

Food, Beverage and Agribusiness

2020: Year-end review

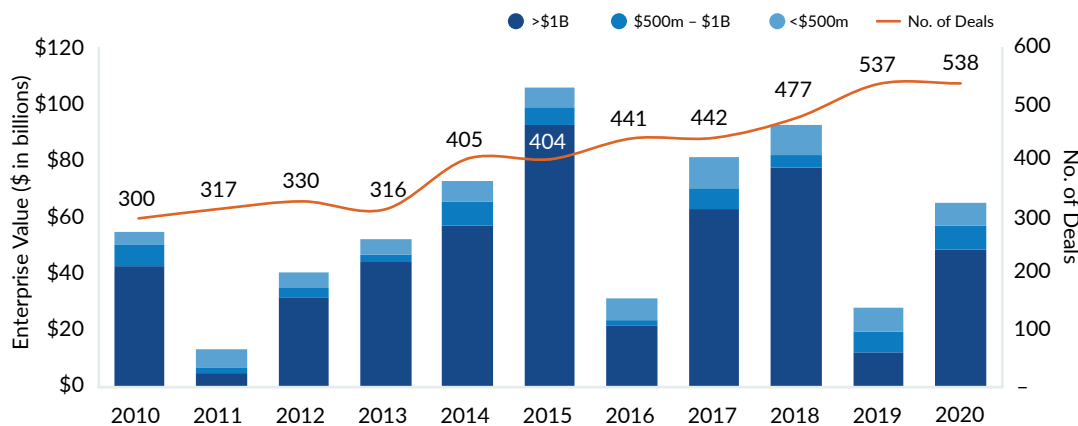
Key market drivers

2020 started as a turbulent year for the capital markets coming off what was an active 2019 for M&A and capital formation transactions. 1H2020 was characterized by a significant slowdown on the heels of the global COVID-19 pandemic, with product shortages due to pantry loading, shuttered restaurants following government-mandated lockdowns, volatile agricultural commodity prices and a rapid shift to online ordering. 2H2020 experienced a rather unprecedented recovery across most industries, including the food, beverage and agribusiness (“FB&A”) sector. While the number of announced FB&A deals was flat year-over-year, deal value more than doubled from \$28.8 billion in 2019 to \$65.5 billion in 2020. This included nine deals valued at more than \$1 billion in enterprise value, which accounted for 74% of total deal value.



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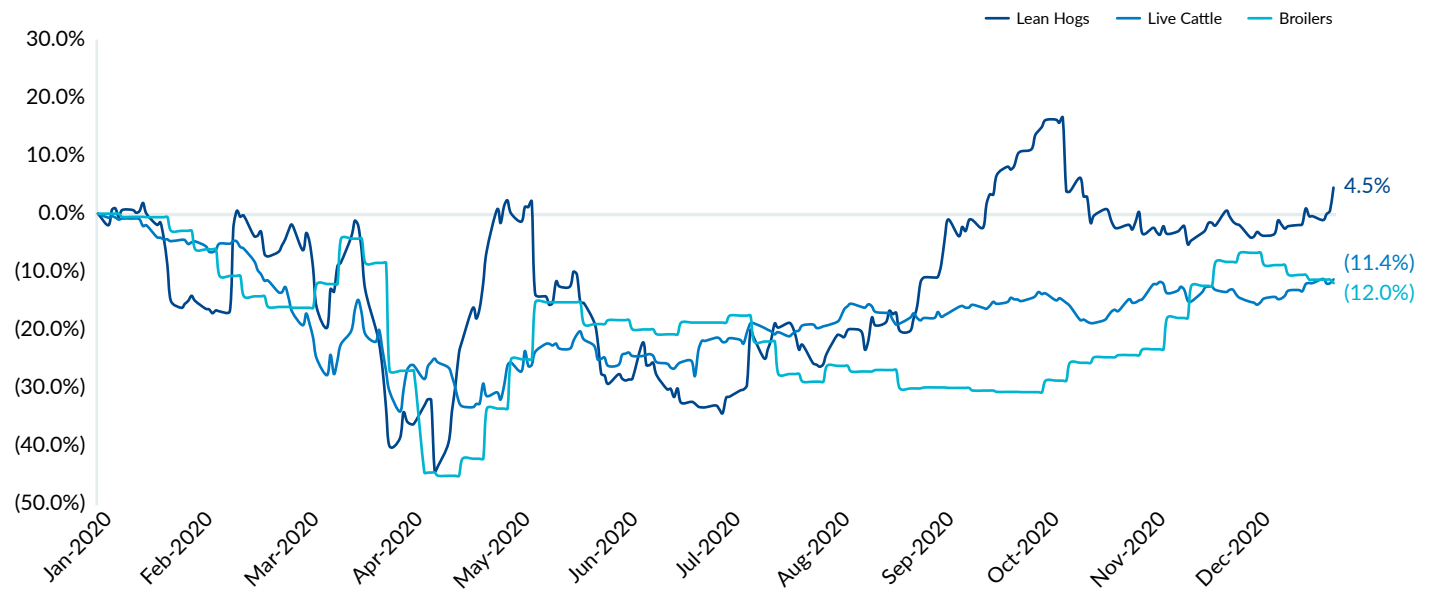
CHART 1: U.S. FOOD, BEVERAGE AND AGRIBUSINESS M&A VOLUME – LATEST TEN YEARS



Source: FactSet as of December 31, 2020.

