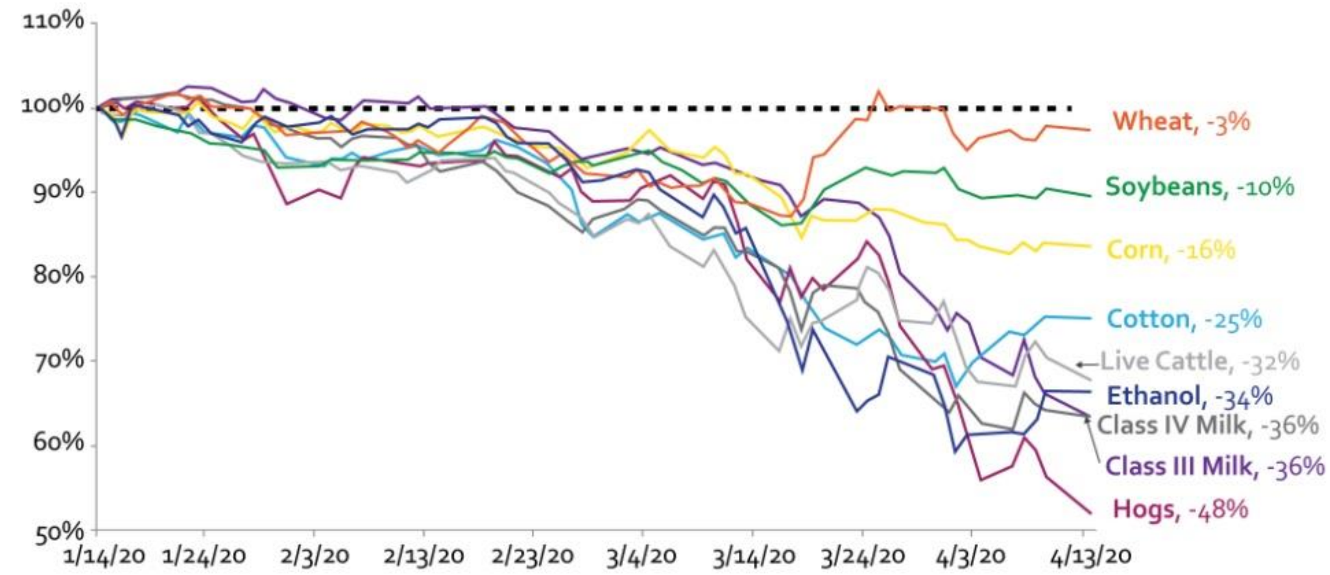
Suppliers of raw materials such as agricultural produce, ingredients, and intermediate food products are challenged. Those suppliers focused on the off-premise channel are seeing plentiful demand, while on-premise producers are facing oversupply and tough times. Although a majority of producers aren't solely focused on one side of the supply chain, many are struggling to find customers for excess production, with much going to waste. For example, the United States Cattlemen's Association (USCA) estimates the coronavirus crisis could cost the U.S. domestic cattle industry more than $14.6 billion.

The governments of some countries are considering aid/bailout plans to assist farmers and producers during these unprecedented times. The United States Department of Agriculture (USDA) recently announced a COVID-19 food assistance program that will take several actions to assist U.S. farmers, ranchers, and consumers in response to the pandemic. The CARES Act funded over $19 billion to the USDA in an effort to support the agribusiness and livestock industries.

Source: USDA.gov, Customer Ag Solutions, Beefbasis.com

Impact of COVID-19 on US Commodity Futures Prices

Cumulative percent change in price since outbreak confirmed by China



Trade and Logistics

MODERATE

Trade and logistics (T&L) operators are navigating challenges of national lockdowns, volatile supply, reduced traffic at foodservice outlets, and labor shortages. T&L brokers focused on servicing off-premise channels continue to see robust demand from their retail customers. However, labor shortages are persisting due to social distancing which is creating workforce bottlenecks. Furthermore, the United States, China, Italy, Germany, Spain, and the UK are among the many countries to impose trade restrictions to counter the spread of the virus.

To alleviate these issues, the U.S. Federal Motor Carrier Safety Administration waived the hours of service restriction for truck drivers in order to meet food transport needs. In addition, governing bodies including the Food and Agriculture Organization (FAO), World Health Organization (WHO), and World Trade Organization (WTO) have come forward to promote free trade flow to circumvent macro disruptions.

Food & Beverage Manufacturers and Processors

MODERATE

Food & Beverage manufacturers and processors are exposed to labor shortages and volatility in raw materials supply. To counter virus-induced challenges, companies have implemented stringent sanitation and social distancing procedures within production facilities to ensure employee safety. However, manufacturing operations are at-risk given high employee headcounts, and signs of illness in the workforce will drive the short-term closure of facilities. Smithfield Foods, Campbell Soup Company, and Tyson Foods are among the processors to recently experience these issues. However, the large scale of their operations and ability to adapt have mitigated any macro disruptions.

Companies such as Tyson Foods, General Mills, Nestle, and Kraft Heinz are supporting employees by offering additional compensation, waived healthcare fees, cash bonuses, financial support, and childcare services.

Food Distribution

POSITIVE / NEGATIVE

The Food Distribution sector has been effected both positively and negatively as it relates to the COVID-19 outbreak. Distributors servicing the off-premise channel are thriving, while those supplying on-premise are challenged in the current environment.

Quarantine orders have forced the short-term closure of all "non-essential" businesses, and reduced foot traffic has had a staggering impact on small businesses, hospitality, and national restaurant chains. Further, stay-at-home orders are rapidly shifting purchasing methods from brick-and-mortar retail to home delivery. Demand for grocery pickup and delivery services has soared as consumers look to limit personal contact touch points and in-store visits. Also, meal-kit companies are thriving as consumers transition to preparing and consuming meals at home. Large retailers, including Kroger, Aldi, and Tesco are quickly pivoting to eCommerce models for home delivery and curbside "to go." For example, Kroger is launching a payment capability across its 2,800 store footprint to allow more customers access to fresh, affordable food and essential products through its online pickup service.

Distributors will have to focus on rebalancing their customer mix and seek ways to offset their declining on-premise business in the near-term. This may involve rationalized SKU mix with their suppliers and retail partners, or redefining their customer base. Although, traditionally a business-to-business sale, distributors may find ways to sell online with home delivery or in-person out of company warehouses.

Food Retailers and Foodservice

POSITIVE / NEGATIVE

The Food Retail and Foodservice industry is comprised of millions of small businesses, and their survival is critical to long-term economic prosperity. The CARES Act was enacted to aid this industry and its workforce. Food retailers and foodservice outlets are impacted in the supply chain very differently. Food retailers are seeing robust demand for shelf-stable, non-perishable products as consumers worry about the future, while a large portion of foodservice outlets are temporarily shut down and at-risk for permanent closure.

Restaurants are being forced to rethink their menus to focus exclusively on takeout and delivery in the near-term. Drive-thru and to-go orders have become vital for survival and success. In some instances, restaurants have pivoted to selling food items, similar to grocery stores and meal kit companies, in a takeout format whereby the customer can cook the products and make the meals at home. These dynamics have led restaurant operators to reconsider their menu offerings in a reduced foot traffic environment, while optimizing labor and overhead costs to preserve margins. According to the National Restaurant Association, U.S.-based restaurants lost more than $30 billion in March and are projected to lose over $240 billion by the end of the year.

