



Food, Beverage and Agriculture

*Intrepid Spotlight: **Specialty Protein***

January 2023

Mergers & Acquisitions | Capital Advisory

Los Angeles | Menlo Park | Charlotte | Chicago | New York | intrepidib.com | 310.478.9000

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Why Specialty Protein Matters

Younger Consumers Are Trend Setters...

Model that prioritizes each of the stakeholders (farmers, workers, environment, shareholders, and consumers) for the long term



Animal inputs that are mission driven such as pasture-raised, grass fed, organic, non-GMO, hormone, and antibiotic free



Premium Products



Consumers are drawn to specialty and artisanal products and have shown a willingness to pay price premiums

Health and Wellness



Eating healthy and general wellness is currently at the forefront of consumer preferences

...Focused On Different Factors Than Before

Broader Macro Drivers Favor Specialty Protein Growth

Increasing Protein Consumption

- Growing popularity of a low carb, high protein diet is driving higher protein consumption
- US per capita consumption of eggs has increased from 256 eggs in 2015 to 288 eggs in 2022
- Flexible work schedules following the pandemic allow more time in the morning to prepare breakfasts consisting of eggs

Plant-Based Fatigue

- 53% of American consumers are omnivorous while only 3% are vegan and 5% are vegetarian
- The marketplace is oversaturated with plant-based protein options, making it difficult for all new market entrants to thrive
- Retailers welcome specialty and innovative actual protein offerings that meet young consumers' needs

Retail and Foodservice Mandates

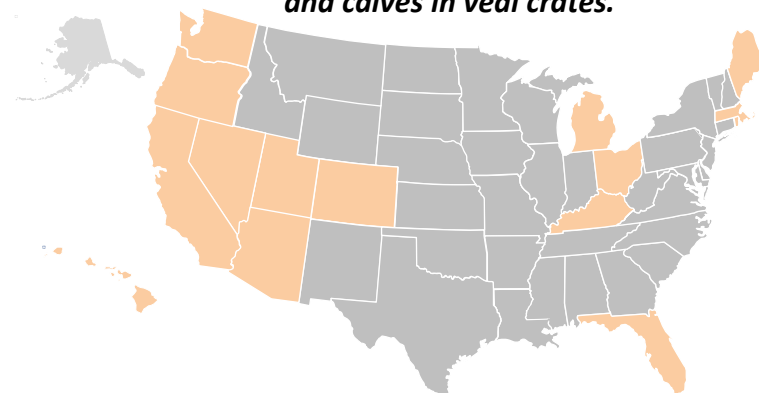
- Grocery retail and foodservice purchase mandates are favoring attribute driven and premium protein products in response to broad consumer demand
- In response, companies are making cage-free pledges and focusing on specialty products
- Non-adapters are facing public backlash

Margin Opportunities

- With consolidation and required scale in commodity protein, smaller players seek niches to defend position
- Attribute driven, specialty products are able to command premium prices, offering some protection in the face of rising costs

Regulatory Environment Is Favorable

15 states have passed laws to ban or restrict the confinement of egg-laying hens in cages, pigs in gestation crates, and calves in veal crates.



- California's Proposition 12 and Massachusetts' Question 3 take this a step further by barring the sale of non-conforming protein within the states
- The National Pork Producers Council and American Farm Bureau Federation are challenging whether Proposition 12 violates the Constitution's interstate Commerce Clause in a case to be heard by the Supreme Court in October
 - 99% of the pork consumed in California is imported and California consumes 13% of the nation's pork

Takeaways for the Protein Business Owner



Focus on a Niche

- Companies that focus on specific segments of the specialty protein segment are seeing continued success
- Focusing on a specific segment allows business owners to develop strong and conscientious supply chains that take care of all stakeholders, invest in manufacturing, and become market leaders with consumer recognition



Consider In-House Manufacturing

- Private equity and strategic investors value in-house manufacturing as it leads to synergistic M&A opportunities
- Utilizing a co-packer can give companies less control over margins, which is increasingly relevant in a high inflationary environment
- Manufacturing capacity can be converted to additional revenue through contract manufacturing relationships



Simplify Consumer Life and Focus on Further Processed Protein

- About 85% of meals consumed in the U.S. are made at home. As Americans continue to have less time on their hands, healthy products that simplify the preparation and cooking process are very well positioned
- Further processed protein products such as on-the-go snacks, specialty deli, meal kits, pre-seasoned and marinated offerings, reduce preparation time and are regarded as a nutritious



Stay Tuned to Consolidation Trends

- Strategic investors are looking to diversify their protein product portfolio from commodity products and as a result remain highly interested in acquisition targets in specialty protein
 - In addition, strategic investors are interested in buying additional capacity and sourcing specialty lines from co-packers
- Private equity investors are interested in building platforms in specialty protein with a focus on manufacturing and buy-and-build roll ups

Robust M&A and Investment Activity

Active Private Equity Investors

Acquiror	Select Acquisitions ⁽¹⁾
	
	 
	 
	
	 
	 
	 
	
	
	
	
	
	 
	  
	
	
	

Selected Industry Consolidators

Acquiror	Select Acquisitions
	    
	   
	  
	 
	 
	     
	 

Sale of Rock Hill Foods to Pete and Gerry's

Case Study: Rock Hill Foods

Client Description: Rock Hill Foods (“Rock Hill” or the “Company”) is one of the top five producers of pasture-raised and free-range eggs in the United States. Rock Hill works with a broad supply base of growers to produce industry certified eggs that are then washed, graded, and packaged in Rock Hill’s processing facilities. The Company sells its eggs through distributors and branded retailers across the U.S. and sources eggs from locally owned farms in the pasture-belt of northeastern Georgia, Arkansas, and Missouri