Multiples for performing businesses continued to be strong while the overall quality of deal flow moderated. Continued strong private equity (“PE”) and strategic interest, and increased buyer bandwidth further supported elevated multiples.

CHART 2: LIVESTOCK COMMODITY PRICING PERFORMANCE – LATEST TWELVE MONTHS



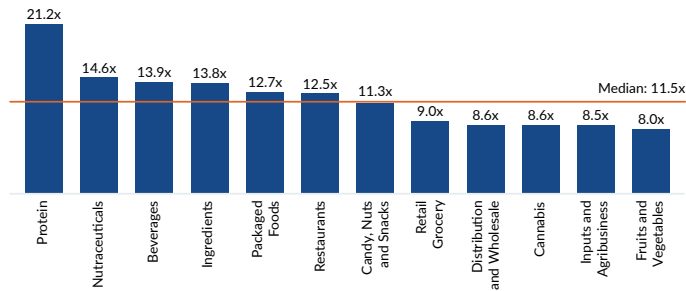
Source: FactSet/Chicago Mercantile Exchange nearby futures prices as of December 31, 2020.

CHART 3: GRAIN COMMODITY PRICING PERFORMANCE – LATEST TWELVE MONTHS



Source: FactSet/Chicago Mercantile Exchange nearby futures prices as of December 31, 2020.

CHART 4: FOOD, BEVERAGE AND AGRIBUSINESS M&A MULTIPLES BY SUB-SECTOR – EV / EBITDA



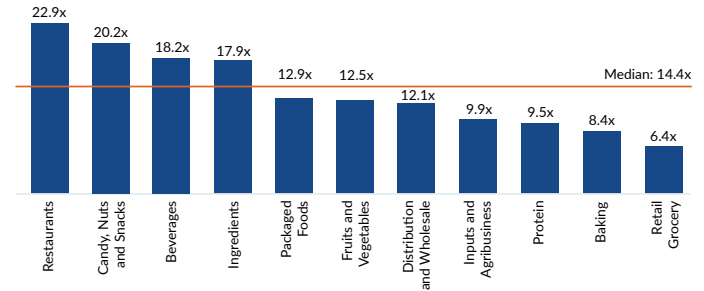
Source: CapIQ and FactSet. | Three-year sector averages.

During 2H2020, M&A activity rebounded significantly, likely fueled by (i) increased optimism of reopening economies, (ii) consolidation for small businesses struggling under the “new normal” and (iii) the plausibility of income tax increases under a Biden administration. Family-/founder-owned businesses that had not previously contemplated a transaction or transition appear to be more open to control or non-control liquidity event discussions.

Strong interest in categories such as snacking, cold chain, storage and logistics, premium indulgent foods, clean label, private label and heritage branded packaged food were the FB&A story of 2020, while foodservice operators continued to struggle. As such, many focused on re-inventing long-term growth plans to expand within the channel, diversifying the base, and pursuing new retail and direct-to-consumer strategies.

US FB&A public equities also finished on a strong footing with stocks trading at approximately 85% of 52-week highs and 14.4x LTM and 13.0x forward normalized EBITDA, respectively.

CHART 5: PUBLICLY TRADED FOOD COMPANIES BY SECTOR – EV / LTM EBITDA



Source: FactSet as of December 31, 2020.

“While the effects of COVID-19 headwinds still exist, we remain optimistic that the food, beverage and agribusiness M&A market will sequentially improve in 2021.”

