

## Natural & Organic M&A Market Update First Quarter 2008

VOLUME V, ISSUE V

### Update At A Glance...

- **M&A multiples** for companies with scale in their category **remain near record highs**.
- **Foreign acquirers**, trading on the weak dollar, **could become more active**.
- Because of the sector's equity orientation, the **leveraged lending turmoil has had no major impact** on transactions.

## HEALTHY M&A MARKET FOR NATURAL/ORGANIC COMPANIES

**Overview:** The natural/organic M&A market remains very healthy, with multiples for “threshold” companies (i.e., those with sufficient scale in their respective categories) near record highs. However, larger publicly-traded natural/organic company multiples have disconnected recently from both the broader food industry stock average and the M&A market, as these companies wrestle with endemic business issues and pivot points in their evolution.

### What's Hot:

- Personal care/health and beauty companies
- Household products companies
- Natural and organic sweetening agents
- Digestive tract health/function agents



---

### Stephen C. Tardio

Managing Director  
(312) 920-9003  
stardio@htcapital.com

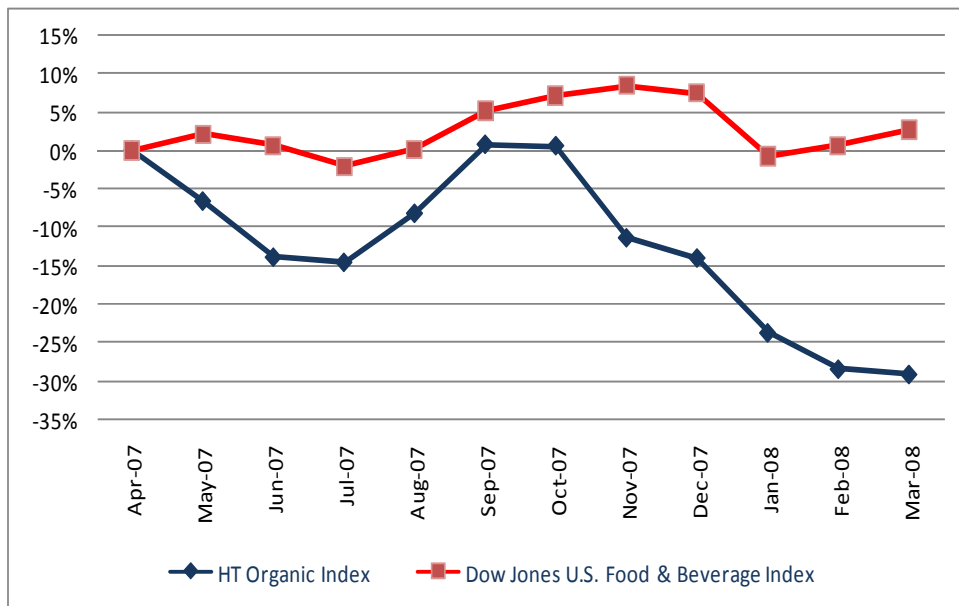
### Steven M. Rathbone

Vice President  
(212) 759-9080  
srathbone@htcapital.com

### Thomas J. Albanese

Analyst  
(212) 759-9080  
talbanese@htcapital.com

### HT CAPITAL NATURAL & ORGANIC INDEX<sup>1</sup>



Natural and organics company stocks have separated from the broader food index, due primarily to growing pains of the larger capitalized companies in our Index.

### MARKET NOTES

**Eat Your Greens:** One-third of adults (36%) claim to “regularly” buy green products, up from just 12% 16 months ago. Further, the number of people who “never” purchase green products has shrunk by half. (Source: Mintel)

**Drinking Up:** “Functional” beverages — those with added vitamins or other benefits — are enjoying significant growth and are now a \$9.8 billion industry. (Source: Mintel)

**Still Hungry:** Forces driving grocery prices up sharply over the past year—China food demand and a global biofuels boom—have created a supply crunch and price increases in the organic food market as well. One reason for lagging supply: the three years it typically takes to transition conventional cropland to organic. (Source: The Associated Press)



**Less Is More:** More than half of consumers surveyed say they’re changing their diet for the better, such as increasing consumption of healthy food and snacks, replacing high-calorie snacks with healthier options, and trying to snack less. As a result, manufacturers and retailers have an opportunity to promote products that are light, natural/organic, healthy, nutritious and functional. (Source: Information Resources, Inc.)

