Northwestern Kellogg School of Management

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H. J. Heinz M&A

In December 2012 Jorge Paulo Lemann, a co-founder and partner at investment firm 3G Capital, proposed to Warren Buffett that 3G and Berkshire Hathaway acquire H. J. Heinz Company. After negotiating the purchase price, Heinz agreed to continue discussing the acquisition. Although the food industry was mature, 3G and Berkshire Hathaway saw opportunities for Heinz both in expanding into emerging markets and realizing operational efficiencies in production. Investment bankers representing both sides agreed that the acquisition was valued fairly. But was this, in fact, a fair deal? What could be the future consequences for shareholders, management, employees, and citizens of Pittsburgh, where Heinz had long been headquartered? Also, what was the role of activist investors in bringing Heinz to this deal stage?

Proxy Fight

Six years prior to the acquisition talks, in 2006, the market overall was booming: companies signaled record profits; merger and acquisition (M&A) activity was strong; and markets were showing signs of recovery from the dot-com crash of the early 2000s. The story was the opposite for Heinz: quarterly losses piled up and shareholders demanded immediate changes. Pressure for improvement was fierce, especially from Nelson Peltz, the outspoken activist investor who had recently acquired a 5.4 percent stake in Heinz through his investment fund, Trian Fund Management L.P. Peltz demanded that the company either be sold, or shed non-core assets, aggressively repurchase stock, and trim the fat that had built up under the watch of William Johnson, Heinz's CEO. Peltz demanded that he receive five board seats to add real management oversight to the weakening company. In June 2006 Heinz announced a massive restructuring that eliminated more than 2,700 employees, closed fifteen factories, and initiated a $1 billion share buy-back. Heinz's effort to retain control of the company by embarking on this turnaround plan was only partially successful. Ultimately, Peltz was able to secure two board seats on the twelve-person board. The foundation had been paved for a potential sale of the company down the road.

Market Conditions

Following the 2008–2009 financial crisis that devastated the worldwide economy, the U.S. economy revived slowly. The GDP growth rate oscillated around 2 percent, and many economists predicted a slight GDP rebound to 3 percent. As consumer confidence grew, there was moderate growth in consumer spending and an increase in inventory. Though dissenting opinions existed, many economists and economic indicators pointed to the fact that the United States was on the road to recovery.

Within the food and beverage industry, many companies began to see a rebound in consumer purchasing. Some executives saw growth opportunities by expanding their customer base to new geographic markets (including China, Russia, India, and the Latin America region), while others saw growth opportunities by leveraging economies of scale across fixed production lines. M&A activity increased from lows in 2008, as investors continued to pressure management to divest non-core product lines in search of more efficient businesses and to expand growth and margins through acquisitions.

The Acquisition

Jorge Paulo Lemann and Warren Buffett, who had known each other for years, jointly decided that the Heinz turnaround that was started by Peltz had been successful and there was significant potential for continued global growth. 3G informed CEO Johnson that it and Berkshire Hathaway were interested in jointly acquiring Heinz. Johnson then presented the investors' offer of $70.00 per share of outstanding common stock to the Heinz board. At a meeting on January 15, 2013, the board appointed a transaction committee and voted to retain Centerview and Bank of America Merrill Lynch as advisors. Heinz's board and advisors discussed the trends that were negatively impacting Heinz, including low international GDP growth. They also discussed alternatives to a sale, including remaining a standalone company or pursuing acquisition by another company in the food and beverage industry. After updating its strategic plan and financial projections, Heinz informed 3G that without better financial terms it would not continue to discuss the possibility of an acquisition. Two days later, 3G and Berkshire Hathaway returned with a revised proposal of $72.50 per share, for a total transaction value of $28 billion (including Heinz's outstanding debt). A week after the new proposal, Heinz agreed to continue discussing the acquisition.

Following a forty-day "go-shop" period[1] (permitting Heinz some time to look for other investors) Heinz, 3G, and Berkshire Hathaway agreed to sign the deal on February 13, 2013. On that day, Bank of America Merrill Lynch and Centerview presented to the Heinz board their opinions that the acquirers' offer was fair from a financial perspective. The transaction committee of the board also provided its approval of the acquisition after receiving a fairness opinion from Moelis & Company, allowing execution of a merger agreement and a press release announcing the transaction.

[1] A go-shop is a provision in a merger that allows a target to solicit interest from potential buyers of the company for a limited period of time (usually less than two months) after signing a definitive agreement with an initial buyer. The right to solicit includes the ability to exchange confidential information about the target with a potential buyer based on the completion of a confidentiality agreement. If a better offer emerges from the go-shop process, the target company board is able to exercise a "fiduciary out" and terminate the merger agreement with the initial buyer. This may be subject to payment of a break-up fee.

