



## I. MOMENTUM IN THE FOOD AND BEVERAGE SECTOR

Food and Beverage M&A activity continued to strengthen in 2017, with 1,778 transactions recorded, compared to 1,694 in 2016 and 1,475 in 2013. Packaged Foods and Meats was the most active sector overall with 1,141 announced deals, followed by the Agricultural Products segment with 303 deals. Among the beverage segments, Distillers and Vintners saw the highest level of activity with 185 announced deals in 2017, followed by Soft Drinks with 77 transactions and Brewers with 72 deals.

Global transaction value increased significantly from \$73.8bn in 2016 to \$118.6bn in 2017, up 61%. The majority of 2017 transaction value (44.3%) originated in the United States and Canada, which was a significant increase over the U.S. and Canada's 37.5% share of global deal value in 2016. Europe and the Asia/Pacific region accounted for 25.6% and 21.8% of total deal value, respectively.

Over the past two years, deal value in Europe has been supported by a larger number of small and mid-size deals, whereas deal value in North America has been driven by a number of transactions in excess of \$1bn. In 2017, Europe accounted for 38.6% of deal volume while the Asia/Pacific region and North America saw 25.9% and 24.6% of originations, respectively.

Chart I: Food and Beverage Global M&A Announced Transactions 2013-2017

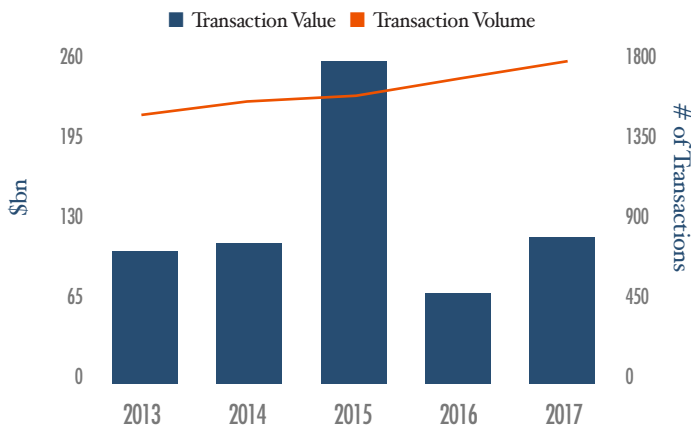
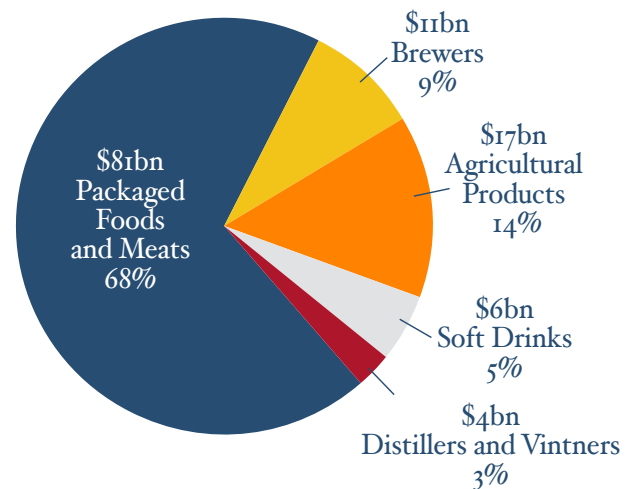


Chart II: Food and Beverage Global M&A Announced Transactions 2017 by Sector





## II: GLOBAL FOOD & BEVERAGE TRANSACTIONS

The global M&A Market has been active with a number of high profile food and beverage industry mergers and acquisitions. Over the last 18 months, notable deals included Reckitt Benkiser's acquisition of Mead Johnson for \$19.7bn and JAB Holding Company's acquisition of Dr. Pepper Snapple Group for \$18.7bn. The ten largest food and beverage transactions represented approximately \$84.3bn in transaction value, of which six originated in the United States, three in Europe (United Kingdom, Germany and the Netherlands), and one in Asia (Vietnam).

