



Food & Beverage Investment Trends

2017 IFAMA World Conference

Strictly Confidential
June 2017



Rabo Securities

Section

I

Introduction to Rabobank



Rabo Securities

Rabobank – Global Financial Services Leader in Food & Agriculture

\$109bn

committed to the
Food &
Agriculture
sector



Located in

40+

countries, providing
global scale
and local
network



AA-rating, ranking⁽¹⁾
among the

Top-25
safest banks
globally



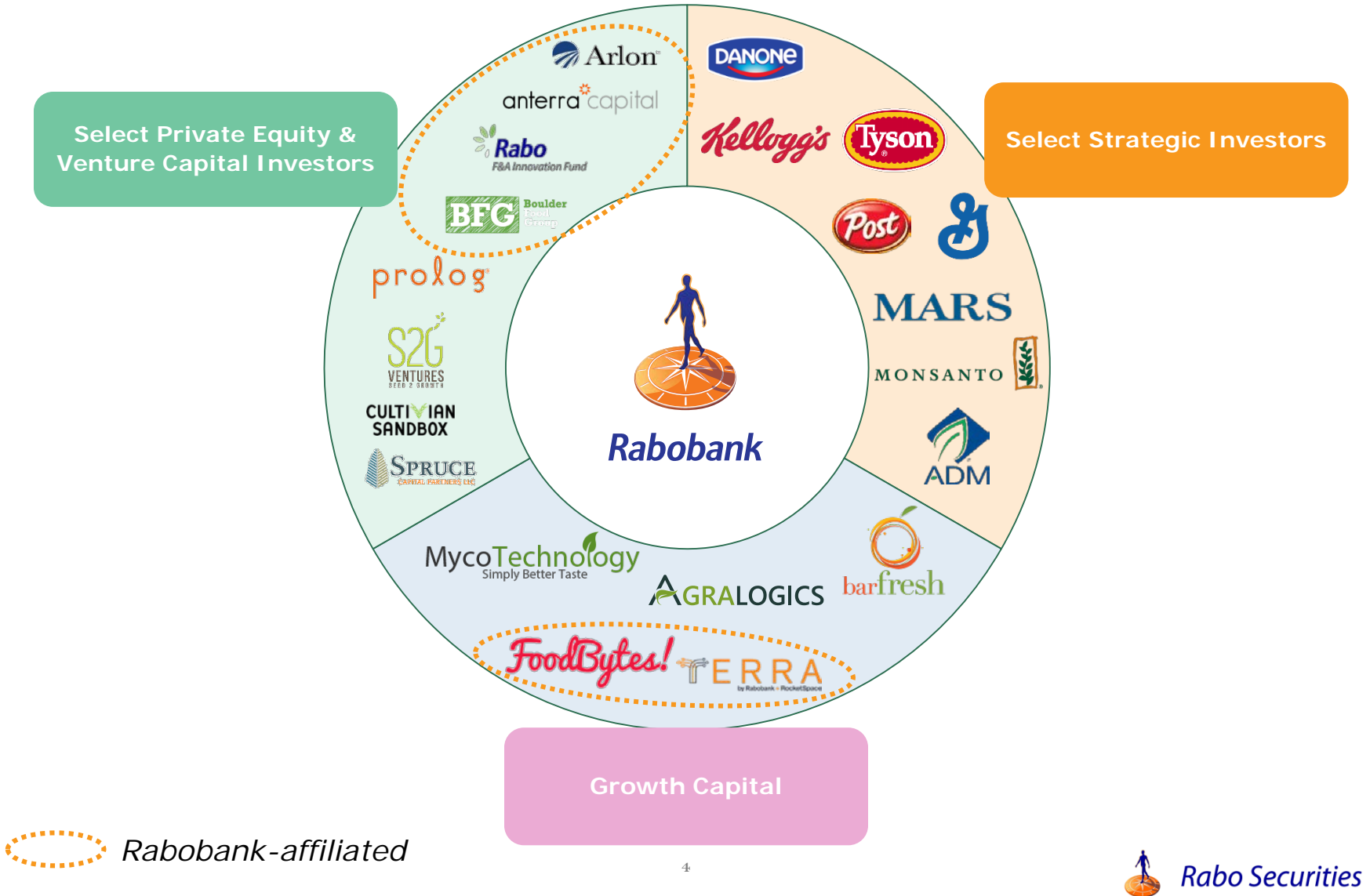
Dedicated expertise in
Food &
Agriculture
worldwide



Note 1: Global Finance, 2015 ranking

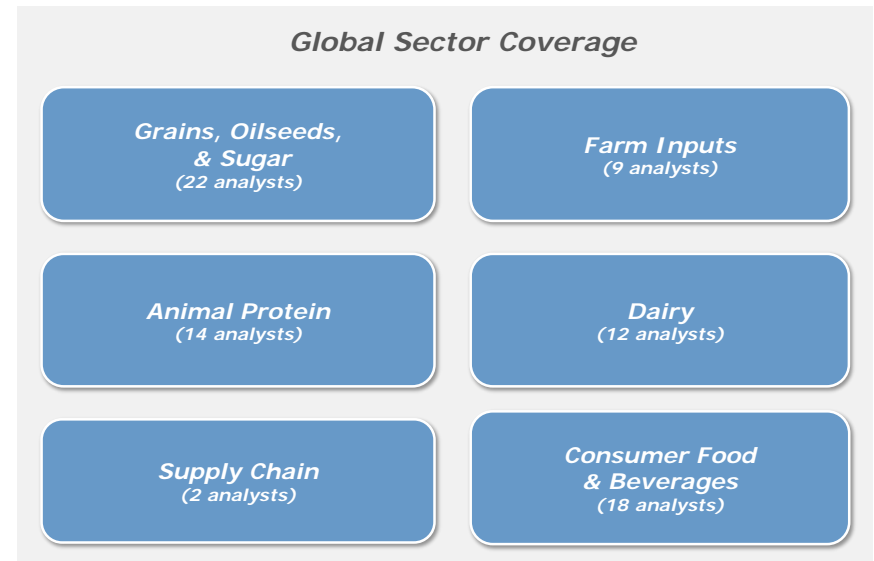


Rabobank – Promoting Innovation in the Food & Agriculture Ecosystem



RaboResearch – Proprietary Global F&A Sector Research Expertise

- Global research platform and local knowledge provide an in-depth network and understanding of the Food & Agriculture (sub-) sectors
 - Dedicated research professionals across 20 offices globally, covering 9 sub-sectors, working closely with Rabobank's M&A, ECM and DCM professionals
- Fundamental research covering the entire F&A chain and macro themes impacting a particular F&A industry
- All relevant topics in each sector are monitored from a local, regional and global perspective

