



CIBC
Cleary Gull

CONSUMER

Food and Beverage Market Perspectives

July 2020



Opening Remarks

The economic and social impact of COVID-19 is truly unprecedented. More than 3.5 million Americans have tested positive for the virus and unemployment has reached levels not seen since the Great Depression – and this all comes only months after the lowest unemployment levels recorded in 50 years and the longest bull market in history.

Nearly all industries have been impacted by COVID-19, with food and beverage being no exception. Many industry participants selling products to grocery retail have seen a surge in consumer demand while most with exposure to the institutional, food service and hospitality markets have been negatively impacted.

Here is what we are observing:

- Demand for grocery items in the center of the store has surged
- COVID-19 has exposed weaknesses in supply chains
- Where and how we buy groceries is changing
- M&A volume has slowed, but valuation multiples generally remain above the five-year averages

CIBC Cleary Gull has a strong track-record of helping our clients navigate challenging business environments. We are continuing to monitor the current market situation and maintain strong relationships with resources throughout the capital markets, allowing us to best serve our clients during this time. We offer a wide range of services including transaction advisory, capital placement, and special situations. We look forward to sharing our expertise and guiding you through the challenges and opportunities unique to your organization.

Sincerely,

Greg Gorlinski
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We have a pulse on a wide range of consumer markets and experience conveying brand value to key strategic and financial buyers focused on the space.

Focus Areas:

- Food and beverage
- Footwear
- Healthy lifestyles
- Hobby and leisure
- Household products
- Nutritional supplements
- Outdoor products
- Pet products

Center of the Store is King (Again!)



Retail grocery stores have seen shelf-clearing demand for shelf stable and frozen items that can last through a prolonged shutdown. Consumers have increased purchases of “comfort” items including candy, cookies, snacks and liquor. The trend of “pantry loading” items from the center of the store is slowing as food shortage fears subside and the economy reopens.

Cracks in the Food Supply Chain are Beginning to Emerge



Food and beverage suppliers serving the institutional and food service markets have been negatively impacted as bars, restaurants and sporting venues remain closed. U.S. farmers are dumping milk and cracking eggs, beer is spoiling, meat plant shutdowns have decreased supply and stimulated demand for substitutes, such as Beyond Meat, and the price of cheese is reaching all-time highs.

Where and How We Buy Groceries is Changing



Club stores, mass merchants, and retail grocery were the initial beneficiaries of hoarding, but consumers have increasingly switched to online shopping. Long-term, e-commerce grocery is likely to gain share and the brick and mortar retail landscape will continue to change with the expansion of Amazon Go Grocery, Lidl and others.

Valuation



Equity market capitalizations of food and beverage producers since January 1, 2020 are mixed. Producers of alcoholic beverages are up 20%*, while produce, ingredients and co-packers are down 20%*. Year-over-year M&A deal volume through June is down 24%, but well-performing companies are being rewarded with pre-COVID valuation multiples.

