

Natural Products Expo West: Fueling M&A Optimism in 2024

The Hexagon Capital Alliance team is still buzzing from an action-packed week at the Natural Products Expo West 2024 trade show. In addition to showcasing innovative and trending products, Expo West acts as a vibrant meeting ground where established players, emerging brands, investors and service providers converge to discuss and shape the future of the natural and organic food and beverage (“F&B”) industry.

Beyond the high-traffic, high-energy trade show floor, the off-site networking scene was equally lively, with many companies hosting well-attended networking and post-show events. This bustling environment fostered strong connections which will undoubtedly fuel future collaborations.

Excitement Abounds in the Food & Beverage Ecosystem

Conversations with relevant industry players confirmed our own projection for a more robust M&A and capital raising environment in 2024 and beyond.

- **Increasing Transaction Activity:** We connected with many of our strategic acquirer and private equity investor relationships at the show, all of which anticipate transaction activity to ramp up during the second half of 2024. Our conversations with M&A lawyers, accountants and other service providers yielded a similar sentiment. Finally, business owners that held off going to market last year are beginning to ask, “Is now the right time?” This sentiment is partially fueled by an expectation that the Federal Reserve will begin cutting interest rates later in the year.
- **The Outsourcing Boom:** The growing trend toward outsourced manufacturing, which allows emerging brands to remain asset-light and focus on sales and marketing, has led to strong interest in F&B contract manufacturing and packaging companies. Those with technologically advanced capabilities and formulation know-how have become prime acquisition targets.
- **Packaging is a Leading Indicator:** Suppliers of packaging materials were encouraged by the volume of inquiries at the booths, and optimistic about requests for new artwork and designs leading up to the trade show. Contract manufacturers of F&B products continue to strengthen their positions in the supply chain, often recommending preferred packaging suppliers whose materials run best on their equipment.



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A Taste of Tomorrow: Top Trends from Expo West 2024

Expo West remains the top destination for those eager to discover the future of consumer products. Whether it was observing the introduction of new, novel ingredients or meeting brands that cater to hyper-specific consumer needs, we saw (and ate!) it all. Below are a few prevalent trends that piqued our interest:

- **The Rise of Gut-Friendly Products**: Gut health continues to be a top priority for consumers, and Expo West showcased a smorgasbord of gut-friendly options. Probiotic sodas, kombucha on tap, and fermented food offerings were everywhere. This focus on digestive health highlights the industry's commitment to providing functional solutions that go beyond basic nutrition.
- **Mushroom Mania**: Mushrooms emerged as a superstar ingredient, gracing everything from savory meat alternatives to adaptogenic coffee blends. Whether enjoyed as a standalone supplement or creatively incorporated into foods and beverages, their versatility and potential health benefits are undeniable.
- **Protein Powerhouse**: Protein-packed products were a dominant force at the show. From convenient ready-to-drink beverages to grab-and-go meat sticks and protein-rich snacks, manufacturers are catering to the ever-growing demand for convenient, high-protein options that fuel busy lifestyles.
- **Snack Attack**: Expo West reaffirmed the snacking phenomenon, with a global twist. Manufacturers are incorporating exciting global flavors and functional ingredients into their snacks, appealing to adventurous palates. Additionally, nostalgic favorites are getting a healthy makeover, offering a delightful blend of comfort and innovation.
- **Packaging Prowess**: A tale as old as time, consumers consistently demonstrate a propensity to purchase when the product packaging elicits a visual and emotional connection. Expect all major substrates of packaging materials (paper, plastic, glass, metal, green/sustainable) to continue innovating alongside every branded and private label product category.

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SELECT TRANSACTIONS



“ We were impressed with the Hexagon team's strategic advice and skills in negotiating and managing the diligence process. With their guidance, we were able to achieve a strong valuation and successful outcome for our team and shareholders. ”

Bart DeClark

President

Flavor Infusion International, S.A.



has been acquired by



Flavor & Specialty Ingredients



have been acquired by

DUNES POINT CAPITAL

“ It was a pleasure working with the Hexagon Capital Alliance team on this transaction. HCA's knowledge and industry expertise were critical in identifying, negotiating, and managing a transaction process that resulted in achieving the optimal outcome for shareholders. ”

Mike Tsai

President

K-1 Packaging

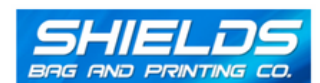
Folding Cartons & Labels

“ The HCA Team led a robust process for our shareholders, providing second-to-none industry knowledge coupled with an experienced team that worked together seamlessly. I'm pleased with the outcome that materialized from the competitive process that HCA conducted for the company. ”

Lisa Shields

CEO

Shields Bag and Printing



has been acquired by



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