

Food and Beverage Update

Deloitte Corporate Finance LLC



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Transaction Highlight

Advised
Wine Cellar Ltd
on the Fast Track Disposal of the
Company to
**European Food Brokers Holdings
Ltd**



The undersigned acted as financial advisor to
Wine Cellar Ltd



Deloitte.
Deloitte LLP, United Kingdom

The Corporate Finance Advisory team of Deloitte LLP, United Kingdom has advised Wine Cellar Ltd ("Wine Cellar") on its sale to European Food Brokers Holdings Ltd ("EFB Holdings Ltd").

About Wine Cellar

Wine Cellar is a beers, wine, spirits and convenience retailer operating from 170 stores located primarily across the North West and North East of England, with the head office based in Runcorn, Cheshire. The stores trade under the Booze Buster, Simply Drinks and Simply Food and Drinks formats, with 103, 39 and 28 stores respectively.

The acquirer is a wholesale supplier of food and drink to the licensed retail trade and the acquisition of the Wine Cellar stores will add to EFB Holding Ltd's existing store portfolio of 20 off-license and convenience stores.

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 Corporation

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



Deloitte.
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AIG Systems Solutions Pvt. Ltd.
has been acquired by




Mphasis Limited


The undersigned acted as exclusive financial
advisor to AIG Global Services, Inc.,
a wholly-owned subsidiary of
American International Group, Inc.



Deloitte.
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a wholly-owned subsidiary of
Rank Group Limited
has sold its
Medical Packaging Business
to



**BRENTWOOD
INDUSTRIES**

The undersigned acted as financial advisor to
Reynolds Packaging Group



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Industry Trends

Food & Beverage Industry Trends

M&A activity in the Food & Beverage industry remained sluggish during Q3 2009, however trading multiples increased modestly as a result of strength in the broader market:

- Announced transactions fell 31%, and aggregate enterprise value decreased from \$5.1 billion in Q3 2008 to \$1.5 billion in Q3 2009; however Kraft's recent bid for Cadbury Schweppes demonstrates a return of confidence to the markets which may result in increased M&A activity in the sector
- Trading multiples across various Food & Beverage industry sectors (food packagers, ingredients, beverages, and retail) increased on average 8% for Q3 2009, compared to Q2 2009
- The Food & Beverage industry lagged broader market averages during Q3 2009 as risk appetite returned to the market. The S&P 500 gained 14% during Q3, while the Food & Beverage index managed only a 5% advance

Food safety issues have been at the forefront of the national consciousness, as a result of several incidents of food-related illness in North America and abroad. Companies are seizing the opportunity to turn this concern into a competitive advantage by adapting a risk intelligent culture of food and product safety and marketing this approach to enhance consumer brand loyalty and product visibility. An effective and sustainable food and product safety program can help companies protect brand value and improve profitability in several ways, including improving risk management and mitigation strategies, and defining foundational business requirements to help ensure compliance across the extended enterprise.¹

For more information on Deloitte's thought leadership refer to page six of the update.

The recent passage of a food safety bill by the U.S. House of Representatives on July 30, 2009 further demonstrates that food safety will continue to be a major driver in the industry. The bill, which is expected to go before the Senate in the fall, would mandate the following :

- FDA will have the power to order product recalls, currently the FDA can only request companies to recall their products;
- Companies will be subject to more frequent FDA inspections – once a year for high-risk facilities and once every three years for others; and
- It will provide the FDA authority to set science-based standards for food manufacture and handling and require manufacturers to show how they meet them.

General Economic Trends

Economic data from the quarter was mixed, as the recession persisted. Deloitte's monthly economic report for September observed, "A financially weakened consumer suggests that year end holiday spending could be stifled, and that manufacturing might well be the stronger growth engine over the next several months."

- Rather than boosting retail sales, hesitant consumers whose spending comprises two thirds of U.S. GDP, paid off household debt, which dropped for the fourth consecutive quarter.
- U.S. manufacturers experienced some benefit from a weak dollar making exports more attractive, particularly in foreign markets that were again on a growth path.

