



## Spotlight on Ingredients

Discussion Material

June 2023

# Food & Agro Team

Global ingredients network facilitates cross-border access to strategic and financial buyers worldwide, ensuring an optimal outcome for clients

## Global Food & Beverage Team



**Ches Riley**  
Managing Director  
+1 704 6306  
ches.riley@regions.com



**Jürgen Schwarz**  
Partner  
+49 611 205 48 27  
juergen.schwarz@capitalmind.com



**Michel Degryck**  
Managing Partner  
+33 1 48 24 62 99  
michel.degryck@capitalmind.com



**Markus Decker**  
Managing Partner  
+41 44 575 28 22  
markus.decker@capitalmind.com



**Jonathan Arrowsmith**  
Managing Partner  
+44 207 597 4025  
jonathan.arrowsmith@investec.co.uk



**Vikram Surana**  
Managing Director  
+91 22 68 49 74 20  
vikram.surana@investec.co.in

## Dutch Food & Beverage Team



**Jan Willem Jonkman**  
Managing Partner  
+31 6 20 21 14 34  
janwillem.jonkman@capitalmind.com



**Jasper Erhardt**  
Associate  
+31 6 82 66 20 67  
jasper.erhardt@capitalmind.com



**Maxim Zwaan**  
Associate  
+31 6 81 60 69 65  
maxim.zwaan@capitalmind.com

# Executing across the global ingredients landscape

We bring a unique perspective to our clients across the global ingredients ecosystem

Transaction card showing the sale of FRA MELCO to ADISSEO. The card features the logos of FRA MELCO and ADISSEO (A HUNDAI COMPANY). Small flags of Belgium and France are in the top corners.

Animal Feed Additives

Transaction card showing the sale of Pet Flavors Inc. to Bessemer Investors. The card features the Pet Flavors Inc. logo and the Bessemer Investors logo. Small flags of the USA are in the top corners.

Animal Health Ingredients

Transaction card showing the sale of Sirius to Azelis. The card features the Sirius logo and the Azelis logo. Small flags of Belgium and the USA are in the top corners.

Distributor of green chemicals

Transaction card showing the sale of Ploegmakers Food Ingredients b.v. to Ardo. The card features the Ploegmakers logo and the Ardo logo. Small flags of Belgium and the USA are in the top corners.

Food ingredients

Transaction card showing Chaincraft raising €11m funding by lead investor Convent Capital. The card features the Chaincraft logo and the Convent Capital logo. Small flags of Belgium and the USA are in the top corners.

Circular fatty acids

Transaction card showing the sale of akay to Oterra. The card features the akay logo and the Oterra logo. Small flags of India and Denmark are in the top corners.

Ingredients / Flavours

Transaction card showing the sale of OmniActive EVERSTONE to TA ASSOCIATES. The card features the OmniActive EVERSTONE logo and the TA ASSOCIATES logo. Small flags of India are in the top corners.

Natural ingredients for food supplements

Transaction card showing the sale of Avril to Sopral. The card features the Avril logo and the Sopral logo. Small flags of France and the USA are in the top corners.

Pet food and equine nutrition

Transaction card showing Oraxys selling its stake in Phodé. The card features the Oraxys logo and the Phodé logo. Small flags of Belgium and France are in the top corners.

Natural sensory feed additives

Transaction card showing the sale of US Waffle Company to Cérélia. The card features the US Waffle Company logo and the Cérélia logo. Small flags of the USA and France are in the top corners.

Baked Goods & Pastries ingredients

# Why we like ingredients

High-growth, high-margin sector aligned with secular consumer trends, with potential for significant barriers to entry due to ingredient complexity and technical expertise, among other drivers

## Industry Dynamics



Alignment with attractive consumer trends, including focus on health & wellness, shift to clean label and all-natural and rise in affordable indulgence driving sustained industry growth



Product and application knowledge, end market expertise and service focus lead to sticky customer relationships and support premium pricing



High barriers to entry due to supplier and distribution channel intricacies, product complexity and processing scale and required technical expertise



Highly fragmented industry landscape with consolidation potential around end markets and/or specific ingredient applications

