Inside this Issue

Welcome to the second quarter 2009 issue of our Refrigerated and Frozen Foods DealReader newsletter.

With this issue, we plan to offer insight into how to prepare a business for sale. We will also provide statistics regarding trends and developments in the global consumer sector and provide an update on Lincoln International's Consumer Group activities to date in 2009.

Key topics covered in this issue include:

We hope you find this issue interesting, and we welcome your comments and suggestions.

Feature Article: Preparing a Business for Sale

Selling a business can be one of the biggest decisions in a business owner's lifetime. For most the process is a once-in-a-lifetime event that will have a major impact on the wealth of the owners. Because a company is often the owners' largest asset, maximizing the value of the business is critical to reach shareholders' long-term financial goals. As such, careful preparation is necessary. This article outlines a few steps business owners can take as they prepare a company for sale.

Prepare Management

Potential buyers of a business are making a big bet on the existing management team. Therefore, having a strong and complete management team is critical to achieving premium values. As an owner thinks about the management team, (s)he should consider the following kinds of questions:

- *Do I have a full management team, or are there holes in the leadership ranks?*
- *Do key functions such as sales, marketing, operations and finance have strong leaders below the CEO level?*
- *If any significant owners are also key employees, will they stay with the company for the long-run (post transaction) or is a transition plan needed?*
- *Is the team properly motivated to drive to a successful transaction?*

While no company is likely to have ideal answers to each of these questions, the value of the business generally reflects the strength of the core management team.

Because of this, owners often institute significant transaction bonuses for key employees which are payable only when a sale is complete. These bonuses often escalate with the value of the transaction, thereby aligning manager and owner incentives.

Owners need to develop a plan for informing and working with management during the sale process. The timing of communications is an important consideration. On one hand, you don't want employees to be unnecessarily concerned about how a sale may impact them. On the other hand, you need to have the support of the management team and other employees in order to successfully complete a transaction. Our experience at Lincoln International is that earlier communication is generally better. There are several advantages to informing the upper management early in the process, including increasing management "buy-in" and trust in the process, and allowing management more time to mentally prepare for the sale of the company. When delivering the message, owners should keep a positive tone and point out all the benefits of a potential transaction, including gaining access to additional capital for faster growth,

"Having a strong and complete management team is critical to achieving premium values."

(Continued on page 2)

Review of Recent Food Transaction: Ecce Panis, Inc.

In May of 2009, Lincoln International announced the sale of Ecce Panis, Inc. ("Ecce Panis") to Campbell Soup Company (NYSE:CPB), a publicly traded food company.

Headquartered in East Brunswick, New Jersey, Ecce Panis provides premium, branded par-baked artisan breads sold primarily through the in-store bakeries of leading retailers and grocery chains across the country. Campbell plans to operate Ecce Panis as a distinct brand within its Pepperidge Farm portfolio. Lincoln International acted as the exclusive financial advisor to Ecce Panis. Terms of the transaction were not disclosed.

Angelo Fraggos, President and CEO of Ecce Panis said, "Lincoln was an invaluable resource for us throughout this process. Their integrity, knowledge and relationships in the food industry, and expert advice resulted in an outstanding outcome for the Company and its shareholders."

About Ecce Panis

Founded in 1988 as a small Manhattan bakery, Ecce Panis manufactures premium par-baked artisan breads that are sold primarily through the in-store bakeries of leading retailers and grocery chains across the country. Utilizing a unique "Hand Crafted" and "Stone Baked" process, Ecce Panis delivers a superior and premium product line. The par-baked breads and rolls are shipped to customers frozen where the baking process is finished within their in-store bakeries.

About Campbell Soup Company

Campbell Soup Company is a global manufacturer and marketer of high-quality foods and simple meals, including soup, baked snacks, and healthy beverages. Founded in 1869, the company has a portfolio of market-leading brands, including "Campbell's," "Pepperidge Farm," "Arnott's," and "V8."

developing strategic relationships for the business and creating opportunities for a second layer of management to step up into new roles.

