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PEAPACK PRIVATE

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*Investment Banking*

# Industry Perspectives

Food and Beverage | Summer 2024



# Food and Beverage Industry Update

## Overview

- Peapack Private Investment Banking (“PPIB”) is pleased to present its Summer 2024 quarterly food and beverage industry update
- Through this industry update, we will share our impressions on the market, track the leading macroeconomic indicators, report relevant transactions, public market valuations, and highlight current industry trends

## Initial Market Observations

- The food and beverage industry has undergone significant changes since the pre-pandemic era; rising costs, inflation, and evolving consumer preferences pose substantial challenges
  - However, investing in infrastructure remains essential for achieving sales growth and operational efficiency in 2024
- Inflation has led to moderated consumer spending growth, affecting both in-person and takeout food consumption
  - Households are closely examining discretionary spending, resulting in decreased demand for non-essential food and beverage products such as making coffee at home instead of buying from coffee shops
- Certain food and beverage commodity prices remain elevated. As inflation decreases, manufacturers may be under pressure to reduce prices, impacting profitability due to stubbornly high essential costs, such as transportation and labor
  - As price increases slow or pricing declines even, manufacturers will need to refocus their efforts on driving sales volume for growth by creating innovative products and marketing and devising new cost and operational efficiencies.
- With AI increasingly a theme in today’s economy, companies are using this technology to optimize supply-chains and tailor advertising and marketing strategies to consumers
  - It has also been used to collect industry data and identify indicators of consumer trends and macro-economic factors

# Food and Beverage Trends

## Snacking Preferences

- Americans are starting to move away from the traditional standard of 3 large meals per day to a more nomadic and fluid lifestyle of 5 meals per day
  - This is largely due to increased snacking and better portion control with health and wellness in mind
- Companies have started to produce more single serving items that are easily portable and consumed on-the-go

## AI Applications

- Artificial Intelligence is used within the food industry to find supply chain inefficiencies and collect consumer data
- However, it is also being used in the alternative protein industry
- Previously, plant-based meat was criticized for its lack of resemblance to traditional protein and too many added ingredients
- Scientists are using AI to create artificial muscle fibers that have identical look, taste, and texture to regular meat

## Beverage Preferences

- Gen Z is drinking much less alcohol than previous generations and new of-age drinkers are intaking it differently as well
- The Ready-To-Drink (“RTD”) alcoholic beverages have become increasingly popular due to their ease of use
- RTDs have also become well known for their application with non-alcoholic beverages such as cold brew coffee and protein smoothies

## Environmental Awareness

- With increased consumer awareness of environmental affects of food production, companies have started looking at alternatives to traditional harvesting and packaging methods
- Coffee beans and chocolate bars are being replicated by products that are made using seeds from fruits such as lemons, dates, and guavas
- Eco-friendly packaging has also seen increases in popularity

2Q Industry Spotlight (See next page)

Securities offered through our affiliated broker dealer, PGB Securities LLC., member FINRA/SIPC.

# Snacking Trend Spotlight

- Since the pandemic, eating habits have changed in all age groups to pair more snacking with an on-the-go lifestyle
- Younger generations consume the most, 74.0% snack multiple times per day
- Single-serving snack packaging has become popular, as it is portable and convenient for the consumer
- Better-for-you snacking has also increased as consumers are more conscientious about what they are consuming and will select snacks based on perceived health benefits