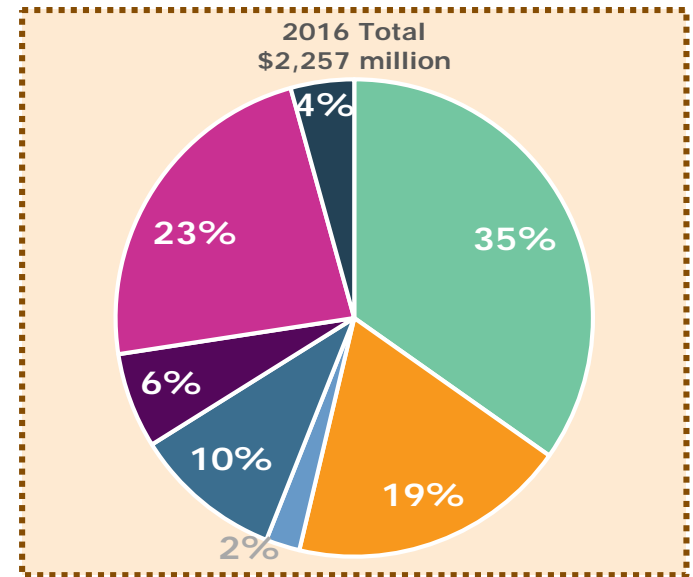
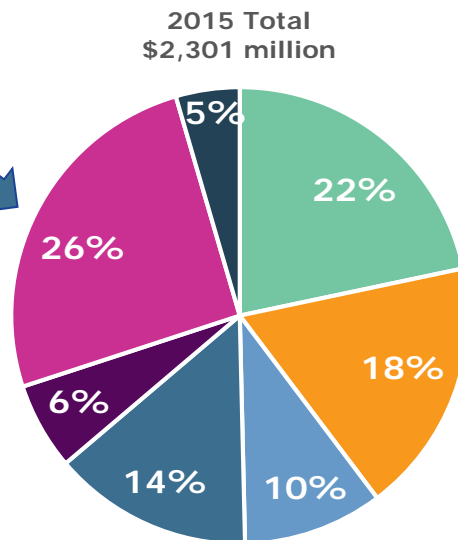
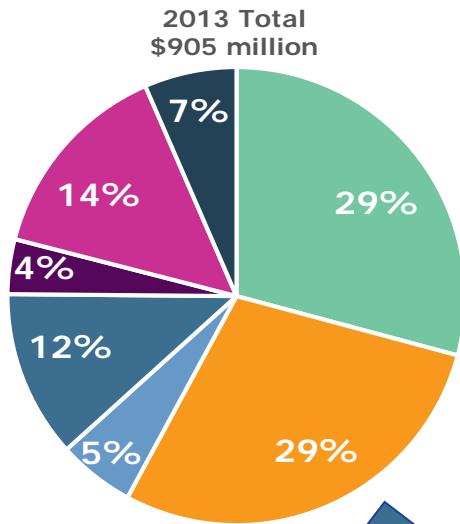


II

Food & Beverage Venture Capital Trends: 2013 – 2017 YTD



Total Food & Beverage Investment – By Category



- Food E-Commerce
- Branded Foods
- Alternative Proteins / Novel Foods
- Beverages (non-alcoholic)
- Beverages (alcoholic)
- Restaurants / Grocery
- Other

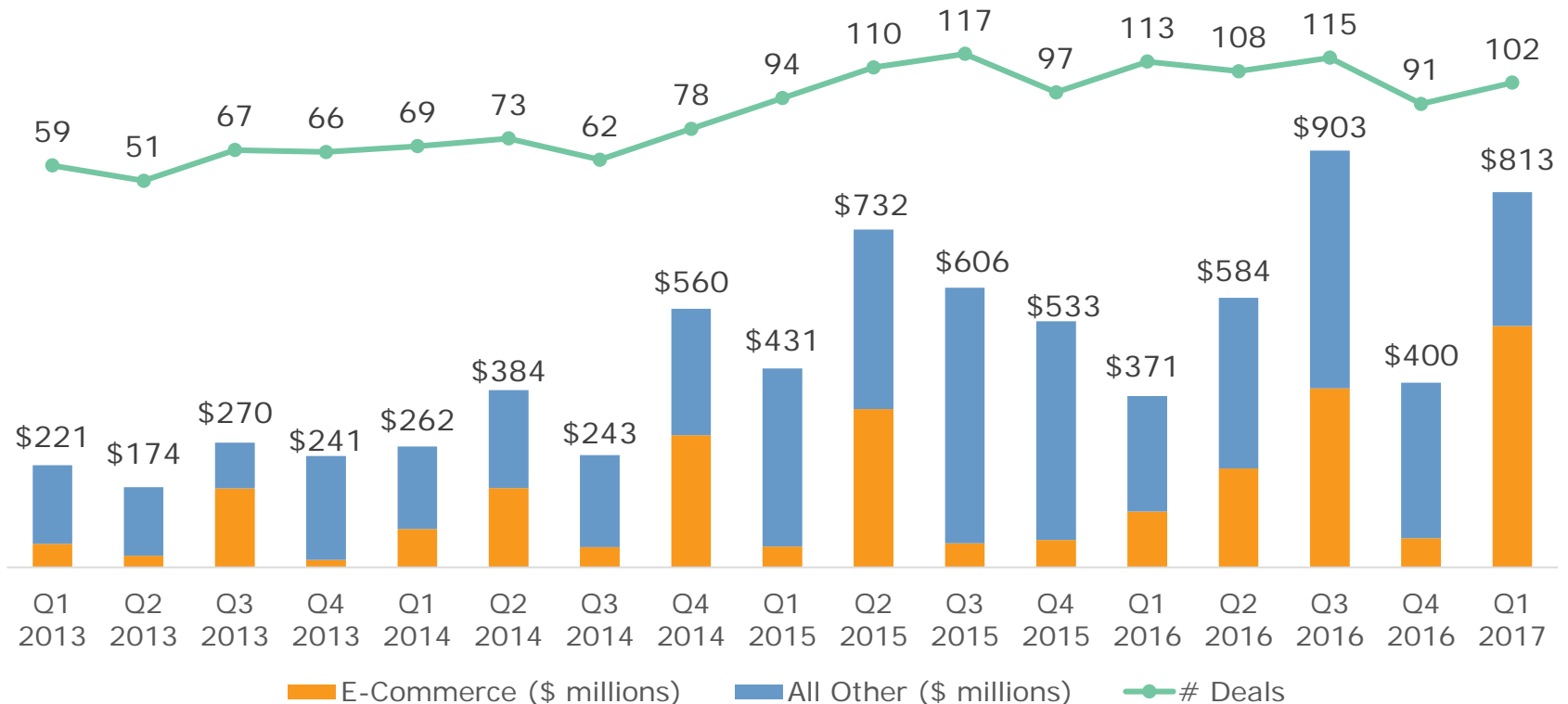
Source: Pitchbook, Rabobank analysis

Note 1: Includes venture capital (all rounds), private equity growth/expansion and corporate investments.



