



Food, beverage and agribusiness sector report



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Post-pandemic rally

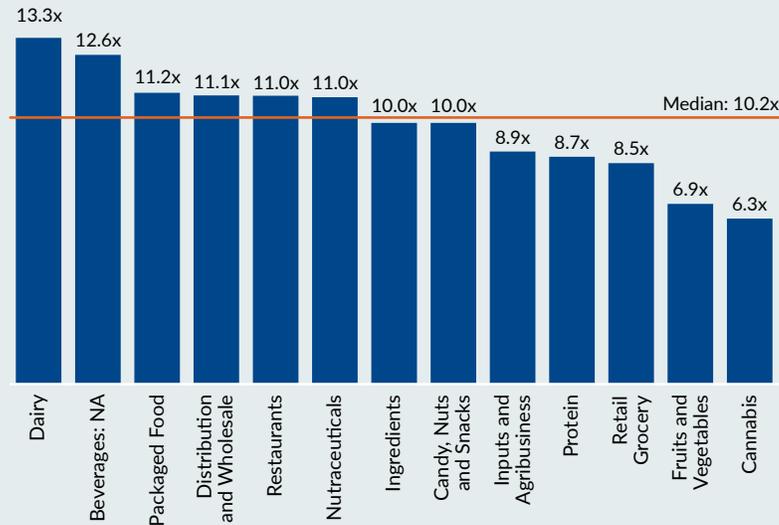
2021 marked a record year for M&A volume in the U.S. food, beverage and agribusiness industry. Increased appetites to drive growth and capital deployment through M&A and strong carryover from 2020 contributed to the record volume. A total of 495 transactions involving U.S. targets were announced, surpassing strong pre-COVID (CY 2019) levels by 15%. Dollar volume more than doubled from \$19.7 billion in 2019 to \$46.3 billion with mega deals (>\$ 1 billion) comprising more than 75% of total 2021 deal value. Sustained, elevated valuations and the potential for a punitive Biden administration change in tax policy accelerated timelines for certain sellers, while a record surplus of private capital and low interest rates continued to fuel strong demand among strategic acquirers and financial sponsors. We saw a modest, but expected deceleration in announced deals in 3Q2021 and 4Q2021 as investors digested the 2020 carryover and holidays entered into the seasonal mix.

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



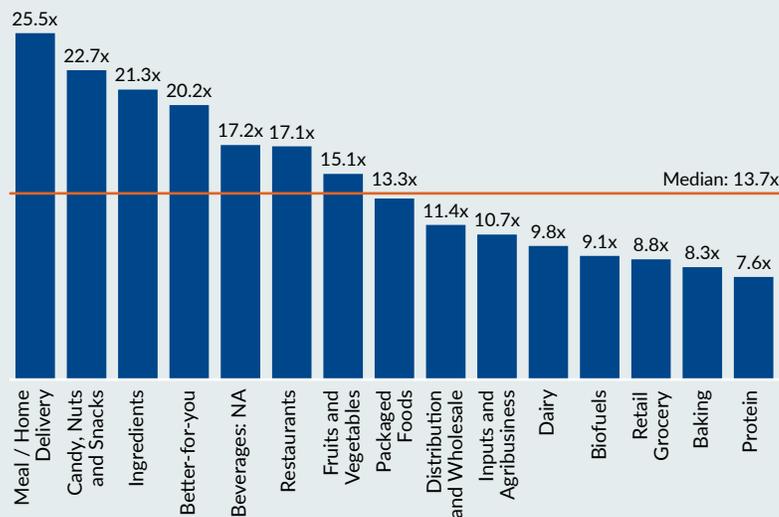
Source: S&P Capital IQ as of December 31, 2021. | Note: Excludes restaurants and retail grocery.

CHART 2: M&A MULTIPLES BY SUB-SECTOR (EV/EBITDA)



Source: S&P Capital IQ, FactSet, PitchBook and company press releases as of December 31st, 2021. | M&A deals with available multiples over the last three years.

CHART 3: PUBLICLY TRADED FOOD COMPANIES BY SUB-SECTOR (EV/LTM EBITDA)



Source: S&P Capital IQ as of December 31, 2021.