<sup>1</sup> Source: HT Capital research & Yahoo Finance (Market Weighted Index composed of HAIN, STKL, WFMI, LWAY, GXYF, UNFI, NUTR, WNI, NTY, NATR)

## PUBLIC COMPANY METRICS

Natural & Organic Consumer Products  
Selected Comparable Public Companies

(\$ in millions, except per share)

Company	Stock Price <sup>2</sup>			Equity Value	Enterprise Value	Price/EPS <sup>(TTM)</sup>		Enterprise Value as a Multiple of:			
	Recent Price	As a % of High				2007	2008	Revenue <sup>3</sup>		EBITDA <sup>4</sup>	
		LTM	AT					2007	2008	2007	2008
Galaxy Nutritional Foods Inc. (GXYF)	\$0.22	30%	1%	3.8	5.0	10.5x	4.3x	0.42x	0.21x	8.8x	2.2x
Lifeway Foods Inc. (LWAY)	13.19	64%	64%	221.7	219.4	58.9x	53.7x	6.30	4.85	34.1	31.0
Nature's Sunshine Products Inc. (NATR)	8.40	76%	30%	128.3	96.2	13.3x	9.8x	0.42	0.28	5.3	3.6
NBTY Inc. (NTY)	29.63	55%	55%	1,980.2	2,060.4	18.0x	9.8x	1.49	0.94	9.3	5.3
Nutraceutical International Corp. (NUTR)	11.50	68%	43%	130.0	147.5	12.4x	11.2x	1.21	0.99	6.6	5.8
Schiff Nutrition International Inc. (WNI)	5.65	73%	31%	151.0	108.0	13.0x	13.8x	0.60	0.67	5.4	5.1
SunOpta Inc. (STKL)	5.43	35%	35%	346.9	528.4	56.9x	23.0x	1.38	0.79	23.3	12.8
The Hain Celestial Group, Inc. (HAIN)	25.02	71%	64%	1,003.6	1,193.2	27.3x	22.7x	1.53	1.33	NA	11.5
United Natural Foods Inc. (UNFI)	20.19	61%	55%	870.2	1,208.5	25.4x	18.0x	0.54	0.41	13.0	10.6
Whole Foods Market Inc. (WFMI)	31.76	59%	41%	4,430.9	5,159.5	32.5x	28.8x	1.03	0.82	12.9	11.6
<b>MEDIAN</b>		<b>62%</b>	<b>42%</b>			<b>21.7x</b>	<b>15.9x</b>	<b>1.12x</b>	<b>0.81x</b>	<b>9.3x</b>	<b>8.2x</b>
<b>MEAN</b>		<b>59%</b>	<b>42%</b>			<b>26.8x</b>	<b>19.5x</b>	<b>1.49x</b>	<b>1.13x</b>	<b>13.2x</b>	<b>9.9x</b>

## DEAL ENVIRONMENT/INDUSTRY TRANSACTIONS

**Foreign Intrigue:** The weak dollar is drawing cash buyers from overseas looking for attractive investments and acquisitions in the U.S. Look for increased cross-border activity this year.

**Early Stage Valuation Gap:** There is often a larger valuation gap between entrepreneurs and growth investors than there is between sellers and buyers at the ultimate liquidity stage, we have found. The maturation of entrepreneur, their business and the industry over time is typically cited as the cause of this phenomenon.

**Strategic vs. Financial Buyer Issues Not At Play Here:** In the broad M&A market, the credit crunch in the leveraged finance markets has put financial buyers at a distinct disadvantage versus strategic buyers, particularly at the upper end of the middle market. But because of the small amount of leverage a financial buyer targeting this industry is able to put on high-growth natural/organic companies, valuation benchmarks are similar to strategic acquirers.

