



CORPORATE FUEL

**Food & Ingredients
Industry Update**

3Q 2022



Corporate Fuel – Food & Ingredients Practice



We provide a full range of business advisory services to middle market Food & Ingredients companies

About Corporate Fuel

A New York City-based investment bank that provides advice and capital to middle market companies through two complementary businesses:

- **Corporate Fuel Advisors**, a full-service investment banking firm that provides M&A, capital raising and consulting services to small and medium sized companies with revenues typically between \$10 million and \$200 million, and
- **Corporate Fuel Securities**, a FINRA-registered broker dealer specializing in private placements of debt and equity securities.

We offer a full range of advisory services to small and mid-sized companies including:

- Sales and Divestitures
- Mergers & Acquisitions
- Strategic Advisory
- Financial Restructurings
- Business Valuation
- Fairness Opinions
- Management Buyouts
- Business Succession Planning
- Recapitalizations
- Going Private Initiatives
- Raising Growth Capital
- ESOP's
- Raising Senior and Subordinated Debt
- Leadership and Talent Recruiting

Select Food & Ingredients Advisory Assignments

has received a growth equity investment from

Advisor to Seller

has been acquired by

Advisor to Buyer

Fresh Salsa Business of

has been acquired by

Advisor to Seller

has been acquired by

Advisor to Buyer

has been acquired by

Advisor to Seller

has been recapitalized by

Advisor to Seller

Inflation, rising interest rates and supply chain challenges bring M&A activity back to reality

M&A Activity – Food Products & Beverages

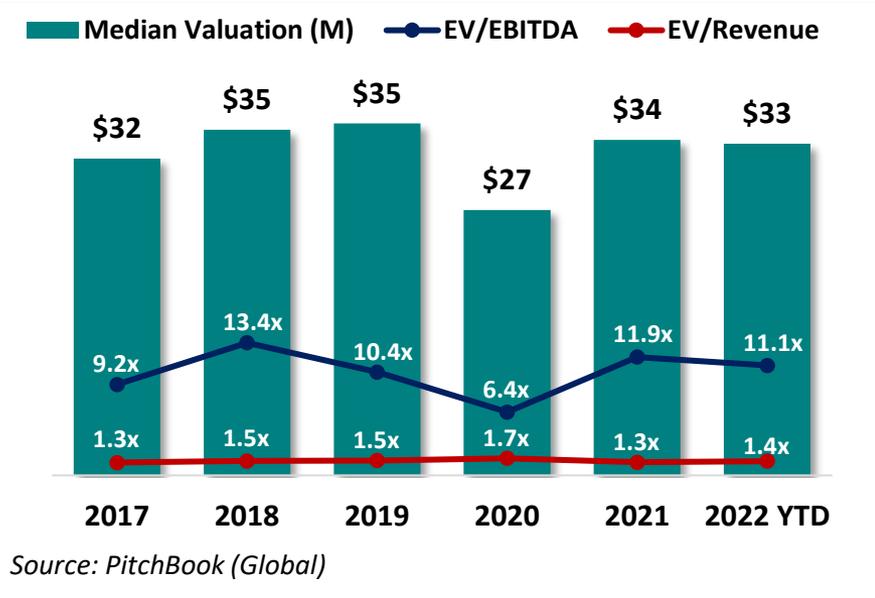


- Global M&A activity in the food industry has slowed since a record 2021 but outlook remains strong...
 - Food industry remains an attractive and defensive sector for investment amid economic headwinds
 - Signs of inflationary pressure easing with commodity prices softening
 - Interest rates increasing from all-time lows, but availability of private capital continues to grow
 - Supply chain challenges easing and operators relieving safety stock in inventory



M&A Market Update

Deal Enterprise Values – Food Products & Beverages



- Valuations in Food & Beverage have held up in 2022, contrary to headlines seen across other sectors such as Technology
- Food & Beverage viewed as a stable, defensive sector to acquirors and investors

