



Reset & Resilience in the Midst of Global Pandemic

M&A volume in the LTM period trended down, as did acquisition multiples, given the impact of uncertainty in the market from the COVID-19 pandemic. GDP is struggling to return to its pre-pandemic level, with layoffs rising, personal incomes falling and consumer confidence wobbling due to pandemic-related economic restrictions.

Despite widespread uncertainties, key bright spots in the consumer market emerged during the period. U.S. home sales rose to a 14-year high in October on the heels of low interest rates and a shortage of available houses in the market, suggesting a rise in spending on appliances, furniture, and other home goods.

In October, monthly U.S. retail sales rose 0.3%, driven by spending on new cars, electronics, and home fitness equipment.

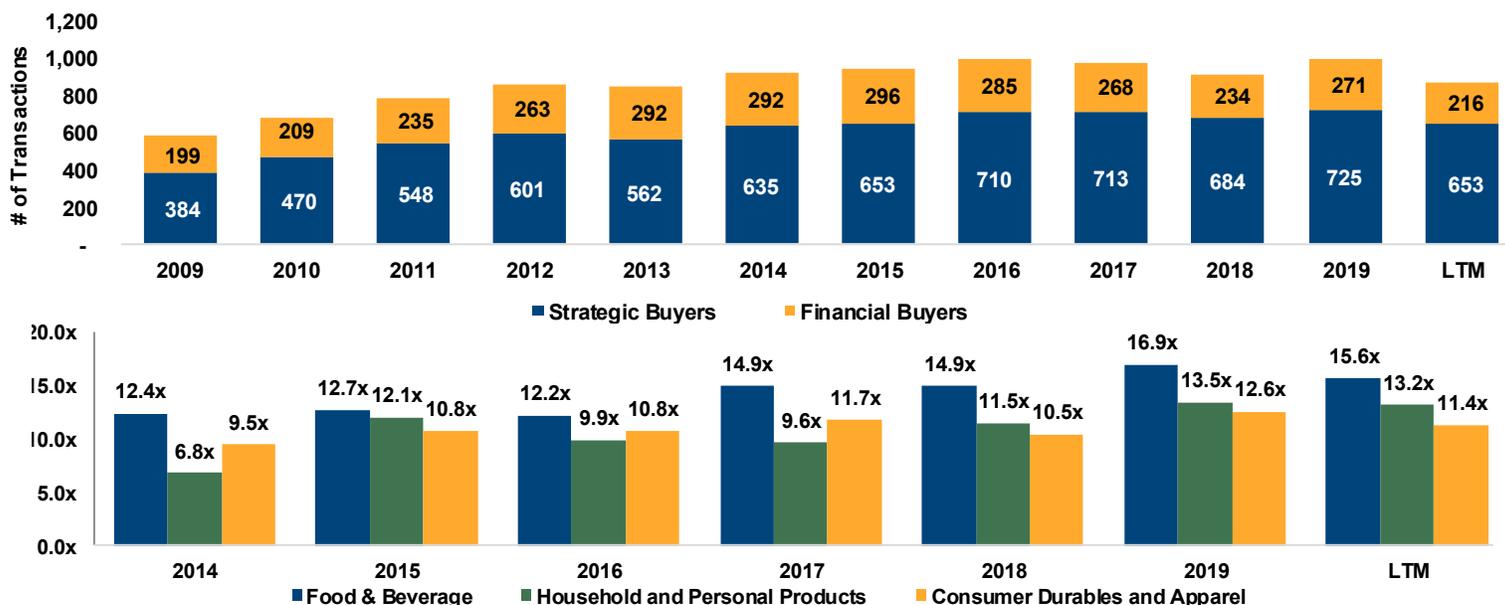
The U.S. economy grew at a record pace in the third quarter, driven by a reopening of businesses and pent up consumer demand. Government stimulus checks helped to spur spending. Production of consumer goods has also recovered as companies rush to restock, driving activity in U.S. factories.

Despite a decline in M&A volume and multiples, private equity and strategic acquirers remained opportunistic, closing deals with greater cash and less debt, as total debt dropped from 4.0x to 3.3x. Private equity add-on acquisition volume surged to 38% in Q2 from its typical range of 25-30% (G.F. Data).

Consumer deals that reached the finish line in Q2 and Q3 proved that the current M&A market places a premium on high-quality and innovative brands with proprietary offerings and excellent long-term viability.

