



# MANUFACTURING & DISTRIBUTION M&A QUARTERLY SNAPSHOT

Q1 2024

# Manufacturing & Distribution

## M&A Quarterly Snapshot | Q1 2024

Helana Robbins Huddleston

Transaction activity in the Manufacturing and Distribution (M&D) industry was consistent with that of the larger capital markets in the first quarter of 2024. While fewer deals closed in Q1 2024 as compared to Q1 2023, the average deal size more than doubled. Capital invested in Q1 2024 was \$148.42 billion vs. \$121.67 billion in Q1 2023. Q1 2024 had a total of 851 deals close while Q1 2023 had 1,408 deals close, driving the average deal size up in Q1 2024 to \$174.41 million as compared to \$86.41 million in Q1 2023.

Some of the largest deals in the M&D sector this quarter included:

- Space & Mission Systems acquisition by BAE Systems for \$5.55 billion, enabling them to offer an increased range of spacecraft instruments, products, and technologies
- Allkem's \$3.8 billion acquisition of Livent, a lithium producer with a goal of meeting the increased demand via higher electric vehicle adoption
- MI Windows and Doors \$3.1 billion acquisition of PGT Innovations, the leading manufacturer of impact-resistant aluminum and vinyl-framed windows and doors
- Bristol-Myers Squibb \$13 billion debt deal to support the pharmaceuticals and biotechnology company's focus on immune-oncology drug development

49% of the deals that closed in the Manufacturing sector in Q1 were refinancing, 16% were acquisition debt financing, and 14% were equity investments. This is compared to Q1 2023 where we saw 43% were refinancing, 16% were acquisition debt financing, and 14% were equity investments. The top investors in the space included Broadview Group which closed four deals in the past six months, and Alumni Ventures, Arcline, Arlington Capital Partners, Clayton, Dubilier & Rice, Maranon Capital, Platinum Equity, Techstars, and Valesco Industries, all of which closed three deals in the past six months.

It is not surprising the deal market slowed down in Q1 as so many M&D businesses are working through large pools of inventory, high inflation and interest rates, and continued tightened labor markets. As many M&D businesses were able to normalize their operations and earnings in 2023 after a volatile few years, we expect to see more businesses coming to market in Q2 and Q3 2024 than the prior year, and a busier second half of the year for transactions in both minority investments and majority buy-outs. The Federal Reserve also announced in March to keep interest rates steady but with the expectation that multiple rate cuts are coming in 2024. If rates start falling as expected, that should also drive activity in the transaction market including continued debt refinancings that we already saw dominate in Q1.

