



SUPER "FOOD" DEALS:

Consumer Trends, M&A
Activity in the Food
Industry, and Key Diligence
Considerations for Investors

PANELISTS:

- Michael McSweeney – SVP, TriVista
- Jennifer Frankenberg – Vice President, TriVista
- Ryan Freeman – Director, Harris Williams & Co.

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MIKE MCSWEENEY
Senior Vice President

Mike is a member of TriVista's Global Executive Leadership Team. Since joining TriVista in 2007, Mike has advised more than 50 Private Equity firms on M&A transactions across several industry sectors, with enterprise values from \$20 million to more than \$1 bn.

RELEVANT EXPERIENCE:

- Active ACG Member since 2008
- Founded TriVista's Food Practice in 2010
- Head of Global Sales & Marketing
- Oversees TriVista's Interim Executive Recruitment & Practice

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TriVista





JENNIFER FRANKENBERG
Vice President

Jennifer is a Vice President in TriVista's Food & Beverage Practice where she oversees TriVista's Food & Consumables Due Diligence activities. Jennifer has advised more than 40 private equity investors on more than 75 middle market Food & Beverage M&A transactions. Jennifer possesses a strong combination of food safety, supply chain, operations, and risk management experience in the food and consumables space.

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AREAS OF EXPERTISE:

Food Safety – Regulatory Compliance

FSMA – Food Safety Modernization Act

M&A Operations & Food Safety Due Diligence

Foodservice

Supply Chain & Sustainability

Distribution

Food Production & Manufacturing



TriVista





RYAN FREEMAN
Director

Ryan Freeman is a director in Harris Williams & Co.'s Consumer Group. Mr. Freeman has advised private and publicly traded companies on mergers, acquisitions, capital raising, and strategic advisory assignments across a broad range of sectors in the food and beverage and restaurant and retail segments. Prior to joining Harris Williams & Co., Mr. Freeman worked as a vice president in the Food and Agriculture practice at Lazard Middle Market and as an associate in the Debt Capital Markets practice at Lehman Brothers and Barclays Capital. Previous experience also includes performing various roles in corporate finance, strategic planning, and global marketing at Eli Lilly & Co. Mr. Freeman received his M.B.A. from the University of Rochester, where he was a Simon Leadership Fellow, and he graduated with a B.A. in economics from Wabash College.

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About Harris Williams & Co.:

Harris Williams & Co. is a leading middle market M&A advisor focused on providing best-in-class services and flawless execution for clients worldwide. As a preeminent global investment bank, advising market leaders on the sale of their company, helping them identify growth opportunities for their business, and enabling them to realize their investment are what we do best. For 25 years, sell-side advisory has been the firm's hallmark. In addition to sell-side advisory, we also provide acquisition advisory, restructuring advisory, board advisory, private placements, and capital markets advisory services. With 10 dedicated Industry Groups and an unwavering focus on client service, we have an unmatched track record of successful outcomes. Member FINRA/SIPC.



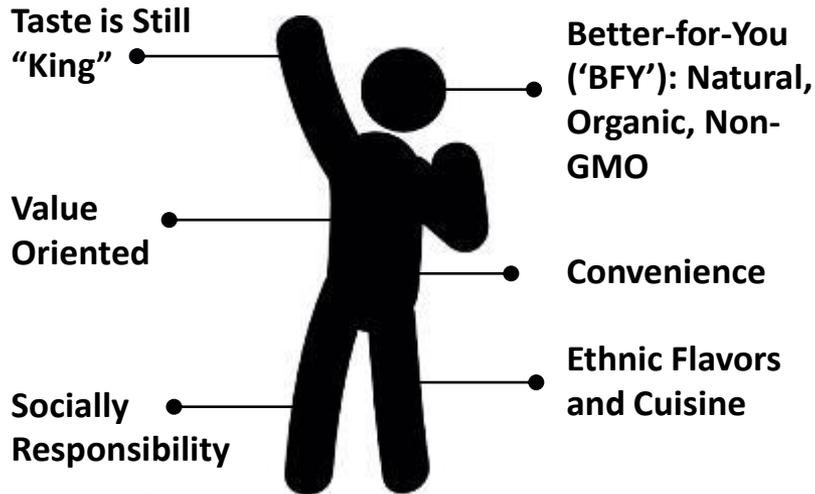
VALUATIONS TRENDS & M&A ACTIVITY

RYAN FREEMAN
Harris Williams & Co.



Leading Food & Beverage Trends

Key Consumer Trends



Key Retailer Trends



Key Consumer and Retailer Trends Driving...

Product Innovation 

Growth 

M&A Activity 

Relative Valuations 

Better-for-You Continues to Appeal to Consumers

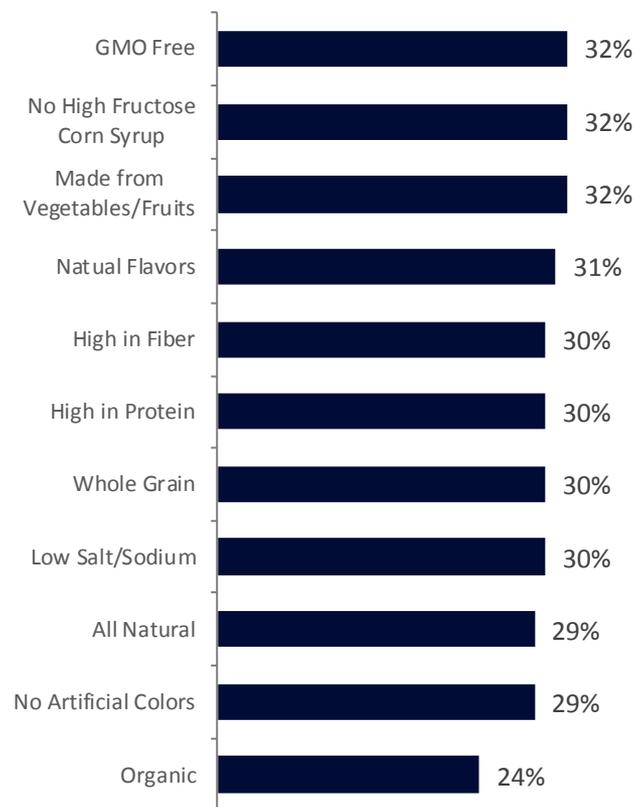
“Back to the Basics” Desires...