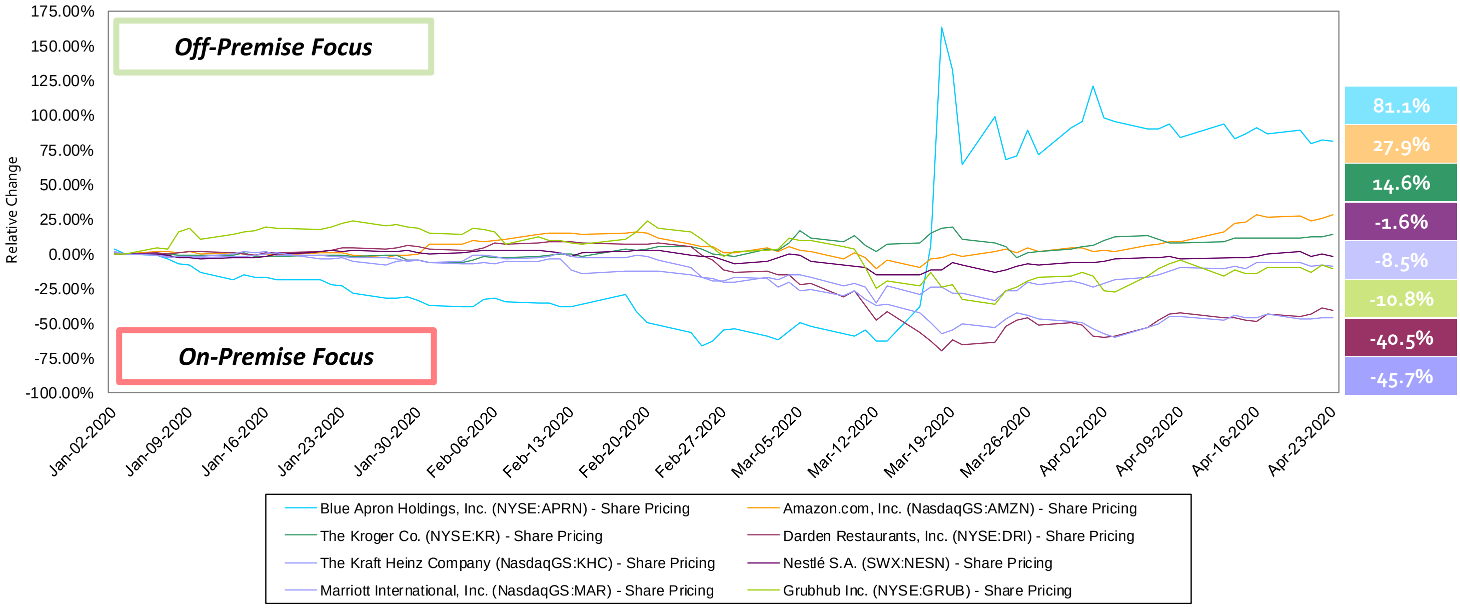
Food retailers are prioritizing center-of-the-store merchandising and product sets as consumers gravitate toward familiar, shelf-stable brands in the near-term. In addition, many are enhancing or implementing eCommerce platforms to include third-party home delivery services. According to Emarsys and GoodData, the number of orders for web-only online retailers increased by 52% year-over-year in the United States and Canada from March 22 to April 4.

Source: Emarsys, GoodData, National Restaurant Association, Food Business News

Major Food & Beverage Players: Impact and Mitigation

Short-Term Capital Markets Impact Disparity

COVID-19 has negatively impacted the trading performance of public Food & Beverage companies. Share price volatility for selected companies is illustrated below, highlighting the significant disparity between on- and off-premise business focus.



Recent Company-Specific Updates

Manufacturers of non-perishable and shelf-stable food products are performing well as consumers in virus-affected regions have stockpiled on long-lasting food items. In addition, food consumption has shifted away from restaurants to at-home, which is forcing companies to emphasize online grocery and food delivery models.

Campbell Soup Company's Meals & Beverages segment rose +366% year-over-year for week ending March 21. Soup consumption was up nearly +60% as consumers stockpiled for lockdowns. Consumption of Prego sauce brand was up +52.9% over the same period. The company is keeping a close watch on factory labor, which has not been a major disruption within the its supply chain.

Conagra Brands reported "extraordinary levels" of retail demand in its FQ3 2020 earnings call, indicating material gains are enough to offset significant declines in the Foodservice segment. Supply chain disruption has been minimal, and the company is able to meet the increased demand. COVID-19 is driving rapid, broad-based increases in at-home consumption, with Retail sales for the four-weeks ended March 22 up +47% over a year ago. The company expects to exceed prior full-year guidance for total-company sales and profit metrics, assuming no supply issues, according to an investor presentation.

Source: S&P CapIQ as of 22 April 2020

Keurig Dr. Pepper (KDP) mobilized an executive task force that meets daily to review and respond to daily changes resulting from COVID-19. Sales and operations meetings were escalated to daily (from weekly) in order to stay ahead of demand changes. With more than 80 percent of the company's 26,000 employees on the front-line in plants, warehouses, and restocking, KDP stated its highest priority is employee health and safety.

KDP is seeing spikes in demand with accelerated growth in nearly every segment. Dollar consumption for the overall beverage category is up +19%, according to IRI data for the four-week period ending March 22, and KDP's sales are in-line with those metrics. By channel, food is up +53%, and the eCommerce business is "booming". KDP anticipates the majority of demand impact from COVID-19 in Q2 2020, citing structural change with expanded consumption overall, and particularly in the coffee category with the shift to in-home consumption.

All of **Kraft Heinz's** U.S. factories are currently operating 24/7 to meet demand spikes. According to Mitch Arends, senior vice president of operations and manufacturing, "the company has experienced no issues with its ingredients or supply chain and is prepared to meet exponential demand while also being configured for maintaining social distancing measures". Sales are seeing a boost from increased retail product demand. To adapt to changing purchasing methods, the company introduced an online delivery service in the UK to encourage customers to buy its canned items. The company's Heinz-to-Home service caters to people in self-isolation by delivering ordered food within three days.

KraftHeinz is projecting growth in net sales and organic net sales of +3% and +6%, respectively, in Q1 2020. Factors such as additional expenses to meet the accelerated growth and declining foodservice sales are expected to negatively impact quarterly earnings. In support of the fight against COVID-19, Kraft Heinz announced in March that it would donate $12 million to fight food deficiencies globally.

The Kroger Co. saw identical-store sales surge +30% in March, citing broad-based increased demand across grocery and some fresh departments. Consumer demand spiked for items such as sanitizer, cleaning products, water, paper goods, boxed meals, and health-related products in response to mandated quarantines. The company characterized consumer shopping behavior in three phases: (1) stockpiling; (2) heightened demand as consumers adapt to travel and dining restrictions and at-home office and schooling; and (3) to-be-determined "new normal" which will have some lasting impacts.

To aid its employees during the COVID-19 pandemic, the company recently announced a "hero bonus" for all hourly frontline grocery, supply chain, manufacturing, pharmacy, and call center associates, plus extended benefits and support amid the health crisis. Further, Kroger has on-boarded more than 32,000 new associates under an expanded hiring program, including workers from the hard-hit restaurant, hotel, and foodservice distribution sectors

In April, Kroger and the United Food and Commercial Workers International Union (UFCW), jointly issued a statement urging national and state leaders to grant temporary designation of first responder or emergency personnel status for all frontline grocery workers, ensuring priority access to protection equipment. The request is in an effort to protect employees, customers, and the nation's food supply.

McDonald's Corporation has initiated its plans to adapt and continue to serve customers with increased focus where it is safe to do so. Approximately 75% of restaurants are operational worldwide, albeit through drive-thru, delivery, and/or takeout. Systemwide, 99% of U.S. stores and 45% of international stores are running. Nearly all (about 98%) of China stores have resumed operations. To offset reduced on-premise traffic, McDonald's introduced promotions including zero delivery fees through Uber Eats and Door Dash. McDonald's reported a -22.2% drop in same-store sales year-over-year in Q2 2020, citing store closures and shutdowns in global markets as drivers, with U.S. and international sales down -13.4% and -34.7%, respectively.

The company is coming to the aid of local communities in need, announcing it has donated $3.1 million dollars equating to nearly 3 million total pounds of food, including dairy, beef, produce, fruit, and bakery items. In addition, senior corporate executives including the CEO and CFO elected to take salary reductions. The company announced it is cutting capital expenditures by $1 billion in 2020 with reduced investment in store remodels and openings.

Nestle speaks to a "robust" U.S. supply chain since the COVID-19 outbreak, and the company "...has been well equipped to meet increased demand across all its categories," according to Nestle USA CEO Steve Presley, reported Food Business News. Frozen foods such as Stouffer's entrees and frozen pizza are seeing a lift in sales, while Toll House and Carnation brands are gaining traction as more families take to baking amid lockdowns.

The company has extended benefits to employees impacted by the virus, including full salaries to those affected by work stoppages, cash advances or loans, and paid sick leave.

Nestle has contributed to several charitable organizations including the International Federation of the Red Cross and Red Crescent Societies by providing CHF 10 million in emergency relief; Meals on Wheels; Feeding America, for which it has supplied more than two million meals; and local groups such as food banks, schools, crisis relief agencies, and animal shelters.