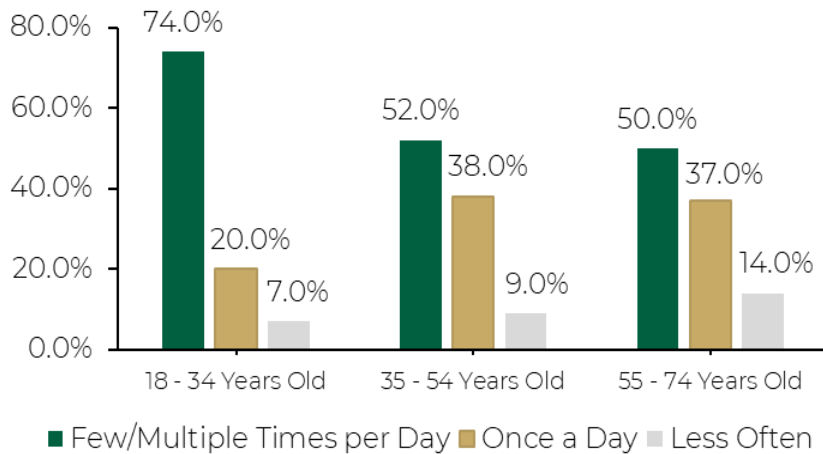
**\$49.1 Bn**  
U.S. Market Revenue

**88.0%**  
Snack Daily

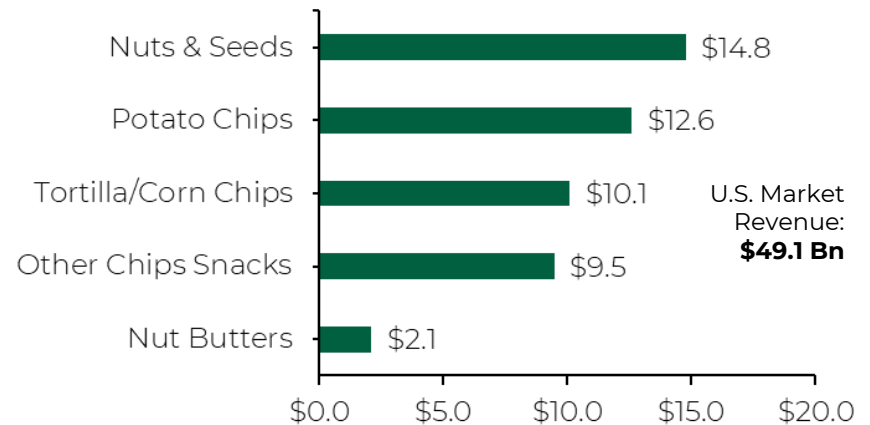
**67.0%**  
Snack For Better  
Portion Control

