



Business Valuation
& Advisory

Industry Update

Food Industry

A Report on Q1 2018



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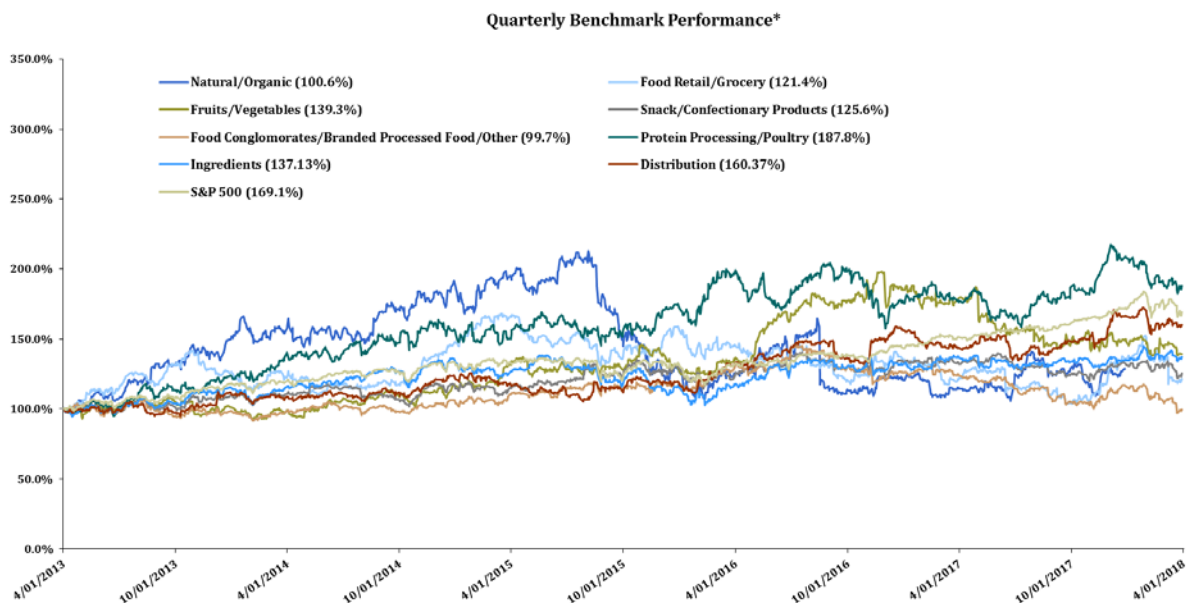
* This publication is also available in soft copy on the MPI website: <http://www.mpival.com/resources.html>.

Industry Overview

This publication focuses on major events, developments and trends happening within the natural and organic, retail, distribution, protein processing, snack products, agricultural, and ingredients segments of the Food Industry. Most of the companies operating within the Food Industry are currently in the mature stage of their lifecycles. Nonetheless, volatile input prices, evolving consumer preferences and key merger and acquisition activities have spurred divergent recent performance and a changing competitive landscape. Recent trends in the industry include:

- **E-Commerce:** With Blue Apron’s IPO in 2017, consumers are demonstrating continued preference for online delivery and subscription food services. The rising demand for online ordering and quick delivery requires companies to either develop specific operations or partner with online delivery service providers.
- **Food Safety:** Because of news and social media, food safety issues spread swiftly. Accordingly, negative news related to food safety concerns can have a severe financial and reputational impact on companies. As a result, companies must be vigilant in ensuring food safety is not compromised; otherwise, the challenges in overcoming food safety incidents may be everlasting.
- **Rising Mergers and Acquisitions:** With the broad sales slowdown, food companies are increasingly seeking out opportunities to acquire products to complement their existing portfolios. Acquiring products that align with current consumer trends may spur sales growth in a recently sluggish industry.

As the stock price performance graph below suggests, most of the industry segments had inferior performance compared to the S&P 500 over the last five years. The Protein Processing/Poultry segment had the strongest performance while the Natural/Organic segment had the weakest.