Starbucks anticipates a $400 - $430 million drop in revenue in Q2 2020 due to COVID-19. As a brick-and-mortar retailer, the company's business model is affected by store closures and social distancing measures. In January, Starbucks temporarily closed more than half of its 4,100 stores located in China. As of April, more than 95% of those stores have been reopened, albeit with modified hours and reduced seating. In March, Starbucks USA suspended its café seating and moved towards a "to-go" format. Approximately 60% of U.S. stores are now offering a drive-thru service. The company has also partnered with Uber Eats to offer delivery in 49 states.

Due to the temporary closing of thousands of domestic stores, Starbucks has offered COVID-19 benefits for its U.S. employees, which includes hourly wage increases and catastrophe pay for employees unable to work through the end of May.

Starbucks has committed over $10 million in COVID-19 relief for partners around the world. The company has set up a Global Partner Emergency Relief Program to support an existing Caring United Partners Fund, and to partners in Europe through the Starbucks EMEA Partner Relief Fund.

Mitigation Measures that will Define Future Trends

COVID-19 has compelled Food & Beverage players to rethink their operations and adapt to rapidly-changing short-term market challenges. Restrictions on the movement of people and goods has significantly changed purchasing behavior for an uncertain period of time. Labor shortages have been a major cause of concern, from farms and production floors to retail outlets and deliveries, and a limited number of truck drivers has also put a strain on the supply chain.

Altering Product Mix

Consumers are trying new national brands at rates of 10% to 20% and new private label brands at rates of 15% to 20%, which have caught the attention of major food manufacturers as they report demand spikes in certain food products, requiring them to revisit order fulfilment with limited resources. Convenience foods manufacturer Greencore, which supplies Heinz and produces its own line of products for major food retailers, reduced its product range to focus on restocking stores. The company has concentrated on core product types that are easier for customers to distribute and merchandise in stores while being fully-stocked.

Cross-Segment Collaborations

Companies have been forging partnerships to leverage resources and widen consumer reach. Select players with broad distribution capabilities are expanding their product range to include basic pantry staples, groceries, and cleaning products. For example, McDonald's began selling milk and bread in Australia, while Domino's partnered with ITC Foods to delivery pantry essentials in India.

Global to Local Sourcing

Disruption in the supply chain, particularly border closures, have prompted many companies to consider alternate sourcing options to ensure continuous flow and accessibility of supplies, often turning to local suppliers for support. For example, French supermarket chain Carrefour has shifted the sourcing of 95% of its fruits and vegetables from within France. Ultimately, this trend aligns with consumer demand for supply chain transparency and reliability as it pertains to food safety and is expected to remain in place.

Shifting Focus from Foodservice to Food Retail

Uncertainty is shifting attention away from Foodservice to Food Retail, which has implications for the entire supply chain. Negative consumer sentiment towards on-premise consumption is likely to persist post-crisis. Food retailers will continue to adopt and expand delivery and curbside pick-up options. Foodservice outlets will focus on reducing labor and overhead, while continually reformulating "to-go" designed menu offerings. Companies involved in agribusiness/livestock, logistics, manufacturing, and distribution will jockey to acquire the customer base.

Adapting to Shifting Purchasing Habits

The COVID-19 crisis has forced companies to adapt to a new environment of social distancing which has altered the way consumers purchase packaged goods. Whether this shift becomes the "new normal" over the long-term is yet to be determined. In any case, the situation has escalated the need for companies to pursue omni-channel and direct-to-consumer strategies sooner than many anticipated. Effective utilization of third-party delivery partners and development of eCommerce platforms may be defining factors as to which brands thrive or falter in the short-term.

Critical Takeaways for Food & Beverage

- ✓ Labor shortages and social distancing will impact every sector of the supply chain and companies will find ways to adapt to a new normal
- ✓ Supply chain disruptions will prompt a shift from global to local sourcing
- ✓ Plant closures and slowdowns will challenge agribusiness and raw material procurement
- ✓ Shelf-stable and packaged food products will gain favor amid quarantines
- ✓ Private label brands will accelerate
- ✓ Food innovation will be stymied in the short-term as emerging brands will struggle to gain traction with large food retailers
- ✓ Distributors will be forced to quickly adapt as demand shifts from foodservice to food retail, even prompting direct sales
- ✓ Restaurant and hospitality operators will expand and invest in new and improved delivery and curbside services
- ✓ Consumer purchasing will rapidly shift from brick-and-mortar to delivery and eCommerce, forcing brands to elevate omni-channel and direct sales channel strategies
- ✓ Consumers will prioritize "clean packaging", reliability, and supply chain transparency in future purchasing behavior

Change in Consumer Spending Habits:

EXPECTED INCREASE

- Shelf-stable food
- Packaged food
- Frozen food
- Snack food
- Alcoholic beverages
- Private label products

EXPECTED DECREASE

- Hospitality
- Emerging brands
- Restaurant / Foodservice
- Sustainability-based food choices
- Seasonal / exotic fruit and vegetables

Near-Term Effects on the M&A Market

Mergers & Acquisitions (M&A) in a Time of COVID-19

COVID-19 is affecting the financial health and operating performance of sellers, while simultaneously impacting how buyers strategize, target, and ultimately value transactions. As short-term deal tactics emerge, fundamental shifts in deal strategies and valuation will soon follow. Market volatility has prompted buyers and sellers to further scrutinize strategic priorities in the near-term. Buyers are seeking deal protection mechanisms in transaction negotiations to hedge short-term operational risk. Parties currently negotiating Definitive Purchase Agreements are revisiting contract terms, including representations and warranties and any "material adverse change" clauses, to assess the potential impacts of the coronavirus-crisis on their transactions.

While some strategic and financial investors are adopting a wait-and-see approach to deal-making, the market continues to present acquisition opportunities, and buyers are proceeding with caution.

Strategic Buyers

Stock prices of most publicly-traded companies have seen significant declines in recent weeks, leading to significant lost in deal currency. As a result, large-cap buyers are expected to slow the pace of M&A over the near-term and may revisit the consideration mix of cash versus stock. However, as the market recovers and companies begin strategizing to strengthen competitive positioning, new initiatives are expected to gain focus with opportunities arising on various fronts, including:

- Optimizing supply chains → Supply and distribution channels
- Expanding online presence → eCommerce solutions
- Consumer adoption and retention → Healthy, better-for-you products

Financial Buyers

Most private equity firms are primarily focusing internally on existing portfolio companies rather than sourcing new deals. However, opportunistic private equity investors will likely see today's environment as a buying opportunity, disrupting what had been a long and frothy seller's market. They will seek undervalued assets as bolt-on acquisitions for current investments and new growth platforms at more reasonable valuations.

In addition, an emergence of struggling companies and restructuring opportunities are expected, with private equity sponsors ideal partners to facilitate these transactions. The safety of the Food & Beverage industry has been a draw during challenging periods, while growth potential provides upside for cash-rich financial investors sitting on dry powder.

The credit markets remain open; however, lenders are approaching transactions with a greater degree of conservatism due to market uncertainty. Asset selectivity is higher, and pricing and leverage reflect more downside protection. Pricing spreads have increased by an additional 100-200 basis points or more depending on asset quality, and lenders are instituting Libor floors of 1 to 2 percent to compensate for increased market risk. Total leverage has held constant or contracted by as much as a ½ turn of EBITDA. Equity contribution has increased from 40 to 50 percent, on average, to 50 or 60 percent. We expect these trends to ease as we come out of the crisis. Bank balance sheets are healthy, and private debt funds are plentiful and eager to invest capital.