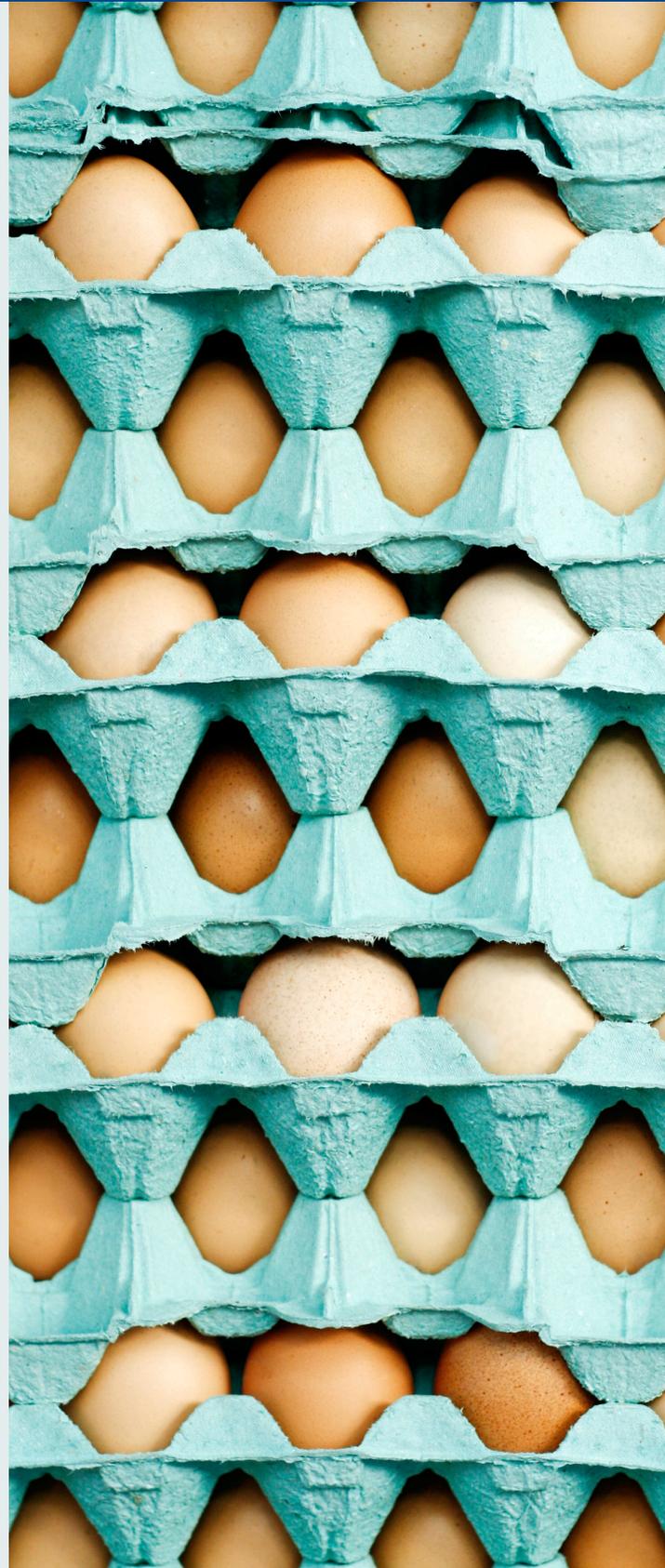


TABLE 1: SELECTED 2021 FOOD, BEVERAGE & AGRIBUSINESS M&A DEALS

Announced date	Acquirer	Target	Sub-sector	Rationale	EV (\$M)	EV / Revenue	EV / EBITDA
28-Dec-21	 DARLING INGREDIENTS	 VALLEY PROTEINS, INC.	Ingredients	Consolidation	\$1,100.0	2.32x	-
13-Dec-21	 HAIN CELESTIAL	 THAT'S HOW WE ROLL	Candy, Nuts & Snacks	Brand Dominance	\$259.0	2.40x	-
13-Dec-21	 Taylor FARMS	 Curation FOODS Fresh packaged salads and vegetables business	Fruits and Vegetables	Consolidation	\$73.5	0.20x	-
1-Dec-21	 Alpina	 CLOVER SONOMA	Dairy	Sustainability	\$200.0	0.84x	-
22-Nov-21	 HIGHTIDE	 Nuleaf NATURALS	Cannabis	Diversification	\$39.1	2.02x	7.4x
15-Nov-21	 rbi restaurant brands international	 FIREHOUSE SUBS	Restaurants	Diversification	\$1,000.0	0.91x	20.0x
2-Nov-21	 Outz BRANDS	 Rov Garcia	Candy, Nuts & Snacks	Brand Dominance	\$56.0	0.85x	9.6x (5.7x Adj.)
2-Nov-21	 SILVERBOX CAPITAL	 BLACK RIFLE COFFEE COMPANY	Restaurants	SPAC	\$300.0	1.30x	-
26-Oct-21	 FGF	 WESTON GEORGE WESTON LIMITED Fresh & frozen bakery businesses	Baking	Consolidation	\$970.2	-	10.0x
15-Oct-21	 JBS Swift PREPARED FOODS	 SUNSPRIT	Protein	Diversification	\$90.0	0.60x	-
11-Oct-21	 BURGERFI	 ANTHONY'S COAL FIRED PIZZA & WINGS	Restaurants	Diversification	\$152.1	1.42x	-
7-Sep-21	 Universal	 SHANK'S EXTRACTS EST. 1899	Ingredients	Diversification	\$100.0	-	-
3-Sep-21	 DSM	 First Choice INGREDIENTS	Ingredients	Consolidation	\$453.0	6.04x	19.7x
12-Aug-21	 GLADSTONE LAND	Organic blueberry orchards in Oregon & California	Agribusiness	Private Equity	\$42.3	-	-