Source: S&P Capital IQ.

*Includes selected companies presented on pages 8-11.

Chart above is presented on an index basis: Q1 2013.

In the News...

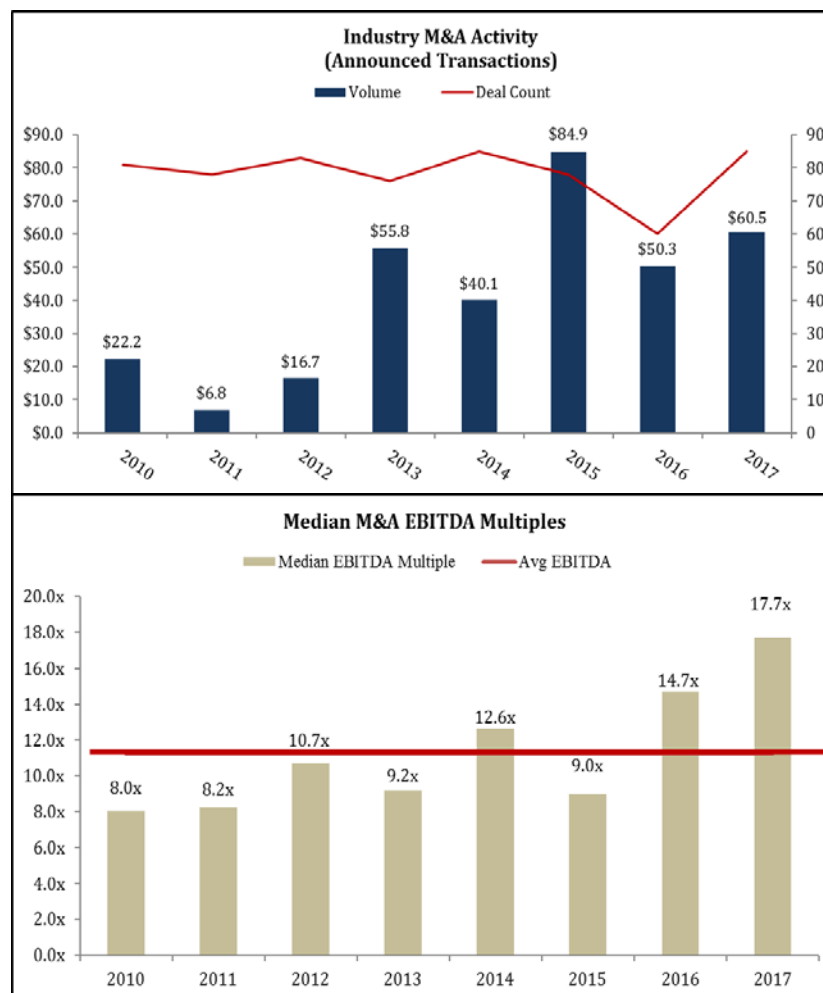
- “Walmart, a division of Wal-Mart Stores which also operates Sam’s Club, has been spending billions and sacrificing a ton of profit, on improving its grocery areas and using tech to smoothen operations for store workers and equip hundreds of stores to handle curbside delivery. ...All this equips Walmart well to handle Amazon’s ever faster delivery firepower and that of other retailers: Aldi recently said it was teaming up with tech startup Instacart to test grocery delivery in Dallas, while Target this week announced it was buying a logistics firm to build up its same-day delivery capability, a potential challenge down the line for its grocery rivals.” (Fortune, 08/17/17)
- “But over the past decade, this “historically safe, stable insular industry,” as [Bernstein Analyst Alexia] Howard deems it, became much less so. For one thing, shoppers started avoiding the center of the supermarket, eschewing the canned and boxed offerings—and the artificial colors, flavors, and preservatives inside them—in favor of the perimeter’s fresh fare. Consumers, and in particular those coveted millennials, wanted what they considered natural goods. No matter what Big Food does to reengineer its products, they can’t seem to convince shoppers that anything has changed.” (Fortune, 09/14/17)
- “Today Blue Apron shares are trading at less than \$4, down more than 60 percent from the IPO. Capital World Investors, once the company’s second-largest institutional investor, has bolted. And two of the founders, including the chief executive officer, have stepped down. Less than six months after becoming a public company, Blue Apron is widely seen as a venture-fattened startup that wasn’t ready for adulthood. ...It had to delay expansion plans and failed to fulfill a promise to get closer to profitability. In the first two earnings reports as a public company, Blue Apron acknowledged losing customers and said revenue would decline in the fourth quarter. The fulfillment center troubles led to more order errors and delays—an ominous sign when subscribers are often one or two bad experiences away from canceling.” (Bloomberg, 12/12/17)
- “A new Nielsen analysis found that while consumers are spending more money on snacking as a whole, the growth is concentrated in snacks that are non-GMO (sales of this category have grown 18.2% over the last five years), not-artificially colored or flavored (sales of these have grown 16.2% over the last five years), and salty snacks (which have seen their dollar share grow 6% over the last year and lodged a 3.2% compound annual growth rate over the last five years).” (Forbes, 12/18/17)
- “Amazon will be offering free two-hour delivery of Whole Foods products to Amazon Prime customers in select cities starting Thursday. While the service is only available in Austin, Cincinnati, Dallas and Virginia Beach for now, Amazon plans to expand the Whole Foods Prime Now service across the country over the course of the year. Customers who pay for the yearly Amazon Prime subscription will be able to purchase a range of items that their local Whole Foods store stocks via Amazon or Prime Now. The items will then be delivered, for free, within two hours. For \$7.99, customers can get one-hour delivery on orders over \$35.” (Fortune, 02/8/18)