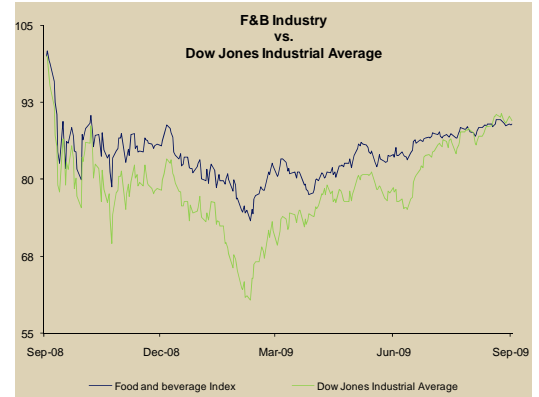
Meanwhile, weakness in the global and national economic environments continued to impact deal activity in the third quarter.

- The total disclosed value of M&A transactions fell 29% globally from Q2 and fell 52% in the U.S., but the total number of transactions showed little change from Q2.
- The total value of distressed M&A in the last twelve months (Q4 08-Q3 09) was 4.6 times higher than in the previous twelve month period (Q4 07-Q3 08), as struggling companies restructure.

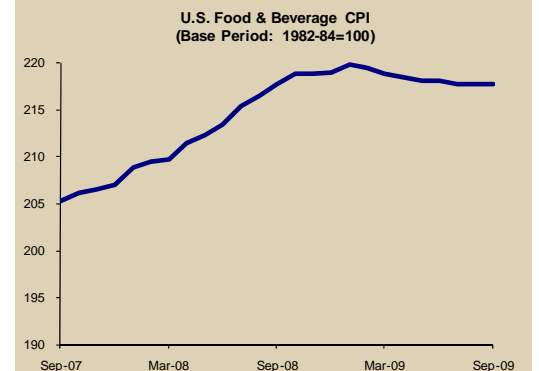
The stock markets rose broadly in the third quarter, but the "real" economy as measured by production, sales and employment levels had yet to experience a similar rise. Until fundamentals improve, companies of all sizes and sectors are likely to be watching to determine whether stabilization will be sustained, thus avoiding a "double-dip" recession.

[Deloitte Economic Update - September 2009](#)

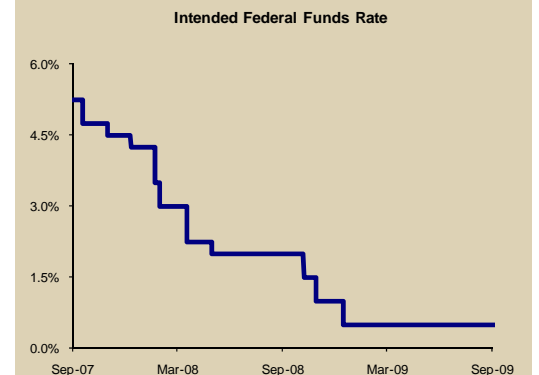
- 1) Deloitte Research – End-to-end trust Managing risk to protect your brand and consumers
Sources: Thomson Financial, Deloitte Economic Updates