Sources: S&P Capital IQ, FactSet, PitchBook and company press releases. EBITDA multiples are synergy-adjusted where applicable. | Mesirow 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.

Announced date	Acquirer	Target	Sub-sector	Rationale	EV (\$M)	EV / Revenue	EV / EBITDA
9-Aug-21	 		Protein	Consolidation	\$4,404.1	1.02x	4.2x
2-Jul-21			Restaurants	Diversification	\$298.2	1.62x	17.7x
23-Jun-21			Ingredients	Consolidation	\$304.0	0.61x	10.1x
1-Jun-21		 Ready-to-eat cereal business	Packaged Food (PL)	Consolidation	\$85.0	-	-
18-May-21			Distribution	Diversification	\$2,629.6	0.16x	15.7x (10.4x Adj.)
13-May-21			Retail Grocery	Diversification	\$620.0	0.15x	3.7x
29-Apr-21		 106 Stores	C-stores	Consolidation	\$277.3	0.62x	-
22-Apr-21		 	Cannabis	Capacity Expansion	\$147.0	-	-
15-Apr-21		 North America non-dairy beverages business	Beverage	Brand Dominance	\$33.0	-	-
5-Apr-21			Ingredients	Private Equity	\$102.0	-	-
31-Mar-21			Packaged Food	Brand Dominance	\$101.0	-	-
16-Feb-21			Fruits and Vegetables	Private Equity	\$55.0	-	-
5-Jan-21			Candy, Nuts & Snacks	Diversification	\$388.2	12.18x ¹	-

1. Includes 2022E revenue and gross margin earn-out payment of \$132 million | Sources: S&P Capital IQ, FactSet, PitchBook and company press releases. EBITDA multiples are synergy-adjusted where applicable. | 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.

Commodities

Commodity prices continued their bumpy stretch through the summer and fall of 2021, reaching decade highs in some cases due to the pressure of inclement weather in South America, a general higher “cost of doing business” and continued supply chain disruptions.

CHART 4: LIVESTOCK COMMODITY PERFORMANCE - LATEST TWELVE MONTHS



Source: CBOT & CME as of December 31, 2021. Past performance is not indicative of future results.

CHART 5: GRAIN COMMODITY PERFORMANCE - LATEST TWELVE MONTHS



Source: CBOT & CME as of December 31, 2021. Past performance is not indicative of future results.

Food inflation

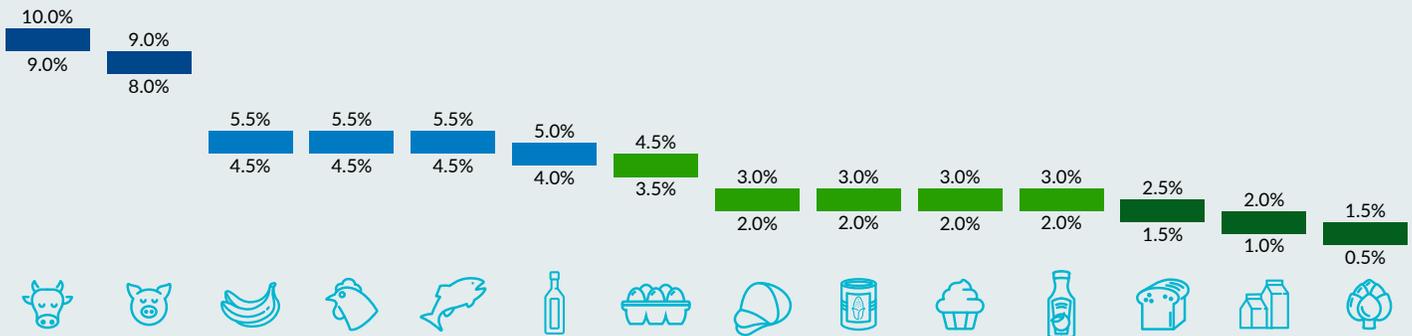
October recorded some of the sharpest year-over-year increases for items such as meat, eggs and non-alcoholic beverages; however, the rate of climb is expected to moderate. In November, *The Financial Times* reported its “Breakfast Indicator,” which is based on futures prices for coffee, milk, sugar, wheat, oats and orange juice, jumped 63% since 2019.