- “Back to the basics” appeals to a large swath of the population
- “Less is more” with respect to non-natural additives
- “More is more” relating to healthy attributes, like protein, fiber, and vitamins
- Food labeling and education continue to drive demand

... Drive Consumer Purchases

% of Respondents Who Indicated “Very Important”



Source: Nielsen

Growing Importance Encourages Action ...

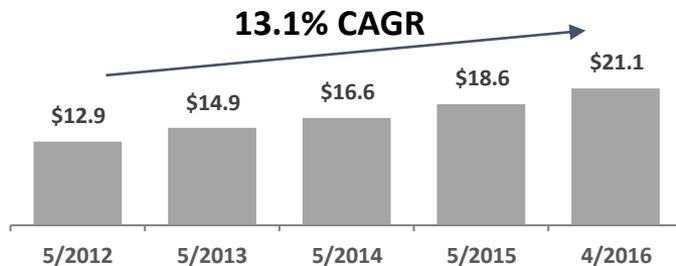
Organic Sales Continue to Flourish

Organic Food Sales from 2010 to 2015 U.S. (\$ in billions)



Non-GMO Labelled Growth

Non-GMO Sales U.S. (52 Week Trailing | \$ in billions)



Notable Actions by Leading Companies



Removing artificial colors and flavors in bars and cereals by 2018



Removing artificial colors and flavors, increasing whole grains by 25%, and reducing sodium by 10% by 2020



Removing artificial colors and flavors in 90% of cereals by 2016



Removing artificial colors and flavors in all North American products by 2018



Introduced organic Gatorade in 2016



Eliminating all artificial colors, sweeteners, flavors, and preservatives by 2016