## Value Creation Opportunities

### Sourcing and Operations

Develop an edge in raw material access and operations management across a broad range of applications to maximize diversification and end-market exposure

### Focus on Ingredient Families

Leverage operational scale to offer multiple products within a family of ingredients; larger degree of diversification to amortize investments

### One-Stop-Shop Offering

Expand service offering and customer touch-points, from early-stage product development to commercialization, to enhance the value proposition and increase retention

### Industry Specialization

Leverage specific industry expertise and service focus to target high-growth end markets

### Geographic Expansion

Gain market share through targeted expansion in underpenetrated regions where local players lack scale and technological expertise

# Broad range of use cases and end market applications

The ingredients market exhibits a high degree of diversification among ingredient categories, use cases and end market applications

## Ingredients Use Cases

<b>Sensory Perception</b> Impacts flavor, color, texture, others	<b>Spoilage</b> Prevents spoilage of food	<b>Baking</b> Promotes specific baking processes
<b>Moisture</b> Alters moisture properties	<b>Digestive Health</b> Improves gut health	<b>Protein Content</b> Provides essential amino acids
<b>Processed Food</b> Adds flavor, texture, color or nutrients	<b>Nutrition</b> Adds or replaces nutrients	<b>Other</b> Aeration, enzyme preparations, others
<b>Cosmetics</b> Adds pigments, emulsifiers, others	<b>Pharmaceuticals</b> Adds enzymes, extracts, others	<b>Animal Health</b> Adds flavor bases, bioactives, others

## End Market Applications



**Fruit and Vegetables**



**Dairy Products**



**Bread and Baked Goods**



**Processed / Snack Foods**



**Beverages**



**Confections / Desserts**



**Plant-Based Products**



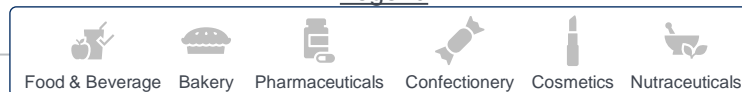
**Animal Health**

# Value-Added Ingredient Applications

Value-added ingredients offer the largest potential for differentiation due to the technical expertise required and breadth of end markets served

	Ingredient Type	Ingredient Description	Application Use Cases
Taste	Sweeteners	Added to foods to enhance flavour and reduce calories; provide numerous health benefits	
	Acidulants	Chemical additives that give a sour or acidic flavour to foods and enhance the perceived sweetness; can also function as leavening agents and emulsifiers for some processed foods	
	Flavours	Synthetic or natural compounds that affect both sense and smell	
Aids	Enzymes	Available in many forms and with a wide range of uses including tenderization, clarification and preservation	
	Plant Extracts	Available in many forms to reduce absorption of cholesterol (sterols); some can carry antiviral, anti-inflammatory and antioxidant properties (flavonoids and carotenoids)	
Nutrition	Animal Extracts	Used as soluble proteins and source of amino acids; offer various nutritional and flavour enhancement benefits	
	Protein and Amino Acids	Available in a wide range of forms offering various nutritional benefits; commonly used in dietary supplements	
	Hydrocolloids	Commonly used to increase thickness, suspension and stabilization; generally contribute towards a product's texture and mouthfeel	
Texture & Preservation	Emulsifiers	Enable immiscible liquids to remain mixed together in an emulsion and are crucial to the consistency of a large variety of foods	
	Antioxidants	Primarily a form of preservative that inhibits degradation of food products by oxygen; can also enhance texture and appearance	
	Acidulants	Chemical additives that give a sour or acidic flavour to foods and enhance the perceived sweetness; can also function as leavening agents and emulsifiers for some processed foods	

