INDUSTRY OVERVIEW

The Food & Beverage industry continues to perform well as consumer confidence improves. Disposable income for consumers has been rising as the economy recovers and investment values grow. The recent drop in energy prices has also provided more discretionary income. It is expected that this will motivate consumers to be less cost sensitive, improving the environment to allow industry players to raise prices and increase sales.

SDR continues to monitor activity among the bustling health-conscious Food & Beverage companies. “Perimeter” food categories and food categories with perceived health benefits, such as natural/organic, gluten-free, high protein or non-genetically modified organism are expected to exceed the growth of shelf-stable, “center-of-store” categories. Players in the Beverage industry have been experiencing decreased earnings as consumers shy away from sugar-heavy, less healthy drinks. Traditional Food & Beverage companies, such as Kellogg’s (NYSE:K) and Coca-Cola (NYSE:KO), which haven’t extensively explored perimeter food and beverage categories, have seen their incomes decrease year over year in the second quarter.

The popularity of food companies with perceived health benefits also can be observed in recent transactions. More perimeter food category players, such as Applegate Farms LLC, are being acquired by bigger firms to compete in the health-conscious segment.

- Travis Conway, Managing Director (tconway@sdrventures.com) - Anthony Wong, Vice President (awong@sdrventures.com)
**TRANSACTION ACTIVITY**

<table>
<thead>
<tr>
<th>Date</th>
<th>Target</th>
<th>Value ($mm)</th>
<th>Buyer(s)</th>
<th>Transaction Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/9/2015</td>
<td>Garden Fresh Salsa Company, Inc.</td>
<td>$231.0</td>
<td>Win. Bolthouse Farms, Inc.</td>
<td>Wm. Bolthouse Farms, Inc. agreed to acquire the assets and business of Garden Fresh Salsa Company, Inc. for approximately $231 million. Garden Fresh Salsa Company, Inc. produces and sells refrigerated salsa products and offers various varieties of salsa, dips, hummus, corn tortilla chips and guacamole.</td>
</tr>
<tr>
<td>6/24/2015</td>
<td>One World Foods, Inc.</td>
<td>$100.0</td>
<td>McCormick &amp; Company, Incorporated</td>
<td>McCormick &amp; Company, Incorporated (NYSE:MKC) signed an agreement to acquire One World Foods, Inc. for $100 million in cash. The purchase price is subject to certain closing adjustments.</td>
</tr>
<tr>
<td>4/15/2015</td>
<td>Preferred Brands International, Inc.</td>
<td>$80.2</td>
<td>Kagome Co., Ltd.</td>
<td>Kagome Co. Ltd. (TSE:2811) agreed to acquire a 70% stake in Preferred Brands International, Inc. from ASG-OMNI LLC for $80.2 million in cash and closed the deal on May 18, 2015.</td>
</tr>
<tr>
<td>4/27/2015</td>
<td>The New Bakery Company, LLC</td>
<td>$80.0</td>
<td>East Bali, Inc.</td>
<td>East Bali, Inc. agreed to acquire The New Bakery Company, LLC from The Wendy’s Company (Nasdaq:WEN) for $80 million and closed the deal on June 2, 2015. The facility will continue to serve as one of Wendy’s bakery vendors.</td>
</tr>
<tr>
<td>5/29/2015</td>
<td>Blue Bottle Coffee Company</td>
<td>$75.0</td>
<td>Index Ventures; Fidelity Management &amp; Research Company; True Ventures; Tetragon Financial Group Limited; Tetragon Financial Management LP; Google Ventures</td>
<td>Blue Bottle Coffee Company announced that it will receive $75,000,000 in a round of funding on May 29, 2015. The company will issue common stock in the transaction. The company will issue securities pursuant to exemption provided under Regulation D. Blue Bottle Coffee Company will use the proceeds to fuel its international growth.</td>
</tr>
<tr>
<td>5/22/2015</td>
<td>Golden County Foods, Inc.</td>
<td>$37.2</td>
<td>Monogram Appetizers, LLC</td>
<td>Monogram Appetizers, LLC entered into an asset purchase agreement to acquire substantially all assets of Golden County Foods, Inc. from Brazos Equity Fund II, L.P., a fund managed by Brazos Private Equity Partners, LLC. For $37.2 million in cash.</td>
</tr>
</tbody>
</table>

Source: CapIQ

---

**US FOOD & BEVERAGE M&A ACTIVITY**

![Graph showing M&A activity from 2010 to 2015](image)

Source: CapIQ

---

**FOOD & BEVERAGE TRANSACTIONS # OF TRANSACTIONS BY QUARTER**

![Graph showing transactions by quarter](image)

Source: CapIQ

*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the industry.*
The Food & Beverage industry has outperformed the S&P 500 over the last twelve months mainly due to the energy sector’s poor performance dragging down the S&P and increasing discretionary spending on food and beverages. However, in Q2 2015 the Food & Beverage industry’s performance lagged behind that of the S&P 500 due to major food and beverage exposure to the Eurozone and the Greek financial crisis.