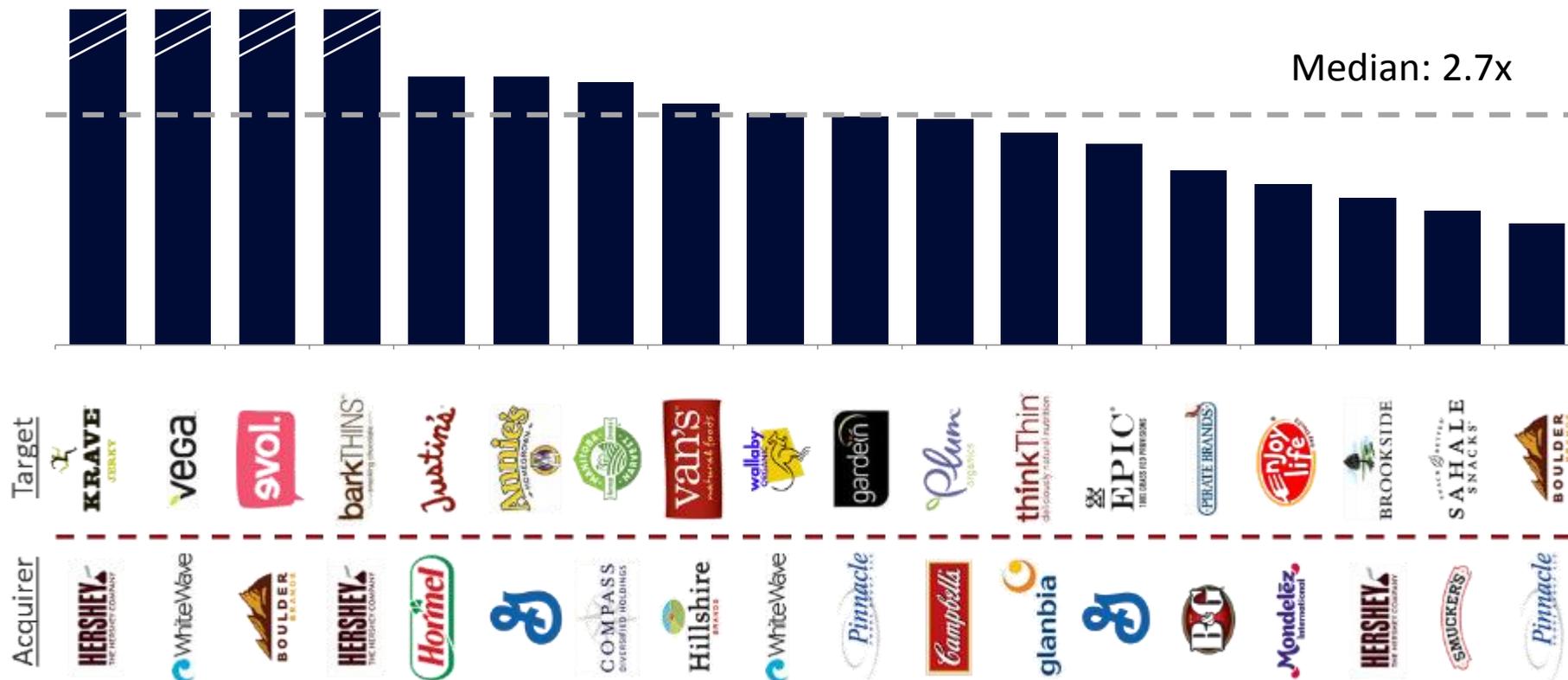
Moved to non-GMO milk chocolate in 2015

Source: Organic Trade Association, Nielsen, Various Press Releases

... and Drives M&A at Attractive Valuations

EV/Revenue Multiples

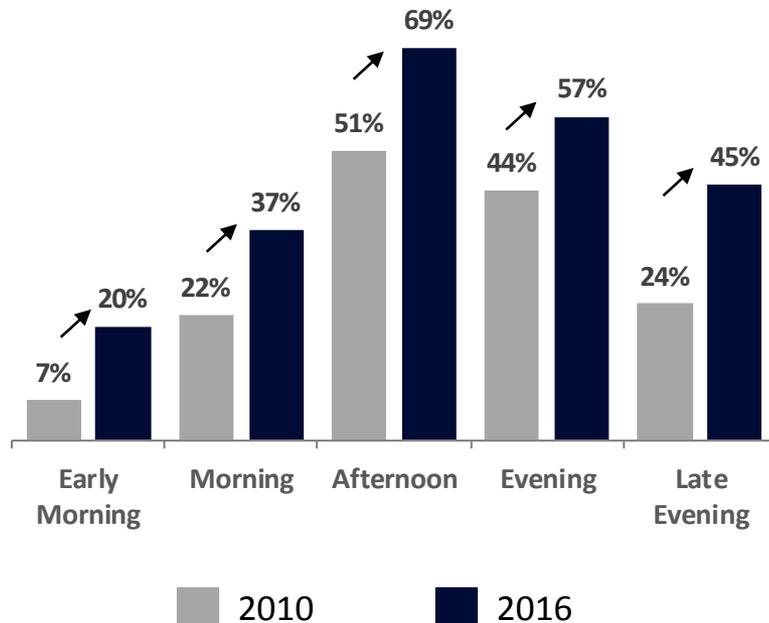
Recent Relevant Transaction Multiples



Snacking Continues to Gain Momentum

Americans are Snacking More Often

When Consumers Snack by Day Part (% of Respondents)



Snacking Frequency

17% ↑

Last Five Years

Snacking Sales

\$35B ↑

Next Five Years

- Americans snack 2.7 times per day (avg.)
- 46% of Americans snack 3+ times per day, millennials snack most often
- 44% of millennials seek snacks with clean labels

Source: IRI, Mintel

Driving Innovation and M&A Activity

Recent Snack Innovation

		P3: Cheese, Nuts, and Meat
		Rev Wraps: Protein Wraps
		P.B. Bites: Bite Size Peanut Butter Snacks
		Bars: Protein, Berries, and Yogurt
		Snack Stacks: Snacking Size Packages
		100 Calorie Packs: Snacking Size Packages
		Greek Crunch: Yogurt and Mixes

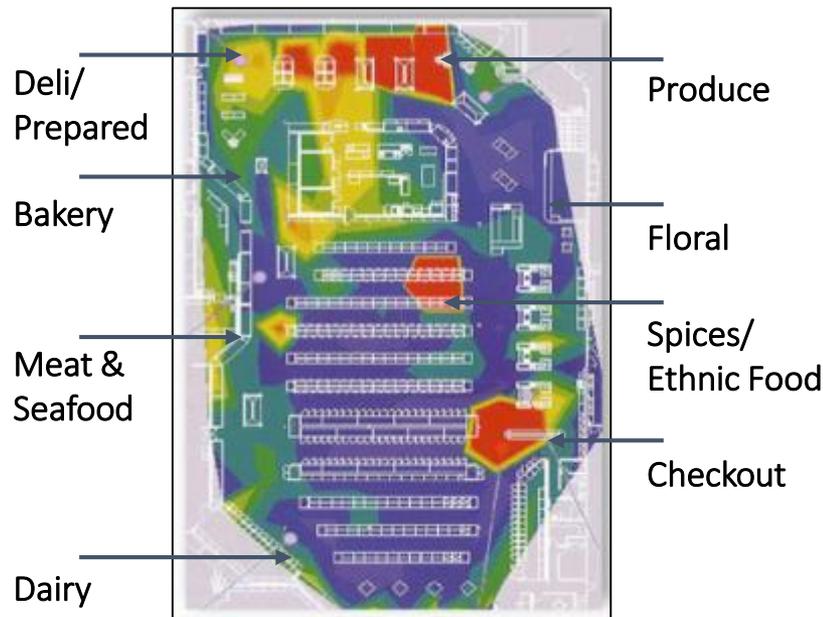
Recent Snack Transactions

	+		2016
	+		2016
	+		2016
	+		2016
	+		2015
	+		2015
	+		2015
	+		2014
	+		2013

Perimeter of the Store is Key Contributor to Growth

Store Traffic on the Perimeter...

