

Food & Beverage M&A Update

M&A, Food Price Inflation Outlook Positive



Walmart [invests](#) in rancher-owned Sustainable Beef LLC. (Photo: Getty)

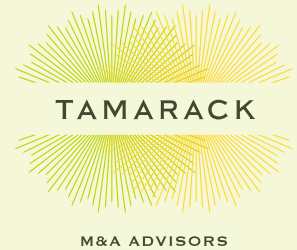
KEY SECTOR TAKEAWAYS

Tamarack Partners is pleased to share its Food & Beverage M&A Update. Sector participants continue to face cost inflation, challenging smaller players' ability to pass through price increases. At the same time, many companies are rationalizing non-core business lines and investing in high-growth, high-return opportunities. Finally, business operators that are able to maintain margins while absorbing higher costs are showing significant growth and may explore sale options to take advantage of their buoyed earnings.

FOOD PRICE INFLATION OUTLOOK

Economy-wide factors continued to inflate U.S. food prices in Q3 2022. In August, the Consumer Price Index (CPI) for all-food and food-at-home increased by 0.8% and 0.7%, respectively. These large increases followed similarly large changes in January through July. Notably, the energy index dropped 5% in August and gasoline prices fell 10.6% in the same period. In September, the Producer Price Index (PPI) forecast ranges for wholesale beef, wholesale pork, wholesale poultry, and wholesale fats and oils were revised downward. Because the CPI typically lags movements in the PPI, it can be reasonably assumed that the CPI may soon follow across these categories.

Recent declines in agricultural commodity and energy prices are expected to ease food price increases through the remainder of 2022. Operators with robust supply chains and vertical integration will continue to suffer the least, while the forecasted slowdown in food inflation in 2023 presents a favorable outlook for the sector.



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Contact Our Food & Beverage Experts



Barry Friends
Industry Partner



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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 Q3 with 57 deals announced or completed as compared to 56 in Q2.

Q3 saw elevated transaction activity in the alcoholic and non-alcoholic beverage, produce and convenience store segments. Notable transactions within these areas include Finnigans Brew Co.’s acquisition of non-alcoholic brewer Hairless Dog Brewing, Fresh Del Monte Produce’s acquisition of Mann Packing Company, and ARKO’s acquisition of Transit Energy Group. Please see page 3 for more details.

Strategic buyers continued to lead transaction activity in Q3, accounting for 63% of total M&A volume. Of the 57 deals closed in Q3, 31 (54%) were completed by privately owned buyers. At the same time, ample dry powder and robust fundraising activities have favored high levels of private equity (PE) activity in the sector in YTD 2022. PE deal flow saw a subtle decrease quarter-over-quarter but remained strong at 37% of total deals. In addition to the Food

Processing segment, financial buyers have demonstrated an appetite for specialty distributors and convenience store chains, often adding on to portfolio holdings through acquisitions.

Sector Activity by Acquirer Group

Q3 2022	Strategic	PE Platform	PE Strategic	TOTAL
Food Processing	18	7	8	33
Distribution	9	0	3	12
Convenience Services	6	0	3	9
Agriculture	3	0	0	3
Manufacturing/ Equipment	0	0	0	0
TOTAL	36	7	14	57

As we look to Q4 2022 and into 2023, we believe that transaction activity will remain steady despite macroeconomic challenges and market uncertainty. The Food & Beverage industry is very recession resistant and will remain an attractive and defensive sector for both strategic and financial buyers.

Impact of Food Inflation on Restaurant Operators

“As inflation drives up food costs from distributors, restaurants are under increasing pressure to cut operating expenses. Smart operators are reducing hours, simplifying menus and even closing dining rooms to focus on pick up and delivery. In some ways, inflation is benefiting quick-service restaurants as consumers ‘trade down’ from full-service options. While the commodity portion of inflation is beginning to moderate, the wage portion is not. Wages have increased to attract a shrinking labor pool and to keep up with inflation, causing operators to reduce labor or maximize their existing labor. Wage-spiral inflation will continue until layoffs begin. These factors will drive M&A actively on the operator side, resulting in fewer customers for food manufacturers and distributors and increasing the purchasing power of both.”