Key Food & Beverage stocks that SDR Ventures tracks quarterly posted generally unfavorable results in Q2. Notable movers include:

- **Walmart Stores, Inc. (WMT)** – Walmart did not meet analyst expectations for Q1 2015. Net sales dipped due to a decrease in fuel sales from lower fuel prices. The 8% decline in operating income was attributed to rising operating expenses from an increase in wage expenses due to the new associate wage structure and more associate hours to improve checkout and inventory.

- **Keurig Green Mountain Inc (GMCR)** – Keurig revised its earnings estimates downwards eight times in the 30 days leading up to May 27, 2015. Goldberg Law PC has filed a class action lawsuit against Keurig recently on the claim that the Company failed to disclose and/or made false or misleading statements.

- **Starbucks Corporation (SBUX)** – Starbucks continued its strong performance from the previous quarter. It is competing well in its established markets and continues to expand into Asia, with great success in China and Japan. Consolidated net revenues were up 18.0% to $4.6 billion, driven in part by the incremental revenues from the acquisition of Starbucks Japan in 2014.

### Food & Beverage Industry vs. S&P 500

**Running 12 Months**

![Graph showing the performance of the Food & Beverage Industry vs. S&P 500 for the last 12 months](graph.png)

Source: CapIQ
INDUSTRY SEGMENTS

Retail outperformed the S&P 500 over the trailing 12 months by 1.2%. However, in Q2 2015 the Retail segment declined 9.4% and lost $52.7 billion in market cap. Walmart’s market cap fell 13.2% in this quarter and was the biggest driver of the Retail segment decline after it failed to meet earnings expectations. Distributors lost a total of $4.3 billion in market cap in Q2 largely due to the court ruling against Sysco’s acquisition of U.S. Foods. Sysco’s market cap dropped after the anti trust ruling was made in June.

The Beverage segment was previously outperforming the S&P 500, but lost $10.7 billion in market cap over Q2. Anheuser-Busch and Coca-Cola largely drove the decline by losing a combined $13.3 billion in market cap due to their Eurozone exposure during the Greek credit crisis.

The Food Products segment has lagged behind the S&P 500 for the past 12 months and lost $4.9 billion in market cap over the past quarter. Despite strong performances by both Starbucks and Mondelez, the segment was brought down by DuPont, Monsanto and Keurig Green Mountain.

<table>
<thead>
<tr>
<th>Market Segment</th>
<th>Average Market Cap</th>
<th>Stock Price Delta</th>
<th>Price/EBITDA</th>
<th>TEV/Book</th>
<th>TEV/Sales</th>
<th>TEV/EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverage Products</td>
<td>$170,992</td>
<td>(3.5%)</td>
<td>3.2% 7.6%</td>
<td>36.81x</td>
<td>6.18x</td>
<td>2.53x 16.40x</td>
</tr>
<tr>
<td>Retail</td>
<td>$13,946</td>
<td>(9.4%)</td>
<td>(7.4%) 6.4%</td>
<td>23.36x</td>
<td>5.11x</td>
<td>0.97x 11.31x</td>
</tr>
<tr>
<td>Food Products</td>
<td>$9,918</td>
<td>(0.1%)</td>
<td>0.0% 4.0%</td>
<td>32.13x</td>
<td>6.89x</td>
<td>2.03x 13.50x</td>
</tr>
<tr>
<td>Distributors</td>
<td>$3,824</td>
<td>(4.0%)</td>
<td>(3.7%) 2.8%</td>
<td>36.37x</td>
<td>2.96x</td>
<td>1.20x 11.55x</td>
</tr>
<tr>
<td>Industry Average</td>
<td>$11,156</td>
<td>(3.0%)</td>
<td>(2.4%) 4.6%</td>
<td>31.71x</td>
<td>5.64x</td>
<td>2.01x 15.59x</td>
</tr>
<tr>
<td>S&amp;P 500 Average</td>
<td>$37,900</td>
<td>(0.2%)</td>
<td>0.2% 5.2%</td>
<td>28.56x</td>
<td>5.45x</td>
<td>3.34x 12.49x</td>
</tr>
</tbody>
</table>

Source: CapIQ

FOOD & BEVERAGE SEGMENTS VS. S&P 500
RUNNING 12 MONTHS

Source: CapIQ

---

Investment Banking and Securities Offered Through SDR Capital Markets, Inc.,
Member FINRA and SIPC.
INDUSTRY GEOGRAPHY

