

Quazar Report – Seasoning, Sauce, and Condiment Production

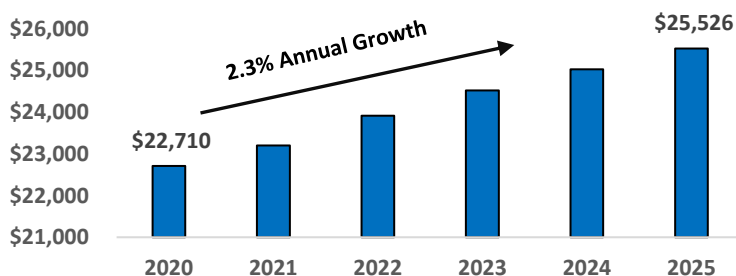
Q1 2021

Estimated Read Time: 4 minutes

The Seasoning, Sauce, and Condiment Production Industry consists of a wide range of manufacturers that produce products like salad dressings, sandwich spreads, hot sauces, seasoning mixes and more. Total revenue for this industry was expected to have decreased approximately 3.2% for the year 2020. However, there was a wide dispersion in individual company performance depending on each company's primary customer base. Due to the pandemic, companies that sell product into food service establishments, which accounts for approximately 18.3% of revenue, predictably have had a tough year.¹ On the other hand, companies like Truff Hot Sauce, which primarily sells its high-end hot sauces direct to consumer through Amazon and through retail Whole Foods stores, has had its best year ever, claiming 400% sales growth as a result of consumers eating more meals at home.²

Covid-19 has exacerbated several trends that were already underway pre-pandemic. The shift towards healthier, good-for-you products, is a massive trend not only in this industry but in the entire food and beverage ecosystem. Many of the consumers that have found themselves with higher disposable incomes due to the pandemic are choosing to spend that money on healthier, more expensive brands that contain less sodium and fat contents than their competition. A recent Archer Daniels Midland research study found that 77% of consumers said they will do more to stay healthy in the future. That study also showed that 18% of U.S. consumers bought their first plant-based protein product this year and 48% said they plan on purchasing more items related to health and wellness going forward.³ The author Anna Ferrel concluded that there will be a tidal wave of new products in the next six to nine months as consumer brands reinvent and refresh their product lineups. Another related trend in the industry is consumers and regulatory bodies demanding more stringent packaging and labelling requirements for food products. According to GlobalData, four out of ten millennial consumers say health claims on brands currently confuse them.⁴

Seasoning, Sauce and Condiment US Industry
Projected Revenue (\$mm)¹



Sources:

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Key Trends/Industry Highlights

- Current Industry product mix is comprised of ¹:
 - Mayonnaise, salad dressing and sandwich spreads – 30.0%
 - Prepared Sauces (excluding tomato) – 16.6%
 - Dry-mix food preparations – 15.0%
 - Flavoring extracts, emulsions, liquid flavors and colorings – 20.0%
 - Salt, Pepper and other spices – 18.4%
- "Sales of McCormick & Co. branded spices and herbs were up 35 percent over last year for the 13 weeks ending Aug. 30th, according to Information Resources, a data analytics firm."⁵ McCormick & Co. was also up 16% in dry recipe mixes, 10% in mustards, 44% in hot wing sauces and 35% in barbeque sauces over the same period.⁵
- "According to the NPD Group, national consumption of spices, seasonings, marinades and rubs was up over 50 percent in July 2020, the most recent month for which data is available, compared with July 2019."⁵

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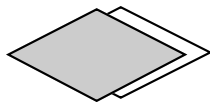
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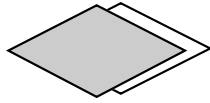
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Selected Transactions: Recent Industry M&A Activity