Key Dates[2]

12/12/12	Jorge Paulo Lemann, partner at 3G Capital, proposes to Warren Buffet that Berkshire Hathaway and 3G acquire Heinz. Buffet responds positively.
12/18/12	William Johnson, CEO of Heinz, meets with Lemann and Alexandre Behring, a managing partner at 3G. They discuss the food and beverage industry without proposing an acquisition.
1/10/13	Behring tells Johnson that 3G and Berkshire Hathaway are interested in jointly acquiring Heinz. Johnson responds that he will inform the Heinz board if Behring will provide a written proposal, but that Heinz is not for sale.
1/14/13	3G and Berkshire Hathaway provide a non-binding proposal in which they offer to acquire Heinz at $70.00 per share for outstanding common stock.
1/15/13	Heinz board meets to discuss the proposed acquisition, then appoints a transaction committee and votes to retain advisors (Centerview and Bank of America Merrill Lynch).
1/20/13	Heinz updates its financial projections and strategic plan.
1/22/13	Heinz informs 3G that it will not advance discussions without improved financial terms.
1/24/13	3G and Berkshire Hathaway provide a revised non-binding proposal for $72.50 in cash per outstanding common share.
1/30/13	Heinz board decides the proposal is an attractive option and allows continued discussions.
2/1/13	3G and Berkshire Hathaway send a proposed term sheet to Centerview.
2/7/13	New draft term sheet is provided that includes a forty-day “go-shop” period.
2/8/13	All parties agree to sign by February 13.
2/13/13	Moelis & Company presents a fairness opinion to the transaction committee, which then recommends to the Heinz board that the company be sold. The other advisors present fairness opinions and the board approves the transaction.
2/14/13	Heinz, 3G, and Berkshire Hathaway issue a press release announcing the transaction.
3/30/13	Heinz announces that shareholders approved the acquisition.

[2] Heinz Proxy Statement, http://www.sec.gov/Archives/edgar/data/46640/000119312513089866/d491866dprem14a.htm.

The History of Heinz

The H. J. Heinz Company was established in 1869 when founder Henry J. Heinz began selling bottled horseradish in Sharpsburg, Pennsylvania. The company was incorporated in 1900 and has been headquartered in Pittsburgh, Pennsylvania, since then. In 1896 Heinz was selling more than sixty products, including ketchup, allowing the company to adopt the slogan "57 Varieties." As one of the first food-processing companies in the United States, Heinz allowed customers who were used to preparing their own food to buy pre-prepared and packaged foods such as beans, soups, pickles, and condiments. Heinz was first listed on the New York Stock Exchange in 1946. It began acquiring other companies in 1978, starting with Weight Watchers International. Heinz had historically placed great emphasis on its headquarters location in Pittsburgh and has demonstrated loyalty to its employees there. The Heinz mission statement is: "As the trusted leader in nutrition and wellness, Heinz—the original Pure Food Company—is dedicated to the sustainable health of people, the planet and our Company."

William Johnson, Heinz's CEO during the acquisition, began working at Heinz in 1982 and became CEO in 2000, when he replaced Tony O'Reilly, the company's first CEO from outside the Heinz family. Heinz announced that at the completion of the acquisition, Bernardo Hees would become the CEO, after transitioning from his previous role as the CEO of Burger King, a portfolio company of 3G.

Product Overview

Most consumers associate Heinz with the ubiquitous glass ketchup bottle stamped "57," but Heinz sold hundreds of other products. Its range of products included condiments, frozen food, soups, infant nutrition, and more. Some of its products popular in the United States included Classico pasta sauces, Bagel Bites, and TGI Friday's frozen appetizers. Although many Heinz products were considered staples in the United States, 60 percent of the company's sales were generated from markets outside the United States.[3] Heinz divided its business segments into North America, U.S. Foodservice, Europe, Asia/Pacific, and the "rest of the world." Heinz had been able to adapt to different cultural climates in a variety of global markets. For example, in Italy, Heinz was known for the baby food Plasmon, and in the United Kingdom, Heinz Beans was very popular. One challenge of selling products in so many different regions was that Heinz's earnings were sensitive to exchange rate variations. Heinz's sales in the "rest of the world," which principally represented developing countries, had expanded rapidly, with 108.3 percent sales growth in 2012 (see **Table 1**).[4]

[3] Heinz 2012 10-K.

