

Private Equity
Strategic Buyers
Investment Banking
Lending
Sectors
Sectors

SPACs
Financial Services
Energy
Infrastructure
Healthcare
Technology
Industrials
Construction
Aerospace
Business Services
Food & Beverage
Retail
Transportation
Manufacturing
Real Estate
Consumer Goods
Cybersecurity

MERGERS&ACQUISITIONS



Free Webinar
M&A Magazine
M&A Today (FREE)

login **BECOME A MEMBER**

Latest News
Trends & Analysis
People
Awards & Honors
Data & Research

PRIVATE EQUITY FOOD & BEVERAGE CONSUMER GOODS
STRATEGIC BUYERS BUSINESS SERVICES

M&A a Recipe for Growth with Fresh Food

Distributors

APRIL 24, 2023 | DEMITRI DIAKANTONIS



The food and beverage sector is resilient during any market cycle as the demand for fresh food will always be there, and dealmakers see healthy food as a long-term sustainable trend. One subsector in particular has caught the attention of both corporate buyers and financial sponsors.



Fresh food distributors are getting a lot of looks from both strategic and private equity buyers. The larger players are looking to expand geographically, while expanding their customer base and supply chain routes. For PE firms, they are looking to take advantage of a fragmented subsector in the industry.

“I think the consumer itself is driving a lot of this,” **Boxwood Partners** managing director **Brian Alas** says of deal trends. “I think coming out of Covid, fresh food and eating well continues to be at the forefront of consumers’ minds.”

Strategics are Expanding Their Food Pantries

For strategics, acquiring a company in most industries with an established reputation and talent roster is a quicker way to grow than building out new services from the ground up. Smaller operators often don't have the resources to keep up with evolving technology to expand their facilities, so joining a conglomerate gives them access to all of these. This win-win scenario applies to the food and beverage sector.



“Strategic buyers are acquiring specialty food distributors because they want a way into categories that offer strong growth and margin profiles,” says **Harris Williams** managing director **Tim Alexander**. “Specialty foods require specialized capabilities to source and distribute, which gives them some barrier to entry and makes M&A an attractive option to

enter the category. Strategic buyers can also gain access to new customers and expand cross-sell opportunities for existing product lines.”

Sysco Corp. (NYSE: SYY) has been an active strategic buyer by using M&A to expand geographically. In February of 2022, the Houston-based food supplier acquired fresh produce distributor the **Coastal Companies** from **Continental Grain Co.** and **Rabo Investments** to expand its presence in the mid-Atlantic region. And in 2021, it acquired **Paragon Foods**, a Pennsylvania-based fresh produce processor and distributor. The latter serves customers across Pennsylvania, Ohio and West Virginia. Sysco is expected to keep looking for acquisitions as part of its Recipe for Growth strategy.

“M&A in the specialty distribution space is being driven by distributors’ desire to either expand geographically and continue building out their customer base, or to increase their current route density by expanding their product offering to better service existing customers,” says **Brown Gibbons Lang & Co.** managing director **Daniel Gomez**.

Don’t Forget About PE

“Private equity firms are looking for companies with significant scale to serve as a platform asset in executing buy-and-build strategies,” says Gomez. And PE buyers aren’t shying away from making deals.

In one case, **Wind Point Partners** bought fresh food distributor **FreshEdge** from **Rotunda Capital Partners** last October. The target supplies the foodservice and retail industries with fruit, vegetables, proteins and fresh grab-n-go offerings throughout the Midwest and Southeast. FreshEdge also operates 800,000 square feet of warehouse space and a fleet of about 830 trucks. Wind Point indicated that it will pursue acquisitions for FreshEdge to expand the company geographically. In another PE deal announced that same month, Investcorp said it acquired Sunrise Produce. The Southern California-based produce distributor serves more than 2,000 customers across the restaurant, healthcare and retail sectors.