Identifying and Articulating Key Competitive Advantages

In order for a company to be profitable in the long run, it must differentiate itself from its competitors. In a sale process, potential buyers must understand and believe in the "secret sauce" that makes the company special. Even if the business is not for sale, management and the sales force should consistently evangelize the company's competitive strengths to its customers and employees. When selling a company, the competitive strengths impact which potential acquirers are likely to be most interested as well as the value they are willing to pay.

Owners and managers might consider the following positioning questions:

- *Do we have a really strong brand? If so, do our pricing and product margins reflect the strength of our brand?*
- *If we are a private label or co-pack company, how do we differentiate the business (superior products, lower cost, efficient distribution, etc.)?*
- *Why do end consumers buy our product (taste, convenience, availability, cost)?*
- *Why are our customers willing to pay us more for our product than it costs us to produce?*
- *Which competitive advantage is most potent, and can we improve this advantage with increased focus?*

By taking a thoughtful view on these and other related questions, a management team will: 1) focus its efforts on the best opportunities for the business, 2) refine the marketing message to emphasize the most compelling aspects of the business, and 3) drive a higher company valuation.

Developing Financial Analysis

Before taking a business to market, owners and management should look at several financial aspects of the business. First, the company's growth will be a key determinant of the final valuation multiple. As such, it is essential that management develop a clear growth strategy and realistic and achievable forecasts for the business. Management should have a written growth plan that outlines sales forecasts by geography, customer, product and end-market. Growth in these categories should be measured on a continuous basis so that potential acquirers will credit the owner for the past success of the strategy.

Management should also consider the profit improvement potential of the company. One current trend in the market is using LEAN or other operational efficiency programs to reduce or eliminate excess costs. By providing significant detail on profit improvement opportunities, the owner can show potential acquirers ways to make the business even more valuable in the future.

Management and the company's advisors should also analyze potential synergies and unusual, one-time expenses that may be added back to calculate recurring cash flow. In this exercise, management should look for expenses that an acquirer would no longer incur after purchasing the company (add-backs) and duplicated costs that could be eliminated or reduced and revenue opportunities that would result from combining similar entities (synergies).

Getting Organized

Throughout the sales process, the company will need to provide significant information to potential acquirers. In preparing a company for sale, owners and management should gather and organize this data so that it is readily available. Several information categories are important including: business, financial, legal and other due diligence requirements. Figure 1 below outlines selected items that fall in each category. Generally, companies will involve investment banks, external accountants and legal advisors in gathering and reviewing this information.

By preparing and organizing items in each of these areas early, due diligence will be less taxing on management team members. In addition, diligence processes that are organized and smooth tend to lead to more cooperative buyers that are able and willing to close a transaction quickly.

Conclusions

Owners and managers can unlock substantial value when selling a company. With a strong and committed management team, thoughtful positioning of key competitive advantages, robust financial analysis and organized information flow, a company's value will be enhanced. Selling a business takes significant effort, but strong mergers and acquisitions advisors will orchestrate the process and will provide significant resources to optimize the outcome. Ultimately, with the right planning and effort, significant value can be created for shareholders while positioning the company and its management team for a prosperous future.

Figure 1: Due Diligence Information Overview

Business

- Growth Strategy
- Management
- Suppliers
- Market / Industry Analysis
- Facility / Operations

Financial

- Working Capital Analysis
- Audits
- Monthly Reporting
- Financial Systems and Controls
- Taxes

