

# A Fresh Take on Food & Beverage Preferences

*M&A Activity Demonstrates Healthy Growth in 3Q24*



**CONSUMER INDUSTRY UPDATE**

Carleton McKenna & Co

## TABLE OF CONTENTS

|                                      |   |
|--------------------------------------|---|
| Industry Growth Indicators           | 4 |
| M&A Trends & Outlook                 | 5 |
| Notable Industry Transactions        | 6 |
| Industry Multiples                   | 7 |
| Carleton McKenna Team & Track Record | 9 |

## CARLETON MCKENNA FOOD & BEVERAGE BANKERS



**Christopher J. McKenna**  
Managing Partner  
[cjm@carletonmckenna.com](mailto:cjm@carletonmckenna.com)



**Alexis M. Becker**  
Vice President  
[amb@carletonmckenna.com](mailto:amb@carletonmckenna.com)



# A Fresh Take on Food & Beverage Preferences

## *M&A Activity Demonstrates Healthy Growth in 3Q24*

### KEY TAKEAWAYS

Carleton McKenna is pleased to share its 3Q24 Food & Beverage Macro Industry report. In this report, Carleton McKenna explores the strategic marketplace, consolidation trends and noteworthy transactions, as well as what the future deal making landscape may look like for food and beverage businesses to help sector participants shape their strategies for the near- to medium-term.

1. **Growth in Plant-Based and Functional Foods:** The demand for plant-based foods and functional beverages is rising rapidly as consumers seek healthier and more sustainable options. This growth is driving significant market expansion, with products ranging from plant-based alternatives to health-boosting drinks like probiotic sodas and vitamin-infused waters.
2. **Ethical Consumption and Sustainable Practices:** Consumers are increasingly focused on ethical consumption, demanding sustainable practices, regenerative agriculture, and transparency in the supply chain. This trend is reshaping the market, with companies adapting to meet these expectations, driving both growth and innovation in the industry.
3. **Market Consolidation and M&A Trends:** The F&B industry is experiencing a surge in M&A activity, driven by major corporations acquiring smaller companies in a diverse range of sectors, including pet food and confections. Despite high interest rates and tightened liquidity, strategic acquisitions are expected to drive greater market activity in H2 2024.

Carleton McKenna has substantive experience in the Food & Beverage industry, with a niche interest in Food Manufacturing, Craft Brewery, Alcoholic Beverage, Confection and Snack segments. To learn more about Carleton McKenna's wide range of transaction experiences, strategies for growth or exit, and current Food & Beverage industry trends, please [contact us](#).

## Growth Indicators Leading Change<sup>1 2 3 4 5</sup>

**Plant-Based Foods:** The demand for plant-based options continues to rise, driven by consumer preferences for healthier and more sustainable choices. This includes veganism, vegetarianism, and the use of plant-based alternatives like cauliflower.

Gone are the days when plant-based alternatives were for niche consumers and warranted limited shelf space. Changing consumer preferences has led to a rapid expansion of health-food dedicated shelf space by retailers. It should be noted that plant-based alternatives have always existed, however, their more recent role as a market disruptor has opened the door for new business and M&A activity. Many plant-based alternative producers are seeking to address barriers preventing traditional meat-eating consumers from choosing plant-based alternatives, including the perceived lack of exciting flavors and the dissimilarity to the taste and texture of meat. To continue sustainable growth, plant-based producers must learn how to better appeal to these consumers.

**Responsible Sourcing and Transparency:** There is a growing emphasis on sustainable practices, regenerative agriculture, and transparency in the supply chain, with consumers seeking environmentally conscious and ethically-sourced products.

In accordance with the growth of plant-based alternatives, millennial consumers have put an increased focus on ethical, environmental, and healthful food sourcing. Coined “flexitarians,” these ethics-conscious individuals are shifting the landscape for both well established companies looking to grow market share through healthier alternatives and new entrants looking to capture venture capital for exponential growth.