Mergers & Acquisitions (M&A) in a Time of COVID-19

Critical Takeaways for Food & Beverage M&A

Near-Term:

- Overall disruptive effect on Food & Beverage M&A, with varying degrees of investor confidence and appetite, depending on exposure to on-premise

Long-Term:

- The outlook for Food & Beverage M&A continues to be optimistic and is expected to return to normal pre-pandemic levels

✓ Food & Beverage assets will likely be viewed as a "flight to safety" for companies serving the off-premise and direct-to-consumer channels

✓ Financial performance during the crisis will be highly scrutinized, and bid versus ask spreads on valuations will be highly negotiated to arrive at "normalized" earnings

✓ Strategic buyers may prioritize crisis mitigation and operational performance over M&A in the short-term as they look to strengthen balance sheets and adapt to new realities

✓ Private equity and venture capital investors will likely "raise the bar" on investment criteria in the short-term as they evaluate leveraged buyouts and equity investments

✓ Capital raising for small, niche brands will likely be hindered in the short-term as route-to-market and merchandising is being dominated by larger brands

✓ The financing markets are selectively open for high-quality assets, with Food & Beverage likely to be more "in-favor" in terms of lender risk appetite

✓ Borrowing cost has increased to compensate lenders in the uncertain economic climate. Pricing and leverage reflect a premium for increased market risk, which we expect will loosen as the economy begins to show sustained recovery

Peer Valuation & Trading Analysis

Public Company Valuation & Operating Metrics

			Margin (%)		EV/		
			EBITDA	EBIT	Sales (x)	EBITDA (x)	EBIT (x)
Company Name	**Mkt Cap ($mn)**	**EV ($mn)**	**LTM**	**LTM**	**LTM**	**LTM**	**LTM**
Agricultural Products							
Wilmar International Limited	14,978	30,990	6.3%	4.4%	0.73x	11.5x	16.4x
Archer-Daniels-Midland Company	19,725	28,865	4.0%	2.5%	0.45x	11.2x	18.2x
Bunge Limited	5,373	11,613	3.6%	2.3%	0.28x	7.8x	12.4x
Sime Darby Plantation Berhad	7,502	9,307	13.4%	3.3%	3.16x	23.6x	NM
Kuala Lumpur Kepong Berhad	5,047	6,375	10.5%	6.8%	1.68x	16.0x	24.6x
Yuan Long Ping High-Tech Agriculture	3,200	4,006	1.3%	NM	9.06x	NM	NM
Heilongjiang Agriculture Company Limited	4,199	3,826	36.9%	30.2%	8.56x	23.2x	28.3x
KWS SAAT SE & Co. KGaA	1,795	2,479	13.3%	8.0%	1.91x	14.4x	23.9x
Vilmorin & Cie SA	910	2,451	8.6%	6.1%	1.54x	17.8x	25.1x
Fresh Del Monte Produce Inc.	1,508	2,307	4.5%	2.3%	0.51x	11.4x	22.1x
Sakata Seed Corporation	1,452	1,331	15.3%	12.0%	2.30x	15.0x	19.1x
SLC Agrícola S.A.	860	1,197	26.2%	22.0%	1.90x	7.2x	8.6x
Hortifrut S.A.	637	1,094	16.8%	7.7%	1.90x	11.3x	24.6x
B.F. S.p.A.	681	644	2.6%	NM	6.84x	NM	NM
		Mean	**11.7%**	**9.0%**	**2.92x**	**14.2x**	**20.3x**
		Median	**9.6%**	**6.5%**	**1.90x**	**13.0x**	**22.1x**
Beverages							
The Coca-Cola Company	196,150	230,553	32.6%	28.6%	6.20x	19.1x	21.7x
PepsiCo, Inc.	184,241	212,213	18.7%	16.0%	3.16x	16.9x	19.8x
Anheuser-Busch InBev SA/NV	81,841	182,738	38.1%	30.9%	3.49x	9.2x	11.3x
Diageo plc	76,462	94,597	34.1%	31.7%	5.43x	15.9x	17.1x
Heineken N.V.	46,732	64,489	21.8%	15.3%	2.40x	11.0x	15.7x
Keurig Dr Pepper Inc.	37,341	52,491	30.4%	24.1%	4.72x	15.5x	19.6x
Pernod Ricard SA	38,854	48,014	31.8%	28.8%	4.52x	14.2x	15.7x
Constellation Brands, Inc.	29,656	42,663	36.4%	32.6%	5.11x	14.0x	15.7x
Ambev S.A.	33,901	32,496	38.4%	31.1%	2.48x	6.5x	8.0x
Monster Beverage Corporation	31,656	30,355	35.2%	33.7%	7.23x	20.5x	21.5x
Asahi Group Holdings, Ltd.	14,875	23,190	15.2%	9.8%	1.21x	7.9x	12.3x

Source: S&P CapIQ as of 22 April 2020

Company Name	Mkt Cap ($mn)	EV ($mn)	Margin (%) EBITDA LTM	Margin (%) EBIT LTM	EV/ Sales (x) LTM	EV/ EBITDA (x) LTM	EV/ EBIT (x) LTM
Beverages							
Carlsberg A/S	17,689	20,935	21.5%	15.3%	2.12x	9.8x	13.9x
Thai Beverage Public Company Limited	12,139	19,113	15.3%	12.8%	2.10x	13.8x	16.4x
Molson Coors Beverage Company	9,173	18,219	22.0%	14.2%	1.72x	7.8x	12.1x
China Resources Beer (Holdings) Company	15,027	14,802	14.3%	9.4%	3.11x	21.8x	32.9x
Suntory Beverage & Food Limited	11,747	13,090	14.8%	9.3%	1.09x	7.4x	11.7x
Davide Campari-Milano S.p.A.	8,278	9,131	24.4%	21.9%	4.42x	18.1x	20.2x
Arca Continental, S.A.B. de C.V.	6,583	9,059	17.7%	12.7%	1.04x	5.8x	8.1x
Tsingtao Brewery Company Limited	8,300	6,024	9.4%	5.6%	1.50x	15.9x	26.7x
The Boston Beer Company, Inc.	5,130	5,155	17.0%	12.5%	4.12x	24.3x	33.1x
Royal Unibrew A/S	3,356	3,751	23.5%	19.1%	3.25x	13.8x	17.0x
United Breweries Limited	3,198	3,243	13.5%	9.6%	3.44x	25.5x	35.7x
Emperador Inc.	2,500	3,136	21.4%	18.9%	3.23x	15.1x	17.1x
Britvic plc	2,355	3,107	14.5%	10.4%	1.63x	11.3x	15.6x
Fraser & Neave Holdings Bhd	2,573	2,479	15.0%	12.6%	2.43x	16.2x	19.3x
National Beverage Corp.	2,248	2,029	17.4%	15.7%	2.07x	11.9x	13.2x
Lotte Chilsung Beverage Co.,Ltd.	654	1,729	11.2%	4.4%	0.82x	7.4x	18.5x
C&C Group plc	728	1,109	7.9%	6.6%	0.60x	7.6x	9.2x
		Mean	**21.9%**	**17.6%**	**3.02x**	**13.7x**	**17.8x**
		Median	**20.1%**	**15.3%**	**2.79x**	**13.9x**	**16.7x**
Food Ingredients							
DuPont de Nemours, Inc.	29,256	46,286	24.1%	14.5%	2.15x	8.9x	14.9x
Givaudan SA	31,513	35,317	19.4%	15.0%	5.51x	28.5x	36.7x
Archer-Daniels-Midland Company	19,725	28,865	4.0%	2.5%	0.45x	11.2x	18.2x
McCormick & Company, Incorporated	20,370	24,787	21.3%	18.6%	4.65x	21.8x	25.0x
Koninklijke DSM N.V.	21,054	22,434	15.4%	9.9%	2.22x	14.4x	22.5x
Kerry Group plc	19,954	22,180	14.7%	11.5%	2.73x	18.6x	23.7x
Associated British Foods plc	18,667	22,167	13.1%	8.5%	1.09x	8.3x	12.9x
Otsuka Holdings Co., Ltd.	21,410	20,932	17.8%	12.4%	1.63x	9.2x	13.2x
International Flavors & Fragrances Inc.	13,273	17,456	21.6%	15.4%	3.40x	15.7x	22.1x
Symrise AG	14,178	15,978	20.4%	13.8%	4.18x	20.5x	30.3x
Chr. Hansen Holding A/S	11,220	12,174	34.4%	29.5%	9.42x	27.4x	31.9x
Bunge Limited	5,373	11,613	3.6%	2.3%	0.28x	7.8x	12.4x
Ingredion Incorporated	5,186	6,948	14.6%	11.2%	1.12x	7.7x	10.0x
Darling Ingredients Inc.	3,046	4,829	12.1%	2.4%	1.44x	11.8x	NM
Angel Yeast Co., Ltd	4,387	4,741	21.2%	15.3%	4.26x	20.1x	27.8x
AAK AB (publ.)	4,342	4,714	9.6%	7.5%	1.54x	16.2x	20.6x
Tate & Lyle plc	3,917	4,450	17.0%	10.9%	1.27x	7.5x	11.6x
Corbion N.V.	1,723	2,052	13.7%	8.7%	1.87x	13.7x	21.5x
		Mean	**16.6%**	**11.7%**	**2.73x**	**15.0x**	**20.9x**
		Median	**16.2%**	**11.4%**	**2.01x**	**14.1x**	**21.5x**

