

## U.S. Food & Beverage Industry Update – Q2 2024

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The food and beverage sector remained active during the second quarter of 2024 with mergers and acquisitions (M&A) transactions completed across various segments, including snacks, bakery, meats/protein, and ingredients, among others. Overall deal activity in this space has been supported by acquisitive strategics and private equity-backed acquirers looking for add-on acquisitions. We also observed a growing number of financial sponsors enter the food & beverage sector, capitalizing on their existing investment experience with portfolio companies in industrial manufacturing, distribution and consumer products.

Overall, there is an abundance of available capital in the U.S. to spur M&A activity, with corporate cash on hand estimated at \$4T (*Source: Bloomberg*) and \$1T of accumulated private equity dry powder (*Source: 2024 US Private Equity Outlook Midyear Update*), as well as an improved debt financing market. Looking forward, as interest rates hold firm and with the possibility of a rate cut in late 2024, the stage is set for continued momentum during the second half of the year and heading into 2025.

### Key Food & Beverage Industry Highlights: Segments Witnessing Growth

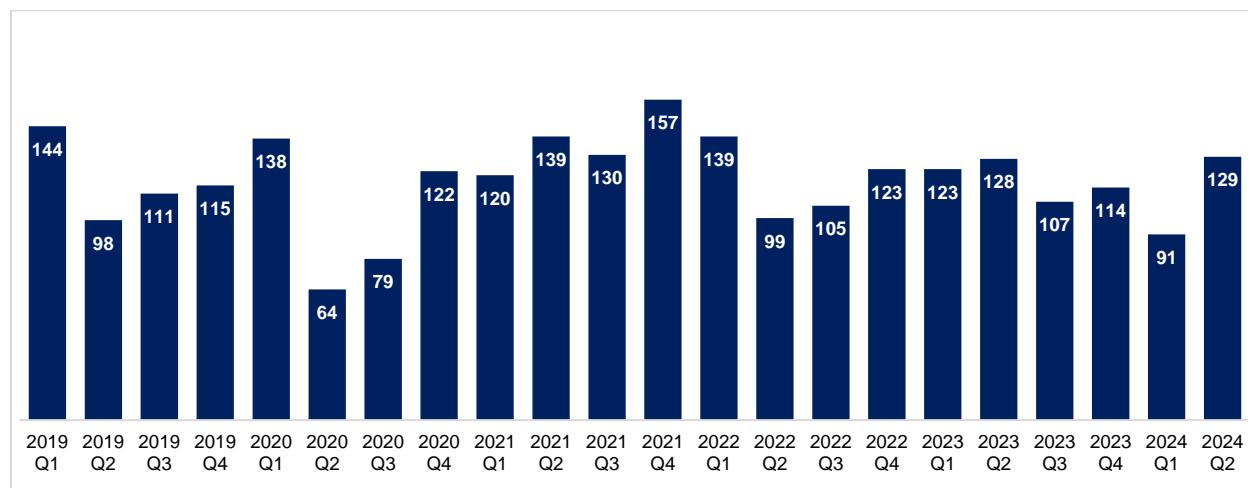
- **Global flavors and fusion cuisine** – Consumers are eager to explore unique and diverse flavors from across the globe. The popularity of fusion cuisine is further amplified by social media and influencers.
- **Functional/better-for-you beverages** – Functional beverages are witnessing substantial growth, especially for consumers who desire a sober lifestyle. Mushroom beverages are increasingly popular.
- **Proteins** – Shoppers are increasing protein intake across multiple eating occasions and food types (e.g., ready-to-drink protein beverages, protein-rich snacks, etc.).
- **Nutrient-rich foods** – There is growing attention around the positive health effects of consuming nutrient-rich, minimally processed fats such as olive oil, avocado oil, etc.
- **Premium and fresh foods** – Rising demand for premium and fresh food items is motivating many grocery retailers to reassess historically stable categories and find new brands or launch private brands of their own.
- **Frozen foods** – The frozen food sector continues to witness robust growth – while the pandemic has paved the way for this trend, manufacturers in this space have continued to invest in technological advancements (e.g., freeze drying, air drying and vacuum techniques) and launched a varied range of frozen products.
- **Sustainability-centric brands** – Consumers are sensitive to enhanced biodegradable packaging, recycled bottles, and regeneratively raised meats.