Total Food & Beverage Investment – Quarterly Deal Volume and Value

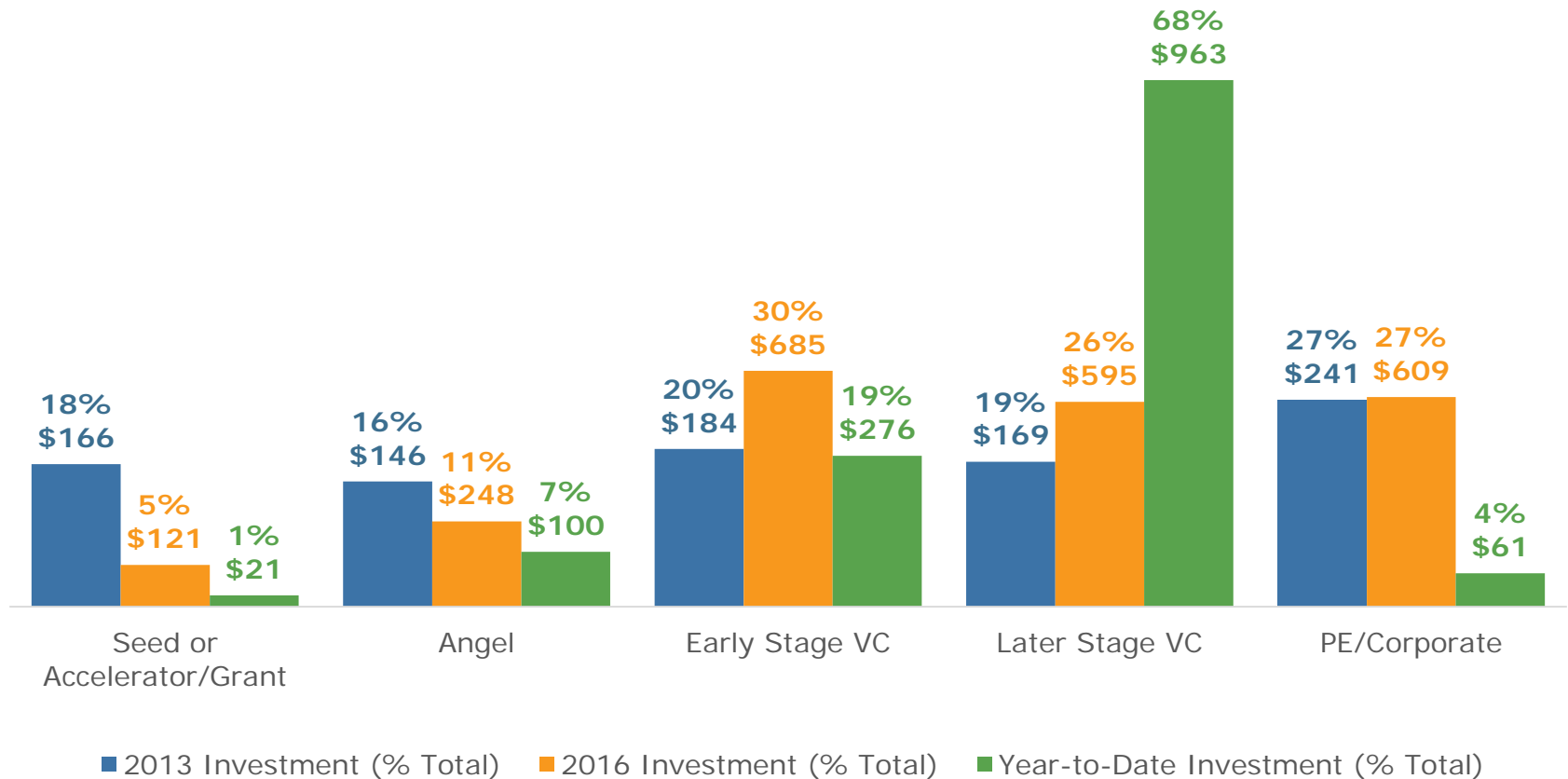
(\$ in millions)



Source: Pitchbook, Rabobank analysis

Total Food & Beverage Investment – By Deal Type

(\$ in millions)



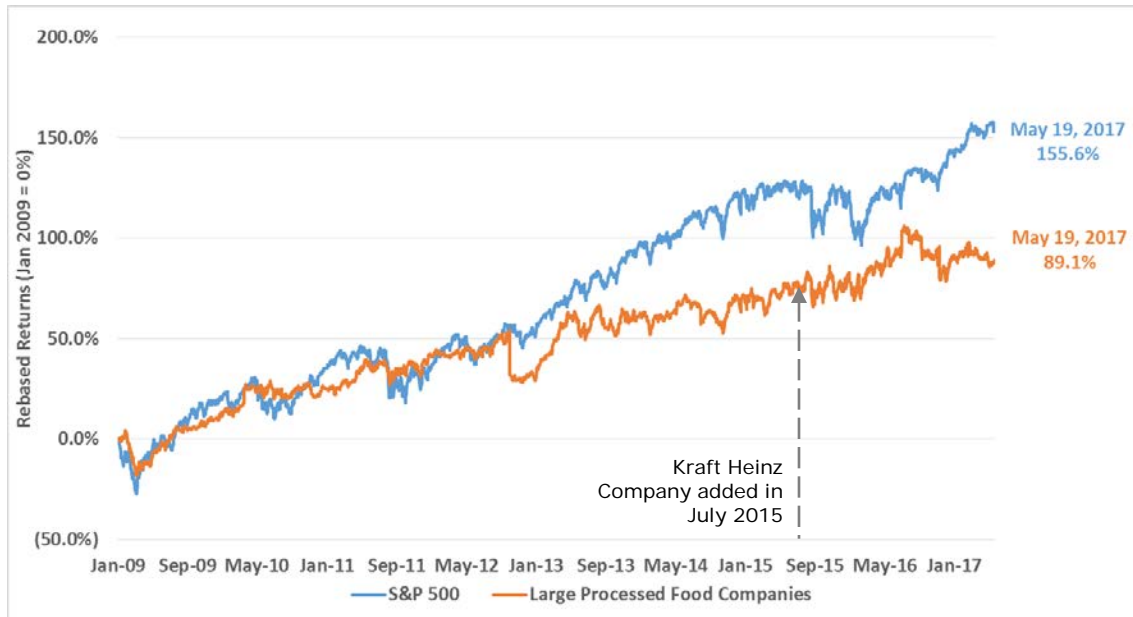
Source: Pitchbook, Rabobank analysis

III

The Rise of Corporate Venture Capital in Food & Beverage



The Problem for Consumer Food



Key Trends

- Consumer tastes shifting towards more healthful alternatives – such as perceived “real food” with easily identifiable ingredients
- Iconic brands falling out of favor
- Upstart niche brands taking market share
- Social media allows consumers to easily share experiences and advice
- New distribution channels allow new brands to grow more rapidly than ever

Large Processed Food Companies¹

(values in \$mm)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total Sector Revenue ²	\$248,434	\$267,846	\$285,133	\$293,254	\$300,584	\$295,005	\$292,169
Revenue of Top 10	\$134,651	\$141,070	\$145,830	\$149,446	\$147,814	\$138,722	\$131,932
Top 10 % Total Revenue	55.6%	54.3%	52.9%	52.8%	51.1%	48.9%	47.7%

