



# Capstone Partners

## NATURAL & ORGANIC PRODUCTS

## Q2 2017

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### MARKET OVERVIEW

As reported by the Organic Trade Association, the US organic food and beverage industry experienced another record setting year in 2015, hitting \$39.8 billion. The industry has been booming over the past decade with a year-over-year percentage growth of 11.6% since 2005 and accelerating year-over-year (YOY) growth since 2009.

#### US Organic Food and Beverage Trends

Year	Revenue (mm)	YOY Growth	YOY % Growth
2005	13,260	-	-
2006	15,629	2,369	17.9%
2007	18,188	2,559	16.4%
2008	21,571	3,383	18.6%
2009	22,497	926	4.3%
2010	24,123	1,626	7.2%
2011	26,336	2,213	9.2%
2012	29,023	2,687	10.2%
2013	32,335	3,312	11.4%
2014	35,952	3,617	11.2%
2015	39,754	3,802	10.6%
<b>2005-2015</b>			<b>11.6%</b>

Source: Organic Trade Association

While the US is the largest single market for organic foods with 56% of the \$77.4 billion global market, the growing popularity and benefits associated with non-GMO products has increasingly reached consumers worldwide, particularly throughout Europe and Asia Pacific. According to a recent study conducted by *Grand View Research*, the growing global demand for organic products is expected to drive the industry to \$320.5 billion by 2025, a 15.3% CAGR.

Globally, consumers are choosing to consume organic products at an increasing rate largely due to the growing concerns of GMO's and the use of pesticides, the negative environmental impact associated with conventional agriculture methods and the greater health perceptions of organic goods. According the Organic Trade Association's Organic Attitudes and Beliefs 2016 Tracking study, more than 82% of US families buy organic products and parents aged 18-34 are now the biggest group of organic buyers.

While organic fruits and vegetables remains the largest organic category with US sales growth of 10.5% to \$14.4 billion (36.2% of US market share), every major subsector experienced strong growth in 2015 over 2014, including fresh juices and drinks (33.5% increase), condiments (18.5%), snack foods (14%), and dairy (10%).

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## MERGER & ACQUISITION OVERVIEW

Deal volume increased in the Natural & Organic Products industry by 19.4% between 2015 and 2016. In 2016, 86 transactions were announced or closed in the Natural & Organic Products sector compared to 72 in 2015. Through Q1 2017, 20 deals were announced or closed, putting activity on pace with the same period last year. Overall valuations in the industry remain at all time highs, with the median enterprise value in excess of \$100 million. Premium valuations reflect the optimistic outlook of the market, and increasingly favorable consumer demand for organic products.

## NOTABLE TRANSACTIONS

Several notable transactions were announced or completed in the Natural & Organic Products industry. Select transactions are outlined below, followed by a more comprehensive list on the following table.

- ▶ **Danone acquires WhiteWave Foods (April 2017)** – Danone and WhiteWave successfully completed their previously announced transaction for a total consideration of \$12.5 billion and an EBITDA multiple of 24.8x. WhiteWave produces such brands as Horizon Organic milk and Wallaby yogurt. The combination includes Danone Dairy's and WhiteWave's current North American businesses. "I am thrilled that we have completed the acquisition of WhiteWave," said Emmanuel Faber, CEO of Danone. "Danone and WhiteWave are a perfect match to build a global leader leveraging consumer trends and expectations for healthier and more sustainable eating and drinking choices."
- ▶ **Pilgrim's Pride acquires GNP Company (November 2016)** – Fresh chicken distributor Pilgrim's Pride has agreed to acquire GNP Company, a leading provider of all-natural chicken, for \$350.0 million. Pilgrim's CEO Bill Lovette stated. "GNP Company boasts outstanding state-of-the-art assets in geographic areas where Pilgrim's is not currently present, providing Pilgrim's the opportunity to expand our production and customer bases, while maintaining our high standards for quality service and great-tasting products." Headquartered in Greeley, Colorado, Pilgrim's expects to achieve approximately \$20.0 million in annualized synergies.
- ▶ **PepsiCo acquires KeVita (November 2016)** – PepsiCo is adding another health-conscious drink to its portfolio with the recent acquisition of probiotic drink maker KeVita. Terms of the deal were not disclosed. KeVita's product line includes Sparkling Probiotic Drink, Master Brew Kombucha and Apple Cider Vinegar Tonic. PepsiCo has recently been diversifying its offerings to include soft drink alternatives such as Naked Juice, Izze Sparkling Juice and O.N.E Coconut Water. "This announcement is further evidence of PepsiCo's focus on delivering Performance with Purpose by continuing to evolve our health and wellness offerings to meet consumers' changing needs," commented Chris Lansing, General Manager and Vice-President of PepsiCo Premium Nutrition.

