

Inside this Issue

Welcome to the fourth quarter 2007 issue of our Consumer DealReader newsletter.

With this issue, we offer insight into private label company valuations, provide statistics regarding trends and developments in the global consumer sector and give an update on Lincoln International's Consumer Group recent activities.

Key topics covered in this issue include:

- **Headline article — Private Label Foods: Hot With Investors** (page 1)
- **Recent Consumer Industry M&A Transactions** (page 2)
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We hope that you find this issue interesting and we welcome your comments and suggestions.

Private Label Foods: Hot With Investors

Valuations of private label food companies have never been better, and recent transactions illustrate the point: private label food is hot with investors.

At Lincoln International, we have seen an increasing interest in private label food companies that, over a five year period, has driven remarkable growth in valuation multiples. The owners of private label food companies have witnessed these multiples and are now asking themselves, "What is driving the growth of valuation multiples and how does it impact my company?"

As in many industry verticals, private equity investors have driven recent valuation gains in private label food. As private equity funding has exploded in the last decade, investment professionals are looking to invest in growth companies. These professionals have researched the food universe and know the favorable trends driving private label growth. Many are working with proven food executives and are looking for a truly differentiated company in the private label space.

Five years ago, the private equity world was different. Investors wanted to invest in brands. The words "private label" reduced investors' appetites and the related valuation multiples. Flashing forward in time, the world has changed. With the emergence of Trader Joe's, the globalization of Tesco and five years of private label success stories, sophisticated investors have a different attitude and a better understanding of the private label story, as well as the long-term trends in this category. Today, weaker national brands are under attack from store brands and

analysts expect private label growth for the foreseeable future. Assuming sustainable competitive advantages, a quality private label food company deserves a rich valuation, similar to a quality brand.

In addition to private equity groups, publicly-traded strategic investors can also be aggressive in pursuing private label acquisitions. Stock market valuations for private label food companies are high. Five years ago, the stock market valuation of private label food companies was often less than seven times their earnings before interest depreciation and amortization ("EBITDA") for the most recent 12 months. Today, private label food companies trade at greater than nine times EBITDA for the most recent 12 months. With an increase in valuation multiples that often exceeds 40 percent, private label food companies have greater flexibility in structuring an accretive acquisition. In addition, most strategic acquirers have accumulated cash on their balance sheets, have significant available borrowing capacity, and know they must compete with private equity firms for attractive private label deals. As a result, publicly-traded strategic acquirers are also pursuing deals more aggressively.

Recently, Lincoln International represented San Antonio Farms in a sale that demonstrated investor interest in private label food. San Antonio Farms is a leading manufacturer of premium quality Mexican sauces including salsa, picante, cheese dip, enchilada sauce and taco sauce. The company sells to retail customers primarily under private label arrangements and to food service customers. As a platform in the Mexican and Southwestern food categories, San Antonio Farms is a well

managed company with premium products, a history of profitable growth, and talented and dedicated employees. These attributes resonated with both private equity and strategic investors. As a result, the purchase price for San Antonio Farms of \$88.5 million represented almost two times the company's sales of \$45.3 million for the twelve months ending in March 31, 2007.

At Lincoln International, we do not see any external factors derailing the private label express. Strong investor demand for private label food companies will continue, despite recent credit market turmoil related to subprime mortgages and other issues. Private equity investors have raised significant amounts of capital that they need to invest. As the economy becomes more uncertain, these investors will increasingly gravitate to "safer" companies and industries with demonstrated growth and stability. In an uncertain economy, private label food companies will be in greater demand.

In the future, expect the demand for private label food companies to mirror the demand for private label food. Given the favorable outlook for private label food, Lincoln International has good news for the owners of differentiated private label food businesses. Demand will remain hot for your companies in the future. ■

This article, authored by David Houser of Lincoln International, also appeared in the October 2007 issue of Exclusive Brands magazine.

Selected Recent Consumer Industry M&A Transactions

Tropitone Furniture Co., Inc. has been sold to Pfingsten Partners, LLC

October 2007

Tropitone Furniture Co., Inc. has been acquired by Pfingsten Partners, LLC. Michael Echolds, Tropitone's chief executive officer, will remain in his current role and also continue to be a significant shareholder in the company.

