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# Flavors & Fragrances Market Monitor

*Spring 2024*

# Flavors & Fragrances Market Trends

## Commentary

Formulators and manufacturers of Flavors & Fragrances continue to receive strong interest from both strategic acquirers and private equity investors due to their sticky customer bases, attractive gross margins and immense growth opportunities.

Despite representing a small fraction of the overall cost of a finished product, Flavors & Fragrances often drive consumer purchasing decisions, resulting in high switching costs and creating high barriers to entry.

In Hexagon Capital Alliance's experience representing sellers of Flavors & Fragrances companies, as well as our ongoing conversations with the serial acquirers and investors in the space, the following characteristics and attributes attract interest and drive premium valuations:

- **Robust R&D Function** – Technical expertise to develop innovative, differentiated products; strong R&D team comprising certified flavorists
- **High-Growth End-Markets and Finished Formats** – Customer base in high-growth end-markets (e.g. sports nutrition, better-for-you snacks) and expertise in popular finished formats (e.g. functional gummies, RTD beverages)
- **Attractive Gross Margins** – High-quality, customized flavors command strong gross margins due to high switching costs
- **Emerging Brands Experience** – Nimble and flexible to effectively respond to specific requirements and accelerated time-to-market of emerging brands
- **Natural & Organic** – Predominant natural and/or organic flavor portfolio to support growing clean label trends
- **Strong Backlog** – Actionable sales pipeline combined with increasing number of inbound sample requests and high track record of conversion
- **Manufacturing Capabilities and Capacity** – Both liquid and powder (including spray drying) manufacturing capabilities with plentiful capacity to support growth

## Notable Recent Transactions



*has been  
acquired by*



On April 15, 2024, Glanbia plc announced the acquisition of Flavor Producers LLC for an initial consideration of \$300 million plus deferred consideration of up to \$55 million.

Founded in 1981 in Valencia, California, Flavor Producers pioneered the development of natural and organic flavors by sourcing raw materials from nature. Today, the company has manufacturing and R&D facilities in California, Ohio, and New Jersey and generates annual revenue of approximately \$86 million.

Hugh McGuire, CEO of Glanbia, stated, "his acquisition builds on our existing flavors capability and positions us well to capture long term growth opportunities in the organic and natural flavors segments."



*has been  
acquired by*
















On December 18, 2023, ADM announced the acquisition of Revela Foods, a Wisconsin-based developer and manufacturer of innovative dairy flavor ingredients and solutions.

Revela, a portfolio company of New Heritage Capital since 2019, offers a broad range of clean-label dairy flavor formulations for multiple applications, from snacks and frozen meals to sauces, dressings, soups, seasonings, and desserts. With projected sales of almost \$240 million in 2023, Revela adds new capabilities to ADM's global flavors portfolio in the \$1.8 billion global dairy flavors segment, as well as the \$3.2 billion savory flavors segment.

Calvin McEvoy, ADM's president of global flavors, says, "ADM has a strong presence in the North America savory flavors segment, and we're excited to work with the impressive Revela team to expand our opportunities there, bringing their technology and innovation together with our global capabilities to power our unparalleled range of ingredients and complete solutions for customers who are looking for great flavors and clean labels."