**70.0%**  
Snack for Fitness  
Goals

**Snacking Trends by Age Group**



**Snacking Products (\$B)**

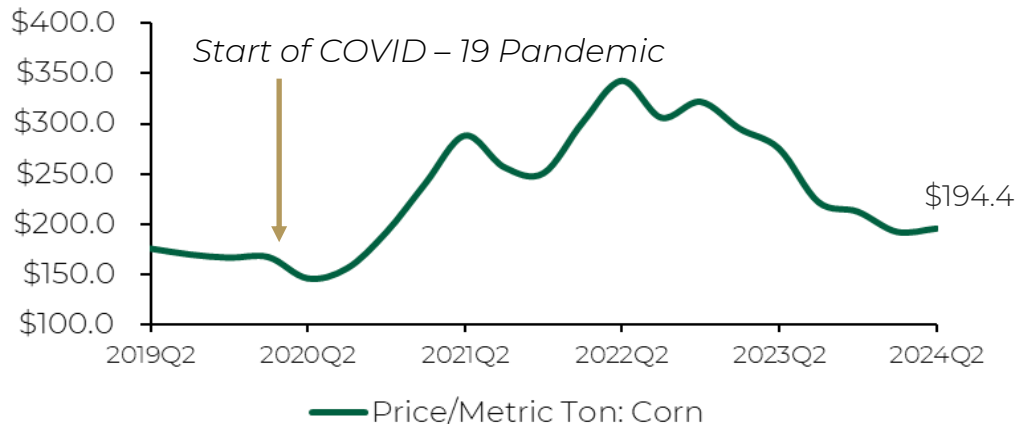


Source: foodnavigator-usa.com, IBISWorld, 8451.com, glanbia.com

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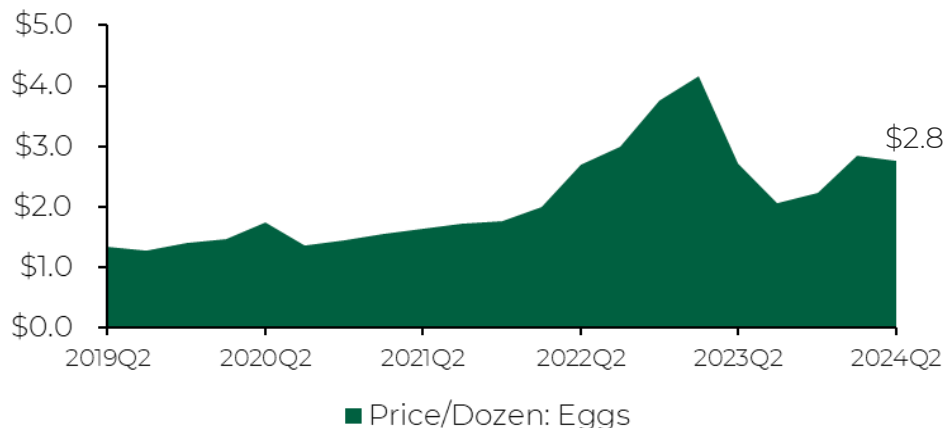
# U.S. Commodity Pricing Trends

## Price/Metric Ton: Corn



- As rising interest rates and strong demand caused prices to increase, farmers began planting more crops to sell at higher prices
- Demand has since slowed and farmers are now looking to offload excess supply to decrease storage costs

## Price/Dozen: Eggs



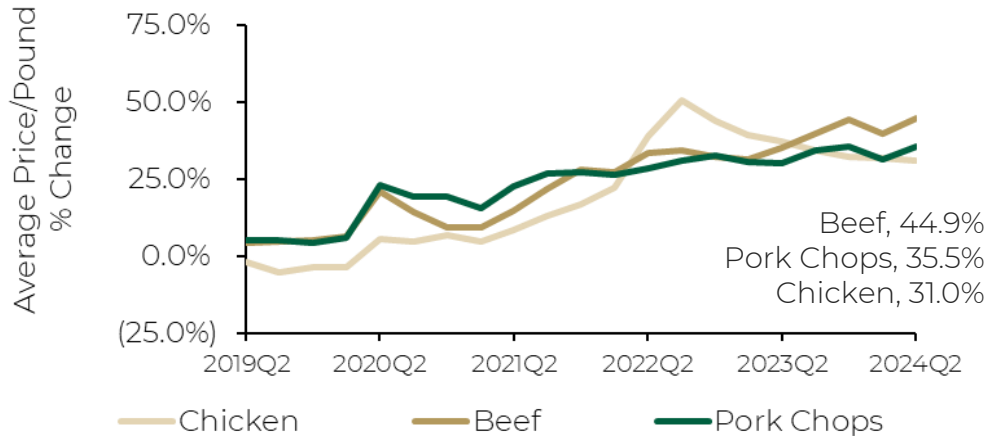
- Bird flu re-emerged in 2022 which caused record high egg prices in Q1 2023
- Supply chain constraints, interest rates, and spread of disease continue to keep elevated costs
- Health and wellness trends have also pushed farmers to make expensive investments into “cage-free” farms that lower margins and pressure prices higher

Source: FRED, Capital IQ

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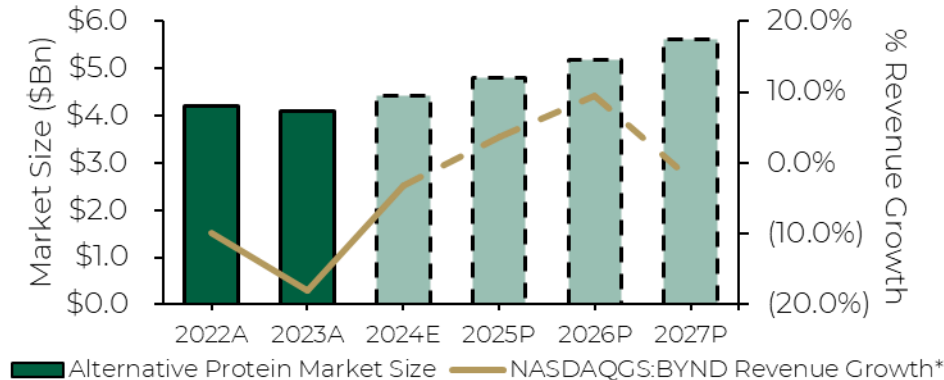
# Protein Trends