[4] Ibid.

Table 1: Heinz Sales by Market Segment ($ in billions)

Market Segment	Sales in 2011	Sales in 2012
Europe	3.25	3.44
Asia/Pacific	2.32	2.57
North America	3.27	3.24
U.S. Foodservice	1.41	1.42
Rest of World	0.47	0.98

Source: Heinz 2012 10-K.

Growth Opportunities

Although the food industry was mature, investors had been pleased with Heinz's entrance into the emerging markets, even though these markets represented less than 9 percent of the company's revenue.[5] Competition in emerging markets was disaggregated. Traditional competitors had entered at approximately the same pace as Heinz, but a clear market leader had not yet been crowned. According to some economists, the BRIC countries (Brazil, Russia, India, and China) were expected to overtake the G7 countries (United States, the United Kingdom, France, Germany, Italy, Canada, and Japan) in economic growth by the year 2027, fueling strong potential growth in product sales.

Earnings growth for Heinz was expected to be based on the use of improved technology and supply chain management. The company planned on investing less in product R&D as it focused increasingly on improving production procedures in order to optimize plant capacity utilization and minimize or repurpose waste. Raw material providers and distribution channels were expected to continue to consolidate, creating cost-reduction opportunities for the mainstream food producers, including Heinz.

Buyer Overview

3G Capital was an investment firm with offices in New York and Rio de Janeiro. 3G's expertise was in the retail and consumer sector. Brazilian co-founders Jorge Paulo Lemann, Carlos Alberto Sicupira, Marcel Herrmann Telles, and Roberto Thompson Motta all acted as board members. 3G acquired Burger King in September 2010 for $4 billion, and two of 3G's co-founders were board members of Burger King. The firm had previously invested in Jack in the Box and Wendy's, but sold its shares prior to its acquisition of Burger King.

Berkshire Hathaway, a holding company, was established in 1955 by Warren Buffett and was headquartered in Omaha, Nebraska. Ranking ninth on *Forbes*'s list of biggest publicly owned companies, Berkshire owned companies in a variety of industries, including insurance, railroad, and retail. Berkshire's portfolio included several food and beverage companies, including Dairy Queen, The Pampered Chef, and See's Candies. Berkshire Hathaway owned 18 percent of Coca-Cola and a portion of Mars, Inc.

[5] Ibid.

Investment Bankers

For Buyers

J. P. Morgan, Lazard, and Wells Fargo were retained by 3G and Berkshire Hathaway to advise on the transaction and to provide fairness opinions.

For Heinz

Bank of America Merrill Lynch, Centerview, and Moelis & Co. were retained by the Heinz board to advise on the transaction and to provide fairness opinions.

Transaction Dynamics

Structuring

Berkshire and 3G considered various forms of legal ownership, ultimately settling on a reverse triangular merger whereby Hawk Acquisition Sub, a fully owned holding corp of Hawk Acquisition Holding, which was controlled by Berkshire Hathaway and 3G, would merge with Heinz. Immediately after the merger, Hawk Acquisition Sub would be renamed Heinz, as the surviving entity. This structure helped avoid triggering major change in control and due-on-sale clauses embedded within existing Heinz contracts and agreements.

Termination Fees

Heinz agreed to pay a break-up fee of $750 million in cash in the event that the merger agreement was terminated by the company, or if the merger was not completed by November 13, 2013, or if its shareholders did not approve the merger. The buyers agreed to a reverse termination fee of $1.4 billion to protect shareholders in the event that the buyers failed to complete the transaction.

Commitment to Pittsburgh

When Heinz attempted to acquire Hershey Food Company in the early 2000s, the deal fell apart when many Hershey stakeholders expressed concerns about a possible relocation away from Hershey, Pennsylvania, after Heinz was silent regarding this possibility. The Heinz board learned from this experience and considered the impact of potentially transitioning Heinz out of Pittsburgh following sale of the company (including the impact on naming rights to the Heinz football stadium). During merger negotiations, CEO Johnson confirmed that there were no plans to relocate operations outside of the original company headquarters in Pittsburgh.

Synergies

Many M&A transactions generate significant value from merger synergies, which can vary in size for every transaction. The schedule in **Table 2** provides an overview of typical synergies for different industries.