Consumer M&A Transactions by Year

(Strategic Buyers Include Private Equity Owned Companies)



Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Notable Recently Announced and Closed Consumer Transactions

Date: 9/15/2020 (Announced)	Overview / Strategic Rationale:	Food & Beverage, Dairy					
<p>Target: </p> <p>Acquirer: </p> <p>Key Metrics:</p> <table border="0"> <tr> <td>Implied Enterprise Value (\$M)</td> <td>\$3,200</td> </tr> <tr> <td>EV/LTM EBITDA</td> <td>12.0x</td> </tr> <tr> <td>EV/LTM Revenue</td> <td>1.8x</td> </tr> </table>	Implied Enterprise Value (\$M)	\$3,200	EV/LTM EBITDA	12.0x	EV/LTM Revenue	1.8x	<p>Kraft Heinz, founded in 1869 and headquartered in Pittsburgh, PA, sold its natural, grated, cultured, and specialty cheese business in the U.S., along with its grated cheese business in Canada and the entire international cheese portfolio outside of North America. Kraft Heinz will partner with Lactalis on a perpetual license for Kraft in natural, grated, and international cheeses and Velveeta in natural and international cheeses.</p> <ul style="list-style-type: none"> <i>Lactalis acquires the Cracker Barrel, Breakstone's, Knudsen, Polly-O, Athenos, Hoffman's brands, and outside the U.S. and Canada only, Cheez Whiz brands</i> <i>The acquisition includes three Kraft Heinz production facilities and a distribution center. Approximately 750 Kraft Heinz employees will be joining Lactalis</i>
Implied Enterprise Value (\$M)	\$3,200						
EV/LTM EBITDA	12.0x						
EV/LTM Revenue	1.8x						
Date: 9/22/2020 (Announced)	Overview / Strategic Rationale:	Consumer Durables & Apparel					
<p>Target: </p> <p>Acquirer: </p> <p>Key Metrics:</p> <table border="0"> <tr> <td>Implied Enterprise Value (\$M)</td> <td>\$454</td> </tr> <tr> <td>EV/LTM EBITDA</td> <td>15.1x</td> </tr> <tr> <td>EV/LTM Revenue</td> <td>4.5x</td> </tr> </table>	Implied Enterprise Value (\$M)	\$454	EV/LTM EBITDA	15.1x	EV/LTM Revenue	4.5x	<p>Boa Technology, founded in 2001 and based in Denver, CO, designs and manufactures closure systems for shoes. The company provides micro-adjustable dials, super-strong lightweight laces, low friction lace guides, laced shoes, sports shoes, and loop systems for snowboarding, mountaineering, hiking and trail activities, cycling, hunting, and fishing, running, golfing, workwear, and medical categories. Boa Technology sells its products online.</p> <ul style="list-style-type: none"> <i>Compass Diversified added a disruptive and innovative brand with reputable, high-quality products to its diversified portfolio of ten subsidiaries with Boa's acquisition.</i> <i>Compass Diversified gains access to more than 400 brand partners who integrate the Boa fit systems into performance footwear, headwear, and medical bracing products. The acquisition closed on 10/16/2020.</i>
Implied Enterprise Value (\$M)	\$454						
EV/LTM EBITDA	15.1x						
EV/LTM Revenue	4.5x						
Date: 7/20/2020 (Announced)	Overview / Strategic Rationale:	Household & Personal Products					
<p>Target: </p> <p>Acquirer: </p> <p>Key Metrics:</p> <table border="0"> <tr> <td>Implied Enterprise Value (\$M)</td> <td>\$280</td> </tr> <tr> <td>EV/LTM EBITDA</td> <td>14.0x</td> </tr> <tr> <td>EV/LTM Revenue</td> <td>1.3x</td> </tr> </table>	Implied Enterprise Value (\$M)	\$280	EV/LTM EBITDA	14.0x	EV/LTM Revenue	1.3x	<p>ARIIX Holdings, LLC manufactures nutritional supplements, including branded lines of weight loss products, water and air pollutant protectants, nutritional support systems, skincare products, and other personal care products. ARIIX Holdings, founded in 2011 and based in Bountiful, Utah, sells its products through independent representatives and online channels.</p> <ul style="list-style-type: none"> <i>In addition to the \$20mm of EBITDA generated by ARIIX, the acquisition is expected to drive \$20mm of additional annualized EBITDA in the first 18 months through cost and revenue synergies.</i> <i>NewAge, an omni-channel distributor of healthy, functional brands, cited manufacturing efficiencies and scale, operational redundancy, cross-pollination of brands, and market and channel expansion as driving forces behind the acquisition.</i>
Implied Enterprise Value (\$M)	\$280						
EV/LTM EBITDA	14.0x						
EV/LTM Revenue	1.3x						
Date: 9/02/20 (Closed)	Overview / Strategic Rationale:	Household & Personal Products					
<p>Target: </p> <p>Acquirer: </p> <p>Key Metrics:</p> <table border="0"> <tr> <td>Implied Enterprise Value (\$M)</td> <td>\$234.5</td> </tr> <tr> <td>EV/LTM EBITDA</td> <td>NA</td> </tr> <tr> <td>EV/LTM Revenue</td> <td>NA</td> </tr> </table>	Implied Enterprise Value (\$M)	\$234.5	EV/LTM EBITDA	NA	EV/LTM Revenue	NA	<p>Crema Company, LLC manufactures and sells shaving products and personal products. The company was founded in 2005 and is based in Laguna Beach, CA.</p> <ul style="list-style-type: none"> <i>Edgewell, a leading pure-personal care products company, adds one of the strongest and most rapidly growing brands in men's grooming, enabling Edgewell to accelerate growth and strengthen their leading position in personal care product categories</i> <i>The acquisition solidifies Edgewell's position in the shaving segment of grooming products by bolstering a portfolio that includes Schick and Wilkinson Sword men's and women's shaving systems and disposable razors, along with Edge and Skintimate shave preparations.</i>
Implied Enterprise Value (\$M)	\$234.5						
EV/LTM EBITDA	NA						
EV/LTM Revenue	NA						

