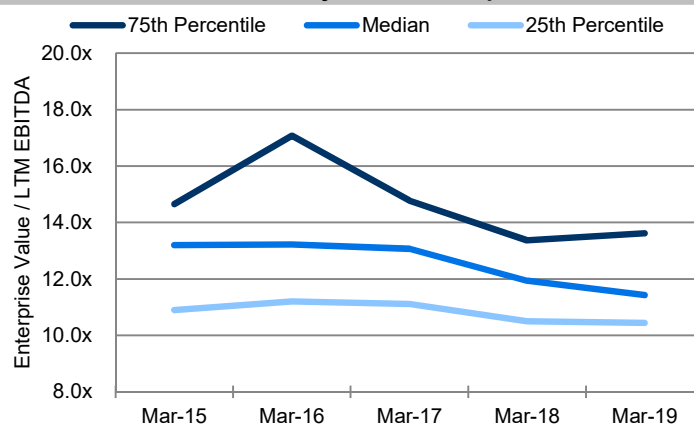


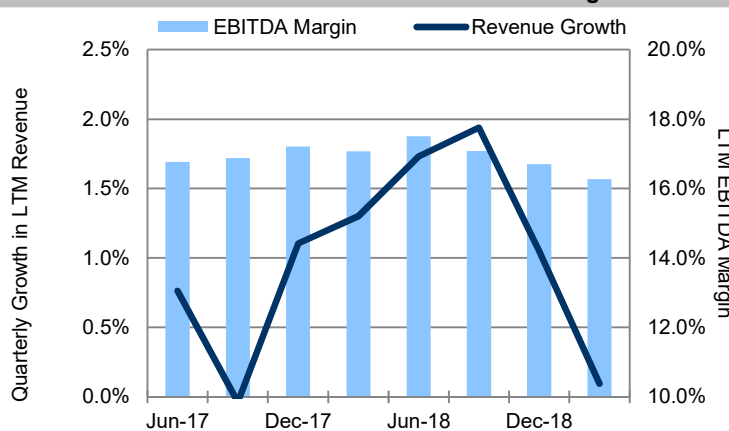
### Industry Highlights

- Both revenue and EBITDA growth have come under pressure in 2018. Pressure on growth has led many companies to focus efforts on high growth, and often healthier, brands and product offerings as consumer tastes and preferences evolve.
- As consumers' tastes and expectations advance over time so too will the variety of brands and products offered by leading manufacturers. This is evident among transactions including Flower Food's acquisition of gluten-free baking company Canyon for \$205 million, and Mondelez's acquisition of high-quality Tate's Bake Shop for \$528 million.
- One of the more surprising developments in the food industry has been Kraft Heinz's \$15 billion impairment of some of its key brands, a dividend cut of 30%, and an inquiry into its procurement by the SEC. Brands including Kraft and Oscar Mayer saw their goodwill value reduced, which only added more pressure to the packaged-food giant after disappointing fourth-quarter earnings.
- Despite industry struggles, other food giants in the space have reported neutral to positive fourth-quarter results as a variety of strategies and product shifts have begun to materialize. Earnings of both Campbell Soup Company and J.M. Smucker fared better at the end of 2018 than Kraft Heinz, although both still have areas of weakness within their portfolios such as Campbell's struggling soup sales. Nestle SA reported a rise in full-year sales driven by a focus on key categories including bottled water, coffee, and pet food. Kellogg made progress as it has attempted to boost revenue, sales in 4Q18 rose 7.2% to \$3.4 billion, but investors still expressed concern over Kellogg's shrinking cereal sales and market share.
- Other notable acquisitions include Tyson Foods' acquisition of MFG for \$2.5 billion from subsidiary Keystone Food LLC, Campbell's \$6.1 billion acquisition of Snyder's-Lance (12.8x adj. EBITDA post synergies), and Hershey's \$423 million acquisition of Pirate Brands.
- One noticeable trend among the selected industry peers is the focus on pet nutrition. Both J.M. Smucker and General Mills made acquisitions in 2018 related to this segment to capture a piece of the growing pet food category (\$30 billion annually). SJM purchased Ainsworth Pet Nutrition for \$1.9 billion (approximately 12x EBITDA), and GIS purchased Blue Buffalo Pet Products for \$8.0 billion (nearly 25x EBITDA).
- Compared to previous updates our most recent PPA analysis points to a modest increase in goodwill and brand-related allocations, 43% and 28% respectively. Customer-related allocation has remained near expected levels of around 10%.