TABLE 1: SELECTED NOTABLE FOOD, BEVERAGE & AGRIBUSINESS M&A DEALS

Announced date	Acquirer	Target	Sub-sector	Rationale	EV (\$mm)	EV / EBITDA	EV / Revenue
Dec-20			Ingredients	Technology / Capabilities	\$710	19.2x	6.22x
Dec-20		 US Chili Pepper Business	Specialty Foods	Diversification	\$109	n/d	n/d
Nov-20			Packaged Foods	Consolidation	\$800	19.0x	8.33x
Nov-20			Meal Kits	Consolidation	\$277	n/d	2.77x
Nov-20			Packaged Foods	Brand Dominance	\$480	8.4x	2.50x
Nov-20			Protein	Consolidation	\$718	10.8x	1.90x
Oct-20			Restaurants	Private Equity / Diversification	\$11,751	24.1x	8.58x
Sep-20		 Cheese Business	Dairy	Brand Dominance	\$3,200	12.0x	1.80x
Jun-20			Dairy	Private Equity	\$340	n/d	n/d
Jun-20		 North American Buitoni Business	Packaged Foods	Private Equity / Carve-out	n/d	n/d	n/d
Jun-20			Protein	Private Equity	n/d	n/d	n/d
May-20		 a wholly-owned subsidiary of Cooke Seafood	Protein	Consolidation	n/d	n/d	n/d
Apr-20			Meal Kits	Private Equity	n/d	n/d	n/d
Mar-20		 WAREHOUSE STORES	Foodservice Distribution	Consolidation	\$970	11.4x	0.88x
Mar-20			Cannabis	Consolidation	\$35	n/d	n/d
Feb-20		 POWERHOUSE	Protein	Brand Dominance	\$269	9.0x	1.89x
Jan-20			Restaurants	Diversification	\$556	13.5x	1.12x
Jan-20			Beverage	Diversification / Brand Dominance	\$2,172	n/d	4.34x

Sources: CapIQ and Company announcements. Multiples are synergy-adjusted when available. | Mesirov did not represent any of the acquirers or targets in connection with the transactions noted on this page and is not currently representing any of the listed acquirers or targets.

Sector spotlight: The new reality for foodservice providers

The COVID-19 pandemic has been the most disruptive force to hit global economies since the 2008 financial crisis. One of the most hard-hit industries has been the restaurant and hospitality segment, largely due to nationwide shutdowns and cautious diners wanting to limit their exposure to the virus.

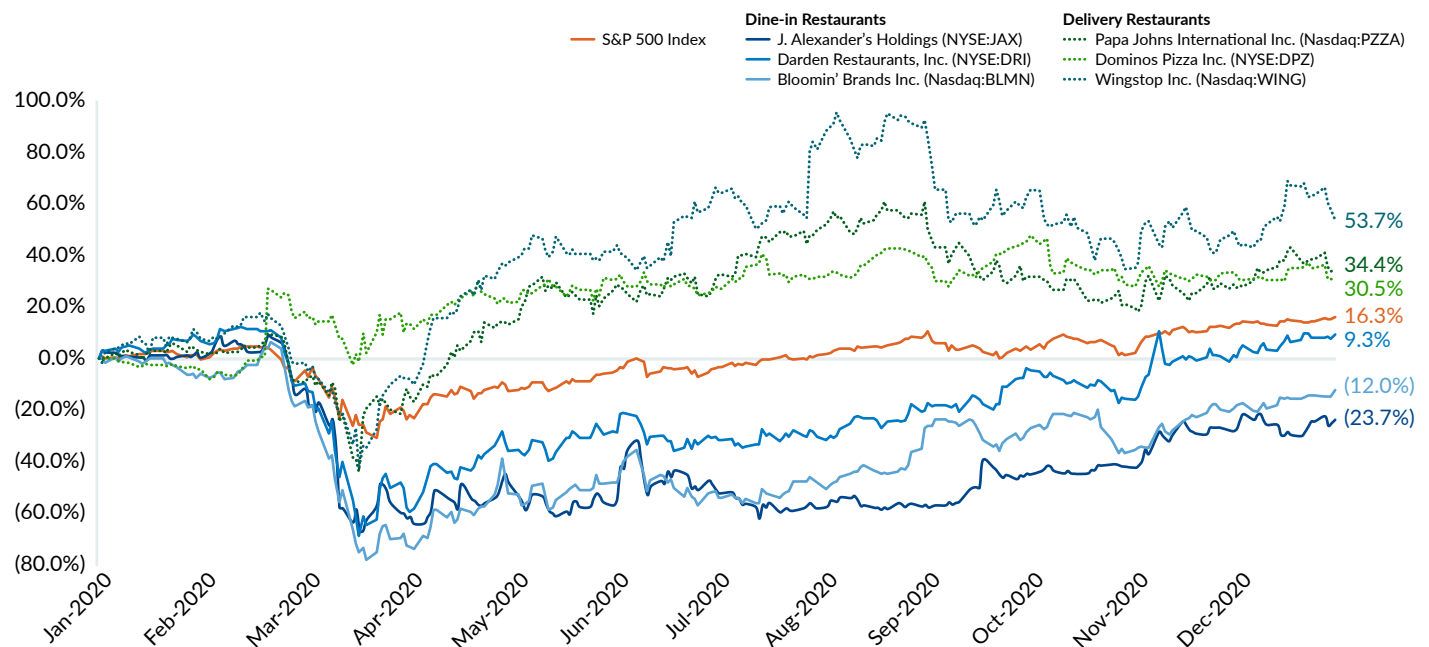
According to *The Wall Street Journal*, Domino's, Papa John's and Wingstop (among others), restaurants catering to quick-service, take-out and delivery, all enjoyed double-digit same-store-sales growth in 3Q2020. Meanwhile, the stocks of casual and fine dining chains such as Darden Restaurants (Olive Garden, LongHorn Steakhouse, Yard House, The Capital Grille, among others) and Bloomin' Brands (Outback Steakhouse, Carrabba's Italian Grill, Fleming's Prime Steakhouse) have recovered from their March lows, but remained flat on the year as they continue to face nationwide dine-in closures and capacity limitations.