Recent Announced & Closed Transactions *(select transactions, not intended to be all-inclusive)*

Date	Acquirer	Target	Target Description	Price (\$MM)	Revenue Multiple	EBITDA Multiple
CONSUMER DURABLE & APPAREL						
9/22/2020	Compass Diversified (NYSE:CODI)	Boa Technology Inc.	Boa Technology Inc. designs and manufactures closure systems for shoes. The company was founded in 1998 and is based in Denver, Colorado.	\$454	4.5x	15.1x
6/9/2020	JANA Partners LLC	Callaway Golf Company (NYSE:ELY)	Callaway Golf Company, together with its subsidiaries, designs, manufactures, and sells golf clubs and golf balls, apparel, gear, and other products.	93	1.4x	12.8x
4/30/2020	Parkdale, Incorporated	Parkdale America, LLC	Parkdale America, LLC produces and sells cotton and synthetic yarns for the textile and apparel industries. The company was founded in 1997 and is based in Gastonia, North Carolina.	60	0.2x	3.3x
Food & Beverage						
9/15/2020	Groupe Lactalis S.A.	Natural Cheese Business of The Kraft Heinz Company	Natural Cheese Business of The Kraft Heinz Company comprises cheeses manufacturing business and brands, such as Breakstone's, Knudsen, Polly-O, Athenos, Hoffman's, Cracker Barrel, and Cheez Whiz.	1,800	1.8x	12.0x
HOUSEHOLD & PERSONAL PRODUCTS						
9/24/2020	Animal Pharm Care USA, Inc.	Business Operations of Animal Pharmaceuticals Inc.	Business Operations of Animal Pharmaceuticals Inc. comprises pet care products manufacturing business.	25	3.9x	11.4x
7/20/2020	NewAge, Inc. (NasdaqCM:NBEV)	ARIIX Holdings, LLC	ARIIX Holdings, LLC manufactures nutritional supplements. It offers a line of weight loss products, water and air pollutant protectants, nutritional support supplements, skincare products, and personal care products.	280	1.3x	14.0x

Sources: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

E-Grocery Spotlight: GrubMarket, Inc.

GrubMarket, Inc., founded in 2014 and based in San Francisco, CA, operates as an e-grocer, providing an online storefront for sellers to offer food and other items at wholesale prices to customers. The company is venture capital-backed, having just raised a \$60mm Series D round of venture funding from Digital Garage, Marubeni Ventures, and Sixty Degree Capital on October 5, 2020, for a pre-money valuation of an estimated \$390mm.

