

Inside this Issue

Welcome to the fourth quarter 2008 issue of our Refrigerated and Frozen Foods DealReader newsletter.

With this issue, we plan to offer insight into the attitudes of private equity professionals toward investments in food companies given the state of today's M&A markets, provide statistics regarding trends and developments in the global consumer sector

and provide an update on Lincoln International's Food and Consumer Group activities in 2008.

Key topics covered in this issue include:

- Spotlight Interview: Scott Sellers, Managing Director, Encore Consumer Capital (pages 1-2)
- Q4 Key Statistics (page 3-5)

- Recent Transaction Overview (page 6)
- Spotlight Health and Wellness Transaction: Enzymatic Therapy, Inc. (page 6)

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

Spotlight Interview: Scott Sellers, Managing Director, Encore Consumer Capital

Scott Sellers co-founded Encore Consumer Capital in 2005. Prior to Encore, Scott was a partner at Swander Pace Capital, a private equity fund focused on



investments in the consumer products industry. Scott is Chairman of Encore's portfolio companies: Ciao Bella, Juice Tyme and MyChelle.

In 2008, Mr. Sellers led Encore's acquisition of a substantial equity stake in Ciao Bella, a manufacturer, retailer and marketer of gelato, sorbet, and other frozen desserts sold through the retail grocery, foodservice and direct-to-consumer channels.

Q. Congratulations on the recent addition of Ciao Bella to your investment portfolio. Why did you find this company to be so compelling an investment opportunity?

A. Gelato and sorbet products are currently at an inflection point in terms of growth potential, and Ciao Bella is well positioned to become the big winner in the category as the leading national brand and the standard for super premium quality. Its gelato is tremendously appealing to consumers because it is an "affordable luxury" that tastes of pure indulgence. At the same time, it enjoys a healthier nutritional profile than comparable frozen desserts such as ice cream, which on average uses twenty-five percent more butter fat to achieve a comparable richness in flavor. Ciao Bella's sorbet is also growing in line with strong

health and wellness trends and is perceived as a "better for you" non-dairy dessert that is fat free.

Q. Gelato is a relatively new and small category in the frozen desserts section of retail stores. How do you see this changing over the next few years?

A. Retailers are very aware of the consumer "buzz" surrounding gelato and are looking for a national brand to grow the category, which is currently concentrated in the Northeast and in California. Ciao Bella is the only brand that can be purchased nationwide in chains such as Whole Foods, and which has the necessary

momentum behind it to penetrate large retail chains. We envision gelato will become a more mainstream product, particularly as Ciao Bella paves the way for the rest of the category and increases its nationwide distribution. We anticipate Ciao Bella gelato will generate considerable excitement within the supermarket ice cream freezer, and that "foodies" and mainstream consumers alike will be thrilled to find it in stores close to home.

Q. What are the critical success factors for branded, super premium products such as Ciao Bella?

A. First and foremost, you need to have an extremely unique product, with demonstrably superior product quality. With

regards to the specialty food channel, it is essential that food connoisseurs be deeply impressed with the product. Attractive packaging and thoughtful branding are required to communicate and uphold a product's image. A dedicated, talented management team must be in place and appropriate distribution channels secured to support the product.

The key to driving and capturing category growth as a branded national player in gelato, sorbet or any other category for that matter is to understand the consumer that is

"The key to driving and capturing category growth ... is to understand the consumer that is at the center of every purchase..."

at the center of every purchase, and to focus on aligning your products with the real needs of these consumers.

Q. How do you drive consumers to explore a new product category?

A. I would classify current consumers of gelato as "foodies" or *gourmet* consumers. They are adventurous, enjoy trying new things and are excited when they discover a new and enjoyable food product or restaurant experience. These consumers want to introduce more people to the product and get them to appreciate gelato and sorbet as much as they do. It is precisely because of these advocates that Ciao Bella has experienced growth through word of mouth.