Sustainable manufacturing and supply chain management must align with the procurement of eco-friendly raw materials, including practices related to the reduction of carbon emissions from transportation. This is a major factor as drink manufacturers often ship specialty drinks across the globe. Another vital aspect involves water conservation within the production process. Employing energy efficient machinery and renewable energy sources further raises the sustainability standards expected from consumers.

**Functional Health Products:** Food and beverages infused with ingredients providing extra health benefits, such as energy, focus, or relaxation, are gaining popularity.

By definition, functional beverages are nonalcoholic drink products formulated with ingredients such as raw fruits, herbs, vitamins, minerals, amino acids and bioactive compounds providing specific health benefits. What once started with energy drinks with either caffeine or vitamin additives, now has hundreds of brands vying for the consumer’s attention with the likes of collagen for better skin, probiotic sodas like Poppi and Olipop, or vitamin-infused Sobe Water or Vitamin Water. According to the Associated Press, supermarket beverage aisles are starting to look a lot more like a pharmacy. This is considered the frenzy of functional beverages – designed to do more than just taste good or provide hydration.

The latest functional beverage trends are forming a buzz around adaptogens (plants and mushrooms) to help the body respond to stress and fatigue, and nootropics, the natural or synthetic cognitive enhancers like caffeine, ginkgo and amino acids.

The heightened ebb and flow of functional drinks began with the acceptance of kombucha as prebiotic and probiotic beverage sales more than tripled in 2023 alone. More specifically, U.S. sales jumped 54% to \$9 billion between March 2020 and March 2024 according to NielsenIQ. That was faster than the 43% growth for the non-alcoholic beverage market overall. Though kombucha and similar beverages are peaking in sales, newer energy alternative drinks like Celsius, Alani, or Ghost have started to shift the flow of sales within the larger beverage industry.

## M&A Trends & Outlook<sup>6 7 8 9</sup>

### 1. **Market Consolidation**

The food industry has seen a large number of mergers and acquisitions across various sectors, including pet food, fertilizer, confections, and more. This consolidation is driven by the largest corporations acquiring smaller companies, leading to a decrease in the number of independent small producers and processors.

Beverage consolidation will continue to rise as consumer sentiments flex to align with the latest macro influences. The dynamic interplay of consumer preferences, culinary innovation and the growing emphasis on health and sustainability will contribute to the rapid growth of industry revenue and surge in M&A activity.

### 2. **Increasing Deal Volume**

The volume of M&A deals in the F&B sector has been rising. In 2022 and 2023, there were 295 deals closed, with a year-over-year increase of 15% and a quarter-over-quarter increase of 44%. Strategic alliance seekers and private equity investors are driving this growth.

Out of 474 global deals in the Food & Consumer sector in 1Q 24, Europe experienced the most activity with 199, followed by the United States with 170 transactions. Overall, deal activity declined by about 11% in deal flow from Q4 2023's reported 535 closed deals. Similarly, YTD activity decreased by about 34% from 716 deals in 1Q the prior year.

A steady decline in H1 2024 deal activity is expected due to the continuation of elevated interest rates and cost of capital along with tightened liquidity from lenders. However, market conditions should loosen in H2 2024 as strategic acquisitions are anticipated to contribute to greater market activity. Projected deal activity relative to strategic buyers is forecast to account for 68% of total acquisitions for the year, up 4% from 2023's deal volume.

### 3. **Market Outlook & H2 2024 Expectations**

The outlook for the F&B industry is promising, with experts anticipating rapid growth from \$905 billion in 2023 to \$1,767 billion by 2030, at a CAGR of 10%. After a muted 2023, dealmaking is expected to rebound in late 2024. The industry is navigating a complicated macroeconomic environment and higher costs, but conditions are ripe for an M&A turnaround.

