

HT

CAPITAL ADVISORS, LLC

Organic and Natural Foods and Supplements

Merger & Acquisition Market
Third Quarter 2006



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Third Quarter Summary

Private equity remained a significant factor in the market in the third quarter as several firms bought into organic and natural and several others realized liquidity events. Beverages took center stage in the quarter as well. Makers of beverages ranging from teas to sodas to enhanced waters to kefir all changed hands in what can only be described as a “hot (and) liquid” market.

M&A price-to-sales valuation multiples logged in the third quarter of 2006 included 1.6x, 3.0x, 1.7x, and 1.0x, or 1.8x on average.

Merger & Acquisition News Clips

Freestone Partners LLC, a Houston-based private equity firm, acquired a majority of the shares of **Sweet Leaf Tea Co.**, a producer of ready-to-drink bottled iced teas. Terms were not disclosed. *July 19, 2006*

Lifeway Foods, Inc., the leading U.S. producer of the cultured dairy beverage Kefir, acquired its largest competitor **Helios Nutrition Ltd.** for a total of \$8 million in the form of \$2.5 million in cash, \$4.2 million in seller financing and \$1.3 million in stock. The transaction multiples were approximately 1.6x sales and over 50x EBITDA. *August 1, 2006*

Emigrant Capital Corp., a New York-based private equity firm and division of **Emigrant Bank**, made a significant equity investment in **Wet Planet Beverages**, maker of Jolt brand cola. Wet Planet’s brands also include organic and natural Napa Valley Soda, Thornwood Estates, Autumn Frost, Martinelli’s, and DNA. Terms were not disclosed. *August 15, 2006*

Nutrition 21 acquired **Iceland Health, Inc.**, a U.S.-based privately-held company with fish oil and Omega-3 fatty acid supplement brands. The combination of cash, stock, note and earnout consideration paid was in the range of 1x sales. *August 18, 2006*

NBTY, Inc., a leading manufacturer and marketer of nutritional supplements, acquired **Zila Nutraceuticals, Inc.**, a manufacturer and marketer of the Ester-C vitamin C nutritional supplement brand. Zila is a business unit of **Zila, Inc.** The price paid for Zila’s stock was \$37 million in cash and \$3 million in earnout consideration, for a price-to-sales multiple of approximately 1.7x. *August 18, 2006*

The Tata Group of India invested \$677 million in **Glaceau**, maker of vitaminwater. The investment bought out the stake of TSG Consumer Partners and also provides growth capital. Tata now owns approximately 30% of Glaceau. The Tata Group’s North American businesses include Tetley Tea, Good Earth Teas and Eight O’Clock Coffee. Terms were not disclosed. *August 23, 2006*

Utah-based **Indulgent Foods**, parent company of Stephen's Gourmet hot cocoa, bought **Pacific Chai** from **HP Hood LLC**, a large dairy operator in New England. Pacific Chai has six varieties of a dry latte mix, and three varieties of an organic liquid concentrate. Terms were not disclosed. *September 2, 2006*

The Hain Celestial Group, Inc., sold **Biomarche**, its Belgian fresh organic fruits and vegetable provider to **Pro Natura**, a French company specializing in organic produce distribution. Hain considered Biomarche, with \$18 million in sales, non-core and low margin relative to its other businesses. Terms were not disclosed. *September 6, 2006*

Glanbia plc acquired ingredients supplier **Seltzer Companies Inc.** for \$105 million, consisting of \$80 million in cash and \$25 million in potential earnout payments. Glanbia, the international dairy foods and nutritional ingredients producer, gains Seltzer's specialty in customized nutrient formulations and the distribution of specialty ingredients for the supplement, food and pharmaceutical markets. Seltzer is located in San Diego, CA. Terms were not disclosed. *September 8, 2006*

Emigrant Capital Corp. also made a significant equity investment in **Zola Açai** of San Francisco, the maker of Açai Power Juice. The antioxidant-rich beverage is sold in over 2,400 stores nationwide. Terms were not disclosed. *September 26, 2006*

Forward Foods LLC, a company formed by **Emigrant Capital Corp.**, acquired **NEXT Protein, Inc.'s protein bar business**. The transaction includes the Detour brand protein bar manufactured from whey protein. Forward Foods is based in Carlsbad, CA. Terms were not disclosed. *September 18, 2006*

Boulder Specialty Brands Inc., acquired **GFA Brands Inc.**, the maker of Smart Balance and Earth Balance heart healthy foods. GFA's product line includes margarine, popcorn, mayonnaise, peanut butter and cooking oils, as well as other natural and organic foods. GFA shareholders, who include **TSG Consumer Partners**, received approximately \$465 million in cash. Terms were not disclosed. *September 26, 2006*

IdeaSphere, Inc., owner of Twinlab, Ultra Harvest, Nature's Herbs, Alvita, Metabolife and Dr. Weil Supplements, acquired the assets of **Cole Bros. Water Company**, producer of natural spring waters with high levels of natural calcium, from **Circle Peak Capital LLC**. Terms were not disclosed. *September 26, 2006*

PepsiCo acquired Colorado-based juice startup **Izze Beverages** in a deal believed to be worth about \$75 million. Izze makes a range of healthy sparkling juices aimed at an under-35 demographic. With revenues in the \$25 million range, PepsiCo paid approximately 3x sales for Izze. *September 29, 2006*

Market Notes

A survey by the OTA found that growth of the \$14 billion U.S. organic market is being restricted by **chronic undersupply of organic products**.

(Source: *Organic Trade Association*)

Forty-two percent of consumers purchased organic foods in 2005, and the typical organic consumer is a female shopper between 25 and 54 years of age, with a household annual income over \$50,000.

(Source: *Newton Research*)



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