**NATURAL & ORGANIC PRODUCTS: SELECT M&A TRANSACTIONS**

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM Revenue	EBITDA
04/10/17	Columbia Phyto Technology	International Flavors & Fragrances	Manufactures organic and conventional powders.	-	-	-
04/06/17	Zhou Nutrition	Nutraceutical International	Manufactures natural supplements.	\$19.7	-	-
04/04/17	Purity Foods	The Andersons	Supplies organic food products.	-	-	-
03/31/17	Maverick Brands	New Age Beverages	Distributes organic coconut water.	\$12.6	-	-
03/27/17	RicoLife	Youngevity International	Provides herbal and fruit-based tea, coffee, cleanses, and energy and slimming supplements.	-	-	-
03/16/17	EarthScents Natural Cleaning	Evergreen Brands	Distributes home cleaning products scented with essential oils.	-	-	-
03/10/17	Dixie Diners Club	Private Investors	Produces healthy snack food that tastes like junk food.	-	-	-
03/08/17	Perfect Fuel Chocolate	Home Market Foods	Produces chocolate and healthy snack products.	-	-	-
02/28/17	Brewla	Ruby's Naturals	Offers ice pops that are made from teas, espresso, herbs and botanicals in a heated process.	-	-	-
02/16/17	Open Road Snacks	Fresca Brands Innovation	Sells gluten-free/gourmet popcorn snacks in various flavors.	-	-	-
02/06/17	Grass Advantage	Glanbia Performance Nutrition	Produces plant-based nutrition products.	-	-	-
12/28/16	Wild Joe's Beef Jerky	Simply Unique Snacks	Sells all-natural beef jerky.	-	-	-
12/20/16	Pure Polar Labs	BlueOcean NutraSciences	Offers shrimp oil in the form of tablets and pills.	-	-	-
12/20/16	Sweet Harvest Foods	Natural American Foods	Produces peanut butter, organic honey and syrups.	-	-	-
11/29/16	GNP	Pilgrim's Pride	Distributes custom all-natural chicken products.	\$350.0	-	-
11/22/16	KeVita	PepsiCo	Produces coconut-based organic probiotic drinks.	-	-	-
11/18/16	Go Epic Health	Leone Asset Management	Markets organic and natural nutrition products.	-	-	-
10/26/16	F3 Innovations	Scepter	Manufactures nutritional products for athletes.	-	-	-
10/25/16	Rawkin Bliss	Hip Cuisine	Produces organic super nut butters, juices, meals, snacks, cleanses, smoothies, salads and desserts.	-	-	-
10/03/16	Fleischmann's Vinegar	Green Plains	Offers organic vinegars and cooking wines.	\$250.0	-	-
09/30/16	Caterina Foods	Archer-Daniels-Midland	Operates a gluten free pasta processing facility.	-	-	-
09/30/16	Ace Provisions	Ohio Pizza	Distributes fresh fruits and vegetables.	-	-	-
09/19/16	Seventh Generation	Unilever	Manufactures plant-based detergents and household cleaners.	\$700.0	3.5x	-

