

Food & Beverage M&A Update

Steady M&A activity amid market uncertainty



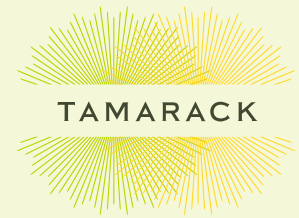
In February, the CPI for Food recorded the lowest reading since April 2022. (Photo: [Unsplash](#))

KEY SECTOR TAKEAWAYS

Tamarack Partners is pleased to share its Food & Beverage M&A Update. Last year, the Highly Pathogenic Avian Influenza (HPAI) outbreak, Ukraine conflict, and economy-wide inflationary pressures contributed to a 9.9% increase in U.S. food prices, the largest annual increase since 1979. Cost inflation challenged smaller players' ability to pass through price increases and many companies traded non-core business lines for high-growth, high-return opportunities. On the other hand, inflation provided a big boost for publicly-traded companies who achieved double digit sales growth and profit improvements fueled by price increases.

Silicon Valley Bank's (SVB) failure in early March will have broader implications for food venture financing. In addition to direct SVB exposure for some companies ([Omsom](#), [The Better Meat Co.](#), [Tea Drops](#) and others), stricter lending requirements and a greater focus on free cash and profitability will further limit the ease with which small companies access capital and enter the industry. We may see industry consolidation as larger companies find themselves in a position to acquire cash-strapped early-stage and emerging brands.

AgriFoodTech accounted for 8% (\$51.7 billion) of total venture capital (VC) funding in 2021. In 2022, investment in the sector declined by nearly half — in line with global VC markets — to \$29.6 billion. Despite 2021's outlier performance, ESG (environmental, social and governance) impact continues to drive investor interest in alternative protein, vertical farming and food waste start-ups. The cultured meat category is expected to attract huge inflows of venture capital in 2023 as the U.S. nears regulatory approval.



M&A ADVISORS

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Contact Our Food & Beverage Experts



Barry Friends
Industry Partner



Michael Kessler
Founder & President



M&A COMMENTARY

U.S. Food & Beverage M&A are in a state of uncertainty following a slowdown in dealmaking in 2022 after an active 2021. However, our experience has taught us that such times can be precisely when valuations become more attractive and opportunity knocks. Tamarack Partners tracks U.S. domestic acquisitions across select Food Processing, Distribution, Convenience Services, Agriculture and Manufacturing/Equipment sectors. Transaction volume in Q1 decreased marginally quarter-over-quarter with 60 deals announced or completed as compared to 64 in Q4 2022, demonstrating the inherent resilience of the industry despite several economic obstacles.

Sector Activity by Acquirer Group

Q1 2023	Strategic	PE Platform	PE Strategic	TOTAL
Food Processing	14	7	7	28
Distribution	8	2	1	11
Convenience Services	11	0	2	13
Agriculture	2	1	2	5
Manufacturing/ Equipment	3	0	0	3
TOTAL	38	10	12	60

Private strategic buyers continued to lead transaction activity in Q1, accounting for 43% of total M&A volume. At the same time, PE deal flow increased quarter-over-quarter at 37% of total deals. Q1 saw elevated transaction activity among strategic and financial buyers in the frozen foods, better-for-you, and convenience store segments.

STUBBORN FOOD INFLATION

According to the most recent Consumer Price Index (CPI) for Food, we are about eight months past peak inflation. In February of 2023, food prices increased 9.5% year-over-year (YoY), decelerating from a 10.1% rise in January and a peak of 11.4% last August. It was the lowest reading since April of 2022, as prices slowed down further for food-at-home (10.1% vs. 11.3% in January), while accelerating for food-away-from-home (8.4% vs. 8.2%).

We expect the food-at-home (FAH) and food-away-from-home (FAFH) CPI rates to cross over as FAH inflation moderates and restaurants are forced to raise their prices or go out of business. Such a crossover will continue to strain consumers’ wallets and may lead to additional erosion of FAFH “stomach share”, which is already 2-3% below pre-pandemic levels.

Industry Insight: “The Permanent Abnormal”

“In a world changed by the pandemic, “the new normal” has been replaced by “the permanent abnormal”. Despite the past few years’ challenges, adaptable food firms learned how to leverage strong demand and navigate complexities, emerging from the pandemic in solid financial shape. “Permanent abnormality” is a state in which predictability is the exception and assuming history will repeat itself is a risky behavior. As our crowded planet struggles to feed itself, complex manifestations of the crowding appear with greater frequency while societies fail to take necessary actions to mitigate them. While the U.S. remains relatively insulated from these manifestations, it’s not immune. War, climate change, inflation, demographic shifts, inequality, political polarization — they all spell “abnormal” for as far as we can see, let alone another short year.”