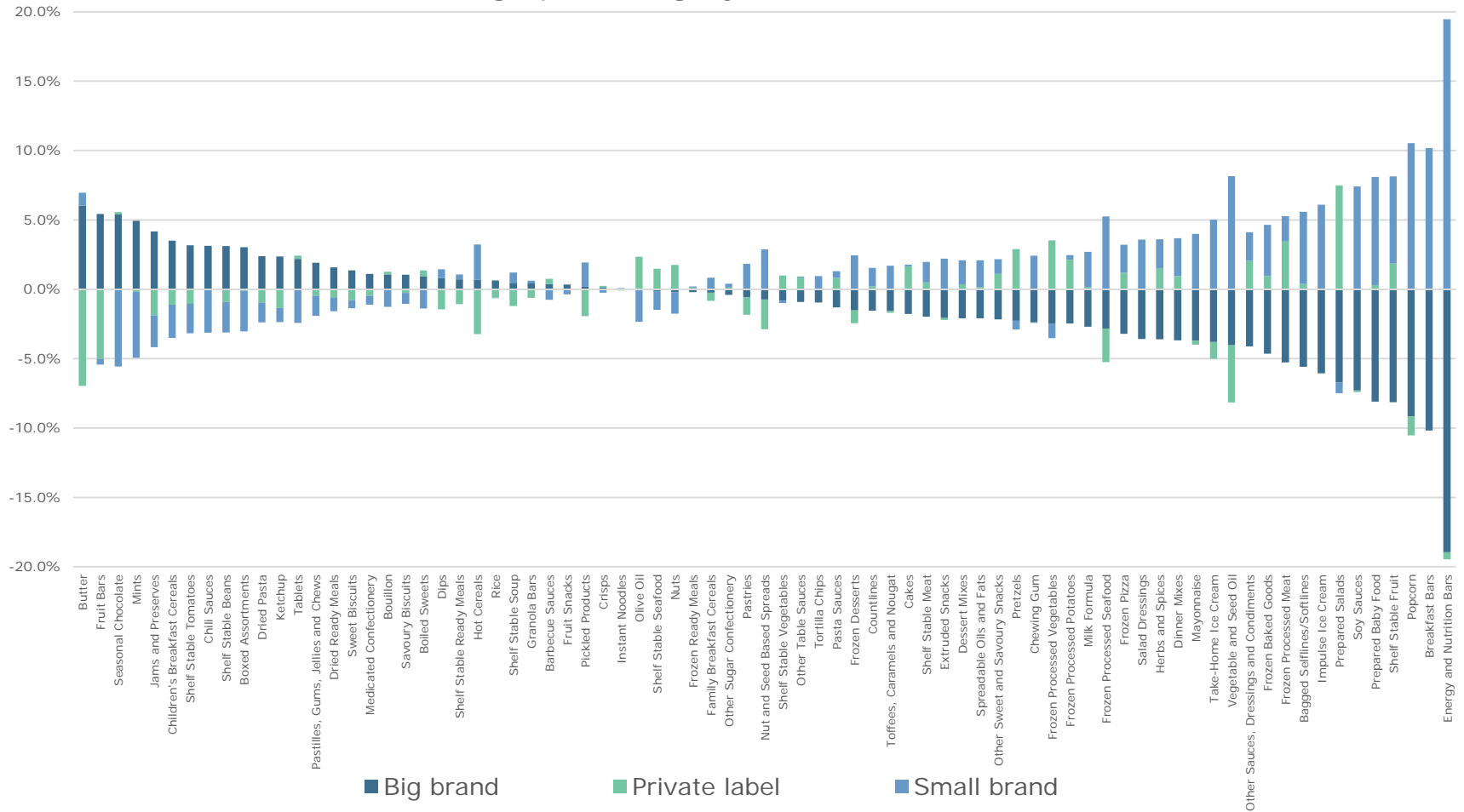
Source: Capital IQ

Note 1: Value weighted index and dollar values include the following companies: MDLZ, GIS, K, CAG, DF, HRL, CPB, HSY, SJM and KHC

Note 2: Rabobank defined list of top 45 public processed food companies, with minimum revenue of approximately \$500mm

In the US, Big Brands (Dark Blue) are Losing Share – and Small Brands (Light Blue) are Gaining Share

Market share change per category in the United States 2011-2015



There is a Problem – How Will Your Company Address These Challenges?

There's No Denying It!

- Large packaged food companies are no longer in denial about changing consumer trends
- Consumer tastes are shifting
- Desire for more healthful alternatives, perceived “real food” with easily identifiable ingredients

Iconic Brands Are Suffering

- Kellogg's, Post, Kraft Heinz, Campbell Soup.....traditional brands are falling out of favor
- Young consumers have new tastes and aging consumers have evolving preferences
- Market share of top 10 packaged food companies is eroding by over 1% per year

Where is the Consumer Going?

- Consumers are more experimental, more health-conscious (less processed!) and willing to spend
- Upstart niche brands from new small- to mid-size competitors are gaining share
- Premium private label alternatives are also gaining share

How Did This Happen

- Social media enables consumers to quickly and easily share experiences and advice
- Alternative distribution channels such as mainstream national retailers (Wal-Mart, Costco, Target) and e-commerce have facilitated new brand distribution and rapid growth
- Smaller brands are more nimble and able communicate a differentiated, “underdog” marketing message

The Real Questions Are.....

- How will your company address these challenges?
- New brands and products are emerging more quickly and taking share. In addition to internal development or acquiring proven winners, is there a way that your company can invest in innovation?
- Does your culture welcome new ideas, new products, new ways to go about meeting consumer demand?

Note: See Rabobank Industry Note “Dude, Where's My Consumer?” (May 2015) for additional information regarding food and beverage consumer trends.

How Does My Company Stay Relevant? – Four Basic Strategies

Maintain Status Quo – “If It Ain’t Broke”

- Current brands are well-positioned, focused on operations and execution
- M&A, internal growth and venture investment opportunities are either too expensive or not complementary
- *Example – It is difficult to find a company that hasn’t pursued internal development, M&A or venture investing. This may only apply in the short-term (indecision?)*

Internal Development – “Build It”

- Build my own brands, products and categories
- Who can do it better than we can?
- Focus on improving quality, meeting evolving consumer needs and repackaging where needed
- *Example - Kroger Simple Truth/Simple Truth Organic exploded to \$1.2 billion in revenue in less than two years*

M&A – “Buy It”















- Acquire a majority stake in complementary companies
- Ability to address needs more quickly than internal development
- Invest in proven winners (internal investment or venture investment less certain)
- *Example – Hain Celestial, WhiteWave, and other food and beverage corporates have been very acquisitive*



Venture /Minority Investment – “Hybrid”

- ✓ Invest in a dedicated venture fund or create an internal venture strategy
- ✓ Access to innovative technologies and trends from a portfolio of investments
- ✓ Enhance M&A pipeline, acquire proven winners that you have helped groom
- ✓ *Example – Tyson, General Mills, Kellogg, Coca-Cola, Monsanto, Syngenta, BASF and The Andersons all have venture capital initiatives*

