

Key sector themes from the Consumer Analyst Group of New York 2023 - margin and growth focus

**Food & Beverage
M&A Recap**
Q1 2023

The Consumer Analyst Group of New York (CAGNY) conference brings together leaders of publicly traded consumer packaged goods (CPG) companies to share perspectives on strategy and outlook with analysts, investors and industry stakeholders. CPG companies continue to experience strong top-line growth, primarily as a result of price increases to pass through cost inflation. In addition, to offset rising input costs due to inflation and to protect margins, companies are trading volume for pricing. Most companies expect further price increases to generate the cash flow needed to invest in growth opportunities such as capacity expansion, innovation and acquisitions. Margin expansion will be realized through brand investment, innovation and cost-cutting initiatives to meet investor expectations.

Companies are shifting their portfolios and strategies to focus on high-growth, high-margin categories and are relying on SKU optimization and portfolio pruning to free up resources to allocate to these priorities. They're also reinforcing continued investment in marketing dollars to support brands, as well as pursuing M&A strategies to help reshape portfolios towards more premium or high-growth categories or achieve stronger category penetration. Acquisitions are focused on filling portfolio gaps, while divestitures will be necessary to focus on core categories. Inorganic growth will be supported by strong corporate balance sheets, low debt levels and ample cash reserves to transact. However, given the current capital markets environment, most companies expect to make smaller, strategic bolt-on acquisitions to be able to manage debt availability and higher interest rates. Executives also highlighted a disciplined approach to M&A, focusing on acquisitions with a high-quality investment thesis. This illustrates the focus companies have on navigating current market dynamics and not focusing on transformative acquisitions.

Key CAGNY 2023 messaging themes:

Making strategic trade-offs to balance growth and profitability	Maximizing pricing and brand power	Leveraging technology to increase efficiency and profitability	Creating future value to ensure relevance
Acknowledging volume declines to offset costs	Recalibrating strategies to focus on high-growth, high-margin categories	Leveraging B2B digital tools to drive commercial growth	Preparing employees for the workplace of the future
Investing in brands to combat private label gains	Premium-izing the portfolio through innovation	Digitizing supply chains to ensure resilience and create new efficiencies	Leveraging online platforms for testing new products and generating incremental sales
Returning to pre-pandemic margins via disciplined capital allocation	Expanding capacity to meet future demand	Using digital capabilities for revenue growth management and productivity initiatives	Innovating products with design-to-value principles
Adapting products to meet consumer desires and regulatory requirements	Staying consumer-centric with 1 st -party data	Streamlining operations to be more agile	Continuing to lead the industry's ESG initiatives with pilot programs

What is the right level of margin that companies can deliver while also meeting investor expectations?

Are companies too focused on surviving the moment and not looking far enough into the future?

How quickly will companies be able to evolve as their technology optimizes their current portfolio, operations and supply chain?

How much momentum will these initiatives generate once market dynamics stabilize?

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Sources: EY CAGNY Discussion Analysis









Food and beverage recent announced transactions

Select announced transactions in Q1 2023

All figure in USD, unless otherwise noted

Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Alcoholic Beverages					
Jan 01, 2023	Phillips Brewing Co		Operates as a brewery that manufactures and distributes Phillips-branded craft beer.	Yellow Point Equity Partners LP	
Bakery					
Jan 04, 2023	Freed's Bakery, LLC		Producer and distributor of iced and decorated cupcakes & muffins to the supermarket bakery industry.	Cafe Valley, Inc.	
Jan 09, 2023	Backerhaus Veit Ltd.		Producer of artisan, European-style breads, rolls, buns and soft pretzel products to retail & foodservice customers.	PNC Riverarch Capital	
Beverages					
Jan 03, 2023	Oatly Group AB Production Facility Assets		Assets at a production facility in Ogden, Utah. ▶ EV – \$72.0m	Ya YA Foods Corporation	



















Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Beverages					
Jan 21, 2023	Royal Crown Company, Inc.		Manufacturer of bottled soft drinks and concentrates offering store-brand soft-drinks and cola concentrates. ▶ EV – \$45.9m	Macay Holdings, Inc.	
Jan 31, 2023	Beaumont Juice, Inc.		Producer of premium, craft juices with a focus on the freshly squeezed citrus category supplying its products to the food service and retail channels.	Trivest Partners, L.P.	
Mar 23, 2023	Aseptic Solutions USA LLC		Manufacturer of energy products, vitamin shots, protein shakes, fruit juices and beverages.	Baldwin Richardson Foods Co.	
Mar 28, 2023	United Malt Group Limited*		Processor and supplier of malt and craft ingredients to brewers, distillers, and food markets. ▶ EV – \$1,309.7m ▶ EV/Revenue – 1.4x ▶ EV/EBITDA – 23.4x	Malteries Soufflet SAS	
Confectionery					
Feb 23, 2023	Kilwin's Chocolates Franchise Inc.		Producer and distributor of chocolates, ice cream and confections.	Levine Leichtman Capital Partners, LLC	
Distribution					
Jan 05, 2023	Great Lakes Foods, LLC		Supplier of groceries, meat, dairy & bakery products and provider of retail marketing services catering to supermarkets and convenience stores.	SpartanNash Company	
Jan 31, 2023	Concord Foods, Inc.		Distributor and seller of pizza, deli, and Italian food products offering cheeses, tomatoes, sauces, meats, poultry products, oils, olives, pastas, dressings, soups and salads.	Sysco Corporation	
Mar 20, 2023	Swiss American, Inc.		Operates as a distributor of cheese, meat and specialty food.	Lipari Foods, LLC	

*Operational HQ in US



Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Food Retail					
Mar 22, 2023	Cardenas Markets, Inc.		Operates a chain of supermarkets offering meat and seafood, fruits & vegetables, baked bread & cakes among others. ▶ EV – \$22.7m	Longpoint Realty Partners, LP	
Fresh produce					
Jan 23, 2023	Berry People LLC		Producer and distributor of organic and conventional strawberries, raspberries, blueberries and blackberries. ▶ EV – \$40m ▶ EV/Revenue – 1.1x	AgriFORCE Growing Systems Ltd.	
Jan 31, 2023	Dole (Fresh Vegetables Division)		Producer and seller of whole produce such as iceberg, romaine, leaf lettuces, cauliflower, broccoli, celery, asparagus, artichokes, green onions, sprouts, radishes, and cabbage. ▶ EV – \$293.0m	Chiquita Brands International Inc; Fresh Express, Inc.	
Frozen					
Feb 28, 2023	Uno Foods, Inc.		Manufacturer and distributor of frozen and refrigerated branded pizzas, calzones, entrees and appetizers.	Great Kitchens Food Company, Inc.	
Pet food					
Mar 21, 2023	CANIDAE Corporation		Producer and seller of pet food offering natural dried and canned food for dogs and cats.	Natural Balance Pet Foods, Inc.	
Protein					
Mar 27, 2023	Western Smokehouse Partners, LLC		Operates as a contract manufacturer of better-for-you smoked meat snacks.	AUA Private Equity Partners LLC	



Announced Date	Target	Target HQ	Target Description	Buyer	Buyer HQ
Sauces & Dips					
Mar 02, 2023	W.T. Lynch Foods Limited		Manufacturer of customized savoury and sweet culinary solutions for foodservice and industrial markets.	Solina Group SAS	
Seafood					
Jan 09, 2023	Orca Bay Foods, LLC		Operates as a seafood processing company providing crab, fish, vegetables, meat and vegan products.	Silver Bay Seafoods LLC	
Mar 06, 2023	Lee Fish Usa, Llc		Operates as an importer and value-added distributor of fresh and frozen seafood.	Sole Source Capital LLC	
Mar 13, 2023	Trapper's Creek, Inc.		Offers smoked salmon and seafood that include salmon jerky, salmon lox, and frozen seafood.	Peter Pan Seafoods, Inc.	
Mar 13, 2023	Boston Sword & Tuna, Inc.		Provider of seafood products such as prepared seafood, specialty seafood, frozen seafood, shellfish, tuna and swordfish.	Fortune International LLC	
Snacks					
Jan 19, 2023	Wyandot Snacks		Operates as a contract manufacturer of snack foods, cereals, and better-for-you offerings.	Astara Capital Partners	
Feb 20, 2023	Williams Sausage Company, Inc.		Provider of sausage, bacon and sandwiches to retail and foodservice customers.	Tyson Foods, Inc. (NYSE:TSN)	
Feb 23, 2023	MacFarms of Hawaii, LLC		Offers unsalted natural, dark chocolate, caramelized sea salt, milk chocolate, dry roasted with sea salt and coconut coated macadamia nuts. ▶ EV – \$26.0m	Hawaiian Host Inc.	
Mar 01, 2023	Thunderbird		Manufacturer of better-for-you bars which are soy free, dairy & gluten free and have no added sugar.	Wella	