Founded in 1954, Tropitone is based in Irvine, California, and is recognized throughout the casual furniture marketplace for its design leadership as well as its commitment to service and value. The company sells its products to retailers, designers and the hospitality trade under the Tropitone and Basta Sole trademarks.

Lincoln International acted as the exclusive financial advisor to Tropitone and worked closely with the company's senior management and board of directors in every aspect of the transaction.

Commenting on the transaction, Echolds said "When Tropitone made the decision earlier this year to seek an institutional investor, a major priority was finding a partner that would build on the company's more than 50-year legacy of offering our customers stylish, yet practical furniture, as well as exceptional customer service. Lincoln International's deep industry knowledge and relationships allowed Tropitone to find such a partner. With the assistance of Pfingsten, the company will continue our legacy while also benefiting from a broad array of additional resources that Pfingsten can provide – both financial and non-financial—which will serve as a springboard for our future success in the market."



John Hardy, Ltd. has been sold to Management and 3i Group plc

October 2007

Lincoln International advised John Hardy, Ltd. ("John Hardy" or the "Company") in an acquisition by management, including Chief Executive Officer, Damien Demoncourt and Creative Director, Guy Bedarida, and private equity firm 3i Group plc. John Hardy was started by John and Cynthia Hardy 18 years ago and developed into one of the world's leading jewelry brands.

Headquartered in Hong Kong with substantial operations in the U.S., John Hardy is a leading designer, manufacturer and distributor of high-end, branded designer jewelry and lifestyle accessories sold under the John Hardy brand name. Since its formation in 1989, John Hardy has grown to become one of the world's leading designers and manufacturers of handmade silver designer jewelry and the second largest designer jewelry company in the U.S. The Company's products are currently sold in major department stores including Neiman Marcus, Saks Fifth Avenue and Bloomingdales.

Lincoln International's Consumer Group worked closely with the Company, the shareholders and management throughout the process, and was instrumental in structuring and arranging the transaction.



PNC Equity Management Corp. has sold M&R Marking Systems, LLC to Trodat Marketing Products, Inc.

July 2007

Lincoln International acted as the exclusive financial advisor to PNC Equity Management Corp. ("PNC Equity") in the sale of M&R Marking Systems, LLC ("M&R"), the North American leader in hand-held stamp and marking device components and accessories, including components for self-inking stamps, pre-inked stamps, seal presses, embossers, and other consumable supplies. M&R was sold to Austria-based Trodat GmbH ("Trodat"), the global market leader in self-inking color stamps and the largest stamp producer in the world.



Lou D'Amaro, CEO of M&R, said, "The office products industry has been consolidating and many of the consolidators are in Europe and Asia. We needed a firm like Lincoln International with cross-border capabilities and the expertise and experience in negotiating and closing transactions with foreign strategic acquirers."

Kelly Ges.m.b.H has been sold to Intersnack Knabber-Gebäck GmbH & Co. KG

July 2007

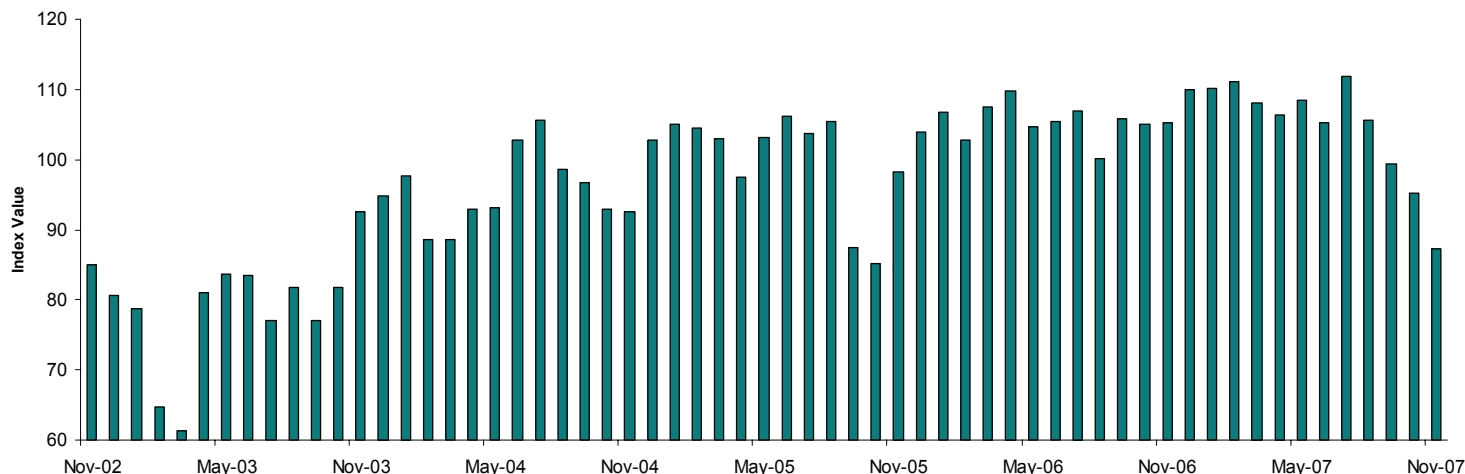
Lincoln International has advised v. Nordeck International Holding AG (Oberuzwil, Switzerland), RWA Raiffeisen Ware Austria AG (Vienna) and the Zach family (Graz) on the sale of Kelly Ges.m.b.H. (Vienna) to Intersnack Knabber-Gebäck GmbH & Co. KG (Cologne).