NOTABLE DEALS



Mann Packing completed the final stages of its integration as the vegetable division of Fresh Del Monte Produce in August. The 2018 acquisition, valued at \$361 million, brought the two produce powerhouses under one roof. The completion of this final step gives Mann Packing full access to all of Fresh Del Monte’s resources and its logistics network.



ARKO, one of the largest U.S. convenience store operators and fuel wholesalers, has agreed to acquire from Transit Energy Group approximately 350 wholesale and retail sites, including 150 company-operated convenience stores, for \$375 million in September. The acquisition reflects continued asset rationalization in the Convenience Services sector.



PALO ALTO FOODS
ESTESON
JOSEPH MARTIN FOODS

Cheetah acquired three Bay Area independent distributors – Palo Alto Foods, Esteson, and Joseph Martin Foods – for an undisclosed sum in July. The triple acquisition follows increased M&A as sector players add complementary brands to provide more robust offerings to their customers.



Investindustrial, a private equity firm, has agreed to acquire a significant portion of TreeHouse Foods’ meal preparation business for \$950 million in August. The acquisition will create one of the largest suppliers of private label food products in the world. It also highlights private equity’s strategy of scaling their contract manufacturing holdings through add-ons.



New Water Capital, a private equity firm, acquired Klosterman Baking Company for an undisclosed sum in July. Founded in 1892, Klosterman is a leading producer of bakery products and operates 17 bakeries and distribution facilities across eight Midwest states. The acquisition demonstrates increased consolidation in the bakery segment.



Finnegans Brewing Co. acquired Hairless Dog Brewing, a company specialized in non-alcoholic craft beer, for an undisclosed sum in August. Interestingly, the acquisition follows traction in the better-for-you (BFY) segment while also mirroring increased M&A activity in the craft beer space.

LISTED TRANSACTIONS

Date	Target	Acquirer	Target Business Description
Pending	Insight Coffee Roasters	Sun & Soil	Coffee roaster and distributor
Pending	Perfect Plain Brewing Co.	Urban South Brewing	Craft beer maker
09-26-2022	Milwaukee Brewing Co.	Eagle Park Brewing	Craft beer maker
Pending	Faubourg Brewing Co.	Wiregrass Equity Partners	Craft beer maker
09-21-2022	Tidewater Convenience	Global Partners (NYSE: GLP)	Convenience and fuel retailer
09-20-2022	Spice Chain	iSpice Foods	Importer, processor and supplier of spices and seasonings
09-16-2022	Keystone Natural Holdings	House Foods	Manufacturer of tofu and plant-based foods
09-12-2022	FreshH2O Growers	Gotham Greens	Hydroponic greenhouse operator
Pending	Transit Energy Group	ARKO (NASDAQ: ARKO)	Convenience and fuel retailer
09-08-2022	Good Catch	Wicked Kitchen	Plant-based seafood brand
09-08-2022	Bell-Carter Foods	AG Olives	Manufacturer of table olives
09-07-2022	Dino Stop Convenience Stores	7E CO Holdings	Convenience store operator
Pending	DET Distributing	Reyes Holdings	Beverage distributor
09-06-2022	Tres Amigos	Yesway	Convenience store operator
09-06-2022	H.T. Berry Company	Envoy Solutions	Distributor of janitorial supplies and foodservice products
09-01-2022	Sokol & Company	Burlington Capital Partners	Manufacturer of food ingredients and retail-ready food products
09-01-2022	Renwood Mills	The Mennel Milling Company	Flour miller
08-31-2022	Water Lilies Food	Blue Point Capital Partners	Manufacturer and distributor of premium frozen Asian-inspired cuisine
08-31-2022	4 c-stores from 4 sellers	Par Mar Oil	Convenience store operator
Pending	B2B powdered cheese business of Kraft Heinz (NASDAQ: KHC)	Kerry Group	B2B powdered cheese producer
08-26-2022	Mann Packing Company	Fresh Del Monte Produce	Fresh vegetable supplier