— Barry Friends, Industry Partner

NOTABLE DEALS



Five Star Food Service acquired Lincoln County Vending, a family-owned supplier of vending machines and vending services and a Canteen franchise, for an undisclosed sum in February. The deal marks the Freeman Spogli portfolio company's fifth vending acquisition since Q1 2022.



MPS Egg Farms acquired Georgia-based Country Charm Eggs for an undisclosed sum in February. The purchase expands MPS' flock by almost two million birds and allows the producer to expand into the southeastern U.S. for the first time.



Sole Source Capital acquired Lee Fish, a premium importer and value-added distributor of fresh and frozen seafood, for an undisclosed sum in March. Lee Fish operates out of a strategically-located facility less than one mile from Los Angeles International Airport, which allows for best-in-class turnaround times from ocean-to-table.



Ziyad Brothers, an affiliate of Peak Rock Capital, acquired Vintage Food Corp., a distributor of branded Turkish, Middle Eastern, and Eastern European food & beverage products, for an undisclosed sum in March. The transaction brings together two companies with highly complementary brand portfolios and geographic footprints.



Western Smokehouse Partners, a portfolio company of Monogram Capital Partners, was acquired by AUA Private Equity for an undisclosed sum in March. Western Smokehouse Partners is a leading manufacturer of premium, crafted meat snacks.



Baldwin Richardson Foods, a leading custom ingredients manufacturer, acquired Aseptic Solutions USA Ventures for an undisclosed sum in March. The transaction expands the company's capabilities into aseptic beverage manufacturing and accelerates its commercial strategy to be a full-portfolio liquid product supplier for the food & beverage industry.



LISTED TRANSACTIONS

Date	Target	Acquirer	Target Business Description
03-31-2023	DeliMart	Casey's (NASDAQ: CASY)	Convenience store operator
03-29-2023	Twelve Oaks Catering	The Healthy Lunch Box	Foodservice provider of high-quality, nutritious meals to children
03-29-2023	64 c-stores of Landmark Group	Global Partners (NYSE: GLP); ExxonMobil	Convenience and fuel retailer
03-28-2023	Western Smokehouse Partners	AUA Private Equity	Manufacturer of premium, crafted meat snacks
03-28-2023	Tom Thumb Food Stores	Kent Kwik Convenience Stores	Convenience store operator
03-23-2023	Aseptic Solutions USA Ventures	Baldwin Richardson Foods	Manufacturer of aseptic cold fill products
03-20-2023	Vintage Food Corp.	Ziyad Brothers	Distributor of branded Turkish, Middle Eastern, and Eastern European food & beverage products
03-14-2023	Slade Gorton	Cooke	Distributor, importer and manufacturer of fresh and frozen seafood
03-13-2023	Vending routes of F.P. Corso	Five Star Food Service	Independent wholesale c-store distributor and full-line vending operator
03-08-2023	Luke's Ice Cream	College Circle Creamery	Ice cream producer and co-manufacturer
03-08-2023	Custom Produce Sales	GrubMarket	Premier provider of fresh fruits and vegetables
03-08-2023	GEN Z	Langers	Bottled water brand
03-07-2023	Moonshot	Patagonia Provisions	Maker of organic, climate-friendly snacks
03-06-2023	Lee Fish	Sole Source Capital	Importer and value-added distributor of fresh and frozen seafood
03-06-2023	Brooklyn Burger & Devault Foods	Miami Beef	Frozen burger brand & supplier of burgers, meatballs, and steaks
03-05-2023	Thunderbird	Wella	Nutrition bar maker
03-02-2023	Transit Energy Group	ARKO (NASDAQ: ARKO)	Convenience and fuel retailer
03-01-2023	Uno Foods	Great Kitchens Food Company	Manufacturer of branded pizzas, calzones, entrees and appetizers
02-28-2023	Yelloh	4x4 Capital	Direct-to-consumer frozen food delivery company
02-28-2023	5 c-stores of Ranglers	Yesway	Convenience store operator
02-28-2023	Thoele Oil	Warrenton Oil Co.	Convenience store operator



