

# Consumer Quarterly Update

Q3 2021



# DCF's Consumer Practice

**Deloitte Corporate Finance LLC (DCF)** is a leading global middle-market M&A adviser. Our professionals have extensive knowledge in the Consumer & Retail industry and use their experience to help clients enhance value.



## Consumer Leadership



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## Organization Overview

#1

2020 Global M&A  
Advisor by deals  
completed <sup>(1)</sup>.

487

Completed deals  
in the last 12  
months.

- Deep relationships in place to gain **critical strategic intelligence** and effectively market businesses.
- Worldwide, DCF has access to **2,400 Corporate Finance professionals** across 60 countries that complement the North American team.
- **Top global middle-market financial advisor** in 2020 according to Mergermarket <sup>(1)</sup>.



## Sector Focus

- Food and beverage
- Vitamins, minerals, and supplements (or “VMS”)
- Multi-Unit concepts

**Footnote(s):** (1) Recognized by Mergermarket as the #1 Global M&A Financial Advisor for 1H 2020.



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# Case study

## Formulife Supplements, LLC acquired by Satori Capital, LLC

### Deal Contacts

Lorin DeMordaunt & Matt Preece



*has been acquired by*



*The undersigned acted as  
exclusive financial advisor to  
Formulife Supplements, LLC*

**Deloitte.**

### Client Overview

- Based in Allen, TX, Formulife, Inc. (Formulife or “the Company”) specializes in dietary supplement manufacturing, and creates custom capsules, tablets, and powders for customers in the health and wellness industry.
- The Company’s in-house analytical laboratory, hands-on approach to product development, and ownership of the formulations help enable product quality.
- Formulife’s ability to develop differentiated flavor profiles with quality ingredients is a product of the Company’s innovation-centric operations and a significant differentiator.

### Situation Overview

- Deloitte Corporate Finance LLC (DCF) was engaged by Formulife to explore strategic alternatives and unlock shareholder value, while finding the Company an acquiror that would assist in keeping pace with rapid growth.
- DCF added significant value by:
  - Running a competitive marketing process to a tailored list of investors and strategics, leveraging its deal experience and connectivity in the industry.
  - Performed COVID-related adjustments and positioned the Company with a focus on its rapidly growing backlog in order to maximize valuation.
  - Developing marketing materials to clearly highlight Formulife’s tenured management team, powder flavoring capabilities, innovative formulations, and customer relationships.

### Key Takeaways

- Importance of advising the Company’s shareholders on the selection of a partner aligned and supportive of the Company’s objectives and innovative culture.
- Maximizing value by analyzing historical material costs, outsourced manufacturing, and other capacity-related expenses to normalize industry disruptions due to the pandemic to defend pro forma EBITDA adjustments.

Prior engagement performance is no guarantee of future performance and may not be representative of the experience of other clients. This communication is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security.

# Deloitte thought leadership

## Deloitte thought leadership

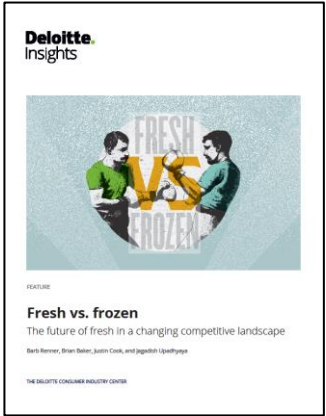
- Deloitte stays abreast of industry trends and makes significant investments in producing cutting-edge thought leadership.
- Deloitte is deeply committed to providing insights that help keep clients on the forefront of critical trends
- Focused research on industry drivers and trends helps enable Deloitte to demonstrate eminence in the business services market by redefining the lens through which industry leaders operate.

## Extensive knowledge network


DCF leverages its expansive cross-business knowledge network, extensive consulting reports, and in-depth industry research to drive results and provide differentiated insights for our clients.