### Observations on M&A Activity and Related Drivers

- On average, food & beverage sector valuation multiples have remained resilient, outpacing M&A multiples in the broader consumer industry.
- Acquirers in the food & beverage sector have progressively emphasized target companies' sales volume growth vs. item pricing as food price increases are anticipated to decelerate throughout 2024.
- Large strategic players and emerging brands are investing in self-manufacturing capabilities via M&A.

- Moreover, large strategics are shedding off non-core assets in their portfolios and cautiously expanding their presence within attractive, high-velocity categories (e.g., pet, indulgent snacking, BFY sauces) while adding brands they like.
- The private label segment is gaining a foothold across multiple food & beverage categories in the current economic environment as inflationary pressures remain.
- The branded subsector has continued to generate considerable levels of M&A activity as strategics have been on the lookout for strong brands and product categories.

### Food & Beverage M&A Transaction Volume (Deal Count as of June 30, 2024)



Source: PitchBook, PKF Investment Banking

Note: Includes food & beverage sector transactions where the target company was based in the U.S.; includes minority equity deals.

### M&A Landscape – Selected Strategic Inorganic Growth Perspectives

Over the past 12 to 18 months, strategic acquirers have dominated the food & beverage M&A market. Such players have been pursuing accretive acquisitions as they seek synergies, economies of scale, increased negotiation power with suppliers and additional revenue opportunities – often paying healthy multiples. Selected highlights and related future corporate M&A plans are listed below:

- **Grupo Bimbo (MEX: BIMBOA)** – “Following a record 2023, we are kicking off 2024, a year of investing and transforming our business, with a first quarter where we saw the benefits of geographic, category and channel diversification which allowed us to invest in a business unit for future growth, which is the case of North America. We completed four bolt-on strategic acquisitions globally [...]” – **Daniel Servitje, Chairman and CEO | Grupo Bimbo; U.S. brands include Entenmann’s, Sara Lee, Thomas, etc.**
- **Danone (PAR: BN)** – “As part of our ‘Renew Danone’ strategy, we committed to a portfolio review and asset rotation for businesses that fell outside our priority growth areas of focus to drive value creation. Today marks an important milestone in delivering this commitment while giving the Horizon Organic and Wallaby businesses the opportunity to thrive under new leadership. This sale, once completed, will allow us to concentrate further on our current portfolio of strong, health-focused brands and reinvest in our growth priorities” – **Antoine de Saint-Affrique, CEO | Danone. In January 2024, Danone agreed to sell its U.S. premium organic dairy business to investment firm Platinum Equity.**
- **General Mills (NYS: GIS)** – “We don’t play the short-term game when it comes to M&A. We go get brands we like. We hold them for a long time. We grow them. We’ve been doing that for 165 years, and we’ll continue to do that [...]” – **Jeff Harmening, CEO | General Mills**