**NATURAL & ORGANIC PRODUCTS: SELECT M&A TRANSACTIONS (CONTINUED)**

Ann. Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
07/29/16	Dr. Smoothie Brands	Bevolution	Produces organic smoothies, whole foods, supplements and nutrition bars.	-	-	-
07/27/16	Aurora Algae	Reliance	Develops high-performance algae-based products for pharmaceutical, nutrition and aquaculture markets.	-	-	-
07/25/16	Original ChopShop	Hargett Hunter Capital	Operates a healthy fast casual restaurant that offers fresh and organic bowls, salads, sandwiches and juice.	-	-	-
07/15/16	Taylor Maid Farms Coffee	InHouse Ventures	Roasts specialty organic coffee.	-	-	-
07/14/16	Coast of Maine Organics	Gemini Investors	Produces organic plant food and compost-based soils.	-	-	-
04/12/17	WhiteWave	Danone	Develops branded plant-based food and beverage products.	\$12,475.3	3.0x	24.9x
06/20/16	Perrigo's Vitamins	IVC Industries	Manufactures vitamins and nutritional supplements.	-	-	-
06/06/16	Nutraceutix	Probi	Produces probiotic powders, probiotics and nutraceuticals in capsules and tablets.	\$107.5	3.0x	12.5x
05/03/16	ReNew Life Formulas	Clorox	Produces digestive health products and functional foods.	\$290.0	2.5x	-
05/02/16	Boundless Nutrition	Amplify Snack Brands	Offers nutritional snack bars and cookies.	\$30.8	-	-
04/28/16	Aubrey Organics	Nutraceutical International	Manufactures personal care and lifestyle products.	-	-	-
04/28/16	Gaspari Nutrition	Hi-Tech Pharmaceuticals	Produces sports nutrition products and supplements.	-	-	-
04/27/16	BioZone Laboratories	Flavor Producers	Provides contract manufacturing services to the health, beauty and pharmaceutical industries.	\$9.8	-	-
04/19/16	NatureWax	Cargill	Manufactures vegetable oil-based waxes used to make candles.	-	-	-
03/29/16	Bentley Laboratories	The Riverside Company	Provides outsourced manufacturing services for the beauty and pharmaceutical industries.	-	-	-
03/22/16	VEEV Spirits	Luxco	Produces organic ready-to-drink cocktails, alternatives to vodka and carbon-neutral spirits.	-	-	-
03/10/16	Natural Dynamics	Wellnext	Offers supplements for restoring magnesium level and balancing calcium intake.	-	-	-
03/08/16	Youlab Global	ForU	Manufactures nutritional and skin care products for women.	-	-	-
03/07/16	Global Organic Specialty Source	Albert's Organics	Distributes wholesale organic produce.	CF	CF	CF
02/29/16	Reaction Nutrition	SDC Nutrition	Produces nutritional capsules and supplements for weight loss, athletic performance and muscle building.	-	-	-
02/24/16	Europa Sports	Sheridan Capital	Distributes nutritional and sports supplements, sports drinks and accessories.	-	-	-
04/28/16	Gaspari Nutrition	Hi-Tech Pharmaceuticals	Produces sports nutrition products and supplements.	-	-	-
04/27/16	BioZone Laboratories	Flavor Producers	Provides contract manufacturing services to the health, beauty and pharmaceutical industries.	\$9.8	-	-

**CAPSTONE PARTNERS: SELECT CONSUMER PRODUCTS & HEALTH TRANSACTIONS**

Capstone Partners has completed several transactions in the consumer products & services and health & medical sectors. These span the major categories of manufacturing, retail, wholesale and services. They include a variety of companies offering diverse products including food, pet, drug and nutraceutical, juvenile, recreational, and health & medical products and services. Capstone's breadth of experience provides us with insight into the attributes and nuances that active buyers are seeking in target companies in the industry.