Source: S&P CapIQ as of 22 April 2020

Company Name	Mkt Cap ($mn)	EV ($mn)	Margin (%) EBITDA LTM	Margin (%) EBIT LTM	EV/ Sales (x) LTM	EV/ EBITDA (x) LTM	EV/ EBIT (x) LTM
Food Processing							
Nestlé S.A.	314,947	343,742	20.1%	17.1%	3.58x	17.8x	20.9x
Mondelez International, Inc.	74,659	92,622	20.5%	16.4%	3.58x	17.5x	21.8x
The Kraft Heinz Company	35,138	62,830	26.3%	22.3%	2.52x	9.6x	11.3x
Danone S.A.	43,817	58,160	20.6%	15.8%	2.05x	9.9x	13.0x
General Mills, Inc.	36,484	50,739	21.7%	18.1%	3.03x	13.9x	16.7x
The Hershey Company	30,053	34,045	24.7%	21.0%	4.26x	17.3x	20.3x
Tyson Foods, Inc.	21,873	33,769	9.6%	6.9%	0.78x	8.2x	11.3x
Kellogg Company	22,153	30,798	16.0%	12.4%	2.27x	14.2x	18.3x
Conagra Brands, Inc.	16,707	26,970	19.7%	16.3%	2.60x	13.2x	16.0x
Hormel Foods Corporation	26,028	25,673	13.6%	11.7%	2.70x	19.9x	22.9x
Associated British Foods plc	18,667	22,167	13.1%	8.5%	1.09x	8.3x	12.9x
Campbell Soup Company	15,329	21,360	17.9%	14.4%	2.64x	14.8x	18.4x
JBS S.A.	10,774	20,523	8.9%	6.5%	0.40x	4.5x	6.2x
The J. M. Smucker Company	13,520	19,189	21.4%	15.5%	2.52x	11.8x	16.2x
WH Group Limited	14,550	17,892	9.2%	7.3%	0.74x	8.1x	10.2x
China Mengniu Dairy Company Limited	13,762	14,050	7.0%	4.7%	1.24x	17.7x	26.1x
Saputo Inc.	10,105	13,092	9.5%	7.1%	1.17x	12.4x	16.5x
Barry Callebaut AG	10,835	12,884	10.6%	8.3%	1.69x	15.8x	20.2x
Lamb Weston Holdings, Inc.	8,226	10,624	21.6%	17.2%	2.69x	12.4x	15.7x
Grupo Bimbo, S.A.B. de C.V.	6,091	10,598	12.7%	9.2%	0.68x	5.4x	7.4x
Britannia Industries Limited	9,286	9,361	15.8%	14.3%	5.79x	36.7x	40.4x
Kikkoman Corporation	8,242	8,405	11.3%	8.4%	1.96x	17.4x	23.2x
Want Want China Holdings Limited	8,779	7,916	27.1%	23.1%	2.72x	10.1x	11.8x
Marfrig Global Foods S.A.	1,343	4,371	9.2%	7.0%	0.36x	3.9x	5.1x
Grupo Nutresa S. A.	2,559	3,463	11.8%	9.1%	1.14x	9.7x	12.5x
Grupo Herdez, S.A.B. de C.V.	453	1,138	15.1%	12.9%	0.96x	6.3x	7.4x
Watt's S.A.	350	536	9.7%	6.7%	0.91x	9.4x	13.7x
		Mean	**15.7%**	**12.5%**	**2.08x**	**12.8x**	**16.2x**
		Median	**15.1%**	**12.4%**	**2.05x**	**12.4x**	**16.0x**
Food Retail and Restaurants							
Costco Wholesale Corporation	136,634	137,079	4.1%	3.1%	0.87x	21.2x	27.9x
Alimentation Couche-Tard Inc.	32,136	38,976	6.3%	4.8%	0.68x	10.7x	14.2x
Carrefour SA	11,916	27,704	4.7%	2.8%	0.33x	7.1x	11.9x
Chipotle Mexican Grill, Inc.	24,416	26,477	11.6%	7.8%	4.65x	NM	NM
Haidilao International Holding Ltd.	22,362	22,519	14.4%	11.8%	5.90x	NM	NM
CP ALL Public Company Limited	18,338	22,353	7.7%	5.8%	1.17x	15.2x	20.1x
Casino, Guichard-Perrachon SA	4,172	19,626	4.7%	3.2%	0.50x	10.4x	15.6x
Avenue Supermarts Limited	19,424	19,521	8.5%	7.4%	5.87x	NM	NM
Domino's Pizza, Inc.	14,977	19,137	18.5%	17.4%	5.29x	28.6x	30.3x

Source: S&P CapIQ as of 22 April 2020

Company Name	Mkt Cap ($mn)	EV ($mn)	Margin (%) EBITDA LTM	Margin (%) EBIT LTM	EV/ Sales (x) LTM	EV/ EBITDA (x) LTM	EV/ EBIT (x) LTM
Food Retail and Restaurants							
Darden Restaurants, Inc.	8,791	14,226	12.1%	8.4%	1.62x	13.4x	19.3x
Aramark	5,815	13,184	8.3%	4.9%	0.81x	9.8x	16.6x
Empire Company Limited	6,457	10,989	5.3%	3.9%	0.56x	10.6x	14.6x
Dunkin' Brands Group, Inc.	4,835	7,673	34.8%	31.7%	5.60x	16.1x	17.7x
BJ's Wholesale Club Holdings, Inc.	3,558	7,374	4.0%	2.8%	0.56x	14.0x	20.0x
Casey's General Stores, Inc.	5,661	7,006	7.0%	4.1%	0.83x	11.7x	20.2x
BIM Birlesik Magazalar A.S.	4,779	5,153	6.3%	5.2%	0.76x	12.1x	14.6x
Jollibee Foods Corporation	2,902	3,351	6.8%	3.3%	1.03x	15.1x	31.5x
Cracker Barrel Old Country Store, Inc.	2,164	3,075	12.9%	9.2%	0.99x	7.6x	10.7x
BGF retail CO., LTD.	2,050	2,060	8.9%	3.3%	0.40x	4.5x	12.1x
Elior Group S.A.	1,183	1,775	5.8%	3.2%	0.33x	5.7x	10.3x
Grupo Gigante, S. A. B. de C. V.	874	1,456	11.2%	8.5%	0.85x	7.6x	9.9x
		Mean	**9.7%**	**7.3%**	**1.89x**	**12.3x**	**17.6x**
		Median	**7.7%**	**4.9%**	**0.85x**	**11.2x**	**16.1x**
Food Distribution							
Sysco Corporation	26,112	35,163	5.7%	4.5%	0.58x	10.3x	13.0x
US Foods Holding Corp.	4,083	9,122	4.3%	2.9%	0.35x	8.1x	12.0x
United Natural Foods, Inc.	642	4,792	2.0%	0.8%	0.20x	10.0x	25.9x
The SPAR Group Ltd	1,835	2,144	3.3%	2.7%	0.30x	8.9x	10.9x
Metcash Limited	1,459	2,097	3.0%	2.8%	0.24x	7.8x	8.6x
Core-Mark Holding Company, Inc.	1,263	1,877	1.2%	0.7%	0.14x	12.2x	20.3x
SpartanNash Company	578	1,553	1.7%	0.6%	0.18x	10.9x	30.1x
MARR S.p.A.	891	1,107	7.1%	6.7%	0.60x	8.4x	8.9x
CJ Freshway Corporation	174	596	3.6%	1.8%	0.23x	6.3x	12.6x
Super Value Co., Ltd.	27	128	3.3%	2.1%	0.19x	5.9x	9.2x
AMCON Distributing Company	41	107	0.9%	0.7%	0.10x	10.7x	15.0x
ITOCHU-SHOKUHIN Co., Ltd.	510	77	1.0%	0.6%	0.01x	1.3x	2.2x
Satoh & Co., Ltd.	123	18	3.4%	2.9%	0.04x	1.1x	1.3x
		Mean	**3.1%**	**2.3%**	**0.24x**	**7.9x**	**13.1x**
		Median	**3.3%**	**2.1%**	**0.20x**	**8.4x**	**12.0x**
Food Tech and Digitally Native							
Meituan Dianping	76,071	67,772	4.2%	0.6%	4.88x	NM	NM
Delivery Hero SE	15,177	14,394	NM	NM	14.33x	NM	NM
Just Eat Takeaway.com N.V.	14,102	14,340	NM	NM	NM	NM	NM
Ocado Group plc	14,069	13,902	NM	NM	6.12x	NM	NM
Grubhub Inc.	3,984	4,172	6.1%	NM	3.18x	51.9x	NM
Infomart Corporation	1,532	1,472	40.7%	28.9%	18.73x	46.1x	64.8x