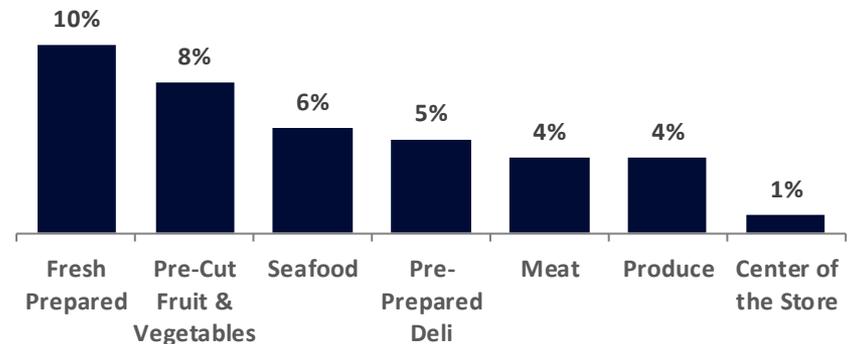
Heat Map of Consumer Traffic



■ Most Time Spent
 ■ Least Time Spent

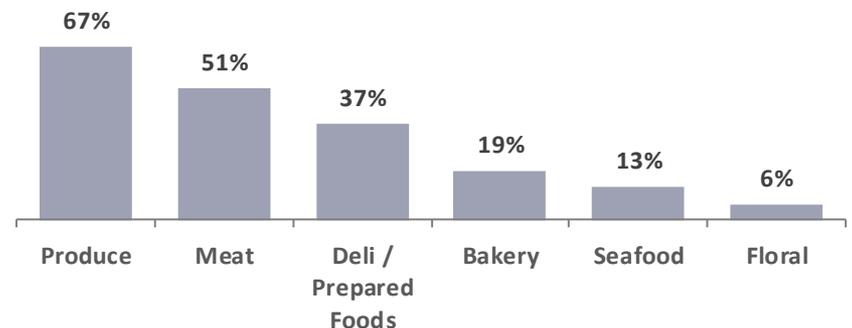
... Drives Sales Growth

Sales Growth from 2014 to 2015



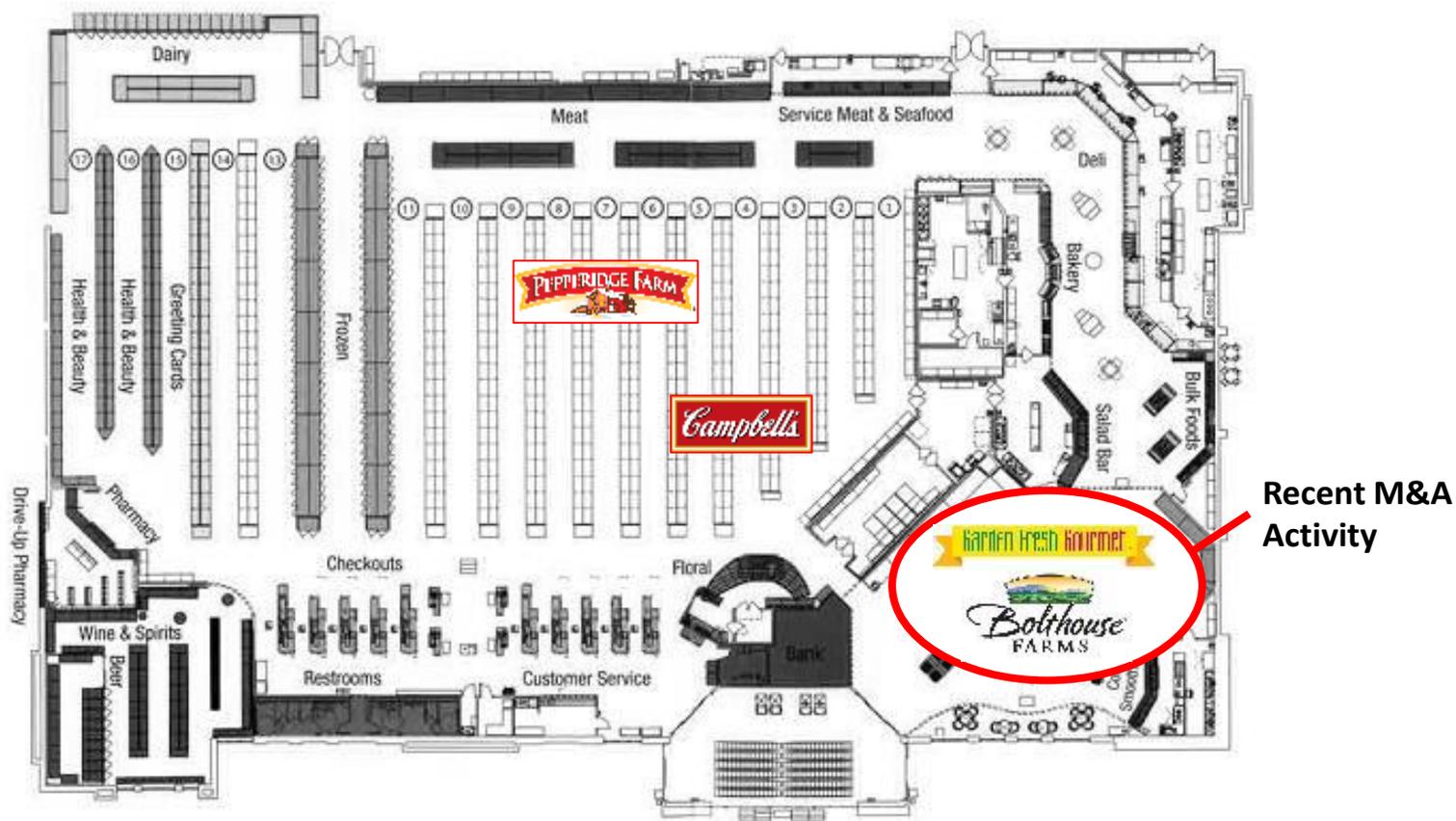
... Drives Attention of Grocers

Supermarkets' Signature Departments (Top Two)



Source: IRI, Supermarket News, Sorensen Associates

Campbell is Shifting Focus to High Growth Areas



Hispanic and Millennial Consumers Fueling Demand

Hispanics in the U.S.