Legal

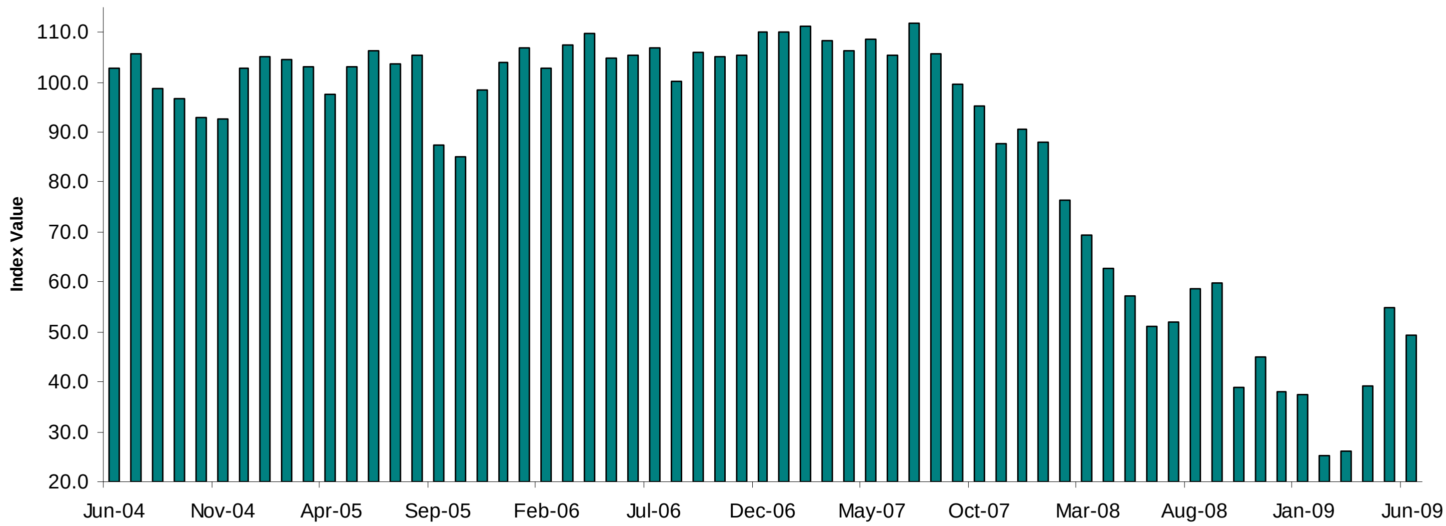
- Initial Draft of Purchase Agreement
- Contingent Liabilities
- Litigation (past and current)
- Intellectual Property
- Contracts
- Records

Other

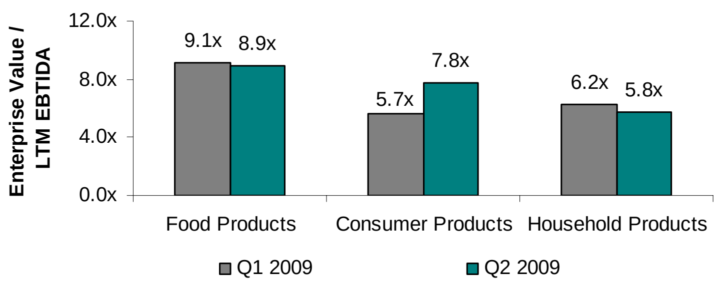
- Human Resources
- Environmental Reviews
- Pensions
- Insurance

Q2 Key Statistics — Consumer Products

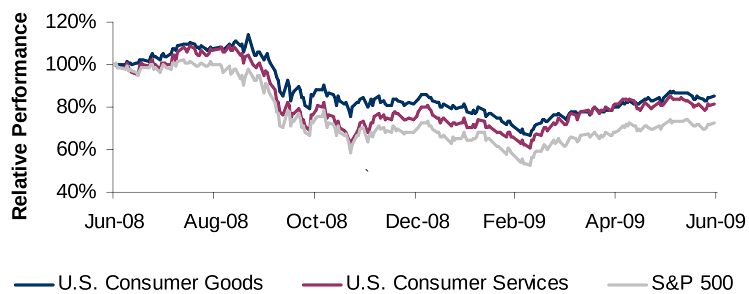
United States Consumer Confidence Levels[1]



Valuations of Consumer Product Companies[2]



Consumer Industry Stock Performance[2,3]



1. Source: The Conference Board
2. Source: Capital IQ, Company filings, Public information
3. U.S. Consumer Services Index comprised of the Dow Jones U.S. Consumer Services Index and U.S. Consumer Goods Index comprised of the Dow Jones U.S. Consumer Goods Index. Note: Indices are stock price weighted.

