



# Morsels

*from the Middle*



## Food & Beverage Industry Update

Q3 2018

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# Our Food & Beverage Practice

Volume 7

## Recent MHT Partners Transaction

The wholesale wine business assets of

**TRUETT•HURST**

have been acquired by



PRECEPT WINE

*Gimbal's*

EST. 1898

has been acquired by

**HIGHLANDER**



partners, L.P.



**ECOPIA**  
FARMS

Capital Raise

Corsicana Farm

a property of

**COLLIN STREET BAKERY**

has been acquired



BioSan Laboratories, Inc.

*MegaFood*

NOURISH YOUR LIFE

has been acquired by



Riverside



has been acquired by



## Food and Beverage Team



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## About MHT Partners

MHT Partners is a leading national middle market investment bank with a high-performing team uniquely qualified to serve dynamic, growth-oriented companies. We are the preeminent advisor to innovative, niche market leaders in the middle market, so whether you're selling a private company, seeking advice for the board of a public company, raising private equity, valuing a company, buying a company, or looking for a read on the current state of the deal and capital markets, we are the partners you need when advice and insight matter most. Within the consumer industry, the senior professionals of MHT Partners have completed over 100 deals, including numerous food and beverage transactions. We bring these combined skill sets to bear in every engagement, creating maximum value for each client through thoughtful positioning and creative deal structuring.



## Quarterly Spotlight

**Jim DeCicco**

**CEO of Kitu Life Inc.**

**An interview by MHT's Craig Lawson**

**Craig:** So tell us about how Kitu Super Coffee (f/k/a SUNNIVA) was started and the brotherly connection here.

**Jim:** "It all started in our little brother's dorm room..." is how our story starts on the back of every bottle. My two younger brothers (Jake 24, Jordan 23) and I (Jim 25), were all collegiate athletes and we were tired! Jordan refused to drink the unhealthy bottled coffees and energy drinks that were loaded with sugars and artificial ingredients. In a blender in his freshman dorm room, he brewed his own coffee with 10g of lactose-free protein and healthy fats from MCT Oil. With zero sugar and only 80 calories, Super Coffee worked so well for Jordan that he decided to drop out of school and share this dorm room dream with the world. Jake and I reluctantly joined our little brother's mission to share positive energy. Together we approached the startup beverage world with the same competitive drive, teamwork, and passion we've known from sports. Three years later we now have 17 full time teammates and Super Coffee is available nationwide.

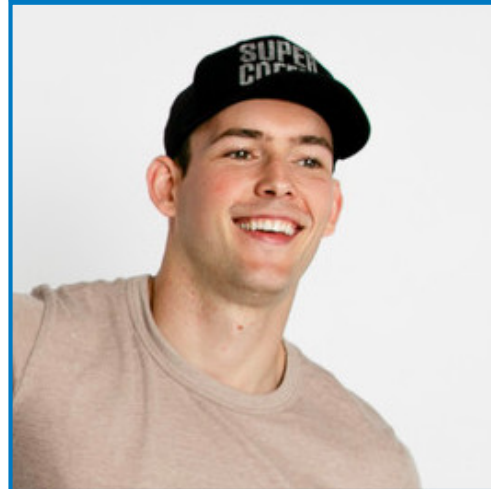
**Craig:** Functional coffee is hot - how is Kitu Super Coffee differentiated?

**Jim:** Super Coffee is the only functional coffee positioned for mainstream adoption and consumption. Priced at \$2.99 our products taste like a Starbucks Frappuccino but utilize healthy fats for lasting focus and energy. We simply market our product based on having 80 calories, zero sugar, and a great taste - where some of our competitors are focused on biohacking and the chemistry behind their functionality. The price point works for conventional customers across the country. With zero sugar, 10g of protein and 5g of MCT Oil all of our products are Ketogenic friendly.

**Craig:** You're growing rapidly and have raised capital, and may be raising more in the future. How has that gone for you?