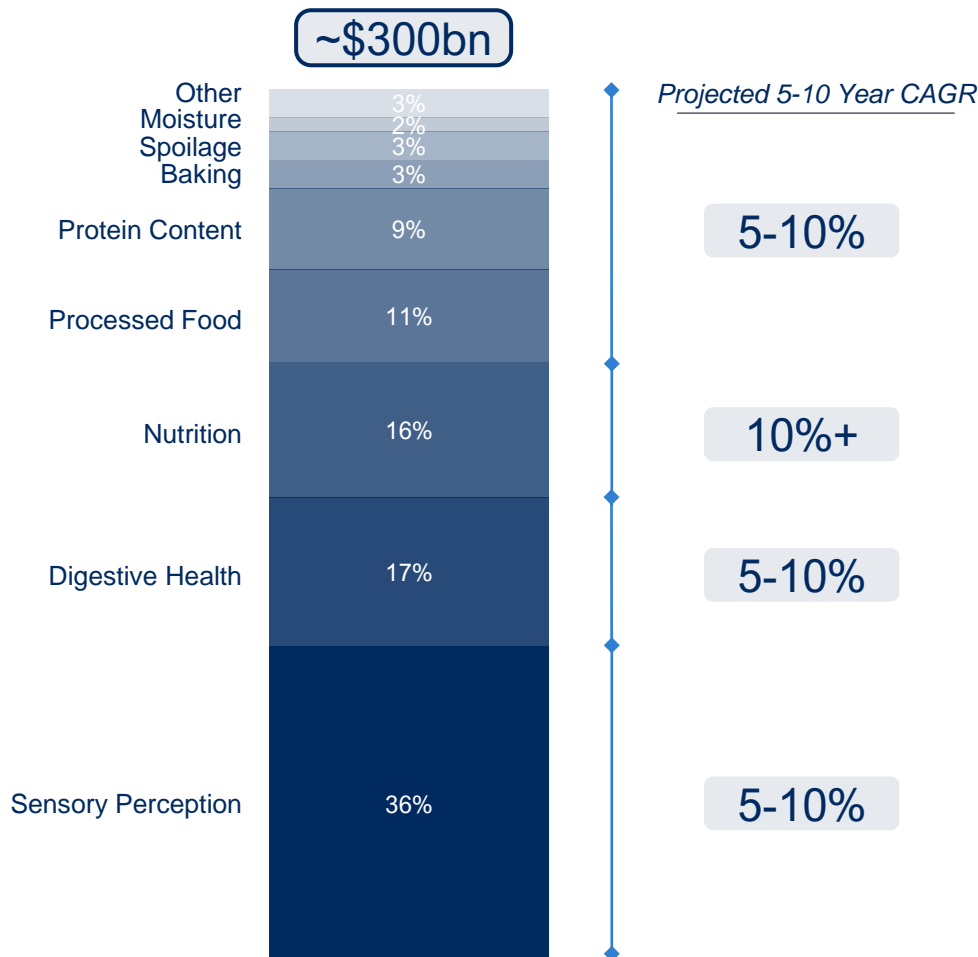
## Legend



# Large and growing market

The global market for food & beverage ingredients is an estimated \$300 billion industry, with several sub-segments expected to grow in excess of 10% over the next 5-10 years