COMPANY LOCATIONS BY REGION
FOOD & BEVERAGE COMPANIES BY REGION AS OF JUNE 30, 2015

Source: CapIQ

COMPANIES BY SIZE

<table>
<thead>
<tr>
<th>State</th>
<th>Undisclosed</th>
<th>$0 - 5 Revenue</th>
<th>$5 - 10 Revenue</th>
<th>$10 - 25 Revenue</th>
<th>$25 - 50 Revenue</th>
<th>$50 - 100 Revenue</th>
<th>$100+ Revenue</th>
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</thead>
<tbody>
<tr>
<td>AZ</td>
<td>139</td>
<td>51</td>
<td>59</td>
<td>40</td>
<td>20</td>
<td>8</td>
<td>12</td>
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<tr>
<td>CO</td>
<td>255</td>
<td>42</td>
<td>68</td>
<td>42</td>
<td>18</td>
<td>8</td>
<td>17</td>
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<tr>
<td>KS</td>
<td>119</td>
<td>27</td>
<td>80</td>
<td>43</td>
<td>21</td>
<td>12</td>
<td>15</td>
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<tr>
<td>ND</td>
<td>72</td>
<td>13</td>
<td>28</td>
<td>21</td>
<td>4</td>
<td>4</td>
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<tr>
<td>NE</td>
<td>119</td>
<td>22</td>
<td>54</td>
<td>25</td>
<td>7</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>NM</td>
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<td>7</td>
<td>2</td>
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<td>OK</td>
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<td>52</td>
<td>35</td>
<td>16</td>
<td>7</td>
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<tr>
<td>SD</td>
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<td>29</td>
<td>16</td>
<td>4</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>TX</td>
<td>645</td>
<td>143</td>
<td>283</td>
<td>192</td>
<td>80</td>
<td>30</td>
<td>70</td>
</tr>
<tr>
<td>UT</td>
<td>110</td>
<td>17</td>
<td>47</td>
<td>31</td>
<td>13</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>WY</td>
<td>14</td>
<td>3</td>
<td>9</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

* Revenue in millions
Source: CapIQ

*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the industry.

SOURCES

Investment Banking and Securities Offered Through SDR Capital Markets, Inc., Member FINRA and SIPC.
M&A MARKET ACTIVITY, OVERALL LOWER MIDDLE MARKET

**CAPITAL STACK - $10-25 MILLION TEV**

<table>
<thead>
<tr>
<th>Year</th>
<th>Senior Debt</th>
<th>Sub Debt</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>37.7%</td>
<td>46.1%</td>
<td>16.3%</td>
</tr>
<tr>
<td>2012</td>
<td>35.0%</td>
<td>47.1%</td>
<td>17.8%</td>
</tr>
<tr>
<td>2013</td>
<td>40.6%</td>
<td>45.4%</td>
<td>14.0%</td>
</tr>
<tr>
<td>2014</td>
<td>39.8%</td>
<td>43.7%</td>
<td>16.5%</td>
</tr>
<tr>
<td>2015 Q1*</td>
<td>47.6%</td>
<td>37.2%</td>
<td>15.2%</td>
</tr>
</tbody>
</table>

Source: GF Data*

**US MIDDLE MARKET M&A ACTIVITY**

- **Deals Closed**
  - Q1 2014: 2,200
  - Q2 2014: 2,400
  - Q3 2014: 2,000
  - Q4 2014: 1,800
  - Q1 2015: 1,600
  - Q2 2015: 1,400

- **Capital Invested ($mm)**
  - Q1 2014: $140,000
  - Q2 2014: $120,000
  - Q3 2014: $100,000
  - Q4 2014: $80,000
  - Q1 2015: $60,000
  - Q2 2015: $40,000

Source: CapIQ

**TRANSACTION MULTIPLES**

**EBITDA MULTIPLES BY TRANSACTION SIZE**

- **2011**
  - $10-25mm: 5.4x
  - $25-50mm: 6.0x
  - $50-100mm: 5.5x
  - $100-250mm: 6.0x

- **2012**
  - $10-25mm: 6.0x
  - $25-50mm: 6.9x
  - $50-100mm: 7.0x
  - $100-250mm: 7.5x

- **2013**
  - $10-25mm: 5.7x
  - $25-50mm: 6.5x
  - $50-100mm: 7.0x
  - $100-250mm: 7.5x

- **2014**
  - $10-25mm: 5.5x
  - $25-50mm: 6.3x
  - $50-100mm: 7.0x
  - $100-250mm: 7.7x

- **2015 Q1**
  - $10-25mm: 5.9x
  - $25-50mm: 7.9x
  - $50-100mm: 8.3x
  - $100-250mm: 8.3x

Source: GF Data*

*The most current source of GF Data if as of May 2015 and lags one quarter behind the current quarter.

The information contained herein is based on sources we believe reliable but is not guaranteed by us and is not to be considered all inclusive. It is not to be construed as an offer or consultation of an offer to sell or buy any securities.
ABOUT SDR VENTURES

SDR Ventures is a boutique investment bank serving privately held business owners of companies with values up to $300 million. Operating beyond the confines of a traditional investment bank, SDR’s approach of Thinking Like Owners℠ helps business owners maximize value in their business. SDR offers transaction advisory, capital formation, strategic advisory and performance exchange services.

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TRANSACTION ADVISORY

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Running a proven process effective at generating responses, identifying “off-the-radar” opportunities, negotiating and closing accretive acquisitions.

Sell Side
Our process is designed to identify the “right” buyer and maximize shareholder value for our clients.

PRIVATE CAPITAL FORMATION

Capital Placement
An effective and efficient process negotiating favorable debt and equity with the right capital provider for our clients.

Recapitalization
Whether recapitalizing a majority or minority of your company, we tailor our process to each client’s specific needs to generate multiple options and favorable terms.

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