M&A Overview¹

Industry Trends

As shown below, recent M&A activity within the Food Industry has expanded relative to 2016. In 2017, deal volume reached approximately \$60.5 billion on 85 announced deals. In 2016, deal volume approached approximately \$50.3 billion on 60 total announced deals. The relatively elevated volume in 2017 was largely due to the mega-deal acquisitions of Mead Johnson Nutrition Company by Reckitt Benckiser Group plc and Whole Foods Market, Inc. by Amazon.com, Inc. These deals had enterprise values of \$17.9 billion and \$13.7 billion, respectively. In the first three-months of 2018, deal volume reached approximately \$14.0 billion on 12 announced deals.

The median EBITDA multiple for announced transactions in 2017 was 17.7 times, higher than an average multiple of 11.3 times exhibited from 2010 to 2017.



¹ Covers activity for announced deals with reported transaction values.
Sources: S&P Capital IQ, Bloomberg, The Wall Street Journal.

Transactions within the Most Recent Twelve Months

Announced Date	Buyer	Target	Target Description	Implied Enterprise Value
6/15/17	Amazon.com, Inc.	Whole Foods Market, Inc.	Whole Foods Market, Inc. operates natural and organic foods supermarkets.	13,732.75
2/22/18	General Mills, Inc.	Blue Buffalo Pet Products, Inc.	Blue Buffalo Pet Products, Inc., through its subsidiary, Blue Buffalo Company, Ltd., operates as a pet food company in the United States, Canada, Japan, and Mexico. It develops, produces, markets, and sells dog and cat food under the BLUE Life Protection Formula, BLUE Wilderness, BLUE Basics, BLUE Freedom, and BLUE Natural Veterinary Diet lines.	8,043.91
12/18/17	Campbell Soup Company	Snyder's-Lance, Inc.	Snyder's-Lance, Inc. manufactures, distributes, markets, and sells snack food products in the United States.	6,009.11
4/25/17	Tyson Foods, Inc.	AdvancePierre Foods Holdings, Inc.	AdvancePierre Foods Holdings, Inc. produces and distributes ready-to-eat sandwiches, sandwich components, and other entrées and snacks.	4,349.83
7/18/17	McCormick & Company, Incorporated	French's Food companies and Tigers Milk LLC	As of August 17, 2017, French's Food companies and Tigers Milk LLC were acquired by McCormick & Company, Incorporated.	4,200.00
1/16/18	Ferrero International S.A.	U.S. Confectionary Business of Nestlé S.A.	As of March 31, 2018, U.S. Confectionary Business of Nestlé S.A. was acquired by Ferrero International S.A.	2,800.00
2/5/18	EG Group Limited	Convenience Store Business of The Kroger Co.	Convenience Store Business of The Kroger Co. comprises convenience store.	2,150.00
8/8/17	Post Holdings, Inc.	Bob Evans Farms, Inc.	Bob Evans Farms, Inc. produces and distributes food products for grocery retailers in the United States.	1,741.35
12/17/17	The Hershey Company	Amplify Snack Brands, Inc.	Amplify Snack Brands, Inc., together with its subsidiaries, develops, markets, and distributes better-for-you snack products in North America and internationally.	1,527.30