Table 2: Median Announced Synergies as a % of Target Sales

Health care	9.9%	Service	4.9%	Food	3.2%
Finance	8.6%	Construction	4.4%	Retail	3.0%
Chemicals	8.0%	Communications	4.4%	Autos	2.9%
Mining	7.3%	Beer	4.2%	Oil	2.4%
Household	5.1%	Technology	4.0%	Wholesale	2.0%
Average	5.0%				

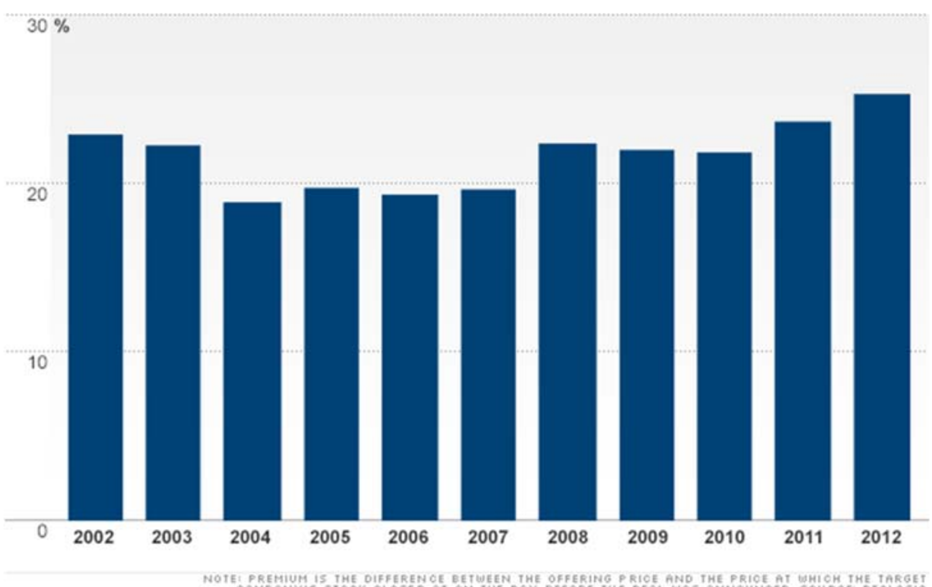
Source: Adapted from FactSet and Jens Kengelbach, Dennis Utzerath, Christoph Kaserer, and Sebastian Schatt, Boston Consulting Group and Technische Universität München, "Divide and Conquer: How Successful M&A Deals Split the Synergies," March 2013, http://www.bcg.de/documents/file130658.pdf.

In the Heinz transaction, both buyers had investments in related business: Berkshire Hathaway owned See's Candies, The Pampered Chef, Mars Inc., and Dairy Queen, while 3G Capital owned Burger King Holdings. Despite these complimentary portfolio companies, the buyers estimated virtually zero synergies in the Heinz acquisition. Heinz management and the buyers repeatedly stated that Heinz would continue to operate as an independent portfolio company.

Acquisition Premium

Figure 1 below depicts historical acquisition premiums: the acquisition price compared to the target company's share price one day prior to announcement of the acquisition. For comparative purposes, Heinz's acquisition price was approximately 20 percent above the company's previous day closing share price.

Figure 1: Historical Acquisition Premiums



Source: Dealogic 2013.

Equity Analyst Commentary on the Acquisition

The packaged food industry has been ripe for value-enhancing transactions—both marriages and divorces—for quite some time. To that end, H. J. Heinz announced that it is to be acquired by Berkshire Hathaway and Brazilian private-equity firm 3G Capital in a $28 billion deal ($72.50 per share). Our initial take is that this is a fabulous deal for Heinz shareholders, representing a nearly 30% premium to our stand-alone $56 fair value estimate and a 20% premium to the closing price the day before the announcement. We are raising our fair value estimate to the takeout price, as we don't anticipate any roadblocks to the deal's completion.

—Erin Lash, CFA, Morningstar Equity Research
H. J. Heinz Company, February 14, 2013

Apparently, Warren Buffett likes ketchup . . . a lot. Berkshire Hathaway and 3G announced their acquisition of HNZ for $72.50, representing a 20% premium to yesterday's closing price. We view this acquisition as a good deal for HNZ shareholders and believe it also has positive valuation implications for the group considering: (1) the price paid (a rich multiple, particularly for a financial transaction), (2) that the buyer is Berkshire Hathaway, and (3) that Heinz's recent fundamentals (minimal EBIT growth in the past 12 months) have been challenged.