Kelly is by far the market leader in savoury snack products in Austria and has established a strong market position in southeast Europe. Alongside potato chips and cocktail snacks, Kelly also produces extruder products, popcorn, peanuts, high-grade nuts, and tortilla chips.

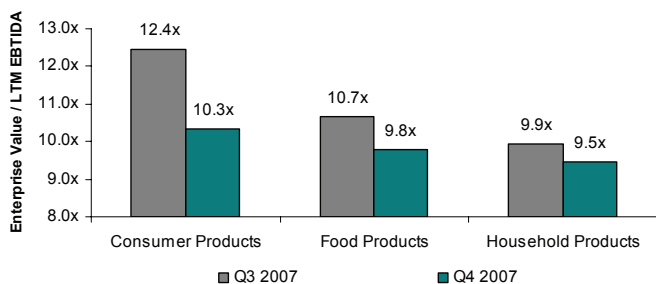


Q4 Key Statistics — Consumer Products

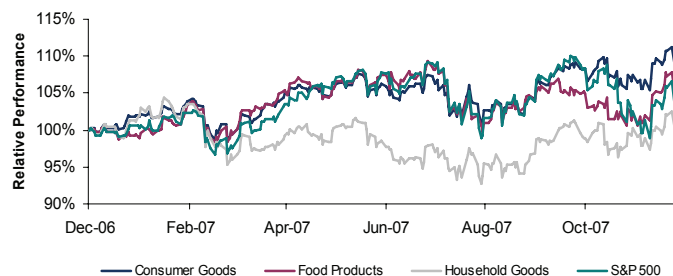
United States Consumer Confidence Levels¹



Valuations of Consumer Product Companies²



Consumer Industry Stock Performance³



(1) Source: Capital IQ

(2) Indexes contain the component companies of the corresponding Dow Jones indices

(3) Consumer Products Index comprised of Dow Jones US Consumer Products Index; Food Products Index comprised of Dow Jones US Food Products Index; Household Products Index comprised of Dow Jones US Household Products (Durable) and Dow Jones US Household Products (Non-Durable). Note: Indices are stock price weighted.

Public Market Performance (LTM)⁴

	Year-Over-Year Same Store Sales Growth											
	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07
Club Stores	4.4%	3.0%	3.6%	6.3%	2.4%	6.4%	7.0%	4.5%	3.2%	5.6%	5.7%	8.5%
Department Stores	6.8%	10.3%	5.7%	9.2%	0.6%	3.2%	1.9%	5.4%	4.5%	2.2%	1.3%	9.3%
Dollar Stores	1.2%	1.7%	0.5%	5.8%	(4.9%)	2.5%	1.5%	0.5%	1.0%	0.5%	0.0%	(3.4%)
Drug Stores	3.8%	6.0%	4.2%	5.2%	3.4%	4.3%	4.9%	4.1%	4.5%	3.2%	2.8%	2.5%
Mass Merchants	2.7%	3.5%	3.3%	7.7%	(5.4%)	5.7%	5.2%	3.7%	7.0%	3.8%	4.6%	7.8%
Specialty Apparel	(3.3%)	(1.9%)	(2.5%)	5.4%	(11.2%)	(2.7%)	(2.1%)	(4.8%)	2.2%	(3.6%)	(5.1%)	1.5%
Average	2.6%	3.8%	2.5%	6.6%	(2.5%)	3.2%	3.1%	2.2%	3.7%	1.9%	1.6%	4.4%