Source: S&P Capital IQ

Notable Transactions

General Mills, Inc. to Acquire Blue Buffalo Pet Products, Inc. for Approximately \$8.0 Billion Deal



In February 2018, General Mills, Inc. (“General Mills”) made a bid to acquire Blue Buffalo Pet Products, Inc. (“Blue Buffalo”) for approximately \$8.0 billion. General Mills will operate Blue Buffalo as a new pet operating segment alongside its four current operating segments. Blue Buffalo’s Chief Executive Officer, Billy Bishop, will continue to lead the business.

Campbell Soup Company to Acquire Snyder’s-Lance, Inc. for Approximately \$6.0 Billion Deal



In December 2017, Campbell Soup Company (“Campbell”) made a bid to acquire Snyder’s-Lance, Inc. (“Snyder’s-Lance”) for approximately \$6.0 billion. The acquisition of the Pretzels and Cape Cod chips maker will expand Campbell’s snack business amid sluggish soup sales.

Ferrero International S.A. to Acquire Nestle’s U.S. Confectionery Business. for \$2.8 Billion Deal



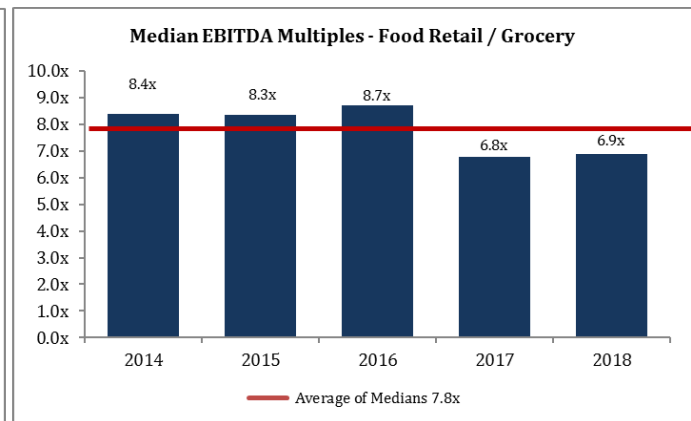
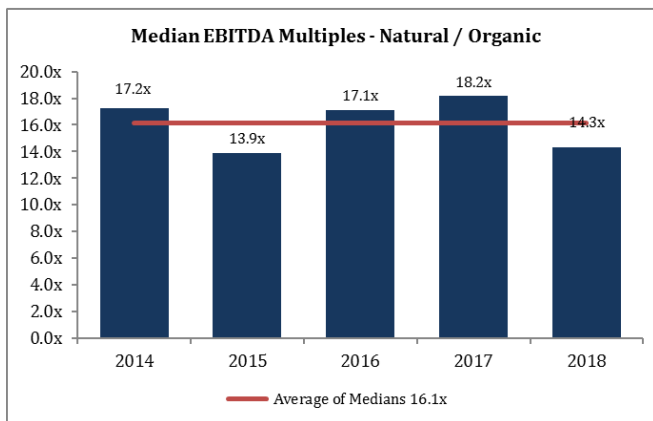
In January 2018, Nestle announced that it agreed to sell its U.S. confectionery business to Ferrero International S.A. (“Ferrero”) for \$2.8 billion. The transaction closed on March 31, 2018. The transaction only covers more than 20 U.S.-focused confectionery brands (such as *Butterfinger*, *Crunch*, *BabyRuth*, *100 Grand*, *Raisinets*, *Chunky*, *OhHenry!*, as well as *LaffyTaffy*, *Nerds*, *Gobstoppers* and *Bottlecaps*), but does not include *Toll House* baking products. This acquisition will cause Ferrero (the maker of Nutella spread and Ferrero Rocher pralines) the third-largest chocolate company in the U.S. and globally.