Value Oriented and Private Label Expected to Benefit During Recession

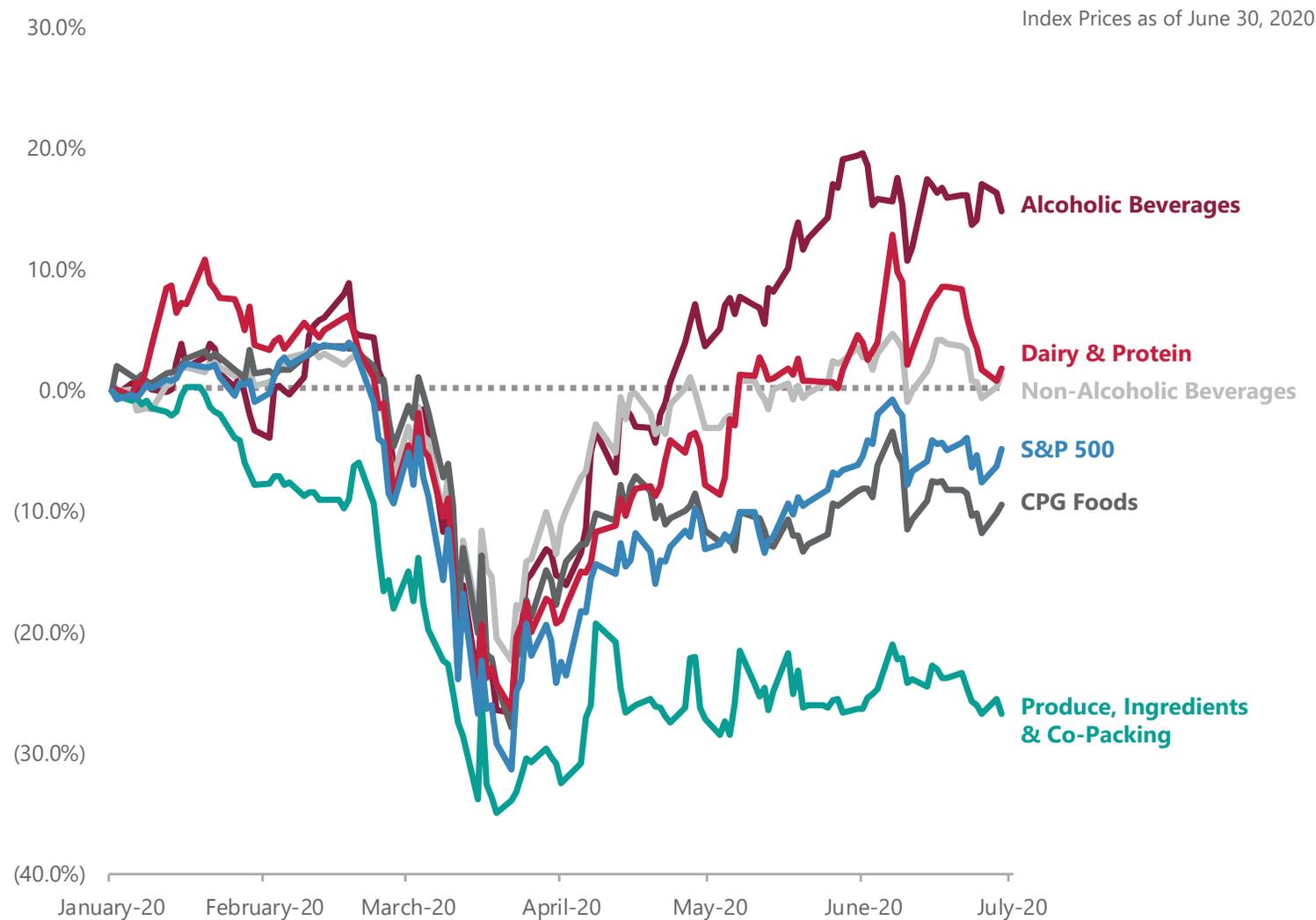


Consumers are likely to trade down from more expensive brand name products to extend their grocery dollar. This trend could last well beyond consumers’ initial stockpiling phase, continuing to boost private label manufacturers, and offering retailers additional margin opportunities.

Strong Demand for Health and Wellness Products



Retailers have experienced heightened demand for beauty and personal care items, as nail salons and beauty parlors closed. Among the most popular items are immunity boosting VMS products, as well as “better for you” foods and beverages to improve diets as an offset to physical activity.



Source: Capital IQ

CIBC Cleary Gull Observations

Alcoholic Beverages

1

More consumers are drinking at home, leading to increased retail sales. Despite the increase, producers have seen sharp declines in on-premise sales due to the closure of bars and restaurants. Boutique wine producers and craft distillers and brewers have been hardest hit, as on-premise tasting room sales evaporate and consumers gravitate to more inexpensive and readily available options.

