TM CAPITAL
A DIVISION OF JANNEY

Food & Beverage State of the Market

Summer 2025

Food & Beverage State of the Market: Summer 2025

TM CAPITAL
A DIVISION OF JANNEY

As we approach the mid-point of 2025, the *TM Capital Food & Beverage State of the Market* summarizes key insights from recent public company earnings calls, executive commentary and industry observations. While many executives entered the year with cautious optimism that a consumer recovery and resumption of volume growth was on the horizon in 2025, that sentiment has shifted amid persistent macro headwinds. A defining theme over the last several months is heightened uncertainty — driven by evolving tariff dynamics, inflation persistence and declining consumer confidence — which has reinforced a conservative posture among consumers and retailers. That said, there are several bright spots emerging across the landscape and garnering attention from investors. The better-for-you category continues to gain momentum, supported by growing consumer awareness of risks associated with artificial ingredients and food additives — expanding the total addressable market for clean label, functional and wellness-oriented brands. Additionally, while tariff uncertainty has created some volatility for some, many F&B players with primarily domestic supply chains remain relatively insulated — or even advantaged — by these shifts.

This quarter, public F&B executives highlighted several key themes shaping the industry:

- ***Heightened uncertainty driving conservatism for some and opportunity for others***
- ***Balancing volume recovery with margin protection amid rising tariffs***
- ***Intensified efforts to deliver value through pricing, pack architecture and promotion***
- ***Accelerating consumer demand for better-for-you, clean label and functional products***

In this edition, we highlight current market perspectives from key food industry leaders, including:

Casey Keller
CEO
B&G Foods

Sean Connolloy
CEO
ConAgra Brands

Ramon Laguarta
Chairman & CEO
PepsiCo

Dirk Van De Put
Chair & CEO
Mondelez

Uncertainty Driving Conservatism for Some and Opportunity for Others

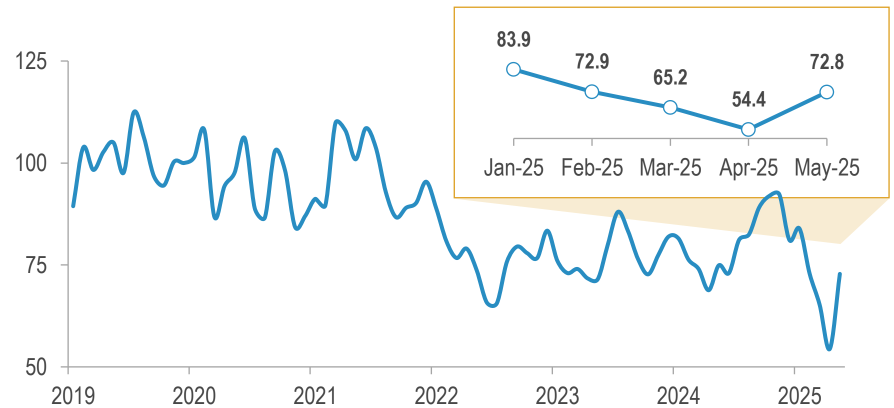
After years of elevated inflation, consumer sentiment has deteriorated further in recent months. Carlos Abras-Rivera, CEO of Kraft Heinz, noted, ***"Consumer sentiment has reached its second lowest point in the last 70 years."*** While tariffs have not yet translated to shelf price hikes, the uncertainty around recent trade negotiations is weighing on guidance and sentiment. Sean Connolly, CEO of Conagra, remarked, ***"Uncertainty leads to conservatism. That is in the consumer and retail customers."***

Consumers across income brackets remain value conscious. Ramon Laguarta, CEO of PepsiCo, commented, ***"The cumulative effects of inflationary pressures coupled with the dynamic nature of global trade relations will likely keep consumers choiceful and value conscious."*** At the same time, retailers are trimming inventory levels to operate more efficiently, as noted by Casey Keller CEO of B&G Foods: ***"[Retailers] have taken [inventory] weeks down and 80% of that will stick as they try and operate more efficiently and operate with lower inventories."***

Manufacturers are also struggling to provide forward-looking guidance in light of the evolving macro backdrop. Some are offering multiple scenarios or choosing not to factor tariffs into forecasts. As Carlos Abras-Rivera explained, ***"Our lower expectations contemplate increased cost of doing business, including elevated inflation and tariffs. The wider range reflects a larger degree of uncertainty given the underlying volatility and unpredictability of macroeconomic dynamics as well as a changing policy landscape."***

Still, there are pockets of strength. Businesses and categories with lower exposure to tariffs, such as bakery and ingredients, remain resilient. The better-for-you category also continues to outperform. Jack Sinclair of Sprouts emphasized, ***"I think probably somewhat surprisingly, we haven't seen any impact from the consumer confidence [decline] either regionally or category-wise."*** He continued, ***"We're watching it really carefully, but we haven't seen any significant change in behavior."*** Capitalizing on rising consumer demand for better-for-you products, Sprouts has delivered strong same-store growth over the past year, accelerating from mid-single digits in Spring and Summer 2024 to double-digit gains in the most recent quarters.

