

# Food and Beverage Update

Deloitte Corporate Finance LLC



## Investment Banking Advisory Services

- Sale & Divestiture
- Acquisition, Joint Venture & Alliance
- Capital Raising
- Corporate Development Advisory

## Transaction Highlight

Management Buy-out  
of  
**Stonegate**  
from  
**Noble Foods**



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The undersigned acted as lead advisers to  
management and newco

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**Deloitte.**

Deloitte LLP, United Kingdom

The Corporate Finance Advisory team of Deloitte LLP, United Kingdom has advised the management team on the Management Buy-out of Stonegate from Noble Foods. Noble Foods was formed in 2006 following the merger of Stonegate and Deans Foods. Following the transaction in 2006 the Competition Commission ruled that Stonegate be divested due to a possible lessening of competition in the UK egg market.

Based in Wiltshire with sales of £140m and operating across the UK including sites in Cornwall and Lincolnshire, Stonegate employs around 550 people. The business supplies a comprehensive range of eggs to a number of major UK multiples and food service companies, including Waitrose, Asda, Sainsbury and Booker.

A debt package was provided by Lloyds TSB Commercial and Lloyds TSB Corporate.

Deloitte LLP, United Kingdom is the member firm of Deloitte Touche Tohmatsu in the United Kingdom.

## Additional Recent Transactions



**MARKOR**

**Markor International Furniture  
Co., Ltd.**

has acquired the  
assets of

**SCHNADIG**

**Schnadig Corporation**

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The undersigned acted as exclusive financial  
advisor to Markor International Furniture Co., Ltd.

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**Deloitte.**

Deloitte Corporate Finance LLC

Financial and tax advisor to the  
shareholders of

**Greencell**

on its sale to the

**Westfallia Group of Companies**

**greencell**

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The undersigned acted as exclusive financial  
advisor to the shareholders of Greencell Ltd

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**Deloitte.**

Deloitte LLP, United Kingdom

Administration and pre-pack sale of  
trade and assets of  
**Casper Limited and subsidiaries**

Fast track marketing and disposal

**CASPER**

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The undersigned acted as advisor to  
Casper Limited

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**Deloitte.**

Deloitte LLP, United Kingdom

# Industry Trends

## Food & Beverage Industry Trends

M&A activity and trading multiples in the Food & Beverage industry remained relatively weak during Q2 2009. Most notably:

- Announced transactions increased a mere 15% in Q2 2009 compared to a very slow Q1 2009
- EBITDA trading multiples across various Food & Beverage industry sectors (food packagers, ingredients, beverages, and retail) decreased on average 2% for Q2 2009 compared to Q1 2009
- Food & Beverage and other defensive sectors lagged broader market averages during Q2 2009 as risk appetite returned to the market. The S&P 500 gained 13% during Q2, while the Food & Beverage index managed a modest 2% advance

Despite the downturn in the global economy, many well capitalized food & beverage companies are actively seeking acquisitions to support their growth strategy and capitalize on the current “distressed” environment. The following factors are contributing to a more proactive acquisition strategy for many strategic buyers:

- Less capitalized, privately-held companies are generally more receptive to strategic option discussions given the uncertainty in the market
- Attractive businesses with weak balance sheets or maturing debt are being forced to pursue asset sales or broader restructurings
- Lack of credit availability is enabling strategic buyers to compete more effectively with private equity

Additionally, developing a strategy around sustainability remains a key focus for consumer products companies. The Grocery Manufacturing Association recently enlisted Deloitte to conduct a study to assess the behavior of consumers related to the purchase of sustainable products.<sup>1</sup> Below are select excerpts from the study:

- “Green shoppers are a great consumer target, representing a high value segment who buy more products on each trip, visit the store more regularly, and demonstrate more brand and retailer loyalty in their purchasing behavior”
- “A significant minority of committed and proactive green shoppers are willing to pay more for green products, however, the larger potential population of shoppers that lean towards green want price and performance parity for sustainable products because it is not their dominate purchase driver”
- “There is a large opportunity for companies to fulfill the latent demand for green products”

[Click here](#) to read the full report, [Sustainability Trends and New Shopper Insights](#).

## General Economic Trends

The economy remained depressed during the second quarter, tempered by slight optimism that declines are slowing. Deloitte economists note that “inventory overhang is correcting, and manufacturers’ new orders have risen,” which are positive signs. However, retail sales for January through May 2009 were down 10.2% as consumers, nervous about unemployment and businesses and nervous about sales prospects, chose to reuse rather than replace. This thrifty trend, in combination with tight credit terms for businesses, continued to strain financial statements, and the M&A market.