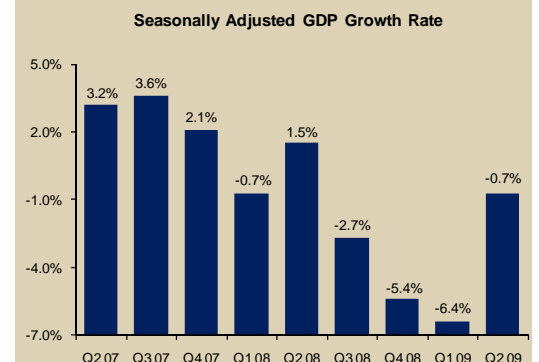
Source: CapitalIQ



Source: U.S. Bureau of Labor Statistics

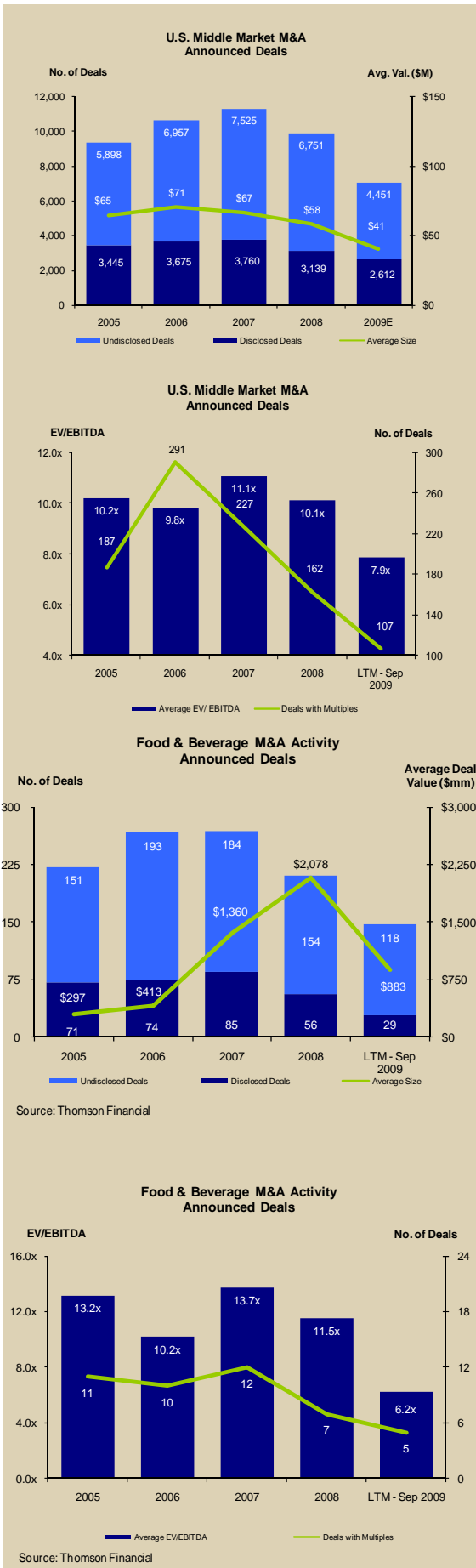


Source: Federal Reserve



Source: Bureau of Economic Analysis

Highlighted Transactions



Deals Announced

- September 29, 2009 – **Schroeder Co**, a unit of **Agropur Cooperative**, acquired the Grand Rapids facility from **Farmland Dairies LCC**, a Wallington-based milk processing company
- September 22, 2009 - **Castle Brands Inc** acquired **Betts & Scholl LLC**, a Coral Gables- based producer of wines
- September 21, 2009 - **Atrium Innovations, Inc.** acquired **Garden of Life, Inc.**, a Florida-based provider of food nutrition products, for \$37.5 million
- September 16, 2009 - **Swift & Company** agreed to acquire **Pilgrim's Pride Corporation**, a Texas-based producer of poultry products, for USD \$800 mil
- September 16, 2009 –**Hunt Group** acquired **Kabobs, Inc** from **HJ Heinz Co.** Kabobs Inc is a Georgia-based producer of hors d'oeuvre products
- September 8, 2009 - **Lance Inc** acquired the **Stella D'oro** brand of **Stella D'oro Biscuit Co**, a Bronx- based producer of cookies, breakfast treats, breadsticks, and biscotti.
- August 26, 2009 - **United Supermarkets, L.L.C.** acquired **Praters Foods, Inc.**, a Texas-based manufacturer and marketer of processed and pre-cooked meats and dressings
- August 13, 2009 - **Monogram Food Solutions LLC** agreed to acquire the meat snack business of **American Food Group LLC**, a Green Bay- based producer of processed beef products. The transaction was to include the business' production facility and the rights to the Bull's, Hannah's, O'Brien's and Dakota brand names
- August 13, 2009 - **Pacific Seafood Group** acquired **Salmolux, Inc.**, a Washington-based processor of moked seafood and related gourmet food products
- August 10, 2009 - **Boisset Family Estates** acquired **Raymond Vineyard & Cellar Inc**, a St. Helena- based owner and operator of vineyards, from **Kirin Holdings Co Ltd**
- August 10, 2009 – **Richardson Foods Inc**, a unit of **Founders Equity**, acquired **Bogdon Candy Co**, a Westwood-based manufacturer of chocolate candy products, from **Dolphin Capital Group**
- August 6, 2009 - **Syngenta AG** acquired the global sunflower assets of **Monsanto Co**, a St. Louis- based manufacturer of agricultural products, for USD 160 mil
- July 30, 2009 - **Richardson Brands Company** acquired **Bogdon Candy Co. Inc.** from **Dynamic Confections, Inc.** Bogdon Candy Co. Inc. produces candy products
- August 6, 2009 - **Syngenta AG** acquired the global sunflower assets of **Monsanto Co**, a St. Louis- based manufacturer of agricultural products, for USD 160 mil
- July 9, 2009 - **AFG Unlimited LLC** acquired **REX Fine Foods** from **Adams Extract & Spice, LLC.** Rex Fine Foods, Inc. manufactures and sells spices and condiments
- July 6, 2009 - **Foster Dairy Farms** signed an asset purchase agreement to acquire the Fernbridge and Stockton plants of **Humboldt Creamery Association Inc.**, a California-based member-owned cooperative of dairy products, for \$20.5 mil in a stalking horse bid