## Recent insights



# Notable recent M&A transactions

<b>Food and beverage</b> 	<b>Brenntag Specialties acquisition of JM Swank</b> <ul style="list-style-type: none"> <li>JM Swank is a leading U.S. food ingredient distributor with national reach.</li> <li>Brenntag Specialties distributes fine chemicals, minerals, colors, and additives.</li> <li>Harris Williams has advised JM Swank, portfolio company of Platinum Equity, on its sale to Brenntag.</li> </ul>	<b>Close Date:</b> August 2021 <b>EV:</b> \$304.0M <b>Rev:</b> \$500.0M <b>EV/Rev:</b> 0.6x <b>EV/EBITDA:</b> -
	<b>Yadav Enterprises acquisition of Taco Cabana</b> <ul style="list-style-type: none"> <li>Taco Cabana, Inc. operates a chain of Tex-Mex patio style quick service restaurants located primarily in the southwestern U.S.</li> <li>Yadav Enterprises, Inc. is a restaurant company with locations throughout the United States.</li> <li>The transaction provides additional growth opportunities for Yadav Enterprises.</li> </ul>	<b>Close Date:</b> August 2021 <b>EV:</b> \$85.0M <b>Rev:</b> \$239.0M <b>EV/Rev:</b> 0.4x <b>EV/EBITDA:</b> 10.0x
<b>VMS</b> 	<b>Nexus Capital's investment in Sugar Bear Hair <sup>(1)</sup></b> <ul style="list-style-type: none"> <li>Sugar Bear Hair is a leading provider of hair, skin, nails, and sleep gummy vitamins.</li> <li>Nexus Capital is a middle market private equity firm specializing in buyouts and recapitalizations.</li> <li>DCF was the exclusive advisor to Sugar Bear in its minority sale to Nexus.</li> </ul>	<b>Close Date:</b> September 2021 <b>EV:</b> - <b>Rev:</b> - <b>EV/Rev:</b> - <b>EV/EBITDA:</b> -
	<b>BroadOak Capital Partner's acquisition of Particle Dynamics</b> <ul style="list-style-type: none"> <li>Particle Dynamics is a supplier for pharmaceutical, OTC, and nutraceutical companies.</li> <li>BroadOak Capital Partners is a life-sciences focused boutique financial institution.</li> <li>The acquisition will provide accelerated growth opportunities for Particle Dynamics.</li> </ul>	<b>Close Date:</b> September 2021 <b>EV:</b> - <b>Rev:</b> - <b>EV/Rev:</b> - <b>EV/EBITDA:</b> -
<b>Specialty retail</b> 	<b>Foot Locker Retail's acquisition of Eurostar</b> <ul style="list-style-type: none"> <li>Eurostar, Inc. operates as a retailer of athletic footwear and athletic gear.</li> <li>Foot Locker Retail, Inc. retails athletic shoes and apparel.</li> <li>The transaction provides Foot Locker with an expanded and differentiated customer base.</li> </ul>	<b>Close Date:</b> August 2021 <b>EV:</b> \$750.0M <b>Rev:</b> - <b>EV/Rev:</b> - <b>EV/EBITDA:</b> -
	<b>Herman Miller's acquisition of Knoll</b> <ul style="list-style-type: none"> <li>Knoll, Inc. designs, manufactures, markets, and sells commercial and residential furniture, accessories, and coverings for the workplace and residential markets in the US, Canada, Europe, and internationally.</li> <li>Herman Miller, Inc. researches, designs, manufactures, and distributes interior furnishings worldwide.</li> <li>The transaction could enable Herman Miller to support and grow existing Contract and Retail channels.</li> </ul>	<b>Close Date:</b> July 2021 <b>EV:</b> \$2,051.0M <b>Rev:</b> \$1,161.0M <b>EV/Rev:</b> 1.8x <b>EV/EBITDA:</b> 14.4x

**Footnote(s):** (1) DCF was the financial advisor for the target in the transaction.



# Food and beverage

## Sector trends <sup>(1)</sup>

- Rising food prices tested consumers' brand loyalty, with 68% of surveyed US shoppers switching grocery stores to save money.
- At-home cooking trends remained strong and are slated to maintain with 92% of surveyed American families planning to continue or increase at-home dining and 30% of consumers remain hesitant about returning to dining in restaurants.
- Large sector operators expressed concern about rising costs and reported sensing strong inflationary headwinds as supply chain bottlenecks and other input shortages resulted in a 2.2% year-over-year increase in price across the six major grocery store food groups.
- Grocery stores' private label offerings benefitted from relative branded food product price increases, as 86% of surveyed US shoppers purchased store brands to save money.