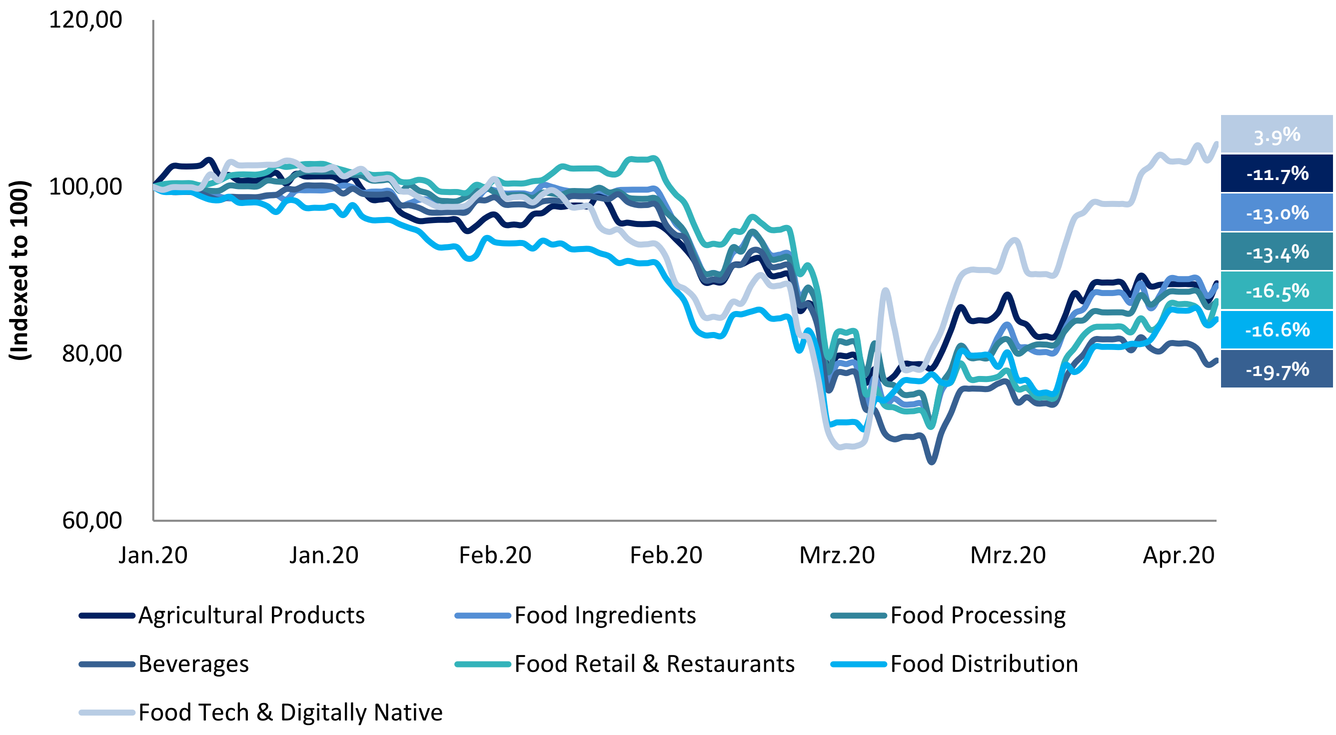
Source: S&P CapIQ as of 22 April 2020

			Margin (%)		EV/		
			EBITDA	EBIT	Sales (x)	EBITDA (x)	EBIT (x)
Company Name	**Mkt Cap ($mn)**	**EV ($mn)**	**LTM**	**LTM**	**LTM**	**LTM**	**LTM**
Food Tech and Digitally Native							
Demae-Can Co.,Ltd	566	559	NM	NM	8.22x	NM	NM
Oisix ra daichi Inc.	582	520	3.8%	2.4%	0.84x	22.3x	34.3x
eBase Co., Ltd.	425	401	29.4%	28.9%	9.95x	33.8x	34.4x
Blue Apron Holdings, Inc.	149	230	NM	NM	0.51x	NM	NM
Autonomous Control Systems Laboratory	220	185	-	NM	NM	NA	NM
Goodfood Market Corp.	151	153	NM	NM	0.98x	NM	NM
Gurunavi, Inc.	225	132	15.2%	4.7%	0.45x	3.0x	9.6x
Synchro Food Co., Ltd.	55	32	33.5%	31.1%	1.70x	5.1x	5.5x
		Mean	**19.0%**	**16.1%**	**5.82x**	**27.0x**	**29.7x**
		Median	**15.2%**	**16.8%**	**4.03x**	**28.1x**	**34.3x**
		Overall Mean	**14.7%**	**11.4%**	**2.58x**	**13.6x**	**18.1x**
		Overall Median	**13.4%**	**9.2%**	**1.70x**	**11.8x**	**16.5x**

Source: S&P CapIQ as of 22 April 2020

Share Price Performance

The composite Food and Beverage index declined ~10.0% year-to-date, with Beverages registering the largest decline at -19.7% major companies suffered the impact of a sell-off across all industries. All segments are gradually recovering as operating performance improves and markets return to normal following the crisis.



Notes:

1. **Agricultural Products** includes Archer-Daniels-Midland Company, Wilmar International Limited, Sime Darby Plantation Berhad, Kuala Lumpur Kepong Berhad, Yuan Long Ping High-Tech Agriculture Co., Ltd., Heilongjiang Agriculture Company Limited, KWS SAAT SE & Co. KGaA, Hortifrut S.A., Vilmorin & Cie SA, Fresh Del Monte Produce Inc., Sakata Seed Corporation, SLC Agrícola S.A., B.F. S.p.A., Bunge Limited
2. **Beverages** includes The Coca-Cola Company, PepsiCo, Inc., Anheuser-Busch InBev SA/NV, Diageo plc, Ambev S.A., Heineken N.V., Pernod Ricard SA, Keurig Dr Pepper Inc., Constellation Brands, Inc., Monster Beverage Corporation, Asahi Group Holdings, Ltd., Carlsberg A/S, Suntory Beverage & Food Limited, Molson Coors Beverage Company, Thai Beverage Public Company Limited, China Resources Beer (Holdings) Company Limited, Davide Campari-Milano S.p.A., Arca Continental, S.A.B. de C.V., Tsingtao Brewery Company Limited, United Breweries Limited, National Beverage Corp., Royal Unibrew A/S, Fraser & Neave Holdings Bhd, Britvic plc, The Boston Beer Company, Inc., Emperador Inc., C&C Group plc, Lotte Chilsung Beverage Co.,Ltd.
3. **Food Ingredients** includes Otsuka Holdings Co., Ltd., Givaudan SA, Kerry Group plc, McCormick & Company, Incorporated, Chr. Hansen Holding A/S, International Flavors & Fragrances Inc., Symrise AG, Angel Yeast Co., Ltd, AAK AB (publ.), DuPont de Nemours, Inc., Associated British Foods plc, Archer-Daniels-Midland Company, Koninklijke DSM N.V., Bunge Limited, Ingredion Incorporated, Tate & Lyle plc, Corbion N.V., Darling Ingredients Inc.
4. **Food Processing** includes Nestlé S.A., Mondelez International, Inc., The Kraft Heinz Company, Danone S.A., General Mills, Inc., Associated British Foods plc, Hormel Foods Corporation, The Hershey Company, Tyson Foods, Inc., Kellogg Company, WH Group Limited, China Mengniu Dairy Company Limited, The J. M. Smucker Company, Saputo Inc., Britannia Industries Limited, Lamb Weston Holdings, Inc., Campbell Soup Company, Conagra Brands, Inc., Kikkoman Corporation, Want Want China Holdings Limited, Grupo Bimbo, S.A.B. de C.V., Barry Callebaut AG, JBS S.A., Grupo Nutresa S. A., Watt's S.A., Marfrig Global Foods S.A., Grupo Herdez, S.A.B. de C.V.
5. **Food Retail and Restaurants** includes Costco Wholesale Corporation, Alimentation Couche-Tard Inc., CP ALL Public Company Limited, Carrefour SA, Chipotle Mexican Grill, Inc., Darden Restaurants, Inc., Avenue Supermarts Limited, Haidilao International Holding Ltd., Domino's Pizza, Inc., Aramark, Jollibee Foods Corporation, Dunkin' Brands Group, Inc., BIM Birlesik Magazalar A.S., Casino, Guichard-Perrachon Société Anonyme, Casey's General Stores, Inc., Cracker Barrel Old Country Store, Inc., Empire Company Limited, BJ's Wholesale Club Holdings, Inc., BGF retail CO., LTD., Elior Group S.A., Grupo Gigante, S. A. B. de C. V.
6. **Food Distribution** includes US Foods Holding Corp., The SPAR Group Ltd, Metcash Limited, MARR S.p.A., SpartanNash Company, ITOCHU-SHOKUHIN Co., Ltd., CJ Freshway Corporation, Satoh & Co., Ltd., Sysco Corporation, Core-Mark Holding Company, Inc., AMCON Distributing Company, United Natural Foods, Inc., Super Value Co., Ltd.
7. **Food Tech and Digitally Native** includes Meituan Dianping, Ocado Group plc, Grubhub Inc., Delivery Hero SE, Just Eat Takeaway.com N.V., Infomart Corporation, Oisix ra daichi Inc., Demae-Can Co.,Ltd, Autonomous Control Systems Laboratory Ltd., Gurunavi, Inc., eBase Co., Ltd., Synchro Food Co., Ltd., Goodfood Market Corp., Blue Apron Holdings, Inc.