Sources: S&P Capital IQ, Bloomberg, The Wall Street Journal, Forbes, CNBC.

Public Market Data ¹

Company	3/31/2018 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
		High	Low		LTM	NFY	LTM	NFY	LTM	NFY
<i>Natural / Organic</i>										
The Hain Celestial Group, Inc.	32.07	45.61	31.01	3,961	14.3x	11.8x	9.5%	11.2%	33.8x	19.4x
Amira Nature Foods Ltd.	4.17	7.05	3.85	431	5.8x	5.6x	13.1%	14.0%	6.4x	NA
SunOpta Inc.	9.19	13.53	8.00	1,476	23.6x	16.6x	4.9%	7.1%	NM	NM
Median					14.3x	11.8x	9.5%	11.2%	20.1x	19.4x

<i>Food Retail / Grocery</i>										
The Kroger Co.	23.94	31.45	19.69	36,070	7.3x	6.7x	4.0%	4.4%	10.9x	11.9x
Sprouts Farmers Market, Inc.	23.47	28.29	17.55	3,585	11.1x	10.4x	6.9%	6.6%	19.7x	18.7x
Weis Markets, Inc.	40.98	62.88	31.26	1,052	6.5x	NA	4.7%	NA	11.2x	NA
Casey's General Stores, Inc.	109.77	128.51	99.76	5,296	10.5x	10.4x	7.0%	6.0%	12.5x	12.5x
Ingles Markets, Incorporated	33.85	47.95	20.75	1,563	6.4x	6.7x	6.0%	5.8%	8.1x	NA
Village Super Market, Inc.	26.37	27.49	21.95	339	5.4x	NA	3.9%	NA	14.9x	NA
Median					6.9x	8.6x	5.4%	5.9%	11.9x	12.5x



Public Market Data ⁽¹⁾

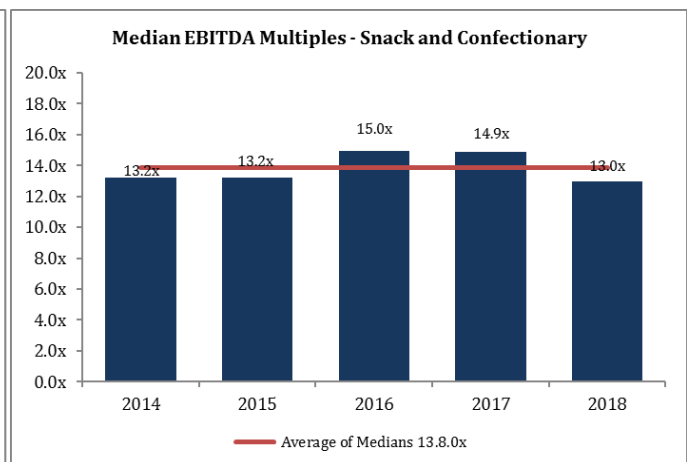
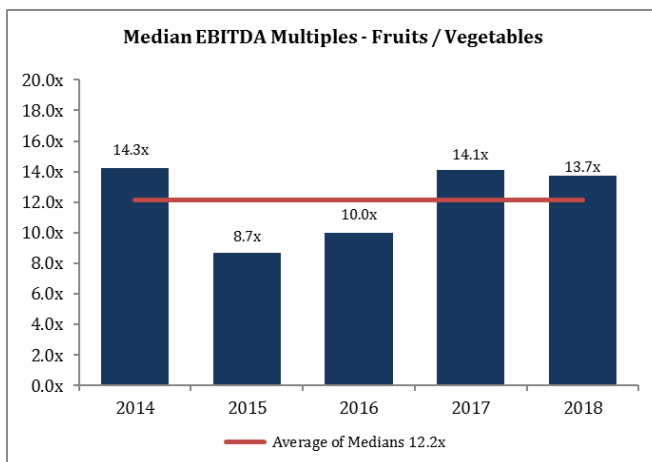
Company	3/31/2018 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
		High	Low		LTM	NFY	LTM	NFY	LTM	NFY
Fruits / Vegetables										
Fresh Del Monte Produce Inc.	45.24	61.98	43.02	2,554	10.7x	NA	5.8%	NA	18.2x	NA
Seneca Foods Corporation	27.70	38.15	27.60	725	17.3x	NA	3.2%	NA	67.6x	NA
Alico, Inc.	27.20	34.80	25.55	419	13.7x	NA	23.5%	NA	NM	NA