## Select recent M&A activity <sup>(2)</sup>

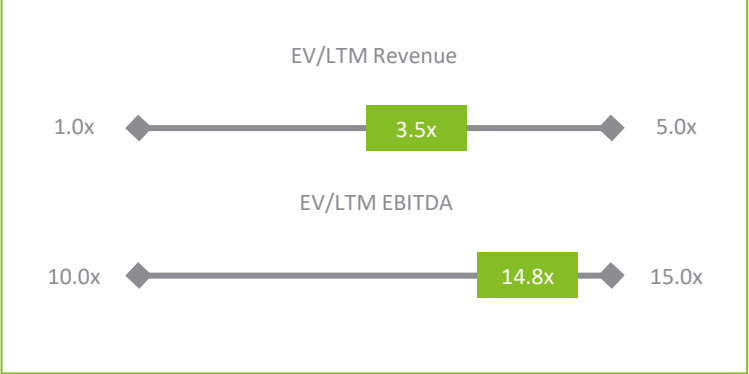
Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
09/2021	Odwalla, Inc.	Full Sail IP Partners, LLC	-	-
09/2021	Carolina Dairy	Saputo, Inc. (TSX: SAP)	\$118.0	-
08/2021	Wild Planet Foods, Inc.	Bolton Group S.R.L.	-	-
08/2021	Sanderson Farms, Inc.	Cargill, Continental Grain Company	\$4,649.6	-
08/2021	Louisiana Fish Fry Products LTD	MidOcean Partners LLP	-	-
07/2021	Nature Spoon, LLC	GenTech Holding, Inc. (OTCPK: GTEH)	-	-



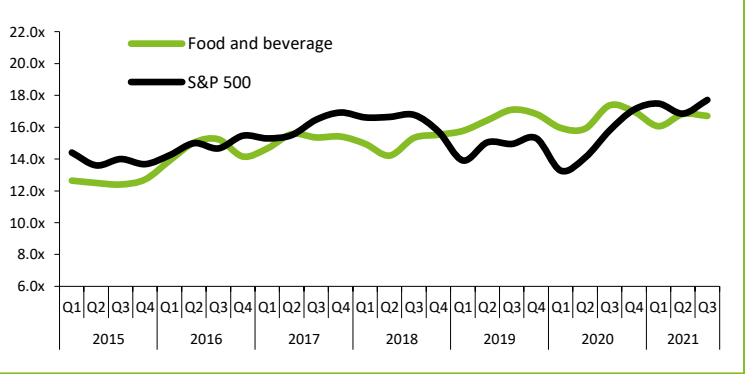
## Select public comparables <sup>(3)</sup>

Company Name	Enterprise Value (MM)
The Coca-Cola Company	\$265,106.2
Conagra Brands, Inc.	\$25,559.2
General Mills, Inc.	\$50,757.5
Hormel Foods Corp.	\$25,976.3
Mondelez International, Inc.	\$101,273.8
Nestlé S.A.	\$348,950.3

## Trading metrics <sup>(4)</sup>



## Historical EV/EBITDA multiples <sup>(5)</sup>



Sector trends

- Rising Internet access and shifts in consumer shopping preferences are increasing VMS sales through e-commerce, allowing VMS companies to reach a wider customer base in regions with historically lower demand.
- Consumers are gravitating toward VMS brands with science-backed ingredients that validate efficacy and marketing claims.
- VMS brands continue to outsource manufacturing which affords strategic advantages including cost savings, advanced product quality, and regulatory compliance.
- VMS contract manufacturers are rapidly consolidating to build capacity, with large industry players acquiring smaller contract manufacturers with flexible operations and facilities.