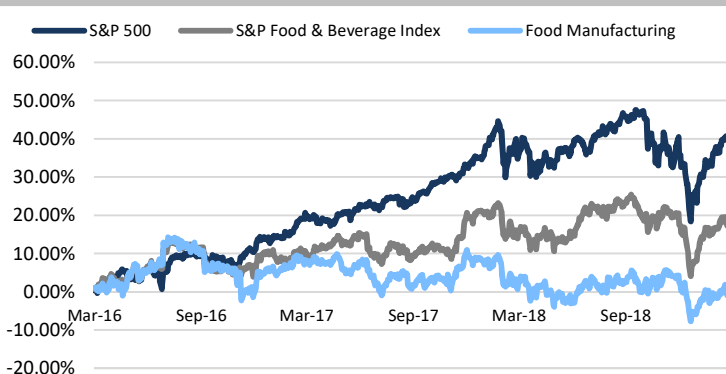
### Trend in Industry EBITDA Multiples<sup>1</sup>



### Trends in Revenue Growth and EBITDA Margins<sup>2</sup>

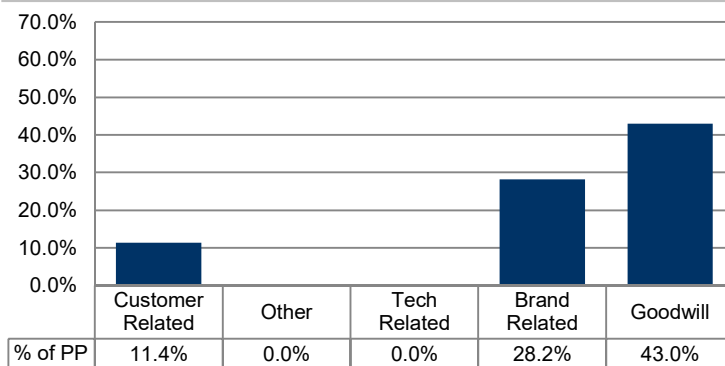


### Relative Stock Price Returns<sup>1</sup>



<sup>1</sup> Food Manufacturing Industry is a custom, equal-weighted index constructed with the aforementioned companies.  
<sup>2</sup> Calculated using aggregated data for KHC, MDLZ, GIS, K, HSY, TSN, CAG, HRL, CPB, SJM, MKC, INGR, PF, LW, PPC, POST, THS, SEB, BUFF, and FLO.

### Purchase Price Allocation (PPA) % from Recent Transactions



### Notable M&A Deals



In June 2018, Conagra announced its acquisition of Pinnacle Foods Inc. for \$10.9 billion in cash and stock. The purchase price reflects an adjusted EBITDA multiple of 15.8x, based on Pinnacle's estimated fiscal year 2018 results.



In January 2018, Hershey closed its acquisition of Amplify Snack Brands for \$1.5 billion. The transaction represents an effort by HSY to become an innovative snacking powerhouse. Based on previously announced guidance, the purchase price represents a 14.8x adj. EBITDA multiple.



In January of 2018, Post Holdings closed its acquisition of Bob Evans Farms, Inc. for \$1.8 billion. The highly complementary combination will strengthen Post's portfolio of brands and presence in higher growth categories. The purchase price represents a post synergies adj. EBITDA multiple of 12.5x.

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