DUFF & PHELPS

Protect, Restore and Maximize Value

Flight to Safety

U.S. Food, Beverage and Nutrition Category Update

Spring 2020

Table of Contents

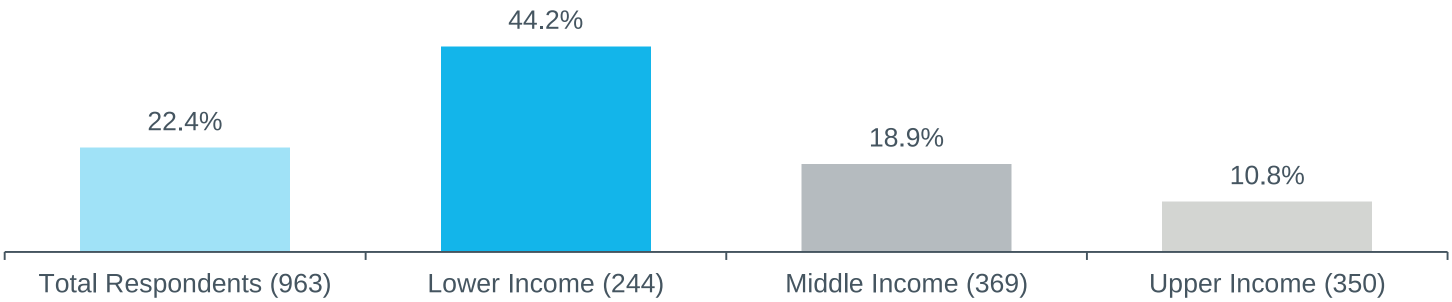
Introduction

The food, beverage and nutrition industry has shown nimbleness and adaptability to meet the acute needs of consumers amidst an unprecedented disruption of everyday life. This resiliency positions the category for long-term interest among strategic and financial buyers and investors.

The global outbreak of the coronavirus (COVID-19) has had a significant negative impact on economic activity and people's everyday lives. Specifically in the U.S., the pandemic is impacting consumers and businesses by disrupting supply chains, travel, production and consumption; and threatening jobs, operations and financial markets. Many large and small businesses have been forced to close, which, according to The Goldman Sachs Group, has resulted in 45% of Americans realizing a loss of income, over 10 million new unemployment claims in the U.S. in March 2020, and an unemployment rate that is projected to reach 15% by mid-year. The rapid spread of the virus, lack of vaccines, shelter-in-place orders and unknown timeline of remediation have created an environment of uncertainty and changed the eating and spending habits of consumers across the U.S. The resulting recession will also weigh on the purchasing habits of consumers.

Consumer Spending is Strained

% of Households Having Difficulties Affording Needed Groceries[1]



Consumer Trends

Eat at Home

The national social distancing guidelines and regional shelter-in-place orders have limited consumers' willingness to leave their homes. Combined with losses of income, Americans have shifted their spend on food from away-from-home occasions towards eating at home. Credit Suisse Group estimates that 80% of U.S. household food spend now goes towards food-at-home vs. food-away-from-home.[2] This is greater than the food-at-home spending share in 2018 of 47.6% and post-Great Recession peak of 50%, as per the United States Department of Agriculture's Economic Research Service. An eMeals survey conducted on March 23, 2020 found that U.S. consumers cooked an average of six dinners at home over the previous seven days.

According to a recent survey by Technomic, Inc., 30% of consumers plan to leave their homes less often and order takeout less frequently.[3] Approximately 31% of these consumers say this decreased frequency will last between one and three months. This has already had a major impact on the restaurant industry, with Technomic estimating that U.S. restaurant industry sales will decline in 2020 by 11-27% depending on the length of the shutdown and any subsequent recession.

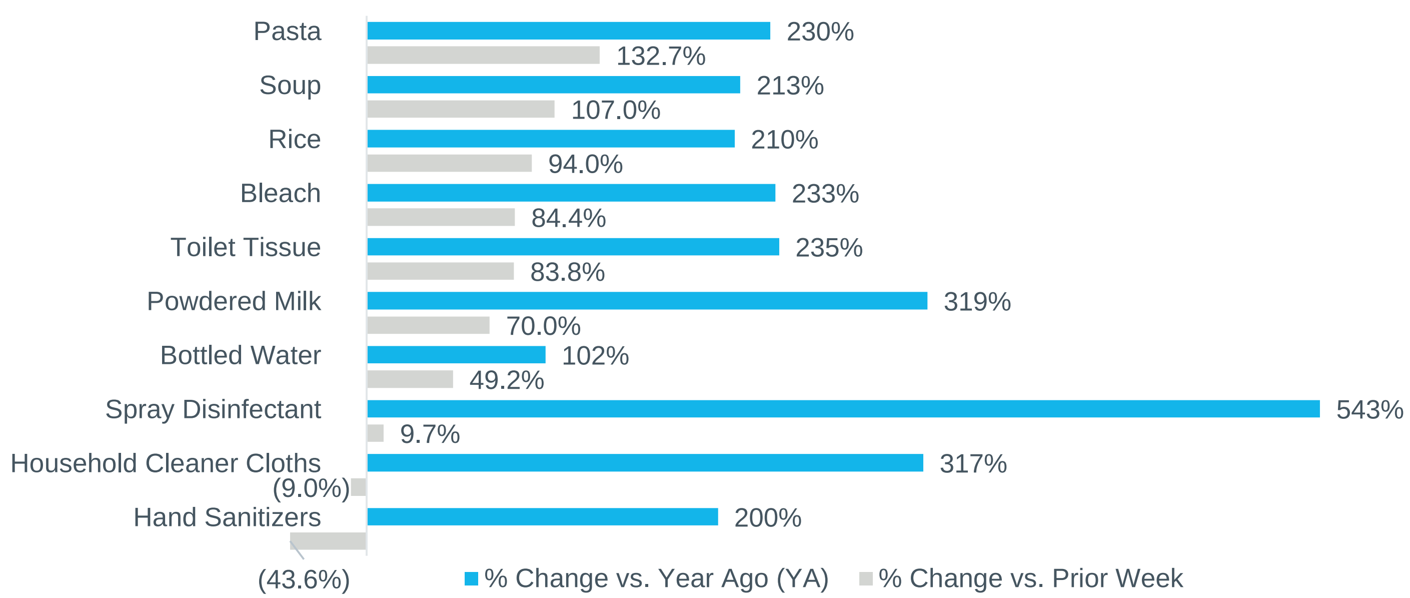
Consumer Trends (cont'd)

Stockpiling

Consumers' immediate reaction to the news of domestic COVID-19 cases in late February was to stock up on staples. According to *FoodProcessing.com*, this was likely due to two factors: fear that shelter-in-place orders would limit their ability to visit grocery stores and concerns that commodities were scarce and would run out soon.[4] Information Resources, Inc. (IRI) data suggests an inflection point during the week of March 1, 2020, where retail sales of these goods began a steep upward trajectory.[5] This was followed by an over 50% year-over-year increase in retail sales the week of March 15, 2020, with packaged foods (+77%), frozen foods (+78%) and pasta (+133%) being the bestselling categories. A recent IRI survey found that 80% of consumers are purchasing enough groceries to last their family for over two weeks, allowing them to shop less often and minimize their potential exposure to COVID-19.

Stocking Up Drives Staple Sales

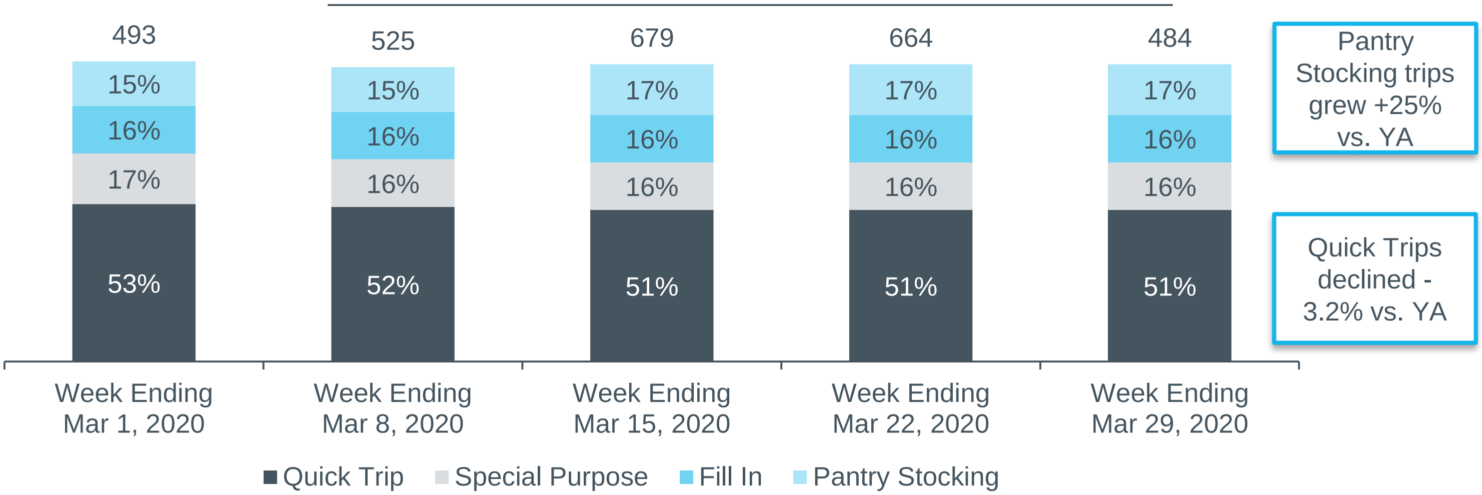
(Retail Sales for the Week Ending March 15, 2020)[5]



Stockpiling is further evidenced by an increase in basket sizes in March. According to a survey conducted by *LendingTree, Inc.*, consumers spent an average of $178 per trip over the first two weeks of March.[6] Millennials led the way with baskets averaging over $195, while Baby Boomers had the smallest average basket of $150. Other high index demographics include parents with small children ($11 more than the national average of $178) and individuals earning over $100,000 per year ($41 more than average).

