

Food & Beverage M&A Update

Strong M&A Appetite, Impact of Food Inflation To Be Seen



In May, U.S. food costs rose 10.1% YOY, the highest since 1981. (Photo: Getty)

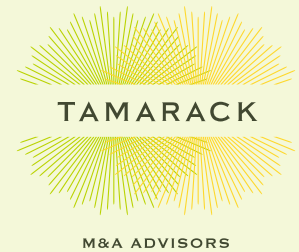
KEY INDUSTRY TRENDS

Tamarack Partners is pleased to share its Food & Beverage M&A Update. M&A appetite remained strong in Q2, although inflation and supply chain disruptions continued to impact the sector. Several key industry trends are included below.

1. Rise of private label – High gas and food prices coupled with changing consumer perceptions have enabled “store brands” to thrive. Private label has transformed from the cheap no-name alternative to branded and premium items: Amazon unveiled its [Aplenty](#) brand, on the heels of [Kroger adding 239 products](#) to its portfolio of house brands in Q1.

2. Grab-and-go-home – Grab-and-go visits have declined by 7.2% since the start of the pandemic while take-home meals, particularly in family-size portions, are up by 3.4%. Retailers are elevating their foodservice offering to capture more of this occasion: [BellStores partnered with a local specialty market](#) to elevate its sandwich offering, [Casey’s unveiled its first store without fuel](#), and the [nation’s first 100% plant-based c-store](#) opened in California.

3. Tech-to-table – Despite current macroeconomic conditions, sustainability continues to drive investment into foodtech. Upside Foods announced the close of its [\\$400 million Series C funding round](#), the largest round of investment to date in the cultivated meat industry, and Synthesis Capital launched the [world’s largest dedicated foodtech VC fund](#) with \$300 million in assets under management.



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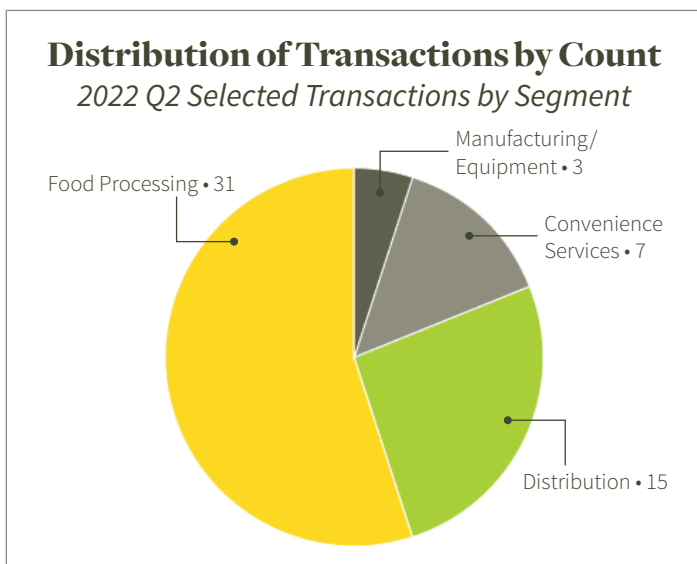
Barry Friends
Industry Partner



Michael Kessler
Founder & President

M&A COMMENTARY

The resilience of the Food & Beverage industry has been reflected by robust transaction activity in YTD 2022. Tamarack Partners tracks U.S. domestic acquisitions across select Food Processing, Distribution, Convenience Services, Agriculture and Manufacturing/Equipment sectors. Transaction volume remained healthy in Q2 with 56 deals announced or completed as compared to 64 in Q1.



M&A activity in the Food Processing, Distribution and Convenience Services sectors continued its strong Q1 pace with a total of 31, 15 and 7 transactions, respectively. Environmental, social, and governance principles carried heavy weight in acquisition strategies as sector participants look to align with consumer preferences. Functional and better-for-you (BFY) products gained traction while the confectionary and snacks segment maintained its strong 2021 growth. Notably, asset rationalization within Convenience Services has surged as strategic buyers aim to gain scale and geographic diversification.

Private strategic buyers continued to lead transaction activity in Q2, accounting for 45% of total M&A volume. Vertical integration has been a key emphasis as strategic players look to strengthen supply chains and gain greater control over their production and fulfillment processes. Private equity (PE) firms also actively targeted the sector, comprising 41% of transaction volume as opposed to 30%

in Q1. Moreover, PE Strategic deals outpaced PE Platform deals in Q2, accounting for 61% of financial acquisitions in Q2 versus 37% in Q1. It's worth noting that the overall Food & Beverage sector was the most sought-after space among private equity firms in 2021 according to publicly available research sources.

Sector Activity by Acquirer Group

| Q2 2022 | Strategic | PE Platform | PE Strategic | TOTAL |
|-------------------------|-----------|-------------|--------------|-----------|
| Food Processing | 20 | 6 | 5 | 31 |
| Distribution | 6 | 2 | 7 | 15 |
| Convenience Services | 6 | 0 | 1 | 7 |
| Agriculture | 0 | 0 | 0 | 0 |
| Manufacturing/Equipment | 1 | 1 | 1 | 3 |
| TOTAL | 33 | 9 | 14 | 56 |

Moving through Q2 2022, the M&A market for privately-owned Food & Beverage businesses is expected to remain favorable as sector players compete to add synergistic brands and manufacturing capabilities and buyers look to deploy resources to high growth segments.