—Edward Aaron, CFA, RBC Capital Markets
Price Target Revision Comment, February 14, 2013

Heinz satisfies Berkshire's preference for companies with strong brands, cash flow discipline, and good management. There is also potential for a step-up in profit margins three years from now as the company comes to the completion of its information systems overhaul and starts reaping the benefits of the scale it is building in emerging markets. This bid has positive implications for valuation across the staples space. Low borrowing costs give private equity a lot of firepower, and they like companies like these because the strong and consistent cash flows allow for a high degree of financial leverage. Campbell, Unilever, Nestle, and Kraft Foods have all been considered potential candidates for a Heinz merger in the past, but we would be highly surprised if any one of them tried to top the Berkshire/3G bid. Cost synergies with Kraft and Campbell in the U.S. would theoretically be significant, but not internationally. Neither Unilever nor Nestle appear interested strategically. We think private equity would have a hard time topping this particular bid given the size of the deal and the financial firepower of Berkshire.

—Robert Moskow, Credit Suisse
H. J. Heinz Company Research Report, February 14, 2013

Competitor Overview

Heinz, one of the leading food products company in the world, competed with companies on multiple fronts. Although few competitors offered exactly the same robust line of products, the following companies posed continued threats to Heinz's market share.

Campbell

Founded in 1922, Campbell Soup Company, together with its consolidated subsidiaries, produced and marketed convenience food.[6] The company was headquartered in Camden, New Jersey. Campbell had eleven operating segments based on product type and geographic location and reports the results of operations in the following segments: U.S. Simple Meals, Global Baking and Snacking, International Simple Meals and Beverages, U.S. Beverages, and North America Foodservice.

ConAgra Foods

ConAgra Foods, Inc. was one of North America's largest packaged food companies.[7] Its portfolio included consumer brands found in 97 percent of U.S. households. The company had the largest private brand packaged food business in North America and a strong commercial and foodservice business. Consumers could find recognized brands such as Banquet, Chef Boyardee, Egg Beaters, Healthy Choice, Hebrew National, Hunt's, Marie Callender's, Odom's Tennessee Pride, Orville Redenbacher's, PAM, Peter Pan, Reddi-wip, Slim Jim, Snack Pack, and many other ConAgra Foods brands and products, along with food sold by ConAgra Foods under private brands, in grocery, convenience, mass merchandise, club stores, and drugstores. The company also had a strong commercial foods presence, supplying frozen potato and sweet potato products, as well as other vegetable, spice, bakery, and grain products to a variety of well-known restaurants, foodservice operators, and commercial customers. The company's recent acquisitions included Banquet, Chef Boyardee, PAM, Marie Callender's, and Alexia.

Nestlé

Nestlé was the world's number-one food and drinks company in terms of sales, Nestlé was also the world leader in coffee (Nescafé).[8] It also made coffee for the home-brewing system, Nespresso. Nestlé was one of the world's top bottled water makers (Nestlé Waters), one of the biggest frozen pizza makers (DiGiorno), and a big player in the pet food business (Friskies, Purina). Its most well-known global food brands included Buitoni, Dreyer's, Maggi, Milkmaid, Carnation, and Kit Kat. The company owned Gerber Products and Jenny Craig. North America was Nestlé's most important market.

Kraft Foods

Kraft Foods Group was one of the largest consumer packaged food and beverage companies in North America and one of the largest worldwide among publicly traded consumer packaged food and beverage companies, with net revenues of $18.3 billion and earnings from continuing

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[6] The information in this paragraph has been adapted from Campbell 2012 10-K.

[7] The information in this paragraph has been adapted from ConAgra Foods Company Fact Sheet, http://www.conagrafoods.com/news-room/company-fact-sheet (accessed September 8, 2014) and "ConAgra Foods: What Do We Do?" https://www.youtube.com/watch?v=gVz5UagmjwI (accessed September 8, 2014).

[8] The information in this paragraph has been adapted from Nestlé S.A. Company Profile, http://biz.yahoo.com/ic/41/41815.html (accessed September 8, 2014).

operations before income taxes of $2.5 billion in 2012.[9] The company manufactured and marketed food and beverage products, including refrigerated meals, refreshment beverages and coffee, cheese, and other grocery products, primarily in the United States and Canada, under a host of iconic brands. Its diverse brand portfolio consisted of many of the most popular food brands in North America, including two brands with annual net revenues exceeding $1 billion each—Kraft cheeses, dinners, and dressings and Oscar Mayer meats—plus more than twenty-five brands with annual net revenues of between $100 million and $1 billion each.

