



FOOD & BEVERAGE MANUFACTURING M&A QUARTERLY

Q2 2024



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By Helana Robbins Huddleston

The food manufacturing sector was active during the second quarter and much debt was refinanced during the three-month period. Deals of note included Anchor Packaging’s \$790 million dividend recapitalization, and the acquisition of Corbion’s business division by Kingswood Capital Management for \$362 million. Debt refinancings occurring in Q2 included Coca-Cola Consolidated with a \$6.3 billion debt raise, Lamb Weston Holdings receiving \$450 million of debt, McDonald’s closing on \$2 billion of debt, and United Natural Foods refinanced \$630 million in debt.

Similar to the overall M&D market, we have also seen renewed interest by venture capital investors in the F&B industry. The top investors in the food and beverage space for the past six months in 2024 are heavily weighted towards venture capital with a few private equity deals getting completed. In the past six months, Gaingels completed six transactions, Plug and Play Tech Center completed five transactions, Branch Venture Group closed three transactions, Ackley Brands completed three transactions, and Encore Consumer Capital closed two transactions.

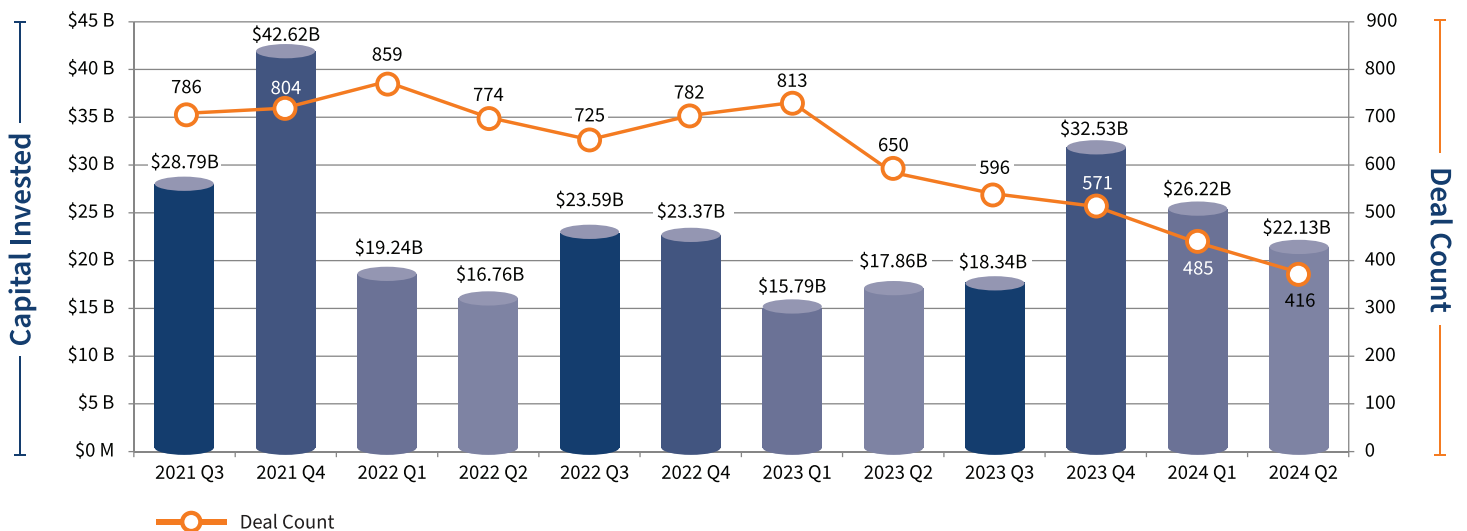
We are seeing geopolitical impacts on the supply chain in the form of access to raw materials, wars, and recurring supply chain disruptions. New laws, acts, and regulations (e.g., IISA, IRA, CHIPS Act, etc.); the persistent labor shortage; the drive to automate and digitalize; and increasing cybercrime levels are also impacting the food manufacturing sector.

As they work to scale up, maintain a competitive advantage, and meet delivery capacity, issues like the higher costs of doing business and rising labor costs will continue to drive M&A and consolidation in the sector.

QUARTERLY TRENDING NUMBERS

All data gathered from PitchBook Data, Inc., as of July 11, 2024

Food and beverage manufacturing capital invested by deal count





KEY FOOD TRENDS TO WATCH

The food manufacturing space as a whole is bursting with energy and innovation right now. Specialty Food Association’s Summer Fancy Food Show served up some of the newest and best in specialty food and beverages, and attracted thousands of manufacturers, retailers, buyers, brokers, and many others driving the industry. The show featured many live demonstrations and a huge focus on freshness, flavor, and color (the blueberry and blood orange cheeses were a must try!).

We also saw a lot of pizza, pasta, and pasta sauce at the show this year, which is to be expected given that the category is up 17.5% in dollar volume and 6.7% in unit volume year-over-year (2022 to 2023). According to SPINS/SFA, the market for pasta and sauces grew over 30% from 2021 to 2023 and is the top fastest-growing category after eggs – not that surprising considering how many more consumers want pantry-stable options that they can cook at home.

Food makers are also coming out with more colorful, sustainable packaging and removing plastic in favor of more environmentally friendly packaging options. The focus on branding has also returned as more people buy based on their support of the company’s actions and what those organizations represent. At the show, we heard from the Whole Foods CEO and he commented on Whole Foods’ Sourced for Good (SFG) program, which is one channel that more food makers are vying for because it identifies products that are good for the planet, workers, and the communities where those products grow.

Other trends that continue to impact the food manufacturing space include caffeine in more waters and snacks; protein-enhancements in snack foods like chips, bars, and jerkies; regenerative products (i.e., the conservation and rehabilitation approach to food and farming systems); and non-alcoholic beverages that “taste” like alcohol.

It also looks like restaurants are back in full force, which means the sector may need to work a little harder to ensure that they maintain the right balance of food service and retail whenever possible. According to the National Restaurant Association, total spending at U.S. food service establishments will rise 5.4% this year to \$1.11 trillion. At the show we heard restaurateurs talk about entering the retail space and, at times, purposely establishing a different brand from the restaurant so retail product can stand on its own superiority and not create consumer expectations for the product to be exactly like its restaurant version.





Looking ahead, local ingredients and producers will remain in high demand. With over three-quarters (77%) of Gen Z diners and 70% of Baby Boomers willing to pay more for dishes with locally-sourced ingredients, companies are also focusing on how to procure those ingredients closer to home.

CONCLUSION

Most M&D and food deals that closed during Q2 may have focused on debt financing, but with all the preparation that is going on among sellers, investment bankers, and transaction teams, M&A professionals are expecting a lot of deals coming to market at the end Q3 and into Q4. Additionally, if inflation stabilizes and interest rates start falling as early as September, some of the headwinds that have been impacting M&A activity will likely ease and allow for more willingness by both parties to make the deal happen.

Q2 2024: Top 10 food & beverage deals

Company	Deal Date	Deal Size (Millions)
Coca-Cola Consolidated (NAS: COKE)	10-Jun-2024	6,300
Coca-Cola (NYS: KO)	06-May-2024	3,000
Herbalife Nutrition (NYS: HLF)	12-Apr-2024	1,600
Lamb Weston Holdings (NYS: LW)	03-May-2024	1,541
McDonald's (NYS: MCD)	14-May-2024	1,000
Anchor Packaging	07-May-2024	790
United Natural Foods (NYS: UNFI)	26-Apr-2024	630
PATCO Products	02-Apr-2024	362
Dutch Bros (NYS: BROS)	12-Jun-2024	344
B&G Foods (NYS: BGS)	27-Jun-2024	321

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