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EXCELLENCE ON A CONSISTENT BASIS

QUARTERLY UPDATE

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MERGERS & ACQUISITIONS

CAPITAL RAISING

STRATEGIC ADVISORY

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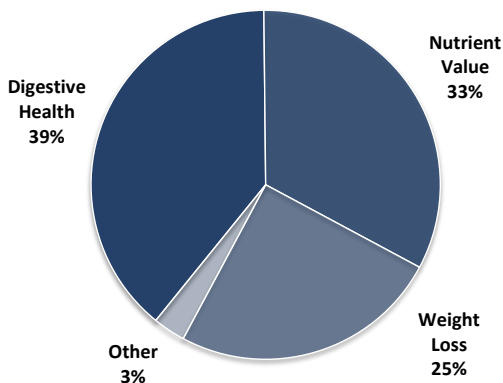
*THE NAME METRONOME IS SYMBOLIC OF THE IMPORTANCE OF TIMING AND OF ACHIEVING EXCELLENCE ON A CONSISTENT BASIS. FROM MARATHONERS TO SYMPHONY CONDUCTORS, A SEASONED PERFORMER'S RHYTHM, HARD WORK, DEDICATION AND EXPERIENCE DICTATE THE OUTCOME.*

### SPOTLIGHT: GLUTEN-FREE FOODS FAD OR LASTING MARKET CATEGORY?

The U.S. market for gluten-free foods and beverages, estimated to equal \$3.0B in 2011, expanded at a compound annual growth rate of approximately 30% over the 2006-2010 period. Moreover, annual gluten-free food sales are projected to increase almost 70% through 2015, representing \$2.0B of additional sales volume. M&A activity in this sector remains robust, as evidenced by Smart Balance's recent acquisition of Udi's Healthy Foods and Glutino in 2011 (see Acquirer Profile on pg. 2).

There are three primary reasons consumers adopt gluten-free diets. The principal determinate is digestive health, which applies to individuals who suffer from celiac disease or gluten sensitivity. In the United States, it is estimated that 3 million people have celiac disease, and only 5% of that population is properly diagnosed. Furthermore, approximately 6% of the U.S. population, or 20 million people, are gluten-sensitive. Second, gluten-free foods are believed

#### WHY CONSUMERS CHOOSE GLUTEN-FREE FOODS



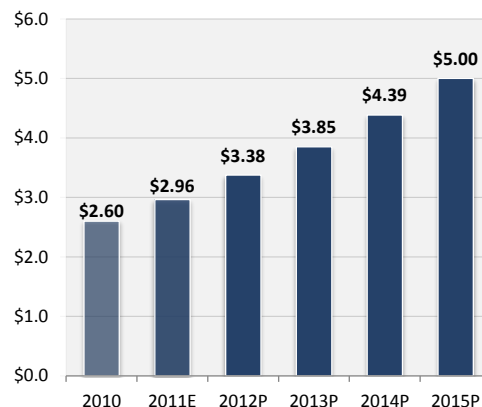
Source: The Hartman Group

to be wholesome (they often eliminate highly processed foods, artificial flavors, and unhealthy oils) and therefore appeal to health-conscious consumers. It's for this reason that gluten-free diets often appeal to individuals who are seeking to lose weight.

Gluten-free diets are typically devoid of high-calorie and high-carbohydrate entrees or snacks.

As awareness of celiac disease and gluten sensitivity continues to increase, several major restaurant chains have introduced gluten-free menus. Participating restaurants include Applebee's, California Pizza Kitchen, Chili's, Olive Garden, Outback Steakhouse, and P.F. Chang's, to name a few. Additionally, the world's largest food companies are rapidly embracing gluten-free products. General Mills developed and owns GlutenFreely.com, a community and e-commerce site offering over 500 gluten-free food products.

#### PROJECTED GLUTEN-FREE FOOD & BEVERAGE SALES (\$B)



Source: Packaged Facts

Looking to the future, vast growth opportunities await gluten-free food manufacturers. In this highly fragmented sector, global food processors aggressively compete to capture additional market share, and they are willing to pay aggressive multiples to do so.

*Please contact us if you would like to better understand how these trends will impact M&A activity. Dan Malina, a Metronome Senior Advisor, has over 25 years of deal experience, including 12 years at General Mills, where he headed both strategy and M&A.*

**M&A MARKET UPDATE: U.S. FOOD & BEVERAGE**

In the first half of 2012, the U.S. Food & Beverage M&A market experienced an increase in transaction volume, reaching 127 deals—a 9.5% increase over the first half of 2011. Financial buyers completed 13 investments in a wide variety of Food & Beverage sub-sectors including organic and natural, desserts and snacks, soups and sauces, and specialty beverages. Together with the increase in activity, aggregate transaction value in 1H 2012 increased \$4.4 billion to \$6.6 billion; however, much of this increase is related to Kellogg's \$2.7 billion acquisition of The Wimple Company, the Ohio-based manufacturer of snack products under the Pringles brand. Full-year 2012 U.S. Food & Beverage M&A transaction volume is expected to exceed 2011 levels despite ongoing economic and political/regulatory uncertainty.

