



CAPITAL ADVISORS, LLC

Organic and Natural Foods and Supplements

Merger & Acquisition Market
Third Quarter 2005



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Third Quarter Summary

The highlight transaction of the third quarter was Hain Celestial's acquisition of condiment producer Spectrum Organics. The \$35 million deal was structured with equal amounts of cash and stock, and brought an EBITDA multiple of over 18 times.

Private equity was busy during the quarter, with Charterhouse Group picking up two bakeries, and other PE firms entering the supplements area through acquisition.

Other industry players were expedient in exploring an exit under duress. Gardenburger announced it would sell the company, and Galaxy Nutritional Foods chose the same route when faced with financial distress.

Merger & Acquisition News Clips

The **Vermont Bread Company**, a portfolio company of private equity firm **Charterhouse Group**, acquired the ongoing business and assets of **The Adams Bakery Corporation**. Terms were not disclosed. *July 6, 2005*

Schreiber Foods, Inc. purchased substantially all of the plants assets of **Galaxy Nutritional Foods, Inc.** for \$8.7 million in cash. In addition, Schreiber agreed to manufacture and distribute all of Galaxy's products for an initial period of five years. Other terms were not disclosed. *July 7, 2005*

SunOpta, Inc. acquired **Pacific Fruit Processors, Inc.**, a manufacturer of value-added fruit products, for \$8.9 million. Terms were not disclosed. *July 13, 2005*

Gardenburger, Inc. announced it would explore the sale of the company. The faux-meat products manufacturer's sales have been declining, and the company's shares were delisted from Nasdaq in 2001, but trade in the over-the-counter market at pennies per share. Preferred shareholders include Rosewood Capital LLC and other private equity firms, and the company's convertible debt is held by Annex Capital Management LLC. Some estimated an auction might value the company at \$40 million, or around 1.0x sales. *July 15, 2005*

United Natural Foods subsidiary Albert's Organics, Inc. announced the acquisition of substantially all of the assets of **Roots & Fruits Cooperative**, a privately-held natural foods distributor of fresh produce and perishables. Minnesota-based Roots & Fruits has annual revenues of approximately \$20 million. Terms were not disclosed. *July 31, 2005*

Hain Celestial Group acquired **Spectrum Organic Products** in a 50% stock/50% cash deal. Spectrum is a California-based leading manufacturer and marketer of natural and organic culinary oils, vinegars, condiments, butter substitutes and fatty acid nutritional supplements. Spectrum reported sales of \$49.9 million in its latest

fiscal year. An enterprise valuation of \$35 million for the transaction resulted in a price-to-revenue multiple of 0.67x and a price-to-EBITDA multiple of 18.4x.

August 23, 2005

Alpine Investors, a San Francisco-based private equity firm with \$120 million under management, announced it had made an equity investment in **NAC Marketing Company**. Based in Hicksville, NY, NAC markets, sells and distributes its own brand of vitamins, nutritional supplements and similar products via the radio, television, catalogues and the Internet. Terms were not disclosed. *August 30, 2005*

Private equity firm **Charterhouse Group** acquired a majority stake in **Rudi's Organic Bakery**. Terms were not disclosed. *September 1, 2005*

Bear Growth Capital Partners took a minority stake in supplement manufacturer **New Chapter, Inc.** Though terms were not disclosed, Bear Growth typically invests \$10-25 million per transaction. New Chapter produces a line of more than 90 vitamins and minerals classified as "organic". New Chapter has more than 150 employees and reports growth of more than 40% per year. Bear Growth also owns the Vitamin Shoppe, which carries New Chapter products. *September 8, 2005*

In an announcement subsequent to the one regarding the sale of its plant assets, **Galaxy Nutritional Foods, Inc.** said it had hired an investment banking firm to explore strategic alternatives for the enhancement of shareholder value, including the possible sale of the company. *September 30, 2005*

Market Notes

Nearly one-fifth of American adults can be considered gourmet consumers, and these "foodies" are fueling a \$41.2 billion industry. A growing synergy between the natural and gourmet foods industries has been noted by many industry watchers. More gourmet products are using natural and organic ingredients (and appealing to consumers' social consciences by offering products that are good for the environment and for the workers who produce them), and more natural foods retailers are carrying upscale, gourmet food and beverage items.

(Source: *Packaged Facts*, The U.S. Market for Gourmet Foods and Beverages)



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