Pantry Stocking Trips Continue

U.S. Store Trip Count by Type (in millions)[7]



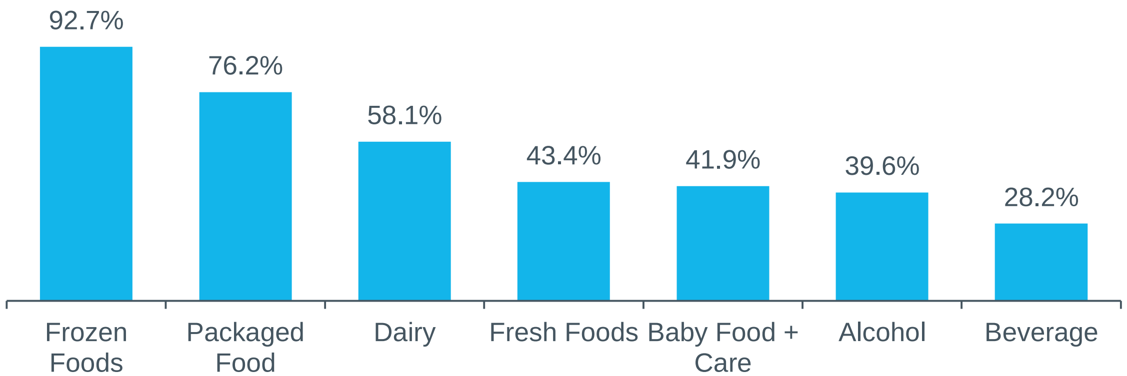
Consumer Trends (cont'd)

What Consumers are Buying

Each major category in retail has seen meaningful growth in recent weeks. Longer shelf-life and essential categories such as shelf stable, packaged food, frozen food and baby food saw the highest spike according to IRI. More modest growth was seen in perishable and less essential categories, such as fresh food, beverage and alcohol. However, within the fresh food category, demand for fruits with high vitamin C content increased, as evidenced by orange sales rising 60% year-over-year.

Strong Demand for Long-Shelf Life Products

YoY% Change in Retail Sales by Category[8]

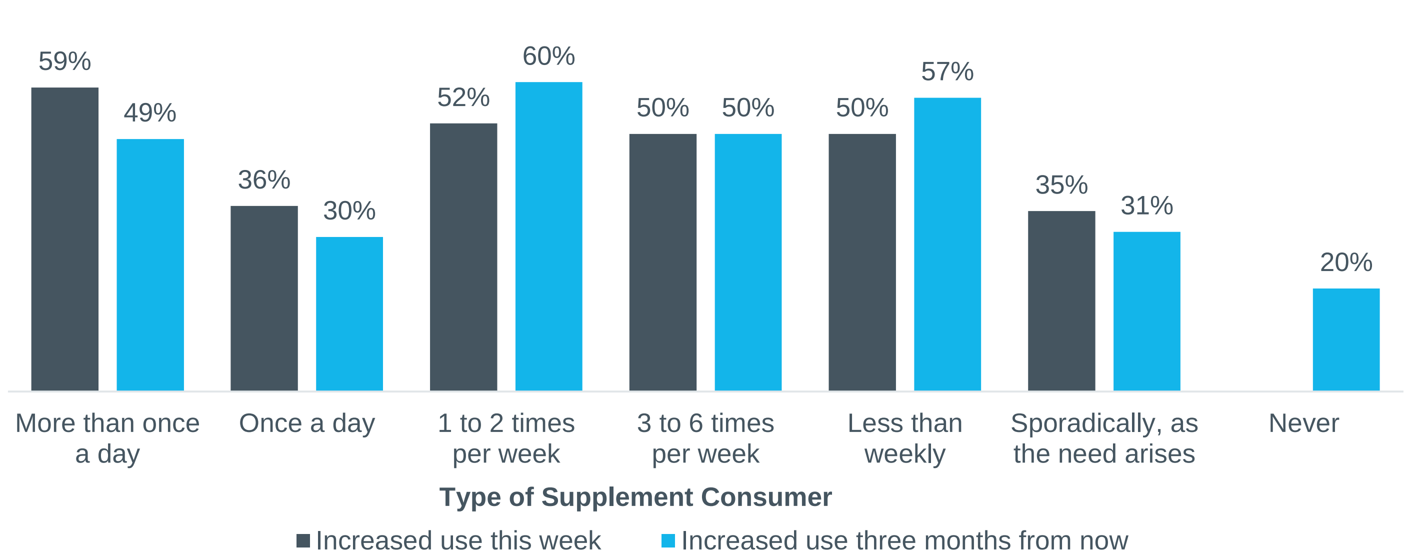


Consumers seek comfort through food during these uncertain times, as evidenced by frozen cookie dough being the fastest-growing food category for the week ending March 15, 2020. Cookie dough and other comfort food categories (such as cookies, candy, snacks and ice cream) should see continued high levels of demand over the course of the pandemic.

Consumers have also flocked to the nutritional supplements aisle as they seek to boost their immunities. A recent survey by *Nutrition Business Journal* found that both frequent and infrequent supplement consumers increased their usage in March.[9] This has proven out in retail sales, where SPINS, LLC data has shown that retail velocities of cold and flu-oriented supplements almost tripled between the weeks ending March 1, 2020 and March 15, 2020. In particular, weekly retail sales of vitamin C and elderberry grew by 5x and 4x, respectively, during the week of March 15, 2020, compared to the prior month. Amazon has seen growth in immunity product sales as well, where 17 of their 20 top-selling vitamin categories as of the end of March were immunity related. These developments are expected to result in a 25% increase in retail sales for the U.S. immunity supplements category in 2020.

Consumers Seeking Nutritional Supplements to Prevent COVID-19 Infections

% of Surveyed Consumers Who Report Increased Use of Supplements (March 2020)[10]



Consumer Trends (cont'd)

