

CONSUMER & RETAIL

Q3 2022 MARKET UPDATE

G2 Capital Advisors is pleased to present its Consumer & Retail industry update for Q3 2022, providing commentary and analysis on M&A and market trends within the Consumer & Retail sectors.

The world's largest fast-moving consumer goods companies saw robust growth following the global pandemic, and exhibited resilience in the wake of supply chain constraints and the sharp rise in inflation. In fact, the sector not only survived – it thrived, with average sales exceeding pre-pandemic levels. That said, as sentiment has coalesced around a near-certain downturn, performance is not surprisingly bifurcating between staples and discretionary goods, with prospects for the latter turning sharply.

High inflation, supply chain issues, and increasing recession worries are all factors pressuring the consumer discretionary sector, which already faces the greatest sensitivity to economic cycles. In Q3 2022, discretionary goods companies saw increases in two risk criteria – lowered corporate guidance and greater short interest. Companies in the sector that lowered guidance doubled vs Q2 and increased ten-fold vs Q1, with short interest surpassing all other industries.

Consumer staples, on the other hand, held up better than the broader market, consistent with prior downturns. While the S&P tumbled 25% through Q3, consumer staples stocks fell less than half that, playing their traditionally defensive role. Nonetheless, consumers are now choosing what and where to buy differently, as the pandemic shifted a growing portion of food sales online. Moreover, while many brands enjoy pricing power over private label products, they are nonetheless vulnerable to premium house brands from the likes of Whole Foods and Trader Joe's.

After years of grappling with the rise of online shopping, brick-and-mortar retailers are posting some of their best results, with retail vacancies at a 15-year low and plans for expansion underway as consumers continue to venture out post-pandemic. In fact, sale growth among physical stores is outpacing that of e-commerce, as the pandemic forced companies to expand and better integrate their omni-channel offerings. While still vulnerable, the retail industry nonetheless appears better-positioned than in prior downturns.

FAST MOVING
CONSUMER GOODS

RETAIL &
E-COMMERCE

QUICK SERVE
RESTAURANTS

FAST CASUAL
DINING

MARKETING
SERVICES

SELECT INDUSTRY DEALS

ACQUIRER	TARGET	DESCRIPTION	ENTERPRISE VALUE (\$MM)	REVENUE	EBITDA
		BBQ Holdings, Inc. develops, owns, operates, and franchises casual and fast dining restaurants	\$305	1.1x	8.8x
		Keystone Natural Holdings, LLC, through its subsidiaries, produces plant-based protein food	\$110	2.0x	NM
		Ted Baker Plc engages in the design and sale of menswear, womenswear and accessories	\$393	0.8x	NM
		iRobot Corporation designs, builds and sells robots and home innovation products	\$1,766	1.2x	NM
		Certain assets associated with the Kitchen Basics brand of McCormick's stock and broth	\$99	2.2x	NM
		Knix Wear Inc. designs and manufactures underwear and bras for women	\$393	4.5x	NM

Source: S&P Capital IQ

SELECT ONGOING G2 PROJECTS

Seafood Importer & Distributor

PROJECT COD

Sell-Side

About the Mandate:

G2 is currently serving as the exclusive sell-side advisor to one of the largest and most well-regarded importers and distributors of fresh and frozen seafood.

Customer Experience Solutions Provider

PROJECT ROCKWELL

Sell-Side

About the Mandate:

G2 is currently serving as the exclusive sell-side advisor to a leading Customer Experience provider to blue-chip customers with one of the largest networks of mystery shoppers globally.

Food Manufacturer

PROJECT BLUEBERRY

Buy-Side

About the Mandate:

G2 is currently serving as the exclusive buy-side advisor to a manufacturer of branded specialty food products. G2 is assisting the Company with identifying and executing add-on acquisition opportunities.

Seafood Processor

PROJECT HARPOON

Sell-Side

About the Mandate:

G2 is currently serving as the exclusive sell-side advisor to a full-service seafood processing and delivery company. The Company offers a variety of wholesale fish products sourced through auctions in the Northeast and distributed globally via refrigerated trucks and air.