M&A buyers mimicked consumers’ cautious behavior. Poor economic prospects for the immediate future continued to depress M&A transaction activity. Valuation multiples, total value of transactions and total number of transactions all remained low through the second quarter of 2009. Notable characteristics of the current M&A market include:

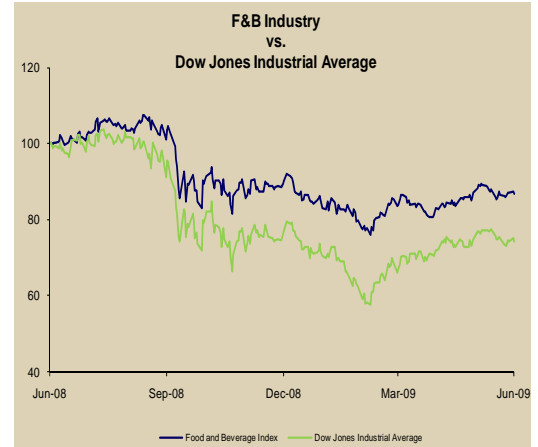
- Private equity buyers played a timid role, comprising only 5.0% of announced deal value in the last twelve months ending June 2009, compared to 14.3% for the same period last year.
- As a result of the economic downturn, the number of distressed transactions has more than doubled globally from the second quarter of 2008; however, the size of these transactions is decreasing as compared to the same period last year. The total value of these transactions was \$1.8 billion, compared to an average of \$2.4 billion per quarter during 2007 and 2008.

Unlike the overall M&A market, carve-out divestitures volumes have increased in 2009 and account for over 30 percent of M&A activity this year to date.

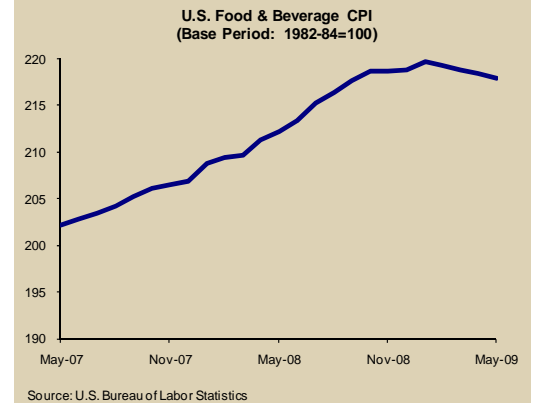
Uncertainty regarding credit conditions, inflation, U.S. monetary and fiscal policies, and federal stimulus funding continues to loom over the economy and transaction decisions. Factors including the low level of private equity participation, low valuations, and distressed M&A activity will likely continue to shape the M&A market for the remainder of 2009. But, if the economy shows signs of improvement, transaction activity could also improve.

1) Deloitte Research – Finding the green in today’s shoppers. Sustainable trends and new shopper insights