## NOTABLE INDUSTRY TRANSACTIONS<sup>10</sup>



Frías Nutrición, a manufacturer and distributor of plant-based food and beverage products, entered into a definitive agreement to be acquired by Refresco Group, via its financial sponsors Kohlberg Kravis Roberts, Omnes Capital and British Columbia Investment Management, through an estimated \$216 million LBO on July 22, 2024. This acquisition aims to enhance Refresco's service offerings to retailers and branded customers throughout Europe and boost its product innovation in plant-based beverages.



was acquired by



Cacaolat is an operator of a food production company intended to produce milkshakes and other milk-based products. The company offers a variety of shakes, lactose-free drinks, cocoa powder, and coffee products to its customers. The company reached a definitive agreement to sell 50% ownership stake to Idilia Foods for an estimated \$54 million on June 18, 2024.

This is the second transaction for Cacaolat with whom Grupo Damm previously acquired the business in June 2021.



YFood specializes in the production of a balanced drinking meal that contains protein, vitamins and minerals, essential omega fatty acids, and vital fiber that acts as an alternative to junk food. The company was acquired by Nestlé for an estimated \$230 million on March 1, 2023. The acquisition will be beneficial for acquirer to create cooperation in the areas of international expansion and sales channels.

INDUSTRY MULTIPLES <sup>11</sup>

**Merchant Wholesalers, Durable Goods**  
(2012 - Present)

| TEV Range<br>(in Millions) | TEV \$         | Revenues \$    | TTM Rev<br>Growth % | EBITDA Margin<br>% | TEV/Revs    | TEV / EBITDA | N          |
|----------------------------|----------------|----------------|---------------------|--------------------|-------------|--------------|------------|
| 10 - 25                    | \$ 16.4        | \$ 23.6        | 12.0%               | 16.3%              | 0.9x        | 5.6x         | 132        |
| 25 - 50                    | \$ 36.0        | \$ 52.3        | 14.1%               | 16.3%              | 1.0x        | 6.3x         | 122        |
| 50 - 100                   | \$ 71.9        | \$ 85.1        | 16.7%               | 15.1%              | 1.1x        | 7.4x         | 63         |
| 100 - 250                  | \$ 153.7       | \$ 230.6       | 11.4%               | 14.0%              | 1.1x        | 7.9x         | 52         |
| <b>Total</b>               | <b>\$ 51.7</b> | <b>\$ 72.8</b> | <b>13.4%</b>        | <b>15.7%</b>       | <b>1.0x</b> | <b>6.4x</b>  | <b>369</b> |

**Merchant Wholesalers, Nondurable Goods**  
(2012 - Present)

| TEV Range<br>(in Millions) | TEV \$         | Revenues \$    | TTM Rev<br>Growth % | EBITDA Margin<br>% | TEV/Revs    | TEV / EBITDA | N          |
|----------------------------|----------------|----------------|---------------------|--------------------|-------------|--------------|------------|
| 10 - 25                    | \$ 17.1        | \$ 29.5        | 10%                 | 13%                | 0.8x        | 6.1x         | 51         |
| 25 - 50                    | \$ 38.1        | \$ 57.9        | 13%                 | 15%                | 1.0x        | 6.9x         | 41         |
| 50 - 100                   | \$ 65.3        | \$ 118.4       | 13%                 | 13%                | 1.0x        | 7.6x         | 29         |
| 100 - 250                  | \$ 136.0       | \$ 118.0       | 17%                 | 20%                | 1.8x        | 8.7x         | 19         |
| <b>Total</b>               | <b>\$ 49.4</b> | <b>\$ 68.2</b> | <b>12%</b>          | <b>14%</b>         | <b>1.0x</b> | <b>7.0x</b>  | <b>140</b> |