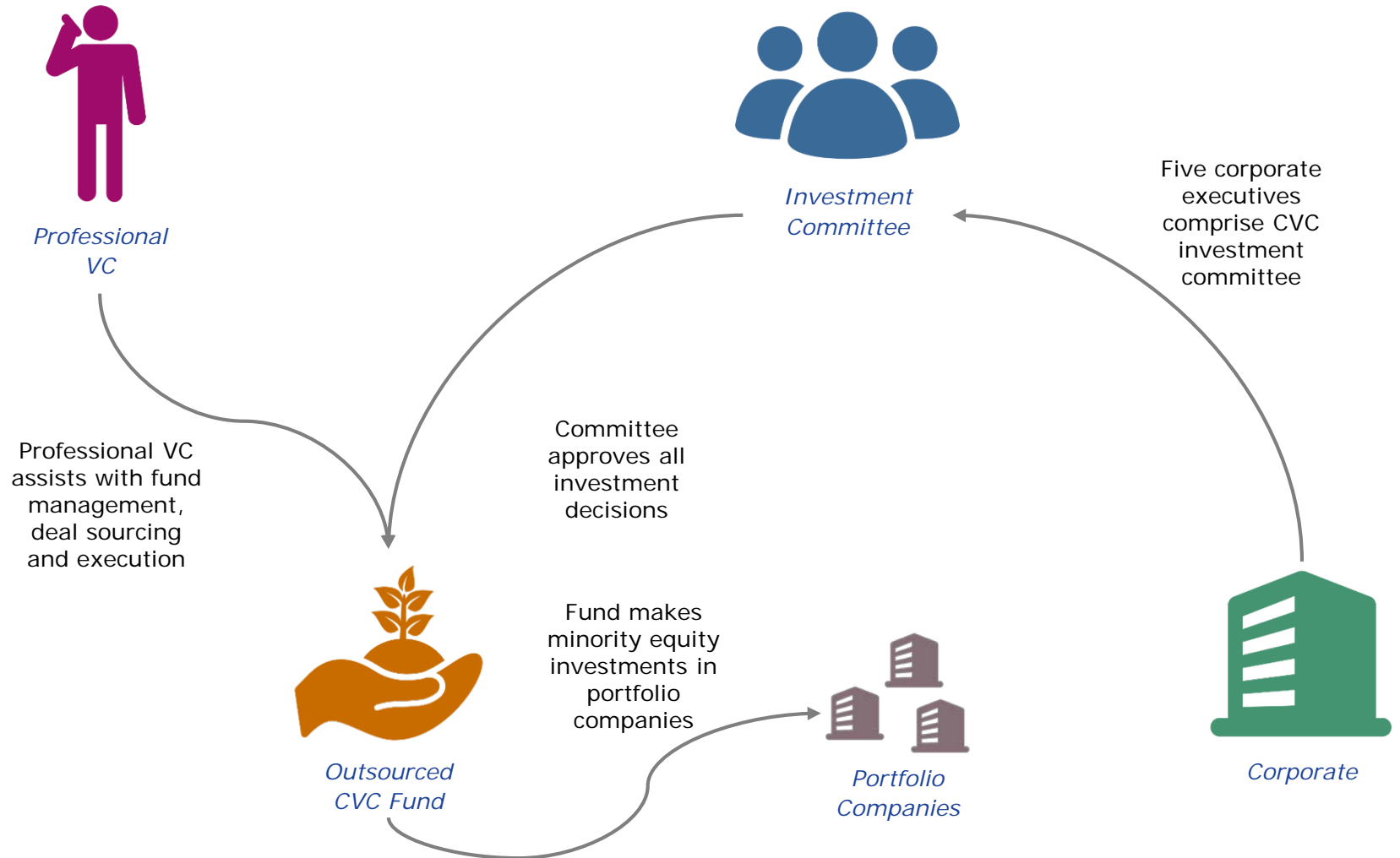
Mapping Food & Beverage Corporate Venture Capital

							
							
Founded	2012	2016	2012	2016	2016	2016	2016
Manager	General Mills	Hain Celestial	The Coca-Cola Company	Tyson Foods	AVP Management Company, LLC	Touchdown Ventures	Digitalis (spun out, formerly Mars Ventures)
Fund Structure	Corporate/direct investment	Corporate/direct investment	Corporate/direct investment	Internal venture fund	Dedicated fund w/ outsourcing partner	Dedicated fund w/ outsourcing partner	Dedicated fund
Fund Size	NA	NA	NA	\$150mm	\$125mm	\$100mm	Not disclosed
Mission / Purpose	Match external entrepreneurs with company resources to build emerging brands	Incubate small acquisitions	Identify and grow next-generation beverage brands for portfolio	Develop companies complementary to core animal protein business	Participate in growth sectors using strategic, methodical approach	Increase access to cutting-edge ideas / trends and potential sources of growth	Invest in companies that address complex problems facing human health and wellbeing
Industry Focus	Consumer Food	Consumer Food	Beverages	Consumer Food	Consumer Food	Beverages, Packaging, Consumer Food	Human Health
Market Focus	"Emerging food brands"	"Health and wellness"	"Next generation of brands with billion-dollar potential"	"Alternative protein, food security, internet of food"	"Food companies focused on transparency, health and sustainability"	"New ingredients, foods, packaging, and enabling technology"	"Intersection of math, physics, computing, chemistry and biology"
Stage Focus	Seed / Early Stage / Late Stage	Seed / Early Stage	Late Stage	Seed / Early Stage / Late Stage	Early Stage / Late Stage	Seed / Early Stage / Late Stage	Seed / Early Stage
Investment Focus	Minority / Syndicate	Majority / Control	Minority / Syndicate	Minority / Syndicate	Minority / Syndicate	Minority / Syndicate	Minority / Syndicate
Investments	11	1	8	1	8	2	4