POTENTIAL IMPACT OF FOOD INFLATION

Elevated consumer demand, supply chain disruptions, and widespread labor shortages have fueled historic levels of food inflation in the U.S. Through May of 2022, food costs surged 10.1% year-over-year (YOY), the first increase of 10% or more since 1981. Big increases were seen in prices of meats, poultry, fish, and eggs (14.2%) due to elevated energy and animal feed costs.

The impact of food inflationary pressures on M&A remains to be seen given the long transaction lead time, but greater scrutiny of transaction processes and sellers' ability to pass on cost increases can be expected. Food & Beverage businesses with resilient supply chains, scale, inventory management, and negotiating power with end market customers will be better insulated from inflationary challenges; however, the backdrop of healthy demand presents a favorable outlook for the sector in the long term.

NOTABLE DEALS



CEFCO sold 50 of its petroleum marketing and convenience stores to BreakTime Corner Market (acquiring 48) and Refuel (acquiring 2) for an undisclosed sum in June. The divestment of these 50 locations demonstrates increased asset rationalization in the Convenience Services sector.



LOEDER OIL

Loeder Oil sold its 9-site portfolio of convenience stores to Moe's Mart, operator of 22 locations across four states, for an undisclosed sum in June. Loeder Oil is the second long time operator to exit the convenience retailing industry in recent months, indicating a strong seller's market.



GlacierPoint, a portfolio company of Mill Point Capital, partnered with Gillette Creamery in June. Gillette is a full-service direct store food and ice cream distributor servicing all of Eastern New York State and bordering states. The partnership demonstrates continued investor interest in food distribution.



Mondelēz International announced an agreement to acquire Clif Bar & Company, leading U.S. maker of nutritious energy bars with organic ingredients, for \$2.9 billion in June. This acquisition advances the company's strategy to reshape its portfolio to sustain higher long-term growth, a focus among strategic buyers in the Food Processing sector.

SourceCapital | LLC



Source Capital, a private equity firm, acquired Kitchen Brains for an undisclosed sum in May. Based in Stratford, CT, Kitchen Brains is a leading designer and manufacturer of fully integrated smart cooking computers, electronic controls and software solutions for commercial foodservice operations.



J&J Snack Foods acquired Dippin' Dots for \$222 million in June. Headquartered in Paducah, KY, Dippin' Dots uses a cryogenic freezing process to produce beaded ice cream, yogurt, sherbet and flavored ice products distributed in thousands of franchise locations, theme parks, stadiums, arenas, zoos, movie theaters and events.

LISTED TRANSACTIONS

| Date | Target | Acquirer | Target Business Description |
|------------|--------------------------------------|---------------------------------------|---|
| 06-30-2022 | Southern Ice Cream and Gourmet Foods | GlacierPoint Enterprises | Full-service distributor of ice cream and related products |
| 06-30-2022 | Moonstruck Chocolate | Chocolate Works | Hand-crafted specialty chocolate brand |
| 06-30-2022 | Icetro | Middleby (NASDAQ: MIDD) | Maker of ice, soft serve and slush machines for commercial foodservice operations |
| 06-28-2022 | Mill Haven Foods | Select Milk | Dairy producer with blending and packaging expertise |
| 06-24-2022 | Stone Brewing | Sapporo (TSE:2501) | Craft beer maker |
| Pending | Javo Beverage Co. | Florida Food Products | Manufacturer of coffee, tea and botanical extracts |
| 06-23-2022 | Loeder Oil | Moe's Mart | Convenience store operator |
| Pending | Gold Standard Baking | 37 Baking Holdings | Manufacturer of croissants and dough-based sweet baked goods |
| Pending | Grain Craft | Redwood Capital | Largest independant US flour miller |
| 06-22-2022 | 6 gas stations and c-stores | Heas Energy | Convenience and fuel retailer |
| 06-22-2022 | TNT Crust | General Mills (NYSE: GIS) | Manufacturer of frozen pizza crusts |
| 06-22-2022 | Sterling Technology | Glanbia Nutritionals | Manufacturer of dairy bioactive solutions derived from bovine colostrum |
| 06-21-2022 | Gillette Creamery | GlacierPoint Enterprises | Full-service direct store food and ice cream distributor |
| 06-21-2022 | Dippin' Dots | J&J Snack Foods (NASDAQ: JJSF) | Producer of flash-frozen beaded ice cream treats |
| Pending | Clif Bar & Company | Mondelēz International (NASDAQ: MDLZ) | Maker of nutritious energy bars with organic ingredients |
| 06-18-2022 | Long Trail Brewing Co. | Mass. Bay Brewing Co. | Craft beer maker |
| 06-16-2022 | Maytag Dairy Farms | AgCertain Industries | Manufacturer and marketer of blue cheese and other cheese products |
| 06-16-2022 | KB Ingredients | Eurogerm | Manufacturer, co-packer and distributor of specialty bakery ingredients |
| 06-15-2022 | 11 retail sites of Embark Energy | Refuel | Convenience store operator |
| 06-15-2022 | Valley Food Services | Worldwide Produce | Foodservice distributor of fresh produce and dairy |
| 06-15-2022 | Chameleon Cold Brew | SYSTEM Foods | Purveyor of bottled cold-brew coffee |