Source: S&P CapIQ as of 22 April 2020

Select M&A Transactions (2019-YTD)

Ann. Date	Target Company	Target Description	Country	Bidder Company	Country	EV ($M)
9-Apr-20	PureCircle Limited	Manufacturer of natural, zero-calorie high intensity sweetener	Malaysia	Ingredion SRSS Holdings	UK	315
26-Mar-20	Monkey 47 (remaining stake)	Branded craft spirits producer	Germany	Pernod Ricard SA	France	-
20-Mar-20	National Flavours	Manufactures flavouring materials	USA	The Riverside Company	USA	-
13-Mar-20	Diamond Creek Vineyards	US-based winery	USA	Champagne Louis Roederer	France	-
11-Mar-20	Rockstar Energy	Energy drink provider	USA	Pepsico, Inc	USA	3,850
3-Mar-20	Smart Foodservice Stores	Food distributor and operates a food warehouse	USA	US Foods	USA	970
20-Feb-20	Sadler Smokehouse Bar-B-Que Sales Ltd	Premium and authentic pit-smoked meat producer for retail and foodservice customers	USA	Hormel Foods Corporation	USA	270
15-Feb-20	Hangzhou Haomusi Food	Online retailer of snack food	Hong Kong	Pepsi Co	USA	705
30-Jan-2020	PRESS Hard Seltzer (minority stake)	Branded hard seltzer producer	USA	Constellation Brands, Inc	USA	-
23-Jan-20	Limitless Coffee, LLC	Maker of caffeinated sparkling water, cold brew coffee, and matcha green teas	USA	Keurig Dr Pepper Inc	USA	-
16-Jan-20	Frulact SA	Specialises in the production of natural fruit-based and plant-based ingredients	Portugal	Ardian	France	167
6-Jan-20	Mr. Greens	Distributes food produce	USA	Shoreline Equity Partners	USA	-
6-Jan-20	The Habit Restaurants, Inc.	Owner and operator of fast-food restaurants	USA	Yum! Brands, Inc	USA	331
2-Jan-20	Fairlife, LLC	Producer of nutritious milk beverages products	USA	The Coca-Cola Company	USA	-
19-Dec-19	Cerelia SA	Manufacturer of ready-to-use private label dough	France	Ardian	France	901
19-Dec-19	Merisant US, Inc.; MAFCO Worldwide LLC	Involved in the manufacture and marketing of low calorie tabletop sweeteners; Manufacturer of natural licorice products	USA	Act II Global Acquisition Corp.	USA	510
15-Dec-19	DuPont Nutrition & Biosciences	Nutrition and biosciences business of DuPont de Nemours	USA	International Flavors & Fragrances Inc.	USA	26,200
11-Dec-19	Nestle USA, Inc.	Ice cream business of Nestle USA, Inc.	USA	Froneri Limited	UK	4,000
2-Dec-19	BFY Brands LLC	Snack manufacturer	USA	PepsiCo, Inc.	USA	-
2-Dec-19	Voortman Cookies Limited	Producer and seller of cookies	Canada	Hostess Brands, LLC	USA	320
22-Nov-19	Biscuit International S.A.S.	Producer & distributor of biscuits & cookies	France	Platinum Equity, LLC	USA	50,000
18-Nov-19	L.A. Libations	Supplier & distributor of non-alcoholic beverages	USA	Molson Coors	USA	-
18-Nov-19	Royal CSK Food Enrichment B.V.	Developer of dairy ingredients	Netherlands	Royal DSM N.V.	Netherlands	166
11-Nov-19	Craft Brewers Alliance Inc.	Large US-based craft brewer	USA	Anheuser-Busch Companies, LLC	USA	344
8-Nov-19	Orgain	Produces nutritional and organic food and supplements	USA	Butterfly Equity	USA	-
5-Nov-19	Symrise	Chicken-based food ingredient business of Symrise AG	USA	Kerry Group plc	Ireland	-

Source: MergerMarket, S&P CapIQ, and BGL estimates

Select M&A Transactions (2019-YTD)

Ann. Date	Target Company	Target Description	Country	Bidder Company	Country	EV ($M)
24-Oct-19	Warnock Foods Products	Produces organic, non gmo snacks	USA	Calbee North Americs	USA	-
15-Oct-19	Innophos Holdings	Producer of specialty ingredients	USA	Iris	USA	1,004
9-Oct-19	Ancho Reyes and Montelobos	Small batch mezcal and liquor brands	Mexico	Davide Campari Milano S.p.A	Italy	70
18-Sep-19	Cameron's Coffee	Coffee supplier and distributor	USA	Grupo Nutresa	Colombia	113
2-Sep-19	Kettle Foods Limited; Yellow Chips B.V.	Manufacturer of vegetable and organic potato chips	Netherlands	Valeo Foods Group Limited	Ireland	80
29-Aug-19	New Belgium Brewing	Large US-based craft brewer	USA	Kirin/Lion Little World	USA	-
28-Aug-19	Castle Brands Inc	Developer, maker and global marketer of premium branded spirits within four growing categories	USA	Pernod Ricard SA	France	263
27-Aug-19	One Brands, LLC	High protein snack bar maker	USA	The Hershey Company	USA	397
21-Aug-19	Quest Nutrition, LLC	Developer and manufacturer of protein bars and other healthy snacks	USA	The Simply Good Foods Company	USA	1,000
12-Aug-19	Black Velvet, MacNaughton, McMasters and Schenley	Select sprit brands of Constellation	USA	Heaven Hill Distilleries	USA	274
2-Aug-19	Campbell Soup Company	Campbell Soup Company's select international operations	Australia	Kohlberg Kravis Roberts & Co. L.P.	USA	2,200
31-Jul-19	Fox Restaurant Concepts LLC	Manages and operates restaurants	USA	Cheesecake Factory Inc	USA	178
24-Jul-19	International Coffee & Tea	Coffee and tea distributor	USA	Jollibee Worldwide	Philippines	350
19-Jul-2019	Carlton & United Breweries (ABI Australia)	Supplier of international beers	Australia	Ashai	Japan	11,275
19-Jul-19	Pioneer Food Group Limited	Company engaged in the manufacturing of food, beverages and related products	South Africa	PepsiCo, Inc.	USA	1,861
12-Jul-19	Kelsen Group A/S	Producer of baked snacks	Denmark	Ferrero SpA	Italy	300
11-Jul-19	Itambe Ltda.	Engaged in producing dairy products	Brazil	Groupe Lactalis S.A.	France	-
8-Jul-19	Flagstone Foods	Manufacturers and distributors of private label healthy snacks	USA	Atlas Holdings LLC	USA	90
19-Jun-19	Perfect Bar, LLC	Protein bar manufacturer	USA	Mondelēz International	USA	-
18-Jul-19	Cooper's Hawk Winery & Restaurant	Owns and operates wineries and tasting rooms across the U.S.	USA	Ares Management	USA	-
10-Jun-19	Fords Gin	Branded craft spirits producer	USA	Brown-Forman	USA	22
3-Jun-19	Wiberg Corporation, Inc.	Specializes in savory solutions like seasoning blends, spices and functional ingredients for the food industry	Canada	International Flavors & Fragrances Inc.	USA	-
29-May-19	Nuova Castelli SpA	Engaged in the production and marketing of dairy products and canned fish	Italy	Groupe Lactalis S.A.	France	334
27-May-19	Ice Cream Factory Co Maker SA	Ice cream manufacturer	Spain	Ferrero SpA	Italy	-
24-May-19	Continental Foods Belgium NV	Manufacturer of instant food products	Belgium	THE GB FOODS, S.A.	Spain	1,007
23-May-19	Schwan's Company	Manufacturer and marketer of frozen foods through home delivery, retail grocery and foodservice channels	USA	Bain Capital, LP.	USA	-
21-May-19	Nothing But Nature Inc.	Producer and supplier of organic beverages	Canada	Zurban Beverages Inc.	Canada	6
15-May-19	Clabber Girl Corporation	Company producing baking products	USA	B&G Foods, Inc.	USA	80
14-May-19	Colbrand B.V	Producer of food products.	Netherlands	H J Heinz BV	Netherlands	-
9-May-19	Dogfish Head Craft Brewery	Large US-based craft brewer	USA	The Boston Beer Company	USA	300
22-Apr-19	HyLife Group Holdings Ltd.	Producer and distributor of pork products	Canada	Charoen Pokphand Foods Public Company Limited	Thailand	-

