

## Inside this Issue

Welcome to the second quarter 2010 issue of our Refrigerated and Frozen Foods DealReader newsletter.

With this issue, we feature an interview with the former CEO of Harvest Manor Farms, which was sold to Ralcorp; we also provide statistics regarding trends and developments in the global consumer sector and an update on Lincoln International's Food

and Consumer Group's bakery activity in the last 18 months.

Key topics covered in this issue include:

- Spotlight Interview: Joe Patten, Former CEO, Harvest Manor Farms (pages 1-2)
- Q2 2010 Key Statistics (page 3-5)

- Recent Lincoln Food and Consumer Team Activity: "Rising" Expectations for Bakery Deals (page 6)

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

## Spotlight Interview: Joe Patten, Former CEO, Harvest Manor Farms

Mr. Patten is a Managing Partner at the consulting and restructuring firm MainStream Management LLC. He joined Harvest Manor Farms, LLC ("Harvest Manor Farms" or the "Company") as Chief Executive Officer in November 2001 and stayed with the business through its acquisition by Ralcorp Holdings, Inc. ("Ralcorp") in 2009. In his role at MainStream, Mr. Patten has been Chief Executive Officer for various companies and has engineered 17 turnarounds. He has been advisor to bankers, major lenders, trade creditors, investment firms, corporate directors, shareholders and the U.S. Department of Defense. Prior to founding MainStream, Mr. Patten was President & Chief Executive Officer of DeLaRue Systems Americas, a subsidiary of DeLaRue PLC, where he turned an unprofitable \$100 million revenue company into a \$500 million profit-making business. From 1973 to 1985, he worked at American Standard, where he solved business challenges and helped turn around Mosler Safe Company, Garmy Security Company (Germany), Mosler-Fuji Sekio (Japan) and Bedinghaus Business Forms. He conducted a leverage buyout of Bedinghaus, owned it for five years and sold it successfully. In all, Mr. Patten has over 40 years of experience, of which 28 have been as Chief Executive Officer.



**Q. Harvest Manor Farms exhibited strong growth – approximately 10%**

**annually – for the three years leading up to the sale of the Company. Describe the primary drivers of this growth, both industry-related and company-specific.**

A. We executed a two-step process to drive revenue growth. First, we built out Harvest Manor's product lines, offering new product varieties and new price points that appealed to both high-end retailers and the value-oriented retailers. Second, we expanded the Company's sales force to broaden its reach into new clients, particularly the 'dollar' stores, specific big box retailers and grocers where it had no previous relationships.

**Q. The Harvest Manor that was recently sold to Ralcorp Holdings looked different than the business that hired you in 2001. What initiatives did you execute to successfully drive revenues and profits, eventually positioning the Company for a sale to a strategic acquirer?**

A. Our task was to make Harvest Manor more valuable to its major customers, expand its customer base and increase the leverage that the Company obtained from its operations. As we gained traction from our growth strategy summarized above, the Company benefited as our productivity and cost cutting initiatives transferred into bottom line improvement. Ultimately, the Harvest Manor that Ralcorp acquired was significantly larger and more profitable compared to the Company that I joined in 2001.

***"Our task was to make Harvest Manor more valuable to its major customers, expand its customer base and increase the leverage that the Company obtained from its operations."***



**Q. Harvest Manor provides primarily private label snack foods, but also offers select branded products. Discuss the Company's private label versus branded strategy.**

A. To be successful in the private label world, you need to be able to provide higher quality and larger quantities for less cost. That standard starts with producing a better product than the leading 'national brand' and improving the product from there. Having a strong private label

business provides a base to build a branded business based on premium quality and product innovation. After only a few short years, Harvest Manor's major brands, Hoody's™ and All American™, were well-recognized by a broad cross section of consumers. In the in-shell peanut category, the Hoody's™ brand became the premier brand in the country.

**Q. Describe how Harvest Manor's products are differentiated in the snack nuts category, particularly in the private label segment of the market.**

*(Continued on page 2)*

A. When we first started, Harvest Manor had one private label standard. We expanded the product line to provide retailers with options to have a premium product, an everyday great value product and an extreme value product line. This change in product positioning was attractive to a wider group of customers than the Company's initial customer base and was a key driver of the Company's revenue growth.