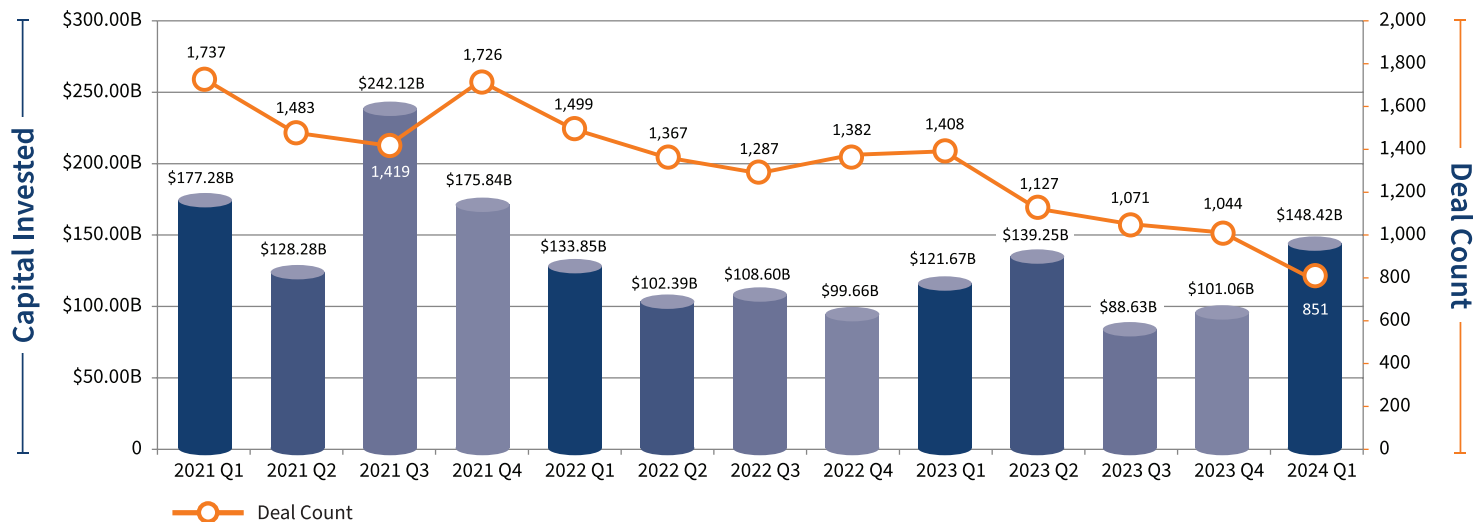




## Q1 2024: Trending numbers

All data gathered from PitchBook Data, Inc., as of April 2, 2024

### Capital invested by deal count: Three-year period



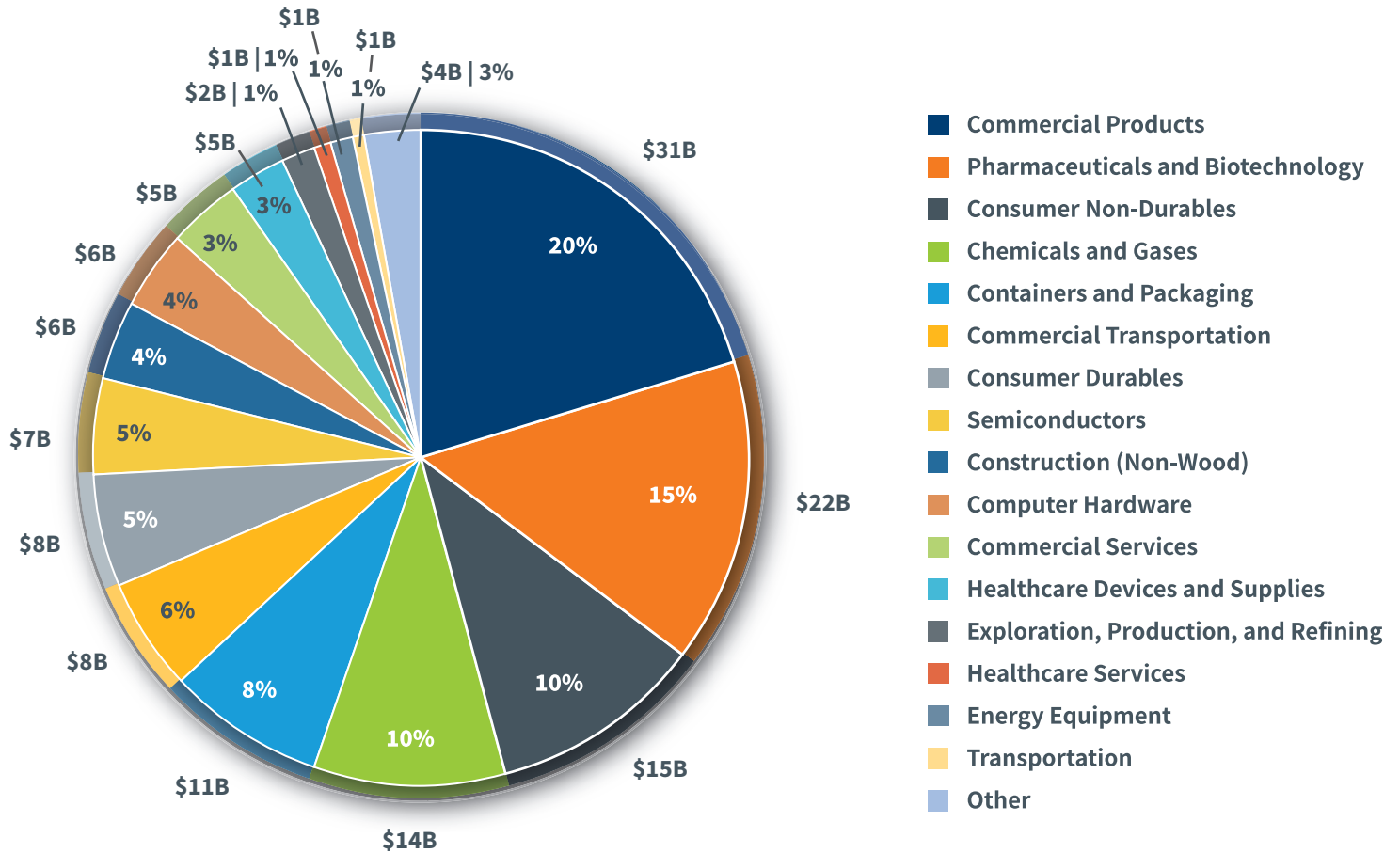
### Q1 2024: Top 10 manufacturing and distribution deals