Transactions Announcement Date	Target/Issuer	Total Transaction Value (\$USDmm, Historical rate)	Buyers/Investors
11/24/2020	The Cholula Food Company Inc.	800.0	McCormick & Company, Incorporated (NYSE:MCK)
09/08/2020	Silva International, Inc.	170.0	Universal Corporation
04/09/2020	PureCircle Limited	91.44	Ingredion Incorporated
12/19/2019	Flavors Holdings Inc.	387.5	Whole Earth Brands, Inc.
02/12/2020	Kronos Foods Corp.	190.0	Entrepreneurial Equity Partners, L.P.
08/21/2019	More Than Gourmet, Inc.	35.69	Ajinomoto Health & Nutrition North America, Inc.
05/23/2019	CJ Foods America Corp.	319.2	Bain Capital Credit, LP
02/26/2019	Garden Fresh Salsa Company, Inc.	55.0	Aliments Fontaine Santé inc.
12/14/2018	Ariake U.S.A., Inc.	176.0	Kerry Inc.
12/07/2018	Good Food Holdings, LLC	275.0	PK Retail Holdings Inc.
11/29/2018	Primal Nutrition, LLC	202.0	The Kraft Heinz Company
01/23/2019	HANS KISSLE COMPANY, LLC.	108.0	Mitsui & Co., Ltd.; KENKO Mayonnaise Co.,Ltd.
06/27/2018	Pinnacle Foods Inc.	10,986.84	Conagra Brands, Inc.
08/23/2018	Specialty Foods Group, LLC	30.5	Indiana Packers Corporation
06/04/2018	The Amalgamated Sugar Company LLC	262.5	Snake River Sugar Company
12/06/2018	Spicin Foods	5.65	Mountain Creek Capital Limited
09/19/2017	Bob Evans Farms, Inc.	1,756.62	Post Holdings, Inc.

Source: Capital IQ



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Selected Transactions: Recent Industry M&A Activity (without disclosed value)

All Transactions Announced Date	Target/Issuer	Buyers/Investors
12/21/2020	Truitt Bros., Inc.	Baxters Food Group Limited
12/11/2020	Red Monkey Foods	Norwest Equity Partners
11/19/2020	Old World Spices & Seasonings, Inc.	Shore Capital Partners, LLC
11/17/2020	KIND LLC	Mars, Incorporated
10/14/2020	Hickey Bottom BBQ Sauce Co., LLC	YUM Distribution LLC
09/04/2020	Spice Foods, Inc. dba Nassau Foods	North Value Partners
08/27/2020	Red Duck Foods, Inc.	Beaverton Foods, Inc.
07/22/2020	Gel Spice Co. LLC	Olde Thompson Inc.
05/05/2020	Chicago Custom Foods LLC	Sauer Brands, Inc.
01/31/2020	Marroquin Organic International, Inc.	AGRANA Beteiligungs-Aktiengesellschaft
12/12/2019	JMH International, LLC	Summit Hill Foods
10/24/2019	Spence & Co. Ltd.	Acme Smoked Fish Of Massachusetts LLC
01/06/2020	Wholesome Sweeteners, Inc.	Falcon Investment Advisors, LLC
08/01/2019	Stonewall Kitchen, LLC	Audax Management Company, LLC
07/31/2019	MGH Gourmet, Inc.	Gourmet Culinary Holdings, LLC
07/24/2019	Deorio Foods, Inc.	Rudolph Capital, LLC
06/27/2019	Myron's Fine Foods, Inc.	JMH International, LLC
05/14/2019	Sweeteners Plus, Inc.	Graycliff Partners LP
12/12/2018	The Cholula Food Company Inc.	L Catterton Partners
11/23/2019	Bragg Live Food Products, Inc.	Ares Capital Management LLC
07/22/2020	Olde Thompson Inc.	Kainos Capital LP
12/12/2018	Tribe Mediterranean Foods, Inc.	Lakeview Farms, LLC
09/11/2018	Florida Food Products, Inc.	MidOcean Partners LLP
06/28/2018	PureSnax International, Inc.	iQSTEL Inc.
06/25/2018	Cajohns Fiery Foods Co.	Hot Shots Distributing Inc.
02/04/2018	Mullins Food Products Inc.	Newly Weds Foods, Inc.
01/16/2018	Chicago Custom Foods LLC	Highlander Partners, L.P.

Source: Capital IQ

Quazar Business Brokerage Advises Nassau Foods in its Sale



Quazar Business Brokerage is pleased to announce Spice Foods, Inc. d/b/a Nassau Foods (“Nassau Foods”) has been acquired by North Value Partners. Quazar Business Brokerage (“Quazar”) advised Nassau Foods in the transaction.

The Shareholders of Nassau Foods made a strategic decision to transition the business to new ownership in order to allow the management team to retire, create new opportunities for its employees, and secure full-time leadership for the company moving forward. The Shareholders chose Quazar as their M&A Adviser primarily due to Quazar’s unique marketing approach, extensive network, industry experience, and reputation for successfully working with privately-held businesses.