Key Marketing Challenges:

- Market volatility in the price of grain and feed
- Emphasizing the inclusion of affiliate assets in the transaction

Marketing Process: Extensive market knowledge led to the ability to swiftly entertain preemptive buyer interest and eliminate the need for a broad marketing process

Positioning: Tailored and highlighted the fit between Rock Hill and preemptive buyers. The fit between Rock Hill and Pete and Gerry’s was apparent and would result in a number of synergies for the combined entity. Rock Hill’s grower network of family farms married with an industry leading brand like Pete and Gerry’s enables the combined entity to better compete as a vertically integrated supplier of specialty eggs

Outcome: The highly synergistic nature of the deal lead to the completed sale to Butterfly Equity and protected deal value even in the face of market volatility. Intrepid’s knowledge of the industry, which eliminated the need for a broad marketing process, allowed for the transaction to close within only five months of engagement

Unlocking massive value creation through a strategic combination



has been acquired by

PETE and GERRY'S
ORGANIC EGGS

a portfolio company of



butterfly

Advisor to Rock Hill Foods



"I look forward to continue to scale in a fast-growing market. I cannot thank the Intrepid team enough for the incredible job that they did advising us throughout this process."

Zac Hill, CEO of Rock Hill Foods



Sale of Mighty Spark to Swander Pace Capital

Case Study: Mighty Spark

Client Description: Mighty Spark (the “Company”) is a disruptive player within the fresh meat category offering high nutrition, great flavor, and value-added propositions to its line of innovative turkey and chicken patties and grinds as well as chicken snack sticks. The Company is mission-driven and donates a meal for every pack of product sold

Key Marketing Challenges:

- Short company history - brand was founded in 2018
- Category traditionally dominated by commodity players
- Navigating buyers through COVID benefits and recency of success

Marketing Process: Intrepid conducted a broad marketing effort, contacting both strategic parties as well as financial sponsors with interest in branded fresh meat

Positioning: Positioned as a category leader in terms of growth and profitability. With a portfolio of high margin, value-added products, stickiness of customer wins during COVID, and significant headroom for long-term growth of the brand was an ideal target for acquirors in the space

Outcome: Garnered strategic and financial buyer interest, and management ultimately selected Swander Pace Capital because of their deep experience in branded consumer products via their prior investment in Applegate, and certainty of close

Advancing Mighty Spark to its next phase of growth with a well-resourced partner



“It is clear that no other investment bank could have guided us through such a process and helped us achieve this exceptional outcome. We met our objectives and closed a transaction quickly even during a pandemic—we were truly impressed by the Intrepid team and the outcome they helped drive.”

Nick Beste, CEO of Mighty Spark



Overview of Intrepid's Food, Beverage and Agriculture Group

Meet the Team



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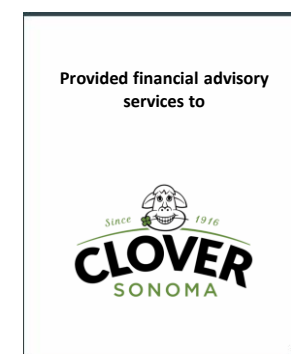
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Recent Food, Beverage & Agriculture Closed Deals



- ✓ One of the leading middle-market M&A advisors in the U.S. with a dedicated food, beverage and agriculture group
- ✓ Exclusive focus on advisory to middle-market companies
- ✓ Strong relationships in the protein sector, providing C-Suite access to key buyers across the globe
- ✓ Daily conversations with leading private equity firms, corporate acquirors, and economic experts
- ✓ Partnership with MUFG provides access to the global infrastructure, capabilities and deep relationships of the sixth largest bank in the world.





MIKE SECCURO

Managing Director

Head of Food, Beverage and Agriculture

Mike is the Head of Food, Beverage & Agriculture at Intrepid. He has more than 20 years of investment banking experience and has focused on the food and beverage sector since 2000. During that time Mike has executed more than 50 transactions worth more than \$80 billion. His experience includes buy-side and sell-side M&A transactions, credit and debt structuring and origination as well as public and private equity raises. He has represented clients across a variety of industry segments, including packaged food and beverage, produce, protein, seafood, agriculture, grocery retail, and foodservice.

In his 20 plus year banking career, Mike has developed a particular expertise around the protein sector which he is passionate about. He executed his first transaction in the sector for integrated hog / pork producer Premium Standard Farms in 2001. Since that transaction, Mike has worked with leading companies in the industry as well as smaller family owned, and entrepreneur led businesses across the pork, beef, chicken, turkey, egg, and seafood sectors. He has spoken on panels at select industry events and attends key industry conferences.

Prior to joining Intrepid, Mike was a Managing Director with Bank of America Merrill Lynch, where he spent 12 years, most recently in the Los Angeles office, covering key consumer, food and agriculture clients in the Pacific Southwest. During his investment banking career Mike also worked at Morgan Stanley, Stifel Nicolaus & Company, and Alex Brown & Sons in New York, Atlanta, and Baltimore.

Born and raised in Virginia, Mike has fully embraced the California lifestyle since relocating in 2016. Having lived in Bologna for a year, Mike speaks Italian and enjoys Italian film and TV as well as binging on food shows on Netflix. He resides in West Los Angeles with his wife, daughter, son, and two dogs.

Select Clients

**Includes transactions completed while at prior firms.*





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