## Large and Growing Market ...



## ...with Significant Barriers to Entry

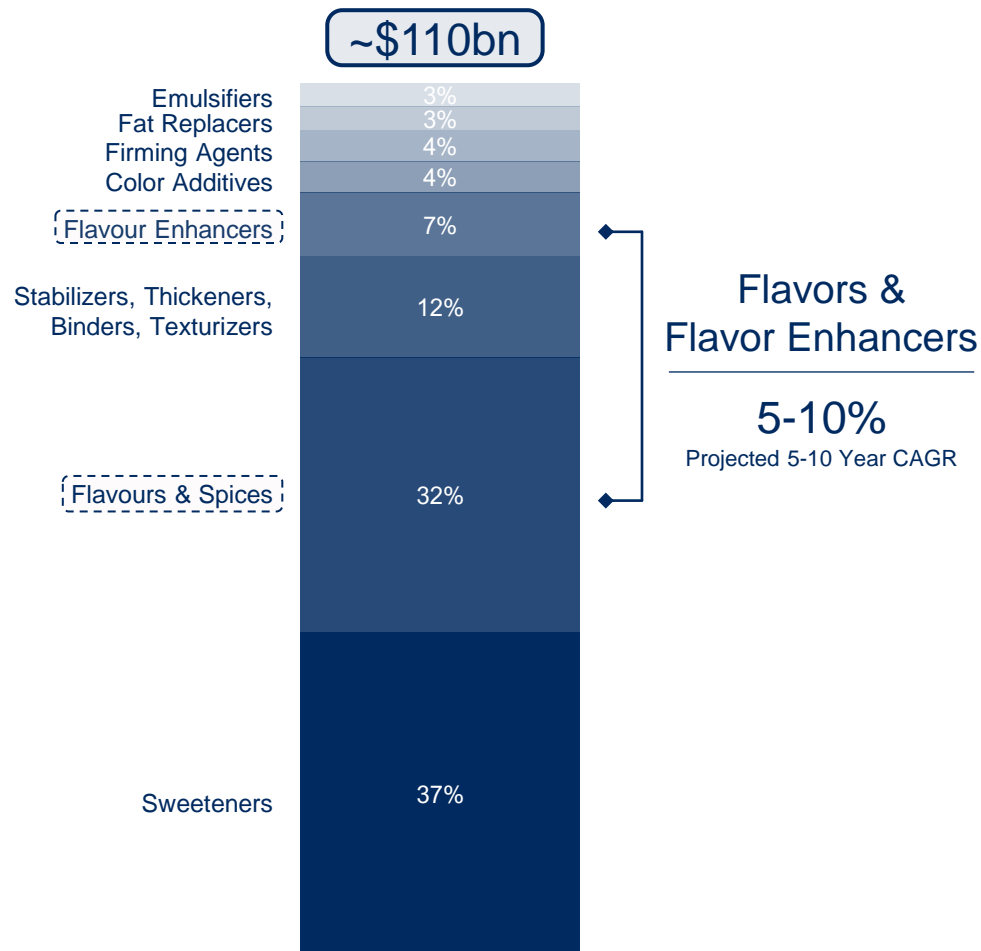


Source: L.E.K. Consulting Perspectives, F&B Ingredients Landscape

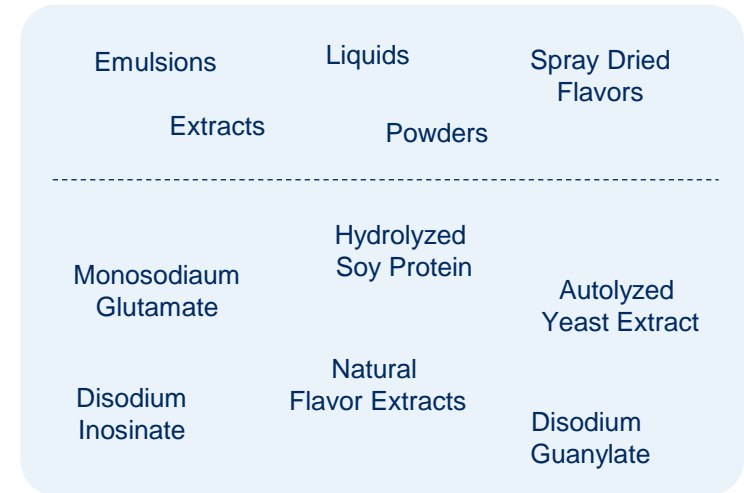
# Flavours & flavour enhancers – projected outsized growth

Flavours & flavour enhancers combined represent the largest segment within the sensory perception category of food & beverage ingredients, with expected annual growth of 5-10% over the next decade

## Sensory Perception – Market Size By Segment



## Flavour Ingredient Examples



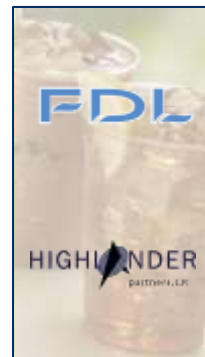
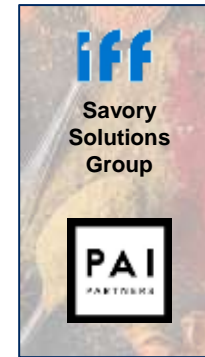
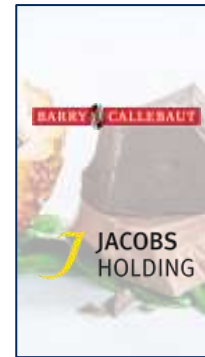
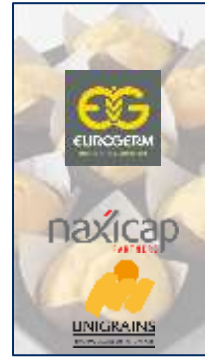
## Flavour Ingredient End Market Examples