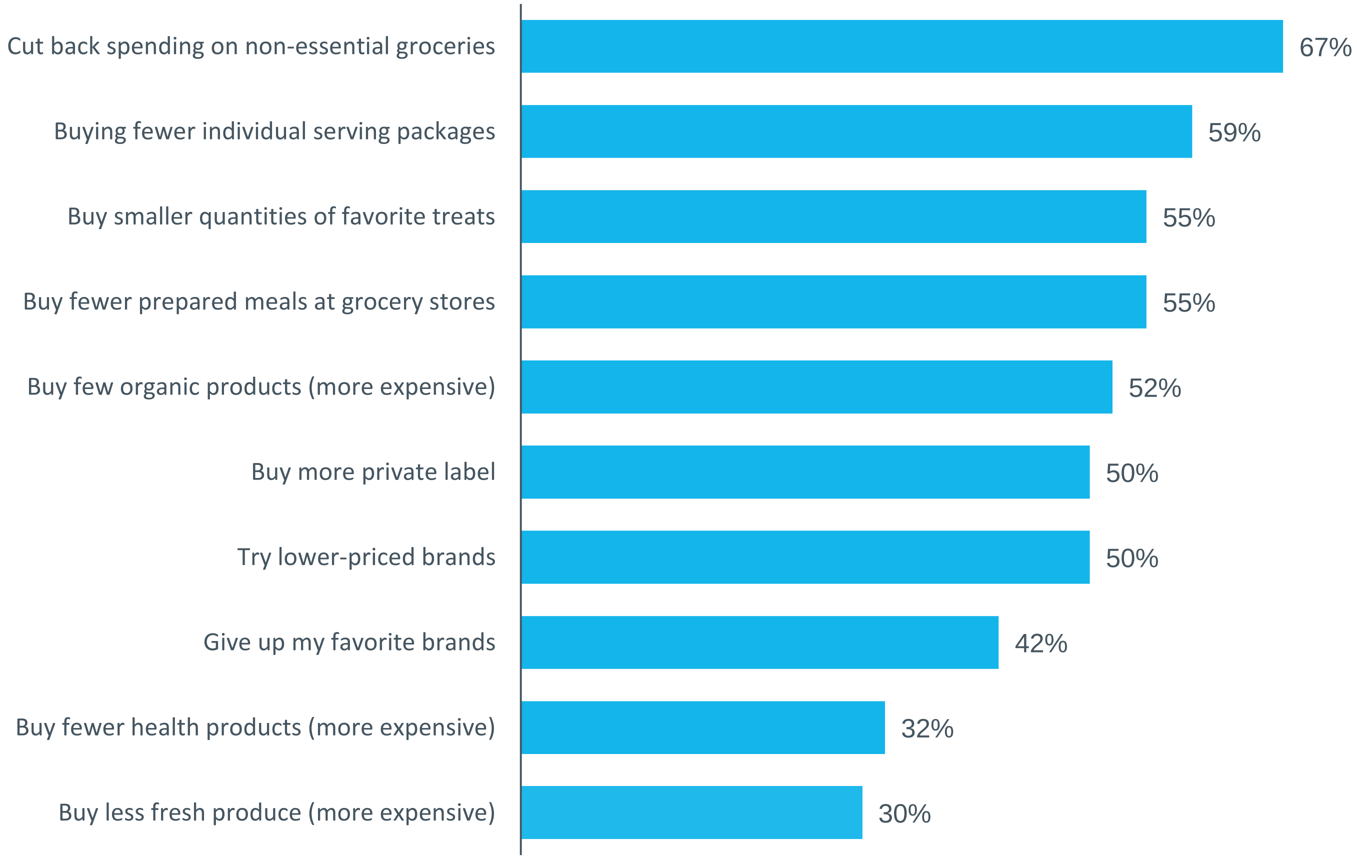
Future Consumer Spending Trends

Consumer spending on food, beverage and nutrition products in the coming weeks will be influenced by many factors, including the rate of spread of COVID-19, income levels, the macroeconomic environment and the availability of products at stores. IRI expects stock-up shopping to slow down over the next few weeks as more than 75% of consumers are reported to have at least two weeks of groceries on hand.[12] IRI also believes that shelf-stable center store products will maintain strong sales as consumers continue to replace food-away-from-home occasions with home-cooked meals, as will comfort/indulgent products that give consumers joy. The flight to comfort will limit the trial of categories that had been emerging pre-pandemic, such as plant-based meat. Stockouts have resulted in consumers trying new brands, which may have a negative impact on brand loyalty going forward. Lower income consumers are expected to flock to value brands and seek out products on promotion, while middle- and higher-income consumers will increase purchases of prepared foods.

Should a recession take hold later this year, spending trends may follow those seen during the Great Recession. Beginning in 2008, U.S. consumers prioritized cost over convenience as the most important factor in purchasing decisions. This resulted in the migration from mainstream food brands towards value brands and private label, and a shift from purchases at convenience stores and the natural channel towards the mass, club and discount channel.

Consumers Are Likely to Exhibit Behaviors Evident in Prior Recessions

Behaviors During 2008 Recession: % of Respondents[13]

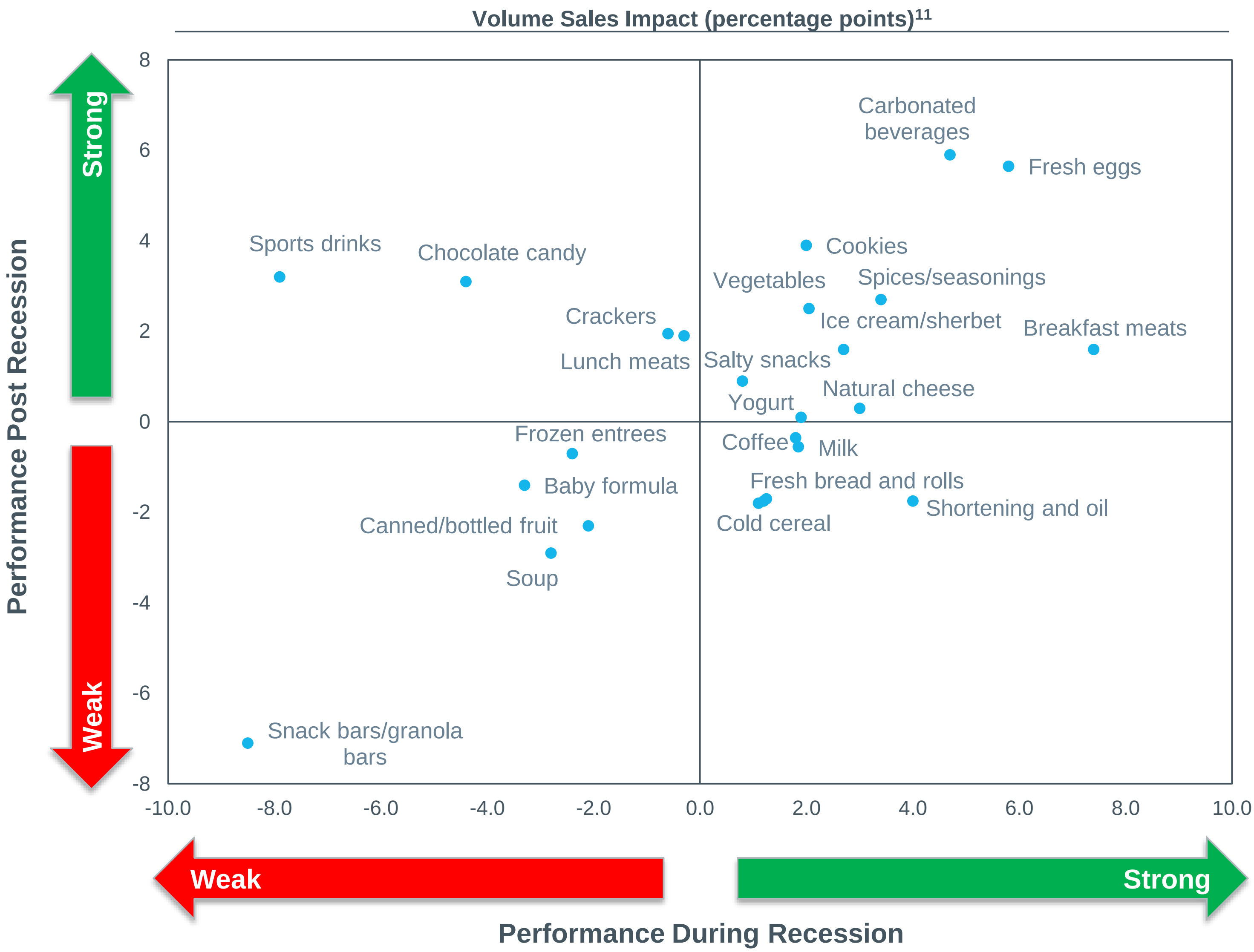


Consumer Trends (cont'd)

Future Consumer Spending Trends (cont'd)

According to IRI, consumers also gravitated towards comfort and indulgent food categories during the Great Recession. Strong performing categories during that period included ice cream, cookies, snacks and carbonated soft drinks. Breakfast items such as eggs and breakfast meats also performed well, as consumers looked to save money by eating breakfast at home.

Category Performance During and Post-Recession



Retail Trends

Brick-and-Mortar Retailer Trends

The shift to food at home and stockpiling has led to a spike in retail sales of food, beverage and nutrition products. IHL Group estimates that total U.S. retail sales have grown by over $37 billion year-over-year so far in 2020, and R5 Capital expects approximately $28 billion of new revenue for grocery retailers in the coming weeks.[12, 14]

Most of these sales are happening at large-format retailers, which saw sales increase by 67% during the week ending March 15, 2020 vs. the prior year, as compared to convenience stores which only saw a 3% sales increase during the same period. Target alone saw its food and beverage sales increase by 50% during the month of March. Social distancing and the decline in foodservice has hurt local farmers markets, which could lose between 10% and 25% of their sales in 2020, according to Local Food Economics.[15]