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 |
| Food Packagers | | | | | | | | | |
| B&G Foods Inc. | 07/04/09 | \$298 | \$804 | 1.6x | 8.3x | 19.7% | 21.7x | (2.6%) | 14.5% |
| Campbell Soup Co. | 08/02/09 | \$11,678 | \$14,251 | 1.9x | 9.3x | 20.2% | 16.0x | 10.9% | (15.5%) |
| Chiquita Brands International Inc. | 06/30/09 | \$718 | \$1,253 | 0.4x | 7.5x | 4.8% | N.M. | 57.5% | 2.2% |
| ConAgra Foods, Inc. | 08/30/09 | \$9,743 | \$12,942 | 1.0x | 8.5x | 12.1% | 13.8x | 13.7% | 11.4% |
| Del Monte Foods Co. | 08/02/09 | \$2,303 | \$3,748 | 1.0x | 6.5x | 15.5% | 10.7x | 23.5% | 48.5% |
| Flowers Foods, Inc. | 07/18/09 | \$2,451 | \$2,697 | 1.0x | 9.8x | 10.5% | 19.3x | 20.4% | (10.5%) |
| Fresh Del Monte Produce Inc. | 06/26/09 | \$1,438 | \$1,747 | 0.5x | 7.1x | 7.0% | 10.3x | 39.1% | 1.8% |
| General Mills Inc. | 08/30/09 | \$21,888 | \$28,353 | 1.9x | 9.7x | 19.8% | 15.1x | 14.9% | (6.3%) |
| The Hain Celestial Group, Inc. | 06/30/09 | \$776 | \$993 | 0.9x | 13.0x | 6.7% | N.M. | 22.8% | (30.4%) |
| Hershey Co. | 07/05/09 | \$8,879 | \$10,617 | 2.0x | 10.3x | 19.6% | 25.1x | 7.9% | (1.7%) |
| HJ Heinz Co. | 07/29/09 | \$12,647 | \$17,427 | 1.7x | 9.9x | 17.6% | 13.9x | 11.3% | (20.5%) |
| Hormel Foods Corp. | 07/26/09 | \$4,817 | \$4,932 | 0.7x | 7.7x | 9.5% | 15.7x | 2.8% | (2.1%) |
| J&J Snack Foods Corp. | 06/27/09 | \$811 | \$730 | 1.1x | 8.3x | 13.5% | 21.5x | 20.3% | 27.4% |
| The J. M. Smucker Company | 07/31/09 | \$5,368 | \$6,539 | 1.6x | 8.2x | 19.1% | 16.7x | 8.9% | 4.6% |
| John B Sanfilippo & Son Inc. | 06/25/09 | \$124 | \$222 | 0.4x | 7.5x | 5.4% | 17.9x | 62.5% | 36.4% |
| Kellogg Co. | 07/04/09 | \$18,880 | \$23,773 | 1.9x | 9.9x | 19.1% | 15.8x | 5.7% | (12.2%) |
| Kraft Foods Inc. | 06/30/09 | \$38,958 | \$57,452 | 1.4x | 9.5x | 14.7% | 18.4x | 3.7% | (19.8%) |
| Lance, Inc. | 06/27/09 | \$827 | \$926 | 1.0x | 11.2x | 9.3% | 27.3x | 11.6% | 13.8% |
| McCormick & Co. Inc. | 08/31/09 | \$4,486 | \$5,604 | 1.8x | 10.1x | 17.5% | 16.9x | 4.3% | (11.7%) |
| Ralcorp Holdings Inc. | 06/30/09 | \$3,163 | \$4,489 | 1.2x | 8.3x | 14.3% | 12.6x | (4.0%) | (13.3%) |
| Sanderson Farms Inc. | 07/31/09 | \$767 | \$867 | 0.5x | 13.1x | 3.7% | N.M. | (16.4%) | 2.4% |
| Sara Lee Corp. | 06/27/09 | \$7,831 | \$9,692 | 0.8x | 6.3x | 11.9% | 21.5x | 14.1% | (11.8%) |
| Seneca Foods Corp. | 06/27/09 | \$210 | \$479 | 0.4x | 5.3x | 7.0% | 10.5x | (18.0%) | 43.6% |
| Smithfield Foods Inc. | 08/02/09 | \$1,975 | \$4,819 | 0.4x | N.M. | 0.8% | N.M. | (1.2%) | (13.1%) |
| Treehouse Foods Inc. | 06/30/09 | \$1,135 | \$1,617 | 1.1x | 10.3x | 10.5% | 23.0x | 24.0% | 20.1% |
| Tyson Foods Inc. | 06/27/09 | \$4,651 | \$7,324 | 0.3x | 9.6x | 2.9% | N.M. | 0.2% | 5.8% |
| Average Food Packagers | | | | 1.1x | 9.0x | 12.0% | 17.3x | 13.0% | 2.5% |