Dairy & Protein

2

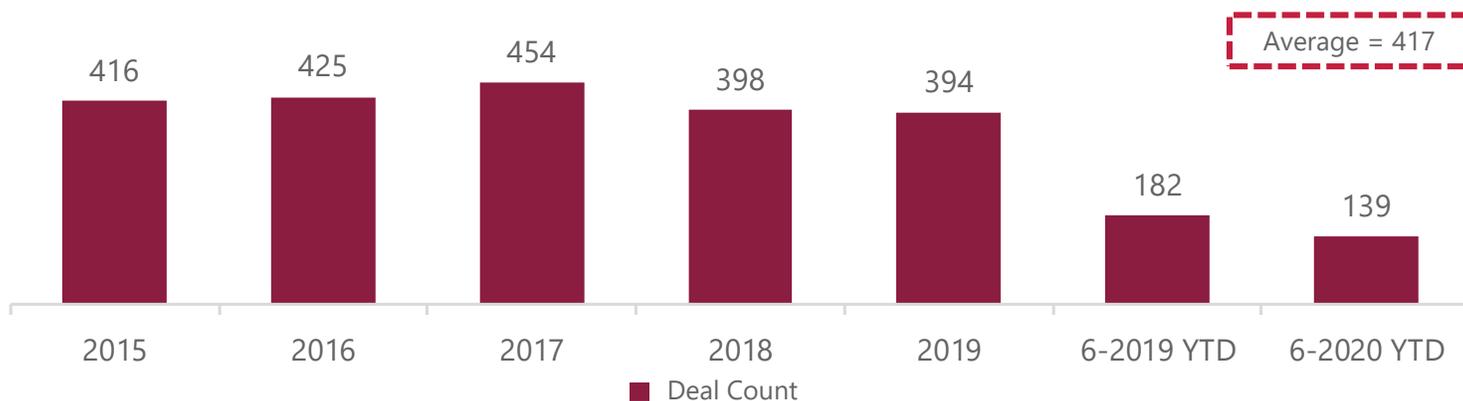
Retail stores have seen increased demand for dairy, meat, and other protein products as consumers prepare more meals at home. However, producers are struggling with the rising costs of inputs and product shortages.

Produce, Ingredients & Co-Packing

3

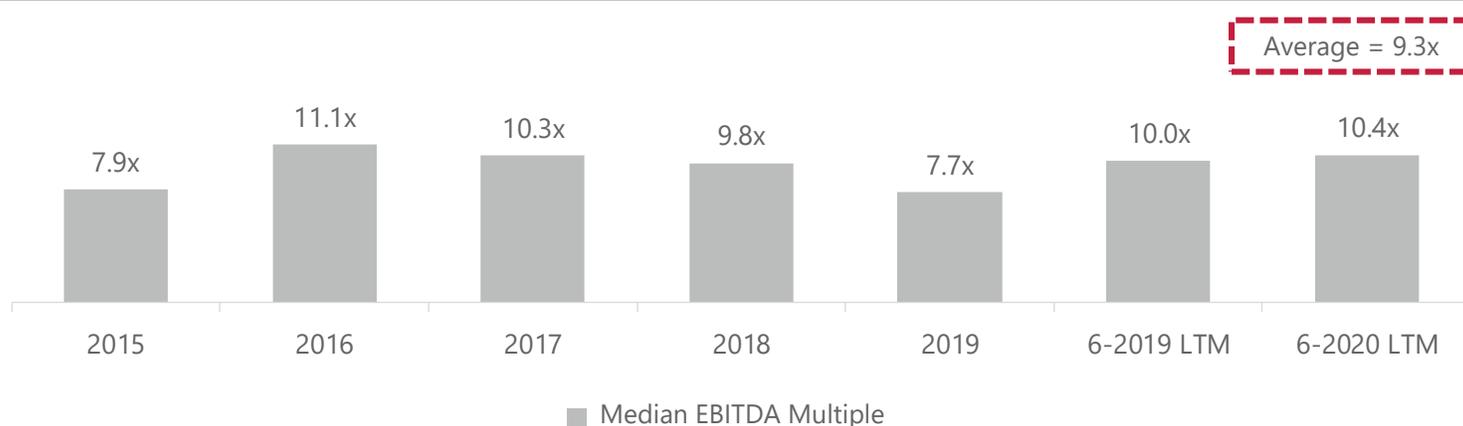
In late March, the shutdown of bars, restaurants, and stadiums caused the demand to evaporate overnight. While April and May demand was down significantly, many suppliers are seeing a sharp increase in June sales as distributors restock their inventory and on-premise activity slowly reopens and production increases.