Digital Marketing Services Provider

PROJECT CARDINAL

Buy-Side

About the Mandate:

G2 is currently serving as the exclusive buy-side advisor for a multi-channel digital marketing services provider. G2 is assisting the Company with identifying and executing add-on acquisition opportunities.

Snack Food Brand

PROJECT CHEESE

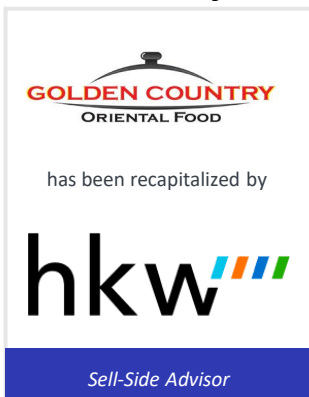
Restructuring

About the Mandate:

G2 is currently advising a clean label snack food brand. G2 is focused on driving profitability and liquidity improvements.

G2 CLOSED PROJECTS IN Q3 2022

Food & Beverage



About the Client:

Tracing its roots back to 1972, Golden Country Oriental Food, LLC and Golden Ocean Seafood, Inc. (collectively, “Golden Country” or “the Company”) is one of the largest wholesale importers and distributors of dry, refrigerated, and frozen Asian, African and Caribbean food products in the Midwest.

About the Situation:

Golden Country has long been an exceptionally well-run family-owned business, led today by Sidney Lee, a second-generation operator. Over the last several years, the Company experienced transformative growth through a combination of new customer wins, growing customer penetration, the ability to leverage long standing vendor relationships, and a nimble response to pandemic dynamics. To propel the Company into its next phase of growth, the Lee family sought a partner with the expertise to further scale the operation and recapitalize the business.

About the Engagement:

G2 was engaged by Golden Country as its exclusive sell-side advisor based on long-standing history of supporting unique objectives of family-owned businesses pursuing strategic or financial partnerships. G2 worked closely with Management and crafted a compelling story for the Company by capitalizing on the unique aspects of the business, then launched broadly to strategic and financial parties interested and focused on the food distribution space. By strategically positioning the Company in the market, G2 ran a highly efficient marketing process, created competitive dynamics between the parties and generated several competitive bids from both strategic and financial parties which unlocked additional monetary value for the client and ensured the best cultural fit from a partnership perspective.

Outcome:

The transaction was successfully executed through an investment from HKW. The family rolled a meaningful portion of their equity, and Sidney Lee, CEO of Golden Country, will continue to lead the Company, leveraging HKW's operational expertise and capital to pursue a mutual vision for the next phase of the Company's growth.

KEY C&R TRADING STATISTICS

Sector	Number of Companies	Median Enterprise Value (\$MM)	LTM ¹			
			Median Revenue Growth	Median EBITDA Growth	EV / Revenue	EV / EBITDA
Fast Moving Consumer Goods	12	\$159,959	1.0%	-2.0%	3.7x	15.5x
Food, Drug & Mass-Merchandise	8	\$75,448	2.1%	-1.7%	0.7x	11.0x
QSR & Fast Casual Restaurants	11	\$16,299	2.1%	-0.1%	3.7x	18.2x
Marketing Services	10	\$11,338	0.6%	-1.6%	1.1x	7.5x

