

## Bardi Co. M&A Industry Publications: Key Trends and Statistics in the **Food & Beverage** Industry

Prepared by the Bardi Co. research and analytics group.

### Why industry research is important for business owners:

Running a business is an incredibly difficult endeavor, and overseeing the myriad of tasks involved with any large-scale operation requires focus, drive, and an unparalleled ability to execute. When a business hits a more mature stage in its lifecycle, or the business owner is considering selling the business for any number of reasons, such as lack of succession, it is important to take a step back and gain perspective on the overall industry in which the business is operating.

As a part of our series of research-based publications, Bardi Co.'s *M&A Industry Publications* present an analysis of the industries in which we have particular expertise. We believe that it is important to take a critical look at the overall industry in order to better inform an owner's decision regarding a possible merger or acquisition. By understanding how a company aligns with similar companies in terms of operating metrics and other key factors, a company can better prepare itself for a potential sale and position itself more attractively in the M&A market. For the full-length research report on other relevant M&A topics, please contact us directly at [info@bardico.com](mailto:info@bardico.com).

## Food & Beverage Industry Snapshot

### Key Statistics & Ratios

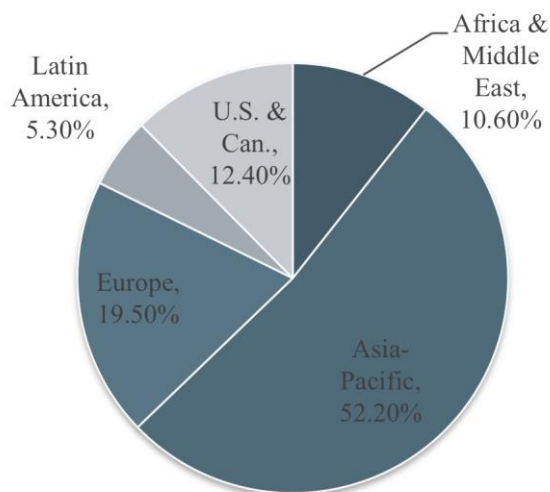
TEV <sup>1</sup> /Revenue:	1.8x
TEV/EBITDA <sup>2</sup> :	11.8x
TEV/EBIT <sup>3</sup> :	14.7x
Revenue Growth (3-yr):	6.1%
Profit Growth (3-yr):	4.9%
EBITDA Growth (3-yr):	5.1%

<sup>1</sup> TEV: Total Enterprise Value.

<sup>2</sup> EBITDA: Earnings Before Interest, Taxes, Depreciation, & Amortization.

<sup>3</sup> EBIT: Earnings Before Interest & Taxes.

### Industry Geography



### Key Industry Trends

In a recent survey of global food and beverage manufacturing company owners, 68% of food industry respondents and 48% of beverage industry respondents are more optimistic about the revenue growth for their company in 2013, respectively.

With increased amounts of cash on their balance sheets, many food & beverage companies are looking

to invest in or acquire target companies and expand into new products and service lines. As consumers trend toward healthier lifestyles, more budget-conscious decisions, and growing concerns around food safety, many industry participants are looking to M&A activity to address these new challenges (and the associated compliance costs of food safety requirements) in order to remain competitive.

Food and beverage companies are also increasingly expanding into emerging markets, not only as production locations, but also as chief customer bases for future growth.

## Changing Global Dynamics

### Rising Health Consciousness

Rising health consciousness and increasing public concerns regarding obesity are steering consumer preference towards healthier, lower calorie food and beverage products. Carbonated beverage companies are offering lower calorie drinks with the introduction of new natural sweeteners. Gluten free diets are becoming more prevalent, and companies such as Domino's Pizza and Dunkin' Donuts have begun offering gluten-free products. 76% of surveyed grocery shoppers said they are trying to eat healthier foods, while 72% they are aiming to be physically healthy.

### Emerging Market Growth

Emerging Markets are expected to contribute significantly to growth in the food and beverage industry. Retail and restaurant food sales are growing quickly in major Asian cities in China, Thailand, and India as well as in Brazil. America's Yum! Brands, operator of KFC and Pizza Hut, are introducing new locations in both Asia and Africa.

### Rising Food Prices

Rising food prices and the aftereffects of the economic recession have encouraged consumers to be more price-conscious, a change that is expected to fuel higher private label purchases. Recent survey data indicate that 59% of grocery shoppers now prefer to buy private label food and beverage products.

## Input Costs & Pricing

The price of inputs and manufacturing costs tend to be volatile, but the unusual volatility of 2011 has subsided in 2013. Many food & beverage companies have implemented commodity-hedging strategies to combat input price volatility.

**Carbon Energy:** Skyrocketing energy prices have led to substantial overall increases in input prices for food production.

**Ethanol and Biodiesel:** High energy prices have spurred companies to look to ethanol and biodiesel as an economically attractive energy substitutes. This has further increased the demand for crops such as corn and soybeans.

**Global Demand:** New wealth in rapidly developing regions such as China, India, Vietnam, and Brazil has led to notably higher global demand, straining food supplies and increasing prices world wide.

