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# Food, beverage and agribusiness sector report



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## M&A market summary

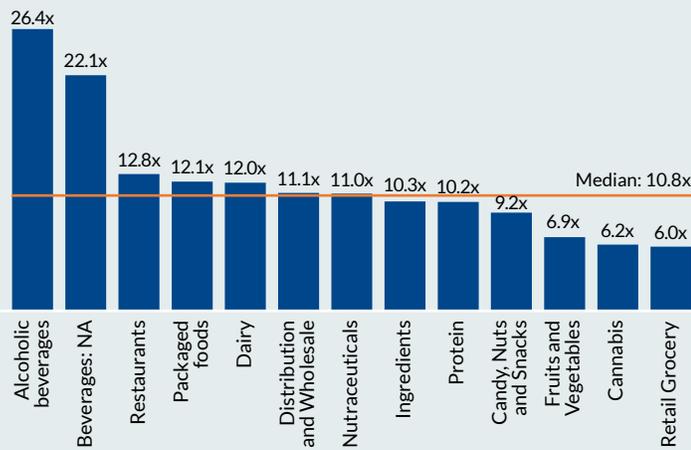
US food, beverage and agribusiness M&A volume held relatively strong in 2022 with a total of 403 announced control transactions. Although volume was down 21% (in terms of number of deals) from a record-breaking 2021, it was in line with the average number of deals announced in preceding years. \$1+ billion mega deals increased for the fourth consecutive year with YoY volume up over 11.5% (in terms of dollar value) to \$29.9 billion in 2022. Acquisitions by financial sponsors represented about 10% of the total volume compared to 14% in 2021, but in line with historical averages. Continued shifts in consumer purchasing behavior and ongoing supply chain disruption continued to serve as catalysts for a variety of transactions. “Sustainability” and capacity expansions were also central to corporate agendas as food companies continue to adapt their business practices to address future demand.

CHART 1: US FOOD, BEVERAGE & AGRIBUSINESS M&A VOLUME – LATEST TEN YEARS



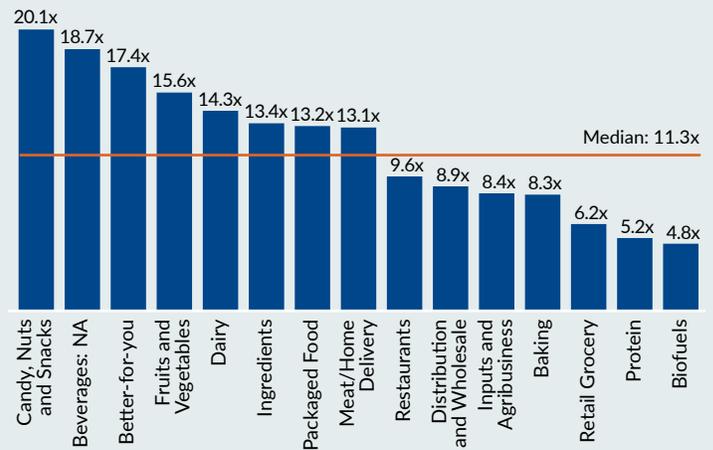
Source: S&P Capital IQ as of December 31, 2022. Excludes restaurants.

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



Source: S&P Capital IQ as of December 31, 2022. M&A deals with available multiples done within the sector 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, 2022.

While M&A multiples have trended upwards over the last year in the aggregate (at or above 10 out of 13 sub-sectors represented in Chart 2), public company multiples continued their broader decline amidst volatility in the public equity markets. This suggests, on a relative basis, strong appetite persists for “A” and “B” assets, while the public markets are classically more circumspect over the near term.

Kroger made its way to the top of the mega deal list, announcing its \$24.6 billion acquisition of Albertsons in mid-October (a ≈26% premium over Albertsons 90-day average stock price), a deal that will create a conventional grocery (and pharmacy) behemoth and cement its position behind Walmart, Amazon and Costco. According to the companies, by combining technology, infrastructure, and

digital and delivery service providers into one seamless ecosystem, the merged company will be able to offer customers a more personalized and convenient omnichannel experience. Kroger and Albertsons expect to divest between 250 and 350 stores to obtain regulatory approval for the deal, which is expected to close in early 2024.

This wasn't the only deal keeping Kroger busy in 2022; in August, the company also announced it participated in a \$100 million financing round with ghost kitchen market leader, Kitchen United, to provide on-demand meal pick-up (and delivery) for restaurants. The partnership taps into the growing use of off-premise kitchen space by restaurants to increase convenience and customers' access to fresh prepared foods.