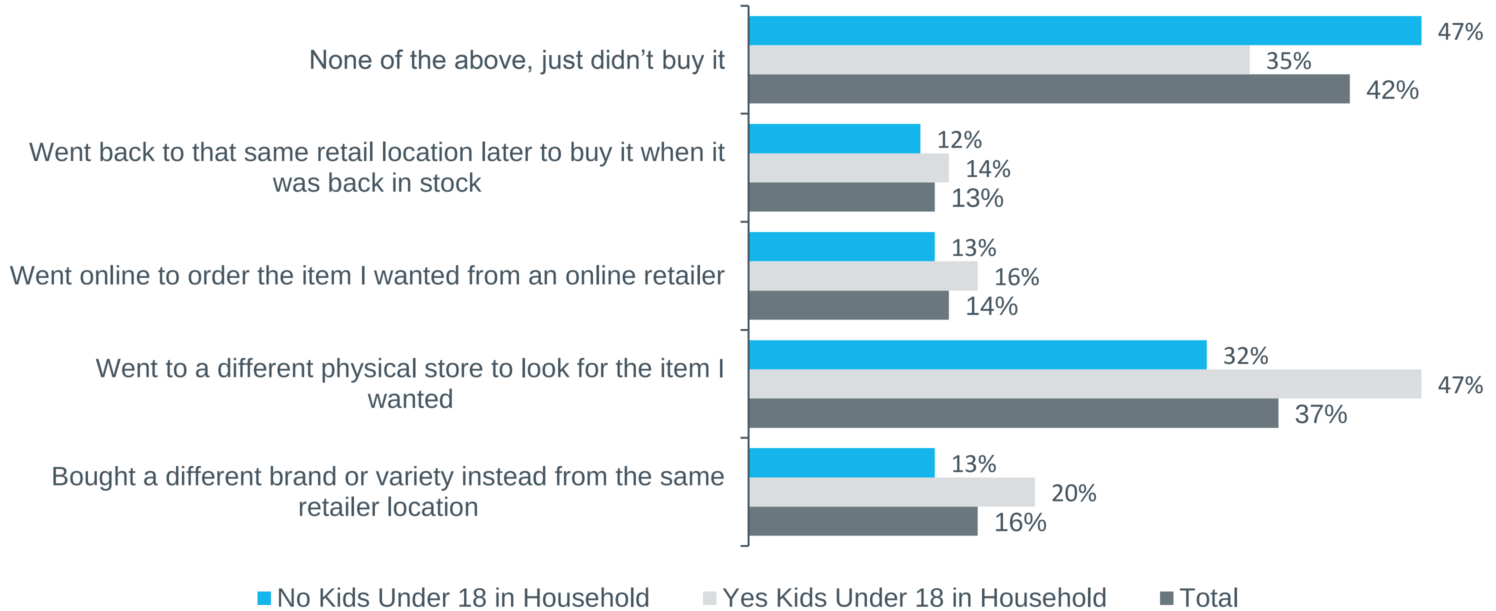
These dynamics will drive up sales at retailers. Kroger saw same-store sales increase by 30% in March vs. the prior year. AllianceBernstein Holding forecasts U.S. food retail same-store sales growth of 3.9% in 2020, exceeding its prior forecast of 2.5% before the onset of the pandemic.[16]

Despite the surge in sales, many retailers have seen a decline in profitability. Target expects to report lower-than-expected profitability during the coming months as its sales shift away from higher-margin goods, such as fresh foods, towards lower-margin categories, such as center store products. Further margin pressure will come from increased employee wages and cleaning procedures, which Target expects to cost more than $300 million during Q1 2020.

Retailers have also struggled to meet the demand for staple goods as a result of their inventory management strategies. In an effort to manage working capital investment, food retailers had transitioned from carrying months of supplies in warehouses to keeping only four to six weeks of inventory on hand. These low inventory levels resulted in near immediate out-of-stocks in early March as consumers began to stockpile essentials. Rollin Ford, a former Walmart Inc. executive, believes that food retailers sold three months of supplies of essentials within the span of 10 days in March. As a result, retailers are eschewing the algorithms they had previously used to automate purchasing and are now making real-time decisions in partnership with manufacturers to stock up on items that have sold out quickly, according to the Wall Street Journal. To alleviate supply chain pressures, many large food manufacturers are shipping products directly from their factories to retailer distribution centers, and retailers are sending larger capacity trucks more frequently between their warehouses and stores.

These out-of-stocks led 37% of consumers to visit a different physical store to find what they were looking for and 14% of consumers to look for these products online, according to a survey conducted by IRI.

Consumers Reactions to Out-of-Stocks[11]



Retail Trends (cont'd)

e-commerce

Social distancing has caused consumers to seek methods for limiting in-store visits, such as click and collect, curbside pickups and online shopping. Many U.S. consumers have tried digital grocery shopping for the first time in recent weeks, a category which made up only 5% of total grocery sales in 2019, according to Nielsen Holdings.[17] According to a recent survey by CivicScience, Inc., consumers who said that they are ordering more food online increased from 11% on March 1, 2020 to over 40% on March 22, 2020.[18] This trend is likely to continue in the near term–a recent Brick Meets Click/ShopperKit online grocery shopping survey found that approximately 33% of consumers who have yet to purchase groceries online are either extremely or very likely to do so over the next three months if the crisis continues.[19]

Stackline Partners found that food, beverage and nutrition products made up five of the top 10 and 40 of the top 100 fastest growing eCommerce categories in March 2020 vs. the prior year.[20]

#	Product	Growth	#	Product	Growth
1	Disposable Gloves	670%	**6**	Packaged Foods	377%
2	Bread Machines	652%	**7**	Fruit Cups	326%
3	Cough and Cold	535%	8	Weight Training	307%
4	Soups	397%	**9**	Milk and Cream	279%
5	Dried Grains	386%	10	Dishwashing Supplies	275%

Adobe Digital Economy Index found that click and collect orders for the four weeks ending March 24, 2020 grew by 62% over the prior year.[21] Click-and-collect accounts for approximately 43% of all eCommerce grocery sales today.

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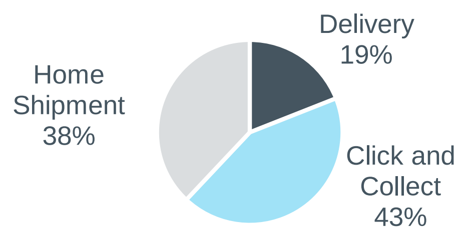
eCommerce Grocery Sales by Type[22]



However, consumers will likely eventually migrate back to shopping in grocery stores en masse. An LEK Group study found that 60% of consumers will spend about the same amount on online grocery shopping once the outbreak is contained as compared to before the onset of the outbreak.

U.S. Consumer Expectations for Online Groceries Spending Once Outbreak is Contained[1]

The surge in demand has pressured the ability for most eCommerce operators to deliver products on a timely basis. Instacart announced a new effort to hire upwards of 300,000 new shoppers in mid-March to accommodate its overwhelming demand. However, Instacart workers went on strike in late March to combat the lack of adequate tools to prevent their own potential illnesses. In mid-March, Thrive Market was forced to limit order sizes to $100 and ask customer to delay re-ordering by two weeks in order to minimize delivery times.

Brands have responded by shifting marketing and promotion spend that had previously been earmarked for brick-and-mortar promotions towards this channel. Amazon ad spend has proven highly productive in the current environment, as many shoppers have turned to this platform for staple, non-perishable products. *NOSH.com* believes that this is an even greater opportunity for smaller brands, which can quickly adjust their message to remain relevant to consumers and communicate to them regarding their needs and challenges.

Commodity Trends

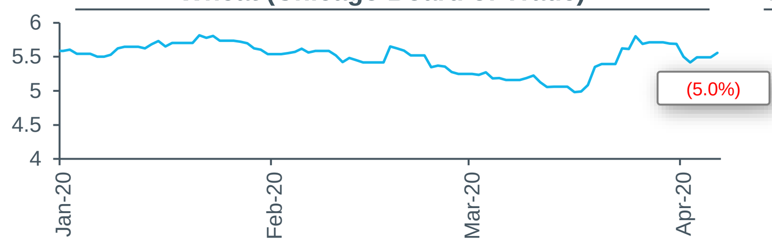
Commodities

Surging demand at retail, weak demand at foodservice, a drop in oil prices and inconsistent supply chains have resulted in volatile commodity prices. This dynamic has already impacted many staple ingredients:

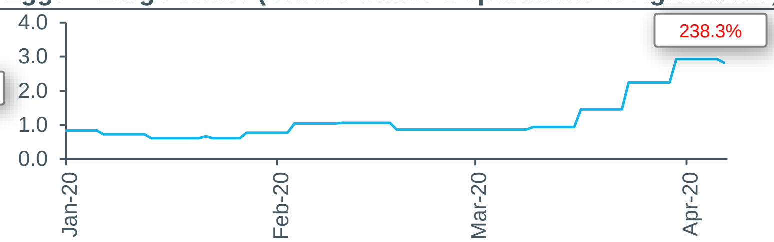
- Wheat futures prices have increased by over 15% since mid-March[23]
- Dairy prices have declined by over 25% in the past month due to the shutdown of schools, restaurants and universities. This will likely result in the loss of $5-10 million of sales for the U.S. dairy industry.[24]
- Thai rice prices have increased by 17% since the beginning of the year[23]
- Midwest Large eggs reached an all-time high in late March, nearly triple the price at the beginning of March[25]
- Coffee traders have frontloaded purchases ahead of potential outbreak-related delays in shipments[26]
- Hog futures have declined by 31% in the past month[24]
- Cattle prices are down 25% despite high demands at retail[24]
- Frozen orange juice concentrate futures have increased almost 25% between March 19, 2020 and March 31, 2020 [23]

These commodity price changes will impact the prices consumers pay for these staples. However, the high demand at retail will likely delay the flow through to retail prices for several weeks.