(Continued on page 2)

Ciao Bella's management team understands this need for sensory-driven discovery. For this reason, the Company has an innovation-driven strategy of launching truly bold, unique flavor combinations of gelato and sorbet, such as Blackberry Cabernet and Chocolate Jalapeño that are developed in-house by our own Executive Chef, Danilo Zecchin. It's all about electrifying our consumers' taste buds and satisfying their spirit of adventure with premium products made from the finest possible ingredients.

Q. How has recent market turmoil and the economic slowdown affected private equity groups, and what major issues are on your mind as you evaluate investment opportunities in food categories?

A. Overall, the food industry is healthy. Calorie consumption tends to remain stable over time, making the food industry much less volatile during an economic downturn. Furthermore, there are always pockets of growth and innovation in the space, due in no small part to the sheer amount of entrepreneurs and family-run businesses producing food products. Private equity groups such as Encore that specialize in the food industry have had considerable success in transforming smaller operations into successful food companies ripe for acquisition by larger strategic buyers. Historically, and even today, there has been a good exit environment for private equity groups seeking to sell food companies in their portfolio to strategic buyers.

Lenders currently view food companies as being relatively safe places to invest their money. Because they remain willing to provide leverage for good food deals, there are many attractive opportunities in the space for private equity groups. Even given the current environment, I believe there are still good opportunities for food companies with as little as \$3 million in EBITDA to do deals and raise attractive debt financing.

“... there are still good opportunities for food companies ... to do deals and raise attractive debt financing.”

Q. What changes do you foresee in investment levels and M&A activity by financial acquirers in the near future?

A. I generally think there will be a slowdown in M&A activity by financial acquirers, but I think this will be much less pronounced with deals in the food sector. There are many compelling reasons why owners would still sell food companies in this tough market and why deals are still getting done. Private equity firms can still provide substantial liquidity to current owners and they can still add value to a company. While valuations may be declining slightly at the moment, sellers can retain a portion of their equity in the company and take a “second bite of the apple” upon the next liquidation event.

Q. Given the current state of the US economy and the M&A markets, which sectors of the food industry are most attractive?

A. Now is a great time to jump into some long-term opportunities. The biggest challenge faced by food companies in the

last two years has been the impact of rising commodity costs. However, even in this area we are starting to see some relief, so it appears that 2009 and beyond will see considerable improvements in the profit margins of many food companies.

Encore is particularly bullish on the protein market, which it believes will benefit from the continued long-term growth in global demand for protein. As an example, Encore recently acquired Atlantic Aqua Farms, the leading North American supplier of live mussels. We see a great opportunity in sustainable seafood protein, such as mussels, while the supply of natural fish and seafood population stock continues to decline.

Q. Last but not least, what is your favorite flavor of Ciao Bella gelato?

A. Blood Orange. It tastes absolutely incredible. We're also extremely proud that Oprah named it one of her “Favorite Things” last year!



About Encore Consumer Capital

Encore Consumer Capital (“Encore”) is a private equity firm focused on investing in food and consumer products manufacturing and marketing companies with greater than \$10 million in revenue.

Encore manages more than \$175 million in committed equity capital and is a partnership between experienced principal investors and veteran industry operators from Encore Associates, Inc. (“EAI”).

EAI provides strategic advisory services to middle market food and consumer products companies. Encore and EAI work closely together to identify new investment opportunities and drive portfolio company performance.

For more information, please visit the firm's website at: www.encoreconsumercapital.com

About Ciao Bella

Ciao Bella, New York's original authentic gelato purveyor, has been dedicated to creating the finest gelato and sorbet products for the country's most discriminating taste buds for over twenty four years. Ciao Bella began as a tiny storefront kitchen in New York's Little Italy, quickly becoming one of the city's favorites with its delicious artisanal products. The company was built using the same traditional recipes from Turin that it uses today, for both classic and contemporary flavors of super-premium gelato and sorbet products.