1) LTM September 2022
Source: S&P Capital IQ

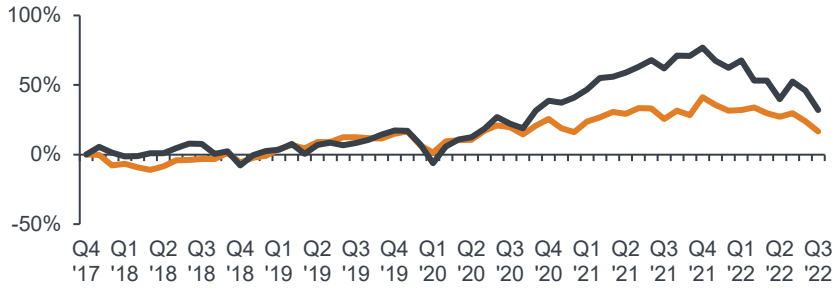
Q3 2022 M&A TRANSACTIONS

Date	Acquirer	Target	DESCRIPTION	ENTERPRISE VALUE (\$MM)	REVENUE	EBITDA
Sep-2022	Delta Corp Holdings Ltd	Coffee Holding Co., Inc.	Coffee Holding Co., Inc. manufactures, roasts, packages, markets, and distributes roasted and blended coffees internationally.	\$40	0.6x	NM
Sep-2022	MTY Franchising USA, Inc.	BBQ Holdings, Inc.	BBQ Holdings, Inc. develops, owns, operates, and franchises casual and fast dining restaurants under various names.	\$305	1.1x	8.8x
Sep-2022	House Foods America Corporation	Keystone Natural Holdings, LLC	Keystone Natural Holdings, LLC, through its subsidiaries, produces plant-based protein food products.	\$110	2.0x	NM
Aug-2022	Aurora Cannabis Inc.	Bevo Agtech Inc.	Bevo Agtech Inc. operates as a supplier of propagated agricultural plants.	\$79	2.6x	11.3x
Aug-2022	Sterling Jewelers Inc.	Blue Nile, Inc.	Blue Nile, Inc. operates as an online retailer of diamonds and jewelry worldwide.	\$398	0.8x	-
Aug-2022	Authentic Brands Group Inc.	Ted Baker Plc	Ted Baker Plc engages in the design and sale (wholesale and retail) of menswear, womenswear, and accessories under the Ted Baker brand internationally.	\$393	0.8x	NM
Aug-2022	Shift Technologies, Inc.	CarLotz, Inc.	CarLotz, Inc. operates as a consignment-to-retail used vehicle marketplace.	\$73	0.3x	NM
Aug-2022	Whirlpool Corporation	InSinkErator, Inc.	InSinkErator, Inc. manufactures food waste disposers, instant hot water dispensers, and point-of-use water heaters for home and commercial use.	\$3,000	5.0x	18.1x
Aug-2022	Amazon.com, Inc.	iRobot Corporation	iRobot Corporation designs, builds, and sells robots and home innovation products internationally.	\$1,766	1.2x	NM
Aug-2022	Del Monte Foods, Inc.	Certain Assets Associated of McCormick	Certain assets associated with the Kitchen Basics brand of ready-to-use stock and broth of McCormick.	\$99	2.2x	-
Aug-2022	Colgate-Palmolive Company	Three Dry Pet Food Manufacturing Plants	Three dry pet food manufacturing plants in the U.S.	\$700	-	-
Aug-2022	Essity AB (publ)	Knix Wear Inc.	Knix Wear Inc. designs and manufactures underwear and bras for women.	\$393	4.5x	NM

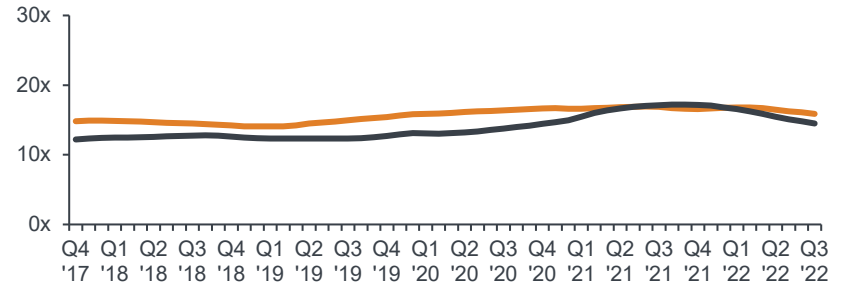
Source: S&P Capital IQ, company websites

