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U.S. Food Companies Buying Abroad

A number of the largest U.S. food companies have become more determined to complete international acquisitions in efforts to maximize their growth potential and take advantage of the developing populations overseas. With rising income levels in emerging markets, tremendous opportunities exist to expand current operations.

Take for example, Kraft Foods who paid €5.3 billion for Danone's biscuit and cereals divisions in July. This division generated approximately €2 billion in annual sales, representing a 2.6x enterprise value to revenue multiple. According to Kraft chairman and chief executive officer Irene Rosenfeld, "this growing, high-margin business will give Kraft another core growth category in Europe, a cornerstone for faster growth in emerging markets, and the best portfolio of iconic biscuit brands in the world." This premium valuation was paid so Kraft could capture the growth in such countries as Russia, China, Poland, Indonesia, and Malaysia.

Cargill, similar to Kraft, has capitalized on international economic expansion in recent months. Cargill acquired Agrograin, Hungary's largest grain trader, with plans of acquiring a shipping business in Asia to expand Cargill Ocean Transportation Asia Pacific, as well as a company in Colombia to expand its production in cooking vegetable oils.

Insight of the Month

Unlike other sectors in food industry, the leading U.S. confectionary companies have developed a dominant international presence. Both Hershey and Wrigley have cultivated successful international acquisition strategies. Most recently, Hershey acquired ownership stakes in both Indian and Chinese confectionary companies in 2007, while Wrigley purchased a majority stake in the leading Russian chewing gum company in early 2007.

Smithfield Foods, the largest packaged meats producer in Europe, currently has made a concerted effort to build its vertically-integrated and low-cost production capabilities in Eastern Europe. In May 2007, Smithfield completed one of

its largest acquisitions to date, the \$804 million purchase of the second-largest pork processor Premium Standard Farms. Not only does this acquisition strengthen its position as the leading processor of fresh pork and processed meats in the U.S., but it also provides an expanded international market presence. Through this acquisition, Smithfield will bolster its export sales particularly to the Far East, Russia, and South America.

In addition to the growth in the emerging markets, as borders continue to be crossed at an increasing rate both for work and travel, the need for a recognized global brand is becoming increasingly more important as a catalyst for future growth.

Private Equity News

On August 23, 2007, TSG Consumer Partners acquired casual dining chain, Yard House USA Inc., for less than \$200 million. This transaction is one of the few recent deals whose debt syndication may be oversubscribed.

Wells Fargo Bank, the underwriter in the deal, syndicated \$110 million in debt. In support of the transaction, TSG contributed more than 40% equity into the deal, with one source stating that "the sponsor did not push for the last dollar of leverage." Past statistics indicate that one-third or less of a deal's capital structure was funded by equity, but the 40% mark is by no means unreasonable. In addition, there were traditional bank covenants to the deal, in contrast to many of the so-called covenant-light deals that came on the market in recent months.

Wells Fargo did not have to rely on complex expensive credit instruments when it sold the debt to commercial banks with restaurant industry

experience. Despite concerns in the debt markets, this transaction was completed at an eight to nine times enterprise value to EBITDA multiple.

Sun Capital Partners has also been very active during the current market conditions, having acquired Boston Market on August 27th from McDonald's Corporation as well as Friendly Ice Cream Corporation on August 30th. The private equity firm is known for buying distressed companies and, most recently, making investments in restaurants and retailers. Steady cash flows paid from franchisees to franchisors are attractive investments for private equity firms since the real estate can be securitized and the proceeds can be used to pay down debt. A company that can provide steady cash flows during the market upturns and downturns will continue to be attractive as long as the cash flow lenders are willing to provide financing as demonstrated by recent deals completed by TSG and Sun Capital.

(\$ in millions)

Food Processing

August 24, 2007	Canada Bread Company, Ltd. , a subsidiary of Maple Leaf Foods Inc., has acquired La Fornaia Ltd. , a U.K.-based craft bakery.	\$37.2	La Fornaia produces a range of premium quality and hand crafted bread products. The company, which has annual sales of approximately \$45.6 million, employs 300 people at its 54,000-square-foot modern bakery plant in Park Royal, London.
August 13, 2007	American Home Food Products announced the acquisition of Artisanal Cheese, LLC , an emerging high-end brand in the rapidly growing and fragmented \$6 billion specialty cheese market.	-	The New York City-based Artisanal is the first company to market and distribute a wide line of specialty, artisanal, and farmstead cheese products and other related specialty food products under its own brand to food wholesalers, retailers, and directly to consumers via catalogue and website.
August 7, 2007	CSM increased its presence in the premium baked foods market by acquiring Kate's Cakes in West Sussex, United Kingdom.	41.5	This acquisition together with the recent acquisition of Titterington's in the United States will create additional value for CSM in these premium market segments.