Notable Food Industry M&A Transactions – 3Q 2022

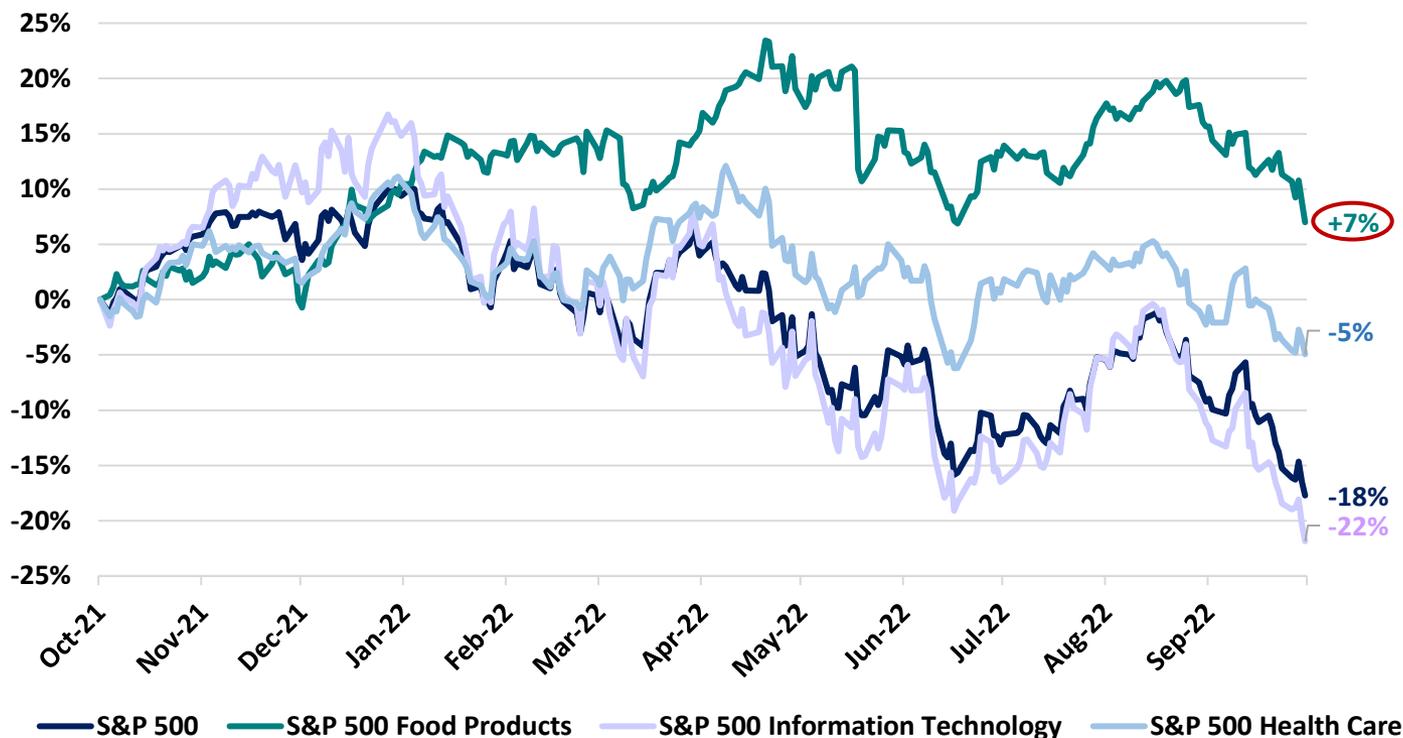
Target	Buyer	Deal Date	Deal Value
IMPERFECT FOODS	Misfits Market	9/7/2022	Undisclosed
rosie	instacart	9/7/2022	Undisclosed
WATER LILIES INSPIRED ASIAN CUISINE	BLUEPOINT Capital Partners	8/31/2022	Undisclosed
CLIF CLIF BAR & COMPANY	Mondelēz International	8/1/2022	\$2.9B
2MXORGANIC	TERACT	7/29/2022	\$128M
Sanderson Farms	Cargill	7/22/2022	\$4.5B

Public Markets – S&P 500 & Subindex Performance



Food Products index outperforms the broader market

1-Year Index Performance



- Food Products index has outperformed the broader S&P 500 index and even Health Care, which is also seen as a defensive sector by investors
- S&P 500 dragged down by outsized losses in Information Technology
- Food Products index has been impacted by inflation and volatility in commodity prices, but the near- to mid-term outlook has become more optimistic as these prices stabilize



Headlines from Q3...