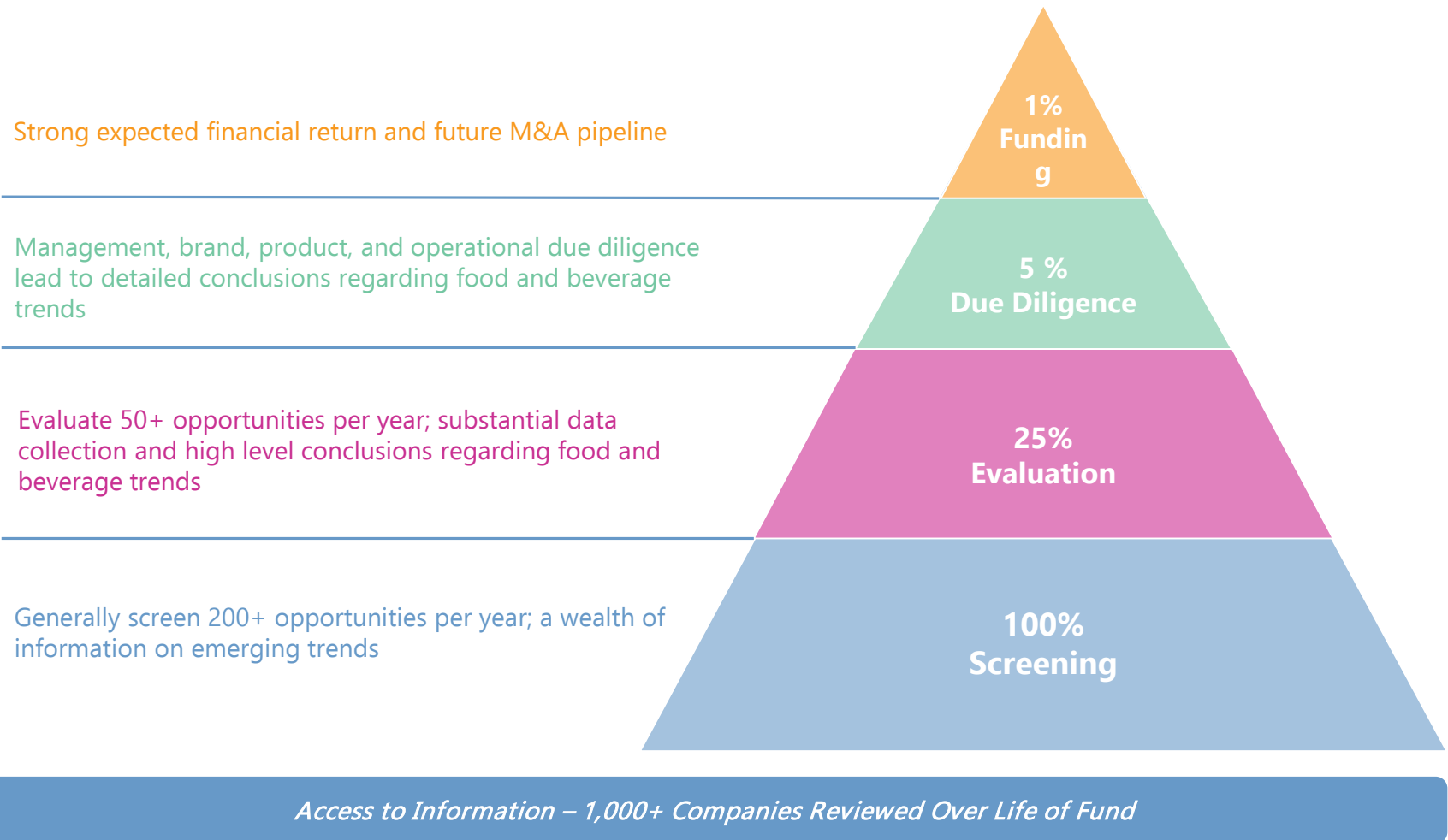
Source: Pitchbook, 301 Inc., Campbell's SEC Filings (Form D dated Feb 18, 2016), Kellogg's Press Release, just-food.com, The Coca-Cola Company, Tyson Foods, Hain Celestial

Corporate Venture Capital Fund Governance – LP Structure With Active Involvement by Corporate

Structure of a recently established food & beverage CVC fund



Corporate Venture Capital Benefits – Access to Data on Emerging Trends



Food Companies Paying a Premium for Health / Wellness Brands

Health / Wellness

Date	Target	Description	Buyer	Price (\$mm)	EV / Sales	EV / EBITDA
Feb-17	Lightlife Foods	Provider of meatless frozen and refrigerated items	Maple Leaf Foods	140	3.5x	n.a.
Nov-16	KeVita	Provider of organic probiotic drinks	PepsiCo	250	4.2x	n.a.
Aug-16	Tyrrell's	Better-For-You snack food business	Amplify Snack Brands	393	3.6x	16.4x
Jul-16	WhiteWave Foods	Leading organic foods and plant-based beverages	Danone	12,065	2.9x	23.6x
Jan-16	EPIC Provisions	Grass fed animal based protein bars	Annie's	100	5.0x	n.a.
Nov-15	thinkThin	Protein enriched bars	Glanbia	217	2.6x	n.a.
Nov-15	Boulder Brands	Gluten-free products and Balance healthy spreads	Pinnacle Foods	991	1.9x	18.0x
Oct-15	Diamond Foods	Potato chips (Kettle), popcorn and snack nuts	Snyder's-Lance	1,942	2.2x	16.8x
Sep-15	Alpine Valley Breads	Organic whole grain breads, private label breads, buns	Flowers Foods	120	1.3x	n.a.
Sep-15	Quorn	Mycoprotein-based, meat-alternative foods	Monde Nissin	834	3.7x	18.2x
Aug-15	Dave's Killer Bread	Organic whole grain breads	Flowers Foods	275	1.7x	n.a.
Aug-15	Wallaby Organic	Organic dairy products, Australian-style yogurts	WhiteWave Foods	125	2.8x	n.a.
Jun-15	Fresh Hemp Foods	Hemp hearts, heart bites, protein powders, oil	Compass Diversified Holdings	C\$132.5	3.0x	20.7x
Jun-15	Vega	Plant-based nutrition products	WhiteWave Foods	550	5.5x	n.a.
Jan-15	KRAVE Pure Foods	Processed meat snacks including premium jerky	Hershey	240	6.9x	n.a.
Nov-14	Garden of Eatin'	Dairy and meat free food products	Pinnacle Foods	155	2.7x	n.a.
Sep-14	Annie's	Distributes natural and organic food products	General Mills	823	4.0x	38.6x

Average 3.4x 21.8x
Median 3.0x 18.2x

CPG Food

Date	Target	Description	Buyer	Price (\$mm)	EV / Sales	EV / EBITDA
Apr-17	Weetabix	RTE breakfast cereals	Post Holdings	GBP 1,400	3.5x	11.7x
Nov-16	ACH Food (spices unit)	Spices and food ingredients	B&G Foods	365	1.6x	9.4x
Nov-16	Bellisio Foods	Provider of frozen food products	Charoen Pokphand Foods	1,075	1.6x	13.1x
Nov-15	Ralcorp (ConAgra)	Private brand food products	Treehouse Foods	2,700	0.7x	7.7x
Sep-15	Green Giant	Leading producer of frozen and canned vegetables	B&G Foods	765	1.4x	7.8x
Jun-15	Iglo Foods	Frozen foods (including vegetables, fish)	Nomad Holdings	EUR 2,600	1.7x	8.5x
May-15	Ragu / Bertolli	North America pasta sauces brands	Mizkan Holdings	2,150	3.6x	10.5x
Jan-15	MOM Brands	RTE and hot cereal products	Post Holdings	1,152	1.5x	9.6x
Dec-14	Bumble Bee Seafoods	Fish and shrimp products	Thai Union Frozen Products	750	0.9x	10.4x
Dec-14	Saputo	Snack-cakes	Canada Bread	103	0.9x	8.0x
Jun-14	Hillshire Foods	Packaged meat and frozen bakery products	Tyson Foods	8,932	2.1x	16.7x
Apr-14	Specialty Brands of America	Dry soups and past/rice dishes	B&G Foods	155	1.8x	7.8x
Feb-14	Canada Bread	Value-added fresh and frozen bakery products	Grupo Bimbo	1,671	1.2x	9.3x