Median	13.7x	NA	5.8%	NA	42.9x	NA
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Snack / Confectionary Products

The Hershey Company	98.96	116.49	95.21	23,386	13.0x	12.2x	24.0%	24.1%	26.6x	19.1x
Tootsie Roll Industries, Inc.	29.45	38.30	28.50	1,902	18.9x	NA	19.4%	NA	25.1x	NA
Snyder's-Lance, Inc.	-	-	-	4,798	16.8x	NA	12.8%	NA	NM	NM
Mondelez International, Inc.	41.73	47.23	39.19	79,527	17.3x	14.4x	17.8%	20.5%	21.2x	17.6x
Kellogg Company	65.01	74.28	58.76	30,882	10.6x	11.5x	22.5%	20.5%	17.8x	15.7x
J&J Snack Foods Corp.	136.56	157.33	121.20	2,421	14.7x	14.0x	14.6%	15.0%	25.0x	25.0x
Post Holdings, Inc.	75.76	89.04	70.66	11,013	11.3x	8.9x	18.0%	20.1%	NM	9.1x
Flowers Foods, Inc.	21.86	21.95	16.80	5,437	12.2x	11.7x	11.4%	11.8%	30.7x	20.6x
John B. Sanfilippo & Son, Inc.	57.87	74.69	54.32	724	10.9x	9.9x	7.8%	8.5%	21.0x	19.0x
Rocky Mountain Chocolate Factory, Inc.	12.03	13.23	11.00	70	10.8x	NA	17.1%	NA	22.0x	NA

Median	12.6x	11.7x	17.4%	20.1%	23.5x	19.0x
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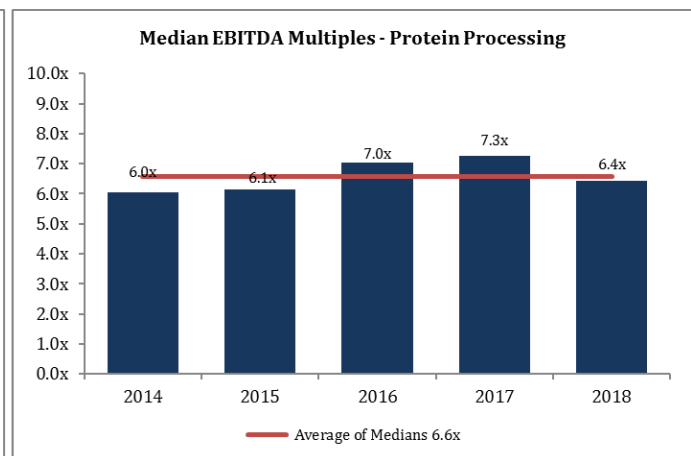
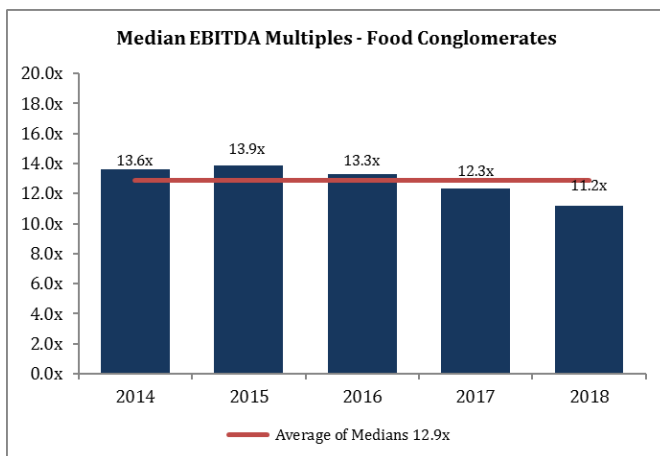