As the demand for gourmet ice cream and gelato keeps growing, Ciao Bella continues to lead the growing trend. Ciao Bella uses only top-quality ingredients, sourced from around the globe, such as Valrhona French chocolate, Sicilian blood oranges, raspberries from Oregon, and Nielsen-Massey vanilla from Tahiti and Hawaii. F.W. Pearce and Charlie Apt built the company's reputa-

tion by selling to New York's finest restaurants, hotels and caterers. Ciao Bella focuses on these same clients today. From custom-designing flavors for chefs across the country to satisfying ice cream aficionados with their favorite treat both in restaurants and in pints from the supermarket specialty case.

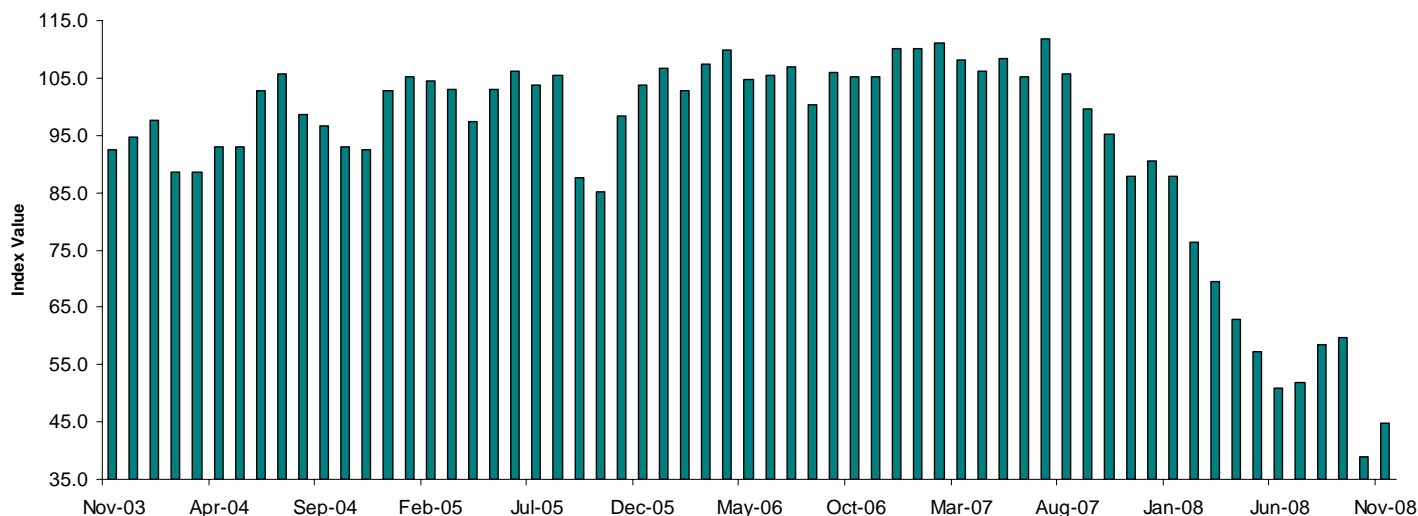
Thanks to the unflinching commitment to quality by Executive Chef Danilo Zecchin, Ciao Bella was recently named one of the top brands on the verge by BRANDWEEK and is quickly becoming one of the nation's most watched frozen desserts.

Ciao Bella has now grown to include six gelato bar locations in California and New York and is also available at fine retail stores nationwide - both in pints and gelato bars.

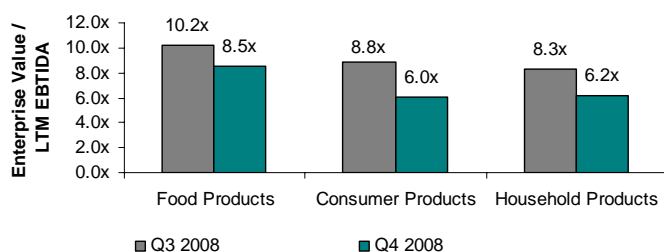
For more information, please visit Ciao Bella's website at: www.ciaobellagelato.com