Company	Deal Date	Deal Size (Millions)	Investor	Deal Type	Primary Industry Group
Bristol-Myers Squibb	14-Feb-2024	\$13,000		Debt - General	Pharmaceuticals and Biotechnology
Eli Lilly	07-Feb-2024	\$6,500		Debt Refinancing	Pharmaceuticals and Biotechnology
Space & Mission Systems	16-Feb-2024	\$5,550	BAE Systems	Merger/Acquisition	Commercial Products
Philip Morris International	09-Feb-2024	\$4,750		Debt Refinancing	Consumer Non-Durables
TransDigm Group	12-Feb-2024	\$4,500		Debt Refinancing	Commercial Transportation
Livent (Lithium Products)	04-Jan-2024	\$3,800	Allkem	Merger/Acquisition	Chemicals and Gases
Argos USA	12-Jan-2024	\$3,200	Summit Materials (Building Products)	Merger/Acquisition	Construction (Non-Wood)
PGT Innovations	18-Mar-2024	\$3,100	MI Windows and Doors	Buyout/LBO	Commercial Products
Texas Instruments	05-Feb-2024	\$3,000		Debt - General	Semiconductors
Novolex Holdings	25-Jan-2024	\$2,955		Debt Refinancing	Containers and Packaging





### Q1 2024: Capital invested by M&D subcategory



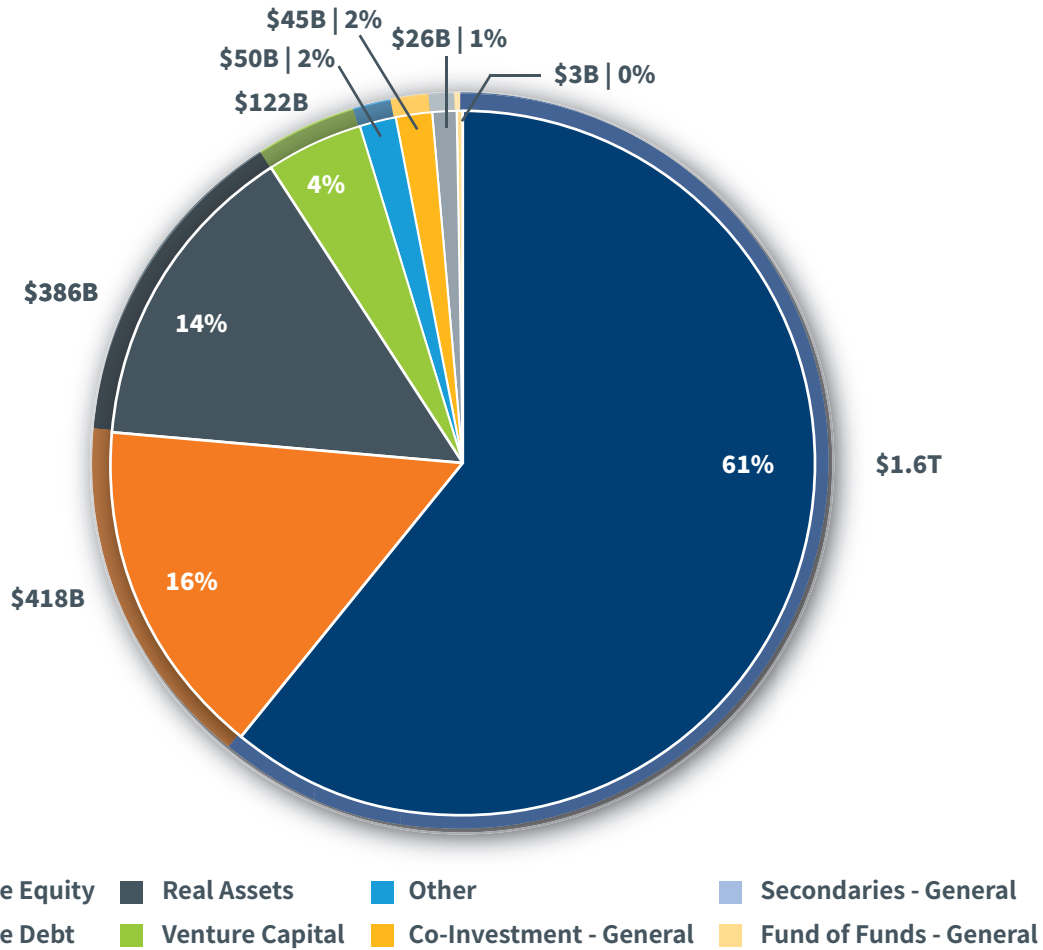
### Top investors in the space in Q1





### Q1 2024: Fundraising

As expected, less funds are being raised than in historical periods because limited partners want to see validation of their returns as well as receive monetary returns to then reinvest.