Inflationary pressures persists, CPGs and consumers react

- CPG companies have passed on price increases, while implementing cost-saving measures such as trade optimization and productivity enhancements.
- 33% of consumers have switched to lower cost brands and 27% have switched the store or retailer that they shop at, with a shift toward discounters.¹
- Consumers are trading down at the grocery store, seeking cheaper alternatives in at least one category – notably for packaged and frozen food, as well as household products.²
- Though inflation is still running high, food prices – up 65% globally in the last two years – may have peaked in 2022 as commodity input price declines become apparent.³

Further Reading...

- Campbell Soup takes third wave of pricing in fiscal 2022 ([Food Business News](#))
- Nestlé indicates more price rises to come ([Just Food](#))
- Rising inflation sparks fears of hard landing for US economy ([Financial Times](#))
- Foodservice Operators Seek Value, Versatility from Suppliers ([SFA / Datassential](#))
- Wholesale prices rise for first time in three months... ([MarketWatch](#))
- Why Are Food Prices Still Rising? ([Forbes](#))

(1) [McKinsey](#)

(2) [SFA / dunnhumby](#)

(3) [Morgan Stanley](#)



Headlines from Q3...

Plant-based alternatives take a backseat as these emerging categories find their footing while navigating turbulent economic conditions

- Alternative meat sales have declined, casting doubt over the nascent category's ability to capture share from traditional meat. Competition and pandemic-induced challenges have weighed on category participants.
- CPGs have pared down plant-based meat activities, or, in some cases, shuttered operations altogether.
- Investors are left wondering where the overall category is headed, with its weakening performance likely related to inflationary pressures, given that plant-based meat alternatives are still more expensive than conventional meat (although the price gap is narrowing with advances in technology).
- Plant-based dairy alternatives have matured faster as a category relative to meat alternatives. The complementary nature of these products (e.g. to coffee, as a dip or ingredient) has helped the category gain footing.
- The rise of flexitarian diets is expected to broaden the customer base for plant-based meats, but a “revolution” is still a long ways ahead despite promising long-term trends.

Further Reading...

- The plant-based food industry is facing a reset as Beyond Meat and Oatly shares suffer ([CNBC](#))
- Conagra Brands (Gardein) talks alt meat ([Food Navigator](#))
- FMI identifies what 'plant-based' means to consumers ([Food Business News](#))
- Maple Leaf cuts plant-based business 25% as demand fails to meet expectations ([Food Dive](#))
- Plant-based meat maker ceasing operations ([Food Business News](#))