**SELECT RECENT TRANSACTIONS**

Announced	Target	Acquirer	EV (\$mm)	EV/EBITDA
08/27/2012	Shearer's Foods	Wind Point Partners	-	-
08/21/2012	Back to Nature Foods Company	Brynwood Partners	-	-
08/10/2012	Kettle Creations	BEF Foods	\$50.0	-
07/30/2012	Unilever's Bertolli & P.F. Chang's Frozen	ConAgra Foods	\$267.0	-
06/28/2012	Purple Wine Company	Constellation Brands	\$160.0	-
06/08/2012	Kim & Scott's Gourmet Pretzels	J&J Snack Foods	\$8.0	-
06/04/2012	Artic Glacier	HIG Capital	\$434.5	-
05/31/2012	Lepage Bakeries	Flower Foods	\$320.0	-
05/31/2012	Udi's Healthy Foods	Smart Balance	\$125.0	-
05/23/2012	Petri Baking	Ralcorp	\$84.0	-
05/22/2012	Lactalis American Group	Parmalat SpA	\$904.0	10.8x
04/17/2012	New Carbon Company	PNC Riverarch Capital	-	-
04/16/2012	Marketfare Foods	Greencore Group	\$36.0	6.3x
03/20/2012	Naturally Fresh	Treehouse Foods	\$25.0	-
02/29/2012	FoodShouldTasteGood	Small Planet Foods	-	-

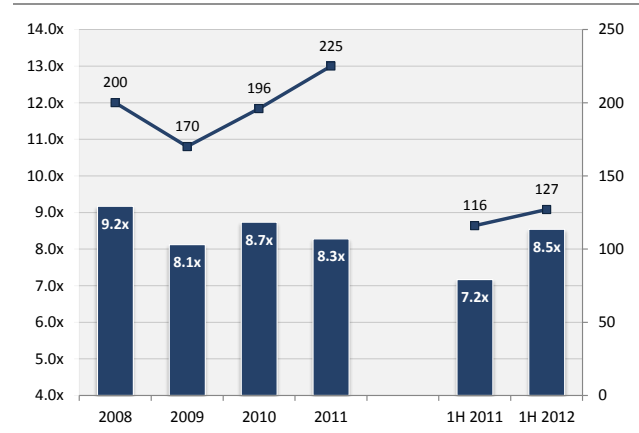
Source: Capital IQ

**ACQUIRER PROFILE: SMART BALANCE (NASDAQ: SMBL)**

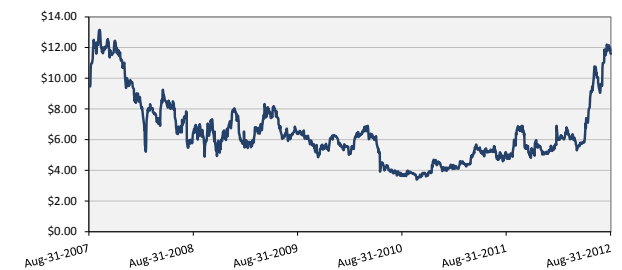
Smart Balance, Inc. ("SMBL" or the "Company") is a health and wellness innovation platform that manufactures functional, health-promoting foods. The Company's Smart Balance® product offerings includes buttery spreads, milks, popcorns, oils and cooking sprays, mayonnaise, peanut butters, and eggs.

In addition to the aforementioned Smart Balance® product portfolio, SMBL offers foods that target various consumer need states. The Company provides solution-driven products within heart health, gluten-free and plant-based diets, and weight management categories. In select products, the Company eliminates or reduces specific ingredients such as trans-fats, animal saturated fat, dairy, and gluten. Conversely, SMBL adds healthy ingredients to a variety of spreads, beverages, and snacks (e.g., omega-3 fatty acids, plant sterols, calcium, vitamin D, and flax oil).

In order to accelerate penetration into consumer need state product categories, SMBL is seeking to leverage its health and wellness platform by acquiring innovative food brands and science. The Company has proven this strategy with the acquisition of Glutino, as well as its recent purchase of Udi's Healthy Foods. Combined, these brands position SMBL as a market leader in the gluten-free sector. Glutino is a market leader in snacks and grocery, while Udi's serves the natural bread and baked-goods category. Furthermore, Udi's offers a variety of gluten-free frozen pizzas. The Company views the gluten-free and natural food product categories as long-term, high-growth sectors, and SMBL will continue to seek attractive investments in this space.

**MEDIAN EV/EBITDA AND TRANSACTION VOLUME—U.S. FOOD & BEV.**


Source: Capital IQ

**KEY STATISTICS AND SELECT ACQUISITION HISTORY—SMBL**
**5-year Share Pricing**

**Financial Statistics**

As of 06/30/2012		(\$mm)	
Total Revenue (LTM)	\$310.9	Total Revenue - 3-year CAGR	8.4%
EBITDA (LTM)	\$34.5	EBITDA - 3-year CAGR	36.2%
Cash & Equivalents	\$11.1	Market Cap (as of 8/31/2012)	\$686.1

**Select Acquisition History**

Date	Target	Description
Jul. 2012	Udi's Healthy Foods	Gluten-free foods
Aug. 2011	Glutino	Gluten-free foods
May 2007	GFA Brands	Heart-healthy food products

Source: Capital IQ

Metronome Partners, LLC is an independent, Chicago and Memphis based M&A advisory firm that specializes in managing, structuring, and negotiating transactions of varying sizes and complexities in a broad range of industries. With over 200 transactions completed by Metronome's principals, the firm guides its clients through critical, value-based corporate finance alternatives, including strategic sales, recapitalizations, divestitures, and debt and equity placements. The firm focuses on middle-market businesses nationwide, valued from \$30 million to over \$500 million.