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

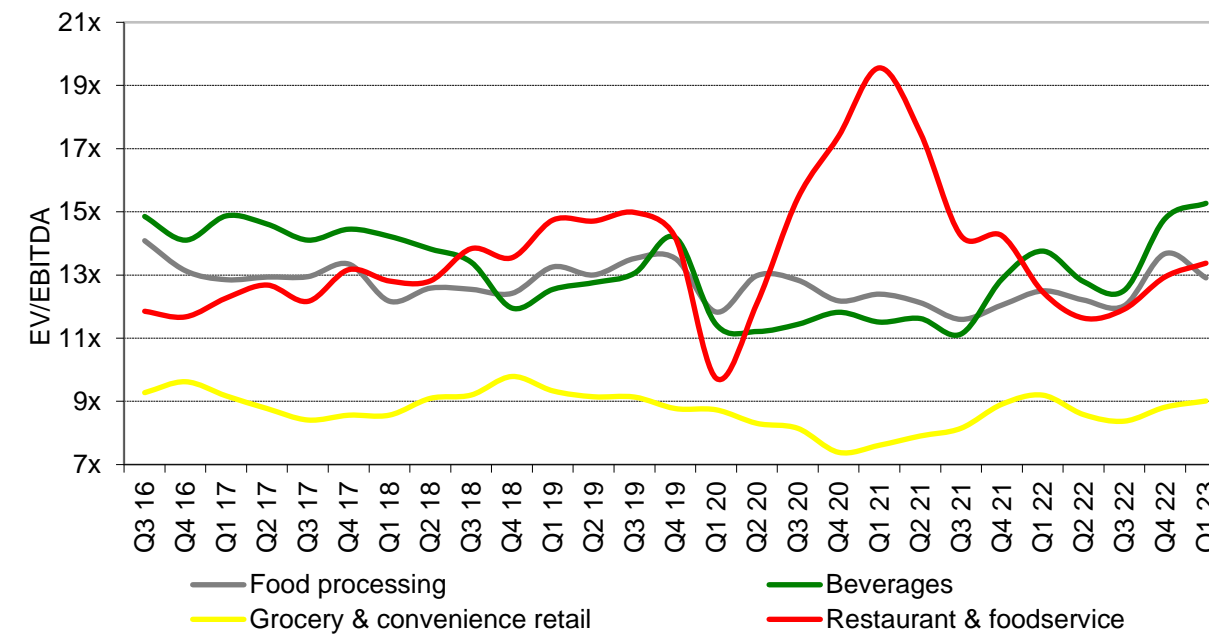
Loblaw Companies	L
Metro Inc.	MRU.A
Alimentation Couche-Tard Inc.	ATD.B