## Traditional Protein Commodity Pricing



- Chicken prices have seen a slight decrease since 2022, but remain inflated due to disease outbreak
- The beef industry started 2024 with the lowest amount of cattle inventory since 1951
- Feed, transportation, and labor prices are major factors in increase of pork prices, along with other protein products

## U.S. Alternative Protein Market



- Prior to COVID, alternative protein gained popularity due to perceived health and sustainability benefits
- Since then, consumers have become wary of highly processed alternative meats containing artificial ingredients
- Nevertheless, alternative proteins are expected to rise in demand, and companies countering the preference trend have focused on cost mitigation and innovative new products include:

Tender

**SUPERBREWED  
FOOD**

\*BYND revenue growth for 2024 – 2027 based on Capital IQ consensus estimates.

Source: FRED, Capital IQ, precedentresearch.com

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# M&A and Public Market Update

Securities offered through our affiliated broker dealer, PGB Securities LLC., member FINRA/SIPC.

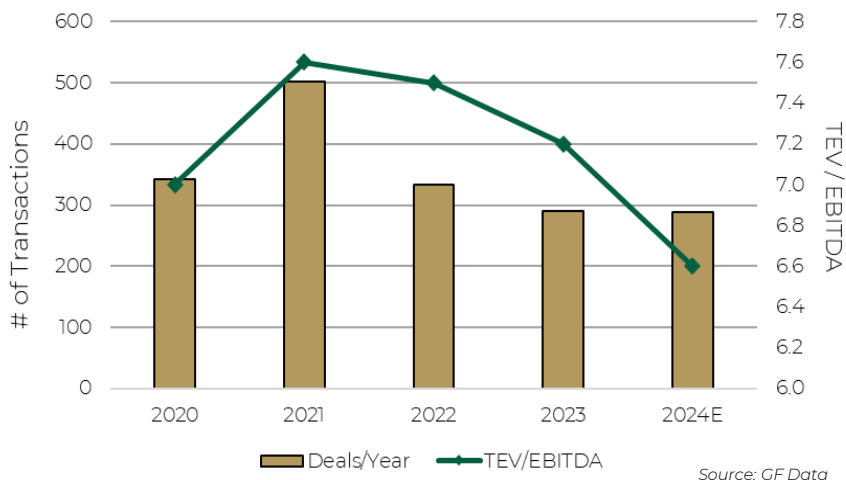
[pgbank.com](http://pgbank.com) | [peapackprivate.com](http://peapackprivate.com)

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# Q1 2024 Middle Market M&A Overview

## Average Multiples and Deal Volume



## TEV/EBITDA – By Industry Category

TEV/EBITDA — By Industry Category (\$10-\$250mm TEV)								
Industry	2003-2019	2020	2021	2022	2023	2024 YTD	Total	N =
Manufacturing	6.2	6.7	7.1	7.3	6.5	6.1	6.4	2,040
Business Services	6.7	7.1	7.3	7.4	7.2	6.9	6.9	1,146
Health Care Services	7.4	7.6	8.1	8.4	9.0	6.4	7.6	455
Retail	7.0	6.5	8.3	8.0	6.0	6.4	7.1	143
Distribution	6.6	7.5	7.2	7.2	7.1	7.1	6.8	549
Media & Telecom	7.6	8.3	7.0	9.1	7.8	8.8	7.7	77
Technology	8.5	7.6	10.3	8.1	10.2	7.2	8.6	179
Other	6.3	6.2	7.3	6.7	6.9	7.2	6.4	483
<b>N =</b>								<b>5,072</b>

Please note that N stands for number of transactions and for 2003-19 encompasses seventeen years of activity