**Q. Harvest Manor is one of the leaders in the private label snack nuts category. What do you think are the key success factors for private label companies competing against branded alternatives?**

A. I believe that the vast majority of private label producers think of themselves primarily as operators supplying store brand managers. Thus, it is up to the store brand managers to determine how they will effectively compete with the branded products on their shelves. To be successful, it behooves private label companies to think of themselves as marketers who are working to find ways to make their retailer customers more successful. This means developing new products, ideas and promotions that retailers can use to increase their volumes. It also means working hard at looking at the total delivered cost and finding ways that retail customers can get more leverage. This encompasses everything from the method and costs of packaging to the costs of delivery and inventory. Doing this is particularly hard for small to medium sized providers of products. To successfully compete, the whole team must combine its creative efforts together to ensure that you are always leading the pack at providing "more for less."

**Q. Harvest Manor's long-term relationship with the largest club store chain in the U.S. helps the Company maintain its leadership position in the category, but it also results in the club store chain representing a meaningful percentage of Harvest Manor's annual sales. What can management teams do to mitigate any risk from customer concentration?**

A. Mitigating customer concentration is not an easy task in today's continuously consolidating world. In reality, I believe management, investors and retailers have to realize that this trend is going to continue and that new attitudes must be developed. It is virtually impossible to be a consumer products company of any size and not have a major concentration of business with at least one, if not more, of the big box retailers: Walmart, Costco and Target. As a major supplier to several of the largest retailers, Harvest Manor fostered an unprecedented level of cooperation by over-communicating its performance and by taking a very active interest in customers' priorities. Our task was to ensure that when our customers thought of Harvest Manor, they thought first of the Company's reliability. Your business is not threatened as long as your major goals are to make sure you are invaluable to your customers.

**Q. Effective commodity purchasing is critical for snack nut companies to generate attractive profitability margins. How has Harvest Manor been able to translate the risk of commodity exposure into a sustainable competitive advantage?**

*"As a major supplier to several of the largest retailers, Harvest Manor fostered an unprecedented level of cooperation by over-communicating its performance and by taking a very active interest in customers' priorities."*

A. There is a line from "The Music Man" where a group of salesmen discuss success with the phrase, "You gotta know the territory." Buying commodities is fraught with ways to get on the wrong side of a trade and risk profitability and, in some cases, the company. First and foremost,

you must engage your retail customers in this endeavor, as they are as concerned about sustainability and stability

as you are. Second, you have to possess great knowledge of the trading landscape and the skill to trade in it. We were very fortunate at Harvest Manor to have what I considered the best buyer in the industry.

**Q. As mentioned previously, Harvest Manor was recently sold to Ralcorp. What factors, both company and market related, do you think helped drive the sale?**

A. Harvest Manor was a natural fit for Ralcorp. First, Ralcorp maintained a major position in the private label market, although its customer base was different compared to Harvest Manor's. Therefore, the Company's major customer relationships complemented the buyer. Second, Ralcorp, which was and continues to be known for its operational excellence, purchased a well-run plant located in an attractive geographical location. Finally, the underlying disciplines within Harvest Manor made it an attractive acquisition.