Source: L.E.K. Consulting Perspectives, F&B Ingredients Landscape



# Ingredients landscape – global private equity platforms



# Ingredients landscape – U.S. private equity platforms



# Global coverage of ingredients landscape – strategic buyers



**Ches Riley**  
Managing Director



**Jonathan Arrowsmith**  
Managing Partner



**Michel Degryck**  
Managing Partner



**Guillaume Ten Have**  
Partner



**Markus Decker**  
Managing Partner



**Jan Willem Jonkman**  
Managing Partner



**Bart Jonkman**  
Managing Partner



**Jürgen Schwarz**  
Partner



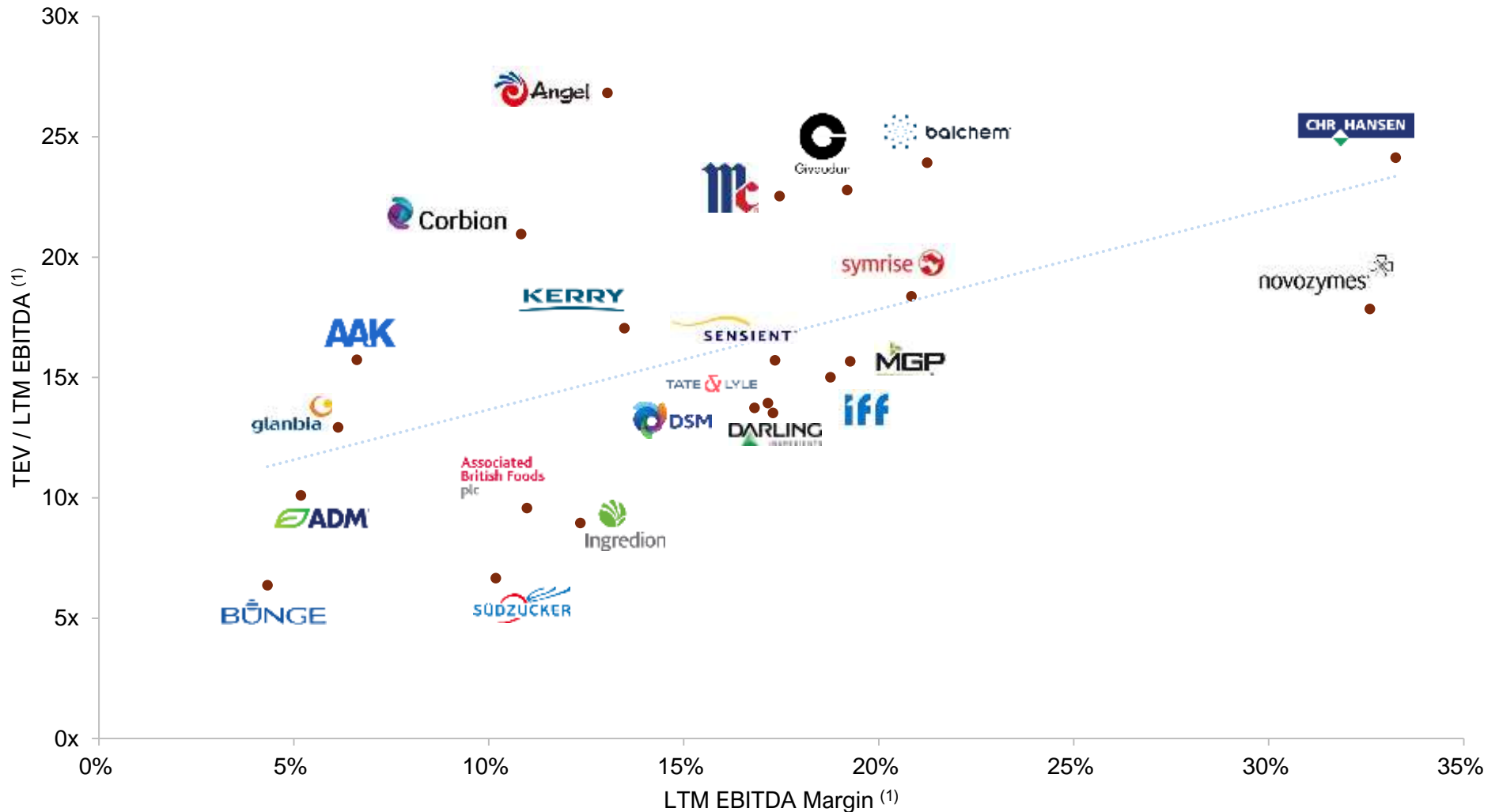
**Vikram Surana**  
Managing Director



**Amit Bhaiya**  
Senior Banker



# Global public ingredients company analysis



As of 2/14/2023; LTM refers to the latest twelve-month period for which data is available; total enterprise value equals equity value plus minority interest, preferred stock, net debt and does not include operating leases; net debt equals total debt less cash and cash equivalents

# Notable recent transactions

Date	Target	Acquiror
Feb-23	Amyris, Inc. Major Cosmetic Ingredients Portfolio	Givaudan
Feb-23	Novotaste	OC Flavors (Shore Capital)
Feb-23	Rishi Tea & Botanicals	SBJ Capital
Feb-23	IFF Flavor Specialty Ingredients (FSI)	Exponent Private Equity
Dec-22	Milk Specialist Global	Butterfly
Dec-22	IFF Savory Solutions Group	PAI Partners
Aug-22	Parker Food Group	InvestIndustrial
May-22	Firmenich	Koninklijke DSM N.V.
Apr-22	IRCA	Advent International
Jan-22	Siegel Egg Co.	Rotunda Capital Partners
Dec-21	ZFS Creston	Benson Hill
Dec-21	Vivify Specialty Ingredients	Gryphon Investors
Nov-21	Nactarome	TA Associates
Nov-21	Vestkorn Milling	Koninklijke DSM N.V.
