

HT

CAPITAL ADVISORS, LLC

Natural and Organic Consumer Products

Merger & Acquisition Market
Second Quarter 2007



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Second Quarter Summary

“Super growth” continues to march on in the natural and organic segment of the U.S. food market, which has exceeded sales growth in the overall U.S. food market consistently over the past 15 years. It was reported this quarter that natural and organic product sales in 2006 showed a 22.1% increase from 2005.

Other interesting trends became evident as well. Americans are increasingly becoming more health conscious of what they eat and are buying more natural and organic food products in their quest for a well balanced diet. Food safety is also a major concern for the general public. It was reported that only 66% of shoppers are confident that the food they buy is safe to eat. Outbreaks of food-borne illnesses are beginning to change consumer shopping behaviors in significant ways.

Transaction activity in the natural and organic consumables market was spotty in the second quarter of 2007, with disclosed M&A “Enterprise Value (EV) to Revenue,” multiples ranging from 0.78x to 1.9x, and a median “EV to EBITDA₂” multiple of 13.2x.

Merger & Acquisition News Clips

Attune Foods, a US-based natural foods company that offers all-natural nutritional wellness bars, announced that it raised \$8.3 million in funding that was led by **Fonterra** and **Nestlé**. Other investors included Life Sciences Partners, Burrill & Company, Great Spirit Ventures, Prolong Ventures, and Unilever Ventures.

April 7, 2007

Ready Pac Foods Inc. received a strategic investment from **Bayside Capital**, a private equity firm. Ready Pac Foods Inc. is a California food manufacturer of healthy packaged foods. The purpose for raising the additional funds was to accelerate growth and bring high quality, innovative new products to the market.

April 10, 2007

SK Foods has acquired **Salyer American Fresh Foods**, one of the largest fresh produce suppliers in the USA. SK Foods has a reputation for processing top-of-the line fresh products for food manufacturers, food service organizations, and retailers.

April 23, 2007

Allied Capital Corporation, a private equity firm located in Washington DC, invested a total of \$64.6 million in the form of senior and subordinated debt as well as common equity to acquire **Old Orchard Brands, LLC**. Old Orchard Brands, LLC is a manufacturer of frozen juice products and distributes their products mainly through the grocery channel.

May 7, 2007

1 “EV to Revenue” = The company’s interest bearing debt, plus equity, minus cash (EV) divided by total revenue
2 “EV to EBITDA” = EV divided by earnings before interest, tax, depreciation, and amortization

The Inventure Group, Inc. acquired the assets of **Rader Farms, Inc.** of Lynden, WA. Rader Farms, Inc. is a leading grower and processor of frozen blueberries, berry blends, raspberries, and other fruits. The Inventure Group, a marketer and manufacturer of organic and indulgent specialty food brands, paid approximately \$21 million in cash for Rader Farms, Inc., or approximately 0.78x 2006 revenues and 13.2x 2006 unadjusted EBITDA.

May 21, 2007

Clearly Canadian Beverage Corp., of British Columbia acquired **My Organic Baby Inc.** of Ontario for a minimum of \$1 million CDN in cash and stock, plus warrants. My Organic Baby's founders will sign on with the Clearly Canadian team and launch a new organic product line for toddlers under the name *My Organic Toddler*. The price represented a purchase price-to-revenue multiple of 1.9x.

May 28, 2007

The Hain Celestial Group, Inc., agreed to acquire **WhiteWave Foods Company**, a subsidiary of **Dean Foods Company** located in Dallas. WhiteWave Foods Company markets their tofu and meat-alternative business under the brand names of *TofuTown*, *Horizon Organic*, and *Silk*.

June 4, 2007

Organic To Go entered into a Securities Purchase Agreement with investors to sell 3,175,000 shares of common stock plus warrants to purchase 1,270,000 shares of common stock. This offering is expected to raise an estimated \$6.35 million for the company, which will allow Organic To Go to continue their strategy of expanding into new geographic markets.

July 2, 2007

Market Notes

Celiac disease is a condition that causes people to be unable to eat barley, wheat, and rye. **It is estimated that one in 133 people suffer from celiac disease in which the only treatment is a gluten-free diet.** This has given rise to over 3,100 gluten-free products. Gluten-free products are substantially more expensive than regular food. A gluten-free diet can add over \$100 per week over the average cost of food for a family of four.
(Source: *The Hamilton Spectator*)

Only 66% of shoppers are confident that the food they buy at the grocery store is safe to eat. Approximately 38% of shoppers have stopped purchasing certain foods within the last 12 months due to several recalls in 2006.
(Source: *U.S. Grocery Shopper Trends*)

Organic food sales in the U.S. totaled \$17 billion in 2006, representing approximately 3% of all retail sales of food and beverages. The 2006 sales figures show a 22.1% increase from that of 2005 and expectations are that there will be continued strong growth in organic product sales in 2007.
(Source: *The Organic Trade Associations, May 14, 2007*)

The importance of “healthfulness” is growing according to the *2007 Food & Health Survey*. Although “taste” and “price” continue to have a very influential impact on Americans’ decisions to buy foods and beverages, Americans are buying more products that improve the healthfulness of their diet. Consumers are becoming more conscious of the types of foods that can help strengthen heart health and improve physical energy and well being.
(Source: *International Food Information Council, 2007*)

U.S. food-based retailing is a \$967.9 billion market. Food-based retailing accounts for 22.3% of retail trade. Warehouse clubs and supercenters sales hit \$297.9 billion, in which \$149 billion were food sales.
(Source: *Bureau of Census*)



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