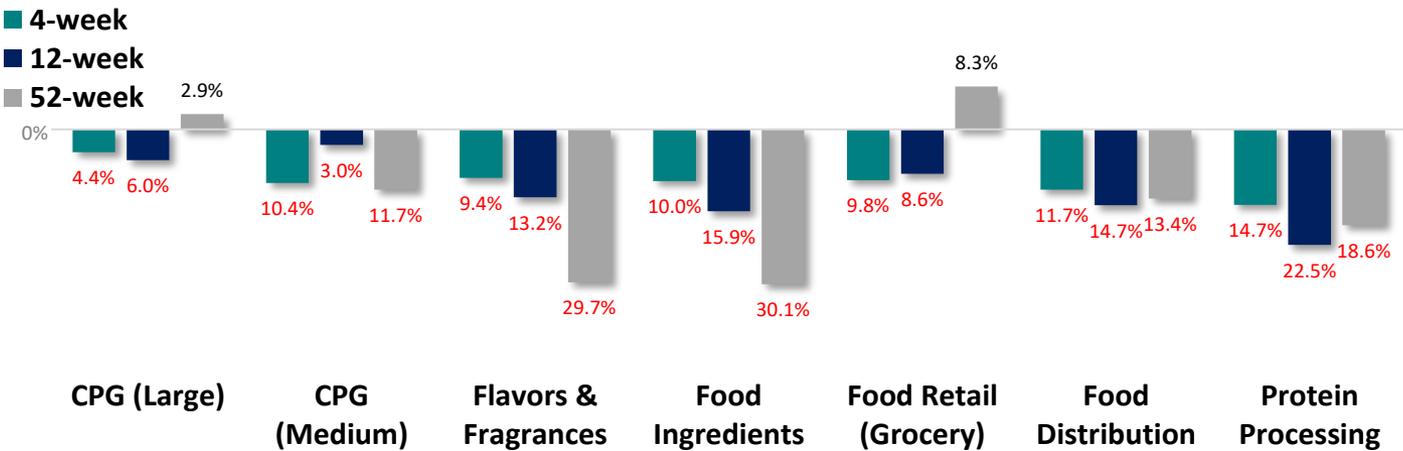
Public Company Valuations

Valuations way down from peak, except Large CPGs who are more able to pass on cost inflation