U.S. Food & Beverage M&A Activity



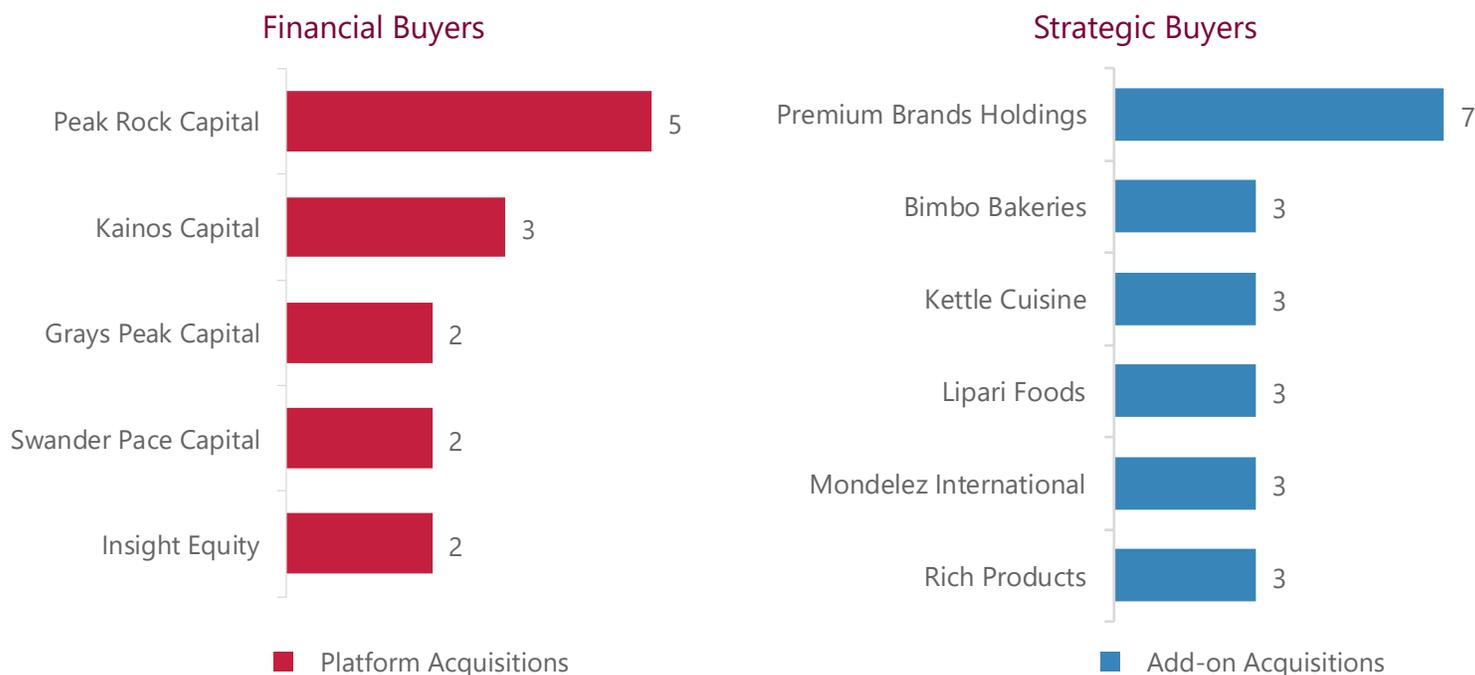
Source: Capital IQ

U.S. Food & Beverage EV/EBITDA Multiples



Source: Capital IQ, EBITDA multiples in excess of 20x were excluded.