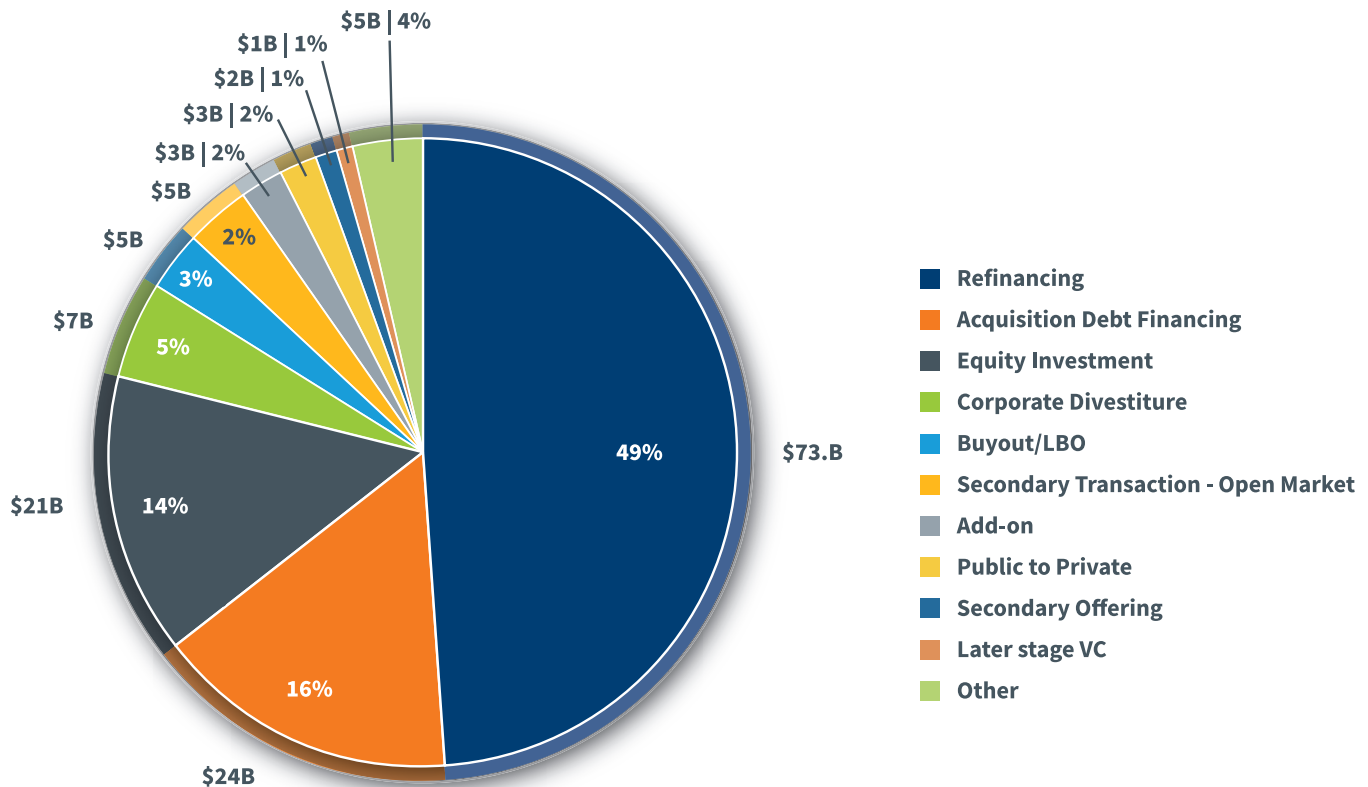




### Total fundraising: Three-year comparison

Total Capital Raised (Millions)			
Fund Category	2021	2022	2023
Private Equity	\$4,679,464	\$4,195,228	\$3,918,435
Private Debt	1,469,000	1,246,666	1,237,766
Real Assets	1,292,765	1,280,080	1,224,796
Venture Capital	975,985	939,302	754,722
