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# Organic and Natural Foods and Supplements

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Merger & Acquisition Market  
Fourth Quarter 2006



Stephen C. Tardio  
*Managing Director*  
(312) 920-9003  
[stardio@htcapital.com](mailto:stardio@htcapital.com)

## Fourth Quarter Summary

A wide variety of transaction types are noted in the fourth quarter of 2006 such as:

- A reverse merger into a publicly-traded entity
- A Chapter 7 bankruptcy proceeding
- A brand and selected asset purchase
- A stock buyback
- A management and outside investor buyout
- More financial investor to strategic buyer sales

This demonstrates that the organic and natural merger and acquisition market is becoming more sophisticated by necessity as participating companies mature. There were no meaningful valuation statistics made available publicly in the quarter, however, anecdotal evidence strongly suggests multiples remain at historically high levels as do valuation levels of the M&A market in general.

## Merger & Acquisition News Clips

**Amish Naturals, Inc.** (OCTBB: AMNT) completed a reverse merger into **FII International, Inc.**, a public company. Located in Holmesville, Ohio, Amish Naturals is a specialty food company that produces Amish Pasta brand organic pasta.  
*October 31, 2006*

Closely-held beverage producer **Le-Nature Inc.** was forced into Chapter 7 liquidation bankruptcy proceeding by creditors following accusations of alleged false financial statements earlier in the year.  
*November 2, 2006*

**SunOpta Inc.** (Nasdaq: STKL) acquired all outstanding shares of **Hess Food Group LLC** of Chicago. Hess is a privately-owned and profitable supplier of fruits and vegetables with revenues of approximately \$4 million. The purchase price included cash and contingent future payments. Terms were not disclosed. *November 7, 2006*

**SunOpta Inc.** also acquired the **Quest Vitamins** brand of vitamins, including its business inventory, Vancouver warehousing operations and a two-year manufacturing agreement. Quest, with revenues of approximately \$8 million, is a premium quality line of natural vitamins and supplements sold throughout Canada. The business will be integrated with SunOpta's Purity Life operations. Terms were not disclosed.  
*November 9, 2006*

**Organic To Go** (O To Go) acquired **Vinaigrettes Full Spectrum Catering** of Los Angeles. O To Go is a provider of certified organic and natural soups, salads, sandwiches, entrees and other food products to corporate, university and other institutional customers in selected urban areas nationwide. Vinaigrettes is a 10-year

old, 40 employee company with sales of \$2.5 million that provides business catering services. Terms were not disclosed.  
*November 16, 2006*

**Pulmuone U.S.A.**, an organic tofu and soy food company and a subsidiary of South Korean-based **Pulmuone Co., Ltd.**, merged with **Wildwood Natural Foods**, a U.S. producer of tofu and high protein products. The new company, Pulmuone Wildwood, Inc., when aggregated with Pulmuone Co., Ltd, will be the world's largest tofu producer. The company will be based in Fullerton, CA. Terms were not disclosed.  
*November 20, 2006*

**PepsiCo** (NYSE: PEP) announced it would acquire Azusa, California-based **Naked Juice Company** from private equity firm **North Castle Partners**. With sales of more than \$150 million, Naked Juice sells more than 25 all-natural, 100% chilled juices and juice smoothies made from bare-naked fruits, with no added sugars or preservatives. Terms were not disclosed.  
*November 21, 2006*

**AMCON Distributing Company** (AMEX: DIT) sold substantially all of the assets of **Hawaiian Natural Water Company, Inc.** (HNWC) to a newly formed investor group. The purchase price for the assets was \$3.8 million, and the buyer also assumed operating and capital leases. HNWC had been posting net losses for two years. At an estimated \$25 million in sales, the price-to-sales multiple was approximately 0.15x.  
*November 28, 2006*

**Omega Protein Corporation** (NYSE: OME) purchased from **Zapata Corporation** (NYSE: ZAP) 36.5% of its outstanding shares held by Zapata for \$47.5 million, or \$5.125 per share. Omega of Houston, Texas, is a producer of Omega-3 fish oil and specialty fish meal products. Omega financed the purchase with a senior secured facility from an affiliate of Cerberus Capital Management, L.P. The purchase price represents a price-to-sales ratio of 0.92x and an enterprise-to-EBITDA multiple of approximately 6.3x.  
*November 28, 2006*

**The Hain Celestial Group, Inc.** (Nasdaq: HAIN) acquired the assets of **Haldane Foods Limited** and its meat-free and non-dairy beverage business based in the United Kingdom from the **Archer Daniels Midland Company** (NYSE: ADM). Haldane's sales exceed 10 million pounds sterling in its last fiscal year. The acquisition is expected to be accretive to Hain Celestial's fiscal 2008 earnings. Terms were not disclosed.  
*December 11, 2006*

**SunOpta Inc.** also acquired all outstanding shares of **Aux Mille et une Saisons Inc.** of Quebec, Canada. Aux Mille is a 20 year-old distributor of certified organic and natural grocery products with approximately \$16 million in revenue. Terms were not disclosed.  
*December 18, 2006*

**Healthy Food Holdings**, a portfolio company of private equity firm **Catterton Partners**, acquired **Van's International Foods, Inc.**, the maker and marketer of Van's Waffles. Van's produces waffles in several categories including Wheat-free/Gluten-Free, Organic, Original Gourmet, Hearty Oats, Belgian and Mini Waffles,

and also markets soy protein meat-alternative products. Healthy Food Holdings is a management holding company whose product portfolio also includes YoCrunch yogurt and CoolBrands Dairy, which manufactures Breyers yogurt products. Terms were not disclosed.

*December 18, 2006*

## Market Notes

**Some marketers are spending more to introduce organic versions of mainstream foods than they are earning from sales of organics**, and consumers balk at paying double the price for organic versions of their favorite products.

(Source: *Advertising Age*)

**Increased consumer involvement with organics has brought an expanding body of interpretations, understanding and practice all focusing around the notion of “organic”**. Many consumers rely on organic as shorthand for a variety of “more real,” “less processed,” “fresh,” or “local.” Others rely on organic products as a means of addressing a multitude of food allergies and fears.

(Source: *Hartman Group*)

**Functional light foods are predicted to gain in popularity, in order to get “more bang for the buck”**. These low-calorie options provide benefits beyond basic nutrition. An example would be foods and beverages containing polyols that allow consumers to enjoy sweet treats with fewer calories while eliciting a low glycemic response beneficial to everyone, including people with diabetes.

(Source: *Calorie Control Council*)

**As food companies scramble to find enough organically grown ingredients, they are inevitably forsaking the pastoral ethos that has defined the organic lifestyle**, according to a Business Week cover story of October 16, 2006.

(Source: *Business Week*)



New York  
(212) 759-9080

Chicago  
(312) 920-9003

Paris  
(33) 6-89-25-69-41

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