

Quazar Report – Organic Food

September 2018

Executive Summary

Since the 1990s, consumer demand for organically produced goods have shown double-digit growth annually. Organic products are now available in nearly three of four conventional grocery stores throughout the United States.¹ In 2017, organic sales in the U.S. totaled an all-time high of \$49.4 billion, up 6.4% from the previous year.² This growth represented almost six times the growth when compared to the overall food market (growing approximately 1.1%).²

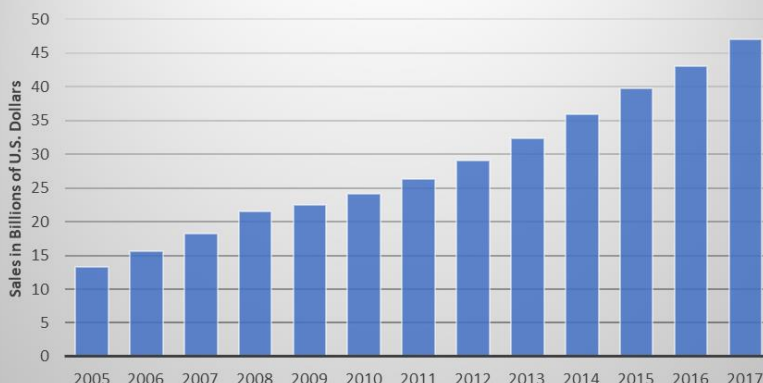
According to the USDA, there are over 26,000 Certified Organic Operations throughout the United States, with most operations located in California (4,849 operations).⁴ Of the organic food sold, fruits and vegetables remain the largest organic category within the U.S., comprising 33% of the U.S. market share.²

According to the most recent survey completed by Ag Marketing Research, there were 2.3 million acres of organic certified rangeland, which consisted of over 46,000 organically-certified beef cows. The average price of organically raised beef was \$7.97/pound, a 67% premium over conventional beef.⁶

Key Trends/highlights

- According to the USDA, there are over 26,000 Certified Organic Operations throughout the U.S.⁴
- Global organic food market to grow at over 16% by 2020³
- Organic food market makes up 5.5% of the total food market in the United States²
- More than 82% of U.S. families buy organic products and parents aged 18-34 are the biggest buyers of organic goods⁵
- In 2017, fresh produce accounted for 90% of organic fruit and vegetable sales²

Organic Food Sales in U.S. from 2005 - 2017
(in billions)



Source: Organic Trade Association

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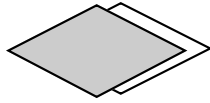
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Selected Transactions: Recent Industry M&A Activity (with disclosed value) – by total transaction value

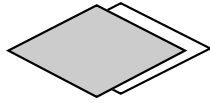
| Announced Date | Target/Issuer | Total Transaction Value (in \$MM) | Buyers/Investors | Industry Classifications |
|----------------|--------------------------------------|-----------------------------------|--------------------------------------------------|--------------------------|
| 2/23/2018 | Blue Buffalo Pet Products, Inc. | \$8,326 | General Mills, Inc. (NYSE:GIS) | Packaged Foods and Meats |
| 12/18/2017 | Amplify Snack Brands, Inc. | \$1,536 | The Hershey Company (NYSE:HSY) | Packaged Foods and Meats |
| 10/6/2017 | Chicago Bar Company LLC | \$600 | Kellogg Company (NYSE:K) | Packaged Foods and Meats |
| 10/6/2017 | Omega Protein Corporation | \$509 | Cooke Inc. | Packaged Foods and Meats |
| 11/2/2017 | Richelieu Foods Inc. | \$435 | Freiberger USA Inc. | Packaged Foods and Meats |
| 11/2/2017 | Tazo Tea Company | \$384 | Unilever United States, Inc. | Packaged Foods and Meats |
| 11/1/2017 | Betin, Inc | \$264 | Saputo Inc. (TSX:SAP) | Packaged Foods and Meats |
| 9/22/2017 | Angie's Artisan Treats, LLC | \$250 | Conagra Brands, Inc. (NYSE:CAG) | Packaged Foods and Meats |
| 4/26/2018 | Old Orchard Brands, LLC | \$159 | Lassonde Industries Inc. (TSX:LAS.A) | Packaged Foods and Meats |
| 5/17/2018 | Zipfizz Corporation | \$80 | KUC Holding | Soft Drinks |
| 11/9/2017 | Cambrooke Therapeutics, Inc. | \$64 | Ajinomoto Health & Nutrition North America, Inc. | Packaged Foods and Meats |
| 5/8/2018 | California Olive Ranch Inc | \$20 | Crefica, SL; Calliopsis, LLC; Duncanson SL | Packaged Foods and Meats |
| 12/20/2017 | Galaxy Nutritional Foods, Inc. | \$17 | GreenSpace Brands Inc. (TSXV:JTR) | Packaged Foods and Meats |
| 7/2/2018 | Good Karma Foods, Inc. | \$15 | Dean Foods Company (NYSE:DF) | Packaged Foods and Meats |
| 12/18/2017 | Organic Almond Orchard in California | \$6 | Gladstone Land Corporation (NasdaqGM:LAND) | Agricultural Products |