Secondaries	256,379	306,811	249,643
Other	422,974	272,614	202,606
Co-investment	176,283	180,099	148,596
Fund of Funds	58,485	37,753	42,647
<b>TOTAL</b>	<b>\$9,331,334</b>	<b>\$8,458,550</b>	<b>\$7,779,210</b>

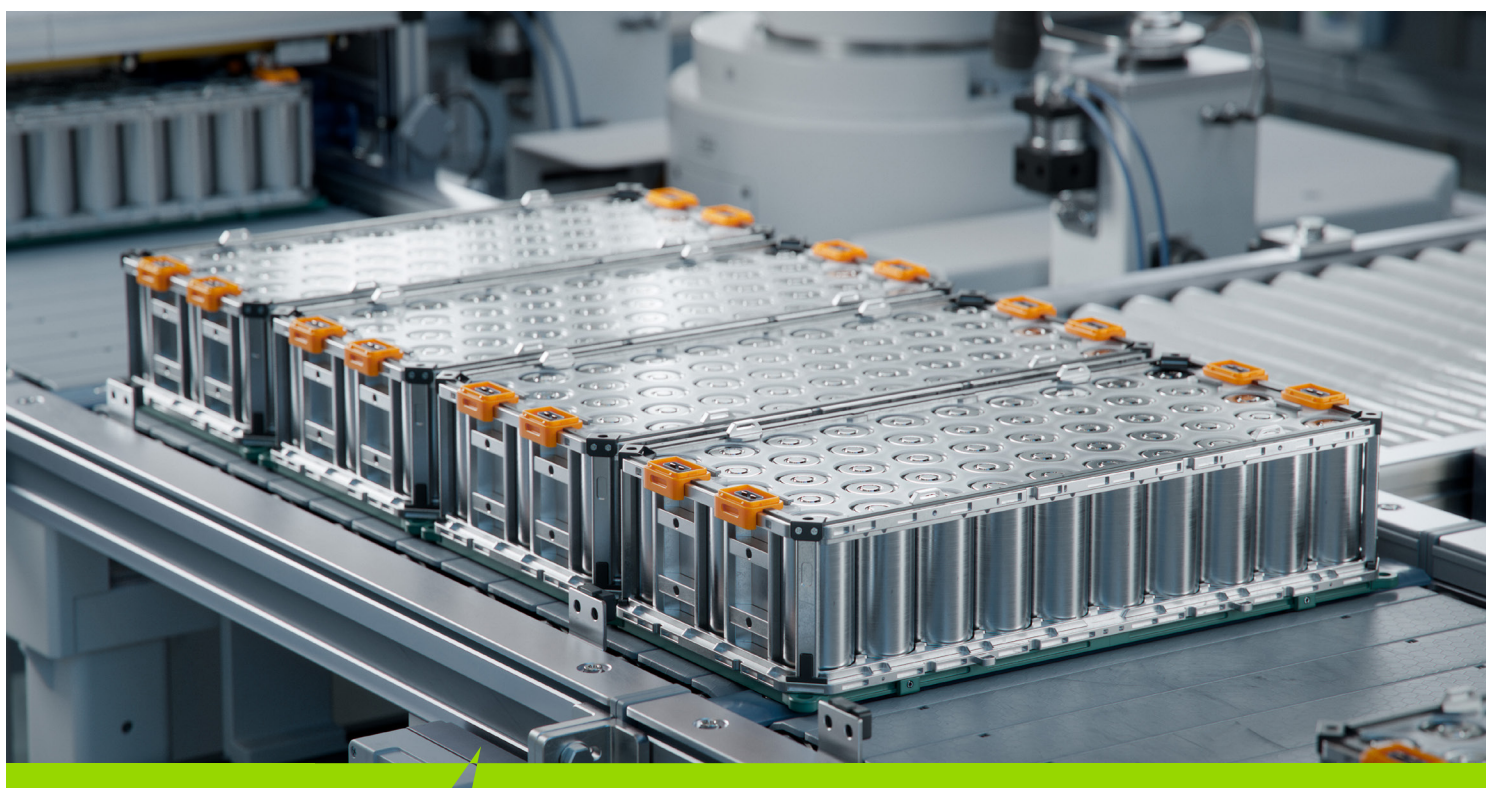
### Q1 2024: Capital invested by deal type