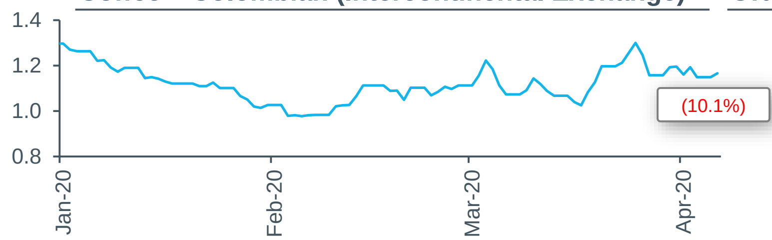
Wheat (Chicago Board of Trade)[27]



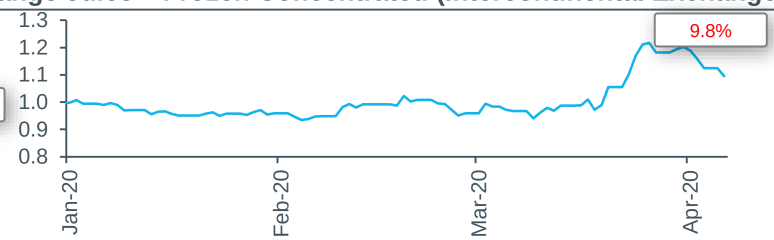
Eggs – Large White (United States Department of Agriculture)[27]



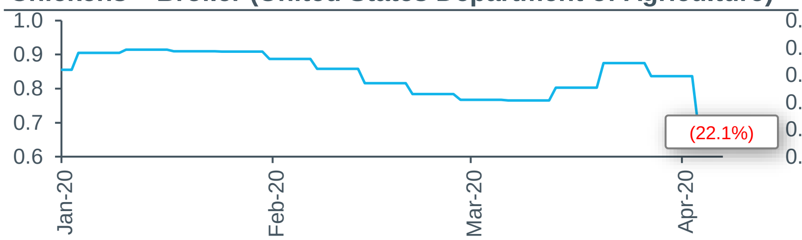
Coffee – Colombian (Intercontinental Exchange)[27]



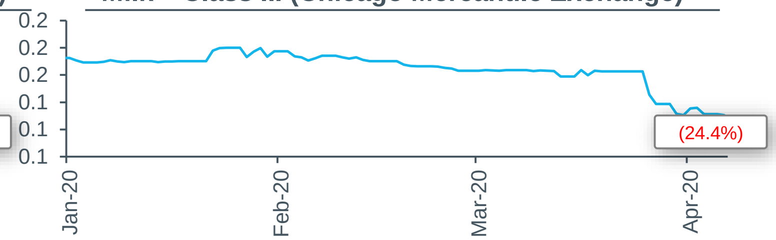
Orange Juice – Frozen Concentrated (Intercontinental Exchange)[27]



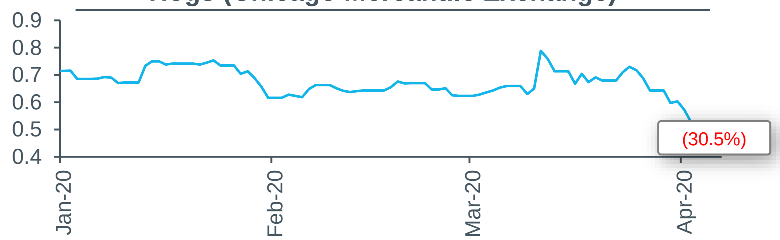
Chickens – Broiler (United States Department of Agriculture)[27]



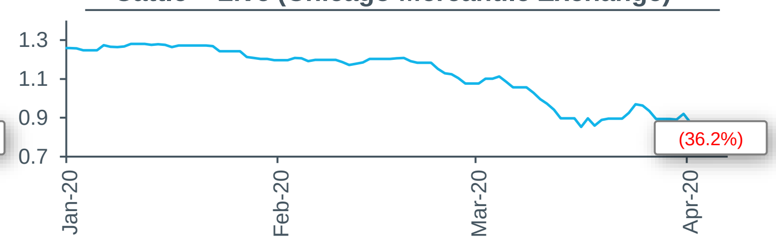
Milk – Class III (Chicago Mercantile Exchange)[27]



Hogs (Chicago Mercantile Exchange)[27]



Cattle – Live (Chicago Mercantile Exchange)[27]



Company Trends

Supply Chain Disruption

The steep increase in outbreak-related demand has stressed the well-established food supply chain in many ways. Manufacturers have boosted output by adding additional shifts, although this capacity has been partially offset by increasing cleaning time and sanitary procedures. ConAgra alone increased shipments to U.S. retailers by 50% during March as compared to the prior year. Processors have prioritized production of the most in-demand SKUs in order to meet consumer needs and also to limit change-over time, which may limit assortments at retail and delay new product introductions in the near term. Brands are scrambling to develop redundancies across their supply chain to mitigate any potential shutdowns or disruptions that may result from outbreaks at facilities or warehouses. This has resulted in many brands and manufacturers holding upwards of six months of ingredients and packaging on hand. Despite these efforts, items such as produce and dairy are not able to get to stores fast enough and are being discarded. Farm losses between March and May 2020 may exceed $1 billion due to these disruptions, according to the *National Sustainable Agriculture Coalition*.

Air freight costs have been adversely impacted by U.S. travel bans, which have decreased the inbound cargo capacity by approximately 85%, according to *Reuters*. Brands have taken to direct-store-delivery to mitigate the limited availability of ground freight.

Foodservice Shifting to Retail

Many foodservice suppliers have moved quickly to sell products in retail to help meet the unfilled demand for products. This is most relevant for the protein category, where players such as Tyson Foods, Sanderson Farms, Perdue Farms and Cargill have transitioned most of their output to retail case ready products. Cargill has shifted its meat channel mix from a long-term average of 60% retail/40% foodservice to 85%/15% by the end of March.[4] This has been aided by the United States Food and Drug Administration temporary relaxation of nutrition labeling rules in order to allow products that were previously prepared for sale to restaurants to enter retailers. Certain food manufacturers have taken foodservice operations offline for the time being. For instance, KraftHeinz significantly reduced production at three facilities that were almost exclusively dedicated to restaurant supplies.

Broadline foodservice distributors, such as Performance Food Group, have utilized their slack warehouses, employees and trucking by entering into partnerships with food retailers. These partnerships will allow for delivery of products to distribution centers and stocking of store shelves to mitigate out-of-stocks.

Time will tell if these partnerships will be maintained after the outbreak dissipates. Certain companies that were supplying a meaningful portion of products to the hospitality and full-service dining categories, such as on-premise craft beer and spirits, specialty coffee roasters, pre-portioned and cooked meats, frozen large-format desserts and fresh artisan breads, may not be able to recover lost sales in the near term.