**Merchant Wholesalers, Miscellaneous Nondurable Goods**  
(2012 - Present)

| TEV Range<br>(in Millions) | TEV \$         | Revenues \$    | TTM Rev<br>Growth % | EBITDA Margin<br>% | TEV/Revs    | TEV / EBITDA | N         |
|----------------------------|----------------|----------------|---------------------|--------------------|-------------|--------------|-----------|
| 10 - 25                    | \$ 18.4        | \$ 33.7        | 8.2%                | 10.6%              | 0.7x        | 6.6x         | 16        |
| 25 - 50                    | \$ 41.6        | \$ 45.3        | 7.7%                | 16.6%              | 1.2x        | 6.8x         | 9         |
| 50 - 100                   | \$ 66.1        | \$ 90.0        | 14.7%               | 11.8%              | 1.0x        | 8.2x         | 11        |
| 100 - 250                  | \$ 126.4       | \$ 143.4       | 26.3%               | 19.6%              | 1.2x        | 6.9x         | 5         |
| <b>Total</b>               | <b>\$ 49.4</b> | <b>\$ 64.7</b> | <b>12.0%</b>        | <b>13.4%</b>       | <b>0.9x</b> | <b>7.1x</b>  | <b>41</b> |

**Grocery and Related Product Merchant Wholesale**  
(2012 - Present)

| TEV Range<br>(in Millions) | TEV \$         | Revenues \$    | TTM Rev<br>Growth % | EBITDA<br>Margin % | TEV/Revs    | TEV / EBITDA | N         |
|----------------------------|----------------|----------------|---------------------|--------------------|-------------|--------------|-----------|
| 10 - 25                    | \$ 17.4        | \$ 33.4        | 11.1%               | 11.0%              | 0.7x        | 5.9x         | 9         |
| 25 - 50                    | \$ 34.7        | \$ 78.4        | 9.3%                | 9.1%               | 0.6x        | 6.3x         | 10        |
| 50 - 100                   | \$ 62.6        | \$ 113.2       | 8.7%                | 9.9%               | 0.7x        | 7.0x         | 8         |
| 100 - 250                  | \$ 144.2       | \$ 104.2       | 25.0%               | 15.2%              | 1.5x        | 9.8x         | 6         |
| <b>Total</b>               | <b>\$ 56.6</b> | <b>\$ 79.3</b> | <b>12.5%</b>        | <b>10.9%</b>       | <b>0.8x</b> | <b>7.0x</b>  | <b>33</b> |

## Food Manufacturing (2012 - Present)

| TEV Range<br>(in Millions) | TEV \$         | Revenues \$    | TTM Rev<br>Growth % | EBITDA<br>Margin % | TEV/Revs    | TEV / EBITDA | N          |
|----------------------------|----------------|----------------|---------------------|--------------------|-------------|--------------|------------|
| 10 - 25                    | \$ 17.5        | \$ 23.5        | 19.2%               | 16.7%              | 1.0x        | 6.2x         | 68         |
| 25 - 50                    | \$ 34.9        | \$ 47.4        | 11.2%               | 15.6%              | 1.0x        | 6.4x         | 45         |
| 50 - 100                   | \$ 64.6        | \$ 75.0        | 15.0%               | 16.7%              | 1.4x        | 7.9x         | 37         |
| 100 - 250                  | \$ 143.4       | \$ 111.7       | 10.4%               | 19.2%              | 1.9x        | 9.4x         | 16         |
| <b>Total</b>               | <b>\$ 44.9</b> | <b>\$ 50.0</b> | <b>16.2%</b>        | <b>16.6%</b>       | <b>1.2x</b> | <b>6.9x</b>  | <b>166</b> |

## Beverage Manufacturing (2012 - Present)

| TEV Range<br>(in Millions) | TEV \$         | Revenues \$    | TTM Rev<br>Growth % | EBITDA<br>Margin % | TEV/Revs    | TEV / EBITDA | N         |
|----------------------------|----------------|----------------|---------------------|--------------------|-------------|--------------|-----------|
| 25 - 50                    | \$ 29.1        | \$ 26.3        | 11.1%               | 18.1%              | 1.4x        | 7.8x         | 7         |
| 50 - 100                   | \$ 82.1        | \$ 100.8       | 6.3%                | 19.1%              | 1.5x        | 7.4x         | 4         |
| 100 - 250                  | \$ 117.7       | \$ 152.4       | 19.5%               | 15.1%              | 1.2x        | 7.4x         | 3         |
| <b>Total</b>               | <b>\$ 63.3</b> | <b>\$ 74.6</b> | <b>11.5%</b>        | <b>17.7%</b>       | <b>1.4x</b> | <b>7.6x</b>  | <b>14</b> |

## CARLETON MCKENNA FOOD & BEVERAGE CASE STUDY

*Malley's*  
CHOCOLATES

has completed a recapitalization with

Promise  
Holdings

The undersigned provided exclusive financial advisory services to  
Malley's Candies, Inc.