## Noteworthy sector trends



**Traceability** | In 4Q2022, the FDA issued a final rule establishing additional recordkeeping requirements for the manufacturing, processing, packing, or storage of foods. These requirements will help the FDA identify, prevent or mitigate a foodborne illness outbreak and address threats as a result of the adulterated or misbranded foods.



**Reallocation of food dollars** | Store brands see share-of-stomach gains as consumers reallocate food dollars towards deeper value. Supermarkets are doubling down on their private brands, seeking to capitalize on the income squeeze that is hitting consumers.



**Environmentally-conscious products** | Sustainable and upcycled ingredients and eco-friendly packaging are leading the way in the face of climate change and supply chain disruption.



**Balance between health and indulgence** | Better-for-you snacks like dehydrated vegetables or mushroom chips continue to gain appeal.



**Ethnic cuisines** | From main dishes to condiments, we expect to see an abundance of international flavors in 2023.



**Variety in spicy flavors** | Brands are testing new flavors and combinations, increasingly in the form of flakes or blends and not just sauces.



**Smaller-format retail grocery** | Typically occupy ≈25,000 square feet, with a heavy focus on organic and prepared foods, aimed at health-conscious and gourmet foodies.



**Natural sweeteners** | Natural sweeteners give brands a platform for differentiation as well as the appeal of a clean label.



**Pets are part of the family** | Pets are wellness companions, protectors, or best friends; sometimes all three. Two out of three US households own a pet and in total \$124 billion was spent in 2021.



**Sustainable aquaculture** | Plays a critical role in scaling and providing sustainable animal protein for the world's growing population.





## Accelerating growth within the food value chain

**Beverage and spirits** | Following its \$50 million investment in Athletic Brewing Company in November, Keurig Dr Pepper participated in an \$863 million round of funding for high growth, energy sports drink marketer, C4/Nutrabort in a deal that also includes a long-term sales and distribution arrangement.

Monster surprised the market in January with its entry into alcoholic beverages, having announced its acquisition of CANarchy, a producer and marketer of craft beer and hard seltzer, for \$332 million.

On the ESG front, Pernod Ricard announced plans to invest \$250 million in a new carbon-neutral distillery in Marion County, KY for its fast-growing Jefferson's Bourbon brand.

**Inputs and agribusiness** | Bunge announced its \$550 million investment in a protein concentrate plant to meet the rising customer demand for key ingredients in the production of plant-based foods, processed meat, pet food and feed products.

**CPG** | The J.M. Smucker Co. expects to achieve outlier organic sales growth of 5.5% to 6.5% in 2023. The company has rationalized its portfolio in recent years, including five divestitures since 2018, and has targeted three high growth segments to be \$1+ billion businesses over the next few years (Un crustables, coffee and pet snacks).

**Cultured protein** | Upside Foods became the first company in the world to receive the FDA's "green light" for cultivated meat after receiving \$400 million in funding from an investor group in March, which included both Cargill and Tyson.

**Pet food** | Mars Petcare announced two North American acquisitions this year as they scale to meet the growing demand for pet food and pet products. In January 2022, Mars acquired Nom Nom, a provider of nutritious subscription meal plans for pets, and in November, bolted-on Champion Petfoods, an Edmonton-based producer and marketer of specialty dry and freeze-dried pet food and treats under the Orijen and Acana brands.

**Protein** got a boost as the USDA announced it is offering upwards of \$375 million in grants and loans toward growing competition, and expanding meat and poultry processing capacity in the US.

**Retail grocery** | Aside from Kroger's mega bid for Albertson's, financial sponsors were also active within the retail grocery sector. Kingswood Capital Management purchased Save Mart in March, while Apollo acquired Tony's Fresh Market (April) and Cardenas Markets (June); two deals that tie back to Apollo's Fresh Market go-private transaction in 2016.

**Restaurants** | MTY Food Group completed its purchase of Wetzel's Pretzels from CenterOak Partners, adding yet another mall-based concept to its portfolio, which includes Pinkberry, Cold Stone Creamery and Papa Murphy's, among others.

Butterfly Equity announced its acquisition of QDOBA, the largest franchisor of Mexican fast casual restaurants in North America. Butterfly merged QDOBA with its investment

in Modern Restaurant Concepts ("MRC"), which operates on-trend fast casual concepts, Modern Market Eatery and Lemonade. QDOBA's franchising expertise is expected to help accelerate MRC's expansion plans, which today approximates 50 units.