Q4 Key Statistics — Consumer Products

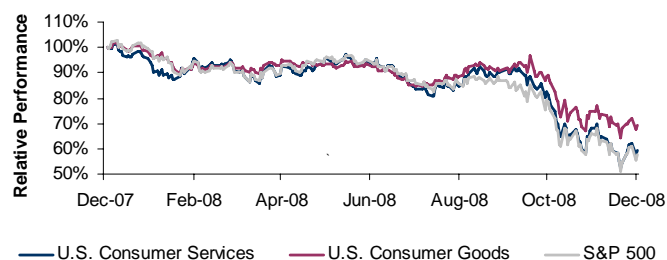
United States Consumer Confidence Levels¹



Valuations of Consumer Product Companies²



Consumer Industry Stock Performance³



1. Source: Capital IQ

2. Source: Lincoln International indices (rebalanced as of 12/15/2008 to focus on top North American and selected international companies in each segment, based on market capitalization)

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												
	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08
Club Stores	7.9%	4.5%	6.6%	6.0%	5.0%	11.8%	9.6%	11.3%	11.3%	10.6%	8.3%	4.4%	(0.1%)
Department Stores	13.4%	(0.1%)	0.3%	(3.2%)	(3.9%)	6.1%	0.8%	(6.4%)	(4.4%)	(4.8%)	(9.9%)	(19.6%)	(11.0%)
Drug Stores	1.5%	0.3%	2.6%	5.3%	3.5%	1.1%	2.6%	1.5%	2.7%	1.0%	3.2%	2.5%	(0.7%)
Mass Merchants	5.9%	(1.2%)	(0.5%)	1.8%	(1.7%)	3.5%	1.9%	3.4%	0.9%	0.7%	(0.1%)	(1.2%)	(3.5%)
Specialty Apparel	(1.7%)	(5.2%)	(1.4%)	(1.1%)	(11.3%)	0.8%	(3.6%)	(3.1%)	(5.1%)	(3.9%)	(10.3%)	(15.0%)	(16.7%)
Average	5.4%	(0.3%)	1.5%	1.7%	(1.7%)	4.6%	2.3%	1.3%	1.1%	0.7%	(1.8%)	(5.8%)	(6.4%)

4. Club Stores comprised of Costco, Sam's Club 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 Wal-Mart and Target; Specialty Apparel comprised of Abercrombie & Fitch, Gap and Limited Brands. Note: Growth rates consist of an average of aforementioned components.

Q4 Key Statistics — Publicly Traded Food Company Metrics

Large Capitalization Food Company Profitability Metrics¹

(\$ in billions, except for share data)

Selected Companies	Last Price	52 Week		Market Cap	P/E Multiples			Enterprise Value	EV/LTM		
		High	Low		LTM	2007	2008		Revenue	EBIT	EBITDA
Nestle SA	\$ 35.74	\$ 48.9	\$ 33.6	\$ 132.6	14.1x	22.7x	15.1x	\$ 156.7	1.7x	10.8x	9.1x
Pepsico, Inc.	52.42	79.8	50.7	81.4	14.9x	23.5x	15.4x	116.1	2.0x	10.8x	9.1x
Unilever NV	24.04	34.6	21.8	66.4	11.1x	20.8x	13.0x	93.1	1.4x	10.2x	8.8x
Kraft Foods Inc.	26.74	35.3	25.6	39.3	16.2x	18.0x	14.8x	59.2	1.4x	10.9x	9.2x
Groupe DANONE	57.70	86.1	51.9	27.3	20.6x	23.9x	16.2x	49.0	2.2x	15.2x	12.4x
General Mills Inc.	60.10	72.0	51.0	20.1	16.3x	18.6x	17.3x	30.2	1.9x	11.6x	9.7x
Kellogg Co.	42.15	58.5	45.3	16.1	14.3x	21.4x	15.4x	26.9	1.7x	10.5x	8.8x
HJ Heinz Co.	36.56	53.0	38.4	11.5	12.7x	19.4x	14.0x	20.7	1.6x	10.5x	8.8x
Campbell Soup Co.	28.37	40.9	30.2	10.2	16.1x	17.5x	13.8x	12.9	1.6x	10.2x	8.4x
Hershey Co.	35.38	44.9	32.3	8.0	28.6x	16.4x	17.1x	10.2	2.0x	13.4x	9.8x
Sara Lee Corp.	9.34	17.0	9.3	6.6	NM	28.6x	10.8x	8.6	0.6x	7.9x	5.3x
ConAgra Foods, Inc.	14.43	26.2	17.2	6.5	14.1x	18.7x	7.8x	9.5	0.8x	9.3x	7.2x
George Weston Limited	46.57	59.3	35.4	6.0	13.9x	NM	13.6x	12.8	0.5x	12.7x	8.1x
Grupo Bimbo SA de CV	4.53	5.6	4.2	5.3	18.1x	20.8x	17.2x	5.5	0.9x	11.0x	8.2x
Median					14.9x	20.8x	15.0x		1.6x	10.8x	8.8x
Mean					16.2x	20.8x	14.4x		1.4x	11.1x	8.8x