Purchasing Power

\$490B in 2000



\$1.3T in 2015



% of U.S. Population

**18% | 57 mm
2015**

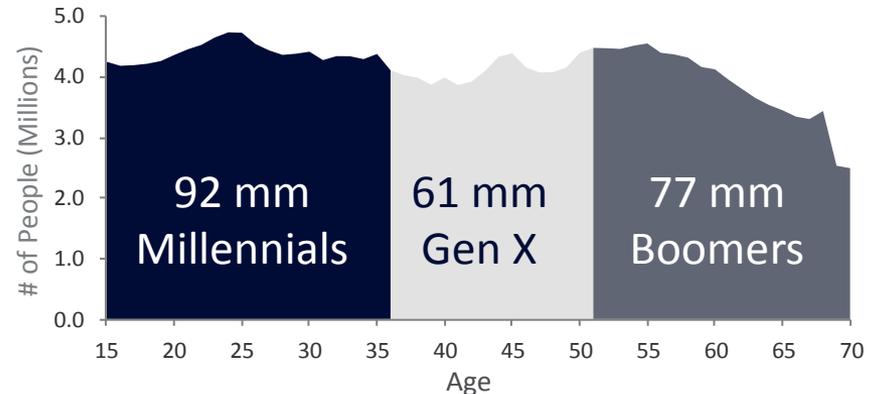


**30% | 119 mm
2060P**



Millennials in the U.S.

Number of People in the U.S. by Age in 2015



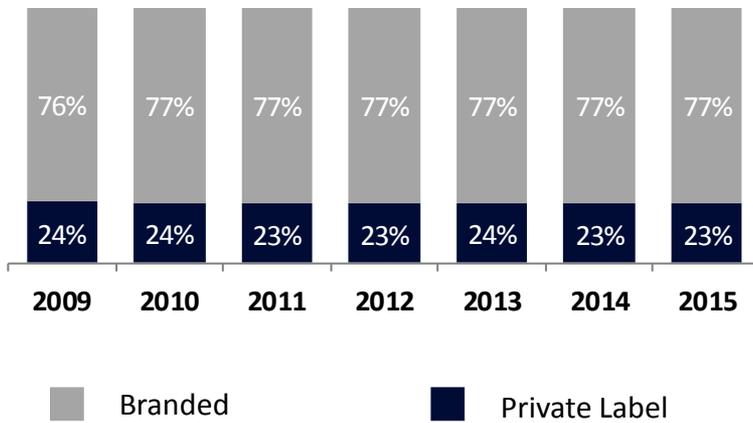
- Millennials are now the largest generational cohort in the U.S.
- Snack most frequently
- Preference for ethnic, bold flavors
- Desire authenticity, transparency, and natural/organic
- Value convenience, price, variety, and taste

Source: U.S. Census, Pew Research, Selig Center for Economic Growth, BCG, IRI

Private Label Products Maintaining Market Share

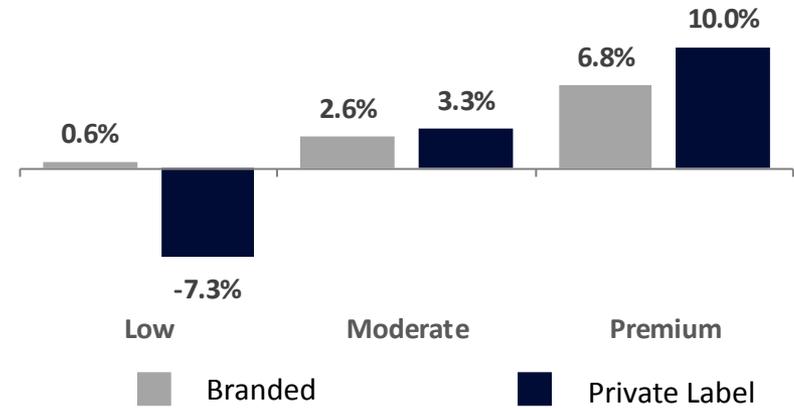
Store Brands Maintain Share

Unit Share at U.S. Supermarkets



Private Label Snacks Outperform

YoY % Snacking Sales Growth from 2014 to 2015 U.S.



Private Label "Brands"

Basic **Premium** **Organic**

market pantry | World's Finest | Simply Balanced

Private Label "Brands"

Basic **Premium** **Organic**

Essential EVERYDAY | C | wild HARVEST

Private Label "Brands"