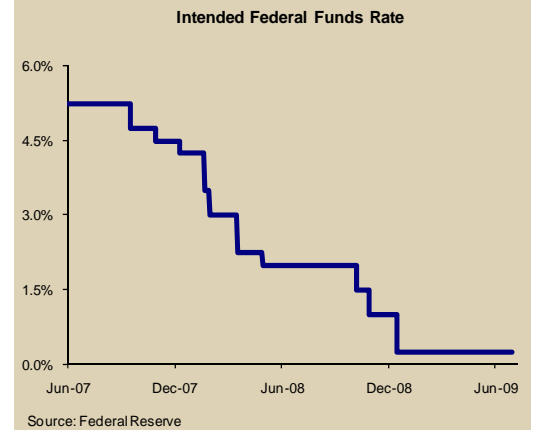
Source: Thomson Reuters



Source: CapitalIQ



Source: U.S. Bureau of Labor Statistics

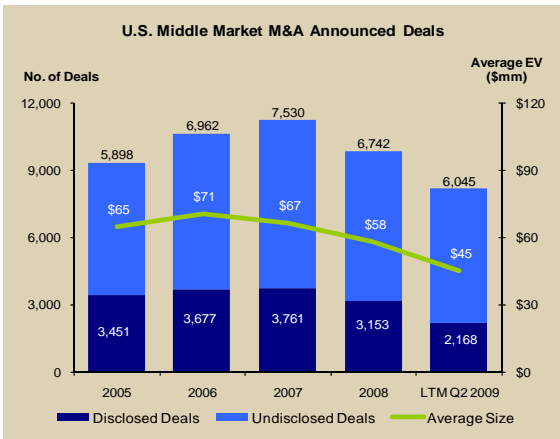


Source: Federal Reserve

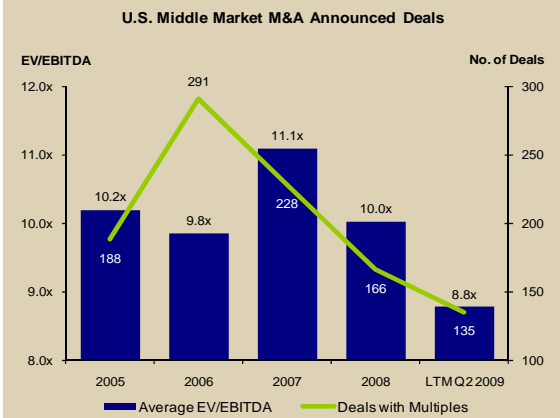


Source: Bureau of Economic Analysis

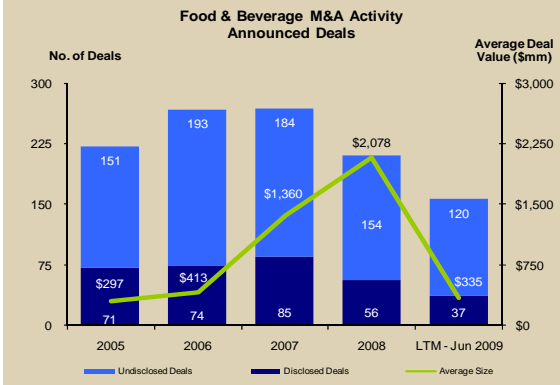
# Highlighted Transactions



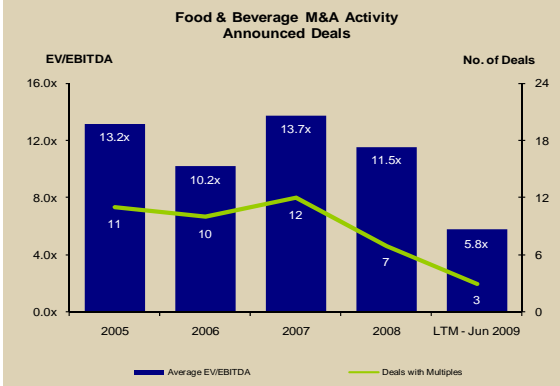
Source: Thomson Financial



Source: Thomson Financial



Source: Thomson Financial



Source: Thomson Financial

## Deals Announced

- June 24, 2009 – **Sunny Delight Beverages Company** acquired **Bossa Nova Beverage Group Inc**, a Los Angeles based producer of refrigerated fruit juices.
- June 23, 2009 - **Saputo Inc** agreed to acquire **F&A Dairy of California Inc**, a Newman- based producer, retailer and wholesaler of dairy products.
- June 23, 2009 - **Beam Global Spirits & Wine Inc**, a unit of **Fortune Brands Inc**, acquired the **Effen Vodka** brand of **Sazerac Co Inc**, a producer and wholesaler of distilled liquors.
- June 16, 2009 - **Diageo PLC** of the UK acquired the remaining 80% interest in **Stirrings LLC**, a New Bedford-based producer, wholesaler and retailer of cocktail mixes.
- June 8, 2009 - **Pepsi Bottling Group Inc** signed a Letter of Intent {LoI} to acquire **Ab-Tex Beverage Ltd**, an Abilene- based producer and wholesaler of beverages.
- June 8, 2009 – **Foster Poultry Farms, Inc.** acquired **Fernando's and El Extremo Foodservice brands** of **ConAgra Foods, Inc.** Fernando's and El Extremo Foodservice Brands are frozen Mexican food brands that provide hand-rolled burritos, taquitos, mini-tacos, and enchiladas.
- May 26, 2009 - **EM-Ess Acquisition LLC** acquired **Blue Ridge Farms LLC**, a Brooklyn-based producer of salads, desserts and spreads, from Chloe Foods Corp. Blue Ridge Farms LLC is based in Brooklyn, New York.
- May 21, 2009 – **Weis Markets Inc.** plans to acquire **Giant Markets, Inc.**, a Binghamton-based owner and operator of grocery stores.
- May 15, 2009 - **Flowers Foods Inc** acquired the *fresh bread mixes business* of **General Mills Inc**, a Minneapolis- based producer and wholesaler of general food products.
- May 8, 2009 - **Grupo Lala SA de CV** acquired **National Dairy Holdings LP**, a producer of branded and private-label dairy products, from Dairy Farmers of America Inc. National Dairy Holdings LP is based in Dallas, Texas.
- April 24, 2009 - **Prohibition Beverage LLC** acquired **pink Spirits Co**, doing business as High Energy Holdings, a producer of caffeine infused vodka. Pink Spirits Co. is based in New York, New York.
- April 15, 2009 - An **investor group**, including Jim Demme, acquired *certain retail stores and operations* of **Balducci's LLC** for \$14.6 million.
- April 14, 2009 - **Dean Foods Co** acquired **Santee Dairies Inc** from Stater Bros Markets Inc, a unit of Stater Bros Holdings Inc. Santee Dairies Inc is a producer and wholesaler of fruit drinks, fluid milk, and dairy products, and is located in City of Industry, California.
- April 8, 2009 - **Davide-Campari Milano SpA** of Italy acquired the *Wild Turkey American straight bourbon and related businesses* of **Austin Nichols & Co**, and a unit of **Pernod Ricard SA**, for \$581 million.
- April 8, 2009 - **Fresh Harvest Products Inc (Fresh)**, a unit of **Illuminati Inc**, acquired **Organic Chef LLC**, a Brooklyn- based producer and wholesaler of natural and organic beverage products.
- April 6, 2009 - **Compass Minerals International Inc** acquired the *salt business* of **Cutler- Magner Co** for \$3.6 million. The salt business is located in Duluth, Minnesota.
- April 2, 2009 - **Campbell Soup Co** acquired **Ecce Panis**, a producer and wholesaler of artisan breads. Ecce Panis is located in East Brunswick, New Jersey.