(\$ in billions, except for share data)

Selected Companies	LTM				EBITDA/Rev		EBIT/Rev		NI/Rev	
	Revenue	EBIT	EBITDA	NI	LTM	Avg	LTM	Avg	LTM	Avg
Nestle SA	\$ 107.2	\$ 15.1	\$ 18.3	\$ 10.7	17.0%	16.6%	14.1%	13.6%	10.0%	9.4%
Pepsico, Inc.	42.9	7.6	9.1	5.7	21.2%	22.4%	17.6%	18.6%	13.3%	14.3%
Unilever NV	56.7	7.8	9.1	6.5	16.0%	16.4%	13.7%	14.0%	11.5%	10.5%
Kraft Foods Inc.	42.7	5.4	6.4	3.3	15.0%	17.0%	12.7%	14.5%	7.8%	7.8%
Groupe DANONE	22.0	3.1	3.8	6.9	17.3%	16.9%	14.0%	13.4%	31.5%	19.2%
General Mills Inc.	14.1	2.2	2.7	1.3	19.0%	20.2%	15.7%	16.8%	9.1%	9.3%
Kellogg Co.	12.7	2.0	2.4	1.1	18.7%	20.6%	15.8%	17.2%	9.0%	9.4%
HJ Heinz Co.	10.5	1.6	1.9	0.9	17.7%	18.7%	14.9%	15.8%	8.7%	8.2%
Campbell Soup Co.	8.1	1.3	1.5	1.2	19.0%	19.7%	15.7%	16.1%	14.3%	12.5%
Hershey Co.	5.1	0.8	1.0	0.3	20.3%	24.3%	14.9%	19.4%	5.6%	8.6%
Sara Lee Corp.	13.5	1.1	1.6	(0.0)	11.9%	11.8%	8.1%	7.4%	(0.4%)	2.7%
ConAgra Foods, Inc.	12.1	1.0	1.3	1.2	10.7%	12.0%	8.2%	9.1%	9.9%	6.9%
George Weston Limited	31.0	1.1	1.8	0.5	5.8%	6.8%	3.7%	4.6%	1.7%	1.5%
Grupo Bimbo SA de CV	7.1	0.6	0.8	0.4	11.5%	11.8%	8.5%	8.7%	5.0%	5.3%
Median					17.2%	17.0%	14.1%	14.3%	9.1%	9.0%
Mean					15.8%	16.8%	12.7%	13.5%	9.8%	9.0%

Mid Capitalization Food Company Profitability Metrics¹

(\$ in billions, except for share data)