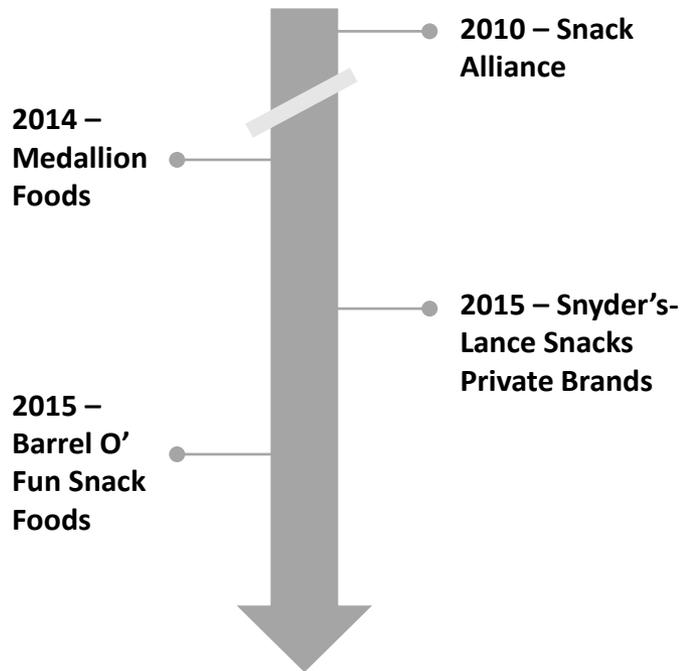
Basic **Premium** **Organic**

Value | PRIVATE SELECTION | simple truth

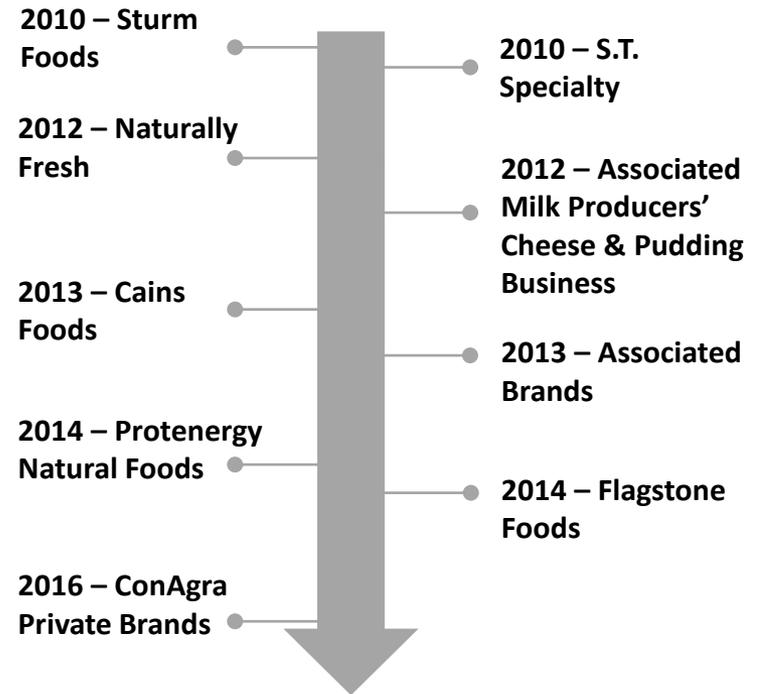
Source: Nielsen, PLMA, IRI

Consolidation Continues in Private Label Market

Case Study: Shearer's



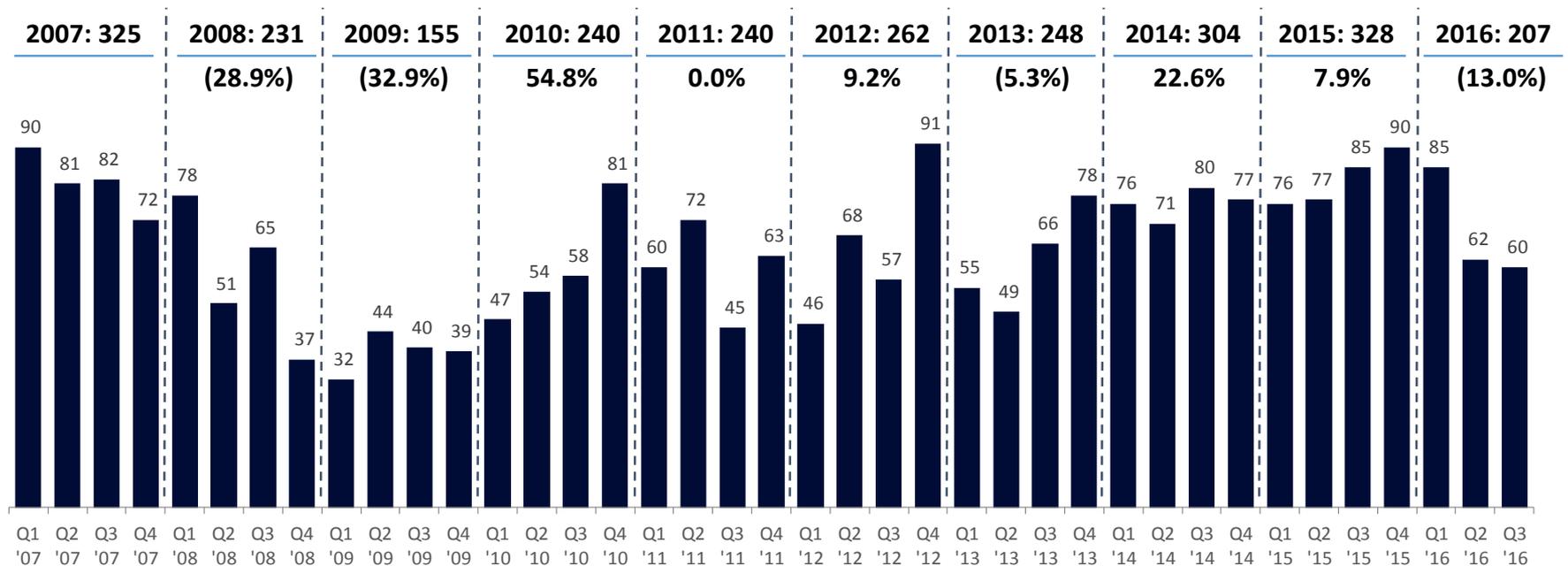
Case Study: TreeHouse Foods



Attractiveness of Food Assets Fuels Sustained M&A Activity

Robust M&A Activity Continues

of Transactions in U.S. & Canada from 2007 to 2016 YTD

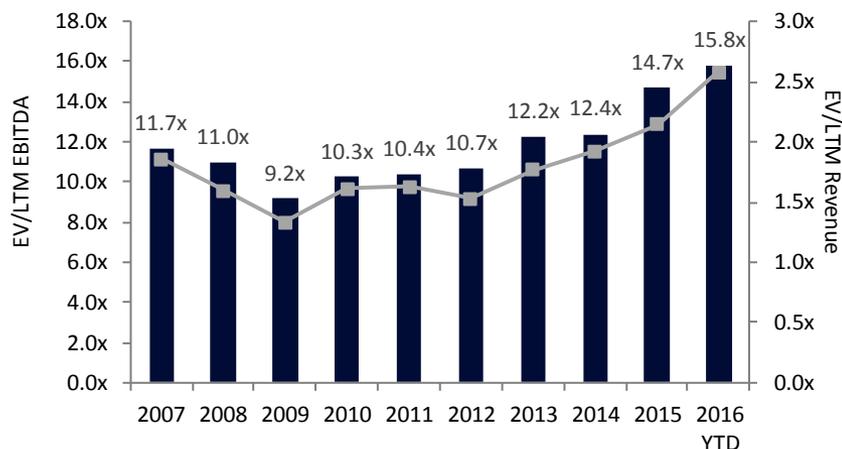


Source: Factset

Strong Valuations Continue

Public Equity Food Index Multiples

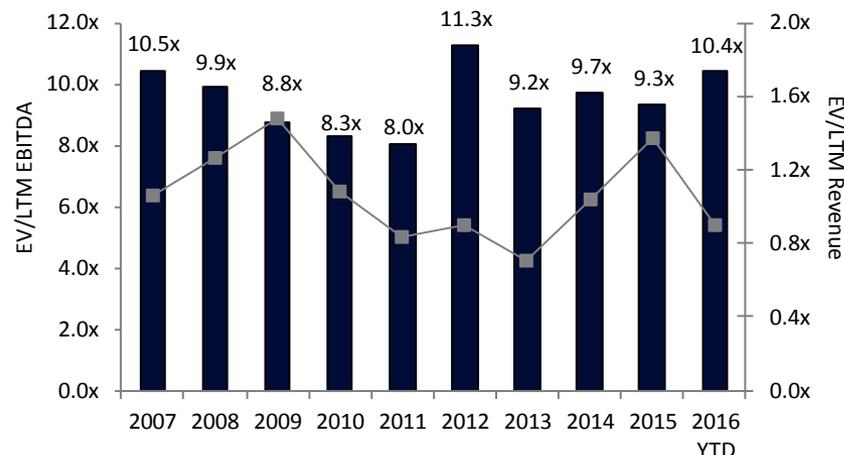
Median Public Trading Valuation Multiples



■ EBITDA Multiple ■ Revenue Multiple

Strong Transaction Multiples

Median U.S. & Canadian Transaction Multiples



■ EBITDA Multiple ■ Revenue Multiple

Source: Factset, Index Includes 38 Food & Beverage Companies

- Attractiveness of food sector is expected to continue driving strong M&A activity.
 - Attractive growth and free cash flow profile