Retail Sales Performance (LTM)[4]

Year-Over-Year Same Store Sales Growth													
	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Club Stores	12.8%	13.4%	12.2%	8.7%	4.6%	(0.5%)	(1.2%)	(0.2%)	(1.2%)	(2.6%)	(6.5%)	(6.9%)	(6.8%)
Department Stores	(6.4%)	(4.4%)	(4.8%)	(9.9%)	(19.6%)	(11.0%)	(19.3%)	(19.8%)	(20.8%)	(22.3%)	(21.8%)	(21.0%)	(11.7%)
Drug Stores	1.5%	2.7%	1.0%	3.2%	2.5%	(0.7%)	2.4%	0.7%	(1.4%)	0.4%	3.8%	0.4%	(0.8%)
Mass Merchants	0.4%	(1.2%)	(2.1%)	(3.0%)	(4.8%)	(10.4%)	(4.1%)	(3.3%)	(4.1%)	(2.3%)	4.5%	(2.3%)	(2.6%)
Specialty Apparel	(3.1%)	(5.1%)	(3.9%)	(10.3%)	(15.0%)	(16.7%)	(16.0%)	(17.3%)	(16.3%)	(17.0%)	(10.7%)	(13.7%)	(18.0%)
Average	***1.0%***	***1.1%***	***0.5%***	***(2.3%)***	***(6.5%)***	***(7.8%)***	***(7.7%)***	***(8.0%)***	***(8.8%)***	***(8.8%)***	***(6.1%)***	***(8.7%)***	***(8.0%)***

4. Club Stores comprised of Costco and BJ's; Department Stores comprised of Sak's, Neiman Marcus and Nordstrom; Drug Stores comprised of non-pharmaceutical sales of Rite-Aid and Walgreen Co.; Mass Merchants comprised of Target; Specialty Apparel comprised of Abercrombie & Fitch, Gap and Limited Brands. Note: Growth rates consist of an average of aforementioned components.

Q2 Key Statistics — Publicly Traded Food Company Metrics

Large Capitalization Food Company Profitability Metrics

($ in billions, except for share data)

		52 Week		Market	P/E Multiples			Enterprise	EV/LTM		
Selected Companies	**Last Price**	**High**	**Low**	**Cap**	**LTM**	**2008**	**2009P**	**Value**	**Revenue**	**EBIT**	**EBITDA**
Nestlé S.A.	$ 38.05	$ 46.7	$ 35.0	$ 136.1	8.4x	15.1x	13.8x	$ 153.3	1.5x	10.4x	8.8x
Pepsico, Inc.	55.0	75.3	43.8	85.6	17.0x	16.0x	15.0x	93.0	2.2x	12.3x	10.2x
Unilever NV	24.2	29.2	13.5	67.2	11.2x	13.6x	12.4x	80.6	1.5x	12.0x	10.2x
Kraft Foods Inc.	25.3	35.0	20.8	37.3	19.3x	16.5x	13.3x	56.4	1.4x	10.8x	9.2x
Danone	49.6	76.6	32.3	31.9	16.1x	23.3x	14.0x	47.2	2.2x	15.3x	12.3x
General Mills Inc.	56.0	72.0	46.4	18.4	17.2x	16.4x	NM	25.4	1.7x	11.4x	9.4x
Kellogg Co.	46.6	58.5	35.6	17.8	15.5x	15.9x	15.4x	23.0	1.8x	11.7x	9.9x
HJ Heinz Co.	35.7	53.0	30.5	11.2	12.3x	14.3x	12.3x	16.1	1.6x	10.8x	9.1x
Campbell Soup Co.	29.4	40.9	24.6	10.3	14.2x	17.0x	14.2x	12.8	1.7x	10.3x	8.6x
Hershey Co.	36.0	44.3	30.3	8.2	25.4x	37.5x	19.5x	10.0	1.9x	12.7x	9.8x
Sara Lee Corp.	9.8	15.1	6.8	6.8	NM	NM	11.1x	9.1	0.7x	8.5x	5.8x
ConAgra Foods, Inc.	19.1	22.7	13.5	8.5	13.4x	15.6x	12.6x	11.8	0.9x	10.3x	8.1x
George Weston Limited	52.1	58.0	41.8	6.5	15.4x	15.3x	13.2x	10.7	0.4x	11.3x	7.3x
Grupo Bimbo SA de CV	5.1	5.6	39.4	6.2	18.2x	18.0x	19.0x	9.3	1.1x	16.1x	8.9x
Median					15.5x	16.0x	13.8x		1.5x	11.3x	9.1x
Mean					15.7x	18.0x	14.3x		1.5x	11.7x	9.1x