**Jim:** Our growth has been exciting- same store sales velocities, new accounts, new hires are all growing rapidly. This growth wouldn't be possible without investment capital from angels, VCs, and high net worth individuals. We're building our dreams with other people's money which is certainly a humbling experience. We're at a stage where we cannot sacrifice growth for profitability, which is a complicated model to think about. Some investors rank a good business on capital efficiency, while some measure growth and user acquisition / retention, and others measure both. It's our job to keep our foot on the gas while stretching our dollars as far as we can. We're growing 600% YOY and such growth is attractive to most investors as we gear up for our Series A. Our goal is to align with the right partner(s) who can catalyze our brand beyond just a capital infusion. We're focused on attaining the right valuation for our current shareholders, with enough cash to fuel more than 18-months of growth. Fundraising is an exhausting distraction but it is necessary to be a relevant player in today's beverage industry.

Jim DeCicco



## Quarterly Spotlight (Continued)

**Craig:** What's on the horizon for Kitu, and where are you looking to expand?

**Jim:** Regarding innovation, we are proud to debut our Super Creamers at Expo East in September 2018 - a high-protein, healthy fat, zero sugar line of creamers that can be added to hot or cold coffees and teas. Until now, our retail footprint has been mainly in the Mid-Atlantic and Northeast. We've since expanded into Texas and the Midwest, adding 2,500 new doors in Q3 2018 expanding into new retailers such as Costco, HEB, Jewel, Walgreens, and more. We look forward to national expansion and additional product launches in 2019.



## Notable Transactions

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**Dean Foods acquires Good Karma (July)**

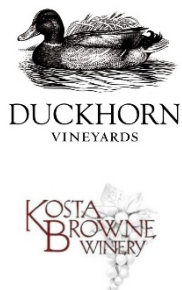
Dean Foods Company (NYSE:DF) has increased its ownership percentage and taken a majority stake in Good Karma Foods, the leading brand of flaxseed-based milk and yogurt alternatives. Good Karma's plant-based alternatives are free of all major allergens and delivers strong nutritional benefits, which allows Dean Foods to reach consumers looking for great-tasting alternatives to conventional dairy.

**Brynwood Partners acquires Pillsbury Doughboy from J.M. Smucker (July)**

Private equity firm Brynwood Partners has agreed to buy J.M. Smucker Co.'s U.S. baking unit in a deal valued at \$375 million, acquiring a struggling business that includes the Pillsbury Doughboy brand. The deal comes as Smucker reshapes its portfolio, with an emphasis on revitalizing its coffee business and boosting sales of its pet food brands. The baking business generates about \$370 million in annual sales. Bloomberg News reported in March that the company was considering a sale of the baking brands, which also include Martha White and Hungry Jack.

**Constellation Brands acquires Four Corners Brewing (July)**

Constellation Brands will expand its reach in the craft beer segment with the acquisition of Texas' Four Corners Brewing, the New York-based alcohol company. Four Corners will join California's Ballast Point Brewing and Florida's Funky Buddha Brewery in Constellation's growing craft and specialty beer group. Founded in 2012 by George Esquivel, Greg Leftwich, and Steve Porcari, the Dallas-based craft brewery produces six year-round offerings that feature lotería-style branding. Sales of Four Corners beers have increased five-fold since 2014, and the company has the capacity to produce 25,000 barrels annually.

**Duckhorn Wine acquires Kosta Browne Wine (July)**

TSG Consumer Partners announced that its partner company Duckhorn Wine Company ("DWC"), which includes Duckhorn Vineyards, Paraduxx, Goldeneye, Migration, Decoy, Canvasback and Calera, has closed its acquisition of iconic American Pinot Noir winery Kosta Browne. Founded in 1997, Kosta Browne is recognized as one of the wine industry's great success stories, making some of the New World's most sought-after Pinot Noirs. The Kosta Browne sale includes the company, the winery, all assets and inventory, as well as 170 acres of vineyards through ownership or long-term leases located in Anderson Valley, the Russian River Valley, and along the Sonoma Coast.

*All transaction values are reported in terms of enterprise value*

## Notable Transactions

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### The Coca Cola Company to acquire Costa Limited



The Coca-Cola Company today announced that it has reached a definitive agreement to acquire Costa Limited, which was founded in London in 1971 and has grown to become a major coffee brand across the world. The acquisition of Costa from parent company Whitbread PLC is valued at \$5.1 billion and will give Coca-Cola a strong coffee platform across parts of Europe, Asia Pacific, the Middle East and Africa, with the opportunity for additional expansion. Costa operations include a leading brand, nearly 4,000 retail outlets with highly trained baristas, a coffee vending operation, for-home coffee formats and Costa's state-of-the-art roastery.