Consumer Sentiment (Future Expectations) Index (1985 = 100)



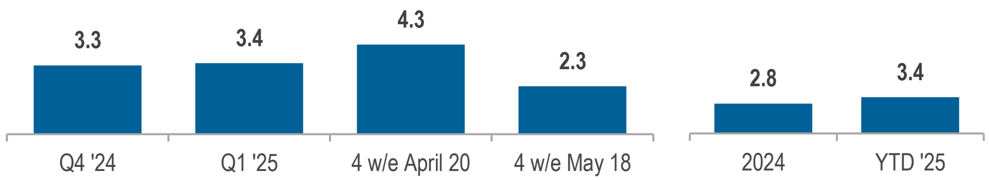
Source: The Conference Board, Public company earnings call transcripts

TM CAPITAL
A DIVISION OF JANNEY

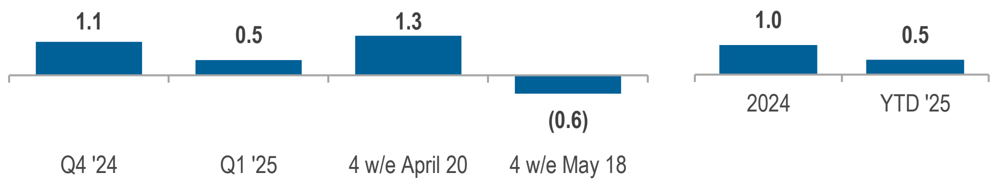
Food & Beverage State of the Market: Summer 2025

Overall food and beverage units remain under pressure year-to-date, with volume trends in many categories either flat or declining. Executives across the industry have noted continued weakness in consumer spending, especially among lower-income households, leading to reduced trip frequency and smaller basket sizes. As Dirk Van de Put of Mondelez explained, ***"[The consumer confidence decline is] all driven by inflation fears. People see their income slowing. We see the prioritization of essentials, which is pressurizing snacking. We see a shift to value, club and eCommerce channels. We're seeing more promotional pressure and largely lower income consumers are shifting to smaller packs, while higher income consumers are shifting to larger packs for value."*** Ramon Laguarta of PepsiCo echoed similar sentiments, noting, ***"Consumers have remained value-conscious across brands and channels as the cumulative impacts of inflationary pressures have strained budgets and altered food shopping patterns."*** While the broader F&B market is feeling the strain of shifting demand patterns and intensified promotional activity, some premium and better-for-you brands are holding share, as well as businesses and categories with less exposure to international trade.

Total F&B Sales (% Change vs. Year Ago)



Total F&B Volume (% Change vs. Year Ago)



Threading the Needle: Volume Growth vs. Margin Protection

In 2024, the sector narrative began to pivot away from pricing toward a renewed focus on volume. After multiple years of inflation-driven price increases, brands hoped that 2025 would bring a reigniting of unit growth. However, as the cost landscape becomes more volatile again, with rising tariff concerns layered on top of persistent food inflation, the path forward has become more complex. Brands now find themselves balancing the need to protect margins with the imperative to drive unit growth.

While tariff exposure varies across companies and categories, most brands and retailers are actively developing mitigation strategies. F&B operators are turning to suppliers for cost relief, evaluating alternative sourcing options, and, despite their desire to drive volume, are once again facing the difficult prospect of price increases to preserve margins.