Public Market Data ⁽¹⁾

Company	3/31/2018 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
		High	Low		LTM	NFY	LTM	NFY	LTM	NFY
Food Conglomerates / Branded Processed Food / Other										
Pinnacle Foods Inc.	54.10	66.67	52.30	9,153	14.0x	13.0x	20.9%	22.5%	12.1x	18.4x
TreeHouse Foods, Inc.	38.27	90.42	36.35	4,546	7.6x	8.3x	9.5%	9.0%	NM	18.7x
Dean Foods Company	8.62	20.10	8.18	1,684	5.2x	5.5x	4.2%	4.2%	12.8x	13.3x
Conagra Brands, Inc.	36.88	41.04	32.16	18,306	13.1x	12.2x	17.8%	19.1%	16.6x	17.4x
Campbell Soup Company	43.31	59.14	40.99	16,727	8.6x	9.1x	24.9%	21.2%	12.4x	15.7x
General Mills, Inc.	45.06	60.69	43.96	36,574	11.4x	11.2x	20.4%	20.6%	12.2x	12.6x
The J. M. Smucker Company	124.01	134.12	99.57	18,844	11.5x	11.3x	22.2%	22.6%	11.2x	10.5x
B&G Foods, Inc.	23.70	43.10	23.43	3,589	11.0x	10.3x	19.6%	20.2%	7.3x	11.4x
Median					11.2x	10.8x	20.0%	20.4%	12.2x	14.5x

Protein Processing / Poultry

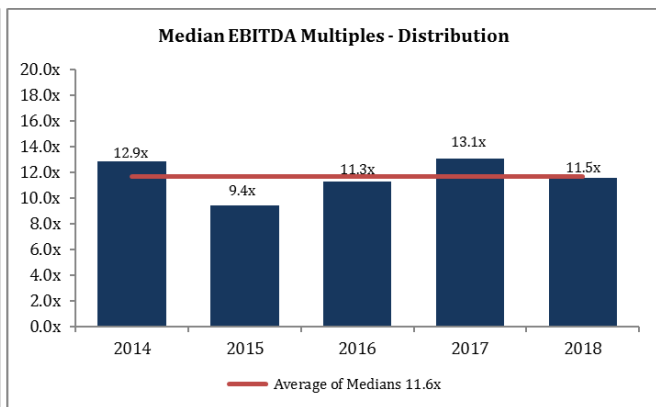
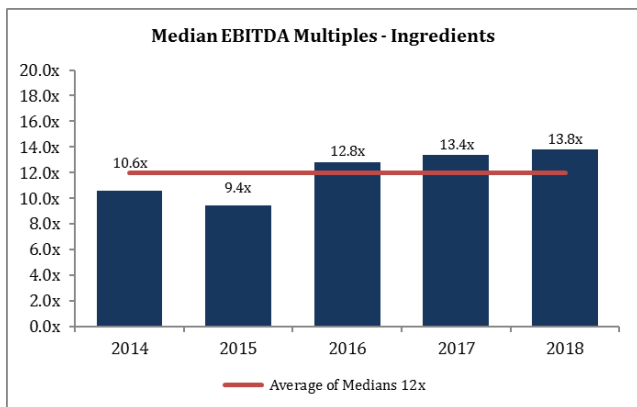
Sanderson Farms, Inc.	119.02	176.43	101.83	2,329	4.6x	5.7x	14.9%	11.9%	8.9x	10.8x
JBS S.A.	9.35	11.48	5.25	72,650	6.4x	5.1x	6.9%	8.4%	47.8x	7.3x
Hormel Foods Corporation	34.32	38.00	29.75	18,672	14.1x	13.3x	14.3%	14.3%	19.9x	17.4x
Pilgrim's Pride Corporation	24.61	38.39	20.28	8,289	6.1x	6.0x	12.7%	12.5%	8.8x	7.8x
Tyson Foods, Inc.	73.19	84.65	57.20	36,308	9.2x	8.2x	10.0%	10.8%	9.6x	8.9x
Median					6.4x	6.0x	12.7%	11.9%	9.6x	8.9x