### Dr Pepper Snapple Group invests in Big Red (August)



Dr Pepper Snapple Group Inc. (DPS) acquires a minority interest in Big Red Inc., a privately-held company based in Waco, Texas. Big Red markets its namesake red carbonated soft drink as well as Big Peach, Big Pineapple, Big Punch and other flavored soft drink brands. DPS is the largest distributor of Big Red products in the country, accounting for approximately 80 percent of the brand's overall case volume.

### The Coca-Cola Company invests in BODYARMOR (August)



Coca-Cola is taking a minority ownership stake in BODYARMOR, a fast-growing line of premium sports performance and hydration beverages, the companies announced today. The initial investment, which will be part of the Coca-Cola North America Venturing & Emerging Brands investment portfolio, is structured to create value for both companies and allow Coca-Cola to increase its ownership stake over time. BODYARMOR will continue to operate independently under the leadership of Co-Founder and Chairman Mike Repole and his management team.

### Premium Brands acquires Ready Seafood Co. (September)



Premium Brands Holdings Corporation (TSX: PBH), a leading producer, marketer and distributor of branded specialty food products, announced that it has signed a definitive agreement to purchase Ready Seafood Co. ("Ready"). Based in Portland, Maine, Ready was founded in 2004 by brothers John and Brendan Ready and under their stewardship has grown from a small startup to one of the leading processors, distributors and marketers of lobsters in the U.S. It has three production facilities, all located in Maine.

*All transaction values are reported in terms of enterprise value*

## Notable Transactions

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**Precept Wine acquires Wholesale Business of Truett-Hurst (September)**

Precept Wine today announced the acquisition of Sonoma County, California-based Truett-Hurst's wholesale business unit and its assets. Truett-Hurst, Inc. is an innovative wine sales, marketing and production company that celebrated its 10th anniversary last October. The Truett-Hurst portfolio includes both national and exclusive brands created for retailers, including Albertsons, The Kroger Co., Trader Joes, Total Wine & More and several others. Combined Precept and Truett-Hurst will produce more than 1 million cases of exclusive label wine annually. Truett-Hurst will retain its Dry Creek Estate and direct-to-consumer brands Truett Hurst and VML.

**TRUETT•HURST****Amplify Snack Brands acquires Pirate Brands (September)**

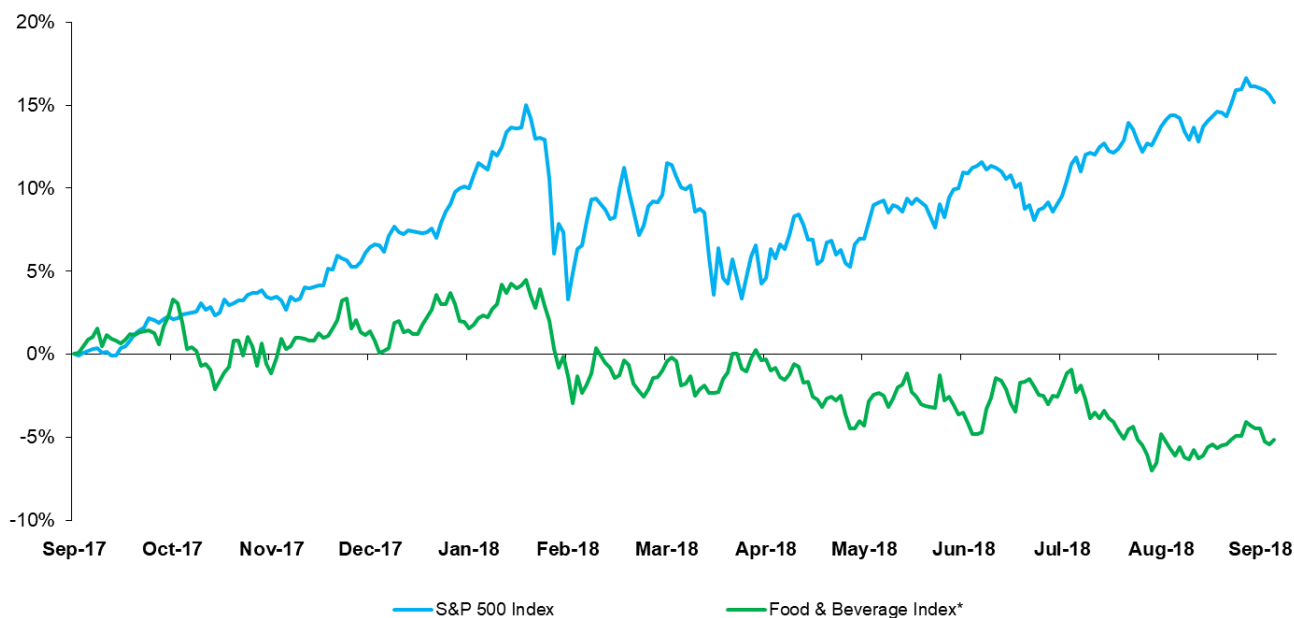
Hershey (HSY) announced that it is acquiring Pirate Brands from B&G Foods (BGS) for \$420 million. The acquisition of Pirate Brands is a strategic fit for Hershey, as it is expected to strengthen its Amplify Snack Brands portfolio, which is growing at a healthy rate. Hershey's top line is gaining significantly from its recent acquisition of Amplify Snack Brands, which added 5.9% to its net sales growth rate during the last reported quarter. Hershey's management expects Pirate Brands to be accretive to its financials and plans to complete the acquisition during the fourth quarter of 2018.