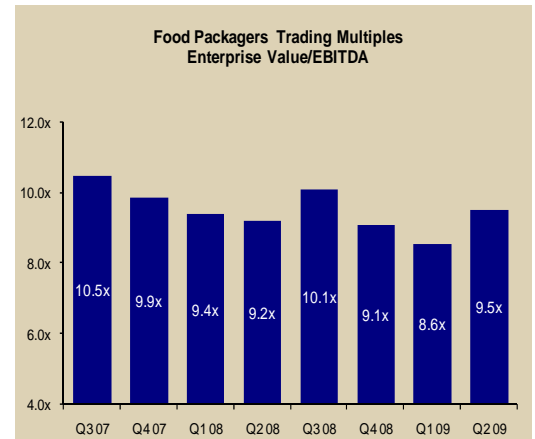
Source: Thomson Financial, Capital IQ

# Market Snapshot

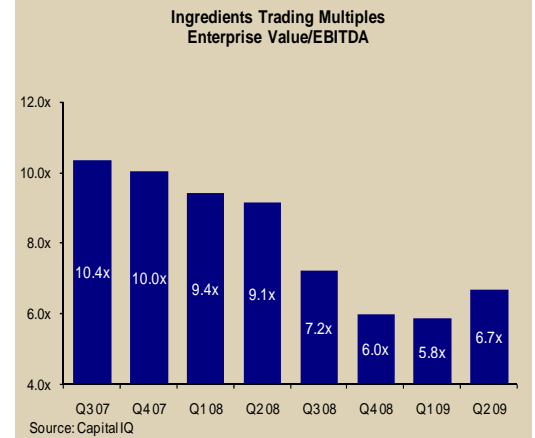
\$U.S. in millions

	Reported Date	Market Cap	Enterprise Value (EV)	Enterprise Value to:		EBITDA Margin	Reported P/E	Stock Performance	
				Sales	EBITDA			Quarter	LTM
<b>Food Packagers</b>									
B&G Foods Inc.	04/04/09	\$308	\$810	1.7x	8.6x	19.3%	27.4x	61.7%	(10.0%)
Campbell Soup Co.	05/03/09	\$10,679	\$13,200	1.7x	8.8x	19.3%	14.2x	7.5%	(12.1%)
Chiquita Brands International Inc.	03/31/09	\$453	\$1,109	0.3x	8.1x	3.9%	N.M.	54.8%	(32.4%)
ConAgra Foods, Inc.	02/22/09	\$8,680	\$12,168	1.0x	8.3x	11.5%	16.0x	13.0%	(1.1%)
Del Monte Foods Co.	01/25/09	\$1,861	\$3,550	1.0x	7.6x	12.8%	13.8x	28.7%	32.1%
Flowers Foods, Inc.	04/25/09	\$2,036	\$2,289	0.9x	8.7x	10.3%	16.8x	(7.0%)	(22.9%)
Fresh Del Monte Produce Inc.	03/27/09	\$1,035	\$1,484	0.4x	5.8x	7.3%	8.0x	(1.0%)	(31.0%)
General Mills Inc.	02/22/09	\$19,442	\$26,192	1.8x	11.2x	16.1%	17.2x	12.3%	(7.8%)
The Hain Celestial Group, Inc.	03/31/09	\$630	\$893	0.8x	9.9x	7.8%	N.M.	9.6%	(33.5%)
Hershey Co.	04/05/09	\$8,227	\$10,037	1.9x	9.9x	19.5%	25.4x	3.6%	9.8%
HJ Heinz Co.	04/29/09	\$11,355	\$16,124	1.6x	9.1x	17.5%	12.3x	8.0%	(25.4%)
Hormel Foods Corp.	04/26/09	\$4,695	\$4,833	0.7x	7.9x	9.0%	16.7x	8.9%	(0.2%)
J&J Snack Foods Corp.	03/28/09	\$676	\$613	1.0x	7.6x	12.5%	20.1x	3.5%	31.0%
The J. M. Smucker Company	04/30/09	\$4,150	\$5,230	1.4x	8.0x	17.5%	15.6x	30.6%	19.7%
John B Sanfilippo & Son Inc.	03/26/09	\$76	\$198	0.4x	6.2x	5.8%	13.5x	32.2%	(18.3%)
Kellogg Co.	04/04/09	\$17,860	\$23,009	1.8x	9.9x	18.3%	15.5x	27.1%	(3.0%)
Kraft Foods Inc.	03/31/09	\$37,890	\$56,872	1.4x	9.3x	14.8%	19.3x	13.7%	(10.9%)
Lance, Inc.	03/28/09	\$738	\$848	1.0x	11.9x	8.2%	31.4x	11.1%	23.2%
McCormick & Co. Inc.	02/28/09	\$4,296	\$5,552	1.8x	10.4x	16.8%	16.4x	10.0%	(8.8%)
Ralcorp Holdings Inc.	03/31/09	\$2,828	\$4,373	1.3x	9.7x	13.1%	12.7x	13.1%	23.2%
Sanderson Farms Inc.	04/30/09	\$913	\$1,078	0.6x	N.M.	(0.3%)	N.M.	19.8%	30.4%
Sara Lee Corp.	03/28/09	\$6,869	\$9,163	0.7x	5.8x	11.9%	N.M.	20.8%	(20.3%)
Seneca Foods Corp.	03/31/09	\$256	\$550	0.4x	7.7x	5.6%	21.8x	60.3%	60.3%
Smithfield Foods Inc.	05/03/09	\$1,971	\$4,840	0.4x	25.1x	1.5%	N.M.	47.7%	(29.7%)
Treehouse Foods Inc.	03/31/09	\$913	\$1,392	0.9x	9.3x	10.1%	23.3x	(0.1%)	18.6%
Tyson Foods Inc.	03/28/09	\$4,571	\$7,506	0.3x	14.2x	2.0%	N.M.	34.3%	(15.6%)