Restaurant and foodservice

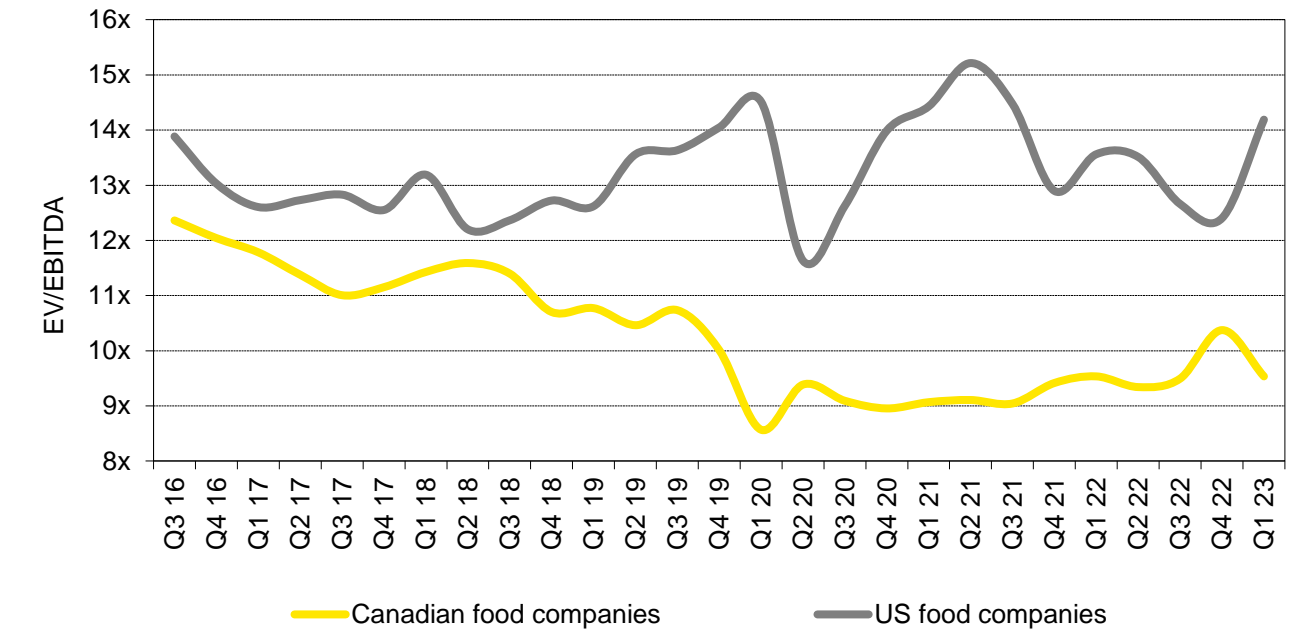
MTY Food Group Inc.	MTY
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EY Food and Beverage Index

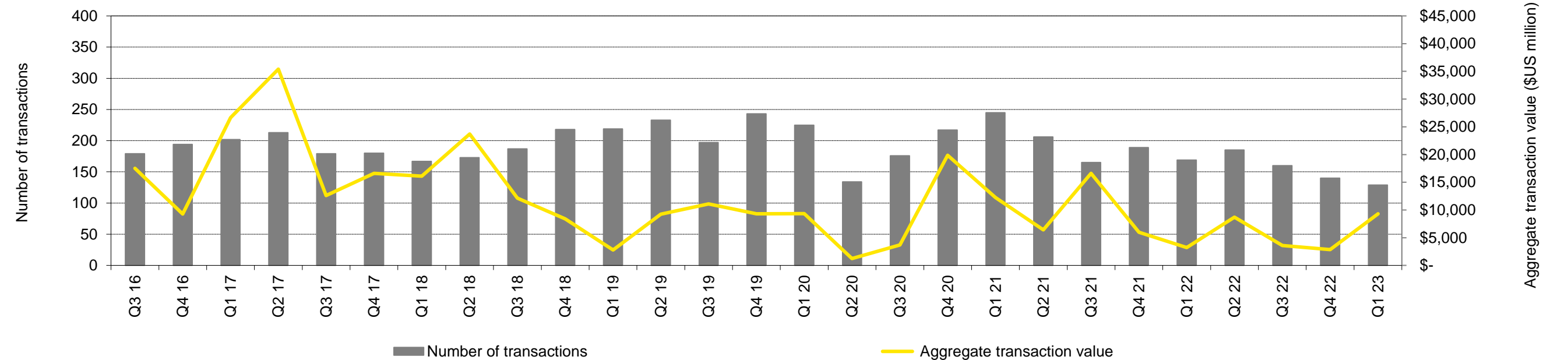
Enterprise value trends by sector



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.



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