Median TEV / EBITDA



Median Stock Performance

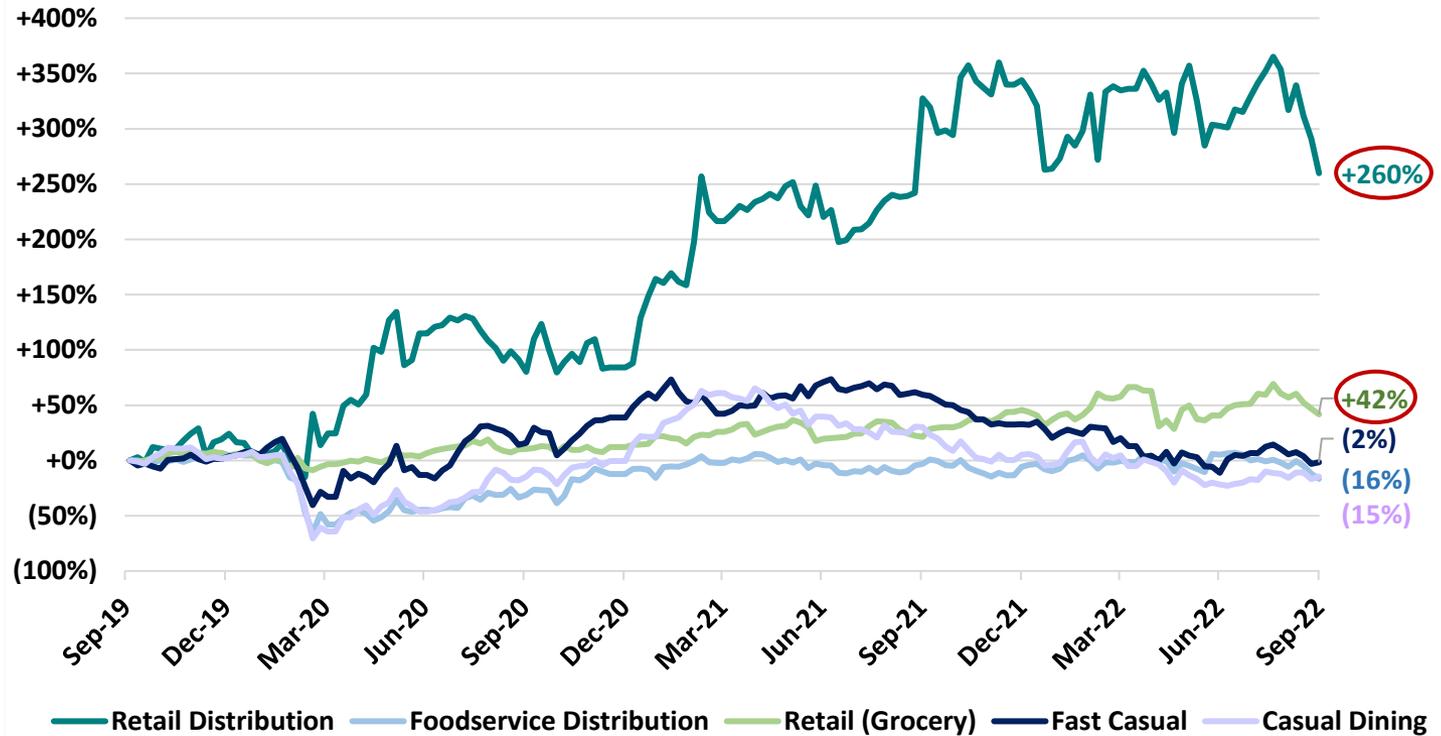


Restaurant vs Grocery



Retail/Grocery channel has outperformed Foodservice/Restaurant

3-Year Stock Performance

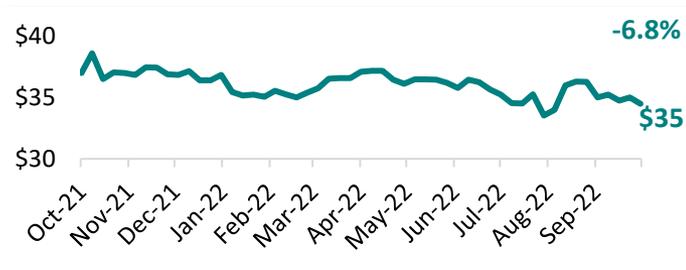


- Retail Distribution stock index driven by strong performance of United Natural Foods, Inc. (UNFI) and SpartanNash Co. (SPTN), both suppliers to the grocery channel
- Foodservice/Restaurant businesses have struggled to regain their footing following the onset of COVID-19 and ongoing operating challenges

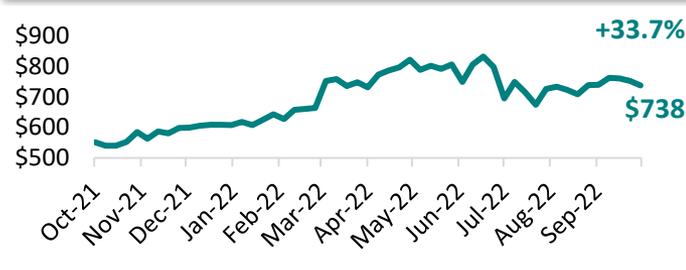
Commodity Pricing Trends – Soft Commodities



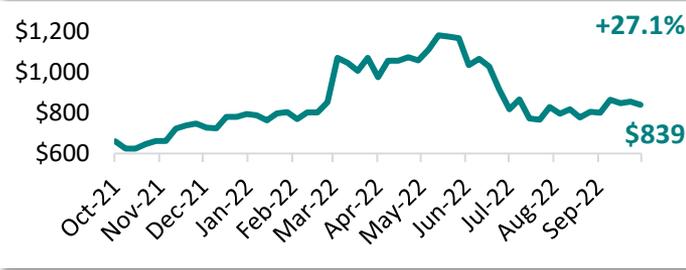
Sugar – Raw Cane (\$/lb)



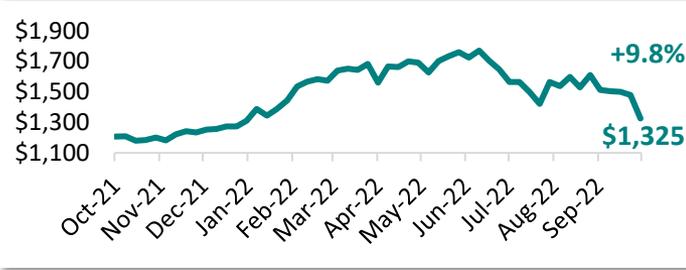
Corn (\$/BSH)



Wheat (\$/BSH)



Soybean (\$/BSH)



“Number one, commodity for this year, high teens is where we're going to land. That's not a change relative to what we've talked about in the past... But you've seen some softening in commodity prices, that will play its way into our commodities going forward.”