Sean Connolly of ConAgra summarized the challenge facing F&B brands in today's environment: "***If it's an inflationary environment and then, on top of that, you layer on new tariffs, you've got a responsibility to protect margins. At the same time, investors and management teams have said, it's important to have volume growth because keeping the relationship between the consumer and brands is in the best interest of long-term brand strength and the future cash flows of those businesses."*** Connolly continued, ***"If the environment remains inflationary, tariffs stick and there is a cause for inflation-justified pricing, how does that coexist with the notion of surgically investing in merchandising to get volumes back to growth?"***

Estimated Reliance on Imports vs. Domestic Production by Category

High Reliance on Imports	Medium Reliance on Imports	Low Reliance on Imports
Seafood *Over half of U.S. seafood consumption is imported*	**Candy** *Uses imported cocoa, high domestic production*	**Meat** *Mostly domestic, but specialty faces import dependence*
Produce *Highly seasonal, many winter fruits and vegetables imported*	**Beverages** *Dependent on product and packaging usage*	**Dairy** *Robust domestic industry except specialty European products*
Alcohol *Wine, beer, and select liquors have higher import tolerance*	**Snacks** *Mixed risk: grains sourced domestic, some oils sourced international*	**Frozen Meals & Ingredients** *Longer shelf life and sourcing flexibility reduce tariff impact*
Baking & Ingredients *Some core ingredients are domestic, many are imported*	**Shelf Stable Meals & Components** *Domestic primarily, but import specialty ingredients/oils*	**Deli, Bakery, Ice Cream & Desserts** *Predominantly domestic production*

Source: Public company earnings call transcripts; Circana POS data 52 weeks ending 5.25.2025, Total US MULO+ with Convenience

Food & Beverage State of the Market: Summer 2025

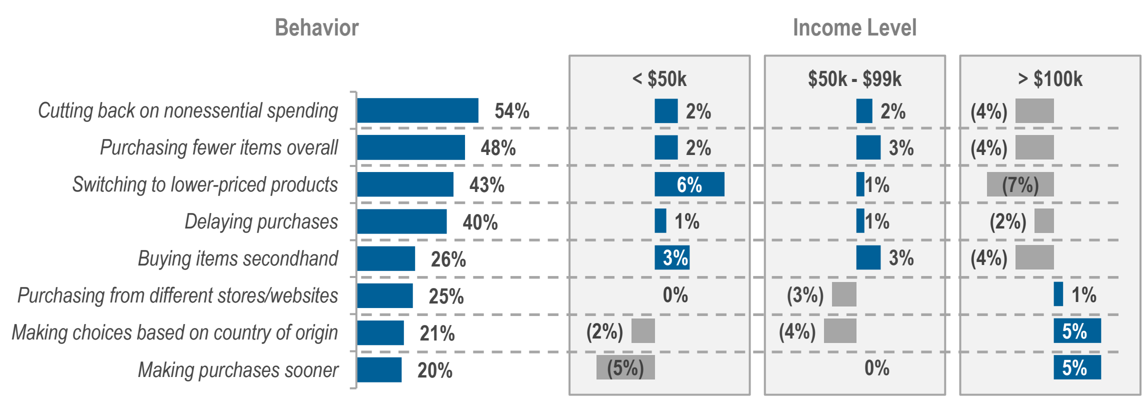
TM CAPITAL
A DIVISION OF JANNEY

Delivering Value to the Consumer: Pulling All the Stops

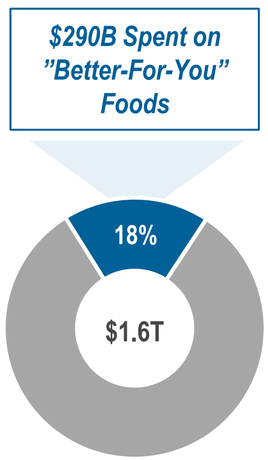
Given persistent headwinds, brands and retailers are laser-focused on delivering value to price-conscious consumers. One prominent strategy: reinvesting in promotions. Executives from Conagra, Kraft Heinz and Mondelez emphasized renewed promotional investment to stimulate trial and support brand health. Casey Keller of B&G Foods noted, ***"We significantly increased our promotional trade spending to support Green Giant to start the year."*** Keller continued, ***"While this promotional pricing decision temporarily impacted our net sales and P&L in the short term, it allowed us to strengthen our relationships with valued customers while also delivering meaningful price relief to consumers during a challenging period."*** Ramon Laguarta of PepsiCo explained the company's approach: ***"We're seeing consumers are giving a lot of value to absolute dollars now. So clearly, entry price points and absolute outlay per unit are important metrics. That's why smaller, single-serve, smaller multipacks are all tools for us to keep the consumers in the brand and make sure that the frequency is there as well."***

Price-pack architecture is becoming an increasingly important lever for both retailers and manufacturers seeking to manage value perception and maintain share. Dirk Van de Put of Mondelez highlighted how pack strategies are being recalibrated, remarking, ***"While 2-3 years ago, consumers would easily pay above $4 for a pack of biscuits, we're now seeing that we need to be below $4 and ideally below $3. And so we've launched a number of packs that hit that $3 price point and below."*** Carlos Abras-Rivera of Kraft Heinz also noted, ***"We recently launched an 11-ounce box, which provides 50% more at a price point that is 20% less per ounce. This larger size is unbeatable value, feeding a family of 5 for less than $2."*** Ultimately, successful execution hinges on understanding the consumer's perceived value equation and aligning product offerings accordingly.