According to Technavio and Statista, global food delivery revenue surpassed \$200 billion per annum, an increase of 7% year-over-year, and now represents an estimated 13% of total restaurant food sales. Food delivery revenue is projected to continue to grow at a CAGR of 12% through 2024.

One of the most notable trends on the rise is "ghost kitchens", which enable restaurant concepts to utilize "contract" kitchens and not own any brick-and-mortar, while offering take-out and delivery options. Although ghost kitchens were already making headlines before the pandemic, this delivery system uniquely positions existing capital- and/or operationally-constrained concepts and new concepts (e.g., MrBeast Burger) seeking highly scalable, asset-light operating models to capitalize on increased and sustainable take-out and delivery demand. Delivery apps have become more important for both business owners and consumers as take-out and delivery become more of the norm for consumers. The top four US meal delivery companies, DoorDash, Uber Eats, GrubHub and Postmates, raked in roughly \$5.5 billion in combined revenue from April through September 2020, more than twice as much as their combined \$2.5 billion in revenue during the same period in 2019.

According to Pitchbook, as of January 2021 and since the concept first surfaced, more than 500 investors have allocated approximately \$55 billion in capital to ghost kitchens across 200 deals with aggregate valuations for these companies having increased 155% year-over-year in 2020.

CHART 6: DINE-IN VS. DELIVERY RESTAURANTS: 2020 STOCK PERFORMANCE



Source: FactSet as of December 31, 2020. | The S&P 500 Index or Standard & Poor's 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The index is widely regarded as the best gauge of large-cap U.S. equities.

Turning to ghost kitchens to facilitate future growth

75% | Operators consider off-premise dining to be their best growth opportunity

\$1 trillion | Projected global market reach of ghost kitchens by 2030

<\$5,000 | Average start-up cost, compared to \$750,000 for a full-service restaurant

Source: US Foods Report.

Other notable restaurant sector trends



Reduced labor and menu complexity



Increased food packaging demand and innovation



Renewed real estate strategies catering to take-out/drive-thru/convenience formats



Increased M&A driven by consolidation and concept portfolio "roll-ups"



Contactless payment options at restaurants and limited common surface sharing

Outlook

While the effects of COVID-19 headwinds still exist, we remain optimistic the food, beverage and agribusiness M&A market will sequentially improve in 2021. Many indicators point to strong momentum due to significantly improving market conditions including, but not limited to, a measured reversion to pre-COVID-19 consumer behavior, sustained low interest rate environment and access to significant liquidity due to capital injections by the Fed, and a historically high amount of private equity dry powder needing to be deployed (i.e., more than \$1.5 trillion on a leveraged basis).

The speed of economic recovery will largely hinge on the availability and distribution of COVID-19 vaccines to the general public and the timing of a potential third major government stimulus package. Over the long term, we believe the defensive nature of the food industry, supported by a variety of underlying dynamic growth factors, will continue to attract buyers and sellers within the value chain.

Ghost kitchen success story

Brinker International's delivery-only, virtual wings concept



launched in June 2020

Operates out of more than **1,000 Chili's and Maggiano's locations**

In August, Brinker said the concept was generating run-rate sales of **\$150 million per annum**

Announced plans to **continue to grow the concept** and **add new concepts** over the coming months

Mesirow's selected 2021 consumer trends to watch



Plant-based seafood



Better-for-you food and personal nutrition goals



Environmental sustainability



Food safety



Omnichannel food distribution and delivery

Dedicated advisor to the food, beverage and agribusiness sector

Mesirow Investment Banking is consistently focused on elevating the experience for our clients. With extensive sector-specific expertise and deep long-standing relationships, our dedicated Food, Beverage and Agribusiness team has a proven track record of completing highly tailored and successful transactions. Our highest priority is helping individuals and organizations achieve their financial and strategic goals.

Mesirow serves the following sectors within the value chain:

- Beverages
- Branded and private label packaged food
- Cannabis
- Contract manufacturing
- Dairy and dairy alternatives
- Distributors and wholesalers
- Fruits and vegetables
- Ingredients and flavors
- Inputs and agribusiness
- Milling, baking and confectionery
- Natural and organics
- Nutraceuticals
- Pet food and feed
- Protein
- Restaurants and retail grocery
- Snack foods

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