GrubMarket has been on an acquisition tear, completing 15 acquisitions since 2016, including eight in 2020. The company focuses on farm-to-table delivery of organic, vegan, gluten-free, fresh produce, snacks, drinks, pantry, home goods, health and beauty, baby and kids, pets, non-GMO, paleo, cholesterol-free, trans-fat free, and other products. GrubMarket also delivers food from local farms, fisheries, commercial kitchens, certified home kitchens, and restaurants, providing a SaaS-based platform for food delivery service.



Date of Investment

Acquisition Activity

- 10/22/2020
- 09/15/2020
- 08/11/2020
- 07/07/2020
- 07/07/2020
- 06/02/2020
- 04/01/2020
- 01/07/2020

- Best Fresh Produce Inc.
- Freshtex Produce LLC
- Grand Food Inc.
- Growers Produce Inc
- Cali Fresh Produce Inc
- Hung San Foods, Inc.
- Boston Organics LLC
- Eating with the Seasons Inc. & EJ Food Distributor Inc.,

Sub-Sector Profile: Vitamins and Nutritional Supplements

The Vitamins and Nutritional Supplements sector saw 12 transactions in Q2 & Q3 2020, five more than the same period in 2019. Driven by increased consumer awareness of health and wellness due to the COVID-19 pandemic, the sector’s activity is expected to continue to increase.

Real Food Blends, a leading provider of blended food meals for the enteral nutrition industry, was sold to Nutricia, part of Danone’s Specialized Nutrition business. Real Food Blends is the only company that focuses solely on providing 100% real food meals and nutritional variety to people with feeding tubes. For over 120 years, Nutricia has supported healthy growth and development during the first 1,000 days, including faltering growth, food allergies, rare metabolic diseases, epilepsy, and wound healing. Nutricia and Real Food Blends share a deep commitment to bringing life-changing and lifesaving nutrition solutions to people in need. **EdgePoint served as the exclusive financial advisor to Real Food Blends.**

Nestlé Health Science (NHSc) acquired Vital Proteins, America’s leading collagen brand and a lifestyle and wellness platform

offering supplements, beverages, and food products. Vital Proteins complements NHSc’s other vitamin, mineral, supplement and wellness brands, including Atrium Innovations, Garden of Life, Pure Encapsulations, and Persona, providing NHSc with access to a growing area of nutrition with a successful brand.

Highlander Partners, owner of Bettera Brands, announced the acquisition of Columbus, OH-based HiLo Nutrition. HiLo, an emerging player in the nutrition and wellness category and pioneer of the performance gummy category, collaborates with athletes, performance experts and nutritionists to deliver innovative products. Through extensive research and development, HiLo has developed proprietary alternatives to traditional powder supplements, including utilizing confection products as a delivery system. Bettera Brands also announced the acquisition of soft chew manufacturer Nutravail. While Bettera develops and manufactures vitamins, minerals, and nutritional products in gummy and hard lozenge forms, Nutravail develops and manufactures health and wellness products in proprietary soft chew formats, enabling Bettera to offer a full spectrum of formats to customers.

Active Vitamins and Nutritional Supplements Buyers

Select Strategic & Financial Buyers	Date of Investment	Acquisition Activity
	10/21/2020	<ul style="list-style-type: none"> Real Food Blends 
	09/14/2020	<ul style="list-style-type: none"> Substantially all assets of Nutravail LLC
	09/14/2020	<ul style="list-style-type: none"> HiLo Nutrition, Inc.
	08/30/2020	<ul style="list-style-type: none"> Jarrow Formulas, Inc.
	10/17/2019	<ul style="list-style-type: none"> EZ GARD Industries, Inc.
	07/30/2020	<ul style="list-style-type: none"> Vital Proteins, LLC

Sub-Sector Profile: Linens and Bedding

M&A activity within the Linens and Bedding sector heated up in Q2 & Q3 2020, with an uptick in transactions compared to the same period in 2019.

ASP Global, a portfolio company of Incline Equity Partners, acquired Shumsky Therapeutic Pillows, a Dayton, OH-based distributor of custom branded, soft-good products to hospitals that aid in pre-surgery education, and post-surgery patient comfort.