<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN PROCESS)</p> <p><b>A Branded Organic Food Company</b></p>	<p><b>CONFIDENTIAL</b></p> <p>corporate sale (IN PROCESS)</p> <p><b>Contract Manufacturer of Supplements and Nutritional Products</b></p>	<p><b>Global Organic Specialty Source, Inc.</b></p> <p>has been acquired by</p> <p><b>Albert's ORGANICS</b> <b>unfi</b></p>	<p><b>TDOC</b> AIR-CHARGED CATHETERS™</p> <p>has been acquired by</p> <p><b>Audax Group</b></p>
<p><b>YUKON CHARLIE'S</b> WINTER SYSTEMS</p> <p>has been acquired by</p> <p><b>Kwik-Tek</b> a portfolio company of <b>GUARDIAN CAPITAL PARTNERS</b></p>	<p><b>FRIEDRICH</b> 1883</p> <p>has been acquired by</p> <p><b>Corinthian Capital</b></p>	<p><b>Zui</b> THE INTERNET...OUR WAY</p> <p>has been acquired by</p> <p><b>SABAN</b></p>	<p><b>B-O-B</b></p> <p>has been acquired by</p> <p><b>Britax</b> a portfolio company of <b>NORDIC CAPITAL</b></p>
<p><b>InvO</b> HealthCare Associates, Inc. ...Helping Kids Be Kids®</p> <p>has been acquired by</p> <p><b>POST CAPITAL</b></p>	<p><b>BIRDOLA PRODUCTS</b></p> <p>has been acquired by</p> <p><b>UNITED PET GROUP, INC</b></p>	<p><b>SMA</b> Surgical Monitoring Associates* Guardians of the Nervous System®</p> <p>has been acquired by</p> <p><b>SC SpecialtyCare</b> Your Trusted Clinical Partner</p>	<p><b>AGGU * MET LASER, inc.</b></p> <p>has been acquired by</p> <p><b>RiversidePartners</b></p>
<p><b>NEPG</b> New England Precision Grinding Company</p> <p>has been acquired by</p> <p><b>RiversidePartners</b></p>	<p><b>slime</b></p> <p>has been acquired by</p> <p><b>FRIEND SKOLER &amp; Co.</b></p>	<p><b>INTERLEUKIN GENETICS</b></p> <p>acquisition advisory</p> <p><b>Alan James Group, LLC</b></p>	<p><b>malibu</b></p> <p>has recapitalized with</p> <p><b>HH HORIZON HOLDINGS</b> <b>BLACK CANYON CAPITAL</b></p>

THE NATURAL & ORGANIC PRODUCTS TEAM



**Mark Surowiak, Director**

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Mark is a Director in the Philadelphia office, supporting the management of the Atlantic Region. Previously, Mark served over 10 years as a senior investment banking professional in Morgan Stanley Smith Barney's Capital Strategies Group. Over his career, Mark has focused on developing deep credentials and expertise in the sale and recapitalization of privately held businesses. Mr. Surowiak's experience spans a broad range of industries, including the consumer products, post-secondary education, government and defense contracting, manufacturing and outsourced business services sectors. Prior to investment banking, Mark enjoyed a career in the social services field. Mark is a graduate of Illinois State University with a BS in Business Administration. He is a Series 7 and 63 Registered Securities Representative.



**Eric Williams, Managing Director**

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Eric serves as Managing Director and Head of the Atlantic Region for Capstone, based out of Philadelphia. Prior to Capstone, Eric was responsible for managing the Eastern region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. Eric has more than 20 years of experience managing strategic sale assignments and leveraged recapitalizations for owners of privately held companies. He is head of Capstone's Health and Medical practice and has successfully completed over 100 transactions in a wide range of industries including medical device, contract manufacturing, pharmaceutical outsourcing, health care services and education and training. In 2016, he received the "USA Deal of the Year" at the M&A Atlas Awards for his work on the acquisition of Progressus Therapy, LLC and in 2014 was awarded both "M&A North American Middle Market Deal of the Year" at the M&A Atlas Awards and "Cross Border Deal of the Year" from the M&A Advisor for his work on the sale of T-DOC Company LLC. Eric has executed complex cross-border transactions with foreign buyers based in London, Germany, Sweden and Switzerland and has structured deals with leading private equity groups and strategic corporate buyers. He graduated cum laude from the University of California and is a Series 7 and 63 Registered Securities Representative as well as a Series 24 Registered Securities Principal.



**Matthew Szymanski, Associate**

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Matthew serves as an Associate with Capstone's Philadelphia investment banking team, where his focus includes providing advisory services, transaction execution and client engagements to multiple industries and sectors. Prior to joining Capstone, Matthew was pursuing a career in the NFL and was signed by the Kansas City Chiefs and Miami Dolphins. Matthew graduated from Southern Methodist University with a BA in Economics and earned a Masters in Finance from the University of Cincinnati. He is a Series 79 and 63 Registered Securities Representative.



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## ABOUT CAPSTONE PARTNERS

**Capstone Partners LLC** is an award-winning investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. Over the past 15 years, Capstone has earned a reputation as one of the most innovative firms in the industry, offering corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. The firm maintains seven industry practices, including: Business Services, Consumer Products, Education & Training, Government Services, Health & Medical, Manufacturing & Industrial, and Technology & Telecom. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, New York, Orange County, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in 70 offices across 31 countries.

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# Capstone Partners

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