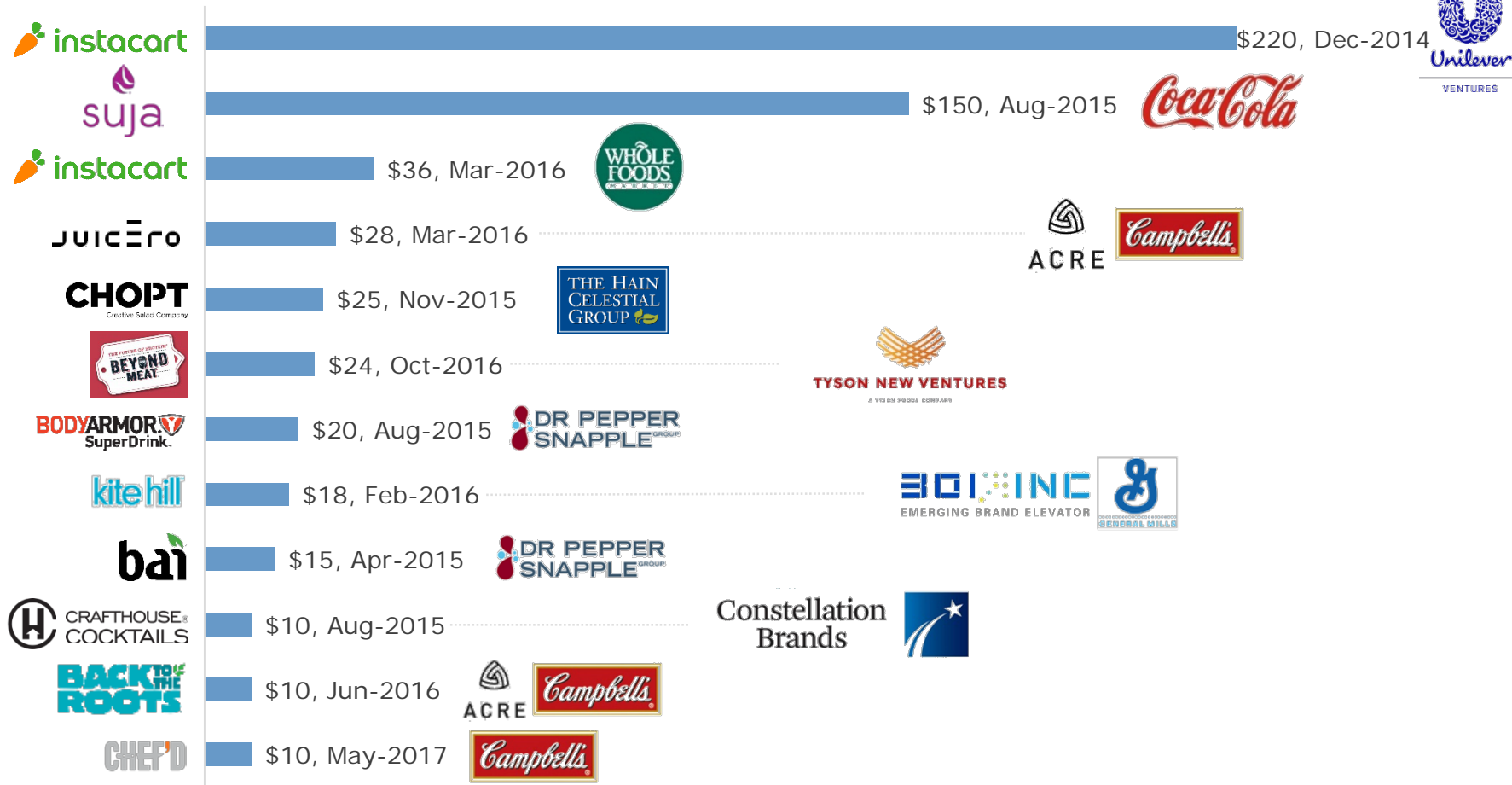
Average 1.7x 10.0x
Median 1.6x 9.4x

~ 100% EBITDA Multiple Premium for Health / Wellness



Select Corporate Venture Investments in Food & Beverage

(\$ in millions)



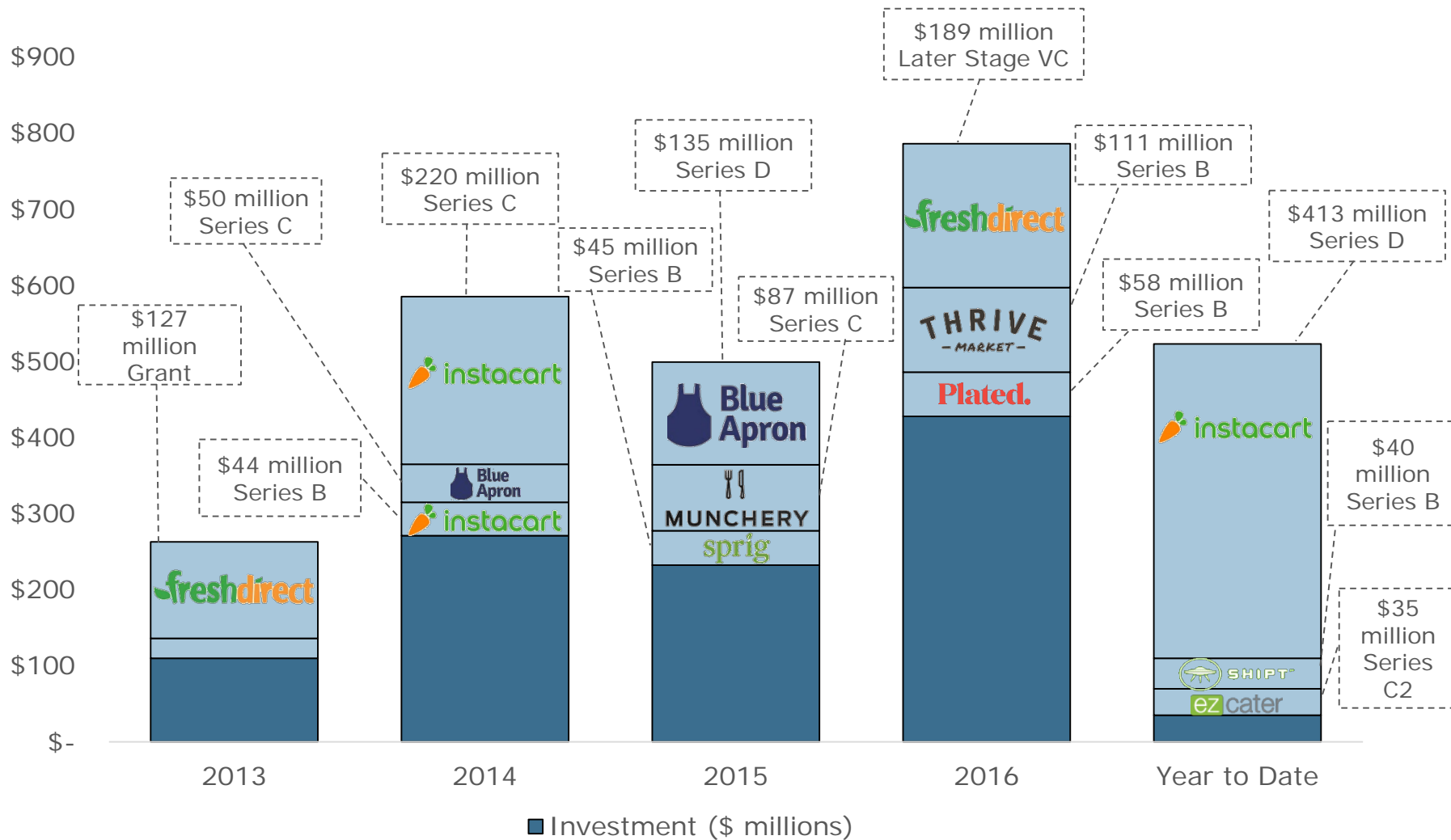
Source: Pitchbook, Rabobank analysis
Note: Round size includes participation from other investors.