Founded in 1984, Shumsky maintains direct relationships with approximately 1,000 of the most prestigious hospitals and medical product distributors in the U.S. Over the course of its 35-year history, Shumsky established itself as the most recognized brand within the therapeutic pillow market, servicing hospitals, distributors, and surgical patients all over the U.S. **EdgePoint served as the exclusive financial advisor to Shumsky.**

Triangle Home Fashions, LLC (THF) acquired Hello Spud, a whimsical line of baby bedding and organic nursery décor. Hello Spud brought a strong customer relationship with Buy Buy Baby and other brick and mortar retailers. It also added a growing online presence fueled by a quality reputation among discerning moth-

ers, particularly in the nursery décor category. Hello Spuds playful and creative designs, driven by founder and creative director Melanie Spud, bolsters THF’s portfolio into the broader children’s category while also providing product development and sustainable sourcing expertise.

In other linen and bedding sector activity, Culp, a marketer of mattress fabrics and bedding and upholstery fabrics, completed the sale of its majority interest in eLuxury, LLC to the minority owner and founder Paul Saunders. eLuxury manufactures and distributes products in the bed, bath, home and garden categories through its e-commerce website, other branded websites, and online marketplaces, including Amazon, eBay, and Walmart.

Branford Castle Partners announced the acquisition of Fibrix Filtration, a leading provider of specialized high loft and pleated media air filtration products. Fibrix sells through large, brand name filter manufacturers in the United States. Branford cited the increasing concern of filtration as a driver behind the acquisition. Branford will be partnering with the existing management team and current owners to drive organic growth.

Active Linens and Bedding Buyers

Select Strategic & Financial Buyers	Date of Investment	Acquisition Activity
 BRANFORD CASTLE PARTNERS	08/13/2020	<ul style="list-style-type: none"> Fibrix, LLC
	05/26/2020	<ul style="list-style-type: none"> Hello Spud
	04/13/2020	<ul style="list-style-type: none"> Shumsky Therapeutic Pillows, LLC 
Paul Saunders	03/31/2020	<ul style="list-style-type: none"> eLuxury, LLC
	10/26/2019	<ul style="list-style-type: none"> Riegel Linen LLC
	02/02/2019	<ul style="list-style-type: none"> Arden Companies, Inc.

What We are Reading:

The Post-COVID 19 Consumer (Innosight, July 2020)

Innosight explores the impact of the COVID-19 pandemic on consumer habits, particularly the abrupt adaptation in consumer behaviors and the lasting implications after the current crisis ends. Where to grocery shop, for instance, is now a decision of convenience and minimization of exposure to public spaces. Amongst a crowded landscape of consumer-facing companies filling grocery orders (i.e., Instacart, Ocado, AmazonFresh), there still exists an opportunity to add value and innovate. SaaS companies, for instance, could develop offerings that harness consumer data to tailor product recommendations. At the same time, grocers could recover margin by servicing online orders out of distribution centers rather than neighborhood stores with high rent, eye-catching displays, and lengthy checkout lines.

Stay-at-home orders have increased the use of video communication amongst new consumers. The virus's lasting impacts may have consumers continue to incorporate previously inaccessible remote attendees into physical, face-to-face meetings while paying sincere attention to a remote participant's experience. Organizations that facilitate the interface between physical and virtual participants will see new growth opportunities. For instance, hotel chains may add digital frames to their rooms, allowing loyalty members to feel connected with their loved ones while on the road.

Outside of the consumer, employees have discovered that they don't have to be physically present to maintain productivity. Working from home has become a preference where previously it was a distant possibility, creating opportunities to predict how work-from-home employees shift their habits. For instance, an office supply store would be well-served to transition to a "workplace amenity subscription," delivering snacks, coffee, and office supplies to employee homes.

Finally, in identifying new sources for growth for employers resulting from the COVID-19 pandemic, opportunities for new products or services that better meet emerging needs will prevail. Businesses should look to where their customers have already started adding new solutions to address their needs, where new customers are utilizing their offerings, and where those customers use these offerings in unexpected ways. The authors argue that businesses who quickly identify and design for behavior shifts will emerge from the crisis positioned for growth.