Ingredients

| | | | | | | | | | |
|---|----------|----------|----------|-------------|-------------|-------------|--------------|--------------|--------------|
| Archer-Daniels-Midland Co. | 06/30/09 | \$18,818 | \$25,467 | 0.4x | 7.4x | 4.9% | 11.0x | 9.2% | 33.4% |
| Bunge Ltd. | 06/30/09 | \$8,155 | \$14,449 | 0.3x | 10.7x | 2.9% | N.M. | 3.9% | (0.9%) |
| Corn Products International Inc. | 06/30/09 | \$2,149 | \$2,794 | 0.7x | 6.6x | 11.4% | 32.5x | 6.5% | (11.6%) |
| International Flavors & Fragrances Inc. | 06/30/09 | \$2,998 | \$4,049 | 1.8x | 10.0x | 17.7% | 14.8x | 15.9% | (3.9%) |
| MGP Ingredients Inc. | 06/30/09 | \$71 | \$100 | 0.4x | N.M. | (15.8%) | N.M. | 49.0% | 50.0% |
| Sensient Technologies Corp. | 06/30/09 | \$1,346 | \$1,795 | 1.5x | 9.0x | 16.8% | 14.6x | 23.0% | (1.3%) |
| Average Ingredients | | | | 0.8x | 8.7x | 6.3% | 18.2x | 17.9% | 10.9% |