Protein

August 29, 2007	The Hain Celestial Group will acquire Plainville Turkey Farm, Inc. , a leading Syracuse, New York supplier of natural and antibiotic-free whole turkeys and deli turkey products.	-	Plainville Turkey Farm, Inc. primarily serves the natural and grocery channels in the Northeast and Mid-Atlantic region. In its last fiscal year, Plainville Turkey Farm generated approximately \$30 million in sales.
August 25, 2007	Ocean Choice International Inc. and High Liner Foods Inc. will buy the assets of Newfoundland's iconic seafood processing company, FPI Ltd.	300.0	FPI was formed in 1984 from eight troubled seafood companies. FPI, also known as Fishery Products International, has been trying to sell its business for more than a year.
August 23, 2007	Hormel Foods Corporation has purchased privately-held Burke Corporation , a manufacturer and marketer of pizza-toppings and other fully-cooked meat products.	110.0	Burke Corporation operates its main facility in Nevada, Iowa, and another in Ames, Iowa. These facilities increase Hormel Foods' production capabilities of fully-cooked meat products and pizza-toppings.
August 14, 2007	OSI International Foods , the private U.S. meat processing giant, has secured a takeover option for private Austrian rival, Alpenrind .	-	Alpenrind generates annual revenues of approximately €50 million.

Beverage

August 7, 2007	SunOpta, Inc. has acquired the operating assets of a soymilk manufacturing facility in Heuvelton, New York from ProSoya Corp.	-	The addition of a soymilk manufacturing facility in the northeastern United States expands SunOpta's ability to serve its growing customer base in eastern North American.
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Private Equity

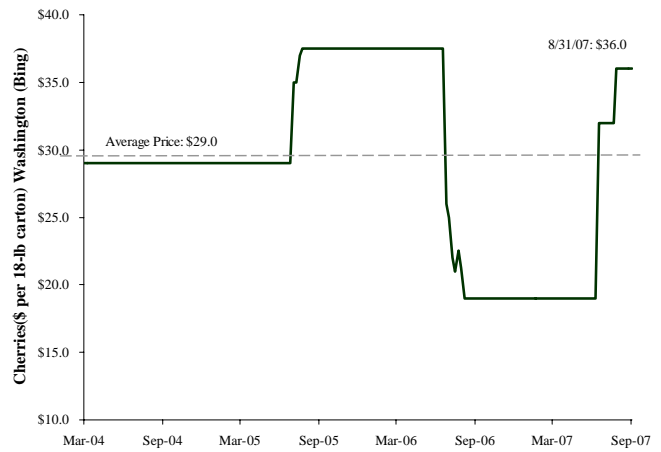
August 5, 2007	FP Icicle Holdings, Inc. , a company formed by investment funds managed by Fox Paine III , will acquire Icicle Seafoods, Inc.	-	Icicle Seafoods, Inc., headquartered in Seattle, Washington, is one of the world's largest processors of wild salmon, pollock and crab with operations in Alaska, Washington, Oregon, Japan, and Chile.
August 3, 2007	Tricor Pacific Capital, Inc. , a Vancouver private equity firm, has acquired Golden Boy Foods Inc.	-	Golden Boy Foods Inc. is a leading Canadian manufacturer of more than 400 private label and branded food products including peanut butter, baking nuts, snacking nuts, trail mixes, raisins, dried fruits, and jams.

Commodities Impacting the Food and Beverage Industry

Cherries

- Strong production in California, well above last year levels, drove cherry prices down at the beginning of the marketing season in early May 2007.
- With the California shipments already made for the season, smaller shipments from both Washington and Oregon recently have driven sweet cherry prices higher than a year ago.
- Sweet cherry production in Washington for 2007 is projected at 310 million pounds, down 9% from a year ago. Despite blooms coming in strong, some low-lying areas in the state's Yakima area experienced frost damage.
- Oregon production is forecast at 80 million pounds, down 20% from 2006, due to frost damage along with cool temperatures during the bloom period.
- Despite the reduced fruit set, the trees are expected to produce very high quality cherries at above average prices.

