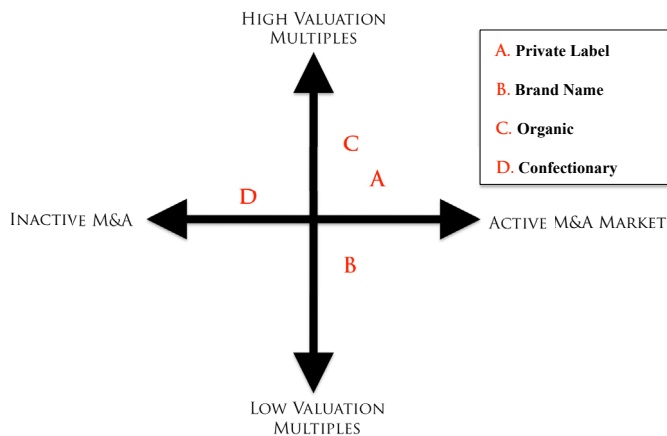


Specialty Foods Industry Valuation Matrix

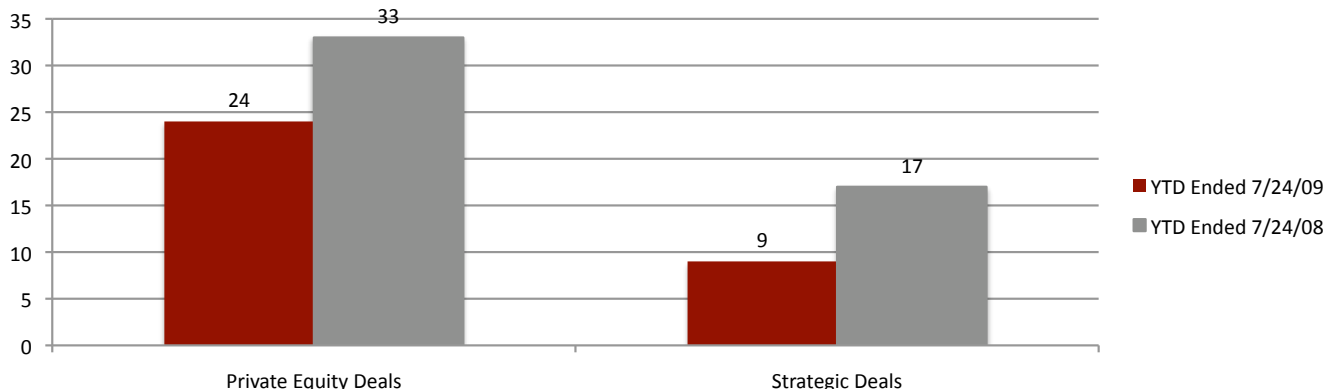


The food and beverage industry remains resilient during harsh economic times, outperforming the general economy during the first half of 2009. Although industry growth is slower than during economically prosperous years, many firms are benefitting from an increasing number of families eating at home. The transition to eating at home is driving sales of specialty foods including organic and “feel good” foods. Even with less disposable income, Americans are still willing to pay a premium for healthy items and foods they really enjoy as evidenced by a 15% revenue growth in the organic foods market in 2008. As a result, grocers continue to remove 3rd and 4th tier brand name foods to make room for these high margin products. We expect positive growth to continue in upcoming quarters; however, continued lay-offs and pay cuts will put a damper on this growth, most likely constricting growth in the specialty food industry to 5-7% for the first half of 2010.

Flush with cash amassed during the recent boom years, major players in food and beverage are looking to diversify their product line in order to win shelf space. Organic and natural food processors will be particularly attractive to buyers in the near future. The increasing demand and high margins associated with organic products are the driving forces behind our belief that this industry will enjoy a prosperous future. Prospective buyers will look to acquire while valuations are moderate and before industry growth reaches double digits once again.

The recent slowdown in jobless claims is not a clear indicator of the direction of the economy. Broader unemployment, which includes people who have stopped looking for jobs, reached 16.5% in the month of June. After soaring at the beginning of the year, the broad unemployment increase has begun to mirror the monthly rise of the “headline” rate in the past few months. This likely indicates workers are searching for jobs again. The stresses upon the labor market led to a record high, 3.23%, of delinquent payments on consumer debt for June. In fear of defaults, banks will continue to tighten the credit markets, thus preventing any economic expansion in the foreseeable future.

Deals Completed in the Food Processing Industry



Source: Flashwire