(4) Club Stores comprised of Costco, Sam's Club and BJ's; Department Stores comprised of Federated, Neiman Marcus and Nordstrom; Dollar Stores comprised of Dollar General and Family Dollar; Drug Stores comprised of non-pharmaceutical sales of Rite-Aid, Walgreen Co. and CVS; Mass Merchants comprised of Wal-Mart and Target; Restaurants comprised of Olive Garden, McDonald's, Outback Steakhouse and Red Lobster; Specialty Apparel comprised of Abercrombie & Fitch, Gap, Limited Brands and Ann Taylor Loft. Note: Growth rates consist of an average of aforementioned components.

Lincoln International to open London office in January 2008



Lincoln International is pleased to announce the appointment of Darren Redmayne as Managing Director to found its London office.

Mr. Redmayne will join Lincoln International on January 2, 2008.

The firm's London office will open with an initial team of five investment bankers and will focus on £25-250 million transactions. With the addition of the London office, Lincoln International will provide M&A advice to companies and private equity funds throughout the UK, particularly in those sectors that benefit from a truly integrated global approach to transactions. The firm will also provide independent financial advice to management teams and pension scheme trustees.

Redmayne graduated from Cambridge in 1995 and qualified as a chartered accountant with Deloitte in their Corporate Recovery & Reorganization Services group. In 1998 he joined Close Brothers Corporate Finance as an M&A practitioner; in 2005 he co-founded Close Brothers' Financial Sponsors Group and became head of that

team in 2006. He also spent two years at Harris Williams & Co. developing cross-border business. Darren brings to Lincoln International strong relationships with the mid-market private equity community, an impressive transaction track record in mid-market deals, and considerable international deal experience.

Hans Peter Peters, Co-Chairman of Lincoln International, commented, "After carefully evaluating how to enter the UK market for over 18 months, in Darren we have found the right person to lead our efforts in establishing a strong M&A presence in London."

In developing its UK business, Redmayne will be joined in London by Michael Bottenheim and Robert Satow. Michael has acted as advisor to European and US companies in cross-border M&A for the last thirty-five years, of which nine years were at Citicorp and fifteen at Lazard. He is a member of the Board of Directors of UPM Kymmene and the Advisory Board of Montrose Associates.

Robert Satow worked for eleven years at Hill Samuel and spent eight years at Close Brothers prior to joining Lincoln International in 2004. Robert and Darren overlapped at Close Brothers between 1998

and 2004, where they worked closely together on a number of projects, both client related and franchise building.

As a reflection of the importance of the UK effort and to assure a high degree of access to and integration with the rest of Lincoln International, Co-Chairman Jim Lawson will spend one week per month in London indefinitely. "I am making a strong personal commitment of time and energy to building our London office because I believe in the strength and quality of our team, both in London and throughout the Lincoln International organization," said Lawson.

Furthermore, Lincoln International is in serious discussions with other possible senior hires. Several of these discussions are at an advanced stage.

Lincoln International is committed to offering UK clients full local execution capabilities immediately upon opening the office. The execution team will be made up of both locally hired bankers and current Lincoln International bankers transferred from other offices.

Following the launch of its London office, Lincoln International will have seven offices: Chicago, Frankfurt, London, Los Angeles, New York, Paris, and Vienna.

About Lincoln International

Lincoln International specializes in merger and acquisition services and private capital raising for leading organizations involved in mid-market transactions. The Consumer Group has deep experience representing companies in the branded and private label food and beverage, personal care, retail fashion, luxury goods, and consumer services sectors. With offices in Chicago, Frankfurt, Los Angeles, New York, Paris and Vienna, and strategic partnerships with China Everbright and other partner firms in Asia, Lincoln International has strong local knowledge and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise, and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at www.lincolninternational.com

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