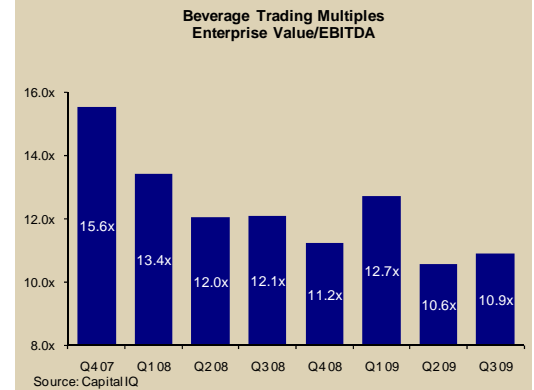
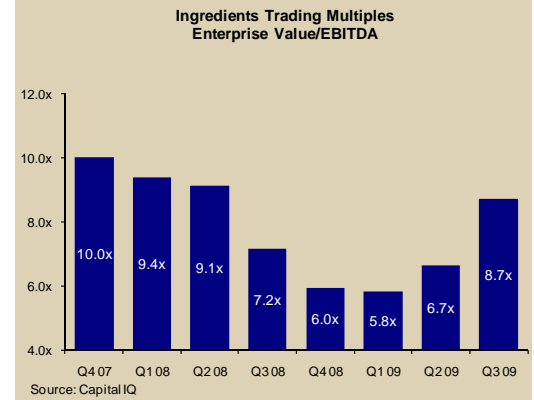
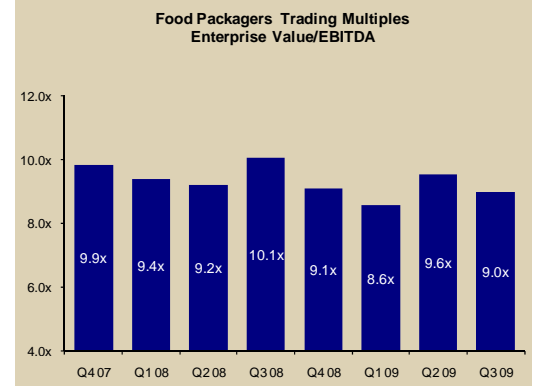
Beverage

| | | | | | | | | | |
|-------------------------------------|----------|-----------|-----------|-------------|--------------|--------------|--------------|--------------|--------------|
| The Coca-Cola Company | 07/03/09 | \$124,638 | \$128,141 | 4.1x | 13.3x | 31.1% | 19.9x | 11.9% | 1.6% |
| Dean Foods Co. | 06/30/09 | \$2,856 | \$6,652 | 0.6x | 7.1x | 8.1% | 11.6x | (7.3%) | (23.8%) |
| Green Mountain Coffee Roasters Inc. | 06/27/09 | \$2,877 | \$2,999 | 4.2x | N.M. | 12.0% | N.M. | 24.9% | 181.5% |
| Hansen Natural Corporation | 06/30/09 | \$3,524 | \$3,211 | 3.0x | 15.7x | 18.9% | 27.6x | 19.1% | 21.5% |
| National Beverage Corp. | 08/01/09 | \$532 | \$432 | 0.7x | 8.1x | 9.1% | 19.9x | 7.5% | 29.8% |
| Pepsico, Inc. | 09/05/09 | \$92,258 | \$96,642 | 2.3x | 10.3x | 21.9% | 17.6x | 6.7% | (17.7%) |
| Average Beverage | | | | 2.5x | 10.9x | 16.8% | 19.3x | 10.5% | 32.1% |