	LTM				EBITDA/Rev		EBIT/Rev		NI/Rev	
Selected Companies	**Revenue**	**EBIT**	**EBITDA**	**NI**	**LTM**	**Avg**	**LTM**	**Avg**	**LTM**	**Avg**
Nestlé S.A.	$ 103.3	$ 14.7	$ 17.3	$ 17.0	16.8%	16.6%	14.3%	13.9%	16.4%	12.0%
Pepsico, Inc.	43.2	7.5	9.1	5.1	21.0%	21.7%	17.4%	18.0%	11.9%	14.0%
Unilever NV	53.8	6.7	7.9	5.9	14.7%	15.2%	12.5%	12.9%	10.9%	11.4%
Kraft Foods Inc.	41.6	5.2	6.1	3.0	14.8%	15.4%	12.5%	13.0%	7.1%	7.7%
Danone	21.3	3.1	3.8	1.8	18.0%	17.4%	14.5%	14.0%	8.6%	17.1%
General Mills Inc.	14.5	2.2	2.7	1.3	18.5%	19.5%	15.4%	16.2%	9.0%	9.2%
Kellogg Co.	12.7	2.0	2.3	1.2	18.3%	19.4%	15.4%	16.3%	9.1%	9.2%
HJ Heinz Co.	10.1	1.5	1.8	0.9	17.5%	18.3%	14.7%	15.4%	9.1%	8.7%
Campbell Soup Co.	7.8	1.2	1.5	0.8	19.3%	19.7%	16.0%	16.1%	9.7%	12.5%
Hershey Co.	5.2	0.8	1.0	0.3	19.5%	22.7%	15.2%	17.6%	6.2%	7.2%
Sara Lee Corp.	13.2	1.1	1.6	(0.3)	11.9%	11.8%	8.1%	7.4%	(2.2%)	2.7%
ConAgra Foods, Inc.	12.7	1.1	1.5	1.0	11.5%	11.7%	9.0%	9.0%	7.7%	7.7%
George Weston Limited	26.0	0.9	1.5	1.3	5.6%	6.0%	3.6%	3.9%	4.8%	1.6%
Grupo Bimbo SA de CV	8.7	0.6	1.1	0.3	12.1%	11.8%	6.7%	8.7%	3.7%	5.3%
Median					17.1%	17.0%	14.4%	13.9%	8.8%	9.0%
Mean					15.7%	16.2%	12.5%	13.0%	8.0%	9.0%

Mid Capitalization Food Company Profitability Metrics

($ in billions, except for share data)

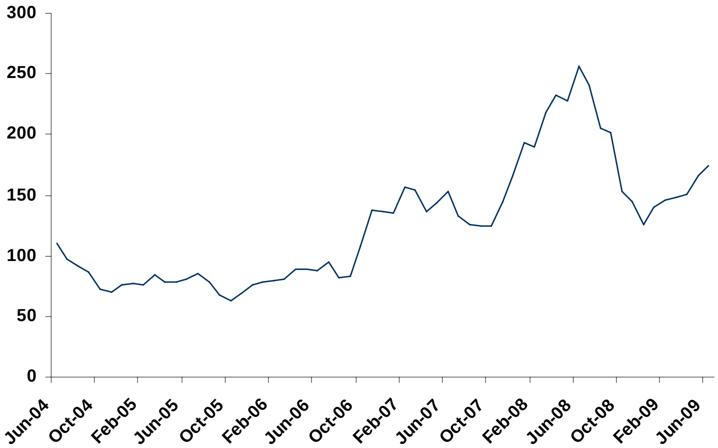
		52 Week		Market	P/E Multiples			Enterprise	EV/LTM		
Selected Companies	**Last Price**	**High**	**Low**	**Cap**	**LTM**	**2008**	**2009P**	**Value**	**Revenue**	**EBIT**	**EBITDA**
The J. M. Smucker Company	$ 48.66	$ 56.7	$ 34.1	$ 5.8	15.6x	14.4x	15.1x	$ 6.9	1.2x	12.8x	6.6x
Hormel Foods Corp.	34.54	38.1	24.8	4.6	16.7x	14.9x	16.7x	4.8	0.7x	9.8x	7.8x
McCormick & Co. Inc.	32.53	42.1	28.1	4.2	16.6x	18.4x	15.3x	5.4	1.7x	12.3x	10.2x
Saputo, Inc.	21.73	24.9	18.4	4.3	18.1x	16.0x	17.7x	4.9	1.1x	13.8x	11.3x
Ralcorp Holdings Inc.	60.92	74.1	48.1	3.4	12.7x	10.8x	16.7x	4.9	1.3x	15.1x	8.3x
Dean Foods Co.	19.19	25.9	11.2	3.4	13.1x	18.9x	15.6x	7.7	0.6x	11.1x	8.3x
Flowers Foods, Inc.	21.84	32.7	20.4	2.0	16.8x	23.8x	17.5x	2.3	0.9x	12.1x	8.7x
Fresh Del Monte Produce Inc.	16.26	26.7	12.2	1.0	8.0x	7.3x	5.8x	1.5	0.4x	8.8x	5.9x
Median					16.1x	15.5x	16.1x		1.0x	12.2x	8.3x
Mean					14.7x	15.6x	15.1x		1.0x	12.0x	8.4x