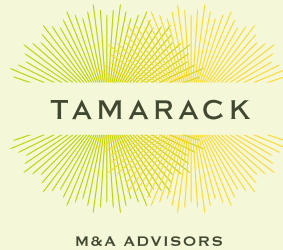
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08-25-2022	Meridian Flavors	FlavorSum	Natural flavor manufacturer
08-24-2022	Crescent Dairy & Beverages	Gehl Food & Beverage	Aseptic processor and packager for the dairy & beverage industries
08-24-2022	Brave	Creata (NASDAQ: CRTD)	Plant-based healthy breakfast brand
Pending	The Whalen Corp.	Refuel	Convenience store operator
08-22-2022	Freeze-Dry Foods	Thrive Foods	Manufacturer of freeze-dried products
08-19-2022	Korte & Co.	Schiff's Food Service	Foodservice distributor
08-16-2022	Sauerkraut business of GLK Foods	Fermented Food Holdings, Inc.	Sauerkraut producer
08-16-2022	Gold Standard Baking	37 Baking Holdings	Manufacturer of croissants and dough-based sweet baked goods
08-15-2022	Mallard Mart	Rusty Lantern Markets	Convenience store operator
Pending	Meal preparation business line of TreeHouse Foods (NYSE: THS)	Investindustrial	Manufacturer and supplier of private label food
08-11-2022	Parker Food Group	Investindustrial	Manufacturer of specialty, value-added ingredients
08-11-2022	Marina Ice Cream Corp.	GlacierPoint Enterprises	Direct store delivery ("DSD") distributor of ice cream and other F&B products
08-11-2022	Spectrum Catering, Concessions & Event Services	Oak View Group	Event-based food service company
08-10-2022	Mill Creek Cheese	V&V Supremo Foods	Cheese manufacturer
08-08-2022	Mendocino Foods	Ohio-South Farm Products	Small-batch mustard producer
08-03-2022	Fiesta Canning Co.	Taglich Private Equity	Manufacturer of canned chili products, sauces and salsas
08-03-2022	Kitchen Basics business line of McCormick & Co.	Del Monte Foods	Ready-to-use broths and stocks
08-02-2022	Premier Stores Inc.	Refuel	Convenience store operator
08-02-2022	WilMar	Highview Capital	Protein processor specializing in ground beef solutions
08-02-2022	Up Coffee Roasters	FairWave Holdings	Provider of gourmet coffee, equipment and supplies
08-02-2022	Hairless Dog Brewing	Finnegans Brew Co.	Non-alcoholic craft beer maker



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08-01-2022	Evolution Fresh	Bolthouse Farms	Producer of primarily organic, cold-pressed, premium juice products
07-28-2022	Klosterman Baking Co.	New Water Capital Partners	Baked goods manufacturer
07-26-2022	Roskam Baking Co.	Entrepreneurial Equity Partners	Contract manufacturer of baked goods
07-22-2022	Sanderson Farms (NASDAQ: SAFM)	Cargill & Continental Grain	Poultry producer
07-21-2022	Lecoq Cuisine	Groupe Le Duff	Producer of specialty Viennese and French-style pastries
07-19-2022	Palo Alto Foods/Esteson/ Joseph Martin Foods	Cheetah	Independent & artisanal food distributors
07-18-2022	New Orleans Fish House	Fortune International	Supplier of quality wholesale seafood
07-18-2022	Quality Fruit & Vegetable Co.	GrubMarket	Fresh produce distributor
07-18-2022	Highland Mountain Water	Primo Water Corporation (NYSE: PRMW)	Independent distributor of Primo's Mountain Valley® premium water brand
Pending	Fresh Ideas	Compass Group	Foodservice management company
07-14-2022	Blossom Water	EARI Beverage Group (OTC: EARI)	Manufacturer of all natural waters infused with fruit and flower essences
Pending	Stadelman Fruit	Mount Adams Fruit	Producer of apples, cherries and pears
07-07-2022	Graves Foods	GS Foods Group	Foodservice distributor
07-06-2022	Natural Products, Inc.	KENT Corporation	Manufacturer of full fat soy ingredients
07-05-2022	Helper & Suddenly Salad business lines of General Mills	Eagle Foods	Meal and side dish packaged food brands



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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