How Will Consumer Markets Evolve After Coronavirus? (Euromonitor International, June 2020)

The health crisis and unprecedented disruption caused by COVID-19 has had profound impacts on economies, businesses, and consumers worldwide, changing the way consumers live, work, and shop. While many households are expected to fall into lower-income segments, and growing anxiety undermines consumer sentiment, the pandemic has forced many consumers to re-evaluate their life priorities, focusing more on family, community, and health. Euromonitor identified six coronavirus era themes impacting consumer markets.

The idea of sustainability has evolved beyond environmental concerns to a more holistic approach that aims to create social, environmental, and economic value. Health, beauty, and fashion companies must invest more in locally produced goods while focusing on brand heritage, transparency, safety, and provenance. In contrast, food and nutrition companies must prioritize food waste, animal welfare, and food security in the short- to mid-term over other priorities like packaging sustainability.

As consumers adapt their daily routines to spending long periods at home, "hometainment" and experiential customer demands create opportunity, from personalized luxury to wellness routines and gourmet experiences. Augmented virtual reality and holographic experiences are expected to transform online shopping by placing consumers in high-quality and meaningful at-home experiences. Countertop commerce, defined as the development of gadgets to create beverages at home, will become more pronounced with increased hometainment due to the desire to control the preparation process. In addition, brands that create experiences with more sedate, solitary aspects and focus on health and mental well-being will attract significant consumer attention.

The notion of happiness becoming a more tangible commercial process has transformed the definition of wellness, spurring digital and tech-enabled self-care solutions in preventative health, immune-boosting, de-stressing, and soothing product credentials. Euromonitor cites home as a health hub as an area of re-emphasis, with at-home therapy, home hygiene, and healthy cooking practices taking higher consumer precedence. Outcome-based products that emphasize mental well-being, mindfulness, and preventative health will attract greater attention, such as the pronounced move towards responsible stimulants like cannabis, caffeine, and botanicals instead of alcohol and tobacco products.

What We are Reading (con't)

Turning Private Labels into Powerhouse Brands (McKinsey & Company, October 2020)

Private-label products have become considerably more appealing to consumers during the COVID-19 pandemic. Early in the crisis, many CPG brands disappeared from store shelves due to panic buying; shoppers, not finding their preferred brands, instead purchased private-label goods, which are often cheaper than national brands. Consumers have opted for private-label products due to the high availability and low prices.

The shift toward private labels has benefited retailers, earning higher profit margins. Further, high-quality private-labels can gain a devoted consumer following, driving customer loyalty. McKinsey's September consumer survey showed that nearly 40% of consumers who switched brands during the pandemic would likely continue purchasing the new brand after the COVID-19 crisis, up from just 12% in March. Forty-five (45%) percent cited price as the primary reason when switching labels, with the lack of availability of preferred national brands as the secondary impetus.

McKinsey's analysis finds that retailers who seize the opportunity to reset their private-label strategies can translate short-term switching behavior into long-term customer loyalty. Leading retailers have already shown that a robust private-label offering can be a core pillar of a store's value proposition. Companies introduced private-labels to enhance profit margins as they require lower marketing spend and overhead and rely on store traffic and shelf position to drive sales. Sophisticated retailers have developed unique private-label strategies consistent with how they manage CPG brands—with strict discipline around the unique value proposition with clear standards and guardrails, becoming a strong driver of store loyalty.

Winners and Losers in the COVID-era Food and Beverage Industry (Privcap, Q3 20)

Although total dealmaking activity is down, the market is active, and businesses are still attractive and garnering strong valuations. The COVID pandemic has put pressure on smaller operators who may lack scale along with the ability to compete with price, resources, and technology. Businesses moving to digital and online environments require investments to be scalable, forcing some consolidation in the retail food space, with smaller operators of a nice brand unable to adapt to industry changes.

