



following store divestitures; **PETM** given opportunities within its capital structure, evolving business model and continued debate Chevy's valuation; **TFM** given the recent reported improvement in sales and potentially attractive attachment point should traffic and margins stabilize; and **NMG** given potential liability management and an improving outlook in luxury spending.

## Food & Beverage: Expect M&A focus to be key driver in '18

Key themes: Strategic M&A; margins and debt reduction

The key theme for high yield food & beverage heading into 2018 is M&A. To this point transactions have largely been credit positive in high yield, whether viewed through the lens of the market or rating agencies. Transaction multiples have been supportive of LTV ratios, with transactions generally clearing at double digit EBITDA multiples.

- Proceeds from divestitures have been earmarked for debt reduction, as was the case with **Cott Beverage's (COT/BCBCN)** sale of its traditional business to Refresco.
- **AdvancePierre (APFH/PIERRE)** was acquired by investment grade rated Tyson's in April, and its 5.5% 2024 senior notes were called at the make-whole price of \$112.81 representing a nearly 10 point gain for holders. In our conversations with investors, **Pinnacle Foods (PF)** remains the most likely high yield candidate to follow APFH's lead.
- **B&G Foods (BGS), Pilgrim's Pride (PPC)** and **Post Holdings (POST)** each took strategic actions that increased financial leverage, but were viewed constructively by the rating agencies as the transactions are expected to improve operating margins, and provide diversification for both geographic and business risk. Given **POST's** proven ability to integrate acquisitions, a very favorable maturity profile and incremental yield relative to other packaged food names, we think investors are appropriately compensated for the higher leverage.
- On December 19<sup>th</sup> **Greenyard (GREEN)** indicated it was in advanced discussions to acquire **Dole Food Co. (DOLE)**, and had secured appropriate financing.

Figure 1: Select food M&A transactions

Announce Date	Acquiror	Target	EV/EBITDA (ex-Synergies)	EV/EBITDA (w/ Synergies)
4/18/17	Post Holdings*	Weetabix	11.7x	10.0x
4/25/17	Tyson Foods	AdvancePierre Foods	14.0x	8.4x
7/19/17	McCormick & Co	RB Food (Reckitt Benckiser)	20.4x	ND
7/25/17	Refresco	Cott Beverages (Bottling/Carbonated Business)	9.2x	6.5x
8/20/17	B&G Foods Companies*	Back to Nature Foods Company	9.6x	ND
9/11/17	Pilgrim's Pride	Moy Park	10.5x	ND
9/19/17	Post Holdings	Bob Evans Farms	15.1x	12.2x
12/18/17	Campbell Soup	Snyder's-Lance	20.1x	12.9x
12/18/17	The Hershey Co	Amplify Snack Brands	18.1x	14.7x

\* Based on forward EBITDA provided with transaction announcement.  
 Source: Deutsche Bank, company reports, Bloomberg Finance L.P.