**Capital invested by deal type: Three-year review**

Fund Category	Total Capital Raised (Millions)		
	2021	2022	2023
Refinancing	\$180,850	\$109,097	\$140,013
Acquisition Debt Financing	88,352	71,748	85,267
Equity Investment	204,167	131,102	74,913
Buyout/LBO	98,011	40,884	57,712
Corporate Divestiture	51,633	42,214	20,649
Public to Private	242	19,574	20,018
Secondary Buyout	35,224	6,260	11,363
IPO	12,535	498	10,000
Add-on	5,429	8,523	7,838
Corporate Divestiture	20,713	10,158	7,297
Other	91,458	68,098	54,972
<b>Total</b>	<b>\$788,614</b>	<b>\$508,157</b>	<b>\$490,043</b>





## Food and beverage manufacturing deals

The food and beverage (F&B) sector cooled off just slightly in Q1 of 2024 with a total of 355 deals closed and total capital invested of \$26.30 billion as compared to 698 transactions totaling \$16.14 billion in Q1 of 2023. The average deal size trend was consistent with that of the larger Manufacturing and Distribution industry, where we are noticing fewer deals getting done at larger valuations. Average deal size in Q1 of 2023 was \$23.12 million as compared to \$74.09 million in Q1 of 2024.

The largest deal of this quarter included Campbell Soup's acquisition of Sovos Brands, which includes brands Rao's, noosa, and Michael Angelo's for \$2.7 billion. The acquisition intends to strengthen and diversify Campbell Soup's meals and beverage portfolio. Additional transactions included JAB Holding Company's sale of 6.43% of its shares back to Keurig Dr Pepper (NAS: KDP) for \$2.53 billion, and debt refinancing deals by companies including Starbucks, PepsiCo, Tyson Foods, Post Holdings, Tacala, KeHE Distributors, and US Foods Holding.

### Food and beverage manufacturing trends to watch

While the exhibitors at Expo West this year seemed a bit lighter than in years past, the foot traffic remained intense with many people from all areas of the industry wanting to know what is next in food and beverage. Within the food category, flavors and ingredients stood out as lentils and chickpeas took center stage for providing an alternative protein, and honey and dates for natural sweeteners. Lentils were present in spreads and snacks, including the NEXTY winner: Lentiful. While chickpeas have already been popular in hummus, pizza crusts, and pastas, this year I also found in yogurt, oatmeal, and frozen waffles. Food companies are using dates in chocolate, graham crackers, and nut butter, to name just a few products. Mochi is also becoming a popular ingredient used in gummies and waffles.