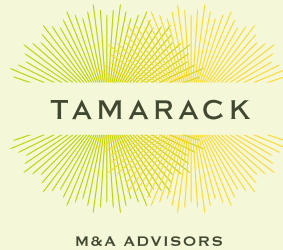
LISTED TRANSACTIONS

| Date | Target | Acquirer | Target Business Description |
|-------------|---|---------------------------------|--|
| 06-10-2022 | Sommer Maid Creamery | Honor Foods | Foodservice redistributor with dairy expertise |
| 06-09-2022 | Krier Foods | Celerant Capital | Premier manufacturer of ready-to-drink beverages |
| 06-08-2022 | Minna | New Berlin Beverage Co. | Sparkling iced tea maker |
| 06-07-2022 | Foster Farms | Atlas Holdings | Provider of fresh, frozen, and prepared poultry products |
| 06-07-2022 | Syracuse Sausage | Standard Meat Company | Retail and wholesale meat manufacturer |
| 06-07-2022 | ForA: Butter | AAK Foodservice | Plant-based butter brand |
| 06-02-2022 | Timewise Stores | Shell (LON: SHEL) | Convenience and fuel retailer |
| 06-02-2022 | 50 retail sites from CEFCO | BreakTime Corner Market | Convenience and fuel retailer |
| 06-01-2022 | North Bay Seafood | Fortune International | Distributor of fresh oysters and frozen seafood products |
| 05-31-2022 | Dairyfood USA | Borgman Capital | Specialty cheesemaker |
| 05-31-2022 | Hydrofresh | Universal Pure | Outsourced high pressure processing and cold storage provider |
| Pending | Helper & Suddenly Salad business lines of General Mills | Eagle Family Foods Group | Meal and side dish packaged food brands |
| 05-24-2022 | Hissho Sushi | Brentwood Associates | Franchisor of turnkey sushi solutions |
| Pending | Evolution Fresh | Bolthouse Farms | Producer of primarily organic, cold-pressed, premium juice products |
| 05-20-2022 | Kitchen Brains | Source Capital | Hardware and software manufacturer for commercial foodservice operations |
| 05-13-2022 | Deli-Boy | Lipari Foods | Retail and foodservice distributor |
| 05-13-2022 | Kessler Foods | Brother and Sister Food Service | Meat processor |
| 05-12-2022 | BerkShore Seafood | Wulf Fish Wholesale | Seafood distributor |
| 05-11-2022 | Notables | E S Foods | Producer of school meal kits |
| 05-10-2022 | City Produce | FreshEdge | Fresh food distributor |
| 05-10-2022 | Vega Produce | GrubMarket | Distributor of Asian fruits and vegetables |



LISTED TRANSACTIONS

| Date | Target | Acquirer | Target Business Description |
|------------|--|---------------------------|---|
| 05-05-2022 | Frozen vegetable manufacturing operations of Growers Express | B&G Foods (NYSE: BGS) | Processor of frozen vegetables |
| 05-04-2022 | Sweetener Solutions | Batory Foods | Specialized in custom sweetener formulation, precision blending and specialty portion packaging |
| 05-04-2022 | Baker Cheese Factory | Sargento Foods | String cheese producer |
| 05-03-2022 | Nutriati | Tate & Lyle (LSE: TATE.L) | Developer and manufacturer of chickpea-based ingredients |
| 05-02-2022 | T-Bev | Florida Food Products | Manufacturer of natural and organic caffeine and functional botanical extracts |
| 04-26-2022 | Second Nature Brands | CapVest Partners | Creator of better-for-you snacks and treats |
| 04-26-2022 | Chef's Choice Produce | Worldwide Produce | Premier foodservice distributor of fresh produce and dairy |
| 04-26-2022 | Avalanche Distributing | Dillanos Coffee Roasters | Wholesale distributor of coffee and baked goods |
| 04-19-2022 | Pickle assets of Farm Ridge Foods | Patriot Pickle | Distributor of pickled products |
| 04-14-2022 | Retail assets of Davis Travel Centers | Petroleum Marketing Group | Convenience and fuel retailer |
| 04-13-2022 | R.E.D.D. Bar | LesserEvil Healthy Brands | Manufacturer of plant-based bars and drink powders |
| Pending | Pierre's Ice Cream | Ohio Processors | Manufacturer and distributor of ice cream and other frozen desserts |
| 04-07-2022 | Regatta Tropicals | GrubMarket | Produce provider that distributes, packs, imports and exports high quality fruits |
| 04-06-2022 | Laurel Oil | Clark Oil | Branded petroleum marketer and convenience retailer |



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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