## TRANSACTION ACTIVITY












# Select Recent Flavors & Fragrances M&A Transactions

Date	Target	Acquiror	Enterprise Value (\$M)	EV / Rev	EV / EBITDA	Acquiror Comments
Apr-24	 FLAVOR PRODUCERS	 glanbia	\$355	3.48x	15.2x	"Expands Glanbia's offerings by deepening its capability in the beverage and food categories with an extensive library of plant-based natural flavors, organic flavors, extracts and essences."
Mar-24	 California Custom Fruits & Flavors	 PEAK ROCK CAPITAL	N/A	N/A	N/A	"CCFF represents a compelling opportunity to invest in a leading innovation partner with relationships across blue-chip and high-growth brands, retailers, and co-manufacturers."
Jan-24	Assets of Sterling Food Flavorings, LLC	 brookside FLAVORS & INGREDIENTS	N/A	N/A	N/A	"Sterling enables us to expand our product portfolio and broaden our offerings to our existing customer base. We will also be able to offer a broader range of products and services to the current Sterling customers."
Dec-23	 Revela FOODS	 ADM	\$650	2.7x	N/A	"Adds new capabilities to ADM's global flavors portfolio in the \$1.8 billion global dairy flavors segment, as well as the \$3.2 billion savory flavors segment."
May-23	 NovaTaste (IFF Savory Solutions)	 PAI PARTNERS	\$900	1.89x	14.1x	"Accelerate the business further through international expansion in Europe and North America, both organically and through acquisitions, notably in the attractive plant-based and clean labels segments."
May-23	 Firmenich	 DSM	\$19,858	4.12x	23.4x	"DSM-Firmenich will benefit from complementary capabilities across fragrance, taste, texture and nutrition, fueled by world-class science."
Feb-23	 NovoTaste	 OC Flavors	N/A	N/A	N/A	"This acquisition also adds a state-of-the-art customer-facing facility with a test kitchen and sensory lab, providing our combined base of blue-chip customer partners with even more resources to create great-tasting products."















## TRANSACTION ACTIVITY

# Select Recent Flavors & Fragrances M&A Transactions (cont.)

Date	Target	Acquiror	Enterprise Value (\$M)	EV / Rev	EV / EBITDA	Acquiror Comments
Aug-22	 MERIDIAN		N/A	N/A	N/A	"The acquisition is an add-on to Riverside's FlavorSum platform, which helps growing food and beverage companies go to market quickly and cost-effectively with innovative solutions for delivering great-tasting products that inspire loyalty among consumers."
May-22			N/A	N/A	N/A	"Shore has been studying the flavors industry for several years, and we are confident we have found the perfect entrepreneurs and team to partner with at OC Flavors."
Dec-21	 FISA <small>FLAVOR INFUSION INTERNATIONAL S.A.</small>		HEXAGON CAPITAL ALLIANCE PROPRIETARY INFORMATION			"Add global capabilities to expand the range of products, services and solutions we can offer to existing and new customers in growing segments across Latin America and the Caribbean."
Nov-21		 FFP <small>BECAUSE REAL WORKS®</small>	N/A	N/A	N/A	"Combining FFP's tea, botanical, coffee, and vegetable extract capabilities with Comax's portfolio of clean label flavors will provide customers with a "one stop shop" for clean label formulation and product needs."
Nov-21			\$560	N/A	N/A	"Natural flavors and colors are a large market with a high-quality revenue model, which we believe has the potential for long-term structural growth."
Oct-21	 FFP <small>BECAUSE REAL WORKS®</small>		\$1,000	N/A	N/A	"By combining Ardian's global reach and sector experience with MidOcean's deep knowledge of the space and proven ability to implement transformative strategies, Florida Food Products will accelerate its long-term strategic plan while offering its customers and consumers best-in-class products."