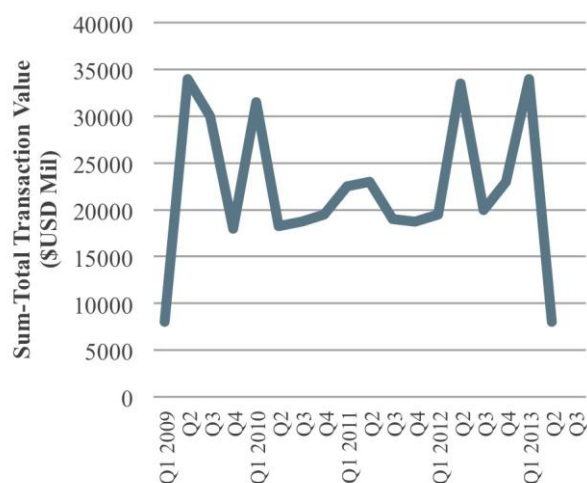
## Recent Transactions

The data below summarize transactions in the industry. This particular set of graphs is quite telling of the overall M&A environment within this specific industry. The top graph indicates M&A Transaction Size for each stipulated period. A high spike in the graph indicates that one or several unusually large transactions were closed during that period. It is important to note the dollar size of the transactions on the left axis, because this indicates the average industry transaction size. It is also important to note that not all transactions have published data; many private transactions do not publish the size of the transaction, so the average is neither comprehensive nor representative of middle market transaction averages.

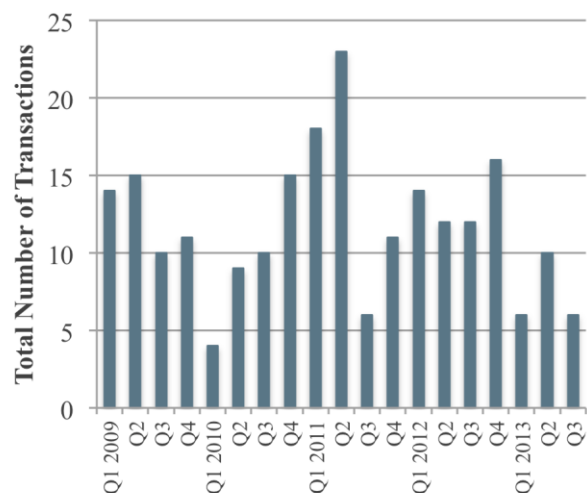
The bottom graph indicates M&A Transaction Volume for each period. This indicates how many overall transactions were closed during each period. A high number shows several acquisitions were completed. While these numbers seem straightforward, a business owner should interpret this data thoughtfully. In general, a high level of activity in the space is a

positive sign that buyers have an appetite for acquisitions in this industry. A low level indicates that it is a 'seller' market, creating an environment where valuations are not compressed by the presence of several similar firms for sale.

M&A Sum-Total Transaction Value by Period (\$USD Millions)



M&A Total Number of Transactions by Period



## FOOD & BEVERAGE KEY OPERATING STATISTICS

### SELECTED REPRESENTATIVE COMPANIES

Company Name	Margins (%)				Growth – 1 Year (%)				Tot Debt/Cap	LT EPS Growth
	Gross	EBITDA	EBIT	Net Inc	Tot Rev	EBITDA	EBIT	Net Inc		
Farmer Brothers Co.	37.7	5.32	(1.26)	(3.58)	1.7	NM	NM	NM	33.0	20.0
Crimson Wine Group, Ltd.	47.8	23.2	10.5	5.43	-	-	-	-	-	-
Craft Brew Alliance, Inc.	28.4	5.51	1.09	0.343	8.83	(24.0)	(63.6)	(78.4)	10.5	22.5
YaSheng Group	13.4	13.9	12.8	12.7	3.77	10.1	8.78	9.99	0.587	-
S&W Seed Company	5.14	(10.2)	(12.0)	(8.86)	72.0	-	-	-	7.28	33.3
Bridgford Foods Corp.	36.9	5.24	3.76	3.64	6.91	10,526.6	NM	NM	-	-
REEDS, Inc.	30.7	1.36	(0.465)	(2.54)	19.6	(53.8)	-	NM	62.9	10.0
Glacier Water Services Inc.	31.4	15.2	3.61	(5.79)	9.8	10.1	29.7	NM	143.9	-
Armano Foods of Distinction Inc.	35.0	17.9	17.0	10.8	6.17	15.9	16.5	16.7	18.1	-
Farmer Brothers Co.	37.7	5.32	(1.26)	(3.58)	1.7	NM	NM	NM	33.0	20.0

#### Bardi Co. Industry Report Sources

S&P Industry Reports – Trends, Global Environment, and other key points.

Capital IQ – Key Statistics & Ratios, Industry Search, Industry Transactions, and other data.

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The seamless ability of Bardi Co.'s professionals to understand the different components of each individual service allows the Company to be consultative in nature and add value to its client base not only in a single assignment, but also in the long-term.

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