Smaller Brands Struggling

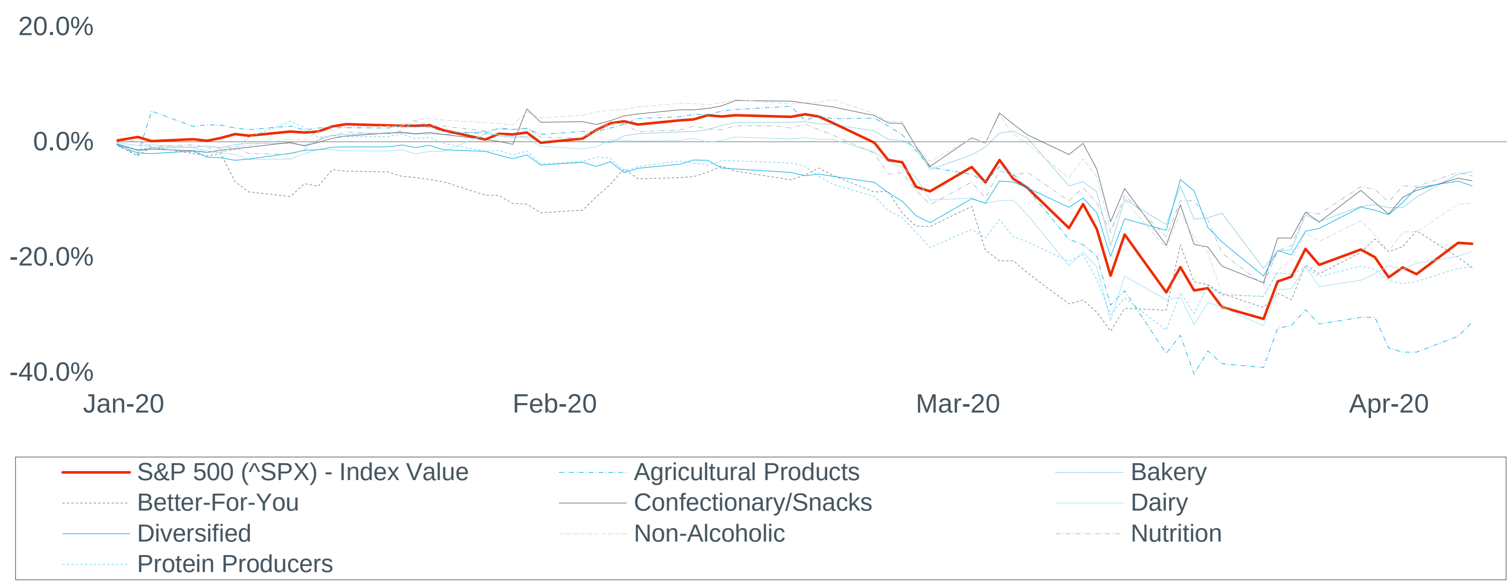
Larger, established food, beverage and nutrition companies have been able to weather the disruption better than smaller brands due in part to their access to capital and influence on retailers and suppliers. Many of these companies offer the value-oriented, staple products that are being sought out by consumers now and during an impending recession. Entrepreneurial startups, while often more nimble than larger competitors, already had limited distribution at the onset of this crisis and may lose additional shelf space to brands that are able to more consistently meet demand. The postponement of the Natural Products Expo West show, the premier trade show for the food, beverage and nutrition industry where many new products are presented to retailers, will cause delays in the launch of new products and further weigh on the growth trajectory of these smaller brands. Nimble companies have begun to launch these new products as direct-to-consumer exclusives, where they are seeing early traction among the many consumers that do not want to visit brick-and-mortar stores during this period.

Public Markets

Public Market Volatility

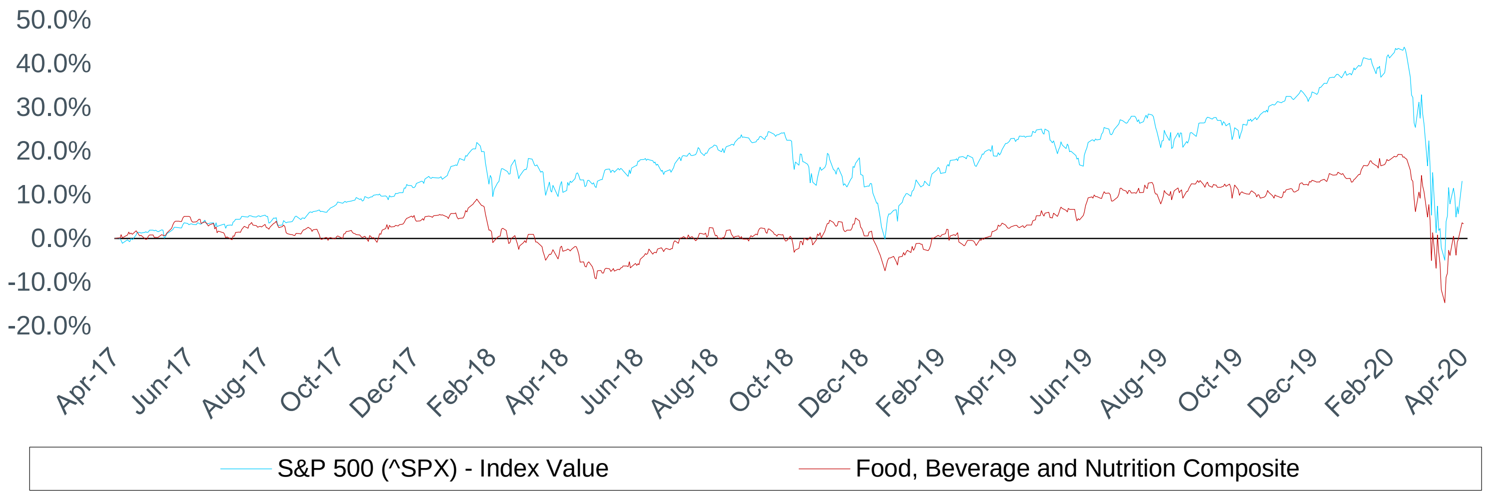
In response to the spread of COVID-19, the S&P 500 Index declined by 20% since February 10, 2020. U.S. publicly traded food, beverage and nutrition companies have generally fared better than the broader market. Strong performers during this period include B&G Foods, Tootsie Roll Industries, Cal-Maine Foods and General Mills. Companies with less focus on foodservice and greater concentration in the U.S., such as ConAgra, Campbell Soup, and J.M. Smucker, are expected to have stronger stock price performance in the coming months, according to Credit Suisse.

Food, Beverage and Nutrition (FBN) Sub-Categories vs. S&P 500 Market Performance[27]



__Agricultural Products__ consists of the following tickers: LW, FDP, CVGW, LAS.A, SENE.A, RSI, LNDC, __Bakery__ consists of the following tickers: WN, FLO, TWNK, __Better-For-You__ consists of the following tickers: HAIN, SMPL, SOY, __Confectionary/Snacks__ consists of the following tickers: MDLZ, HSY, POST, TR, JJSF, JBSS, __Dairy__ consists of the following tickers: SAP, LWAY, __Diversified__ consists of the following tickers: KHC, GIS, K, CAG, CPB, SJM, THS, LANC, BGS, PBH, MKC, __Non-Alcoholic Beverages__ consists of the following tickers: KO, PEP, KDP, MNST, FIZZ, FARM, __Nutrition__ consists of the following tickers: ABT, RB., BRBR, __Protein Producers__ consists of the following tickers: TSN, HRL, PPC, BYND, SEB, MFI, SAFM, CALM, CLR, HLF, BRID

FBN vs. S&P 500 Market Performance[27]



__Food, Beverage and Nutrition Composite__ consists of the following tickers: LW, FDP, CVGW, LAS.A, SENE.A, RSI, LNDC, WN, FLO, TWNK, HAIN, SMPL, SOY, MDLZ, HSY, POST, TR, JJSF, JBSS, KHC, GIS, K, CAG, CPB, SJM, THS, LANC, BGS, PBH, SAP, LWAY, ADM, MKC, IFF, BG, INGR, BCPC, SXT, TSN, HRL, PPC, BYND, SEB, MFI, SAFM, CALM, CLR, HLF, BRID, KO, PEP, KDP, MNST, FIZZ, FARM, STZ, BF.B, TAP, SAM, ABT, RB., BRBR

Public Markets (cont'd)[27]