Price increases were a central discussion topic for many CPGs and foodservice operators throughout most of 2021, as operators contemplated passing higher costs on to the consumer (multiple in many cases) to offset the margin compression absorbed as the pandemic wore on. During the final weeks of the year, numerous multinational food companies warned input cost pressures may continue to worsen before improving. Many analysts expect an out-of-balance supply chain through at least the first half of 2022, citing higher labor costs as well as increased raw material, packaging and transportation costs. Although overall consumer food price increases finished the year at a blended rate of approximately +4%, several sub-indexes such as meats, produce and oils were hit harder than others.

Major processors and marketers, such as General Mills, Mondelez, Tyson Foods and Vital Farms have announced the necessity for price increases in 2022 to provide some margin relief, which will likely introduce a “rising tide” effect throughout the broader industry. According to IRI, consumers should expect to see CPG price increases reach +8% over the next six months, potentially correlating to temporary trade-down risks and volume declines for certain items due to price-sensitive consumer behavior. Large foodservice operators, such as Jack in the Box, also plan to follow suit to contain the imbalance between rising demand, falling supply and continued labor disruption.

Although continued price volatility and higher input costs are expected through the first half of 2022, we believe elevated prices will begin to normalize during the second half of 2022.

CHART 6: ESTIMATED 2021 YOY RETAIL PRICE CHANGES



Source: U.S. Bureau of Labor Statistics.

Sector spotlight: Sustainability and reusability

The adoption of environmental, social and (corporate) governance (“ESG”) initiatives were at the top of many corporate agendas throughout the food industry in 2021, addressing relatively new priorities to promote efficiency and resiliency. A subset of this includes the growing trend of “upcycling” or the removal and “re-use” of ingredients that would otherwise go to waste.

U.S. WASTE SOURCES



While upcycling remains a rather niche concept among everyday consumers, substantial value has been created among key B2B operators that focus on this high-growth, environmentally-conscious phenomenon, and further evidenced by significant public commitments by major food companies and retailers.



U.S. WASTE BY THE NUMBERS

1.4B

Tons of food waste created in the world per year

40M

Tons of food waste created in the U.S. per year

27%

Annual % of U.S. farmland water used on wasted crops¹

76%

Increase in meat demand (2005 - 2050P)

Source: RTS | Note: As of January 2022. Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. | 1. Mid-point of range.



U.S. Food Loss and Waste 2030 Champions



Businesses and organizations that have made a public commitment to reduce food loss and waste in their own operations in the United States by 50 percent by the year 2030



Source: USDA.

In addition to being highly impactful and addressing the significant “lost value” associated with food and raw material waste, upcycling is a highly scalable industry and transcends the entire food value chain. A recent study by *Future Marketing Insights* estimated food waste has an economic value of more than \$50 billion alone and will continue to grow at 5% per annum over the next decade.

Benefits include:

- Creates economic value through co-product and margin enhancing opportunities
- Reduces methane emissions from landfills
- Conserves energy and resources otherwise utilized to grow, manufacture and transport food
- Provides critical and sustainable community support

Institutional investors and multi-national companies have taken notice, as upcycling has attracted billions in investment capital for both B2B solution providers and emerging brands creating and commercializing upcycled foods.

Apeel Sciences – develops pre-and post-harvest products from natural plant extracts to protect food crops

Barry Callebaut – working on new extraction technologies as a substitute for alternative and natural vanilla flavoring extracts

Imperfect Foods – direct-to-consumer marketer and distributor of “imperfect” produce and pantry items

Kroger Co. – investing in grants for start-ups focused on the manufacture, processing and distribution of upcycled food

Mondelez – brand development using upcycled ingredients

Nestle – exploring use of its own byproducts in the manufacture of its products

Pulp Pantry – markets salty snacks using post-manufactured fruits and vegetables byproducts