<b>Average Food Packagers</b>				<b>1.0x</b>	<b>9.6x</b>	<b>11.2%</b>	<b>17.9x</b>	<b>20.2%</b>	<b>(1.3%)</b>
<b>Ingredients</b>									
Archer-Daniels-Midland Co.	03/31/09	\$17,253	\$22,695	0.3x	5.8x	5.2%	8.6x	(3.6%)	(20.7%)
Bunge Ltd.	03/31/09	\$8,051	\$12,789	0.3x	5.7x	4.6%	14.4x	6.4%	(44.1%)
Corn Products International Inc.	03/31/09	\$2,032	\$2,762	0.7x	5.6x	12.9%	9.3x	26.4%	(45.4%)
International Flavors & Fragrances Inc.	03/31/09	\$2,597	\$3,725	1.6x	8.7x	18.2%	11.8x	7.4%	(16.2%)
MGP Ingredients Inc.	03/31/09	\$47	\$75	0.2x	N.M.	(18.4%)	N.M.	286.5%	(50.7%)
Sensient Technologies Corp.	03/31/09	\$1,089	\$1,550	1.3x	7.6x	16.6%	11.9x	(4.0%)	(19.9%)
<b>Average Ingredients</b>				<b>0.7x</b>	<b>6.7x</b>	<b>6.5%</b>	<b>11.2x</b>	<b>53.2%</b>	<b>(32.8%)</b>
<b>Beverage</b>									
The Coca-Cola Company	04/03/09	\$111,721	\$116,821	3.7x	11.8x	31.3%	19.8x	9.2%	(7.7%)
Dean Foods Co.	03/31/09	\$3,011	\$7,316	0.6x	7.8x	7.7%	13.1x	6.1%	(2.2%)
Green Mountain Coffee Roasters Inc.	03/28/09	\$2,286	\$2,403	3.7x	N.M.	11.5%	N.M.	84.8%	136.0%
Hansen Natural Corporation	03/31/09	\$2,981	\$2,698	2.5x	14.2x	17.8%	24.7x	(14.3%)	7.1%
National Beverage Corp.	01/31/09	\$494	\$414	0.7x	8.8x	8.2%	21.1x	16.8%	47.3%
Pepsico, Inc.	03/21/09	\$87,194	\$94,205	2.2x	10.4x	21.0%	17.0x	6.8%	(13.6%)
<b>Average Beverage</b>				<b>2.2x</b>	<b>10.6x</b>	<b>16.3%</b>	<b>19.1x</b>	<b>18.2%</b>	<b>27.8%</b>
<b>Retail</b>									
Arden Group Inc.	04/04/09	\$395	\$368	0.8x	8.1x	9.8%	16.5x	7.1%	(1.3%)
Delhaize Group	03/31/09	\$7,246	\$10,635	0.4x	5.3x	7.4%	10.3x	2.7%	17.3%
Ingles Markets Inc.	03/28/09	\$374	\$1,147	0.4x	6.0x	5.8%	8.2x	2.1%	(34.7%)
Kroger Co.	01/31/09	\$14,470	\$22,270	0.3x	5.5x	5.3%	11.6x	3.9%	(23.6%)
Ruddick Corp.	03/29/09	\$1,131	\$1,455	0.4x	5.0x	7.1%	11.9x	4.4%	(31.7%)
Safeway Inc.	03/28/09	\$8,818	\$14,434	0.3x	4.9x	6.8%	9.6x	0.9%	(28.7%)
SUPERVALU Inc.	02/28/09	\$2,732	\$10,976	0.2x	4.2x	5.8%	N.M.	(9.3%)	(58.1%)
The Great Atlantic & Pacific Tea Company	02/28/09	\$217	\$1,210	0.1x	4.5x	2.8%	N.M.	(20.0%)	(81.4%)
Village Super Market Inc.	04/25/09	\$393	\$382	0.3x	6.1x	5.2%	14.3x	(4.6%)	54.2%
Wal-Mart Stores Inc.	04/30/09	\$190,938	\$227,531	0.6x	7.6x	7.4%	14.4x	(7.0%)	(13.8%)
Weis Markets, Inc.	03/28/09	\$904	\$787	0.3x	5.7x	5.6%	16.6x	8.0%	3.2%
Whole Foods Market, Inc.	04/12/09	\$2,663	\$3,457	0.4x	6.3x	7.0%	29.4x	13.0%	(19.9%)
<b>Average Retail</b>				<b>0.4x</b>	<b>5.8x</b>	<b>6.3%</b>	<b>14.3x</b>	<b>0.1%</b>	<b>(18.2%)</b>