Carleton McKenna  
INVESTMENT BANKING SERVICES

Malley's Candies is a manufacturer and multi-unit retailer providing specialty confectionary products across Northeast Ohio. As a regional institution for over 88 years, the Company was owned by the founding family, now in its 3rd generation. Carleton McKenna was engaged as a sell-side advisor to help the six sibling owners bring in a strategic partner to sell or recapitalize the business and allow some of the siblings to take chips off the table and transition out. Some of the family members wanted to stay in the business, so it was important for the selected investment partner to recognize the family legacy and maintain the community-oriented and high-quality reputation within Northeast Ohio.

Carleton McKenna ran an extensive and competitive, but confidential marketing process, and was able to minimize rumors of a transaction within the close-knit Cleveland community. Given the family's desire to retain meaningful equity and operating participation, Carleton McKenna focused on family offices and longer-hold investment firms with strong experience in the food and beverage, confectionary and retail spaces. **CM&Co was able to drive the highly experienced, structurally flexible and preferred partner to an increase of 10% beyond their initial IOI submission. Further, all family members were able to roll-over their respective desired amount of equity and have the option of continuing operationally or not.**





**Paul H. Carleton**  
Managing Partner

Paul is founder and Managing Partner of Carleton McKenna & Company. He has more than 40 years of experience in corporate and investment banking focusing on mergers and acquisitions and capital raising activities for both private and public corporations. Prior to establishing Carleton McKenna, Paul was founder and Senior Managing Director of Carleton, McCreary, Holmes & Company, which was acquired by KeyCorp. Paul was previously Senior Managing Director and Head of Corporate Finance at the regional investment banking firm of McDonald & Company.

Paul has extensive corporate governance experience serving on corporate boards and not-for-profit boards. He has served on over 15 private company boards and currently sits on the Boards of E & H Family Group, Inc. and Breuer Premium Pet Food, Inc. Paul earned his bachelor's degree from Baldwin Wallace University and his master's in business administration from Northwestern University. He also received an honorary doctorate degree from Baldwin Wallace University.



**Christopher J. McKenna**  
Managing Partner

Christopher McKenna is Managing Partner at Carleton McKenna & Company. Before joining Carleton McKenna, Chris partnered with a private equity firm to buy a Cleveland manufacturing business where he was President and CEO. Previously, Chris was the Director of Financial Analysis with the MacLean-Fogg Company in Chicago where he executed on financial transactions and acquisitions and also managed a business unit.

Chris was an Associate with the investment banking firm of Rodman & Renshaw in New York, where he was involved with private and public transactions to raise equity, subordinated and senior debt. He began his career in commercial banking in New York with Manufacturers Hanover Trust and Security Pacific Business Credit. Chris received his B.A. in Economics from Dartmouth College and his M.B.A. with High Distinction from the University of Michigan Business School.



**Nora T. Mahoney**  
Managing Director

Nora T. Mahoney has experience with securities regulation, corporate governance, commercial litigation and broker dealer registrations. Nora is primarily responsible for the execution of capital raisings and private placement assignments across a variety of industries, as well as M&A advisory for business owners, specifically focused in B2B Services, Manufacturing & Industrials.

Prior to joining Carleton McKenna, Nora worked for Attorney General Mike DeWine and then practiced Commercial Litigation with a national law firm where she was involved in pre-trial practice for securities litigation.

Nora was awarded her Juris Doctor and Masters from Vermont Law School and serves as a Board Member for First Federal of Lakewood and as an executive Board Member for the Union Club of Cleveland. She also serves on the Board of Trustees for Baldwin Wallace University, from which she received her Bachelors in Biology and Sustainability.