HARVEST MANOR FARMS

**About Harvest Manor Farms**

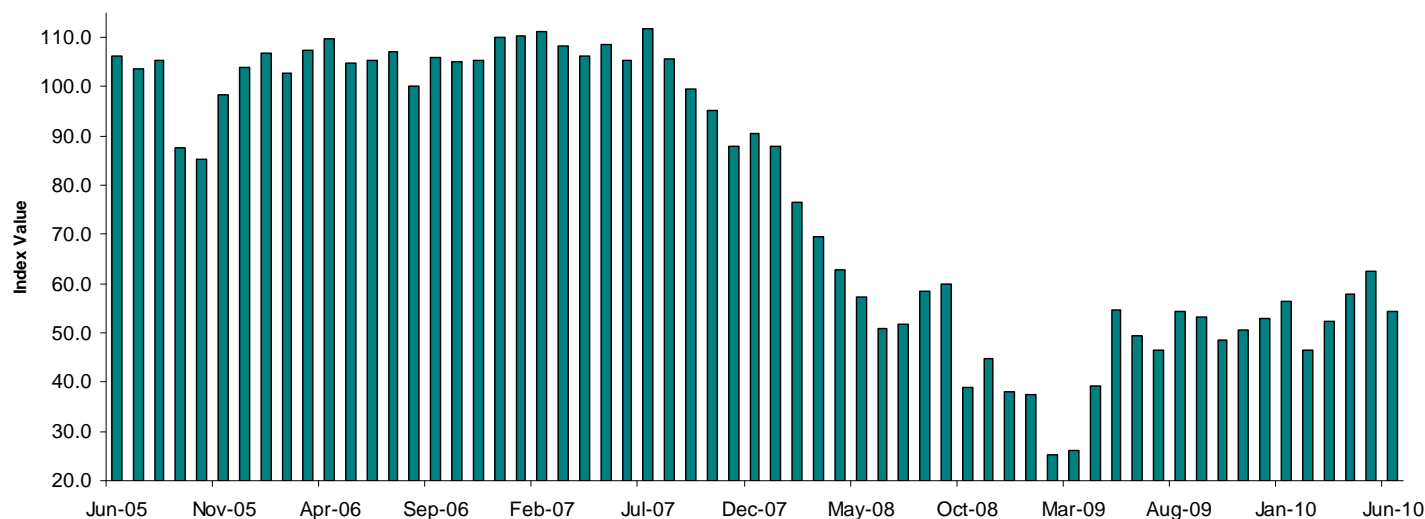
Harvest Manor Farms is a leading provider of snack foods in the U.S. market. The Company is headquartered in Cedar Rapids, IA, with major operations located in El Paso, TX. Harvest Manor's principal products consist of peanuts, in-shell peanuts, cashews, almonds, in-shell almonds, mixed nuts, snack mix, sunflower seeds and glazed or coated confectionery nut products. Harvest Manor products are sold under several brand names in the snack food industry, including Hoody's™, The Original Nut House™, House of Almonds™, All

American™, Treat Time™ and Manor Creek Naturals™. The Company is also a major provider of products in the fast growing private label market, serving some of the nation's top retailers. For more information on the company, visit Harvest Manor Farms' website at [www.hoodynuts.com](http://www.hoodynuts.com).

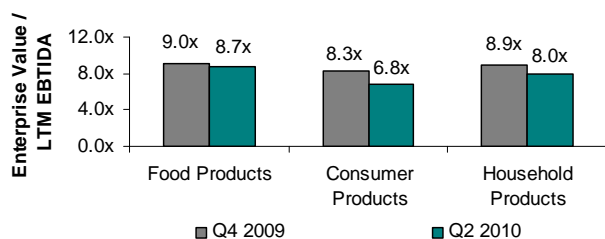


## Q2 Key Statistics — Consumer Products

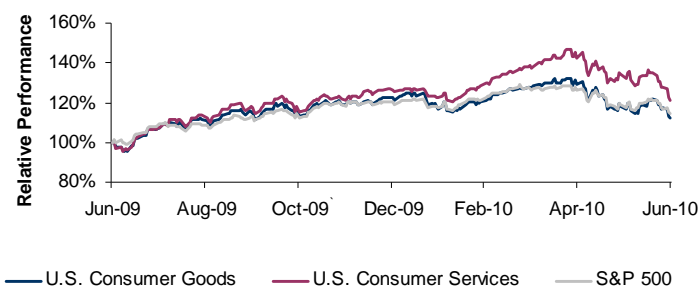
### United States Consumer Confidence Levels<sup>1</sup>



### Valuations of Consumer Product Companies<sup>2</sup>



### Consumer Industry Stock Performance<sup>3</sup>



1. Source: The Conference Board

2. Source: Capital IQ, 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)<sup>4</sup>

	Year-Over-Year Same Store Sales Growth												
	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Club Stores	(6.8%)	(8.1%)	(4.0%)	0.3%	2.0%	3.5%	6.9%	8.2%	8.3%	8.7%	7.8%	6.3%	3.6%
Department Stores	(11.7%)	(16.8%)	(14.6%)	(10.3%)	0.4%	(11.2%)	7.3%	9.3%	6.2%	13.0%	7.2%	5.8%	6.2%
Drug Stores	(0.8%)	(1.0%)	(1.6%)	2.5%	2.1%	1.6%	(1.1%)	(1.6%)	(1.4%)	1.1%	(0.6%)	(1.0%)	(0.3%)
Mass Merchants	(2.6%)	(3.2%)	0.1%	(1.7%)	(0.1%)	(1.5%)	1.8%	0.5%	2.4%	10.3%	(5.9%)	1.3%	1.7%
Specialty Apparel	(18.0%)	(15.0%)	(12.0%)	(6.0%)	(5.0%)	(4.7%)	(6.3%)	6.3%	6.0%	10.3%	(2.0%)	1.0%	5.0%
<b>Average</b>	<b>(8.0%)</b>	<b>(8.8%)</b>	<b>(6.4%)</b>	<b>(3.1%)</b>	<b>(0.1%)</b>	<b>(2.5%)</b>	<b>1.7%</b>	<b>4.5%</b>	<b>4.3%</b>	<b>8.7%</b>	<b>1.3%</b>	<b>2.7%</b>	<b>3.2%</b>