	LTM				EBITDA/Rev		EBIT/Rev		NI/Rev	
Selected Companies	**Revenue**	**EBIT**	**EBITDA**	**NI**	**LTM**	**Avg**	**LTM**	**Avg**	**LTM**	**Avg**
The J. M. Smucker Company	$ 5.6	$ 0.5	$ 1.0	$ 0.3	18.8%	15.9%	9.7%	13.0%	4.8%	7.0%
Hormel Foods Corp.	6.8	0.5	0.6	0.3	9.0%	9.8%	7.2%	7.8%	4.1%	4.7%
McCormick & Co. Inc.	3.2	0.4	0.5	0.3	16.8%	16.1%	14.0%	13.2%	8.2%	7.8%
Saputo, Inc.	4.6	0.4	0.4	0.2	9.5%	10.1%	7.7%	8.4%	4.8%	5.4%
Ralcorp Holdings Inc.	3.8	0.3	0.6	0.2	15.5%	10.7%	8.5%	7.1%	5.9%	3.9%
Dean Foods Co.	12.1	0.7	0.9	0.2	7.7%	7.5%	5.7%	5.5%	1.9%	1.6%
Flowers Foods, Inc.	2.5	0.2	0.3	0.1	10.3%	10.0%	7.4%	7.0%	4.7%	4.7%
Fresh Del Monte Produce Inc.	3.5	0.2	0.3	0.1	7.3%	6.2%	4.9%	3.8%	3.7%	1.9%
Median					9.9%	10.0%	7.6%	7.4%	4.8%	4.7%
Mean					11.9%	10.8%	8.1%	8.2%	4.8%	4.6%

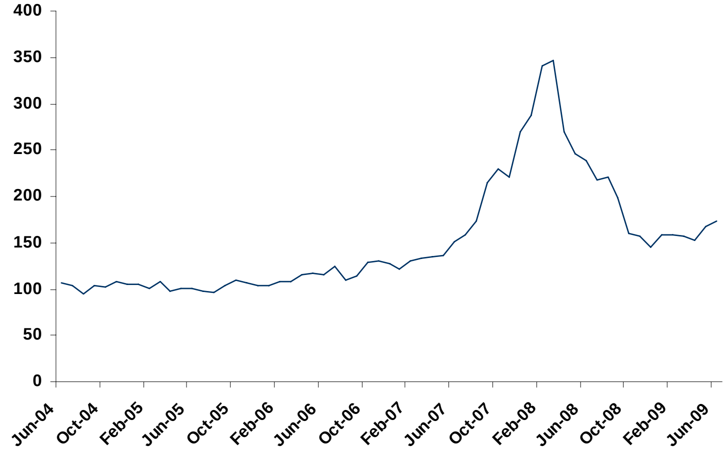
Source: Capital IQ, Company filings, Public information
Note: All stock prices are as of June 30., 2009; LTM calculations are as of 3/31/2009 except for Campbell Soup Co., HJ Heinz Co., The J.M. Smucker Company and Hormel Foods Corp. (4/30/2009); ConAgra Foods, Inc., General Mills, Inc. and McCormick & Co, Inc. (5/31/2009); General Mills, Inc.; Grupo Bimbo SA de CV, The J.M. Smucker Company and Ralcorp Holdings, Inc. valuation multiples based on Lincoln pro-forma estimates which include the impact of recent company acquisitions; NM = Not Meaningful