General Mills

General Mills, Inc., incorporated in 1928, was a leading global manufacturer and marketer of branded consumer foods sold through retail stores.[10] The company was also a leading supplier of branded and unbranded food products to the foodservice and commercial baking industries. It manufactured products in sixteen countries and marketed them in more than 100 countries. Its joint ventures manufactured and marketed products in more than 130 countries worldwide. Product categories in the United States included ready-to-eat cereals, refrigerated yogurt, ready-to-serve soup, dry dinners, shelf stable and frozen vegetables, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza and pizza snacks, grain, fruit and savory snacks, and a wide variety of organic products including granola bars, cereal, and soup. In Canada, its product categories included ready-to-eat cereals, shelf stable and frozen vegetables, dry dinners, refrigerated and frozen dough products, dessert and baking mixes, frozen pizza snacks, refrigerated yogurt, and grain and fruit snacks. In markets outside the United States and Canada, its product categories included super-premium ice cream and frozen desserts, refrigerated yogurt, snacks, shelf stable and frozen vegetables, refrigerated and frozen dough products, and dry dinners.

Smucker

The J. M. Smucker Company was established in 1897 and incorporated in Ohio in 1921.[11] It operated in the manufacturing and marketing of branded food products globally, although the majority of its sales were in the United States. Net sales outside the United States represented approximately 9 percent of consolidated net sales for 2013. The company had three reportable segments: U.S. Retail Coffee, U.S. Retail Consumer Foods, and International, Foodservice, and Natural Foods. The two U.S. retail market segments in total comprised more than 75 percent of consolidated net sales in 2013 and represented a major portion of its strategic focus. The International, Foodservice, and Natural Foods segments represented sales outside of the U.S. retail markets, and had grown recently primarily as a result of contribution from the acquisition of the North American foodservice coffee and hot beverage business from Sara Lee Corporation in January 2012. The company's principal products were coffee, peanut butter, fruit spreads, shortening and oils, baking mixes and ready-to-spread frostings, canned milk, flour and baking ingredients, juices and beverages, frozen sandwiches, toppings, syrups, and pickles and condiments.

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[9] The information in this paragraph has been adapted from Kraft 2012 10-K.

[10] The information in this paragraph has been adapted from General Mills 2013 10-K.

[11] The information in this paragraph has been adapted from Smucker 2010 10-K.

Kellogg Company

The Kellogg Company, founded in 1906 and incorporated in Delaware in 1922, was engaged in the manufacture and marketing of ready-to-eat cereal and convenience foods.[12] Its principal products were ready-to-eat cereals and convenience foods, such as cookies, crackers, savory snacks, toaster pastries, cereal bars, fruit-flavored snacks, frozen waffles, and veggie foods. These products were mainly manufactured in-house in eighteen countries and marketed in more than 180 countries. Its cereal products were generally marketed under the Kellogg's name and were sold to the grocery trade through direct sales forces for resale to consumers. It also marketed cookies, crackers, chips, and other convenience foods, under brands such as Kellogg's, Keebler, Cheez-It, Murray, Austin, and Famous Amos, to supermarkets in the United States.

The Hershey Company

The Hershey Company was incorporated under the laws of the State of Delaware on October 24, 1927 as a successor to a business founded in 1894 by Milton S. Hershey.[13] It was the largest producer of quality chocolate in North America and a global leader in chocolate and sugar confectionery. Its principal product groups included chocolate and sugar confectionery products; pantry items, such as baking ingredients and toppings; beverages; and gum and mint refreshment products. The company marketed its products in approximately seventy countries worldwide. It operated under a matrix reporting structure designed to ensure continued focus on North America and on continuing its transformation into a more global company. Its business was organized around geographic regions and strategic business units; this structure was designed to enable the company to build processes for repeatable success in its global markets.

Groupe Danone

Groupe Danone was a société anonyme, a form of limited liability company, organized under the laws of the Republic of France.[14] It was incorporated on February 2, 1899. Under Groupe Danone's bylaws, revised in 1941, the company's existence was to last 141 years, until December 13, 2040, except in the event of earlier dissolution or extension. In 1997 the group's management decided to focus on three core activities on a worldwide basis (fresh dairy products, beverages, and biscuits and cereal products). The group had since completed several significant divestitures in grocery, pasta, ready-to-serve meals and confectionery activities, mainly in France, Belgium, Italy, Germany, and Spain.

PepsiCo, Inc.

PepsiCo, Inc. was incorporated in Delaware in 1919 and was reincorporated in North Carolina in 1986.[15] It was a leading global food and beverage company with brands that were respected

[12] The information in this paragraph has been adapted from Kellogg Company Profile, http://www.buyandhold.com/StockMgr?request=display.profile&symbol=k (accessed September 8, 2014).