Tactics Adopted by US Consumers Who Expect to Change Spending Habits Due to Recent Tariff News



2024 U.S Spend on Food At Home



Consumers Flocking to Health and Wellness

Despite a challenging macroeconomic backdrop, the consumer movement toward health and wellness continues to accelerate. Executives at Sprouts, Conagra and PepsiCo all noted increased demand for functional, clean-label and better-for-you products. Jack Sinclair CEO of Sprouts emphasized, ***"In the past 5 years, more consumers have embraced a movement towards health and wellness, leading to a significant growth in our target market opportunity, which is now estimated at approximately $290 billion of the $1.6 trillion spend on food at home."*** Sean Connolly of Conagra added, ***"Our snacks business is all about permissibility and healthy snacking,"*** citing momentum in categories like meat sticks. Ramon Laguarta of PepsiCo reinforced this trend, stating, ***"Beyond affordability, bold flavor profiles, permissibility, functionality and portion control are key factors in defining value for consumers."***

While this shift has been unfolding for over a decade, it is now accelerating amid evolving policy and regulatory developments that are not only prompting brands and retailers to adapt but also heightening consumer awareness and expanding the base of consumers actively seeking better-for-you food and beverage brands. Laguarta also acknowledged growing scrutiny of ingredients: ***"We understand that there's probably going to be consumer demand for more natural ingredients, and we're going to be accelerating that transition."*** These initiatives are driving brands to reformulate products, enhance label clarity and invest in cleaner supply chains to meet rising consumer expectations and remain compliant. Sinclair also added, ***"We are seeing strong new customer growth and what excites me is that we're seeing it both in our new and emerging markets, but also in existing markets where we've been for a while. So we're certainly excited to see that customers like what we're doing across the country."*** Ryals McMullians from Flowers Foods highlighted the new consumers entering the better-for-you snack category when discussing recent performance of Dave's Killer Bread (DKB) snack bites and bars: ***"Encouragingly, a significant portion of [DKB snack bites] buyers are new to the better-for-you snack category, implying that the bites are growing category sales incrementally."*** He continued, ***"Similar to the incrementality of DKB snack bites, more than 20% of DKB bar buyers are new to the category."***

Source: Public company earnings call transcripts; McKinsey; Sprouts Farmers Market April 2025 Investor Presentation

Food & Beverage State of the Market: Summer 2025

TM CAPITAL
A DIVISION OF JANNEY

M&A Market: A High Conviction Category for Buyers

Year-to-date M&A activity in the U.S. food and beverage sector reflects an active, albeit selective, market environment. While deal volume has not yet returned to pre-2022 highs, the strategic importance of the food category remains clear to investors. Food continues to be viewed as a resilient, essential category, benefiting from largely domestic supply chains and long-term secular tailwinds such as wellness and premiumization. Investors are especially focused on margin potential, supply chain scalability, international exposure and multi-channel growth opportunities.

There is an active market for businesses that are relatively well insulated from the tariff uncertainty, including categories, such as bakery and ingredients. Better-for-you brands are also garnering outsized interest from both strategic acquirers and private equity investors, particularly those with a proven ability to scale through differentiated channel strategies or strong eCommerce capabilities. Sean Connolly of Conagra noted, ***"We like the idea of continuing to sculpt better growth and better margins for the portfolio through a combination of small bolt-on acquisitions and targeted divestitures."*** Ramon Laguarta pointed to PepsiCo's recent M&A priorities: ***"We are focused on expanding further into under-penetrated consumer opportunities, including permissible, multi-cultural and functional offerings – which includes scaling brand platforms such as Simply, Siete and Sabra. We also recently announced an agreement to acquire Poppi, a fast-growing prebiotic soda brand."*** Ryals McMullians of Flowers Foods also emphasized, ***"The better-for-you authenticity of our leading brands positions us well to capitalize on consumer demand for healthier eating and differentiated experiences."*** These signals underscore a clear takeaway: in a market defined by selective buyer interest, assets that align with long-term secular trends such as better-for-you, supply chain resilience and scalable brand platforms – continue to command premium attention.