Commodity Report

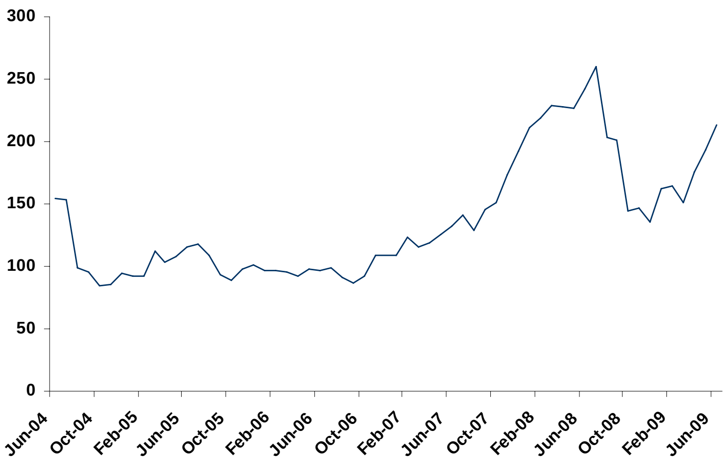
Corn



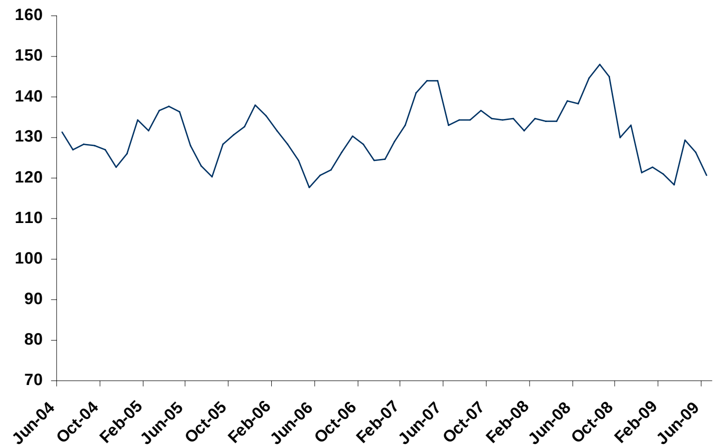
Wheat



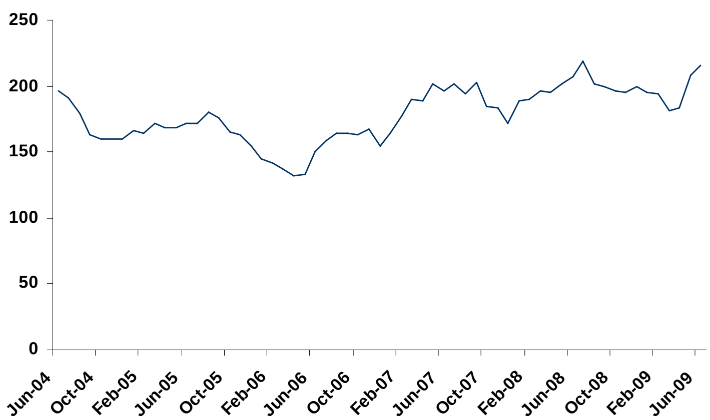
Soybeans



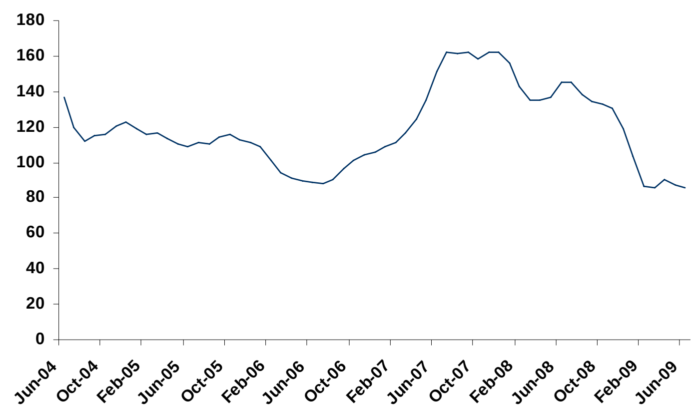
Cattle



Poultry



Fluid Milk



Source: Bureau of Labor Statistics, US Department of Labor
Note: For all prices indices, average of 1990 - 1992 = 100. Charts are updated through June 30, 2009

