

# M&A and Capital Markets Update

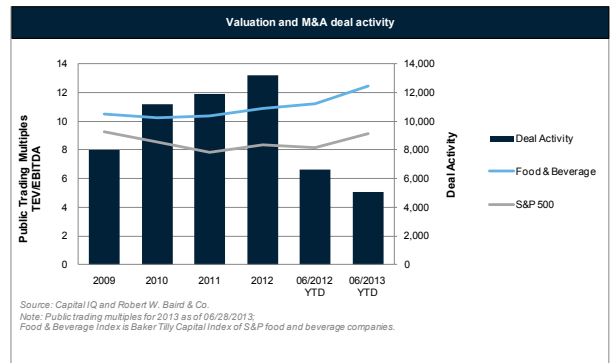
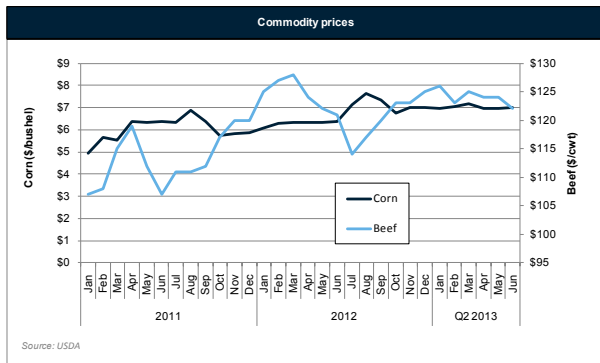
## Food and Beverage

### Second quarter 2013



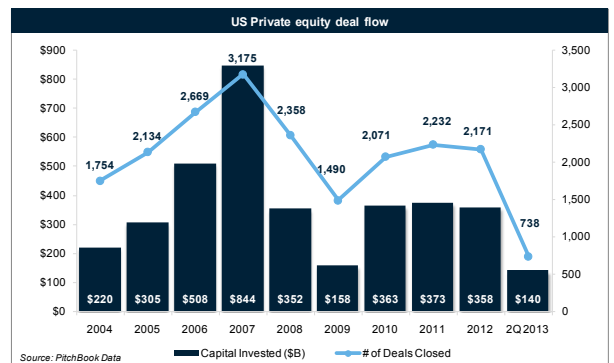
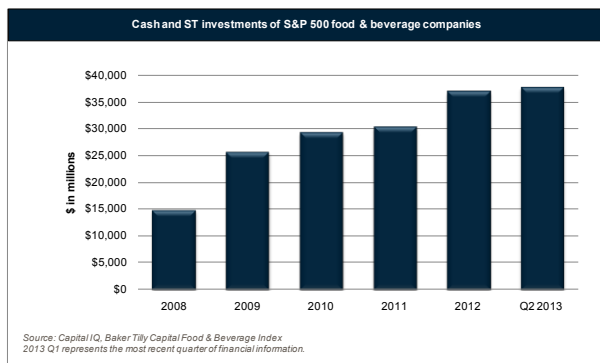
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Following the trend established in the first quarter, the second quarter of 2013 provided another lackluster quarter of deal volume even though equity markets are robust and liquidity remains high. M&A professionals remain puzzled on the lack of direction and volume for 2013 with most believing that the tax law changes pulled volume from 2013 into 2012. Although mergers and acquisition deal activity remains lower than recent history, the food and beverage industry continues to see large transactions. Last quarter saw several key note transactions announced in excess of \$1 billion, with H.J. Heinz acquired for \$28.1 billion and Smithfield Foods acquired for \$4.7 billion, showing signs of an appetite for large size deals.



Corn prices remain flat in the second quarter hovering around \$7/bushel. With a record corn harvest looming, industry analysts expect corn prices to drop in the fall based on seeds planted and favorable weather conditions. Beef prices, although elevated from July 2012, have started to decrease as a result of weaker consumer demand combined with higher than expected beef production in the 2nd quarter.

Total year-to-date M&A deal volume remains disappointing compared to last year, down more than 23 percent, yet strong debt and equity markets continue to charge forward. With the equity markets hitting new highs, valuations remain at a premium for food and beverage companies, trading at a 36 percent premium in total enterprise value to EBITDA compared to the S&P 500.



In the 2nd quarter, corporate cash levels for S&P 500 food and beverage companies slightly increased. Cash balances remain historically high as M&A activity for the first half of 2013 has been limited and corporate strategics remain patient for deals.

Although Q2 fundraising is on pace for its best year since 2008, with \$73 billion raised year-to-date, private equity deals closed for the first half of 2013 are dramatically lower, down by nearly 28 percent compared to the first half of 2012. Private equity deal value hasn't suffered as much, down only 5 percent from the first half of 2012.



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