Outlook: Navigating Volatility, Positioning for Stability

As we move into the second half of 2025, food and beverage leaders are navigating an environment defined by uncertainty, driven by persistent inflation, evolving trade dynamics and weaker consumer confidence. While no clear consensus has emerged on when volume growth will return or cost pressures will ease, many executives are planning for continued volatility. As Ryals McMullians of Flowers Foods reflected, ***"Given the trends we saw in Q1, my mind is already moving to '26."***

Despite these headwinds, brands are not standing still. Across the sector, companies are pulling every lever to defend share and reposition for growth: reinvesting in trade, recalibrating price-pack architecture, innovating around health and functionality, and shifting distribution toward value, club and digital channels. As Mark Clouse of Campbell's emphasized, ***"We're continuing to lean into innovation and targeted trade to ensure we're delivering the right value proposition to the consumer."***

As brands, retailers and investors adapt their playbooks to a more conservative environment, strategic focus, agility and execution will be key to navigating the road ahead. Meanwhile, given the long-term resilience of the F&B sector and the relative tariff insulation of certain categories, we expect M&A activity to continue - and potentially accelerate if recent macro uncertainties begin to ease in the coming months. Given the long-term resilience of the F&B sector — and the relative tariff insulation of certain categories — we expect M&A activity to continue and potentially accelerate if recent macro uncertainties begin to ease in the coming months.

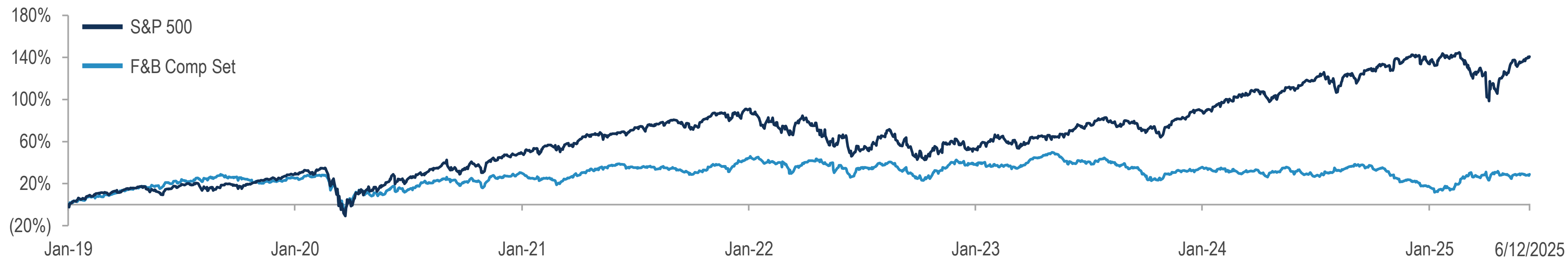
Jun 2025	SPC Swander Pace Capital	HAS ACQUIRED	Maple Donuts
Jun 2025	Post	HAS ACQUIRED	8th Avenue Food & Provisions (THL, HP)
May 2025	Brynwood Partners	HAS ACQUIRED	Chef Boyardee (Conagra Brands)
May 2025	Pepsi	HAS ACQUIRED	poppi
May 2025	Amphora Equity Partners	HAS ACQUIRED	Don Pepino (B&G Foods, Inc.)
May 2025	Newly Weds Foods / Redwood	HAS ACQUIRED	Develey
May 2025	Chobani	HAS ACQUIRED	Daily Harvest
May 2025	Shore Capital Partners	HAS ACQUIRED	sweetmore Bakeries
May 2025	Danone	HAS ACQUIRED	kate farms
May 2025	Valeo Foods / BainCapital Private Equity	HAS ACQUIRED	Freddi
Apr 2025	Commercial Bakeries / Graham Partners	HAS ACQUIRED	Wholesome Hollandia
Apr 2025	Hershey	HAS ACQUIRED	Lesser Evil