($ in millions except share price data)	Stock Price 10-Apr-20	% of 52 Wk High	% Change Since 02/19/20	Market Value	Enterprise Value	EV / Revenue LTM	EV / Revenue 2020E	EV / Revenue 2021E	EV / EBITDA LTM	EV / EBITDA 2020E	EV / EBITDA 2021E
Agricultural Products											
Lamb Weston Holdings, Inc.	$58.40	60.6%	(38.1%)	$8,529	$10,927	2.77x	3.18x	2.93x	12.8x	13.4x	12.8x
Fresh Del Monte Produce Inc.	32.00	82.5%	9.4%	1,535	2,334	0.52x	0.50x	0.48x	11.5x	9.6x	8.8x
Calavo Growers, Inc.	63.86	63.5%	(16.8%)	1,125	1,223	1.01x	0.96x	0.89x	18.5x	13.1x	12.3x
Lassonde Industries Inc.	99.47	69.7%	(9.7%)	690	928	0.72x	0.68x	0.68x	7.8x	7.2x	6.9x
Seneca Foods Corporation	37.00	88.3%	(7.2%)	335	653	0.51x	NM	NM	9.6x	NM	NM
Rogers Sugar Inc.	3.29	74.5%	(19.2%)	342	594	0.97x	1.06x	NM	7.6x	8.2x	8.3x
Landec Corporation	10.13	81.3%	(13.3%)	296	500	0.85x	0.85x	0.83x	44.2x	42.7x	41.3x
Median		**74.5%**	**(13.3%)**	**$690**	**$928**	**0.85x**	**0.91x**	**0.83x**	**11.5x**	**11.4x**	**10.5x**
Mean		**74.4%**	**(13.5%)**	**1,836**	**2,451**	**1.05x**	**1.21x**	**1.16x**	**16.0x**	**15.7x**	**15.1x**
Bakery											
George Weston Limited	$74.29	91.1%	(11.6%)	$11,410	$29,668	0.77x	0.79x	0.79x	8.7x	7.4x	7.3x
Flowers Foods, Inc.	22.17	88.4%	0.0%	4,690	5,964	1.45x	1.39x	1.39x	14.8x	13.3x	13.0x
Hostess Brands, Inc.	11.87	79.9%	(10.8%)	1,462	2,260	2.49x	2.27x	2.19x	12.9x	9.7x	9.0x
Median		**88.4%**	**(10.8%)**	**$4,690**	**$5,964**	**1.45x**	**1.39x**	**1.39x**	**12.9x**	**9.7x**	**9.0x**
Mean		**86.5%**	**(7.5%)**	**5,854**	**12,631**	**1.57x**	**1.48x**	**1.46x**	**12.2x**	**10.1x**	**9.7x**
Better-For-You											
The Hain Celestial Group, Inc.	$25.40	90.7%	(3.5%)	$2,651	$3,031	1.35x	1.50x	1.49x	18.0x	15.0x	14.8x
The Simply Good Foods Company	15.79	50.4%	(35.6%)	1,506	2,112	3.21x	2.27x	2.13x	18.4x	12.3x	11.3x
SunOpta Inc.	1.86	41.1%	(31.6%)	164	767	0.64x	0.61x	0.59x	22.3x	10.6x	9.0x
Median		**50.4%**	**(31.6%)**	**$1,506**	**$2,112**	**1.35x**	**1.50x**	**1.49x**	**18.4x**	**12.3x**	**11.3x**
Mean		**60.7%**	**(23.6%)**	**1,441**	**1,970**	**1.74x**	**1.46x**	**1.40x**	**19.6x**	**12.6x**	**11.7x**
Confectionery/Snacks											
Mondelez International, Inc.	$52.34	87.3%	(11.7%)	$74,830	$92,793	3.59x	3.55x	3.44x	17.5x	17.0x	16.2x
The Hershey Company	143.91	88.7%	(10.3%)	30,185	34,177	4.28x	4.17x	4.08x	17.3x	16.3x	15.7x
Post Holdings, Inc.	92.41	81.3%	(13.4%)	6,460	12,614	2.20x	2.16x	2.07x	11.1x	10.1x	9.8x
Tootsie Roll Industries, Inc.	37.57	94.8%	13.0%	2,360	2,130	4.04x	NM	NM	21.1x	NM	NM
J & J Snack Foods Corp.	127.72	64.9%	(26.6%)	2,416	2,254	1.88x	1.98x	1.92x	13.6x	14.4x	13.6x
John B. Sanfilippo & Son, Inc.	84.22	78.1%	6.3%	962	1,004	1.14x	1.09x	NM	11.2x	NM	NM
Median		**84.3%**	**(11.0%)**	**$4,438**	**$7,434**	**2.89x**	**2.16x**	**2.75x**	**15.4x**	**15.3x**	**14.6x**
Mean		**82.5%**	**(7.1%)**	**19,536**	**24,162**	**2.85x**	**2.59x**	**2.88x**	**15.3x**	**14.4x**	**13.8x**
Diversified											
The Kraft Heinz Company	$28.11	83.2%	2.9%	$34,344	$62,036	2.48x	2.48x	2.53x	9.5x	10.9x	10.9x
General Mills, Inc.	57.40	95.7%	7.8%	34,792	49,048	2.93x	2.83x	2.88x	13.5x	13.4x	13.6x
Kellogg Company	62.74	88.3%	(5.4%)	21,488	30,133	2.22x	2.24x	2.23x	13.9x	13.6x	13.2x
Conagra Brands, Inc.	32.46	91.2%	8.9%	15,810	26,074	2.51x	2.36x	2.53x	12.7x	11.2x	11.8x
McCormick & Company, Incorporated	154.30	88.4%	(5.9%)	20,487	24,904	4.67x	4.68x	4.54x	21.9x	21.9x	21.0x
Campbell Soup Company	47.75	83.0%	(0.1%)	14,408	20,439	2.53x	2.48x	2.50x	14.1x	12.0x	12.2x
The J. M. Smucker Company	112.75	87.8%	1.9%	12,858	18,526	2.43x	2.42x	2.42x	11.4x	11.2x	11.2x
TreeHouse Foods, Inc.	44.02	64.8%	(1.9%)	2,477	4,628	1.08x	1.08x	1.07x	10.2x	9.2x	9.0x
Lancaster Colony Corporation	133.21	80.1%	(13.1%)	3,665	3,491	2.62x	2.63x	2.54x	16.0x	15.2x	14.4x
B&G Foods, Inc.	17.18	65.7%	25.9%	1,100	3,011	1.81x	1.79x	1.81x	10.0x	9.8x	10.0x
Premium Brands Holdings Corporation	58.73	79.9%	(23.6%)	2,197	3,140	1.13x	1.13x	1.05x	15.2x	13.9x	12.2x
Median		**83.2%**	**(0.1%)**	**$14,408**	**$20,439**	**2.48x**	**2.42x**	**2.50x**	**13.5x**	**12.0x**	**12.2x**
Mean		**82.6%**	**(0.2%)**	**14,875**	**22,312**	**2.40x**	**2.38x**	**2.37x**	**13.5x**	**12.9x**	**12.7x**
Dairy											
Saputo Inc.	$24.31	73.4%	(22.1%)	$9,934	$12,960	1.16x	1.19x	1.16x	12.2x	10.5x	10.2x
Lifeway Foods, Inc.	1.89	39.8%	(25.6%)	30	29	0.31x	NM	NM	18.3x	NM	NM
Median		**56.6%**	**(23.8%)**	**$4,982**	**$6,495**	**0.74x**	**1.19x**	**1.16x**	**15.3x**	**10.5x**	**10.2x**
Mean		**56.6%**	**(23.8%)**	**4,982**	**6,495**	**0.74x**	**1.19x**	**1.16x**	**15.3x**	**10.5x**	**10.2x**
Protein Producers											
Tyson Foods, Inc.	$60.94	64.7%	(21.7%)	$22,245	$34,141	0.79x	0.76x	0.75x	8.3x	7.6x	7.1x
Hormel Foods Corporation	47.54	92.3%	(1.9%)	25,566	25,210	2.65x	2.56x	2.49x	19.5x	18.0x	17.1x
Pilgrim's Pride Corporation	19.21	57.1%	(24.6%)	4,787	7,141	0.63x	0.58x	0.56x	7.3x	6.8x	5.8x
Beyond Meat, Inc.	72.30	30.2%	(42.7%)	4,471	4,226	14.19x	9.07x	6.10x	NM	NM	59.1x
Seaboard Corporation	3,348.09	70.6%	(11.9%)	3,897	3,914	0.57x	NM	NM	16.8x	NM	NM
Maple Leaf Foods Inc.	17.51	68.3%	(9.6%)	2,152	2,643	0.87x	0.87x	0.83x	13.9x	9.9x	8.3x
Sanderson Farms, Inc.	121.05	67.5%	(10.1%)	2,692	2,843	0.81x	0.77x	0.73x	15.4x	14.7x	6.9x
Cal-Maine Foods, Inc.	39.62	84.9%	6.2%	1,932	1,788	1.52x	1.16x	1.20x	NM	9.4x	10.0x
Clearwater Seafoods Incorporated	3.50	79.3%	(12.1%)	228	532	1.12x	1.20x	1.14x	6.6x	6.7x	6.3x
High Liner Foods Incorporated	4.63	53.9%	(25.6%)	154	482	0.51x	0.53x	0.52x	7.2x	5.7x	5.6x
Bridgford Foods Corporation	21.60	56.8%	3.8%	196	217	1.14x	NM	NM	18.2x	NM	NM
Median		**67.5%**	**(11.9%)**	**$2,692**	**$2,843**	**0.87x**	**0.87x**	**0.83x**	**13.9x**	**8.5x**	**7.1x**
Mean		**65.9%**	**(13.6%)**	**6,211**	**7,558**	**2.25x**	**1.94x**	**1.59x**	**12.6x**	**9.8x**	**14.0x**
Non-Alcoholic Beverages											
The Coca-Cola Company	$49.00	81.5%	(18.0%)	$210,377	$245,485	6.59x	6.72x	6.40x	20.5x	21.2x	19.6x
PepsiCo, Inc.	133.63	90.8%	(8.2%)	185,644	213,616	3.18x	3.11x	2.99x	17.0x	15.6x	14.6x
Keurig Dr Pepper Inc.	26.86	83.9%	(6.9%)	37,792	52,942	4.76x	4.64x	4.50x	15.7x	14.5x	13.5x
Monster Beverage Corporation	60.51	85.8%	(13.7%)	32,488	31,187	7.42x	6.90x	6.32x	21.1x	19.4x	17.8x
National Beverage Corp.	51.35	88.1%	14.0%	2,394	2,175	2.22x	2.25x	2.14x	12.8x	13.3x	11.7x
Farmer Bros. Co.	8.33	38.4%	(43.7%)	144	226	0.39x	0.40x	NM	16.4x	8.0x	NM
Median		**84.9%**	**(10.9%)**	**$35,140**	**$42,064**	**3.97x**	**3.87x**	**4.50x**	**16.7x**	**15.1x**	**14.6x**
Mean		**78.1%**	**(12.7%)**	**78,140**	**90,938**	**4.09x**	**4.00x**	**4.47x**	**17.2x**	**15.3x**	**15.4x**
Nutrition											
Abbott Laboratories	$86.04	93.1%	(3.7%)	$151,726	$166,898	5.23x	5.34x	4.71x	21.1x	22.4x	18.2x
Reckitt Benckiser Group plc	76.83	91.3%	(8.6%)	54,546	67,998	4.00x	4.14x	4.03x	13.6x	15.9x	15.2x
Jamieson Wellness Inc.	20.69	99.4%	2.6%	812	938	3.53x	3.53x	3.28x	18.9x	16.2x	14.6x
BellRing Brands, Inc.	16.89	70.3%	(21.7%)	666	3,485	3.82x	3.31x	3.01x	16.5x	17.2x	15.5x
Median		**92.2%**	**(6.2%)**	**$27,679**	**$35,742**	**3.91x**	**3.83x**	**3.65x**	**17.7x**	**16.7x**	**15.4x**
Mean		**88.5%**	**(7.9%)**	**51,938**	**59,830**	**4.14x**	**4.08x**	**3.76x**	**17.5x**	**17.9x**	**15.9x**