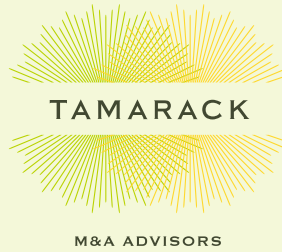
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02-28-2023	Halfon Candy Company	Harbor Wholesale	Wholesale distributor of candy, snacks, and convenience items
02-28-2023	Bixby Roasting Co.	Westrock Coffee Company (NASDAQ: WEST)	Specialty-grade roaster
02-27-2023	45 c-stores of Big Red Stores	Couche-Tard (TSX: ATD)	Convenience and fuel retailer
02-23-2023	Kilwins	Levine Leichtman Capital Partners	Franchisor brand of chocolate, ice cream and confectionary products
02-23-2023	Epicurean Catering	West Lane Capital Partners & Wheel Capital Partners	Premium food provider for hotels and event spaces
02-23-2023	Sweet River Honey	Sweet Harvest Foods Holdings	Beekeeping business
02-21-2023	Desi Natural & Noga brands of Raymundo's Food Group	ICV Partners	Producers of South Asian yogurt & a drinkable South Asian yogurt
02-21-2023	Country Charm Eggs	MPS Egg Farms	Egg producer
02-21-2023	HBF International	Homegrown Organic Farms	Grower and shipper of fresh berries
02-21-2023	Williams Sausage Company	Tyson Foods (NYSE: TSN)	Sausage, bacon and sandwich producer
02-21-2023	Soylent	Starco Brands (OTC: STCB)	Plant-based food technology company
02-20-2023	Lincoln County Vending	Five Star Food Service	Supplier of vending machines and vending services
02-16-2023	Flavor Specialty Ingredients business of IFF (NYSE: IFF)	Exponent	Aroma chemicals manufacturer for the flavor market
02-16-2023	TravelCenters of America (NASDAQ: TA)	BP (NYSE: BP)	Convenience and fuel retailer
02-10-2023	Tofurky/Moocho	Morinaga Nutritional Foods	Manufacturers of plant-based meats
02-10-2023	Mooney-General Paper Co.	Envoy Solutions	Food processing equipment distributor
02-08-2023	Cappuccine	Routin-1883	Powdered frappe mix producer
02-08-2023	Yucatan Foods	Flagship Food Group	Manufacturer of premium guacamole, salsa, and dips
01-31-2023	Perricone Juices	Trivest Partners	Producer of premium, craft juices
01-31-2023	Quevos	Stryve Foods (NASDAQ: SNAX)	Egg white protein chips brand
01-31-2023	Fresh vegetable division of Dole (NYSE: DOLE)	Fresh Express	Processor and distributor of whole produce, salads and meal kits



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Date	Target	Acquirer	Target Business Description
01-30-2023	Mike Hudson Distributing	The Chefs' Warehouse (NASDAQ: CHEF)	Broadline foodservice distributor
01-27-2023	14 c-stores of Alpena Oil	Blarney Castle Oil	Convenience store operator
01-24-2023	Flavor Burst	The Middleby Corporation (NASDAQ: MIDD)	Flavoring system provider for beverages and soft serve products
01-23-2023	Cookies-n-Milk	JTM Foods	Baked and frozen dessert manufacturer
01-22-2023	Mister Snacks	The Howe Co.	Wholesaler of healthy snacks
01-19-2023	Fresh Origins	Sun Capital Partners	Grower and shipper of microgreens and edible flowers
01-18-2023	Great Lakes Potato Chips	LaSalle Capital	Maker of kettle-cooked potato chips
01-12-2023	Sweet Creek Foods	Azure Standard	Natural health food distributor
01-09-2023	Birch Benders	Hometown Food Company	Producer of organic, keto and paleo pancake and baking mixes
01-05-2023	Great Lakes Foods	SpartanNash (NASDAQ: SPTN)	Independent grocery wholesaler
01-04-2023	Bandwagon Brokerage	Wholesale Produce Supply	Specialty produce company
01-04-2023	6 c-stores of Leadbetter's	R.H. Foster Energy	Convenience store operator
01-04-2023	Freed's Bakery	Café Valley	Iced mini cupcake manufacturer
01-03-2023	6 c-stores of Mallard Oil	Pops Mart	Convenience store operator
01-03-2023	Fresh business line of Benson Hill (NYSE: BHIL)	IMG Enterprises	Wholesale produce distributor & farms
01-03-2023	Food Should Taste Good	Real Food From the Ground Up	Natural tortilla snacks business
01-03-2023	DÖ, Cookie Dough Confections	16 Handles	Edible and bakeable cookie dough brand
01-03-2023	Orca Bay Foods	Silver Bay Seafoods	Value-added seafood product-maker



ABOUT US

Tamarack Partners is a partnership of senior professionals formed to advise and provide sell-side M&A services to owners of closely-held companies.

What sets us apart is that we serve our clients with a team that includes successful operating executives who have built and sold businesses like yours throughout their careers.

If you are considering an ownership transition, we would be happy to provide you with guidance. Feel free to start a conversation with us today.

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