Select recent M&A activity <sup>(1)</sup>

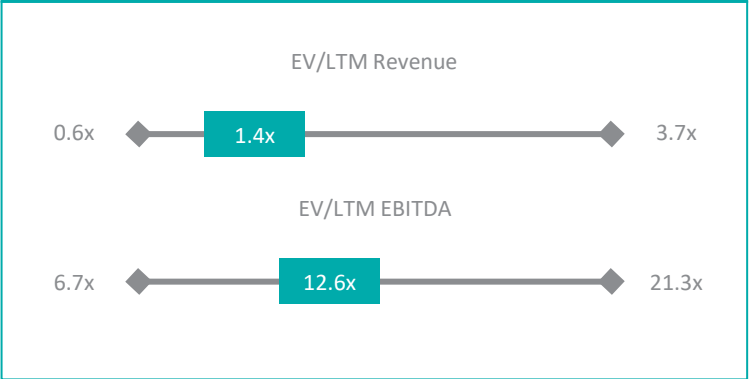
Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
09/2021	Function Supplements, LLC	TRU Supplements, Inc.	-	-
09/2021	Particle Dynamics, Inc.	BroadOak Capital Partners	-	-
09/2021	BeLive	BioneXX Holding GmbH	-	-
08/2021	Tru Brands, Inc.	Simply Better Brands Corp.	\$7.5	-
07/2021	Sequel Natural Ltd.	WM Partners, LP	-	-
07/2021	Lifetime Metabolics, LLC	Curis Functional Health, LLC	-	-
07/2021	Uqora, Inc.	Pharmavite, LLC	-	-



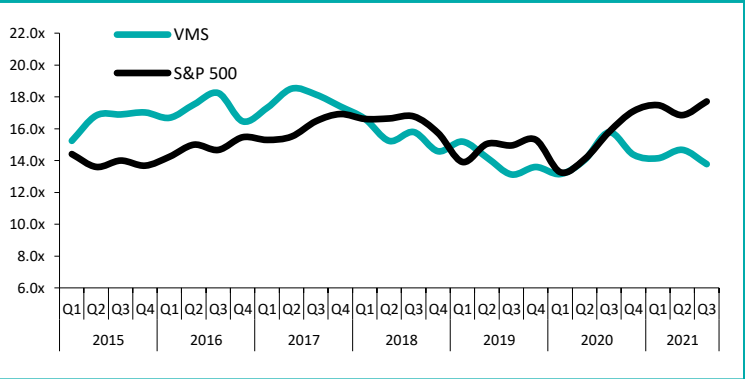
Select public comparables <sup>(2)</sup>

Company Name	Enterprise Value (MM)
Glanbia plc	\$5,551.4
Herbalife Nutrition Ltd.	\$6,665.2
Jamieson Wellness Inc.	\$1,308.0
Medifast, Inc.	\$2,074.3
Nature’s Sunshine Products, Inc.	\$241.0
Reckitt Benckiser Group plc	\$68,876.7