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<sup>1</sup>

(\$ in billions, except for share data)

Selected Companies	Last Price	52 Week		Market Cap	P/E Multiples			Enterprise Value	EV/LTM		
		High	Low		LTM	2009	2010P		Revenue	EBIT	EBITDA
Nestlé S.A.	\$ 49.87	\$ 50.73	\$ 40.72	\$ 159.3	22.9x	10.4x	NM	\$ 180.1	1.9x	14.1x	11.6x
Pepsico, Inc.	60.95	67.61	54.30	98.3	15.5x	18.9x	16.4x	116.2	2.4x	13.8x	11.4x
Unilever NV	29.84	29.34	16.95	78.3	18.1x	13.2x	17.6x	87.7	1.7x	13.5x	11.5x
Kraft Foods Inc.	28.00	31.09	25.41	48.8	16.0x	22.2x	13.9x	76.1	1.7x	12.0x	10.1x
Danone	58.52	57.57	34.53	33.4	17.8x	19.6x	NM	41.5	2.1x	14.0x	11.3x
General Mills Inc.	35.52	38.98	28.54	23.6	15.9x	18.6x	0.0x	29.6	2.0x	11.2x	9.6x
Kellogg Company	50.30	56.00	45.58	19.1	14.8x	17.8x	15.7x	23.7	1.9x	10.5x	9.0x
HJ Heinz Co.	43.22	47.84	35.38	13.7	15.1x	14.7x	15.1x	18.0	1.7x	11.4x	9.6x
Campbell Soup Co.	35.83	37.50	28.57	12.2	15.6x	16.5x	16.5x	14.6	1.9x	10.6x	8.9x
George Weston Limited	70.92	71.54	52.75	8.9	62.7x	14.4x	21.9x	13.5	0.4x	10.8x	7.0x
ConAgra Foods, Inc.	23.32	26.32	18.51	10.4	14.0x	16.2x	13.4x	12.9	1.1x	9.8x	7.8x
Sara Lee Corp.	14.10	15.08	9.17	9.3	16.5x	23.5x	17.4x	11.2	0.9x	8.6x	6.3x
Grupo Bimbo, S.A.B. de C.V.	7.27	8.63	63.58	8.4	17.5x	23.8x	16.8x	10.8	1.2x	11.2x	8.5x
Hershey Co.	47.93	52.10	35.05	8.0	21.7x	26.3x	22.4x	9.3	1.7x	9.8x	8.3x
Median					16.2x	18.2x	16.5x		1.7x	11.2x	9.3x
Mean					20.3x	18.3x	15.6x		1.6x	11.5x	9.3x