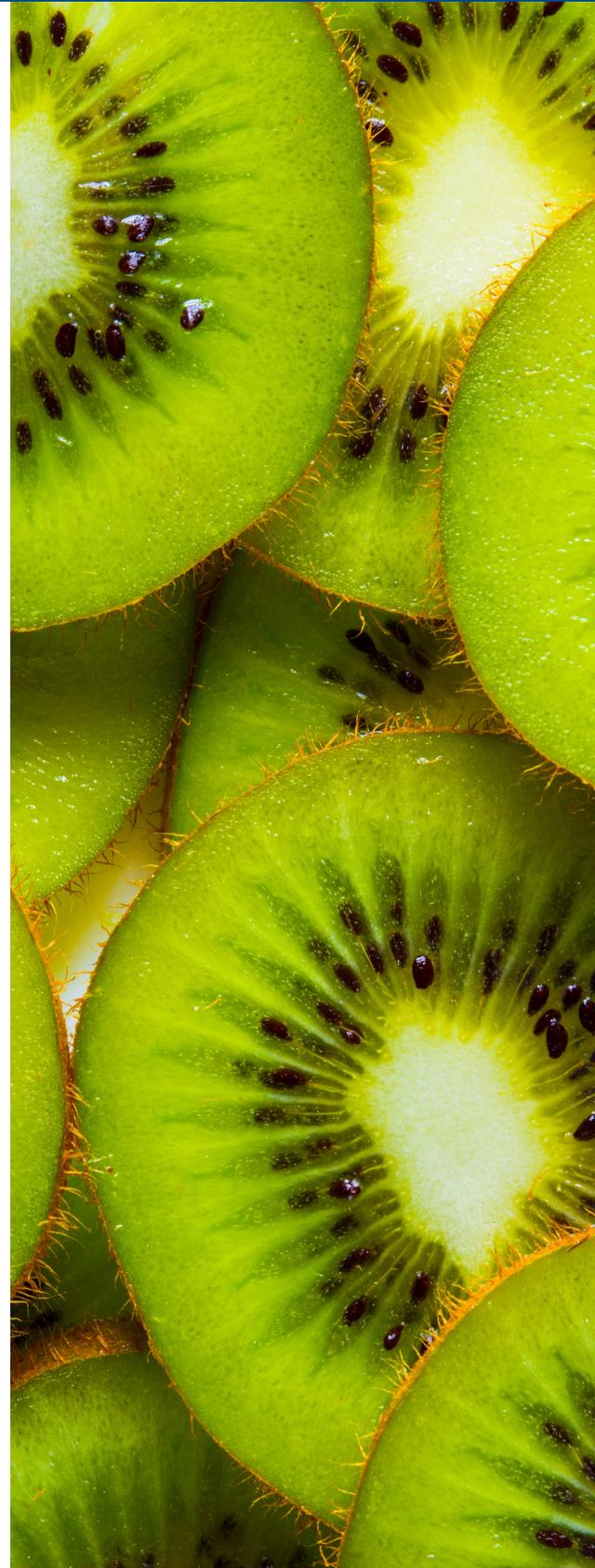


TABLE 2: NOTABLE 2021 ESG TRANSACTIONS

Announced date	Acquirer	Target	Target Description	Rationale	Sub-sector
Dec-21		 RUBICON	Waste and recycling software platform designed to help customers find inefficiencies in their waste stream and develop new and innovative ways to reduce, re-use and recycle	SPAC	Software Services
Dec-21			Sustainably powered processor and marketer of branded and private label specialty eggs	Private Equity	Packaged Food
Oct-21			Manages recycling, food waste, non-sellable product, and complete zero waste to landfill programs for CPGs throughout North America	Private Equity	Food Upcycling (asset-light)
Mar-21			Provides pre-consumer food waste collection and recycling services	Diversification	Food Upcycling (asset-based)

Except those highlighted in blue, 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. | Source: S&P Capital IQ; Company press releases.



Outlook

We expect to see the strong trends of 2021 carry over into 2022 and likely well beyond. The strong supply of food, beverage and agribusiness companies contemplating a possible exit or raising growth capital will continue to be met by strong demand from strategic and financial buyers that utilize M&A as an essential component to accelerate growth, while institutional capital availability and a relatively low-rate environment provide food operators and service providers with a menu of attractive financing options. The strong return of mega deals announced in 2021 coupled with a more mainstream, thematic deployment of capital into high growth adjacencies – like upcycling ingredients and ESG initiatives – extend the runway for a very active transaction environment and we see limited risk that this momentum will let up anytime soon.



Selected 2021 Mesirow Transactions

SELL-SIDE ADVISOR



HAS BEEN ACQUIRED BY



SELL-SIDE ADVISOR



HAS BEEN RECAPITALIZED BY

an affiliate of



BUY-SIDE ADVISOR



HAS ACQUIRED

The Foodservice Distribution Business of



a portfolio company of



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 Industrial Technology 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

To learn more, visit mesirow.com/investmentbanking.

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