**Noteworthy Recent Transactions:**

- **Coca-Cola Co.'s** (NYSE: KO) acquisition of a 40% stake in **Honest Tea**. Coke also received a three year option to purchase the remaining stake in the company. Honest Tea gets to employ Coke's distribution network. Honest Tea generated revenues of \$23 million last year.
- Organic milk producer **Stremicks Heritage Foods'** acquisition of **8th Continent** (soy beverages) from **DuPont** (NYSE: DD) and **General Mills** (NYSE: GIS). The deal included a long-term supply agreement from Solae, a DuPont majority-owned joint venture. 8th Continent generated revenues of \$40 million last year.
- **The Hain Celestial Group's** (NASDAQ: HAIN) acquisition of **nSpired Natural Foods'** nut butter brands and facility. The MaraNatha and SunSpire brands generated revenues of \$40 million last year.

<sup>2</sup> Source: Yahoo Finance & Google Finance

<sup>3</sup> Enterprise Value (Equity + Funded Debt – Cash) / Trailing Twelve Months Revenue

<sup>4</sup> Enterprise Value / Trailing Twelve Months Earnings Before Interest, Taxes, Depreciation and Amortization

## INDUSTRY TRANSACTIONS

Natural & Organic Consumer Products  
Market Transactions<sup>5</sup>

(\$ in millions)

Date	Target	Acquirer	Deal Size	Multiples of	
				Revenue	EBITDA
03/25/08	Barefruit Juice Ltd.	Lovejuice Limited			
03/15/08	Dorset Cereals Ltd.	Wellness Foods Limited			
03/10/08	New Oxford Foods, LLC	Hain Pure Protein Corporation			
03/06/08	Snikiddy, LLC	D. E. Shaw Investment Management, L.L.C.	\$ 15.0		
03/06/08	nSpired Natural Foods, Inc., Two Brands and their Nut Butter Manufacturing Facility	The Hain Celestial Group, Inc.			
03/04/08	Europe's Best, Inc.	The J. M. Smucker Company			
02/19/08	Organic To Go Food Corporation	Inventages Venture Capital Investment Inc, W. Health	\$ 10.0		
02/15/08	New Leaf Community Markets, Inc.	Planet Organic Health Corp.	\$ 9.8	0.4	6.5
02/11/08	8th Continent LLC	Stremicks Heritage Foods, LLC			
02/05/08	Honest Tea	Coca-Cola Co.			
01/31/08	Nutrijoy, Inc.	Coca-Cola Co			
01/29/08	Cerealpes	Nutrition & Santé SAS			
<b>MEDIAN</b>				<b>0.4x</b>	<b>6.5x</b>
<b>MEAN</b>				<b>0.4x</b>	<b>6.5x</b>

<sup>5</sup> Source: HT Capital Research, company records & Capital IQ

With history dating back over a half century, HT Capital stands ready to work with you to arrive at the optimal solutions for you and your company. For more information regarding the current natural & organic consumer product transaction environment, or to discuss how HT Capital might be of service, please contact our practice lead,

Stephen Tardio, at (312) 920-9003 or via e-mail: [stardio@htcapital.com](mailto:stardio@htcapital.com).

If you prefer to receive subsequent issues of the Natural & Organic Market Update electronically, please supply your e-mail address at [info@htcapital.com](mailto:info@htcapital.com).



### Investment Banking Services

- Mergers and Acquisitions
- Divestitures
- LBOs and Management Buyouts
- Recapitalizations and Restructurings
- Strategic Partnerships
- Capital Raising
- Valuations and Fairness Opinions
- Private Equity

437 Madison Avenue New York, New York 10022  
Tel: (212) 759-9080

70 W. Madison Street. Chicago, Illinois 60602  
Tel: (312) 920-9003

[www.htcapital.com](http://www.htcapital.com)