Source: Public company earnings call transcripts

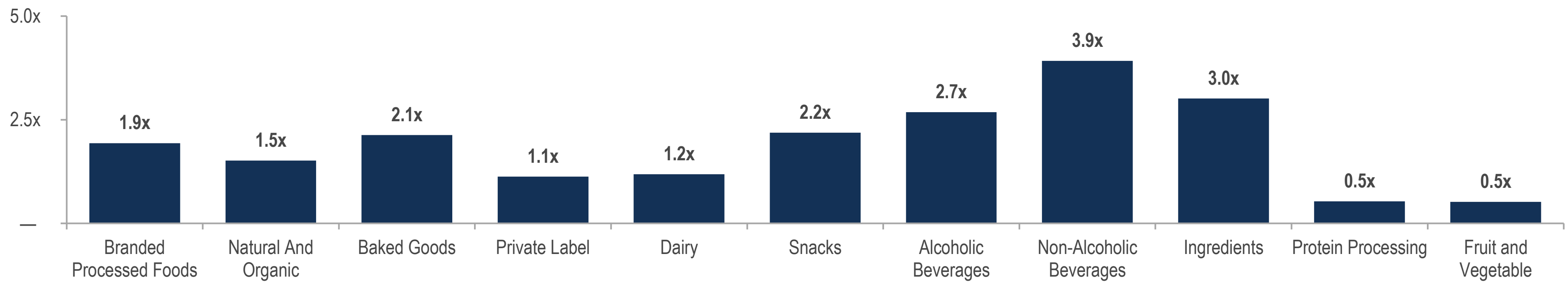
Market Valuations – Stock Price & Multiples

TM CAPITAL
A DIVISION OF JANNEY

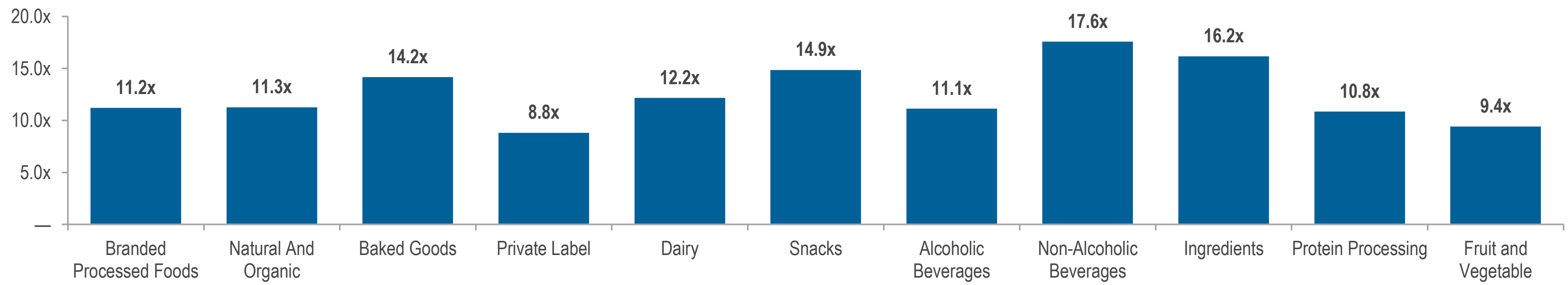
Stock Price Performance (2019 – 6/12/2025)