(\$ 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
Nestlé S.A.	\$ 97.2	\$ 12.8	\$ 15.5	\$ 10.1	16.0%	16.0%	13.1%	13.3%	10.4%	12.6%
Pepsico, Inc.	48.5	8.4	10.2	6.2	21.0%	21.6%	17.3%	18.2%	12.7%	13.3%
Unilever NV	51.3	6.5	7.6	4.8	14.9%	14.8%	12.7%	12.6%	9.4%	10.2%
Kraft Foods Inc.	45.2	6.3	7.5	4.4	16.6%	15.4%	14.0%	13.1%	9.6%	7.3%
Danone	19.4	3.0	3.7	1.6	18.8%	17.4%	15.2%	13.9%	8.0%	15.9%
General Mills Inc.	14.8	2.6	3.1	1.5	20.9%	19.7%	17.8%	16.6%	10.3%	9.6%
Kellogg Company	12.7	2.3	2.7	1.3	20.8%	19.6%	17.8%	16.6%	10.3%	9.3%
HJ Heinz Co.	10.5	1.6	1.9	0.9	18.0%	18.2%	15.1%	15.3%	8.2%	8.7%
Campbell Soup Co.	7.7	1.4	1.6	0.8	21.3%	19.8%	18.0%	16.3%	10.4%	12.0%
George Weston Limited	31.2	1.3	1.9	0.3	6.1%	5.6%	4.0%	3.6%	1.0%	2.6%
ConAgra Foods, Inc.	12.1	1.3	1.6	0.7	13.6%	12.0%	10.9%	9.5%	6.0%	7.4%
Sara Lee Corp.	12.7	1.3	1.8	0.3	13.9%	11.8%	10.2%	7.8%	2.4%	2.1%
Grupo Bimbo, S.A.B. de C.V.	9.1	1.0	1.3	0.5	14.1%	12.7%	10.7%	9.5%	5.2%	5.2%
Hershey Co.	5.5	0.9	1.1	0.5	20.5%	20.0%	17.2%	16.3%	9.3%	6.3%
Median					17.3%	16.7%	14.6%	13.6%	9.3%	9.0%
Mean					16.9%	16.0%	13.9%	13.0%	8.1%	8.7%

### Mid Capitalization Food Company Profitability Metrics<sup>1</sup>

(\$ in billions, except for share data)

Selected Companies	Last Price	52 Week		Market Cap	P/E Multiples			Enterprise Value	EV/LTM		
		High	Low		LTM	2009	2010P		Revenue	EBIT	EBITDA
The J. M. Smucker Company	\$ 60.22	\$ 63.5	\$ 47.6	\$ 7.2	14.5x	19.8x	14.6x	\$ 7.8	1.7x	9.3x	6.6x
Saputo, Inc.	29.61	29.3	22.6	5.9	16.6x	23.0x	16.7x	6.3	1.2x	10.7x	9.1x
Dean Foods Co.	10.07	22.1	9.4	1.8	8.8x	15.0x	6.1x	6.1	0.5x	10.8x	7.3x
McCormick & Co. Inc.	37.96	40.8	31.3	5.0	15.6x	18.6x	16.2x	6.0	1.8x	12.0x	10.1x
Hormel Foods Corp.	40.48	42.8	33.7	5.4	14.8x	15.2x	16.6x	5.3	0.8x	9.0x	7.4x
Ralcorp Holdings Inc.	54.80	69.9	52.7	3.0	11.5x	11.7x	12.1x	4.3	1.1x	9.1x	6.9x
Flowers Foods, Inc.	24.43	27.6	21.4	2.2	16.9x	18.5x	17.5x	2.4	0.9x	11.8x	8.5x
Fresh Del Monte Produce Inc.	20.24	24.8	15.1	1.3	8.9x	8.9x	7.9x	1.6	0.4x	9.2x	6.2x
Median					14.7x	16.9x	15.4x		1.0x	10.0x	7.4x
Mean					13.5x	16.3x	13.5x		1.1x	10.2x	7.8x

(\$ in billions, except for share data)

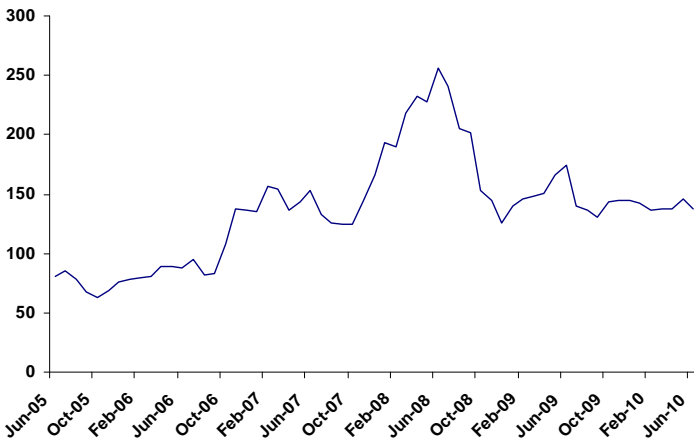
Selected Companies	LTM				EBITDA/Rev		EBIT/Rev		NI/Rev	
	Revenue	EBIT	EBITDA	NI	LTM	Avg	LTM	Avg	LTM	Avg
The J. M. Smucker Company	\$ 4.6	\$ 0.8	\$ 1.2	\$ 0.5	25.7%	18.7%	18.2%	15.3%	10.7%	8.5%
Saputo, Inc.	5.5	0.6	0.7	0.4	12.6%	10.7%	10.8%	9.0%	7.1%	5.7%
Dean Foods Co.	11.7	0.6	0.8	0.2	7.1%	7.4%	4.8%	5.4%	1.6%	1.6%
McCormick & Co. Inc.	3.3	0.5	0.6	0.3	18.1%	16.8%	15.3%	13.9%	9.9%	8.5%
Hormel Foods Corp.	6.7	0.6	0.7	0.4	10.8%	9.8%	8.9%	7.8%	5.5%	4.8%
Ralcorp Holdings Inc.	3.9	0.5	0.6	0.2	15.9%	12.5%	12.0%	8.8%	6.3%	5.5%
Flowers Foods, Inc.	2.6	0.2	0.3	0.1	11.1%	10.5%	8.0%	7.5%	5.2%	4.9%
Fresh Del Monte Produce Inc.	3.6	0.2	0.3	0.1	7.1%	7.4%	4.7%	5.1%	4.1%	4.6%
Median					11.9%	10.6%	9.8%	8.3%	5.9%	5.2%
Mean					13.6%	11.7%	10.3%	9.1%	6.3%	5.5%