Nov-21	Dr. G's Creations	Arbor Investments
Nov-21	Caldic	Advent International
Sep-21	Florida Food Products	Ardian
Jul-21	BakeMark	Clearlake Capital Group
May-21	Solina	Astorg Partners
Apr-21	Nutriscience Innovation	Tilia Holdings
Apr-21	Parfex	Iberchem
Mar-21	Dakota Ingredients	Benson Hill Biosystems
Feb-21	DuPont Nutrition and Biosciences	International Flavors & Fragrances Inc.
Feb-21	Eurogerm	Novagerm (Unigrains)
Jan-21	OmniActive Health	TA Associates
Jan-21	Tilley Distribution	SK Capital Partners
Dec-20	Wholesome Sweeteners, Inc.	Whole Earth Brands, Inc.
Dec-20	Zakłady Tuszczowe Kruszwica S.A.	Koninklijke Bunge B.V.
Nov-20	Swerve LLC	Whole Earth Brands, Inc.
Nov-20	Iberchem	Croda
Nov-20	Sensient Fragrances	Symrise
Oct-20	Crisco® Oils and Shortening Business	B&G Foods, Inc.
Oct-20	J&K Ingredients	CORE Industrial Partners
Oct-20	CSM Ingredients	InvestIndustrial
Oct-20	Oterra (Chr Hansen Natural Colours)	EQT
Sep-20	Koninklijke DSM N.V.	Covestro AG

## Average TEV/EBITDA Acquisition Multiples



Sourced from Capitalmind's proprietary ingredients transaction database, which includes over 80 food ingredients transactions with valuation multiples; reflects average TEV/EBITDA acquisition multiples for the 2020-YTD 2023 period, unless otherwise noted.



## BEYOND TRANSACTIONS

Capitalmind Investec is a global M&A and corporate finance advisory firm that enables its clients to sell, buy and finance businesses at the best terms.

We are ambitious minds who share one culture, common values and an entrepreneurial spirit. We invest significantly to thoroughly understand your business, and are determined to lead your deals to great success - no matter what!