IV

Food E-Commerce and Alternative Protein Trends



Food E-Commerce – Yearly Deal Value



Food E-Commerce – Investment Trends

Segment Definition

- Includes online platforms (online grocery, online marketplace), meal kits, snack box subscription services, meal delivery apps and on-demand food services

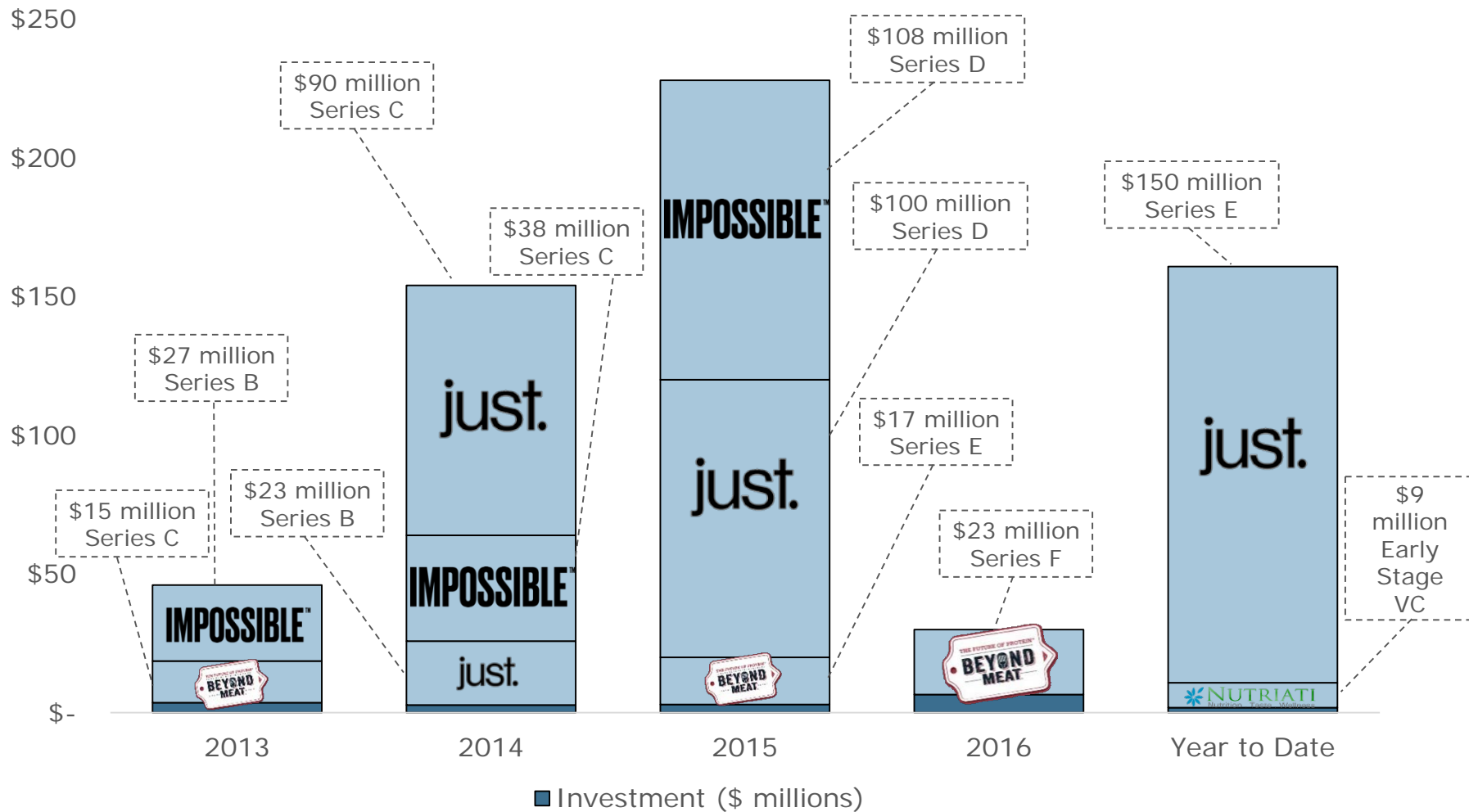
Sector Trends

- Amazon's \$13.7 billion acquisition of Whole Foods Market highlights the emerging links between e-commerce and food retail, which will increasingly occur online and in novel formats (e.g. drive-in grocery kiosks and hybrid supermarkets)
- In the past three years, an additional 6% of American households have bought some groceries online (increase from 19% to 25%)

Corporate Investment Activity

- Unilever Ventures, Series C, \$220 million – Instacart; and Series C2, \$9.2 million – Sun Basket
 - Instacart: Investment in the internet-based grocery delivery service allows Unilever to gather data on consumer preferences
 - Sun Basket: High customer loyalty/retention rate compared to other meal-kit platforms
- Whole Foods Market, Series C, \$36 million – Instacart
 - Teamed up on new delivery program, as many Whole Foods customers avoid the store and would prefer to have groceries delivered
- Campbell Soup Company, Series B, \$10 million – Chef'd
 - Potential to expand Campbell's e-commerce capabilities, in addition to providing lens on the future of online grocery retail

Alternative Protein / Novel Foods – Yearly Deal Value



Alternative Protein / Novel Foods – Investment Trends

Segment Definition

- Includes lab-grown meat, insect-based foods, nut- and plant-based meat alternatives and plant-based dairy products

Sector Trends

- Accelerating shift in consumer behavior in North America towards plant-based foods and other alternative proteins
- Technological breakthroughs in the space mean that consumers no longer have to compromise on taste
- Consumption of one first-generation alternative protein, soy, has grown at a CAGR of 5.1% over the past ten years (compared to 2.5% CAGR for meat)

Corporate Investment Activity

- Tyson New Ventures, Series F, \$23.5 million – Beyond Meat
 - Tyson New Ventures invests in alternative protein companies that complement Tyson's core fresh meats, poultry and prepared foods businesses
 - By taking minority stakes, Tyson can survey disruptive new entrants, track changing consumer preferences and identify the most successful brands
- 301 Ventures: General Mills, Series B1, \$18 million – Kite Hill
 - Higher interest in companies that produce plant-based products that "taste good" - John Haugen, Vice President and general manager of 301 Inc.

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