Source: Capital IQ

About Quazar Capital Corporation

Quazar Capital Corporation (quazarcapital.com) is a Minnesota based Investment Banking Firm with over 25 years of experience confidentially helping privately held companies with Mergers & Acquisitions, Recapitalizations, and Financial Advisory Services. Quazar specializes in transitioning companies with EBITDA of \$2 - \$10 million.

Experienced Investment Bankers



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Selected Transactions: Recent Industry M&A Activity (without disclosed value) – by most recent (as of 7/31/2018)

| Announced Date | Target/Issuer | Buyers/Investors | Industry Classifications |
|----------------|--------------------------------------------------|--------------------------------------|--------------------------|
| 7/30/2018 | Bump Brands LLC | 1908 Brands, Inc. | Soft Drinks |
| 7/24/2018 | Wholesome Pride Pet Treats LLC | Outward Hound | Packaged Foods and Meats |
| 7/18/2018 | Ingredient Business of Earth Circle Organics LLC | Cambridge Commodities Limited | Packaged Foods and Meats |
| 6/6/2018 | Top Shelf Beverages, Inc. | Tenth and Blake Beer Company | Soft Drinks |
| 5/29/2018 | Vetscience LLC | Manna Pro Products, LLC | Packaged Foods and Meats |
| 3/29/2018 | Baetea LLC | New World Natural Brands, LLC | Packaged Foods and Meats |
| 3/20/2018 | Green Chef Corporation | Grocery Delivery E-Services USA INC. | Packaged Foods and Meats |
| 2/8/2018 | Popcorn Passion and DK Organics | Celebrate Brands LLC | Packaged Foods and Meats |
| 2/7/2018 | Pet Guard, Inc. | - | Packaged Foods and Meats |
| 1/30/2018 | California Natural Products Inc. | Gehl Foods, LLC | Packaged Foods and Meats |
| 12/21/2017 | Natural Flavors Inc. | Firmenich SA | Packaged Foods and Meats |
| 11/3/2017 | Open Range Beef, LLC | High Street Capital | Packaged Foods and Meats |
| 10/26/2017 | Nurture, Inc. | Danone SA (ENXTPA:BN) | Packaged Foods and Meats |
| 10/23/2017 | China WuYi Mountain, Ltd. | - | Soft Drinks |
| 10/23/2017 | Oscar's Organic Inc. | King Fresh Produce, LLC | Agricultural Products |

Source: Capital IQ

Sources:

- (1): United States Department of Agriculture. August 2018.
- (2): Organic Trade Association: "Maturing U.S. organic sector sees steady growth of 6.4% in 2017". August 2018.
- (3): Grand View Research: "Organic Food & Beverage Market Size Worth \$320.5 Billion by 2025". April 2017.
- (4): Organic Integrity Database: "2017 Count of United States Certified Organic Operations by State or Territory". March 2018.
- (5): Organic Trade Association: "Consumer Attitudes and Beliefs Study 2016". August 2018.
- (6): Ag Marketing Resource Center: "Organic Beef". August 2018.

Experienced Investment Bankers