

FOOD & BEVERAGE



FOOD & BEVERAGE OVERVIEW

The food and beverage industry consists of the manufacturing, distribution, and sales of beverages, food, and pet food. Raw materials are transformed into products in the food and beverage industry, which are subsequently packaged and distributed to both individual customers and commercial venues via various distribution methods. The subindustries in the food and beverage industry include bakery, better-for-you (food products with health benefits), confectionery/snacks, general (conglomerates/general food businesses), dairy, ingredients, produce, protein producers (meat/seafood), specialty-pet, nonalcoholic beverages, and alcoholic beverages. The industry is expected to grow at a CAGR of 7% over the next three years, reaching \$8.16 trillion in 2025.

FOOD & BEVERAGE LANDSCAPE

The COVID-19 pandemic has had a significant impact on the food and beverage industry, with trade restrictions disrupting supply chains and government-imposed limitations lowering consumption. Despite the pandemic's impediment to business development, M&A activity in the industry reached a one-year high, closing over 300 deals in FY21. In 2021, strategic deals accounted for 78% of total deal value, indicating that the industry is consolidating and corporations are prepared to enter new markets through the purchase of established organizations or expand their existing operations through add-on acquisitions. Businesses must embrace opportunities to capitalize on the most influential consumer trends, some of which are likely to stay.

OPPORTUNITY #1

Prioritize Marketing to Gen Z

A survey conducted by Piper Sandler, a leading investment bank, revealed that the top purchasing priority of Gen Z customers is food; however, they place a greater emphasis on the sustainability, nutritional value, and ethics of the companies that produce the food they consume. Brands are increasingly sharing the stories of their environmental, social, and governance (ESG) objectives, and such factors are likely to determine the ability of companies to thrive moving forward.

OPPORTUNITY #2

Revival of Private Label & Value Brands

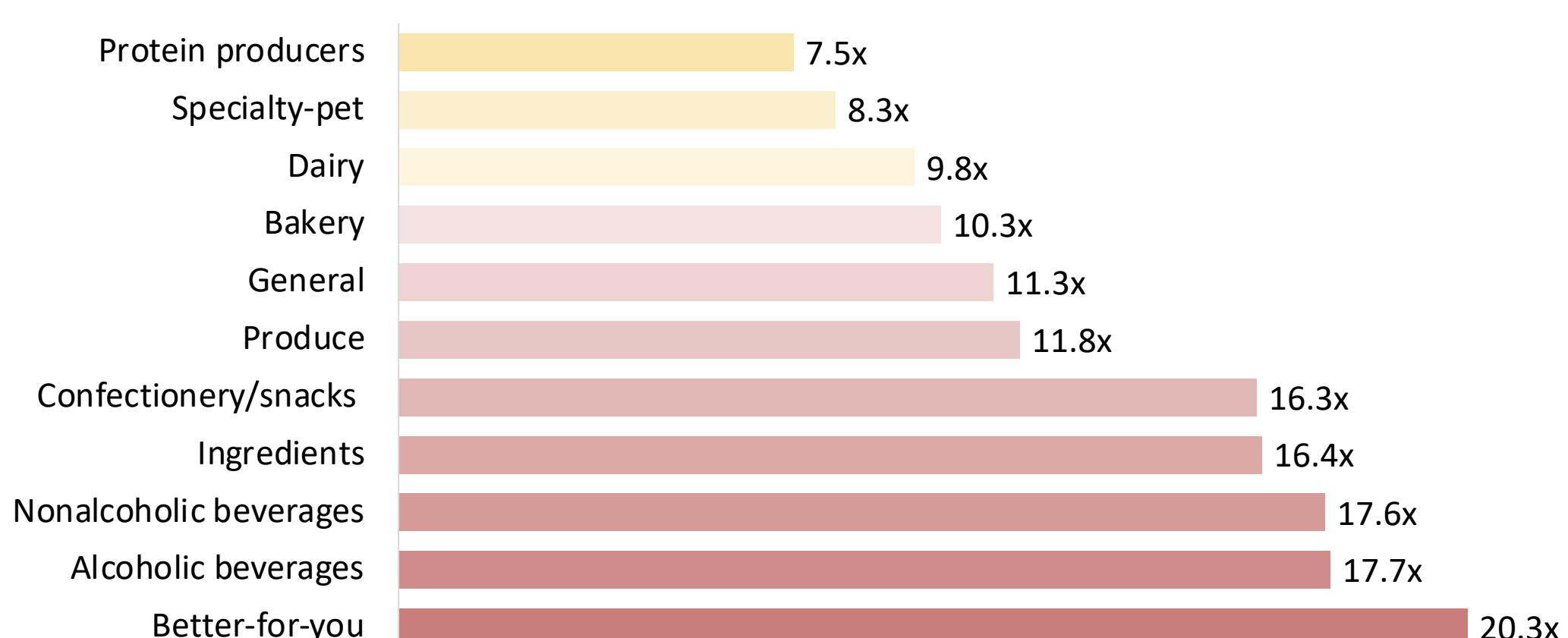
In the last decade, private label has evolved from a low-cost no-name option in supermarkets to branded and luxury goods that affect consumer loyalty, driving increased demand. Private label organizations' key challenge is adding more capacity because they've grown to exhaust their resources. Because of the scarcity of capacity and demand for private label and value brands, there are a multitude of strategic acquisition possibilities.

OPPORTUNITY #3

Capitalize on Functional Ingredients

Adaptogens, probiotics, and nootropics aren't necessarily novel substances, but the way they're being used in food and beverages is. A survey conducted by Kerry Group, a world leader in the development of taste and nutrition solutions, revealed that 65% of consumers look for function in the foods and beverages they ingest. As demand continues to rise, the subindustry for functional-ingredient-based products is expected to reach \$228.79 billion in 2025, growing at a CAGR of 8%.

PUBLIC COMPANY EV/EBITDA MULTIPLES BY SUBINDUSTRY



As of Sep. 2021

CONCLUSION

As the food and beverage industry is recouping from the impacts of the last 18 months, market participants are faced with a variety of circumstances that could inhibit or foster their growth, depending on how they embrace the changing landscape. The industry is in a position that breeds innovation and consolidation, as companies are faced with opportunities to capitalize on shifting consumer priorities and engage in alternative operational strategies, whether that be through pursuing a strategic acquisition, or being willing to be the target of a strategic acquisition.

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