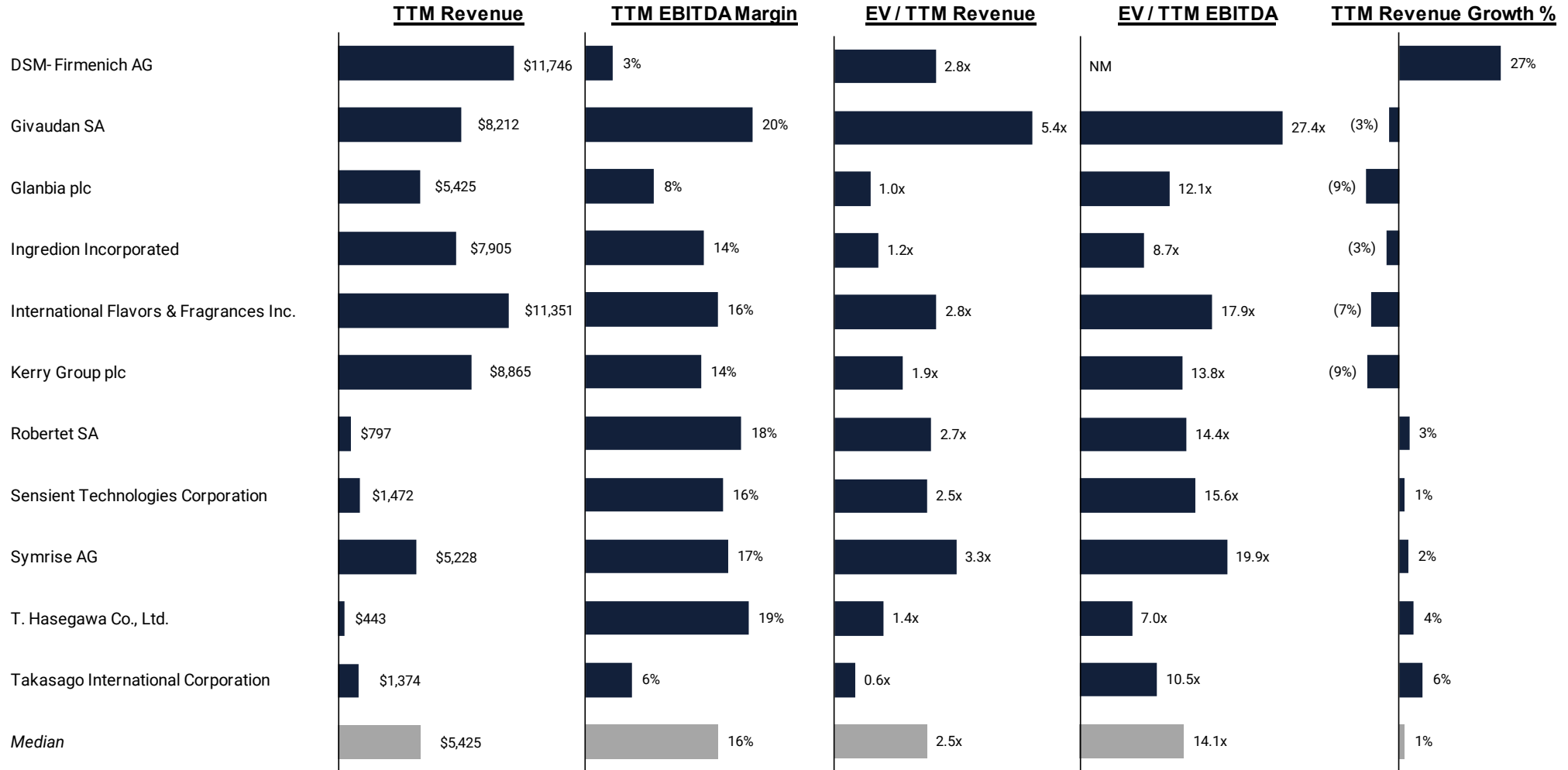
# Select Recent Flavors & Fragrances M&A Transactions

<u>Date</u>	<u>Target</u>	<u>Acquiror</u>	<u>Enterprise Value (\$M)</u>	<u>EV / Rev</u>	<u>EV / EBITDA</u>	<u>Acquiror Comments</u>
Sep-21			\$1,015	4.61x	15.4x	"Kerry's food protection portfolio, resources and global scale combined with Niacet's capabilities, expertise and knowledge strengthens the company's global food protection and preservation platform."
Dec-20			\$710	6.23x	23.5x	"The acquisition of FONA reinforces McCormick's global growth strategy as FONA expands the breadth of our flavor solutions segment into attractive categories, as well as extends our technology platform and strengthens our capabilities."
Dec-20			\$127	5.53x	N/A	"The purchase fits into T. Hasegawa USA, Inc.'s strategy to broaden its flavor portfolio within dairy, bakery, plant-based alternatives, fruit-filling and confectionary categories."
Nov-20			\$973	4.34x	20.5x	"Iberchem stands out from its peers with its strong exposure to emerging markets, extensive portfolio of F&F products well placed to adapt to sustainability trends, strong R&D capability and its consistent track record of year-on-year growth over the last decade."
Aug-20			\$45	N/A	N/A	"Foodarom is highly complementary to Glanbia Nutritionals' solutions-based customer approach and focus areas, strengthening Glanbia's capability in the area of flavors and nutritional solutions."
Jul-20			\$317	2.56x	N/A	"PureCircle is a widely recognized innovator with a proven track record for producing great-tasting, plant-based stevia. Ingredient's successful and global go-to-market model combined with our formulation expertise will be highly complementary with PureCircle's capabilities."