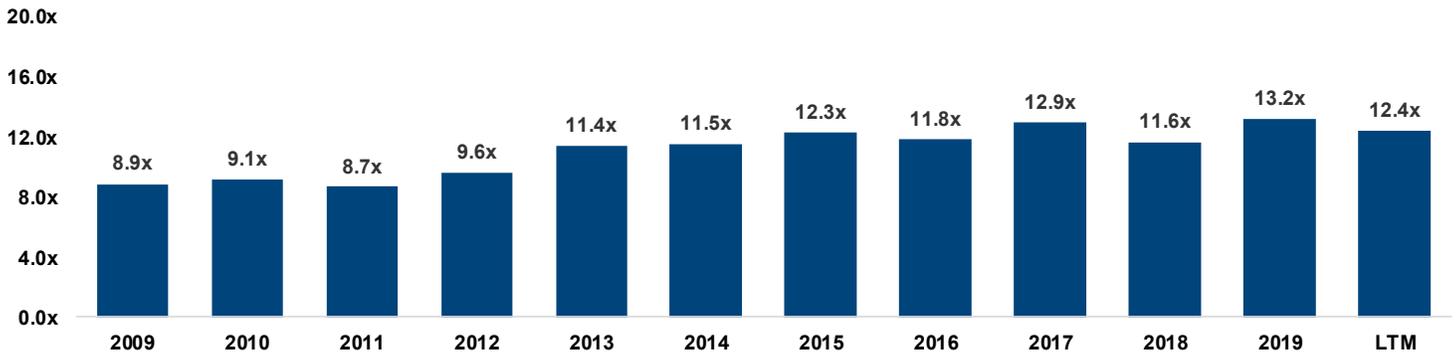
Companies that have invested in innovation, creating differentiated products have fared well through the pandemic, while larger companies with diversified supply chains and brand awareness are also flourishing. While the transition to digital was already happening, that trend is accelerating and places greater values with digital infrastructures in place; if a business wasn't connected to digital channels, they are having a harder time catching up.

Besides the trend for alternative proteins, including meatless proteins, beverage brands like Muscle Milk and Super Coffee have experienced surges, along with the general bar category. In the supermarket, the center aisle, referring to prepackaged food brands, performed well in the pandemic after falling out of favor in recent years. This performance comes despite a sustained push for fresh and local foods, as a drive to stock-up on shelf-stable foods provided consumers with the ability to stock their pantries during the peak of the pandemic. Outside of the center aisle, frozen foods have improved the quality of the food and the technology available for flash-freezing meals.



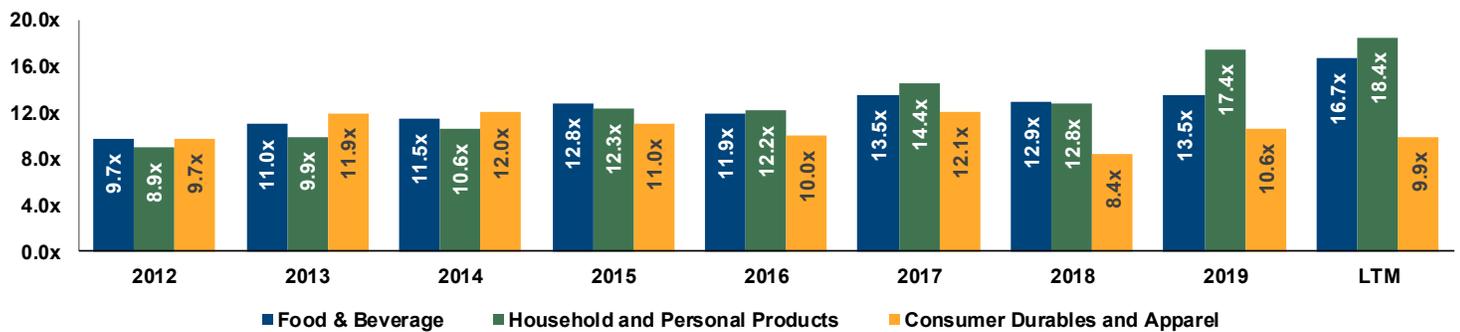
Public Company Comparisons Trading Multiples

Consumer Annual Public EV/EBITDAMultiples



Source: CapIQ, public trading data as of September 30, 2020

Consumer Public EV/EBITDAMultiples by Sector



Source: CapIQ, public trading data as of September 30, 2020

Representative EdgePoint Consumer Transactions

 REALFOOD BLENDS™ MEALS FOR PEOPLE WITH FEEDING TUBES has sold to 	 CUSTOM POLY BAG, INC. has sold to 	 EDGE DISTRIBUTION has sold to 	 Omega Sea has sold to 	 Initials, Inc. There's only one you! has been financed
 OHIO Travel Bag has sold to 	 The Apple Fiber Division of TASTE has sold to 	 Omega Sea has sold to 	 GSC has partnered with 	 PYRAMID AIR has sold to



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