Retail

| | | | | | | | | | |
|--|----------|-----------|-----------|-------------|-------------|-------------|--------------|--------------|---------------|
| Arden Group Inc. | 07/04/09 | \$378 | \$348 | 0.8x | 8.1x | 9.3% | 17.1x | (4.5%) | (17.9%) |
| Delhaize Group | 06/30/09 | \$4,868 | \$7,310 | 0.4x | 4.8x | 7.5% | 9.5x | (5.4%) | 15.7% |
| Ingles Markets Inc. | 06/27/09 | \$388 | \$1,188 | 0.4x | 6.1x | 5.9% | 11.4x | 3.9% | (30.7%) |
| Kroger Co. | 08/15/09 | \$13,499 | \$20,669 | 0.3x | 5.2x | 5.3% | 10.6x | (6.4%) | (24.9%) |
| Ruddick Corp. | 06/28/09 | \$1,286 | \$1,682 | 0.4x | 5.9x | 7.1% | 14.8x | 13.6% | (18.0%) |
| Safeway Inc. | 09/12/09 | \$8,335 | \$13,322 | 0.3x | 4.8x | 6.7% | 9.8x | (3.2%) | (16.9%) |
| SUPERVALU Inc. | 06/20/09 | \$3,178 | \$11,617 | 0.3x | 4.7x | 5.6% | N.M. | 16.3% | (30.6%) |
| The Great Atlantic & Pacific Tea Company | 06/20/09 | \$461 | \$1,457 | 0.2x | 5.9x | 2.6% | N.M. | 109.6% | (17.7%) |
| Village Super Market Inc. | 07/25/09 | \$391 | \$373 | 0.3x | 5.8x | 5.3% | 14.4x | (0.9%) | 23.6% |
| Wal-Mart Stores Inc. | 07/31/09 | \$192,801 | \$230,046 | 0.6x | 7.7x | 7.4% | 14.5x | 1.3% | (18.0%) |
| Weis Markets, Inc. | 06/27/09 | \$861 | \$749 | 0.3x | 4.9x | 6.1% | 15.2x | (4.7%) | (11.3%) |
| Whole Foods Market, Inc. | 07/05/09 | \$4,279 | \$5,057 | 0.6x | 8.6x | 7.4% | 46.8x | 60.6% | 52.2% |
| Average Retail | | | | 0.4x | 6.0x | 6.4% | 16.4x | 15.0% | (7.9%) |

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

[Food Recall Prevention: Manage Risk to Protect Your Consumers and Your Brand](#)

Thursday, November 12, 2009 11:00 AM Eastern; Host: Pat Conroy, Principal - Deloitte Services LP

Increasingly, food recalls emphasize the need for companies to mitigate the risks to their brand and consumers. A sustainable, compliant, and enterprise-wide food safety program can enable companies to protect their consumers, brand and profitability. We'll discuss:

- Improving risk management and mitigation strategies within the changing regulatory environment.
- Defining foundational business requirements and ensuring compliance – from prevention through intervention and response.
- Surviving and thriving by leveraging supply chain improvements.

Learn how successful companies strengthen their competitive advantage by adapting a risk intelligent culture of food safety across the extended enterprise and marketing this approach to enhance consumer brand loyalty and product visibility.

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

Transaction & Business Events

[Bridging the Value Gap: Using Contingent Value Rights as an M&A Tool](#)

Monday, November 09, 2009 1:00 PM Eastern Time; Host: David Williams, Principal - Deloitte Financial Advisory Services LLP

More businesses are using contingent value rights (CVR) as a deal strategy and earn-outs to bridge the value gap between buyer and seller. How can a CVR help buyers positioned to do deals? We'll discuss:

- A legal overview of a CVR and the pros and cons of its use.
- Due diligence around understanding the value gaps precipitating the need for a CVR.
- SFAS 141(R) implications – new financial reporting and disclosure guidance related to contingent payments in transactions and related issues that registrants need to consider.

Learn how CVRs may play an important role in transactions as the M&A market begins to rebound.

[Click here](#) to register for the webcast (or visit www.deloitte.com/us/dbriefs to view the archived webcast after November 9, 2009).

Reports

[Destination 2025](#)

Focus on the Future of the Food Industry

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

[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.

Case Study

[Corporate Responsibility and Sustainability in Retail](#)

One man's trash...

How much are beat-up cardboard and old plastic film worth? Millions of dollars per year for one large U.S. retailer, thanks to a planned new recycling program that turns discarded packaging materials into bottom-line value.