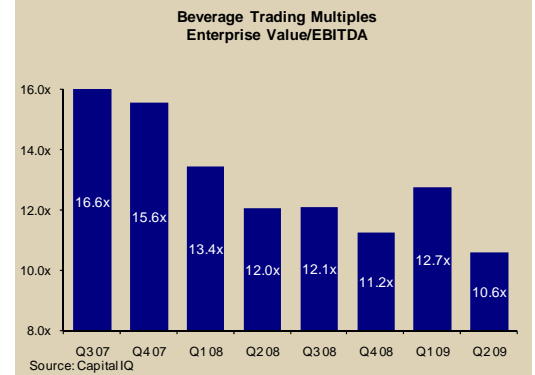
Source: Capital IQ



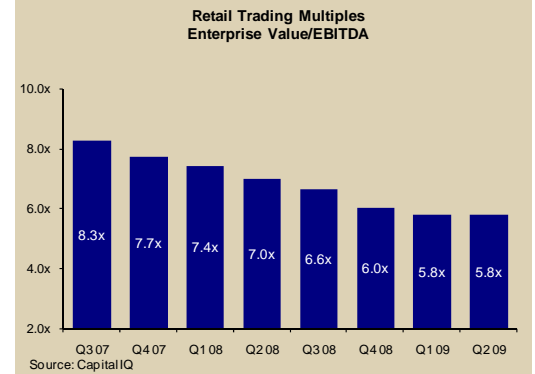
Source: Capital IQ



Source: Capital IQ



Source: Capital IQ



Source: Capital IQ

## Related Content

In addition to information regarding the food & beverage industry being provided by DCF, you may be interested in additional events and informational sources available through DCF and the subsidiaries of Deloitte LLP.