EV/Revenue Multiples



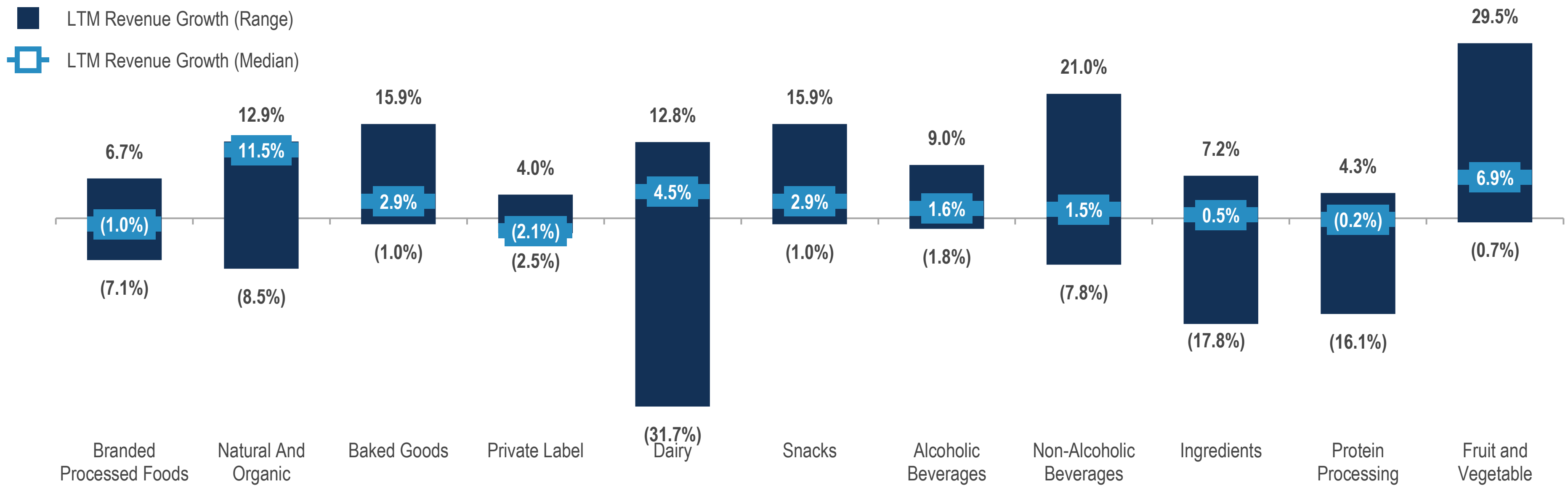
EV/EBITDA Multiples



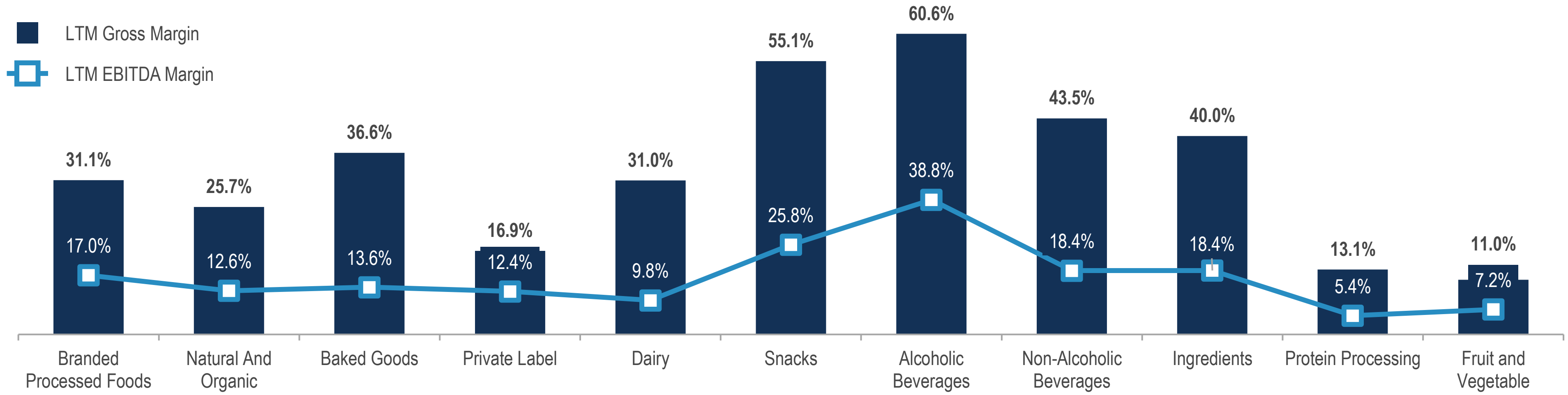
Source: CapIQ, Data as of 6/12/2025

Category Growth & Margins

LTM Revenue Growth (Range and Median)



LTM Gross Margin and EBITDA Margin



Source: CapIQ, Data as of 6/12/2025

TM Capital Food & Beverage Team

TM CAPITAL
A DIVISION OF JANNEY

TM Capital's Food and Beverage investment banking group has completed many of the marquee transactions across the branded, private-label, ingredient, retail and restaurant landscape. Please feel free to reach out to our leadership team:

Craig Gibson
Managing Director
(617) 259-2204
cgibson@tmcapital.com

Paul Smolevitz
Managing Director
(212) 809-1416
psmolevitz@tmcapital.com

Phil Krieger
Managing Director
(404) 995-6242
pkrieger@tmcapital.com

Katie Kohli
Director
(404) 995-6233
kkohli@tmcapital.com

Selected Transactions

MARTIN BRAUN GRUPPE
HAS ACQUIRED
HOFF'S BAKERY
The undersigned served as financial advisor to Tate's Bake Shop, Inc. in connection with this transaction.
TM CAPITAL

Saco
A PORTFOLIO COMPANY OF
B·C·P Benford Capital Partners
HAS BEEN ACQUIRED BY
FENGATE
The undersigned served as financial advisor to Tate's Bake Shop, Inc. in connection with this transaction.
TM CAPITAL

BROWNIE BRITTLE
A PORTFOLIO COMPANY OF
encore consumer capital
SECOND NATURE BRANDS
A PORTFOLIO COMPANY OF
CAPVEST
The undersigned served as financial advisor to the Company in connection with this transaction.
TM CAPITAL

ENGELMAN'S BAKERY
HAS BEEN ACQUIRED BY
SHORELINE EQUITY PARTNERS
The undersigned served as financial advisor to The Engelman's Bakery in connection with this transaction.
TM CAPITAL