 - Stable growth during recessionary periods
 - Scalable assets
- Consolidation is expected to continue (e.g., Kraft/Heinz, Danone/WhiteWave, TreeHouse/ConAgra Private Brands, Pinnacle/Boulder Brands).
- Better-for-you assets will continue to garner interest from both strategic and financial investors at attractive values.
- Large companies will continue to divest non-core assets.

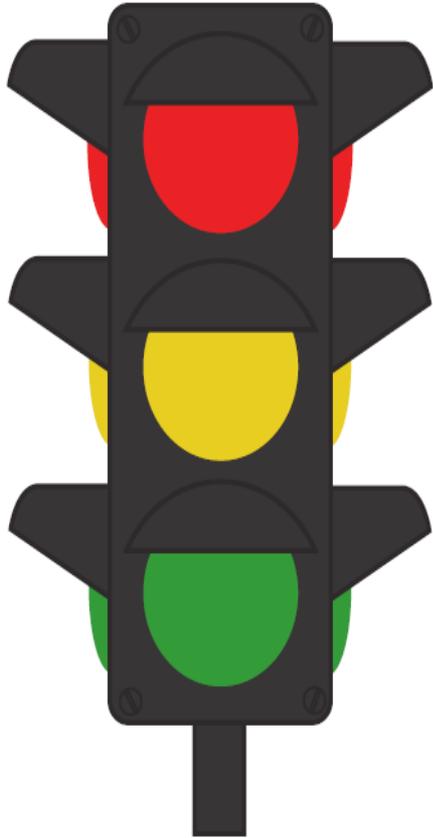


KEY INVESTMENT CONSIDERATIONS

JENNIFER FRANKENBERG
TriVista



Lots of opportunity, but comes with inherent risks!



- Organic growth opportunities in food sector
- Exciting dynamics in marketplace due to shifts in consumer behaviors
- Premium valuations
- FSMA – Food Safety Modernization Act
- Labeling, recalls, regulatory compliance
- High growth comes with challenges – CAPEX, Footprint, etc.



- 7 New Rules
- FSMA Compliance Dates
- Who Do These Rules Apply To?
- Risks of Noncompliance
- What is Management's Roadmap to Compliance?





1, 2 & 3



Does not mean FSMA Compliant

Label Claims!!!