Impact on M&A and Capital Raising

Near-Term Capital Needs

The surge in consumer demand, supply chain upheaval and increased operating costs have combined to strain the balance sheets of food, beverage and nutrition companies. Larger players have been able to mitigate this cash crunch by drawing down on their available credit lines and are now beginning to seek new credit facilities to provide them with adequate funding to withstand any further supply or demand shocks in the coming months. Smaller operators have attempted to tap into the Small Business Administration's Paycheck Protection Program (PPP), but have faced severe logistical challenges. Those that have recently received PPP grants and loans have some runway to fund near-term operations.

To mitigate cash shortfalls, credit lines have been an important source of funding for companies with large exposure to the foodservice industry. These companies will likely begin to see cash dwindling and balance sheet distress as they move towards Q2 covenant testing periods if consumers continue to stay away from restaurants. Nimble financiers have stepped in to offer bridge loans to these companies as a means to stave off bankruptcy and see operators through this crisis.

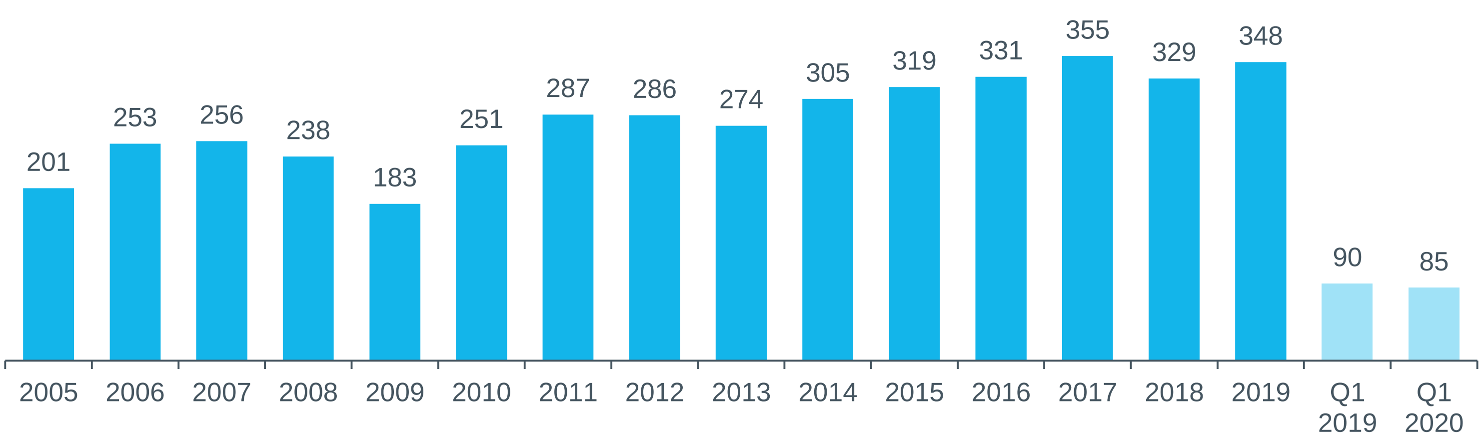
M&A Market Activity

A confluence of factors have caused a slowdown in overall M&A market activity:

- Uncertainty around the length and impact of the pandemic
- Tightened credit markets have limited access to debt financing to support leveraged buyouts
- Strategic buyers prioritizing holding cash for use to fund operations
- Private equity funds prioritizing investing into their current investments above the review of new acquisition opportunities
- Lower public company stock prices, which are often used as consideration in acquisitions
- Lack of confidence among acquirer CEOs and boards
- Higher borrowing costs resulting from downgrades to corporate bonds
- Unknown impact on 2020 income statement forecasts
- Differences of opinion on deal valuations

This slowdown has helped contribute to a decline in deal volume in Q1 2020, which saw announced merger value decrease by 33% compared to Q1 2019, according to the *Wall Street Journal*. Fortunately, this level of slowdown has not been evidenced in U.S. food, beverage and nutrition M&A transactions. There were 85 transactions completed in Q1 2020, which represents only a 5.6% decrease from the same period in 2019.

U.S. Food, Beverage and Nutrition M&A Transaction Activity (# of Closed Deals)[23]



Impact on M&A and Capital Raising (cont'd)

M&A Market Activity (cont'd)

Deal activity within this category will likely continue, although at a slower pace than earlier in 2020. Acquisitions that were far down the road towards completion before mid-March will likely close in the near term if financing was already committed. Transactions with a strategic imperative (i.e. acquiring a competitor) will also continue in the coming months.

There are reasons to be optimistic about medium- and long-term food, beverage and nutrition M&A activity:

- Transaction activity in this category saw only a large decline in one year during the Great Recession (2009), followed by a strong uptick in activity the following year.
- Strategic buyers in this category hold $36.8 billion of cash and will need to make acquisitions in order to meet the evolving needs of consumers post-pandemic.
- Public company stock performance in this category is expected to rebound. Credit Suisse believes that public packaged food multiples will expand by 25% to 30% in the coming months.
- Financial buyers need to deploy the $1.5 trillion of capital that they hold, and are beginning to explore minority and other new deal structures.
- Sponsors and lenders will seek out safe categories for investment, and the food, beverage and nutrition space is expected to see among the least amount of topline disruption.
- While there may be a gap in valuation among buyers and sellers in the near term, we expect that this will be bridged by structure such as earnouts and seller notes.

Growth Capital

In recent years, smaller, growing companies have targeted equity investments from angel investors, venture capital and growth equity funds to fund their expansion. However, this activity has also slowed in recent months, as seed-stage funding declined by 22% globally in January 2020 as compared to the previous year, according to *CB Insights*.

While these pools of capital remain, their approach to exploring new deals will change. Risk will be of greater importance to these investors, which will result in longer, more detailed due diligence processes to determine how the current uncertain environment impacts financial forecasts. Even brands that have seen strong velocities over the past few weeks will be scrutinized in order to determine steady-state sell through potential.

Equity investors will also likely decrease valuations for new investments. As such, Small Business Administration loans, bridge loans and convertible debt may be preferred to new equity deals as they will result in less dilution than equity deals at lower valuations.

Brands that are better positioned to withstand this disruption, such as those with robust direct-to-consumer sales, high gross margins, some level of positive profits and the ability to communicate directly with consumers in an effective manner, will be prioritized for near-term financings by growth investors. Entrepreneurs should focus on shoring up these aspects of their business models in order to make capital raising more efficient.

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Sell Side Advisor
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Sell Side Advisor
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Sell Side Advisor
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has been acquired by
金达威集团 Kingdomway

Sell Side Advisor
Mama Mary's
a portfolio company of
Linsalata Capital Partners
has been acquired by
B&G

Buy Side Advisor
Pacific Coast Producers
has acquired
Oregon Cherry Growers Inc.

Sell Side Advisor
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Grupo JD
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Piller's
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Sell Side Advisor
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Beverage Innovations
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#4 Middle-Market M&A Advisor over the past five years[1]

#1 U.S. and Global Fairness Opinion Provider 2019[2]

Proven Execution	100+ Consumer M&A and capital raise transactions over the past 10 years
Deep Sector Expertise	Category focus drives thought leadership and builds invaluable relationships with buyers and investors alike
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1. Source: Thomson Financial Securities Data (U.S. deals $15M < $170M, including deals without a disclosed value). Full years 2010 through 2019.
2. Source: "Mergers & Acquisitions Review - Full Year 2019." Thomson Reuters.