**Amplify**  
SNACK BRANDS*All transaction values are reported in terms of enterprise value*

## Food &amp; Beverage Company Performance

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## Public Company Sector Performance



## Key Trading Statistics

Sector	Number of Companies	Median Enterprise Value (\$mm)	Stock Price Performance*		Median Forward Ratios		Median LTM Multiples		Median 2017E Multiples	
			1 Year	3 Years	P/E	PEG	EV/Revenue	EV/EBITDA	EV/Revenue	EV/EBITDA
<b>Branded Processed Foods</b>	12	\$22,313	-10%	4%	16.7x	1.9x	2.4x	12.6x	2.4x	12.5x
<b>Natural / Organic Foods</b>	4	\$1,878	-6%	-45%	11.9x	2.0x	0.8x	10.8x	0.8x	10.9x
<b>Baked Goods / Snack Foods</b>	6	\$3,372	-11%	7%	20.8x	1.3x	1.0x	10.6x	1.0x	10.6x
<b>Dairy</b>	4	\$3,829	-3%	21%	18.8x	2.5x	1.2x	14.6x	1.1x	13.1x
<b>Non-Alcoholic Beverages</b>	10	\$15,693	-1%	18%	22.6x	2.5x	3.7x	16.8x	3.6x	15.5x
<b>Alcoholic Beverages</b>	8	\$54,249	4%	22%	22.7x	2.5x	5.1x	15.4x	5.2x	15.0x
<b>Protein Processing</b>	5	\$4,111	16%	40%	13.9x	0.7x	0.7x	9.0x	0.7x	7.4x
<b>Produce</b>	3	\$1,630	6%	36%	21.2x	-	0.7x	17.1x	1.3x	20.9x
<b>Ingredients / Flavors</b>	6	\$12,250	10%	44%	23.1x	2.8x	3.0x	16.1x	2.9x	16.0x
<b>Agribusiness</b>	5	\$15,880	20%	-54%	17.8x	2.0x	0.6x	13.8x	0.6x	10.7x
<b>Food and Bev. Index</b>	<b>63</b>	<b>\$14,034</b>	<b>-1%</b>	<b>15%</b>	<b>20.6x</b>	<b>2.0x</b>	<b>2.1x</b>	<b>13.9x</b>	<b>2.2x</b>	<b>12.7x</b>

\* Stock performance figures are weighted by market capitalization

Note:

**Brand Processed Foods** (LSE:ABF, NYSE:CPB, NYSE:CAG, NYSE:GIS, NYSE:HRL, NYSE:K, NYSE:MKC, NasdaqGS:MDLZ, SWX:NESN, NYSE:HSY, NYSE:SJM, NYSE:NOMD), **Natural / Organic Foods** (NYSE:BETR, NYSE:ANFI, TSX:SOY, NasdaqGS:HAIN, NasdaqGS:UNFI), **Baked Goods / Snack Foods** (SWX:ARYN, TSX:WN, BMV:BIMBO A, NasdaqGS:JJSF, NasdaqGS:JBSS, NasdaqGS:LANC, NasdaqGS:LNCE), **Dairy** (NYSE:DF, ISE:GL9, NasdaqGM:LWAY, TSX:SAP), **Non-Alcoholic Beverages** (LSE:BAG, TSX:BCB, TSX:LAS.A, NasdaqGS:MNST, NasdaqGS:FIZZ, NYSE:PEP, NasdaqGS:SBUX, NYSE:KO), **Alcoholic Beverages** (ENXTBR:ABI, NYSE:BF.B, NYSE:STZ, LSE:DGE, ENXTAM:HEIA, TSE:2503, ENXTPA:RI, TSE:2501), **Protein Processing** (NasdaqGS:CALM, BOVESPA:JBSS3, NasdaqGS:SAFM, AMEX:SEB, NYSE:TSN), **Produce** (NasdaqGS:CVGW, NYSE:FDP, NasdaqGS:SENE.A), **Ingredients / Flavors** (SWX:GIVN, NYSE:IFF, ISE:KRZ, NYSE:SXT, XTRA:SY1, LSE:TATE), **Agribusiness** (NYSE:ADM, NYSE:BG, NYSE:DAR, NYSE:MON, NasdaqGS:ANDE, NYSE:MOS)



## Other Q3 Transactions

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Date	Target	Acquirer	Enterprise	Enterprise Value /	
			Value	Revenue	EBITDA
9/13/2018	Fine Choice Foods Ltd.	Swander Pace Capital; SPC Partners VI,	--	--	--
9/12/2018	Pirate Brands, LLC	The Hershey Company	\$420.0	--	--
9/11/2018	Albie's Foods, Inc.	Union Capital Associates, L.P.; Union Capital Equity Partners II, L.P.	--	--	--
9/11/2018	Ciao Bella Gelato Company, Inc.	High Road Craft Ice Cream, Inc.	--	--	--
9/6/2018	Wyoming Whiskey, Inc.	Edrington Americas	--	--	--
9/4/2018	Ready Seafood Co.	Premium Brands Holdings Corporation	--	--	--
8/31/2018	Costa Limited	The Coca-Cola Company	\$4,991.7	2.9x	16.0x
8/29/2018	Hospitality Mints LLC	Mount Franklin Foods, LLC	--	--	--
8/25/2018	Kahiki Foods, Inc.	CJ America, Inc.	--	--	--
8/14/2018	BA Sports Nutrition, LLC (dba BODYARMOR)	The Coca-Cola Company	--	--	--
8/13/2018	Wholesale Wine Business of Truett-Hurst, Inc.	Precept Wine, LLC	\$18.3	--	--
8/9/2018	TNT Crust, Inc.	Peak Rock Capital	--	--	--
8/6/2018	Cookietree, Inc.	C.H. Guenther & Son, Inc.	--	--	--
8/2/2018	Dakota Growers Pasta Company, Inc.	THL Equity Fund VIII Investors (PB), LLC	\$400.0	--	--
7/31/2018	Brazi Bites, LLC	San Francisco Equity Partners	--	--	--
7/30/2018	Yorkshire Valley Farms Ltd	Premium Brands Holdings Corporation	--	--	--
7/24/2018	Palmer Vineyards	Paumanok Vineyards Ltd	--	--	--
7/16/2018	KB Wines, LLC (dba Kosta Browne Winery)	Duckhorn Wine Company, Inc.	--	--	--
7/13/2018	Big Red, Inc.	Keurig Dr Pepper Inc.	--	--	--
7/10/2018	Four Corners Brewing Co LLC	Constellation Brands, Inc.	--	--	--
7/9/2018	U.S. Baking Business Of The J. M. Smucker Company	Brynwood Partners; Brynwood Partners VII L.P.; Brynwood Partners VIII L.P.	\$375.0	1.0x	--
7/2/2018	Good Karma Foods, Inc.	Dean Foods Company	\$15.0	--	--
6/27/2018	Pinnacle Foods Inc.	Conagra Brands, Inc.	\$10,899.9	3.5x	16.3x

<b>High:</b>	<b>\$10,899.9</b>	<b>3.5x</b>	<b>16.3x</b>
<b>Mean:</b>	<b>\$2,850.3</b>	<b>2.5x</b>	<b>16.1x</b>
<b>Median:</b>	<b>\$410.0</b>	<b>2.9x</b>	<b>16.1x</b>
<b>Low:</b>	<b>\$15.0</b>	<b>1.0x</b>	<b>16.0x</b>