Source: GF Data

## TEV/EBITDA: All Industries

Total Enterprise Value (TEV)/EBITDA: Across all Industries								
TEV	2003-2019	2020	2021	2022	2023	2024 YTD	Total	N =
10-25	5.8	5.9	6.1	6.4	6.0	6.3	5.9	1,951
25-50	6.5	6.7	7.2	7.0	7.0	6.0	6.7	1,507
50-100	7.5	8.0	8.0	8.5	8.0	8.2	7.7	1,037
100-250	8.2	8.7	9.3	9.1	9.6	8.3	8.5	577
250-500	9.0	10.4	10.9	10.1	10.7	6.8	10.0	78
<b>Total</b>	<b>6.6</b>	<b>7.0</b>	<b>7.6</b>	<b>7.5</b>	<b>7.2</b>	<b>6.6</b>	<b>6.8</b>	<b>-</b>
<b>N =</b>	<b>3,611</b>	<b>342</b>	<b>501</b>	<b>333</b>	<b>291</b>	<b>72</b>	<b>-</b>	<b>5,150</b>

Please note that N stands for number of transactions and for 2003-19 encompasses seventeen years of activity

Source: GF Data

## Quality Premium – Buyouts Only

Quality Premium--Buyouts Only							
	2003-2019	2020	2021	2022	2023	2024 YTD	Total
Above Average Financials	6.8	7.7	8.2	7.9	8.2	7.0	7.2
Other Buyouts	6.2	6.2	6.4	6.5	6.4	6.2	6.2
Premium / (Discount) Incidence	110%	124%	127%	122%	128%	112%	115%
	55%	55%	63%	66%	47%	38%	56%

Source: GF Data

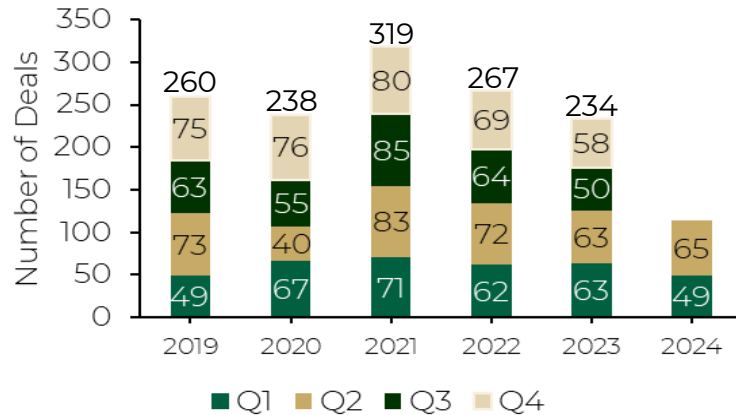
## Middle Market M&A Commentary

- Valuations in Q1 decreased from 7.2x in Q4 to 6.6x. However, the number of completed transactions in Q1 matched Q4 with 72
- Companies with enterprise values ranging between \$250 – 500 Mm decreased almost three full turns from 2023, from 10.7x to 6.8x EBITDA largely due to financing ability. Meanwhile, companies from \$10 – 25 Mm and \$50 – 100 Mm increased slightly in Q1 by 0.3x and 0.2x respectively
- Additionally, some industries saw a significant change in valuation including health care services, which decreased 2.6x and technology which decreased 3.0x. However, media and telecom saw a 1.0x valuation increase, the largest jump of recorded industries

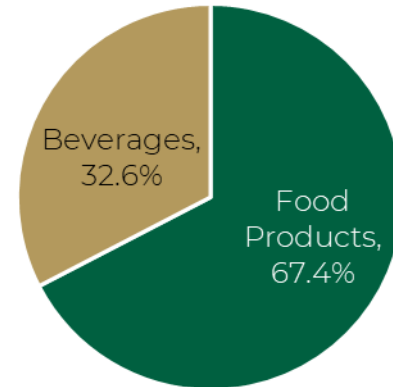


# Food and Beverage M&A Activity

## Quarterly Deals



## Total Deals by Sub-Sector



## Notable Transactions

- Easy Bio USA acquires Devenish Nutrition to further research on sustainable livestock feed to reduce disease, increase outreach, and lower costs for farmers
- Transaction Value: \$117.1 Mm

**DEVENISH™**

Acquired By:



- Sazerac acquires BuzzBalls, an RTD\* cocktail business
- Allows Sazerac to increase RTD\* portfolio and align with current alcoholic beverage trends
- Transaction Value: NA