1) Source: Capital IQ, Company filings

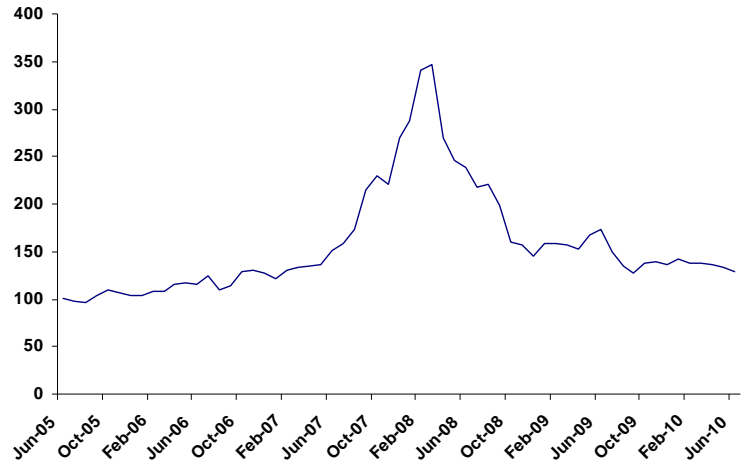
Note: All stock prices and LTM calculations are as of June 30, 2010; NM = Not Meaningful