Most Active Food Buyers – 2018 through YTD 2020



Source: Capital IQ

CIBC Cleary Gull has expertise advising food and beverage companies at each stage of the value chain

Processing and Production Equipment



L.B.WHITE
has been acquired by
MASON WELLS

SEPARATORS INC.
a portfolio company of
MONUMENT ADVISORS
has been acquired by
A Strategic Partner

WEILER
Food Processing Systems
has been acquired by

Ingredients and Supplements



Florajen
has been acquired by
Clarion brands
a portfolio company of
SPC
SWANDER PACE CAPITAL

wynnstarr
has been acquired by
KERRY

NatureSmart
a subsidiary of Whole Foods Market, Inc.
has sold its U.S. operations to
NBTY
and its Australian operations to management

Food and Beverage



rondelé
a portfolio company of
FCF Partners, LP
has been acquired by
GROUPE LACTALIS

WINE INSIDERS
has been acquired by
DRINKS

HomeGROWN
NATURAL FOODS
has acquired
FANTASTIC
ALWAYS NATURAL

CIBC is a leading advisor to food and beverage companies for M&A and capital raising transactions throughout North America



Vantage Foods (ON) Inc.
has been acquired by



Exclusive Financial Advisor



has raised
\$69 million
Secondary Trust Units

Lead Bookrunner

Instant Brands
has merged with



Exclusive Financial Advisor



has been acquired by



Exclusive Financial Advisor



Premium Brands
has raised
\$323 million
Subscription Receipts and
Convertible Debentures

Lead Bookrunner



has been acquired by



ATB Financial

Exclusive Financial Advisor



has acquired



\$4.5 billion

Advisor to Metro



has raised
\$144 million
IPO of Subordinated Voting
Shares

Lead Bookrunner



has raised
\$301 million
Common Shares

Joint Bookrunner



has been acquired by



Exclusive Financial Advisor



has raised
\$530 million
Common Shares

Lead Bookrunner



has raised
\$111.6 million
Subscription Receipt

Joint Bookrunner



has raised
\$42 Common Shares

Co-Manager



has sold 27 of its Loblaw
and Shoppers Drug Mart
pharmacy assets

Exclusive Financial Advisor



has been acquired by



\$1.8 billion

Advisor to Canada Bread



has been acquired by



Exclusive Financial Advisor



has raised
\$70 million

Lead Bookrunner



has acquired



\$915 million

Advisor to Green Mountain
Coffee Roasters



has sold its Coated Appetizer
Business to



Exclusive Financial Advisor



has acquired



Exclusive Financial Advisor

Fresh baking assets of



have been acquired by



\$2.5 billion

Advisor to George Weston



has been acquired by



Exclusive Financial Advisor



has been acquired by



\$162 million

Advisor to High Liner



has raised
\$43.5 million
Convertible Debentures

Co-Manager

- ✓ Nationally recognized U.S. middle market investment banking firm with global reach
- ✓ Advise on M&A transactions and capital placements up to \$500 million
- ✓ Focus on private companies owned by families, entrepreneurs, business partners, and private equity funds
- ✓ Experienced and talented team has completed hundreds of transactions representing billions of transaction value
- ✓ Relentless approach to helping make clients' ambitions a reality
- ✓ Built on trust and delivering great outcomes

CIBC Cleary Gull by the Numbers

177

Completed Transactions
in Last 5 Years⁽¹⁾

26

Total Professionals

12

Senior Bankers

5

Focus Industry Verticals

2

Offices – Milwaukee and
Chicago

Note: (1) Includes CIBC Cleary Gull and CIBC Capital Markets transactions below \$500 MM of enterprise value

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