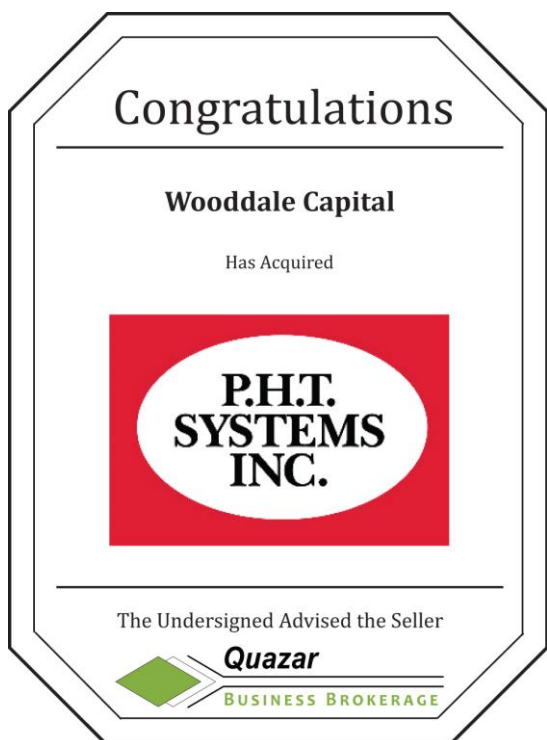
Quazar generated robust interest from a vast array of buyers. The Shareholders ultimately decided that a local strategic buyer offering significant synergies would be the best fit to continue to expand the business and create new opportunities for its employees.

“Quazar made an emotional and time-consuming process much simpler. I am grateful to have had the entire Quazar team navigating the sales process, and I am extremely pleased at the interest level Quazar generated in our business. It was great having numerous options, and we could not be happier with our new partner.” – Teresa Dempsey, Vice President and Shareholder of Nassau Foods

Nassau Foods (nassaufoods.com) is a one-stop supplier for meat manufacturers, retailers, and individuals. The Company’s business-to-business division sells seasoning mixes, bulk spices, marinades, cures and chemicals, dehydrated fruits and vegetables, and sawdust/pellets for smokers. Nassau Foods’ direct-to-consumer division, Grandpa Josh’s, sells rubs, sauces, casings, and soups. The Company was founded in 1990 and is based in Brooklyn Park, Minnesota.

Quazar Business Brokerage (quazarbusinessbrokerage.com) is a Minnesota-based Business Brokerage Firm specializing in providing professional brokerage services to clients with at least \$1 million of enterprise value.

Quazar Business Brokerage Advises P.H.T. Systems, Inc. in its Sale



Quazar Business Brokerage is pleased to announce that P.H.T. Systems, Inc. ("PHT") has been sold to Wooddale Capital. Quazar Business Brokerage ("Quazar") advised PHT in the transaction.

The Shareholders of PHT made a strategic decision to transition the business to new ownership in order to create liquidity for the Shareholders, which allowed one shareholder to retire and another to be able to pursue other endeavors. They chose Quazar as their M&A Adviser primarily due to Quazar's experience, extensive network, and reputation for successfully working with privately held businesses in the brokerage marketplace.

Quazar received nationwide interest from strategic buyers and financials buyers. Ultimately, the Shareholders decided a local financial buyer would be the best steward of the Company's future, maintaining the culture of the business and ensuring the employees would be well taken care of.

"Quazar listened to what was important to us and ultimately helped us select a Buyer that had the qualities we were looking for. They guided us through the entire process, negotiated on our behalf, worked through the challenges that came up, and helped ensure we made it to a successful closing. We are very happy with the outcome and can rest assured that the business and employees are in good hands moving forward." – Anne Rimarcik, former CEO of P.H.T. Systems, Inc.

P.H.T. Systems, Inc. (phtsystems.com) is a national specialty wholesale distributor of food service equipment and supplies. P.H.T. also offers a proprietary line of breadings and seasonings.

Quazar Business Brokerage (quazarbusinessbrokerage.com) is a Minnesota based Business Brokerage Firm specializing in providing professional brokerage services to clients with \$1,000,000 to \$10,000,000 of enterprise value.