**BuzzBallz™**

Acquired By:

**SAZERAC**

- MPearlRock acquires Green Grass Foods ("GGF") which specializes in producing flavored, dairy-free creamer and RTD\* cold brew coffee
- Acting as growth partner to GGF
- Transaction Value: NA

**nutpods**

Acquired By:

**MPearl Rock**

- Trek One Capital acquires Alter Eco Foods who provide clean and eco-friendly chocolate bars
- Adds to Trek One's growing green-food portfolio
- Transaction Value: NA

**alter eco**

Acquired By:

**TREK ONE | CAPITAL**

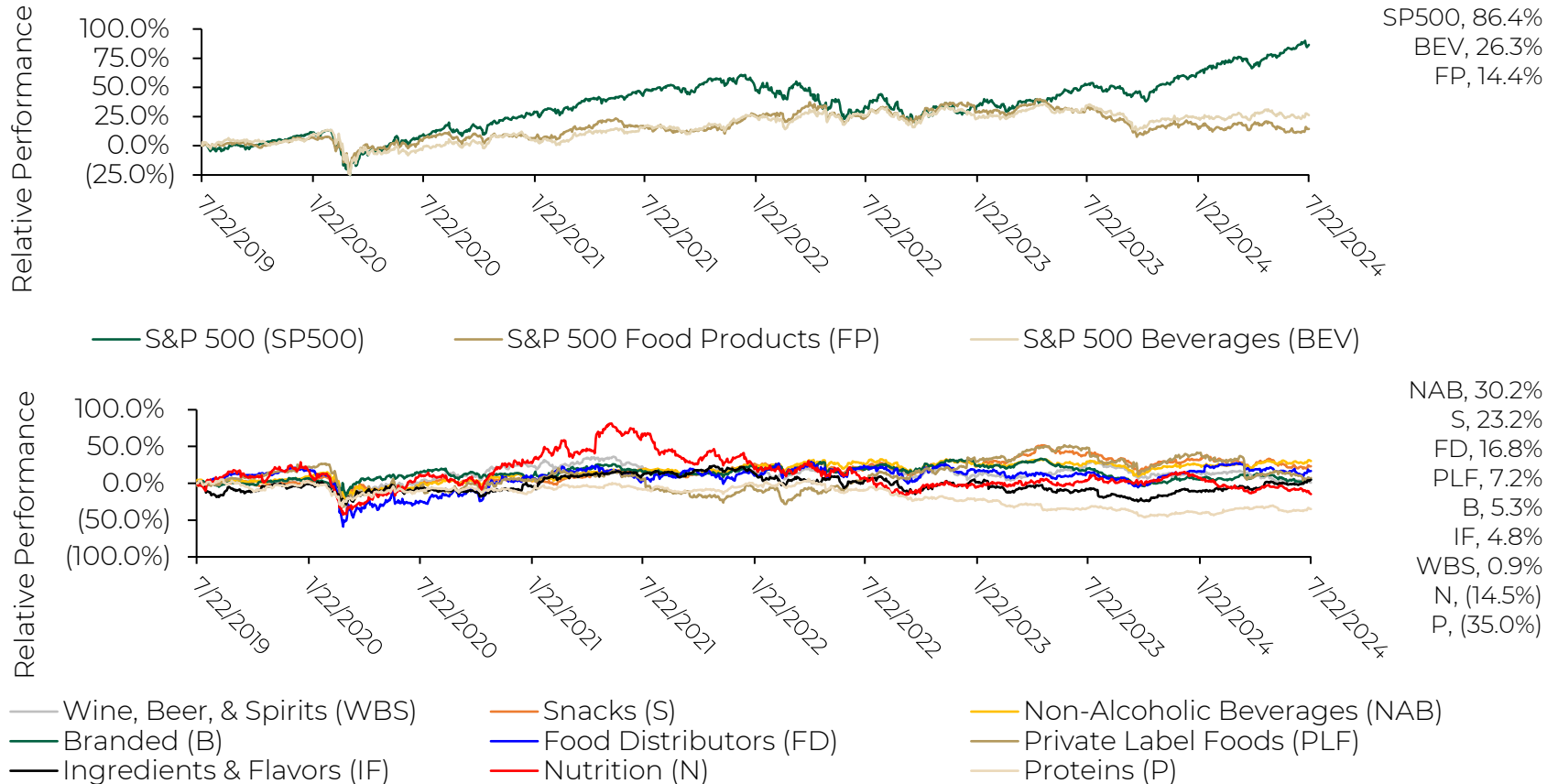
Source: Capital IQ

\*Ready-to-Drink

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# Historical Stock Performance – Food & Beverage\*