Selected Companies	Last Price	52 Week		Market Cap	P/E Multiples			Enterprise Value	EV/LTM		
		High	Low		LTM	2007	2008		Revenue	EBIT	EBITDA
The J. M. Smucker Company	\$ 40.63	\$ 56.7	\$ 40.1	\$ 4.8	13.0x	18.2x	11.8x	\$ 5.8	1.3x	9.8x	7.7x
Hormel Foods Corp.	29.96	42.8	29.6	4.0	14.4x	18.3x	13.3x	4.2	0.6x	8.2x	6.6x
McCormick & Co. Inc.	29.12	42.1	31.8	3.8	14.7x	24.7x	13.9x	5.1	1.6x	12.1x	10.0x
Saputo, Inc.	17.77	27.9	18.0	3.6	14.7x	25.4x	14.1x	4.0	0.9x	10.3x	8.7x
Ralcorp Holdings Inc.	55.40	74.1	48.1	3.1	10.3x	49.0x	14.5x	4.7	1.3x	9.9x	8.1x
Tyson Foods Inc.	6.91	19.5	9.7	2.6	28.6x	19.1x	13.6x	5.3	0.2x	13.5x	6.0x
Dean Foods Co.	14.84	29.2	17.5	2.3	14.7x	13.1x	12.4x	6.9	0.5x	11.8x	8.4x
Flowers Foods, Inc.	22.65	32.7	20.1	2.1	19.3x	29.7x	18.6x	2.4	1.1x	14.7x	10.2x
Fresh Del Monte Produce Inc.	21.93	39.8	12.9	1.4	8.2x	NM	8.2x	1.8	0.5x	10.2x	6.9x
Smithfield Foods Inc.	9.40	32.2	5.4	1.3	NM	17.5x	NM	4.8	0.4x	23.8x	10.2x
Median					14.7x	19.1x	13.6x		0.8x	11.0x	8.2x
Mean					15.3x	23.9x	13.4x		0.8x	12.4x	8.3x

(\$ in billions, except for share data)

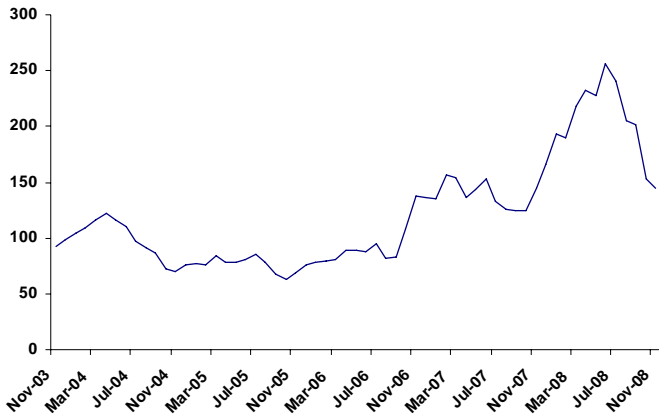
Selected Companies	LTM				EBITDA/Rev		EBIT/Rev		NI/Rev	
	Revenue	EBIT	EBITDA	NI	LTM	Avg	LTM	Avg	LTM	Avg
The J. M. Smucker Company	\$ 4.5	\$ 0.6	\$ 0.8	\$ 0.2	16.8%	14.7%	13.3%	12.0%	3.9%	6.9%
Hormel Foods Corp.	6.8	0.5	0.6	0.3	9.4%	9.8%	7.5%	7.7%	4.2%	4.7%
McCormick & Co. Inc.	3.1	0.4	0.5	0.3	15.6%	16.3%	12.8%	13.3%	8.3%	7.9%
Saputo, Inc.	5.1	0.4	0.5	0.3	10.4%	10.1%	8.8%	8.5%	5.8%	5.5%
Ralcorp Holdings Inc.	3.8	0.5	0.6	0.1	15.5%	13.0%	12.7%	9.8%	2.1%	4.0%
Tyson Foods Inc.	26.9	0.4	0.9	0.1	3.3%	3.3%	1.5%	1.3%	0.3%	0.2%
Dean Foods Co.	12.6	0.6	0.8	0.2	6.5%	7.9%	4.6%	5.8%	1.2%	2.1%
Flowers Foods, Inc.	2.3	0.2	0.2	0.1	10.3%	9.6%	7.2%	6.2%	4.8%	4.2%
Fresh Del Monte Produce Inc.	3.5	0.2	0.3	0.2	7.5%	5.9%	5.1%	3.3%	4.8%	1.5%
Smithfield Foods Inc.	12.3	0.2	0.5	0.0	3.8%	6.2%	1.6%	4.0%	0.4%	1.6%
Median					9.8%	9.7%	7.4%	7.0%	4.0%	4.1%
Mean					9.9%	9.7%	7.5%	7.2%	3.6%	3.9%