### Dbriefs Webcasts

Stay on top of the latest issues and strategies. Deloitte LLP and its subsidiaries offer Dbriefs, live webcasts that provide you with insights on important developments affecting your business. Webcasts are complimentary, 1-hour live sessions; you can participate from the convenience of your office.

#### Consumer Business

[Green Strategies: Another Look at Sustainability](#)

*July 23, 11:00 AM EDT (15:00 GMT); Host: Rod Millott, Partner - Deloitte & Touche LLP*

With higher customer expectations and greater regulatory scrutiny, sustainability has made its way to the forefront of major consumer businesses. How can the use of green strategies throughout the enterprise help consumer businesses reduce costs, generate revenue, and increase value?

Listen in on July 23<sup>rd</sup> to learn why consumer businesses should take another look at sustainability.

[Click here](#) to register for the webcast (or visit [www.deloitte.com/us/dbriefs](http://www.deloitte.com/us/dbriefs) to view the archived webcast after July 23, 2009).

#### Transaction & Business Events

[Corruption, Fraud, and Economic Sanctions: The Role of Compliance and Integrity Due Diligence in M&A Decision-Making](#)

*August 12, 2:00 PM EDT (18:00 GMT); David Williams, Principal – Deloitte Financial Advisory Services LLP*

Even in a struggling economy, global companies look to emerging markets for growth opportunities. However, economic and business pressures can lead to increased risk of corruption and fraud. What impact can these issues have on target selection and deal pricing, structure, terms, and conditions?

Listen in on August 12<sup>th</sup> to Learn how prepared acquirers are making compliance and integrity due diligence a central part of their decision-making process for M&A transactions.

[Click here](#) to register for the webcast (or visit [www.deloitte.com/us/dbriefs](http://www.deloitte.com/us/dbriefs) to view the archived webcast after August 12, 2009).

### Deloitte Insights Podcast

[Food and Beverage 2012](#)

#### Ingredients for success in volatile markets

The report addresses the urgent and complex questions currently facing the industry and provides specific recommendations for short and longer-term consideration. [Click here](#) to listen to our complimentary podcast or download our full publication '[Food and Beverage 2012: Ingredients for success in volatile markets](#)'.

### Reports

[Sustainability Trends and New Shopper Insights](#)

#### Finding the green in today's shoppers

To better understand how sustainability influences a consumer's shopping behavior and the resulting market opportunities for companies targeting these consumers, Deloitte — in conjunction with the [Grocery Manufacturers Association \(GMA\)](#) — conducted a [new study](#) of more than 6,000 customers in 11 major retailers of varying formats concerning their purchasing experience and how sustainable considerations affected their decision making in the store and at the shelf level. The study confirms that a significant portion of consumers are now considering social and environmental benefits as part of their calculation of product value and purchasing decisions. In addition, it highlights the shopper insights needed to bring new sales and marketing leading practices to consumer product companies, and their retail partners.

[Click here](#) to read the full report.

### Point of View

[Proactive Private Companies](#)

#### Taking charge in today's economy

The economic downturn has challenged private companies' prospects for growth, as well as the way they manage their businesses and balance sheets. Despite the obvious threats, though, this environment presents opportunities for healthy, proactive companies that can steady the ship and look ahead.

Explore opportunities for healthy private companies to position for growth through and beyond the recession, plus read executives' views on how their companies are responding to the current environment.

[Click here](#) to read the full POV article.

# Deloitte Corporate Finance LLC

DCF provides deal execution and lead financial advisory services to large corporate, middle market, private equity and venture capital firms. DCF and its affiliates maintain a presence in key U.S. financial centers.