Chart III: Food and Beverage Global M&A Announced Transactions 2013-2018 by Region

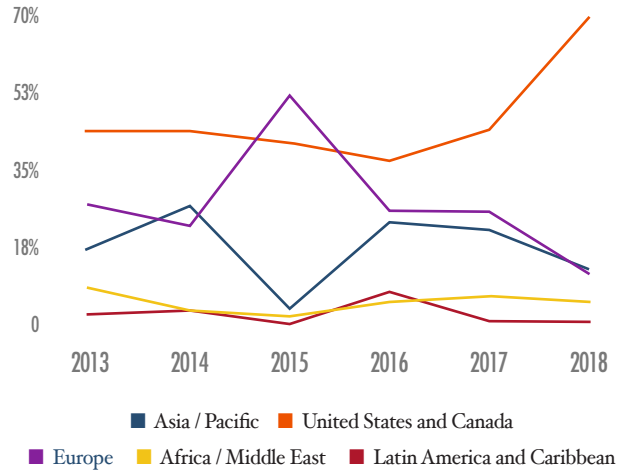


Table I: Largest Announced Food and Beverage Transactions 2017-2018 H1

Annoucement	M&A Closed Date	Target	Buyers	Total Transaction Value (\$m)	Sector
02/10/2017	02/10/2017	Mead Johnson Nutrition Company	Reckitt Benkiser Group plc (LSE:RB.)	19,667.64	Packaged Foods and Meats
01/29/2018	Pending Completion	Dr Pepper Snapple Group, Inc. (NYSE:DPS)	JAB Holding Company	18,700.0	Soft Drinks
06/27/2018	Pending Completion	Pinnacle Foods Inc. (NYSE:PF)	Conagra Brands, Inc. (NYSE:CAG)	10,987.0	Packaged Foods and Meats
02/23/2018	02/23/2018	Blue Buffalo Pet Products, Inc.	General Mills, Inc. (NYSE:GIS)	8,326.13	Packaged Foods and Meats
12/15/2017	12/15/2017	Spreads Business of Unilever PLC	KKR & Co. L.P. (NYSE:KKR)	8,032.25	Packaged Foods and Meats
10/13/2017	10/13/2017	Bayer Aktiengesellschaft, Selected Crop Science Businesses	BASF SE (DB:BAS)	6,986.38	Agricultural Products
12/18/2017	12/18/2017	Snyder's-Lance, Inc.	Campbell Soup Company (NYSE:CPB)	6,136.28	Packaged Foods and Meats
12/18/2017	12/18/2017	Saigon Beer - Alcohol - Beverage Corporation (HOSE:SAB)	Vietnam Beverage Company Limited	4,939.2	Brewers
04/25/2017	04/25/2017	AdvancePierre Foods Holdings, Inc.	Tyson Foods, Inc. (NYSE:TSN)	4,463.88	Packaged Foods and Meats
07/18/2017	07/18/2017	French's Food companies and Tigers Milk LLC	McCormick & Company, Incorporated (NYSE:MCK)	4,200.0	Packaged Foods and Meats
<b>Total:</b>				<b>\$92,438.76</b>	



Reckitt Benckiser’s (“Reckitt”) acquisition of Mead Johnson, a baby formula provider, was part of Reckitt CEO Rakesh Kapoor’s strategy to transform the British maker of household products into a global leader in consumer healthcare.

The non-alcoholic beverage sector has been quite active over the past 18 months with a number of large transformative transactions. The largest transaction was the announced acquisition of Dr. Pepper Snapple Group (“DPSG”) by JAB Holding for \$18.7bn. JAB holding will merge DPSG with its holding Keurig Green Mountain. JAB Holding is a Luxembourg-based investment group that principally manages the wealth of the German Reimann family.

JAB Holding Co.’s acquisition of DPSG represents a further push by JAB into the global coffee market, through the acquisition of alternative distribution channels of DPSG. JAB’s acquisition of DPSG follows its March 2016 acquisition of Keurig Green Mountain for \$13.9bn, which provided JAB with a global distribution network from which it can leverage previous acquisitions of smaller cold brew and ready-to-drink coffee brands, such as Caribou Coffee. Conagra Brands’ acquisition of Pinnacle Foods for \$8.2 billion (\$10.9bn including debt) represents a long-term bet on frozen foods, one of the food sector’s strongest segments. Last quarter, Pinnacle reported that its frozen foods business grew at an annual rate of 7.5%. The deal must be approved by Pinnacle shareholders, but is expected to close by year end.

Other noteworthy transactions include the \$2.8bn acquisition of the soft drink and fruit juice bottler Refresco Group N.V. (Netherlands) by private equity firm PAI Partners and pension fund British Columbia Investment Management Corporation and the Coca-Cola’s \$220m acquisition of the Mexican sparkling mineral water brand Topo Chino. The brand is currently sold in 35 states across America and throughout Northern Mexico.