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

Deloitte Corporate Finance LLC

Deloitte Corporate Finance LLC (DCF) is a wholly owned subsidiary of Deloitte Financial Advisory Services LLP. DCF provides deal execution and lead financial advisory services to large corporate, middle market, private equity and venture capital firms. DCF, Deloitte Financial Advisory Services LLP and their 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:

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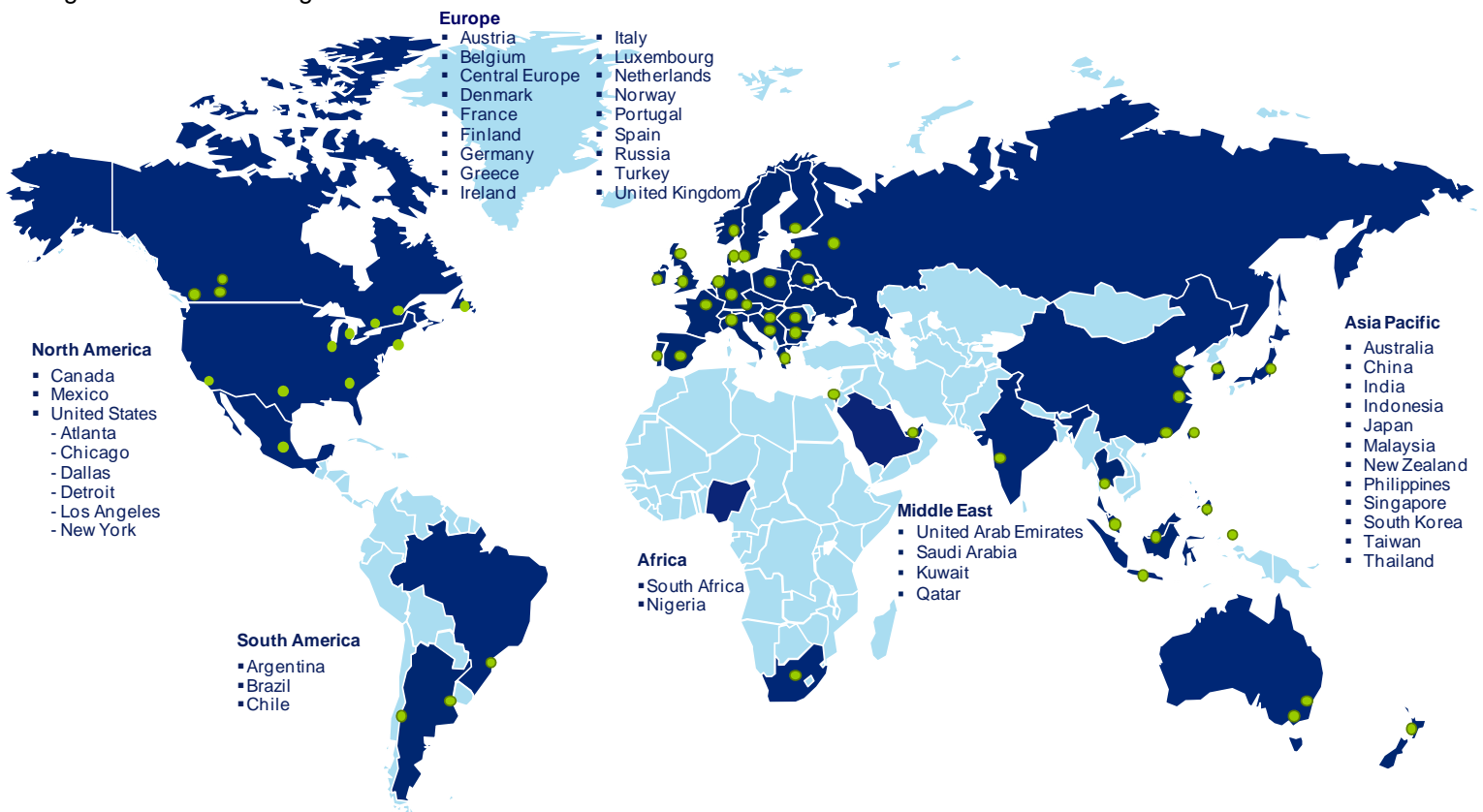
For additional information on members of the Consumer Products team of Deloitte LLP and it affiliates, please contact:

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Corporate Finance Practices of DTT Member Firms and Affiliates

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