– CFO, PepsiCo, Inc.
Oct 12 – Earnings Call

“The main items there are [cost inflation] certainly dairy, coffee, the transportation and logistics and energy as well... So indeed, we start seeing some items in terms of -- which are moving down in terms of pricing. I would mention oil, oil prices are today at a lower level than they were at the beginning of the year. Palm oil is down as well. Grain prices are down as well.”

– CFO, Nestlé S.A.
Sep 7 – Company Conference

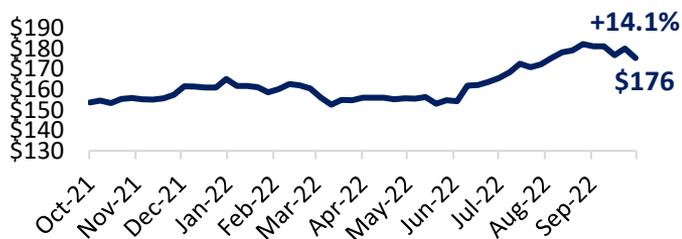
“...we continue to address elevated input cost inflation especially in the areas of energy, transportation, packaging, wheat, dairy and edible oils. To offset these challenges, we recently announced further pricing actions across key markets and continue to take appropriate action to hedge our commodity costs along with ongoing productivity and cost reduction initiatives.”

– CEO, Mondelez International, Inc.
Jul 26 – Earnings Call

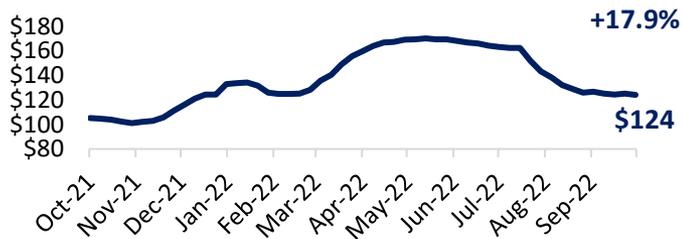
Commodity Pricing Trends – Meat & Oil



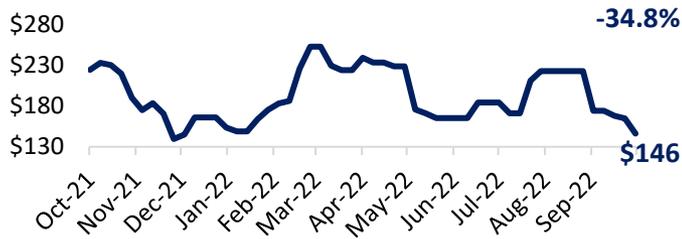
Cattle – Feeder (\$/lb)



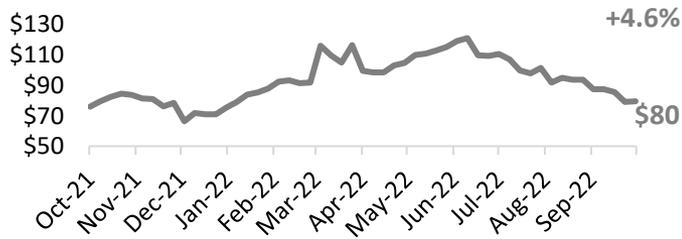
Chickens – Broiler (\$/100 lbs)



Pork Bellies (\$/100 lbs)



Oil – WTI Crude (\$/bbl)



“We feel very good about -- I feel better about our Chicken business than I have in a long time. And we're making progress every day... But there's still volatility in grain out there. But we like what we're seeing. We like our opportunity going forward. And we think we have the foundation of this business in a good place today, and we look for things to improve over Q4 and into next year.”

– CEO, Tyson Foods, Inc.
Aug 8 – Earnings Call

“But the basket for us, we do expect to be inflationary over the course of the year. And we are going to bob and weave as we have. We're going to continue to pass through our cost of goods, as we have, and continue to seek to be right on price and do the right thing with our customers.” [In response to Wells Fargo analyst question on passing cost inflation unto consumers]

– CFO, Sysco Corp.
Sep 21 – Company Conference

“...we have been putting down new lines for oil pretty much across the board, across all the countries in the world or where we have facilities that make biscuits...” [Noting the company will be more selective with capital expenditure – securing energy needs in India and China manufacturing]