MARKET INDICATORS

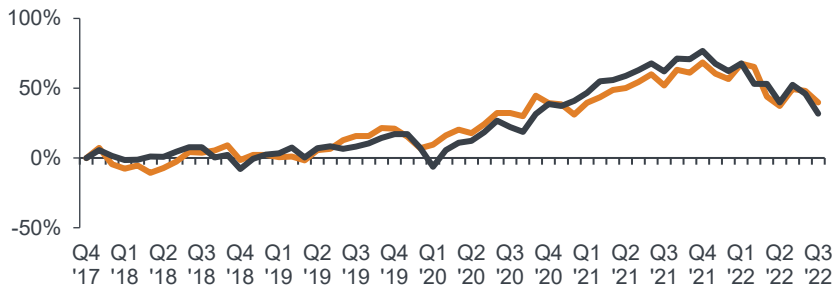
Fast Moving Consumer Goods Market Cap



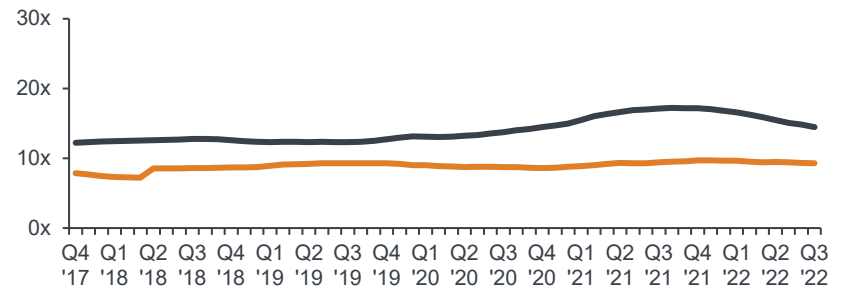
Fast Moving Consumer Goods EV / EBITDA



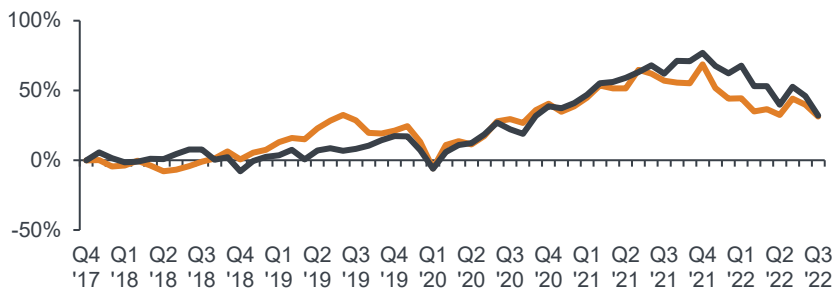
Food, Drug & Mass-Merchandise Market Cap



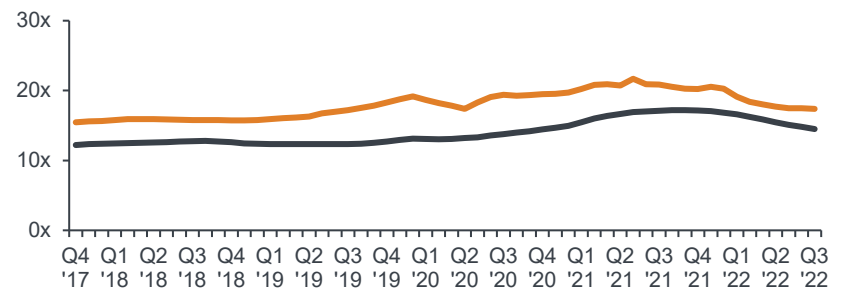
Food, Drug & Mass-Merchandise EV / EBITDA