Trading metrics <sup>(3)</sup>



Historical EV/EBITDA multiples <sup>(3)</sup>





# Multi-Unit

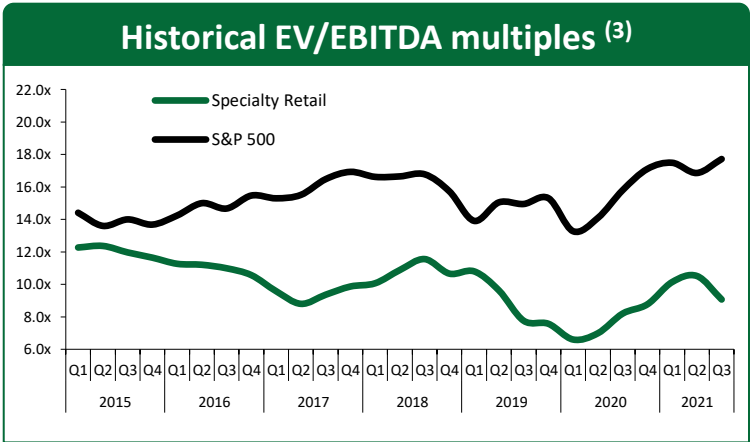
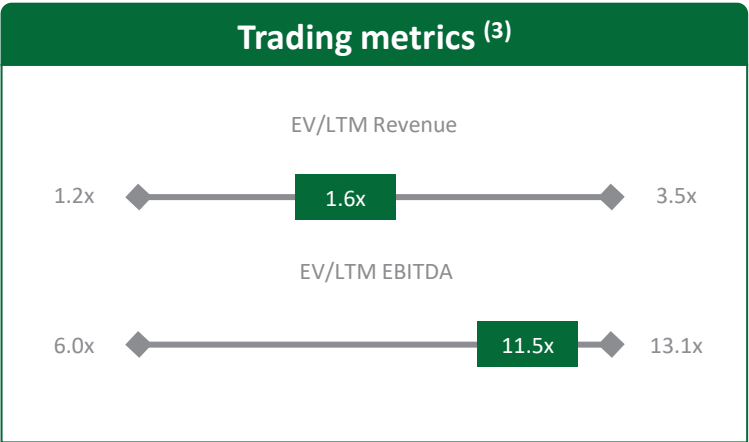
## Sector trends

- An increase in disposable income of individuals across the US has demonstrated to be beneficial for retail companies.
- As a result of the pandemic, the overall retail sector revenue decreased. Consumers are shifting to shopping through e-commerce channels rather than in traditional brick and mortar stores.
- The retail sector is expected to bounce back over the next five years as disposable income continues to climb.
- The general increase in population is another driver of retail sales, leading to many retail companies being concentrated in locations of high population density.

Select public comparables <sup>(2)</sup>	
Company Name	Enterprise Value (MM)
Columbia Sportswear Company	\$5,916.7
Guess?, Inc.	\$2,109.7
Hanesbrands Inc.	\$9,437.6
Oxford Industries, Inc.	\$1,617.0
Ralph Lauren Corporation	\$8,730.7
Tractor Supply Company	\$25,570.3

## Select recent M&A activity <sup>(1)</sup>

Close Date	Target	Acquiror	Implied EV (MM)	EV/EBITDA
09/2021	Trinity Hardwood Distributors, Inc.	Galleher Corporation	-	-
08/2021	Air Conditioning Specialist, Inc.	Hidden Harbor Capital Partners, LLC	-	-
08/2021	C&W Motors, Inc.	RumbleON, Inc. (NasdaqCM:RMBL)	\$627.5	-
08/2021	Burlington RV Superstore, Inc.	Lazydays Holdings, Inc. (NasdaqCM:LAZY)	-	-
08/2021	Duluth Hockey Company	Pure Hockey, LLC	-	-
07/2021	Inner Spirit Holdings Ltd.	Sundial Growers, Inc. (NasdaqCM: SNDL)	\$115.2	-



# Appendix

## Sources Cited

### Page 2:

1. [Mergermarket](#). Accessed January 19, 2021. Data as of January 19, 2021.

### Page 6:

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  - c. [Fox Business](#). *Food and beverage giants sound inflation alarm*. Accessed October 13, 2021.
2. Relevant M&A Transactions closed in Q3 2021.
  - a. [S&P Capital IQ](#). Accessed October 13, 2021. Data as of September 30, 2021.
3. Select public comparables set in Q3 2021.
  - a. [S&P Capital IQ](#). Accessed October 13, 2021. Data as of September 30, 2021.
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  - a. [S&P Capital IQ](#). Accessed October 13, 2021. Data as of September 30, 2021.

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1. Relevant transactions announced in Q3, 2021.
  - a. [S&P Capital IQ](#). Accessed October 13, 2021. Data as of September 30, 2021.
  - b. [Mergermarket](#). Accessed October 13, 2021. Data as of September 30, 2021.
2. Select public comparables set in Q3, 2021.
  - a. [S&P Capital IQ](#). Accessed October 13, 2021. Data as of September 30, 2021.
3. Select public comparables set in Q3, 2021.
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