On the beverage side, the focus was on functional beverage products: drinks with health benefits in liquid form. At the Expo, there were better-for-you energy drinks that promoted natural ingredients offering cleaner, sustained energy levels. We also noted on display functional and adaptogenic beverages produced to provide calmness, focus, and overall increased wellness for the consumer. OLIPOP and Poppi have some new competition as other probiotic and prebiotic sodas were on display with a focus on digestive health.

With so many new products and brands entering the market, there is no shortage of opportunities for investors to provide capital to grow these businesses. We expect food and beverage to remain active but with the significant mergers we saw in 2023 in the food industry, the total capital invested will likely decline in 2024 compared to 2023 as venture capital and smaller investments from private equity return to the space.



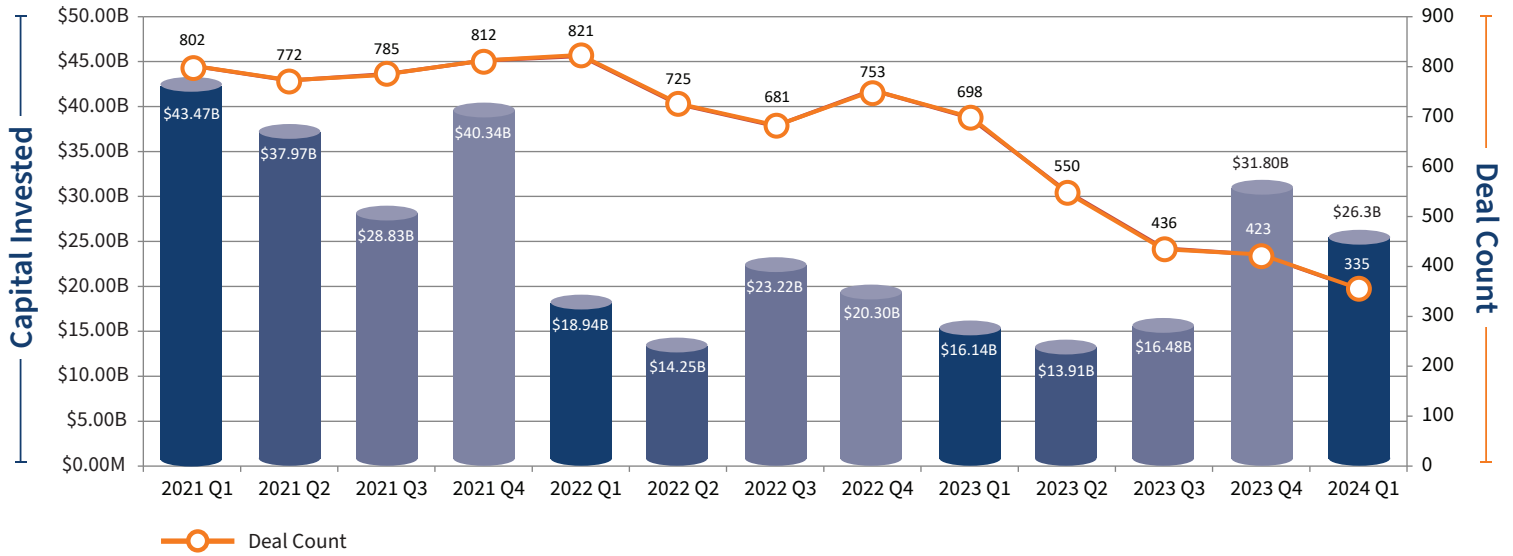




## Q1 2024: Trending numbers

Manufacturing & Distribution

### Capital invested by deal count: Three year period





### Q1 2024: Top 10 food and beverage deals

Company	Deal Date	Deal Size (Millions)	Deal Type
Sovos Brands	12-Mar-2024	\$2,700	Merger/Acquisition
Keurig Dr Pepper	29-Feb-2024	\$2,530	Secondary Transaction - Open Market
Campbell Soup	19-Mar-2024	\$2,500	Debt - General
Starbucks	05-Feb-2024	\$2,000	Debt Refinancing
Aramark	22-Mar-2024	\$1,825	Debt Refinancing
Pepsico	12-Feb-2024	\$1,750	Debt Refinancing
Tyson Foods (Food Products)	28-Feb-2024	\$1,500	Debt Refinancing
Herbalife Nutrition	26-Mar-2024	\$1,300	Debt Refinancing
Post Holdings	05-Feb-2024	\$1,250	Debt Refinancing
Tacala	26-Jan-2024	\$780	Debt Refinancing