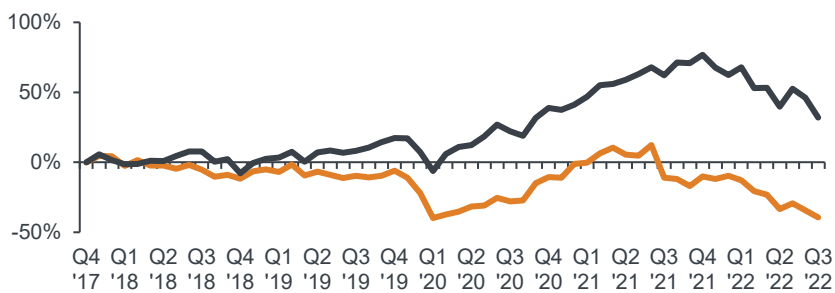
QSR & Fast Casual Restaurants Market Cap



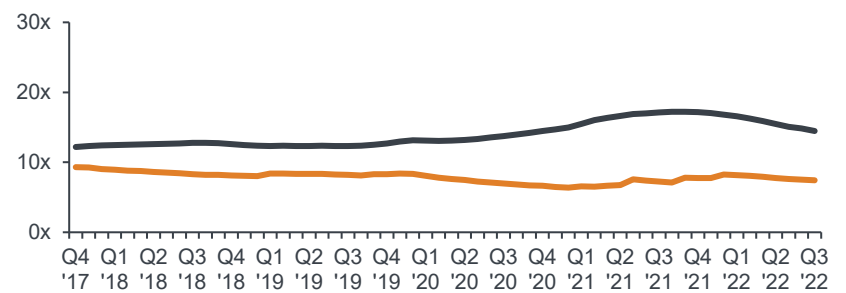
QSR & Fast Casual Restaurants EV / EBITDA



Marketing Services Market Cap



Marketing Services EV / EBITDA



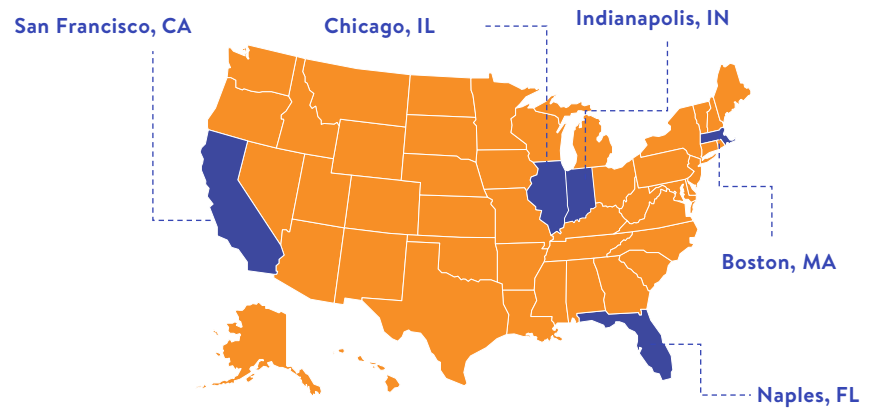
— C&R Sector — S&P 500

Source: S&P Capital IQ as of trading on September 30, 2022
Past performance is no guarantee of future results

G2 FIRM OVERVIEW

Overview:

- 400+ mandates in 12 years
- \$4B+ total executed transaction value
- Extensive industry experience
- Robust strategic and sponsor relationships
- Active touch points with logical sellers and buyers



A Multi-faceted Platform:

Focused on crafting bespoke operational and financial advisory solutions for our corporate and investor clients. G2 works with clients across a range of situations.



Sector Expertise:



Transportation & Logistics

T&L Focus Sectors:

- Freight Forwarding
- Trucking / Final Mile
- Warehousing / Distribution
- Third Party Logistics (3PL)
- e-Commerce Fulfillment



Industrials & Manufacturing

I&M Focus Sectors:

- Building Products / Construction
- Metals / Materials
- Container / Packaging
- Niche Manufacturing
- Distribution



Technology & Business Services

TBS Focus Sectors:

- Tech-enabled Services
- BPO
- Managed Services
- Internet & Digital Media
- Business Services



Consumer & Retail

C&R Focus Sectors:

- Fast Moving Consumer Goods
- Retail & E-Commerce
- Quick Serve Restaurants
- Fast Casual Dining
- Marketing Services

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