## S&P 500 & Subindex 5 Year Stock Performance

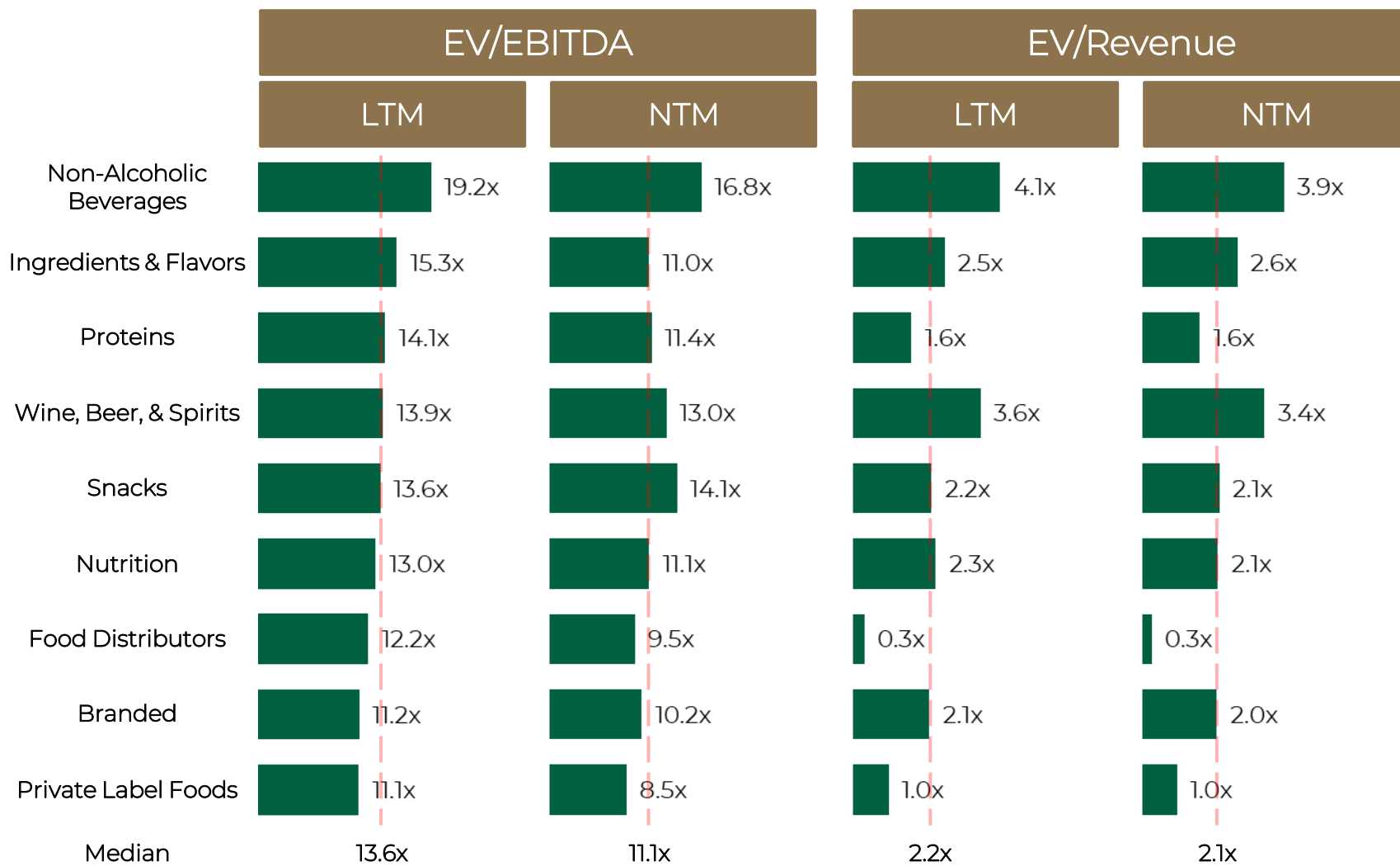


\*Based on stock prices as of: 7/22/2024. See Appendix page 13 for additional detail.