TATE'S BAKE SHOP SOUTHAMPTON, NY
HAS BEEN ACQUIRED BY
Mondelēz International
The undersigned served as a financial advisor to Tate's Bake Shop in connection with this transaction.
TM CAPITAL

Hostess
HAS SOLD A DIVISION TO
Sara Lee
The undersigned served as financial advisor to Hostess Brands, Inc. in connection with this transaction.
TM CAPITAL

SUPERIOR ON MAIN
HAS BEEN ACQUIRED BY
Hostess
The undersigned served as financial advisor to Superior Cake Products, Inc. in connection with this transaction.
TM CAPITAL

TATE'S BAKE SHOP SOUTHAMPTON, NY
HAS COMPLETED A RECAPITALIZATION WITH
Riverside
The undersigned served as financial advisor to Tate's Bake Shop, Inc. in connection with this transaction.
TM CAPITAL

STARBUCKS
HAS SOLD AN INTERNATIONAL DIVISION TO
Baristas Del Caribe, LLC
an affiliate of
Empresas Fonalledas Inc.
The undersigned served as financial advisor to Starbucks Corporation in connection with this transaction.
TM CAPITAL

V&S
HAS SOLD
TO
BELVEDERE
The undersigned served as financial advisor to V&S Group in connection with this transaction.
TM CAPITAL

Smith & Wollensky
HAS BEEN ACQUIRED BY
BUNKER HILL CAPITAL
AND
PATINA RESTAURANT GROUP
The undersigned served as financial advisor to The Smith & Wollensky Restaurant Group, Inc. in connection with this transaction.
TM CAPITAL

LESAFFRE
HAS ACQUIRED
RED STAR A Tradition in Family Baking
A DIVISION OF
SENSIENT
The undersigned served as financial advisor to LeSaffre et Compagnie in connection with this transaction.
TM CAPITAL

Disclaimer

ABOUT TM CAPITAL, A DIVISION OF JANNEY
Founded in 1989 and now part of Janney Montgomery Scott, TM Capital is the client-first investment banking team advising industry-leading companies across North America and around the world. In everything we do, our professionals share a relentless commitment to engineering extraordinary outcomes with an unmatched standard of client care. Over the last three decades, we have completed nearly 450 transactions with a combined value of $30 billion. With offices in Atlanta, Boston and New York, our mission critical capabilities include: complex mergers and acquisitions; debt and equity financings; minority and majority recapitalizations; restructurings; and board advisory services. TM Capital is also a member of Oaklins, the world's most experienced mid-market M&A advisor, with over 850 professionals and dedicated industry teams in more than 45 countries, having closed 1,700 transactions in the past five years. For more information, please visit www.tmcapital.com.

ABOUT JANNEY
Janney is a leading full-service wealth management, capital markets, and asset management firm dedicated to putting client needs first. We are committed to providing individuals, families, businesses, and institutions with tailored financial advice to help reach their personal or business goals. We focus on building strong relationships, supported by a foundation of trust and performance. With a history of strength and stability, an ability to execute, and a culture of service and collaboration, we continue to deliver on our mission of offering the highest standard of success in financial relationships. Janney is a member of the Financial Industry Regulatory Authority, the New York Stock Exchange, and Securities Investor Protection Corporation.

DISCLAIMER: This communication has been created by the Investment Banking Department of Janney Montgomery Scott LLC ("Janney") and is to be used for informational purposes only. It is not a product of Janney's Research Department. The information presented herein is taken from sources believed to be reliable but is not guaranteed by Janney as to its accuracy or completeness and is subject to change. The views expressed in this communication reflect the personal views of the author(s) regarding the subject securities and issuers and may differ with those of Janney or Janney's Research Department. This communication shall not constitute a solicitation or offer to purchase or sell a security This communication is intended for Institutional Use Only, not for retail investors, and should not be distributed, forwarded, or otherwise disseminated. Nothing in this material should be construed as tax, legal, or accounting advice. Please consult your own tax, legal, and accounting professionals. Member: NYSE, FINRA, SIPC.

TM CAPITAL
A DIVISION OF JANNEY

NEW YORK

641 Lexington Avenue
32nd Floor
New York, NY 10022

212.809.1360

BOSTON

201 Washington St
32nd Floor
Boston, MA 02108

617.259.2200

ATLANTA

1230 Peachtree Street NE
Suite 550
Atlanta, GA 30309

404.995.6230

www.tmcapital.com