**Waste management and upcycling** | Further up and down the value chain, Republic Services deployed over \$2.5 billion in M&A during the first three quarters of 2022, acquiring River City Waste Services (January), US Ecology (May) and JRM Hauling & Recycling (May).

In August 2022, Altamont Capital Partners, recapitalized 101 Inc, a high growth, niche provider of complex, eco-friendly liquid waste handling and upcycled feed solutions. Altamont's investment will further support 101's high growth strategy to expand its geographic footprint throughout North America and service new and existing customers.



TABLE 1: SELECTED 2022 FOOD, BEVERAGE &amp; AGRIBUSINESS M&amp;A DEALS

Announced date	Acquirer	Target	Sub-sector	Rationale	EV (\$MM)	EV / Revenue	EV / EBITDA
1.18.2022	 <b>MARS</b> Petcare	 <b>NOM NOM</b>	DTC / Pet	Brand Dominance / Channel Extension	\$1,000.0	-	-
2.25.2022	 <b>Riviana</b>	 <b>IN-HARVEST</b> <i>Whole Grains, Rice and Legumes</i>	Packaged Foods	Capacity	\$48.8	-	-
4.20.2022	 <b>APOLLO</b>	 <b>TONY'S</b> <i>Fresh Market</i>	Retail Grocery	Private Equity	-	-	-
4.26.2022	 <b>CAPVEST</b>	 <b>SECOND NATURE</b> BRANDS	Candy, nuts & snacks	Private Equity	-	-	-
4.28.2022	 <b>Outz</b> BRANDS	 <b>Evans</b> Manufacturing facility in Kings Mountain	Candy, nuts & snacks	Capacity	\$39.7	-	-
5.11.2022	 <b>General Mills</b>	 <b>TNT</b> CRUST	Foodservice	Channel Extension	\$253.0	2.53x	-
6.13.2022	 <b>APOLLO</b>	 <b>CARDENAS</b>	Retail Grocery	Private Equity	-	-	-
7.15.2022	 <b>Promise Holdings LLC.</b>	 <b>Seattle</b> <i>Gourmet Foods</i>	Candy, nuts & snacks	Private Equity	-	-	-
8.4.2022	 <b>Del Monte</b> Quality	 <b>Kitchen Basics</b>	Packaged Foods	Category Extension / Carve-out	\$95.2	2.10x	-
8.9.2022	 <b>GROUPE MTY GROUP</b>	 <b>BBQ Holdings</b>	Restaurants	Geographic / Concept Expansion	\$305.1	1.14x	8.8x
8.11.2022	 <b>Invest Industrial</b> <i>Building Better Companies</i>	 <b>TreeHouse</b> Meal Preparation Business	Packaged Foods	Private Equity / Carve-out	\$950.0	0.59x	13.6x
8.30.2022	 <b>KERRY</b>	 <b>KraftHeinz</b> B2B Powdered Cheese Business	Ingredients	Carve-out	\$107.5	-	-
9.7.2022	 <b>Misfits Market</b>	 <b>IMPERFECT</b> FOODS	Upcycled Foods	Consolidation	-	-	-

