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# Private Label Consumer Goods

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**Food & Beverage**  
**Household Products**  
**Health & Beauty Items**

Merger & Acquisition Market Review  
First Half 2005



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## Statement of Purpose

The purpose of this periodic review of the M&A market for private label consumer goods companies is to provide independent private label manufacturers with the following:

- *Valuable perspective and a participant's insight into the accelerating consolidation of the manufacture of private label consumer goods.*
- *Less nebulous, more helpful explanations of statistical and strategic trends in the market for private label companies.*
- *Prioritized factors that affect independent owners and their businesses for use in better evaluating exit strategy alternatives.*

## Analysis of the Current Market

Both strategic and financial acquirers were active in the first half of 2005. On the strategic side, Ralcorp, Saputo, SunOpta and Faribault Foods were all buyers, while reports indicated Del Monte was shopping its private label soup business.

On the financial side, Hicks Muse, Catterton, and Imperial Capital (through its e.d. Smith vehicle which recently completed an IPO) were all buyers of store brand companies.

As is often the case, few transaction terms were made available to the public. Therefore, valid statistics on multiples paid are impossible to calculate. However, firsthand anecdotal evidence indicates that near record high multiples are being paid for category leaders – well in excess of six times adjusted EBITDA in most cases.

Most industry participants we talk to expect more transactions to follow in the second half of the year, given the strong seller's market at the moment. Twelve to 18 months ago, sellers cautiously entered the market by bringing out properties that were easily accepted by the buying community – properties with long track records of growth and profitability. As the market has become healthier, and success stories are more common, more and more properties are being offered. Some key drivers of the strength of this seller's market include:

- Economic growth and improved business performance.
- Strategic buyers with large cash hoards becoming increasingly active (e.g. Ralcorp and TreeHouse Foods) and once again seeking acquisitions to supplement internal growth.
- A large overhang of uninvested private equity capital.
- Robust debt markets combined with historically low interest rates.

## Highlighted Transactions

Dutch food manufacturer **Royal Wessanen nv** divested **Gelderland Frischwarengesellschaft mbH (GFG)**, producer of private label bacon products and part of its Private Label Group. GFG sales in 2004 were approximately EUR 25 million. Terms of the transaction were not disclosed. *January 17, 2005*

Greenwich-based private equity firm **Catterton Partners** acquired the branded and private label cookie business of the North American Bakery Group of **Parmalat Bakery & Dairy, Inc.** The acquisition includes the well-known Archway & Mother's brands, Parmalat's U.S. and Canadian private label cookie businesses, as well as established regional brands. Catterton is a private equity firm with \$1.2 billion under management that focuses exclusively on the consumer industry. Terms of the transaction were not disclosed. *January 31, 2005*

Canadian food company **e.d. Smith & Sons, Ltd.** acquired North East, Pennsylvania-based **North Coast Processing, Inc.**, a producer of private label salad dressings, marinades, barbeque sauces, and table syrups. Founded in 1882, e.d. Smith has been owned by Toronto merchant bank Imperial Capital Corporation since 2002. Terms of the transaction were not disclosed. *February 11, 2005*

**Saputo, Inc. (TSE: SAP)**, the largest dairy processor in Canada, announced it would acquire **Schneider Cheese, Inc.** of Waldo, Wisconsin, a manufacturer of string cheeses and cheese sticks under the Schneider brand name and other private labels. The announced purchase price of US\$ 23.9 million implies a price-to-revenue multiple of approximately 0.6 times on a debt-free basis. *May 16, 2005*

**Faribault Foods, Inc.** of Minneapolis acquired the fruit juice division of **SoftPac Industries** of Elk River, Minnesota. The new "Faribault Foods Beverage Division" will manufacture fruit juice drinks and 100% juices, packaged in the foil "stand-up pouches" made famous by Capri Sun brand drinks. The beverages will be marketed through the private label channel. Faribault Foods is a 110 year old processor of canned products including vegetables, pasta, chili, soup, beans and Mexican and organic foods. Its products are marketed nationally through the company's own brands, retailers' private labels, and long term co-pack contracts. Terms of the transaction were not disclosed. *May 27, 2005*

Dallas-based private equity firm **Hicks Muse Tate & Furst** bought **Sturm Foods, Inc.** of Manawa, Wisconsin, from an investor group led by **Mason Wells** of Milwaukee. Sturm Foods is a private label provider of nutritional drink mixes, hot cereals and other dry mix products to the retail and food service industries. Sturm Foods' CEO Michael Upchurch will continue to own a substantial equity stake in the company, which was founded in 1905 as a family business. An estimated enterprise value of \$350 million for Sturm Foods implies a multiple in excess of four times revenue. *May 31, 2005*

**SunOpta, Inc. (NASDAQ: STKL)**, a Toronto-based vertically integrated producer of natural and organic foods, completed the acquisition of the outstanding shares of **Cleugh's Frozen Foods, Inc.** of Buena Park, California. Cleugh's is a third generation family business with annual revenues in excess of \$50 million that focuses on processing natural and organic frozen fruits and vegetables for the retail private label, food service and industrial markets. The purchase price was not disclosed.

*June 20, 2005*

Press reports indicated that **Del Monte Foods Co. (NYSE: DLM)**, the nation's largest producer and distributor of premium quality processed fruits, vegetables and tomato products, was offering to sell its private label soup and baby foods businesses. Del Monte's private label soups account for 70% of total private label soup sales. The baby food business operates under the Nature's Goodness brand and ranks a distant third in market share behind Gerber and Beech-Nut. The sale may also include the College Inn line of broth. Collectively, the businesses, which were originally owned by Heinz, generate sales of \$350 million and adjusted EBITDA of \$40 million annually. Indications are the businesses will likely fetch in excess of six times adjusted EBITDA. Both financial and strategic buyers are likely to show interest.

*June 20, 2005*

**Weider Nutrition Intl. (NYSE: WNI)** sold its Haleko nutrition business in Europe to **Atlantic Grupa** of Zagreb, Croatia. Haleko makes the Multipower and Multaben brands, as well as product for a number of private label customers. The business sold for less than 0.23 times annualized 9-month sales of approximately \$50 million, given that it was running an operating loss of almost \$1 million.

*June 22, 2005*

**Ralcorp Holdings, Inc. (NYSE: RAH)** completed the acquisition of **Medallion Foods, Inc.** of Newport, Arkansas, a leading manufacturer of value brand and private label corn-based snack products including tortilla chips, corn chips and extruded corn products. Medallion had net sales of \$42.8 million for the year ended December 31, 2004. Terms of the transaction were not disclosed.

*June 22, 2005*



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