Public Market Data ⁽¹⁾

Company	3/31/2018 Close ⁽²⁾	52-Week		Enterprise Value (EV) ⁽³⁾	EV/EBITDA		EBITDA Margin		Market Cap/Earnings	
		High	Low		LTM	NFY	LTM	NFY	LTM	NFY
Ingredients										
Archer-Daniels-Midland Company	43.37	46.26	38.59	30,989	12.7x	9.6x	4.0%	5.1%	15.2x	14.5x
Bunge Limited	73.94	83.75	63.87	15,314	14.9x	9.0x	2.2%	3.6%	65.0x	15.7x
Cal-Maine Foods, Inc.	43.70	50.40	33.40	1,924	NM	8.7x	8.2%	15.1%	NM	16.9x
Darling Ingredients Inc.	17.30	19.50	14.15	4,538	10.3x	9.8x	12.0%	12.4%	22.2x	14.6x
Ingredion Incorporated	128.92	146.28	113.42	10,599	9.7x	9.2x	18.7%	19.2%	17.9x	15.3x
International Flavors & Fragrances Inc.	136.91	157.40	128.42	12,080	16.0x	15.3x	22.2%	21.7%	36.5x	22.2x
McCormick & Company, Incorporated	106.39	111.46	90.25	18,932	19.7x	16.8x	19.1%	20.6%	17.3x	15.1x
Median					13.8x	9.6x	12.0%	15.1%	20.1x	15.3x

Distribution										
AMCON Distributing Company	90.00	113.60	80.95	77	10.3x	NA	0.8%	NA	18.4x	NA
Core-Mark Holding Company, Inc.	21.26	38.37	19.53	1,498	16.0x	9.5x	0.8%	1.0%	29.3x	22.2x
SpartanNash Company	17.21	37.83	16.32	1,355	6.3x	5.9x	2.6%	2.9%	NM	NM
Sysco Corporation	59.96	64.27	48.85	39,253	12.8x	12.1x	5.4%	5.5%	26.2x	22.3x
The Chefs' Warehouse, Inc.	23.00	25.93	11.85	930	15.6x	12.2x	4.6%	5.4%	45.5x	30.4x
United Natural Foods, Inc.	42.94	52.69	29.53	2,582	7.9x	7.6x	3.4%	3.4%	13.8x	12.9x
Median					11.5x	9.5x	3.0%	3.4%	26.2x	22.2x



Definitions:

Enterprise Value – defined by S&P Capital IQ as “market cap. + Total debt + preferred equity + total minority interest – cash and equivalents”

LTM – the latest twelve months

EBITDA – adjusted earnings before interest, taxes, depreciation and amortization

NFY – next fiscal year

EPS – earnings per share

NA – not available, NM – not meaningful

Notes:

- (1) Source: As reported by S&P Capital IQ.
- (2) Reported in local currency.
- (3) In millions of local currency.

About MPI

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