Sweet Cherry Prices

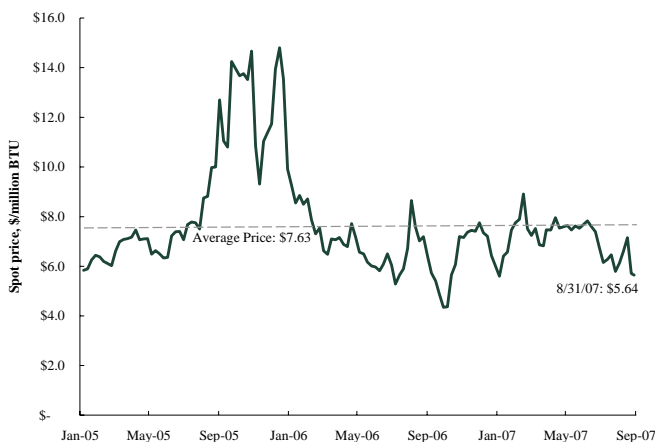


Source: Food Business News, USDA

Natural Gas

- Natural gas prices declined throughout most of August due to mild temperatures in the Northeast and Midwest. However, prices did jump mid-month with the news that Hurricane Dean could make its way into the Gulf of Mexico and disrupt energy production. As Hurricane Dean passed with limited disruption, prices once again retreated. With hurricane season on its way, the threat of tropical storms is expected to pressure to prices.

Henry Hub Natural Gas Price

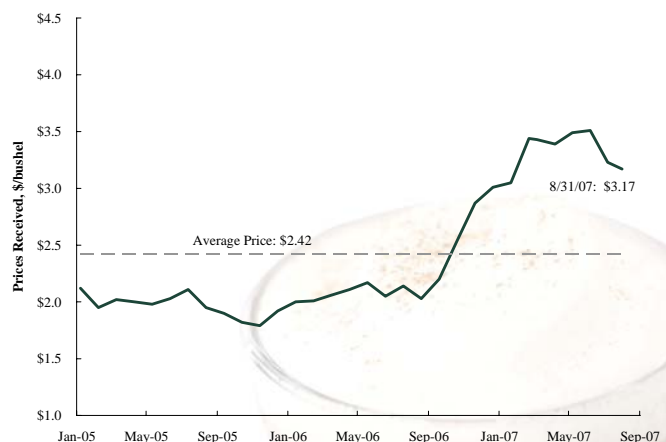


Source: Energy Information Administration

Corn Prices

- U.S. corn production is forecasted to yield an average of 152.8 bushels/acre, the largest in history. While the supply forecast is up 24% from 2006 with surging demand, corn prices dipped in August due to the credit crunch combined with a hit to the U.S. stock market. This decrease in corn prices is considered temporary at best, with the increase in corn bushels being constantly driven by ethanol demand and increasing exports, as corn is relatively cheap to foreign buyers with the lower value of the U.S. dollar.

Corn Prices



Source: Agricultural Statistics Board, NASS, USDA

Public Company Analysis

(\$ in millions, except per share data)

Company Name	Stock Price ^(a)	Market Cap ^(a)	Enterprise Value ^(b)	Margins			Enterprise Value			Total Debt / EBITDA
				Gross	EBITDA	EBIT	TTM Revenue	TTM EBITDA	TTM EBIT	
Processed Foods ^(c)										
Campbell Soup Co. (NYSE:CPB)	\$ 37.75	\$ 14,626.0	\$ 16,968.0	42.3%	20.0%	16.4%	2.2x	11.0x	13.4x	1.7x
ConAgra Foods Inc. (NYSE:CAG)	25.71	12,615.8	15,340.1	26.5	15.1	12.2	1.3	8.5	10.4	1.9
Dean Foods Co. (NYSE:DF)	26.86	3,509.2	8,829.2	26.2	8.5	6.3	0.8	9.8	13.2	5.9
Del Monte Foods Co. (NYSE:DLM)	10.54	2,134.7	4,179.5	26.4	13.4	10.4	1.2	9.0	11.5	4.4
Flowers Foods Inc. (NYSE:FLO)	20.64	1,886.2	1,907.9	49.3	10.7	7.4	1.0	9.1	13.2	0.2
Fresh Del Monte Produce Inc. (NYSE:FDP)	26.33	1,522.1	1,865.9	9.0	5.6	3.1	0.6	10.3	18.4	2.1
General Mills Inc. (NYSE:GIS)	55.88	18,450.9	24,239.9	36.1	21.8	18.5	1.9	8.9	10.5	2.3
Hershey Co. (NYSE:HSY)	46.50	10,604.7	12,779.3	36.8	24.8	19.8	2.6	10.4	13.0	1.8
HJ Heinz Co. (NYSE:HNZ)	45.09	14,390.2	18,921.9	37.6	19.6	16.6	2.1	10.5	12.4	2.7
Kellogg Co. (NYSE:K)	54.93	21,737.6	26,186.6	44.7	20.9	17.7	2.3	11.0	13.0	2.1
Kraft Foods Inc. (NYSE:KFT)	32.06	50,549.4	62,647.4	35.7	17.0	14.5	1.8	10.4	12.2	2.1
Ralcorp Holdings Inc. (NYSE:RAH)	61.79	1,603.0	2,341.4	19.4	12.1	8.5	1.1	9.2	13.1	3.1
Sara Lee Corp. (NYSE:SLE)	16.62	12,041.6	13,788.6	38.8	11.3	7.0	1.1	9.9	16.1	3.1
The Hain Celestial Group Inc. (NASDAQ:HAIN)	29.26	1,161.1	1,316.6	29.0	11.0	9.4	1.5	13.3	15.6	2.2
The J. M. Smucker Company (NYSE:SJM)	55.01	3,131.4	3,605.0	33.6	16.1	13.4	1.7	10.3	12.3	2.3
Treehouse Foods Inc. (NYSE:THS)	26.92	840.0	1,124.8	20.7	11.2	8.3	1.1	9.6	12.9	2.4