## **Alexis M. Becker**

Vice President

Alexis is a Vice President at Carleton McKenna & Company. As part of Carleton McKenna's senior management team, Alexis manages M&A and capital raise transactions, guiding clients from preparation and marketing stages through negotiation and close. As part of transaction processing, Alexis reviews and develops marketing materials, conducts financial and valuation analysis, identifies strategic and financial partners for clients and facilitates due diligence processes. Alexis is also actively involved in building and maintaining client and partner relationships for Carleton McKenna.

Alexis completed her M.B.A. in Business Administration from Baldwin Wallace University in May 2018. She received her B.S. in Business Administration with a concentration in Marketing and a minor in Spanish from the Honors Program at Edinboro University of Pennsylvania, where she graduated top of her class.



## **David T. Jeziorowski**

Analyst

David is an Analyst at Carleton McKenna & Company. His current job responsibilities include industry and sell-side flow research, as well as creation of buyers lists, pitches and other transaction documents.

Before joining Carleton McKenna, David worked as a research and investment intern at Praetorian Holdings Group, a Cleveland-based private equity firm. During his internship, David performed extensive research on Industrial and Renewable Energy industries, communicated directly with sell-side M&A advisors and executed business and financial analysis utilized by members of the firm's investment committee.

David graduated from the University of Dayton in May 2022 where he received his B.S. in Business Administration with a concentration in Finance.



## **Emily A. Kuznik**

Marketing Analyst

Emily is a Marketing Analyst at Carleton McKenna & Company. Her primary responsibilities include researching and developing marketing content and industry reports, enacting website development, maintaining a social media strategy and regulating web-based management services.

Prior to joining Carleton McKenna, Emily worked as a Leadership Development Fellow for Baldwin Wallace University's Carmel Boyer School of Business. As a member of the pilot program, she coordinated a variety of marketing initiatives for both graduate and undergraduate programs including social media and email marketing campaigns, advertising, event planning, and recruiting.

She graduated magna cum laude from Baldwin Wallace University in 2021 where she earned a B.A. in Digital Marketing and again in 2022 with an M.B.A. in Management.



*has completed a recapitalization with*



CM&Co



Adirondack Vacation Destination  
• OLD FORGE NY •

*has been acquired by*



CM&Co



*has been acquired by*

ANHEUSER-BUSCH



CM&Co



CM&Co



CM&Co



CM&Co



CM&Co



CM&Co



CM&Co



*has acquired*



CM&Co

SPOT & TANGO

CM&Co



CM&Co



*Private Equity-backed chocolate manufacturer, wholesaler and retailer seeking acquisitions*

CM&Co



*has successfully closed on the sale of equity financing*

CM&Co



CM&Co



CM&Co

# ENDNOTES

1. <https://apnews.com/article/functional-beverages-wellness-drinks-8493fbe5d838bde849768446bea98483>
2. <https://www.sciencedirect.com/topics/agricultural-and-biological-sciences/functional-beverage#:~:text=Functional%20beverages%20can%20be%20useful,with%20indigestion%20and%20weight%20management.>
3. <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-plant-based-alternatives.pdf>
4. [https://www.capstonepartners.com/wp-content/uploads/2024/04/Capstone-Partners-Food-MA-Coverage-Report\\_April-2024.pdf](https://www.capstonepartners.com/wp-content/uploads/2024/04/Capstone-Partners-Food-MA-Coverage-Report_April-2024.pdf)
5. <https://rlhulett.com/app/uploads/2024/04/Food-and-Beverage-MA-Update-Q1-2024-1.pdf>
6. <https://nielseniq.com/global/en/>
7. <https://ijw.ca/food-beverage-ma-pulse/>
8. <https://applova.io/blog/8-hot-food-trends-to-watch-out-for-in-2024/>
9. <https://lesroches.edu/blog/beverage-industry-trends/>
10. <https://pitchbook.com>
11. <https://gfdata.com>