## Selected Recent Food & Beverage M&A Transactions

Ann. Date	Target	Acquirer	Target Description	Deal Value (\$m)	EV / Revenue	EV / EBITDA
Jun-24	Tropical Smoothie Cafe	Blackstone	Fresh food/smoothie chain	\$2,000	--	--
Jun-24	St. Armands <i>(Hyde Park Capital)</i>	Engleman's Baking	Bakery products	--	--	--
Jun-24	Table Talk Pies	Rise Baking Co. <i>(Olympus Partners)</i>	Full-line pie producer	--	--	--
Jun-24	Hero Snacks	West. Smokehouse <i>(AUA Private Equity)</i>	Natural meat jerky	--	--	--
Jun-24	Joe & Ross	GlacierPoint Enterp. <i>(Mill Point Capital)</i>	Distributor of frozen and refrigerated food products	--	--	--
Jun-24	CP Kelco	Tate & Lyle	Pectin, gums / ingredients	\$1,800	--	--
Jun-24	Inovata Foods	Swander Pace	Private label frozen entrees	--	--	--
May-24	CRS OneSource	Twin Ridge Capital	Distributor of food products for restaurants/schools	--	--	--
May-24	Kenny's Great Pies <i>(Kaho Partners)</i>	Dessert Holdings	Premium, clean label pies	--	--	--
May-24	The Santa Barbara Smokehouse	PANOS Brands	Smoked salmon producer	--	--	--
May-24	Sea Smoke	Constellation Brands	Pinot noir and chardonnay	--	--	--
May-24	Chalet Desserts	Encore Consumer Capital	Frozen bakery desserts	--	--	--
May-24	Funct. Formularies <i>(Swander Pace)</i>	Danone	Feeding tube formulas	--	--	--
May-24	Lucky Spoon Bakery	Rubicon Bakers	Gluten-free bakery products	--	--	--
May-24	Kunzler	Clemens Food	Pork meat products	--	--	--
May-24	Klement's Sausage	Amylu Foods	Small-batch sausages	--	--	--
May-24	Bar Bakers	Trufood Manufact. <i>(Mubadala Capital)</i>	Nutritional snacks	--	--	--
May-24	Sonoma Creamery	Our Home	Cheese-based snacks	--	--	--
May-24	DYMA Brands	Ventura Foods	Seasonings/dry mixes	--	--	--
Apr-24	Burklund Distributors	AMCON	Distributor of food and convenience store products	\$20	--	--
Apr-24	Strong Roots	McCain Foods	Plant-based snacks	--	--	--
Apr-24	Prime Meats	Shoreline Equity	Processor of various meats	--	--	--
Apr-24	Idan Foods	Woodland Foods	Baking mixes/seasonings	--	--	--
Apr-24	OWYN	Simply Good Foods	Plant-based protein shakes	\$280	2.3x	13.3x
Apr-24	Flavor Producers	Glanbia	Natural flavors and extracts	\$355	4.1x	18.0x
Apr-24	Firehook Bakery	Forward Consumer	Artisan baking company	--	--	--
Apr-24	Thinsters	J&J Snacks	Bite-sized cookies	--	--	--

Source: PitchBook, FactSet, PKF Investment Banking

Note: Dollars in U.S. millions

## Top 10 Trends from the 2024 Summer Fancy Food Show

On June 23–25, the PKF Investment Banking team attended the [Specialty Food Association's Summer Fancy Food Show](#) at the Jacob Javits Convention Center in New York City. More than 29,000 specialty food & beverage industry professionals came together for the event and over 2,400 domestic and international companies across 40+ specialty food & beverage categories exhibited at the show. Here is the list of [the top 10 major trends and key takeaways](#) we observed at the conference:

1. **Diversity and inclusivity** – Fun, inviting flavors and products are seen as means to learn more about other cultures and communities and share diverse experiences.
2. **Stick to the basics** – Many food brands have been refocusing on the fundamentals such as taste/texture, packaging and high-quality ingredients.
3. **Uncompromised innovation** – Steady product innovation is striving to offer positive nutrition alternatives for people and the planet without compromising on flavor and taste.
4. **Accelerating the upcycled food economy** – Upcycled food products (branded and private label) with a higher degree of sustainability-related claims enjoy higher loyalty.
5. **Convenient, on-the-go, and versatile food** – “Snackifying” regular meals is boosting demand for more balanced snacks that serve as adequate nutrition in convenient formats.
6. **Mocktails on the rise** – An increasing number of beverage companies are promoting non-alcoholic offerings (e.g., mocktails) and/or functional benefits.
7. **Fermented specialties** – Fermented specialty foods and beverages – from kombucha and yogurt to kimchi – continue to interest shoppers looking for products that provide probiotics and other nutritional attributes.
8. **Honey is everywhere** – Honey and honey products are a major trend right now – from infused teas to honey hot sauce.
9. **Plant-based ingredients** – Rising public awareness of the perceived positive environmental and health impact of plant-based ingredients has and will continue to fuel interest in these products long-term.
10. **Cooking at home** – Unlike 2020, when consumers were forced to cook at home, the more recent version (2022 – 2023) of cooking at home is partly due to mitigate the effects of high food prices and partly because consumers are looking to create restaurant-quality meals and foster exclusive experiences directly from their kitchen.

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