[13] The information in this paragraph has been adapted from Hershey Company Profile, http://www.buyandhold.com/StockMgr?request=display.profile&symbol=HSY (accessed September 8, 2014).

[14] The information in this paragraph has been adapted from Groupe Danone 20-F SEC Filing, April 2, 2007.

[15] The information in this paragraph has been adapted from PepsiCo 2012 10-K.

household names throughout the world. Through its operations, authorized bottlers, contract manufacturers, and other partners, the company made, marketed, sold, and distributed a wide variety of convenient and enjoyable foods and beverages, serving customers and consumers in more than 200 countries and territories. Its products were brought to market through direct-store-delivery, customer warehouse and distributor networks. It owned numerous valuable trademarks, including Aquafina, Aunt Jemima, Cap'n Crunch, Cheetos, Cracker Jack, Doritos, Duyvis, Frito-Lay, Fritos, Gatorade, Izze, Mother's, Mountain Dew, Müller, Naked, Pepsi, Propel, Quaker, Rice-A-Roni, Ruffles, 7UP, Sierra Mist, SoBe, Stacy's, SunChips, Tostitos, and Tropicana. Joint ventures in which it participated either owned or had the right to use certain trademarks, such as Lipton, Müller, Starbucks, and Sabra.

Unilever plc

Unilever was one of the world's leading suppliers of food, home, and personal care products with sales in more than 190 countries.[16] Its products were present in seven out of ten homes globally and were used by more than 2 billion people on a daily basis. It generated annual sales of more than €50 billion in 2012. More than half of the company's footprint was in the faster-growing developing and emerging markets (55 percent in 2012). Its portfolio included some of the world's best-known brands, including Knorr, Persil/Omo, Dove, Sunsilk, Hellmann's, Lipton, Rexona/Sure, Wall's, Lux, Rama, Pond's, and Axe.

Mondelēz International, Inc.

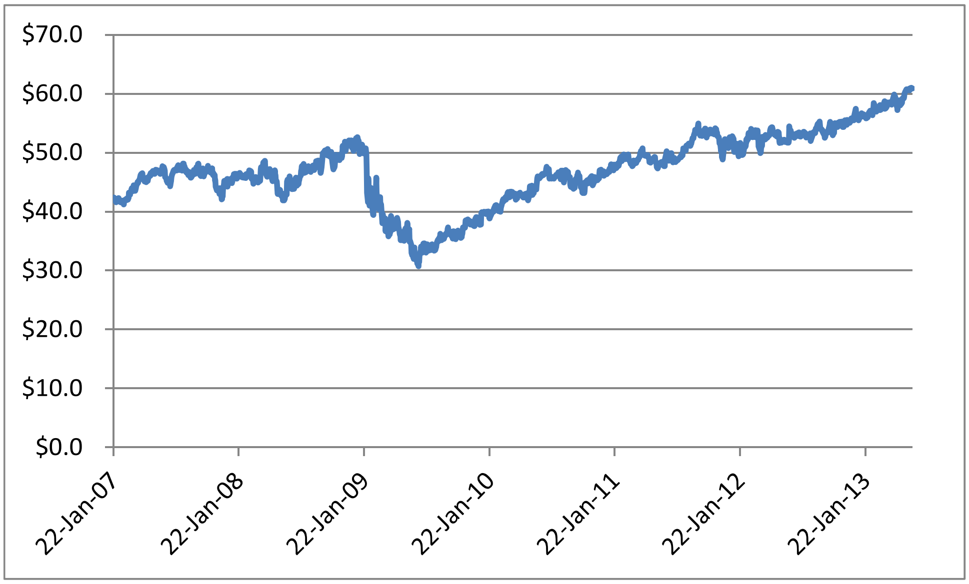
Mondelēz International was one of the world's largest snack companies, with global net revenues of $35.0 billion and earnings from continuing operations of $1.6 billion in 2012.[17] Beginning on October 1, 2012, following the spinoff of its North American grocery operations to their shareholders, Mondelēz International was a "new" company in name and strategy, yet it carried forward the values of its legacy organization and the heritage of its iconic brands. The company manufactured and marketed food and beverage products for consumers in approximately 165 countries around the world. It held the number one position globally in biscuits, chocolate, candy, and powdered beverages, as well as the number two position in gum and coffee. Its portfolio included nine brands with annual revenues exceeding $1 billion each, including Oreo, Nabisco, and LU biscuits; Milka, Cadbury Dairy Milk, and Cadbury chocolates; Trident gum; Jacobs coffee; and Tang powdered beverage. It changed its name from Kraft Foods Inc. to Mondelēz International, Inc. following a spinoff on October 2, 2012.