- "Natural"
- "Healthy"
- "Fresh"
- "Pure"
- "Real"
- "Belgian" Chocolate

5 MOST IMPORTANT Food Safety Considerations

1 Inherent Product and/or Ingredient Risks

2 Robust Food Safety Programs

3 Regulatory Compliance

4 Labeling Compliance

5 Management Commitment

15%

*of the U.S. food supply is
Imported...*

*and less than
of those are
inspected at the border*

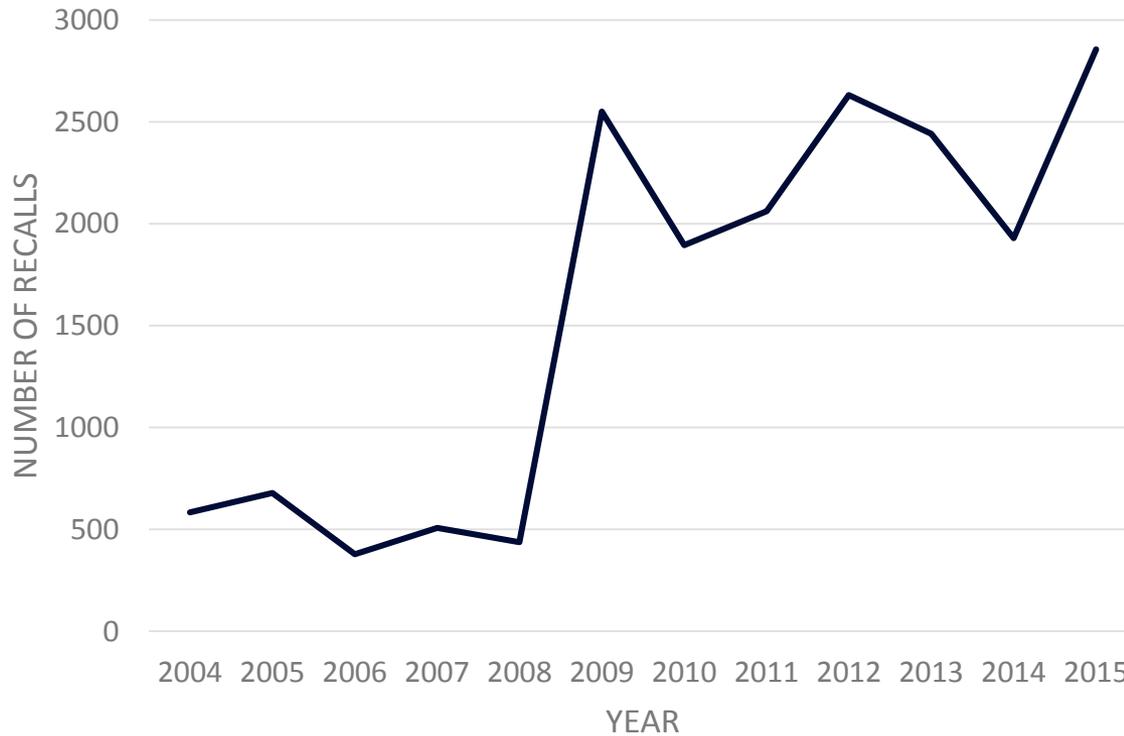
3%

*SOURCE: FDA 2012



INCREASE IN FOOD PRODUCT RECALLS

FDA FOOD PRODUCT RECALLS

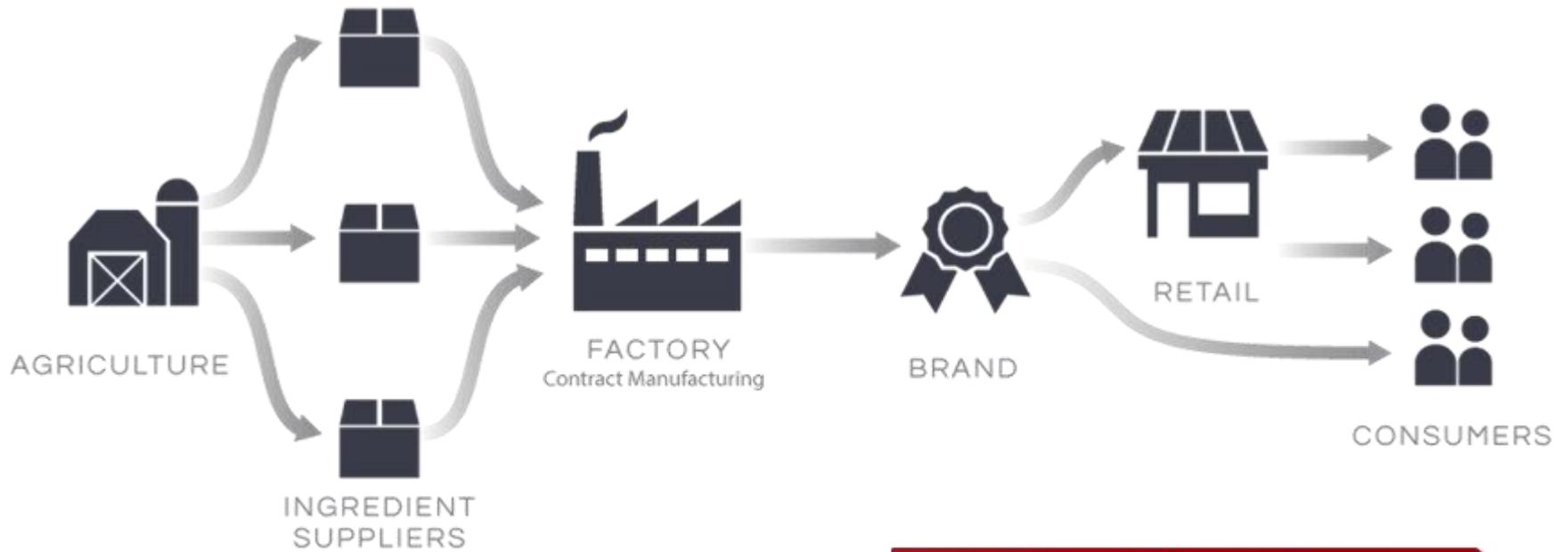


Of respondents would be less likely to purchase a food product again if it was recalled due to a contamination.

*SOURCE: IBM study on food safety



FOOD PRODUCTS VALUE CHAIN



Typical Diligence Focus

Recommended Diligence Focus



5 MOST IMPORTANT Production Considerations

- 1** Process Capability & Competence
- 2** Continuous Improvement Philosophy
- 3** Capital Equipment
- 4** Building & Facility
- 5** Proprietary Processes



5 MOST IMPORTANT Supply Chain Considerations

1 Supply Chain Competence

2 Supply Chain Performance – Scorecards, Metrics, Etc.

3 Co-Packer Capabilities & Gaps

4 Ingredient Supply Limitations & Restrictions

5 Supply Chain Continuity Planning





Company:

Private Equity firm seeking to acquire a \$50 million baked goods company

- Identified food safety gaps at the facility
- Warned of compliance gaps during diligence
- Pre close – FDA recall & citations

Investors must do homework to mitigate risks!



QUESTIONS?





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