Recent Lincoln International Accolades

German office ranks 2nd place in Mergermarket's H1 2009 league table (July 2009)

Despite the difficult market environment, Lincoln International successfully advised on 12 German M&A transactions. Lincoln International acted as the exclusive advisor on 10 sell-side and two buy-side engagements in the last six months. As a result, Lincoln International was ranked 2nd in Mergermarket's recently published and widely acclaimed German league tables in terms of transaction volume in the first half of 2009.

Named "International M&A Advisory Firm of the Year" by *ACQ Finance Magazine* (May 2009)

Lincoln International was recognized for it s exemplary success as an international M&A firm serving the mid-market in *ACQ Finance Magazine's* 2009 Awards Supplement.

Now in its fourth year, the *ACQ Finance Magazine* awards program aims to recognize excellence in deal-making by selecting winners through an independent poll of ACQ readers, contributors, and industry experts. Award winners are independently determined and recognized for their contributions to making deals happen over the last twelve months.

In its awards supplement issue, *ACQ Finance Magazine* highlights Lincoln International as the "new paradigm" of mid-market M&A: "the first 'glocal' M&A boutique." By "glocal," the article refers to Lincoln's unique platform, which is both "global" and "local." The article states that "Lincoln is a global organization covering the key world economies and operating in globally integrated industry groups that leverage the full breadth and resources of the entire organization. Lincoln is equally a local firm, as each country organization is locally staffed, deeply connected within its country or region and operates in an entrepreneurial way that is highly responsive and tailored to the needs of each client."

Named "Middle Market Investment Bank of the Year" by *Buyouts* magazine (March 2009)

Recognized for its growth in a challenging 2008 M&A market, Lincoln International accepted the "Middle Market Investment Bank of the Year" award in March 2009.

In this ninth annual *Buyouts* awards program, all six of the nominated firms for Middle Market Investment Bank of the Year were judged on transaction volume, innovation, flexibility, timeliness, deal prices, the ability to overcome obstacles, and overall reputation in the marketplace.

In its March 30th yearbook issue, which announces the award winners, *Buyouts* highlights Lincoln's exceptional growth in 2008, "while others shrunk," referring to the firm's opening offices in London, Madrid and Tokyo as well as the addition of 17 investment bankers in the United States, 16 in Europe and four in Asia. The article goes on to say that "Despite the expansion activity, Lincoln International has never lost sight of its primary goal: closing deals," indicating that the firm closed a total of 59 transactions in 2008, the second highest in the firm's history – almost half of which were completed with private equity firms.

Winner at the M&A Advisor's 2009 Turnaround Awards (March 2009)

Lincoln International was awarded the "Distressed M&A Deal of the Year under $100 million" award for its outstanding work in advising Reunion Industries, Inc. on its sale of CP Industries to Everest Kanto Cylinder in April 2008.

Lincoln International was chosen among 107 other finalists. The Turnaround Awards Gala honored excellence in deal-making in the distressed investing, restructuring and turnaround marketplace. An independent body of experts that span the turnaround industry judged and determined the ultimate recipients of the award.

"Given the financial crisis and the current economic state, all of the winners should be especially proud of their award," said Roger Aguinaldo, CEO and Publisher of The M&A Advisor. "They have each excelled in their field and are truly deserving of the honor."

About Lincoln International

Lincoln International specializes in merger and acquisition services, debt advisory services, UK pension advisory services and providing fairness opinions and valuations for leading organizations involved in mid-market transactions. With offices in Chicago, Frankfurt, London, Los Angeles, Madrid, New York, Paris, Tokyo and Vienna, and strategic partnerships with China Everbright and ICICI Securities, Inc. in India, 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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