# Flavors & Fragrances Public Company Valuations

Company Name	4/30/24	Market Cap	Enterprise Value	TTM Data					TTM Growth	EV Multiple	
	Share Price			Sales	Gross Profit	Gross Margin	EBITDA	EBITDA Margin	Sales	TTM Sales	TTM EBITDA
DSM- Firmenich AG	\$113.02	\$29,983	\$32,584	\$11,746	\$2,886	24.6%	\$389	3.3%	26.7%	2.77x	NM
Givaudan SA	\$4,304.52	\$39,719	\$44,412	\$8,212	\$3,380	41.2%	\$1,620	19.7%	(2.8%)	5.41x	27.4x
Glanbia plc	\$19.08	\$4,978	\$5,325	\$5,425	\$1,124	20.7%	\$442	8.1%	(8.7%)	0.98x	12.1x
Ingredion Incorporated	\$114.59	\$7,518	\$9,567	\$7,905	\$1,679	21.2%	\$1,104	14.0%	(3.5%)	1.21x	8.7x
International Flavors & Fragrances Inc.	\$84.65	\$21,613	\$31,764	\$11,351	\$3,741	33.0%	\$1,775	15.6%	(7.3%)	2.80x	17.9x
Kerry Group plc	\$86.40	\$14,989	\$16,706	\$8,865	\$4,085	46.1%	\$1,210	13.7%	(8.6%)	1.88x	13.8x
Robertet SA	\$943.11	\$1,952	\$2,117	\$797	\$433	54.3%	\$147	18.4%	2.6%	2.66x	14.4x
Sensient Technologies Corporation	\$73.22	\$3,100	\$3,738	\$1,472	\$462	31.4%	\$239	16.2%	1.5%	2.54x	15.6x
Symrise AG	\$107.68	\$15,050	\$17,425	\$5,228	\$1,871	35.8%	\$877	16.8%	2.4%	3.33x	19.9x
T. Hasegawa Co., Ltd.	\$19.59	\$806	\$600	\$443	\$179	40.4%	\$85	19.2%	3.9%	1.35x	7.0x
Takasago International Corporation	\$22.29	\$434	\$795	\$1,374	\$393	28.6%	\$76	5.5%	6.3%	0.58x	10.5x
	Median	\$7,518	\$9,567	\$5,425	\$1,679	33.0%	\$442	15.6%	1.5%	2.54x	14.1x
	Average	\$12,740	\$15,003	\$5,711	\$1,839	34.3%	\$724	13.7%	1.1%	2.32x	14.7x

# Flavors & Fragrances Public Company Key Metrics (Median)



EXPERIENCE

# Transaction Announcement



acquired by



Archer-Daniels-Midland Company (“ADM”), a global leader in nutrition and agricultural origination and processing, has acquired 100% of the equity of Flavor Infusion International, S.A. (“FISA”), a full-range provider of flavor and specialty ingredient solutions for customers across Latin America and the Caribbean. With the acquisition, ADM adds an experienced and successful team of 60 colleagues who serve a growing list of food and beverage customers across the region with a wide range of flavor ingredients and solutions from two state-of-the-art manufacturing facilities in Panama and Colombia.

“I’m pleased to welcome the FISA team to ADM,” said Vince Macciocchi, President of ADM’s Nutrition business. “They’ve built a great business, and we’re planning a seamless transition as we add our global capabilities to expand the range of products, services and solutions we can offer to existing and new customers in growing segments across Latin America and the Caribbean. We look forward to working together with our new colleagues as we continue to build the world’s leading Nutrition company.”

“Having founded and owned numerous flavor operations for more than 50 years, I can confidently say that ADM is the ideal partner to carry on FISA’s legacy as a premier provider of flavor and specialty ingredient solutions to the beverage industry in Latin America and the Caribbean,” said Daniel DeClark, Chairman and CEO of FISA. “FISA’s customers, as well as its employees, will benefit from ADM’s global presence, significant R&D capabilities and robust sales and marketing resources. Strategically, this transaction is a perfect fit for both parties.”



“ 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



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