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 (\$MM)	EV / Revenue	EV / EBITDA
9.8.2022	 SCoulAR	 <b>ADM</b> Four Grain Handling Facilities	Agribusiness	Capacity	-	-	-
9.16.2022	 House Foods America	 <b>keystone</b> Natural Holdings	Packaged Foods	Diversification	\$110.0	2.00x	-
10.3.2022	 SOLINA	 <b>Smithfield</b> Spices and Sauces Business <small>Good food. Responsibility.</small>	Ingredients	Carve-out	\$587.5	2.10x	-
10.14.2022	 Kroger	 <b>Albertsons</b> Companies	Retail Grocery	Consolidation	\$24,600.0	0.40x	5.7x (5.4x Adj.)
10.24.2022	 <b>ARKO</b> <small>A Family of Community Brands</small>	 <b>Pride</b>	C-stores	Geographic Expansion	\$230.0	-	21.2x (18.9x Adj.)
10.31.2022	 <b>CAMPARI GROUP</b>	 <i>Wilderness Trail</i> DISTILLERY	Alcoholic Beverages	Brand Dominance	\$600.0	-	26.4x
11.1.2022	 <b>MARS</b> Petcare	 <b>Champion Petfoods.</b> <small>World's Best Petfood</small>	Pet	Brand Dominance	-	-	-
11.2.2022	 GROUPE <b>MTY GROUP</b>	 <b>Wetzel's Pretzels</b>	Restaurants	Concept Expansion	\$207.0	0.84x	-
11.14.2022	 <b>WestRock</b> Beverage Solutions	 <b>KOHA NA</b>	Beverages	Category Extension	\$39.4	-	-
12.15.2022	 <b>Barilla</b>	 <i>Back to Nature</i> <small>Plant-based Snacks</small>	Packaged Foods	Diversification / Carve-out	-	-	-
12.15.2022	 <b>BUSH'S BEST</b>	 <b>WESTBRAE NATURAL</b>  <b>THE HAIN CELESTIAL GROUP</b>	Packaged Foods	Brand Dominance / Carve-out	-	-	-
12.19.2022	 <b>PERFETTI</b> van Melle	 <b>Mondelēz</b> International Developed Market Gum Business	Candy, nuts & snacks	Brand Dominance / Carve-out	\$1,350.0	2.70x	15.0x
12.19.2022	 <b>MARS</b>	 <b>trü fru</b>	Packaged Foods	Brand Dominance	-	-	-

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 and food inflation

Agricultural and livestock commodities made quite the climb during the first half of 2022 before peaking near or at historic levels during the late summer months. Inflation hit a four-decade high through June and has moderated in recent months, but still remained stubbornly high for the year (+9.9%).

Shell egg prices (+60%) dominated the food inflation headlines on the heels of extraordinary input costs and avian flu, which wiped out more than 50 million layers since January 2022.

The Labor Department reported that food prices did increase at a slower pace in both October and November, with food prices rising 0.6% (vs. 0.8% in September) and 0.5%, respectively; a positive sign as we move ahead into 2023.

CHART 4: LIVESTOCK COMMODITY PERFORMANCE - LATEST TWELVE MONTHS



Source: CBOT & CME as of December 31, 2022

CHART 5: GRAIN COMMODITY PERFORMANCE - LATEST TWELVE MONTHS



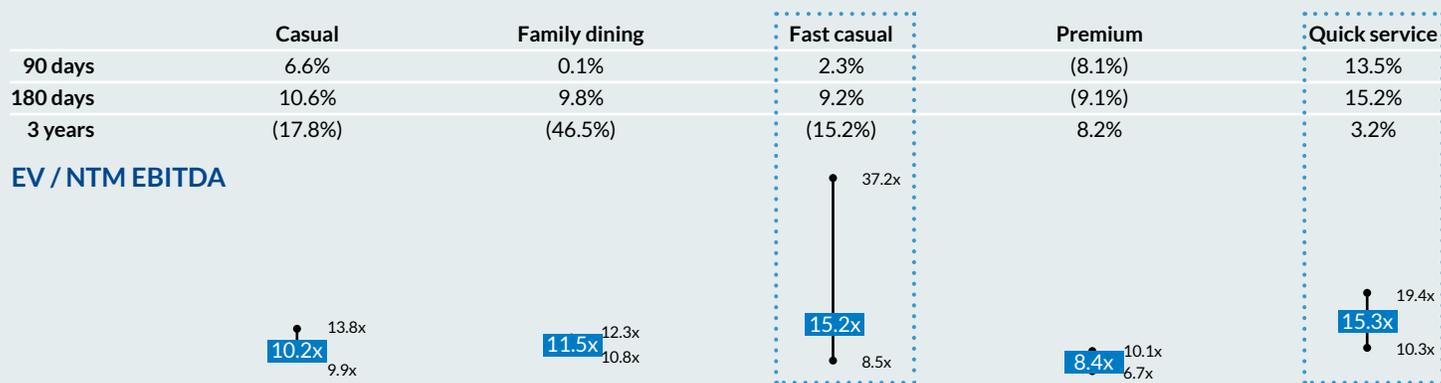
Source: CBOT & CME as of December 31, 2022.