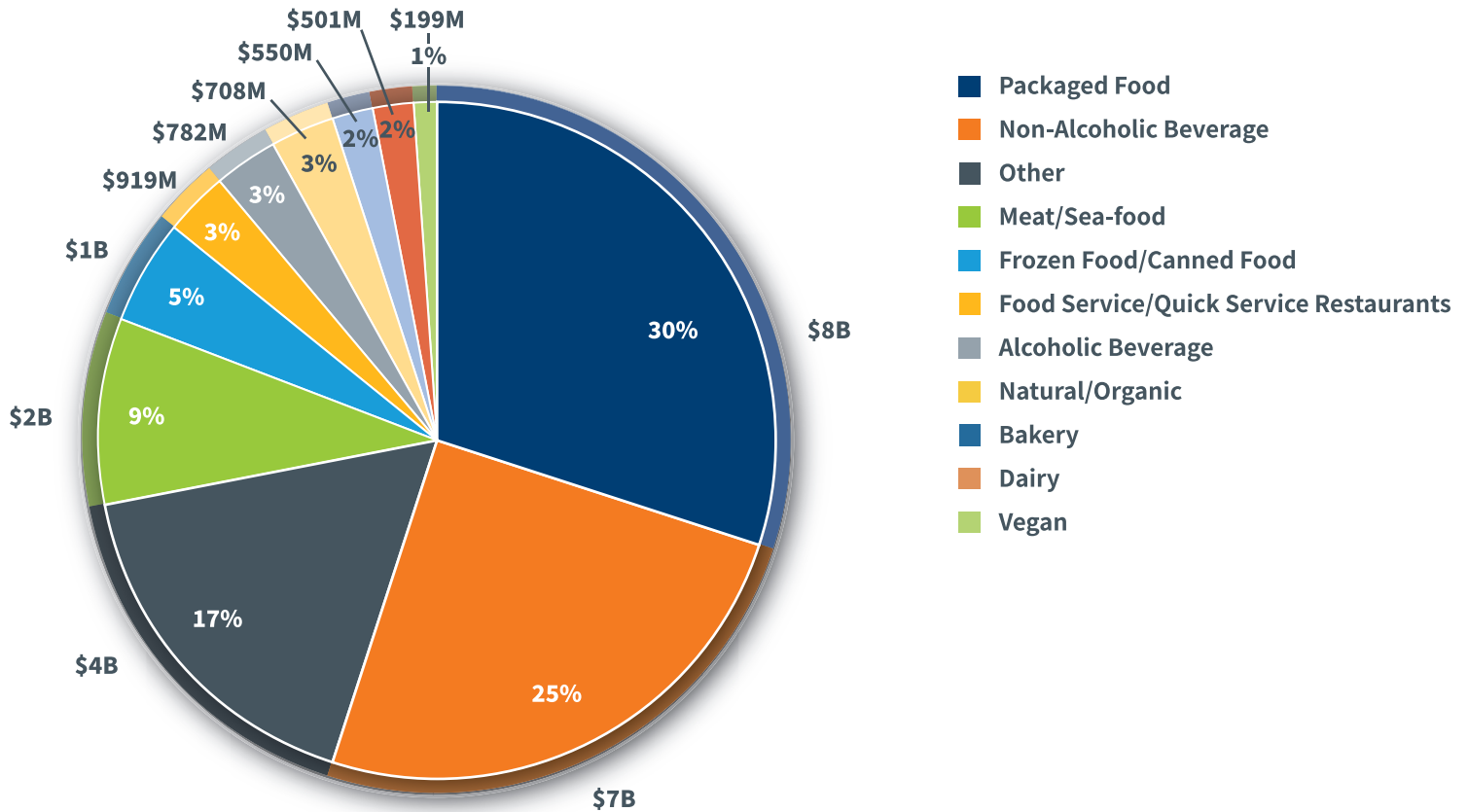


### Food and beverage: Top investors in the space





## Q1 2024: Capital invested by food and beverage industry subcategory



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