For additional information or to find out more about how DCF can assist the deal initiation and execution process, please contact one of our DCF Managing Directors:

## National Managing Director

### Bob Coury

(313) 396-3811  
rcoury@deloitte.com

### Ellen Clark

(313) 396-2682  
elclark@deloitte.com

### Constantine Korologos

(212) 436-4820  
ckorologos@deloitte.com

For additional information on members of the Consumer Products team of Deloitte LLP and its affiliates, please contact:

### Kevan Flanigan

(213) 688-6560  
keflanigan@deloitte.com

### Kevin McFarlane

(213) 553-1423  
kemcfarlane@deloitte.com

### Patrick Conroy

National Managing CP Partner  
Deloitte LLP  
(216) 830-6602  
pconroy@deloitte.com

### Will Frame

(312) 486-4458  
wframe@deloitte.com

### Jonathan Ohm

(212) 436-2287  
johm@deloitte.com

### Simon Gisby

(212) 436-2495  
sgisby@deloitte.com

### Rick Sukkar

(214) 840-7330  
rsukkar@deloitte.com

### Andrew Isgrig

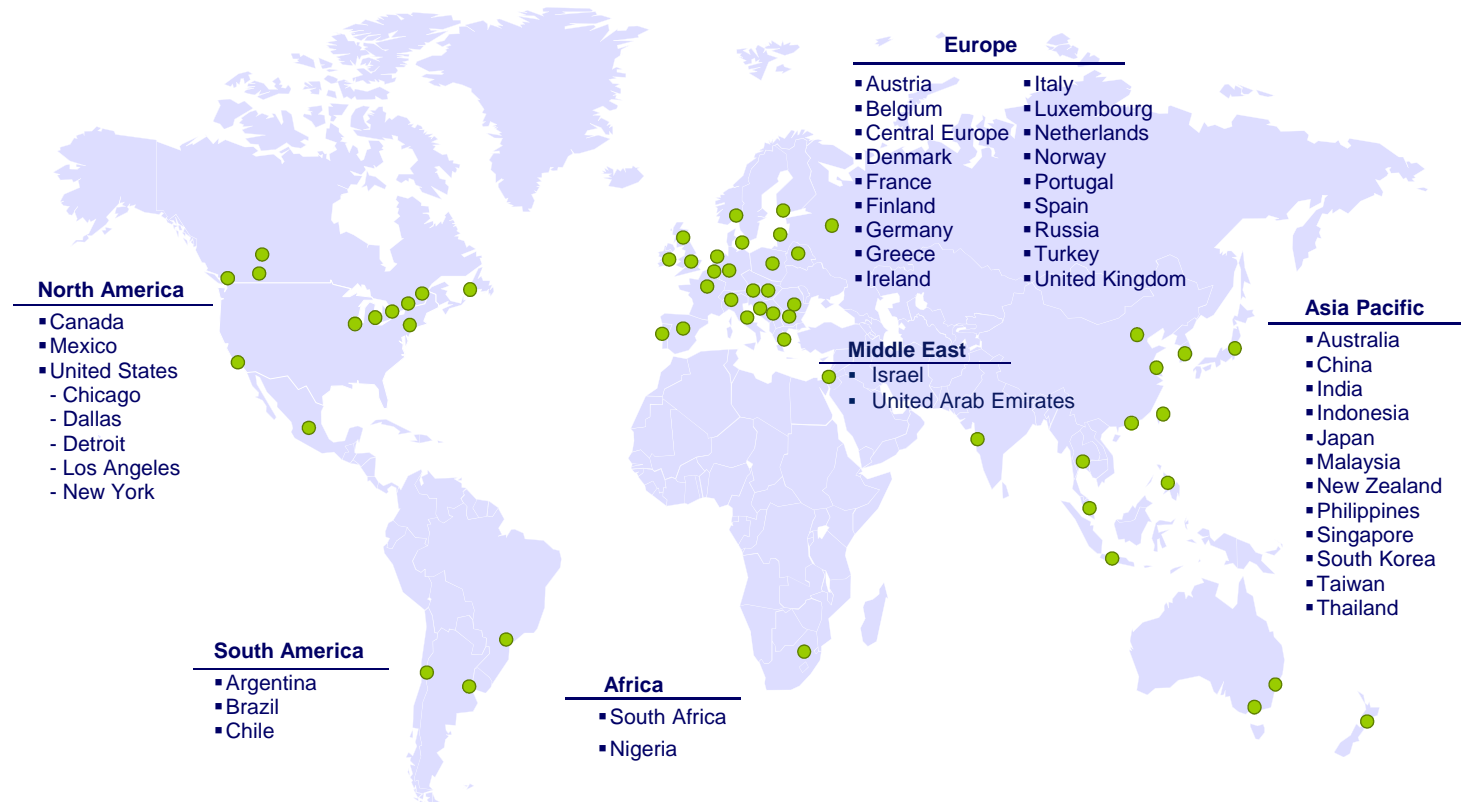
(312) 486-4160  
aisgrig@deloitte.com

### Irene Walsh

(212) 436-4620  
iwalsh@deloitte.com

## Corporate Finance Practices of DTT Member Firms and Affiliates

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