## Sector spotlight: Restaurant M&A Reshaping Foodservice

While restaurant M&A has generally been strong over the latest five years, we have observed a rather interesting “reset” following a post-pandemic acceleration that persisted through much of 2021. The spectrum of strategic and financial rationales for transactions has evolved to keep pace with changing away-from-home dining behaviors. We believe 2023 may be a break-out year for middle market restaurant M&A, as post-pandemic norms took hold throughout much of 2022. Food-away-from-home sales have been steadily rebounding and, even with continued inflation, we expect foodservice is going to exert more pressure on retail grocery than it has in previous years, making it even more attractive to suitors. Prior to the pandemic, food-away-from-home sales were greater than food-at-home sales by a slight margin. That reversed course over the last three years and we expect food-away-from-home to gain steam in 2023, potentially reaching parity with food-at-home sales. If there is no recession (or even a soft landing), food-away-from-home may eclipse food-at-home once again.

The market has more broadly graduated from a strong period of pre-pandemic consolidation, largely dominated by public and private strategic acquirers within the casual dining segment, to a high growth- and tech-enabled, convenience focus, which we believe will continue to attract more institutional capital into segments like fast casual and QSR. Further, “portfolio theory” seems to be at play more recently with several larger mainstay concepts, as numerous transactions within the industry reflect an appetite for concept diversification and realizing outlier growth by accessing differentiated delivery systems, cuisines, and digital capabilities that align with the post-pandemic dine-in/take-out guest. As interest rates continue to rise, and food costs and labor availability continue to pressure margins, organic growth will continue to be harder to achieve, opening the door further for M&A to fill this void and serve as a valuable tool to accelerate growth for well positioned concepts.

CHART 6: STOCK PERFORMANCE – RESTAURANTS



Source: S&P Capital IQ

## 2023 outlook

Last year, companies turned to dealmaking as a way to bolster their presence in high growth categories or strengthen their position in existing ones, while wrestling with capacity constraints, a difficult labor environment, and judiciously sequencing price increases in response to a record year of food inflation. Even as businesses grappled with macro headwinds, operators and private equity investors didn't lose sight of opportunities to unlock value through strategic acquisitions and recapitalizations. While rising borrowing costs for buyers limited some financing flexibility, and in certain sub-sectors, impacted overall valuations, the market still has plenty of excess capital sitting on the sidelines with corporate balance sheets, and private equity and debt funds. We believe this will continue to drive demand, particularly for higher quality food, beverage and agribusiness assets, which ought to bode well for valuations. We expect to see large CPG focus more on brand and line extensibility in 2023, rather than transformative M&A, which may accelerate financial sponsor activity and increase volume within the middle market. Further, we believe moderating inflation soon kicks that elephant out of the room and operators will instead be facing a newer set of challenges to sustain organic growth, which may also accelerate M&A activity.

## Notable Mesirow Transactions

<p>SELL-SIDE ADVISOR</p>  <p>a portfolio company of</p> <p><b>SPELL CAPITAL</b></p> <hr/> <p>HAS BEEN ACQUIRED BY</p> <p><b>Finnabelle's</b> and <b>Seattle Grain Feeds</b></p> <p>a portfolio company of</p> 	<p>SELL-SIDE ADVISOR</p>  <p><b>101 I N C</b></p> <hr/> <p>HAS BEEN RECAPITALIZED BY</p> <p>an affiliate of</p> 	<p>BUY-SIDE ADVISOR</p>  <p><b>CHRIST PANOS FOODS CORPORATION</b></p> <hr/> <p>HAS ACQUIRED</p> <p>the Foodservice Distribution Business of</p>  <p><b>grecian delight</b>   <b>KRONOS</b></p> <hr/> <p>a portfolio company of</p>  <p><b>Entrepreneurial Equity PARTNERS</b></p>	<p>SELL-SIDE ADVISOR</p>  <p><b>Farmers HEN HOUSE</b></p> <hr/> <p>HAS BEEN RECAPITALIZED BY</p> <p>an affiliate of</p>  <p><b>B.C.P</b> Benford Capital Partners</p>	<p>SELL-SIDE ADVISOR</p>  <p><b>VALLEY VIEW PORK</b></p> <hr/> <p>HAS BEEN ACQUIRED BY</p>  <p><b>BFI</b> BOWMAN FAMILY HOLDINGS</p>
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## 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:

- Baking and milling
- Beverages
- Branded and private label packaged food
- Cannabis
- Contract manufacturing
- Dairy
- Distributors and wholesalers
- Fruits and vegetables
- Ingredients and flavors
- Inputs, agribusiness and feed
- Natural, organics and specialty
- Nutraceuticals
- Pet
- Protein
- Restaurants
- Retail grocery
- Candy, nuts and snacks
- Upcycling

To learn more, visit [mesirow.com/investmentbanking](https://mesirow.com/investmentbanking).

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