Median ^(d)	34.7%	14.2%	11.3%	1.37x	10.1x	13.0x	2.2x
Average ^(d)	32.0	14.9	11.8	1.51	10.1	12.9	2.5

Protein ^(c)										
Hormel Foods Corp. (NYSE:HRL)	\$ 35.63	\$ 4,905.1	\$ 5,150.7	23.0%	10.0%	7.9%	0.8x	8.5x	10.7x	0.6x
Pilgrim's Pride Corp. (NYSE:PPC)	40.59	2,701.5	4,352.2	7.0	4.7	2.0	0.6	13.7	31.7	5.4
Smithfield Foods Inc. (NYSE:SFD)	32.73	4,393.0	7,428.1	9.4	5.6	3.9	0.6	10.5	15.3	4.4
Tyson Foods Inc. (NYSE:TSN)	21.55	7,698.6	10,627.6	5.1	3.9	1.9	0.4	10.3	20.6	2.9

Median ^(d)	8.2%	5.2%	2.9%	0.62x	10.3x	10.7x	3.6x
Average ^(d)	11.1	6.0	3.9	0.62	9.8	10.7	3.3

Beverage ^(c)										
Coca-Cola Co. (NYSE:KO)	\$ 53.78	\$ 124,424.1	\$ 129,570.1	64.9%	31.5%	27.6%	4.9x	15.7x	17.9x	1.2x
Constellation Brands Inc. (NYSE:STZ)	24.18	5,212.7	10,166.1	30.4	20.6	17.7	2.0	9.9	11.6	4.9
Hansen Natural Corp. (NASDAQ:HANS)	44.91	4,094.0	3,896.5	52.2	24.6	24.3	5.3	21.4	21.6	0.0
Pepsico, Inc. (NYSE:PEP)	68.03	109,922.0	111,685.0	54.8	24.0	20.1	3.0	12.7	15.1	0.4

Median ^(d)	53.5%	24.3%	22.2%	3.99x	14.2x	16.5x	0.8x
Average ^(d)	50.6	25.2	22.4	3.82	14.9	16.6	1.6

Source: Capital IQ

(a) As of 08/31/2007

(b) Enterprise value is market value of equity plus preferred equity, minority interest, and net debt (debt less cash)

(c) Figures have been adjusted for non-recurring and extraordinary gains or losses

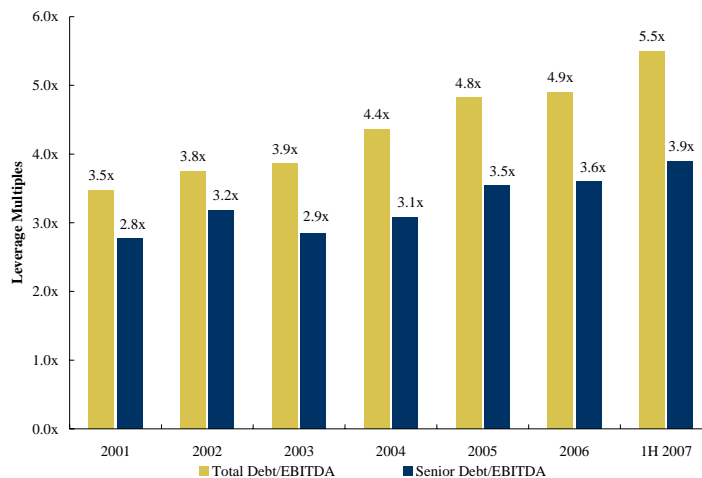
(d) Outliers (boxed above) are excluded from summary multiples and statistics

S&P 500 vs. S&P Food



Source: Capital IQ

Leverage Multiples



Source: Standard & Poors

has been acquired by

Best Brands Corp.
a portfolio company of
Brantley Partners
has acquired

a division of

The J. M. Smucker Company
(NYSE: SJM)

Best Brands Corp.

has been recapitalized by

The assets of

have been acquired by

has been acquired by

has been acquired by

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