“Specialty food distribution is a fragmented market and it’s a massive market with a lot of family-owned and entrepreneurial-led businesses,” says **James Rothenberger**, a managing director at investment bank **Meridian Capital**.

Is Supply Chain Still an Issue?

Most dealmakers expect supply chain bottlenecks to ease compared to what happened in 2022, but the topic still remains a top concern for businesses. This is especially true in the food and beverage sector where getting products to retailers in a timely fashion is essential.

“Supply chain management is critically important in specialty foods as product typically has to be turned quickly and delivered frequently due to its short shelf life,” says Alexander. “Direct, preferred relationships with suppliers—whether those are specialty products importers or local growers—are key to managing the supply chain and minimizing disruptions. The distributor has to be able to access supply and get it to the customer on a timely basis. If it is able to do so consistently and quickly, those customer relationships get stronger, which gives the distributor more scale and predictability in working with its suppliers. Over time, the distributor becomes very important to both its suppliers and its customers.”

GrubMarket has been acquisitive in this area. The company offers Software-as-a-Service services that are designed to aid food suppliers with their digital transformation. GrubMarket supplies some of the largest grocery chains in the U.S. including **Costco**, **Walmart**, **Albertsons**, **Kroger** and **Amazon’s Whole Foods**.

In 2022, GrubMarket acquired supply chain software provider **Nova Libra**. The target's technology assists with fulfilling online orders and warehouse management. In October, GrubMarket purchased **Funtech Software**, a provider of e-commerce and online grocery software services.

"I think you're seeing a ton of supply chain consolidation, especially on the specialty distribution side," says Alas. "I think people are being a little more strategic around where they're sourcing from and I do think that's an attractive part driving some M&A right now."

Last year, GrubMarket raised \$120 million from a group that includes General Mills' venture arm valuing the company at around \$2 billion. GrubMarket said it will use the funds to look for more deals.

"Specialty food distribution companies are well positioned for growth," says Alexander. "Consumers are increasingly seeking fresh and healthy food options, and the retail and foodservice industries are responding accordingly." And so are buyers.

Reach out to food and beverage dealmakers:

Tim Alexander: talexander@harriswilliams.com

Daniel Gomez: dgomez@bglco.com

James Rothenberger: jrothenberger@meridianllc.com

Related Stories

FINANCIAL SERVICES

Harris Williams to Merge with Sixpoint Partners

The combined entity looks to provide clients with expanded advisory services including M&A, capital services and primary fund placement.

APRIL 20, 2023

PRIVATE EQUITY

Wind Point-Backed Pavion Acquires Security Source

Security Source focuses on the installation and service of video-based security and loss prevention services for large businesses with multiple locations.

APRIL 7, 2023

PRIVATE EQUITY

EQT Acquires Lazer Logistics

Lazer Logistics is a yard management and facility logistics services provider in the U.S. and Canada.

MARCH 29, 2023

FOOD DISTRIBUTION FOOD SERVICES FOOD TRENDS
RESTAURANT SERVICES



More From Private Equity



PRIVATE EQUITY

CREDIT FACILITY

STRATEGIC BUYERS

Private
Equity
Turns to
NAV
Loans as
Liquidity
Option

APRIL 25, 2023

Ares
Launches
Private
Credit
Fund for
Wealthy
Clients

APRIL 25, 2023

Global
IPO
Market
Shows
Signs of
Life Even
as
Recession
Fears
Persist

APRIL 24, 2023

Register
for our
FREE
newslett
ers

Get M&A
news and
analysis
delivered
daily to your
inbox.



- About /
- Contact
- Us
- Members
- hip Plans
- & Pricing
- Request
- a Media
- Kit
- Content
- Licensing
- Priv
- acy
- Poli
- cy
- FAQ
- s
- Ter
- ms
- of
- Use
- Car
- eer
- s

MERG
ERS&
ACQU
ISITIO
NS



© 2023
Middle
Market
Informati
on LLC.
All rights
reserved.

/

Reprints

Subscrip

tion /

Members

hip

Agreeme

nt