Source: MergerMarket, S&P CapIQ, and BGL estimates

Select M&A Transactions (2019-YTD)

Ann. Date	Target Company	Target Description	Country	Bidder Company	Country	EV ($M)
17-Apr-19	Michel et Augustin S.A.	Engaged in producing biscuits and cookies	France	Danone SA	France	-
17-Apr-19	Michel et Augustin S.A.	Engaged in producing biscuits and cookies	France	Danone SA	France	-
12-Apr-19	Wm. Bolthouse Farms, Inc.	Develops, manufactures and markets proprietary, natural, healthy products	USA	Butterfly Equity LLC	USA	510
11-Apr-19	Earthbound Farm	Grows organic produce	USA	Taylor Fresh Foods	USA	-
10-Apr-19	Royal Wessanen nv	Company engaged in organic food businesses	Netherlands	Consortium led by PAI Partners	Netherlands	1,046
3-Apr-19	Constellation Low-End Wine Portfolio	Select low-end wine brands of Constellation	USA	E. & J. Gallo Winery, Inc.	USA	1,100
1-Apr-19	Kellogg Company	US-based selected cookies and fruit snacks business of Kellogg Company	USA	Ferrero SpA	Italy	1,300
19-Mar-19	Turkey Hill Dairy LP	Produces and sells frozen dairy products	USA	Peak Rock Capital LLC	USA	215
22-Feb-19	Merry Edwards Winery	US-based winery	USA	Champagne Louis Roederer S.A.	France	-
21-Feb-19	Garden Fresh Salsa Company	Produces and sells refrigerated salsa products	Canada	Aliments Fontaine Sante	Canada	55
20-Feb-19	Fresh Hemp Foods Ltd.	Producer of hemp food products	Canada	Tilray, Inc.	Canada	316
20-Feb-19	Cutwater Spirits	Producer of RTD canned cocktails and bottled spirits	USA	Anheuser-Busch InBev	USA	-
19-Feb-19	CytoSport, Inc.	Company engaged in manufacturing sport-oriented nutritional products	USA	PepsiCo, Inc.	USA	480
31-Jan-19	American Dehydrated Foods, Inc.; International Dehydrated Foods, Inc.; IsoNova Technologies LLC	Company engaged in the processing and supplying premium poultry ingredients; Manufacturer of commercial digestible protein and natural chicken flavor ingredients; Producer of pet food	USA	Symrise AG	Germany	900
25-Jan-19	Fuller's Brewery	International beer brand	USA	Asahi	Japan	329
23-Jan-19	Orion Breweries	International beer brand	USA	The Carlyle Group and Nomura	USA	519
17-Jan-19	WhistlePig (minority stake)	Branded craft spirits producer	USA	BDT Capital Partners	USA	-

	EV/Revenue	EV/EBITDA
Mean	2.0x	18.2x
Median	1.9x	13.3x

Source: MergerMarket, S&P CapIQ, and BGL estimates

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Note: * Denotes Co-heads of the Food & Beverage team

Global M&A Partners – Selection of Transactions

Agricultural Products and Food Ingredients

GROBEST / PERMIRA
Sale of controlling shares of Grobest, one of the largest producers of aquatic feed in Asia, to Permira.
United Kingdom, Taiwan
FCC Partners
Advisor to the seller

Fanagra / AAK
AAK AB acquires Fanagra, a Colombian company in the oil and fats industry.
Advisor to the buyer

Ojah / korys
Sale of Ojah, producer of high protein meat substitutes to management and the family office Korys
JBR
Advisor to the seller

NATUREX / CARAVELLE
Reorganization of the capital of Naturex
France, Spain
Financière de Courcelles
Advisor to the seller

FLOR DE SAL / CORVIS Family Office
Corvis Family Office has acquired the Spanish salt harvesting company Flor de Sal d'Es Trenc
Germany, Spain
InterFinanz
Advisor to the seller

Food Processing, Food Manufacturing

SNACK CONNECTION / Gimv
Gimv made a significant investment in Snack Connection
Belgium, Luxembourg, Netherlands
JBR
Advisor to the seller

WARNOCK FOOD PRODUCTS / Calbee
Warnock Food Products, Inc. has been acquired by Calbee, Inc. (TSE:2229)
Japan, USA
Brown Gibbons Lang & Company
Advisor to the seller

FOOD UNION
Merger of the two largest Latvian dairy products manufacturers JSC "Rigas piena kombina?ts" and JSC "Valmieras Piens"
Russia, Baltics
Prudentia

Lubs / CORVIS Family Office
Corvis Family Office acquires Lubs GmbH, a producer of organic fruit and veggie bars
InterFinanz
Advisor to the buyer

CEPOSA / Verium
DIVESTITURE of Mediterranean antipasti manufacturer Ceposa AG (CH) to an investor group led by Verium AG (CH)
Zetra International
Advisor to the seller

Food Distribution, Food Retail, Restaurants

FOOD EX / TaKaRa HOME
Sale of 80% of the shares of the leading French distributor of Japanese food products for hotels and restaurants
Japan, France
Financière de Courcelles
Advisor to the seller

EROSKI / Intermarché
Intermarché acquired 20 supermarkets from Eroski
Financière de Courcelles
Advisor to the buyer

Alsea / P.F. CHANG'S
Advisory to Alsea on the sale of a majority stake in the master franchisee of P.F. Chang's in Brazil
Brazil, Mexico
Condere & RIóN
Advisor to the seller

YO! 活
YO! Sushi owns, operates, and franchises conveyor belt sushi restaurants, principally in the UK and the US
United Kingdom, USA
Zeus Capital
Advisor to the buyer

Carl's Jr. / Taco Holding
Grupo Premier, the master franchisee of Carl's Jr. for the Mexico City region, has been acquired by Taco Holding.
RIóN
Advisor to the seller

About Us

Established in 1999, Global M&A Partners is one of the major international M&A networks comprised of independent investment banking firms partnering to provide international scope and local market expertise to our clients. We operate in more than 30 countries across 4 continents and have completed over 1,500 transactions during the last five years typically ranging from €20 to €500 million.

Our Food & Beverage team is comprised of seasoned M&A professionals from more than 17 partner countries with extensive knowledge of the dynamics and innovative changes occurring globally and locally in the Food & Beverage industry (e.g., changing consumer preferences, rapid food innovation, shifting supply chain, etc.).

Our M&A activity in the Food & Beverage sector is robust and includes many cross-border transactions, driven by international growth, strategic tuck-ins, and consolidation. Given our sector experience, transaction expertise, and unparalleled access to local decision makers, we can work together to offer customized M&A solutions and premium valuations for our clients.

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