Source: Capital IQ

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# U.S. Public Valuation Trends by Sub-Sector\*



Source: Capital IQ

\*Based on stock prices as of 7/22/2024. See Appendix page 13 for additional detail.

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# Food and Beverage Industry Coverage

## About Peapack-Gladstone Bank (PGB)

Peapack-Gladstone Bank (NASDAQ: PGC) is a 103-year-old boutique commercial bank with total assets of \$6.5 Bn and AUM of \$11.5 Bn as of 6/30/2024. Business segments include Wealth Management, Commercial Banking, Investment Banking, Commercial Real Estate, Peapack Capital (Equipment Finance), and Retail Banking.

As part of Peapack Private, the Investment Bank offers mergers and acquisitions (M&A), capital raising, strategic and financial advisory services through our Corporate Advisory team and provides bank financing (bilateral, club, or syndicated) through our Structured Finance team. Our team of professionals provide thoughtful services to family and founder owned middle market corporate clients and financial sponsors.

## Food and Beverage Select Experience



*has been acquired by*



*a portfolio company of*




**Advisor to Seller**




*has been acquired by*




**Advisor to Seller**





**BALDUCCI'S**  
FOOD LOVER'S MARKET™

*has awarded stalking horse bid to*



**Advisor to Stalking Horse**



## Dedicated Sector Focus

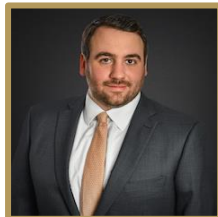
- ✓ Food and Beverage
- ✓ Business Services
- ✓ Utilities and Telecom
- ✓ Industrials
- ✓ Information Technology
- ✓ Financials
- ✓ Healthcare
- ✓ Consumer Staples
- ✓ Materials & Energy
- ✓ Communication Services
- ✓ Real Estate

*Investment Banking has access to a team of equity research analysts through Peapack Private covering 13 industry verticals to meet the corporate finance needs of middle market business owners and investors.*

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# Appendix

## Food & Beverage Index Companies

**Branded:** NYSE:BGS, NYSE:CPB, NYSE:CAG, NYSE:FLO, NYSE:GIS, NYSE:K, NASDAQGS:LANC, NYSE:MKC, NYSE:POST, NASDAQGS:HAIN, NYSE:SJM, NASDAQGS:KHC

**Food Distributors:** NASDAQCM:HFFG, NYSE:PFGC, NASDAQGS:SPTN, NYSE:SYI, NASDAQGS:CHEF, NYSE:USFD, NYSE:UNFI

**Ingredients & Flavors:** NASDAQGS:BCPC, NYSE:INGR, NYSE:IFF, NASDAQGS:MGPI, NYSE:SXT, NASDAQGS:STKL, NASDAQCM:FREE

**Non-Alcoholic Beverages:** NASDAQGS:KDP, NASDAQGS:MNST, NASDAQGS:FIZZ, NYSE:KO, NASDAQGS:COCO

**Nutrition:** NYSE:BRBR, NYSE:MED, NASDAQCM:SMPL, NASDAQGS:WW

**Private Label Foods:** NYSE:LW, NASDAQGS:SENE.A, NYSE:THS

**Proteins:** NASDAQGS:BYND, NASDAQGS:CALM, NYSE:HRL, NYSE:TSN, NASDAQGM:VITL

**Snacks:** NASDAQGS:JJSF, NASDAQGS:JBSS, NASDAQGS:MDLZ, NYSE:HSY, NYSE:UTZ

**Wine, Beer, & Spirits:** NYSE:BF.B, NYSE:STZ, NYSE:TAP, NYSE:SAM

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