

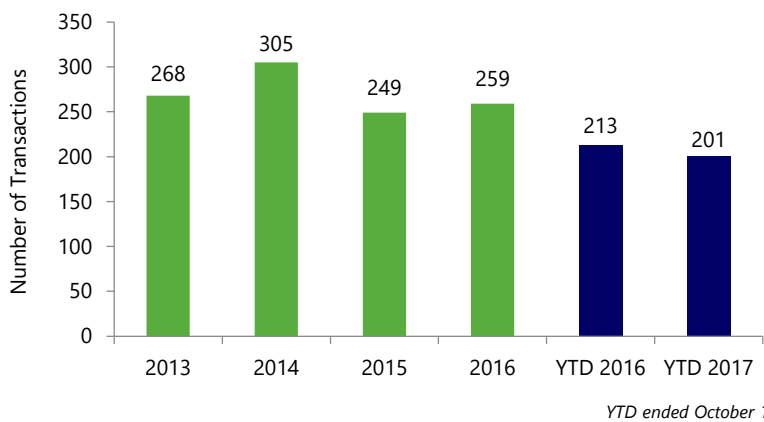


KEY M&A TAKEAWAYS

- ▶ Food & Beverage merger and acquisition (M&A) activity was healthy through the end of Q3. Deal volume remains robust with expected growth through the end of the year. Combined with strong public valuations (an average of 13.8x EBITDA across segments) and transaction multiples (a median of 1.5x revenue and 18.5x EBITDA in 2017), Capstone maintains a positive outlook for sellers.
- ▶ Private label brands continue to gain market share and have accounted for \$118 billion in sales for 2016, according to a Nielsen report. The attractive price point of such products, usually 25%-50% less than national brands, has kept customers making purchases even as median household income in the US has reached \$55,775, the highest since 2008. Consumer demand for private label products has created interest from prospective buyers. Smithfield Food's acquisition, profiled below, is one example of strategic M&A activity in this segment.

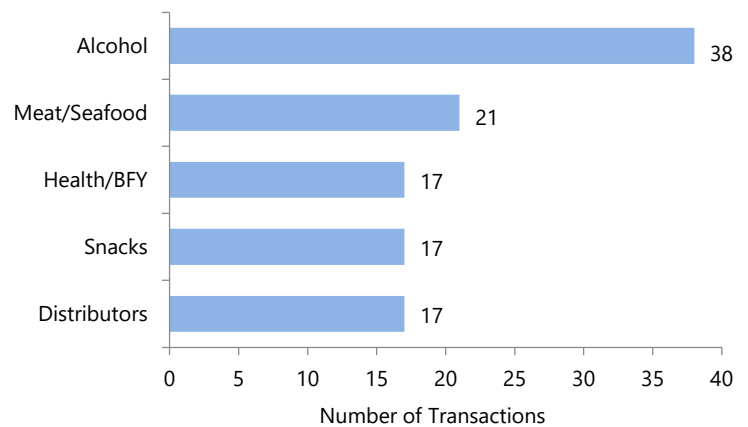
TRANSACTION VOLUME

- ▶ Transaction volume remains healthy year-to-date (YTD). Private equity buyers accounted for an increased share of deal volume at 34.5% YTD, compared to 27.9% in 2016.
- ▶ The median transaction value stands at a robust \$50 million.



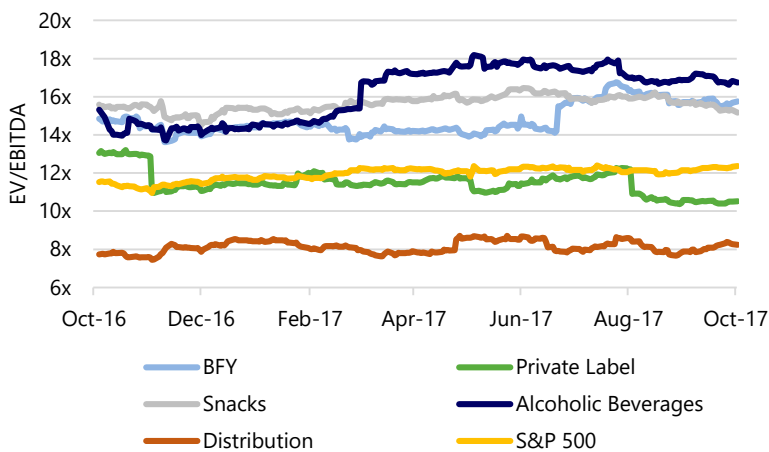
TOP DEAL SEGMENTS

- ▶ Continuing the trend seen in 2016, alcoholic beverages remains the largest source of M&A activity in the industry.
- ▶ Distributors have become increasingly popular acquisition targets in 2017, already surpassing the 15 deals for all of 2016.



AVERAGE PUBLIC EBITDA MULTIPLES

- ▶ Food & Beverage public company valuations remain strong. The alcoholic beverage segment grew 9.8% over the last twelve months, the most of any segment.



All chart sources: CapIQ and Capstone Partners LLC Research

NOTABLE TRANSACTIONS

- ▶ **Smithfield Foods acquires Kansas City Sausage (August 2017)**
International producer of meat products Smithfield Foods (Smithfield) acquired Kansas City Sausage (KC Sausage), a private label sausage manufacturing company. Terms of the deal were not disclosed. Kenneth M. Sullivan, President and CEO of Smithfield Foods, commented that the acquisition "simultaneously enhances our vertically integrated supply chain, further harmonizing our live production and processing capabilities. With this transaction, we will strengthen our focus on branded pre-rigor pork products and leverage Smithfield's expansive sales and distribution network to bring these premium offerings to more consumers."
- ▶ **Sapporo acquires Anchor Brewing (August 2017)**
Craft brewers are highly sought after by buyers as exemplified by Sapporo's acquisition of San Francisco-based Anchor Brewing. The target had an enterprise value of \$85 million. This represented a revenue multiple of 2.6x or approximately \$630 per barrel produced in the prior year. A few other notable brands have been acquired this year including Lagunitas, Funky Buddha and Wicked Weed.