**Table II: Largest Announced Non-Alcoholic Beverage Transactions 2017-2018 H1**

Annoucement	M&A Closed Date	Target	Buyers	Total Transaction Value (\$m)	Sector
01/29/2018	Pending Completion	Dr Pepper Snapple Group, Inc. (NYSE:DPS)	JAB Holding Company	18,700.0	Soft Drinks
10/03/2017	04/03/2018	Refresco Group N.V.	PAI Partners; British Columbia Investment Management Corporation	2,807.63	Soft Drinks & Juices
07/25/2017	01/30/2018	Cliffstar Corporation & Cott Beverages limited	Refresco Group N.V.; Refresco US Holding Inc.	1,250.0	Soft Drinks & Juices
12/01/2017	12/01/2017	Tingyi-Asahi Beverages Holding Corp. (SEHK:322)	Tingyi (Cayman Islands) Holding Co., Ltd.	611.88	Tea, Bottled Water & Carbonated Drinks
11/02/2017	Pending Completion	International Refreshment (Thailand) Co., Ltd.	Suntory Beverage & Food Asia Pte. Ltd.	289.23	Soft Drinks
09/30/2017	09/30/2017	Compañía Topo Chico, S.A. De C.V.	The Coca-Cola Company (NYSE:KO)	220.0	Water
08/25/2017	08/25/2017	Great Plains Coca-Cola Bottling Company, Inc.	Coca-Cola Southwest Beverages, LLC	215.0	Beverage Bottler
01/11/2017	Pending Completion	Tibet Water Resources Ltd. (SEHK:1115)	Xinjiang Tianshan Industrial Investment Fund Management Co., Ltd.	208.68	Water
06/18/2018	06/18/2018	Jaf-Ora Ltd.	Clal Industries And Beverages Ltd (TASE:CLBV)	137.61	Soft Drinks & Juices
04/25/2018	Pending Completion	Comercializadora y Distribuidora Los Volcanes, S.A.	Compañía de Inversiones Moderna, S.L.	124.6	Beverage Bottler
				<b>Total: \$24,564.63</b>	



### III. START-UP AND GROWTH SUCCESSES

Soft drinks company National Beverage Corp., owner of the LaCroix sparkling water brand, has benefitted from increased valuation over the past five years as its shares have risen more than 10x in value. New beverage companies will certainly try to emulate LaCroix's success in other market segments. Promising beverage brands include: Alta Palla, Hiball Energy, Capital Teas and Treo.

Founded in Austin, Texas in 2010, Chameleon Cold-Brew is the first Fair Trade and Organic certified cold brew coffee company in the United States. In 2016, they reported revenue of approximately \$20m and a 3-year growth rate of 2,507%. Chameleon capitalized on explosive growth in the ready-to-drink coffee sector, which grew 262% between 2013 and 2015, just as Chameleon was looking to expand nationally. In November 2017, Nestle acquired Chameleon for an undisclosed amount.

In June 2018, it was announced that All Market Inc., the parent company of Vita Coco, would acquire Runa Organic for an undisclosed amount. Runa produces eight energy drinks made from organic guayusa, a naturally caffeinated plant grown in South America. While Runa has found success in "natural" stores, Vita Coco likely sees opportunity in expanding the distribution to more conventional channels.

### IV. CONCLUSIONS

Emerging food and beverage brands have demonstrated the ability to grow in dollar sales volume in established and growth markets. We anticipate that the food and beverage industry will continue to grow in 2018 and offer the following observations:

- Food industry valuations will remain high, driven primarily by increasing participation from private equity players. We also see continued strength in M&A driven by activity in the organic sector.
- Strategic partnerships will continue to be active as larger industry players seek innovative products. Unique brands in high-growth sectors, such as cold-brew coffee and natural/organic energy drinks, will attempt to leverage the scale of their operations to drive long-term sales growth.
- We expect industry consolidation in the coffee sector to continue as JAB, Nestle, Starbucks and other large strategics compete over up-and-coming brands and distribution rights.
- We are forecasting sustained volume of \$120bn in M&A activity for the Food and Beverage sector in 2018.

### ABOUT WINCHESTER CAPITAL

Since 1986, Winchester Capital has offered advisory services and asset management with a record of transactions in 40 countries. In 2017, we received the Distinguished Award for International Private Equity Deal of the Year. We excel in direct transaction research, initiation and execution. If you are considering a Food and Beverage Sector acquisition or sale, or if you desire further research, please contact our Managing Director, Dr. David Bowen at [David.Bowen@WinchesterCapital.com](mailto:David.Bowen@WinchesterCapital.com). Please visit our website at [www.WinchesterCapital.com](http://www.WinchesterCapital.com)

*This research is not offered as advice or guidance for investment purposes. The research contained herein has been compiled from publicly available sources at the time of publication and may be subject to change without notice.*

© COPYRIGHT Winchester Capital 2018. ALL RIGHTS RESERVED.