# Commodity Report

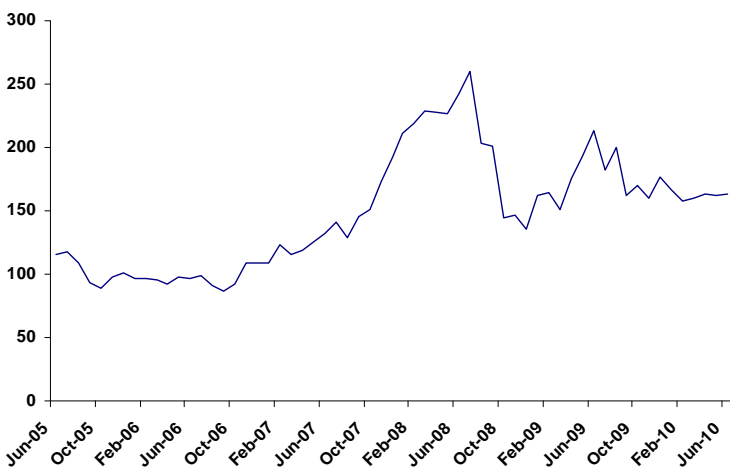
Corn



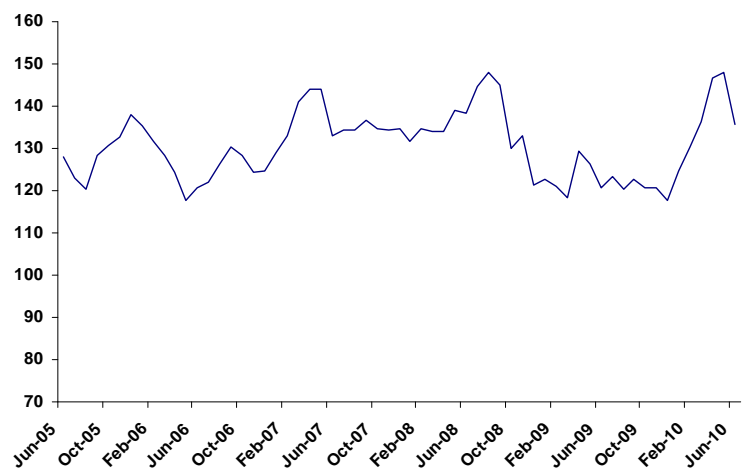
Wheat



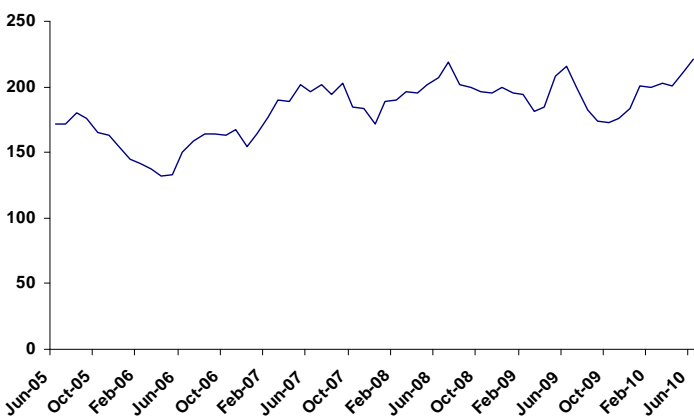
Soybeans



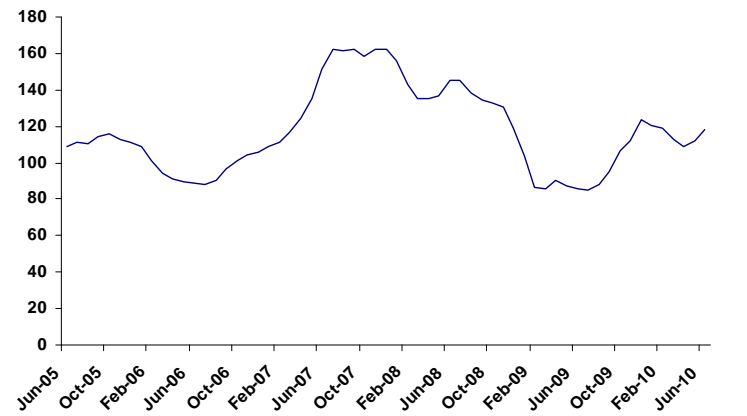
Cattle



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, 2010

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## Lincoln International's Food and Consumer Group: "Rising" Expectations for Bakery Deals

Lincoln International's Food and Beverage Group has recently completed three transactions in the bakery industry: Sterling Foods, Ecce Panis and Flatout. Using our extensive knowledge of the bakery industry's value drivers, growth opportunities and challenges, as well as our deep industry relationships, we produce superior results and premium valuations for our clients. Whether you are seeking merger and acquisition advisory services or private capital raising, our Food and Beverage Group has the experience and capabilities you need to drive a successful transaction.

To learn more about Lincoln International's Food and Beverage Group, please visit [www.lincolninternational.com/foodandbeverage](http://www.lincolninternational.com/foodandbeverage).

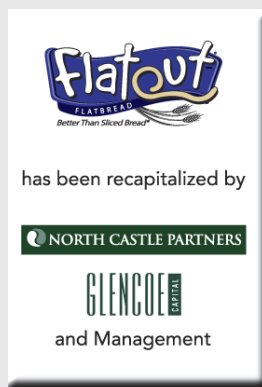
### Baked goods are our specialty



*Customized Baked Goods*



*Premium Artisan Bread*



*Healthy Flatbread*

- **Significant experience** with customized baked goods, premium artisan bread and healthy flatbread
- **Strong understanding** of various distribution models, from retail in-store bakeries and traditional grocery aisles to foodservice and commercial customers
- **Established relationships** with global potential strategic and financial acquirers
- **Tailored marketing processes** to maximize outcomes for our clients

### About Lincoln International

Lincoln International specializes in merger and acquisition advisory 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 Amsterdam, Chicago, Frankfurt, London, Los Angeles, Madrid, New York, Paris, Tokyo and Vienna, and strategic partnerships with China Everbright in China 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](http://www.lincolninternational.com)

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