

HT

CAPITAL ADVISORS, LLC

Organic and Natural Foods and Supplements

Merger & Acquisition Market
First Quarter 2006



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First Quarter Summary

Relatively few transactions of note occurred in the first quarter of 2006, excepting two in the personal care sector. Hain Celestial continued its acquisition of assets in the area when it bought Para Labs, while global personal care company Colgate-Palmolive reminded the market with its purchase of Tom's of Maine that natural products represent a significant vehicle for growth.

Disclosed transaction multiples were price-to-sales multiples of 1.27x and 2.4x.

Merger & Acquisition News Clips

D.D. Williamson bought the **Dinesen Trading Company** of Port Washington, Wisconsin. Dinesen gives Williamson, the leader in caramel colorings, additional natural colorings products in the food and beverage industry. Terms were not disclosed. *January 4, 2006*

Plant Organic Health Corporation, Canada's leading natural products retailer, announced its intent to acquire **Healthy's Nutrition Centres**, a seven-store health food chain in the greater Toronto area. Terms were not disclosed. *January 17, 2006*

PepsiAmericas Inc., the world's #2 Pepsi bottler, agreed to acquire **Ardea Beverage Company**, the maker of Nutrisoda, a line of nutritionally-enhanced, low calorie carbonated beverages. Terms were not disclosed. *January 20, 2006*

Fresh Harvest Products, Inc. of New Jersey acquired **Fresh Harvest Products, Inc.** of New York. Both companies are development-stage retailers with branded organic and natural products. Terms were not disclosed. *January 30, 2006*

Lipid Nutrition agreed to acquire **PharmaNutrients' CLA One** business. CLA is often referred to as a "conditionally essential" fatty acid. Lipid is a division of IOI-Loders Crocklaan Group B.V. Terms were not disclosed. *February 1, 2006*

The Hain Celestial Group bought **Para Laboratories, Inc.**, furthering the company's goal of building of building a \$100 million personal-care business. Para Labs sells skin care, hair care and body care products through drugstores, supermarkets and mass retailers. The deal includes the Queen Helena, Baththerapy, and Foottherapy brands. Para Labs' sales totaled \$20 million in its latest fiscal year. Terms were not disclosed. *March 9, 2006*

Earthbound Farm, the country's largest grower-shipper of organic produce, agreed to acquire the marketing and manufacturing arms of competitor **Pride of San Juan**. Pride of San Juan, known for its celebrity chef Emeril Lagasse line of bagged salads and herbs, will maintain its farming operations. Pride's farms are in the process of becoming certified organic. The acquired operations will add approximately \$50 million in sales to Earthbound. Terms were not disclosed. *March 22, 2006*

“Blank check” company **Services Acquisition Corp. Intl.** (AMEX: SVI), a development-stage company who raised \$127 million in an IPO last year, announced its intent to merge with privately-held **Jamba Juice Company**. Fruit smoothie purveyor Jamba Juice operates and franchises over 500 stores in 26 states. At a purchase price of \$265 million (though the final price will exclude certain indebtedness and transaction expenses), SVI is paying 1.27 times sales and over 93 times trailing operating earnings. *March 22, 2006*

Colgate-Palmolive Company agreed to purchase natural personal care company **Tom’s of Maine**. Tom’s products include natural toothpastes, mouthwashes and deodorants. The deal gives Colgate a new channel of distribution and products with gross profit margins a full ten percentage points better than its own. The all-cash transaction of 84% of Tom’s outstanding shares carried a price of \$100 million. The selling shareholders retained a 16% interest in the company. Based on Tom’s \$50 million of annual revenue, Colgate paid approximately 2.4x sales. The transaction was expected to close in the second quarter. *March 23, 2006*

Market Notes

The USDA reported that **the European Union (EU) and the U.S. organic markets continue to face strong demand under differing policies**. Both markets are well over \$10 billion at the retail level. The EU actively promotes the growth of the organic sector with a wide variety of policies designed to increase the amount of land farmed organically, while the U.S. generally takes a free-market approach with the aim of facilitating development through national standards, certification, and federally funded grants.

(Source: U.S. Dept. of Agriculture Economic Research Service)

Convenience store operators are **actively promoting new c-store formats dedicated to organic, natural and healthy products** on college campuses.

(Source: CSP Daily News, March 22, 2006)

Included among ACNielsen’s 2006 consumer behavior predictions are **“Low GI” (glycemic index) products will be the next nutritional buzz, and antioxidants will grab double-digit increases in sales.**

(Source: ACNielsen News Release, January 30, 2006)



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