1) Source: Capital IQ, Company filings

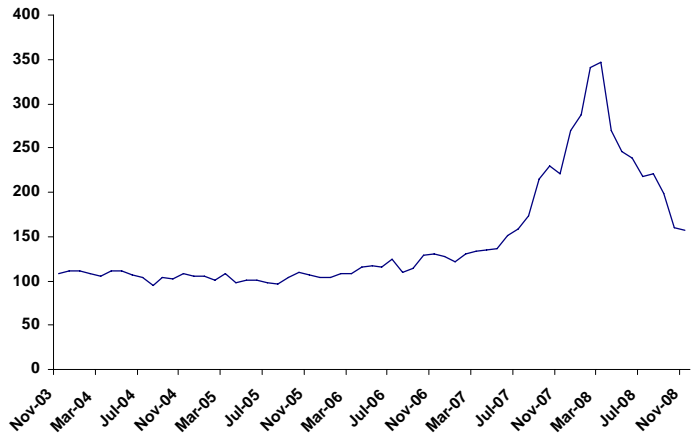
Note: All stock prices and LTM calculations are as of December 15, 2008; The J.M. Smucker Company and Ralcorp valuation multiples based on Lincoln pro-forma estimates which include the impact of recent company acquisitions. NM = Not Meaningful

Commodity Report

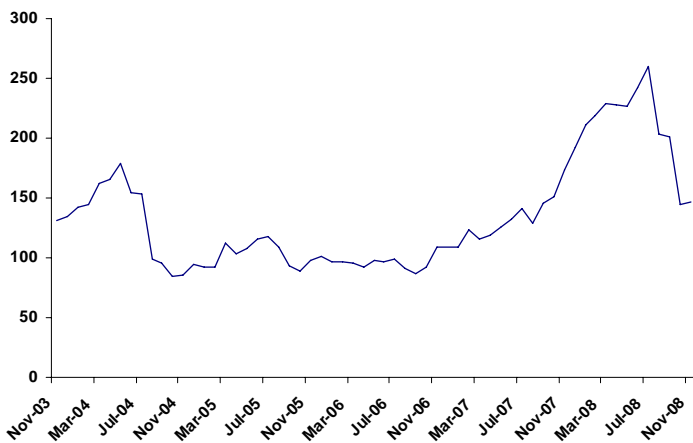
Corn



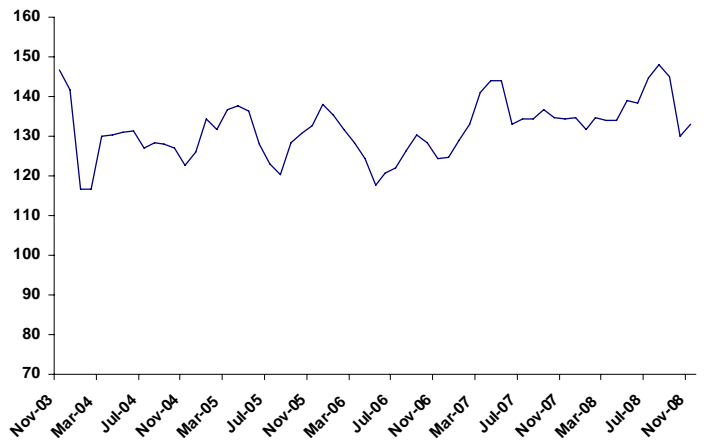
Wheat



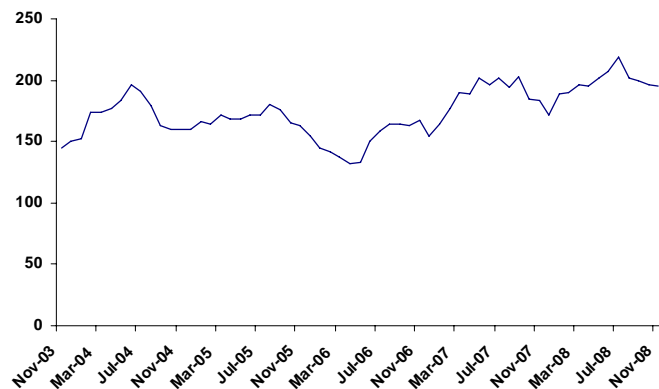
Soybeans



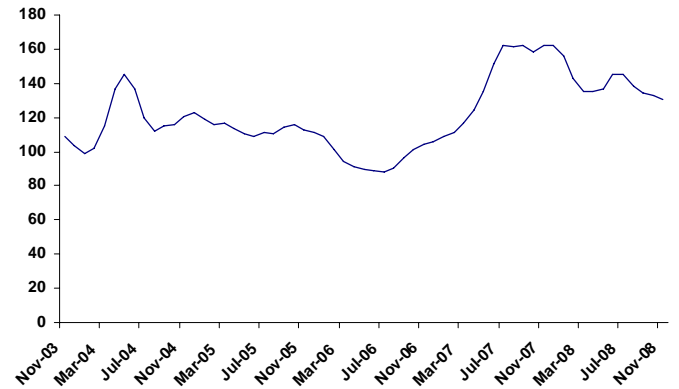
Cattle



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 November 30, 2008

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Recent Food Industry Transactions

Spotlight Health and Wellness Transaction: Enzymatic Therapy, Inc.

In November of 2008, Lincoln International announced the acquisition of Enzymatic Therapy, Inc. ("Enzymatic") from North Castle Partners, LLC, a Greenwich-based private equity firm, by Nature's Way Holding Company ("Nature's Way"), a wholly owned subsidiary of German-based Dr. Willmar Schwabe Pharmaceuticals ("Schwabe").

Enzymatic is a leading developer, manufacturer and marketer of highly efficacious natural medicines. Located in Green Bay, Wisconsin, Enzymatic has established several strong brand name products, including Enzymatic Therapy™, PhytoPharmica™, Integrative Therapeutics™ and Remifemin™.

The combination of Enzymatic and Nature's Way creates an unsurpassed portfo-

lio of clinically validated natural products and ingredients. Lincoln International acted as the exclusive financial advisor to Schwabe and Nature's Way.

"Lincoln was a very valuable asset to Nature's Way and Schwabe. Their extensive analysis, timely advice and persistence throughout the process helped achieve a great outcome for Nature's Way. Enzymatic has had a great track record under North Castle, and we look forward to welcoming Enzymatic, its customers and employees to the Nature's Way organization," said Dr. Dirk Reischig, President of Nature's Way.

About Nature's Way

Nature's Way was founded in 1968, and has improved the life of millions of consum-

ers by bringing the healing power of nature through herbal formulations. Nature's Way is headquartered in Springville, Utah, and its products are sold through leading natural products retailers throughout the United States and in 40 other countries.

About Dr. Willmar Schwabe Pharmaceuticals

Dr. Willmar Schwabe Pharmaceuticals, headquartered in Karlsruhe, Germany, was founded in 1866. Today, the group is a world-class leader in herbal medicines and comprises six companies in Germany and more than 20 subsidiaries and joint ventures around the world. For more than 140 years, Schwabe has been dedicated to providing patients and health care professionals with clinically proven herbal medicines and natural health care solutions.

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 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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