– CFO, Mondelez International, Inc.
Sep 7 – Company Conference



Additional M&A Transactions – US-Based Food Businesses

Announced	Target	Buyer/Investor
9/26/2022	Trans American Aquaculture, LLC	Gold River Productions, Inc. (OTCPK:GRPS)
9/26/2022	Olympic Organics, LLC	DTG Recycling Group
9/20/2022	Kyani, Inc.	Amare Global, LP
9/15/2022	Miracle Life Farm, LLC.	BlueFire Equipment Corporation (OTCPK:BLFR)
9/14/2022	Northampton Growers Produce Sales, Inc.	WYCO Produce, Inc.
9/8/2022	Gathered Foods Corporation	Wicked Foods, Inc.
9/8/2022	Bell-Carter Foods, Inc.	Aceitunas Guadalquivir S.L.
9/7/2022	Ark Naturals Company	Antelope
9/7/2022	American Pure CBD	<i>Undisclosed Beverage Company</i>
9/7/2022	A to Z Wineworks, LLC	Ste. Michelle Wine Estates Ltd.
9/15/2022	Marlborough Greenhouses Inc.	Annette Novak, <i>Employee Buyout</i>
9/1/2022	Sokol & Company, Inc.	Burlington Capital Partners LLC
9/1/2022	Renwood Mills, LLC.	The Mennel Milling Company
8/31/2022	Water Lilies Food LLC	Blue Point Capital Partners, LLC
8/25/2022	Meridian Flavors Inc.	FlavorSum, LLC
7/25/2022	Brave Foods, LLC	Creadd, Inc. (OTCPK:CRTD)
8/23/2022	Casa Komos Beverage Group LLC	Molson Coors Beverage Company (NYSE:TAP)
8/22/2022	Freeze-Dry Foods Inc.	Thrive Foods LLC
8/11/2022	Marina Ice Cream Corp.	GlacierPoint Enterprises, Inc.
8/8/2022	Tesoro Genetics LLC	Advanced Nutrients, Ltd.
8/7/2022	Methven Family Vineyards, LLC	Domaine Drouhin Oregon, Inc.

Announced	Target	Buyer/Investor
8/4/2022	Archer Roose LLC	Constellation Brands Ventures
8/1/2022	CoverCress Inc.	Bayer Aktiengesellschaft (XTRA:BAYN)
8/2/2022	Up Coffee Roasters	FairWave Holdings, LLC
8/2/2022	Jobbers Meat Packing Co. Inc.	Randall Foods, Inc.
8/2/2022	Paniolo Cattle Company LLC	Parker Ranch, Inc.
8/2/2022	Hairless Dog Brewing Co.	FINNEGANS Brew Co., LLC
9/13/2022	Powell & Mahoney, Ltd.	Fevtree Drinks PLC (AIM:FEVR)
6/20/2022	Clif Bar & Company	Mondelez International, Inc. (NasdaqGS:MDLZ)
9/14/2022	Notables	Candle Media, LLC
7/27/2022	American Freedom Distillery LLC	Spirit of Gallo
7/26/2022	Roskam Baking Company	Organic Milling Acquisitions, LLC
7/25/2022	Fair Market, LLC	Empower Sioux Falls
6/30/2022	Green River Spirits Company	The Bardstown Bourbon Company, LLC
7/20/2022	Palo Alto Foods, Inc.	Cheetah Technologies, Inc.
7/18/2022	New Orleans Fish House, LLC	Fortune International, LLC
7/14/2022	Blossom Water, LLC	Entertainment Arts Research, Inc. (OTCPK:EAR1)
7/13/2022	Blue River Organic Seed, LLC	Albert Lea Seed House, Inc.
7/12/2022	Seattle Gourmet Foods, Inc.	Promise Holdings LLC.
7/27/2022	Klosterman Baking Cincinnati, LLC	New Water Capital, L.P.
7/7/2022	John Graves Food Service, Inc.	GS Foods Group, Inc.
7/6/2022	Natural Products, Inc.	Grain Processing Corporation

Source: S&P Capital IQ