[16] The information in this paragraph has been adapted from "Unilever Completes Sale of Wish-Bone and Western brands to Pinnacle Foods," press release, October 1, 2013.

[17] The information in this paragraph has been adapted from Mondelēz International 2012 10-K.

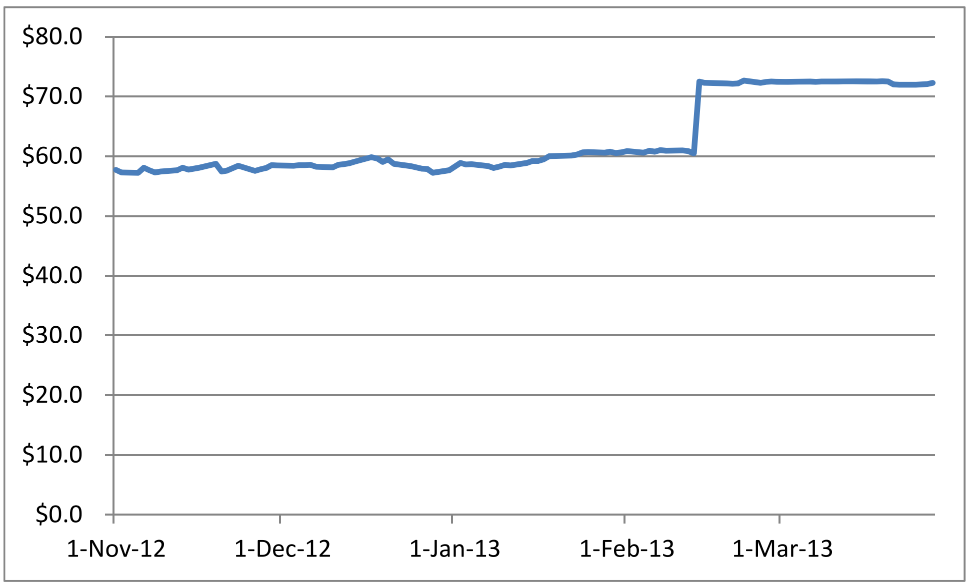
Exhibit 1: Heinz Financial and Market Information

HEINZ SHARE PRICE: JANUARY 22, 2007–JANUARY 22, 2013



Source: Yahoo!Finance.

HEINZ SHARE PRICE: NOVEMBER 1, 2012–APRIL 1, 2013



Source: Yahoo!Finance.

Exhibit 2: Discounted Cash Flow (DCF) Analysis[18]

COST OF EQUITY FOR HEINZ AND ITS COMPETITORS

Company	Beta[a]
Campbell	0.848
ConAgra Foods	0.677
General Mills	0.688
Groupe Danone	0.736
Hershey	0.780
Kellogg	0.665
Kraft	0.897
Mondelēz	1.030
Nestle S.A.	0.821
PepsiCo	0.657
Unilever	0.772
Smucker	0.817
Mean	0.782
Median	0.776
Heinz	0.651

Data	Rate (%)
10-year treasury yield	1.8
Market risk premium	6.0

[a] Represents levered beta.

Source: FactSet.

[18] Note that prevailing interest rates at the time of the transaction were low by historical standards. The actual cost of capital that was used by the company reflected a higher interest rate than the rate implied by outstanding debt. Students should calculate WACC based on information in Exhibit 2 as the lower bound for WACC, but a sensitivity analysis should also be completed based on realistic long-term expectations for interest rates and consideration of the issuance by the company of $8 billion of preferred shares with a 9% dividend to Berkshire Hathaway.

Exhibit 2 *(continued)*

COST OF DEBT FOR HEINZ (US$ IN THOUSANDS)

Debt	2013	2012
Japanese yen credit agreement due October 2012 (variable rate)	—	186,869
Other U.S. dollar debt due May 2013—November 2034 (0.94%–7.96%)	25,688	43,164
Other non-U.S. dollar debt due May 2013—May 2023 (3.50%–11.00%)	56,293	64,060
5.35% U.S. dollar notes due July 2013	499,993	499,958
8.0% Heinz finance preferred stock due July 2013	350,000	350,000
Japanese yen credit agreement due December 2013 (variable rate)	163,182	199,327
U.S. dollar private placement notes due May 2014—May 2021 (2.11%–4.23%)	500,000	500,000
Japanese yen credit agreement due October 2015 (variable rate)	152,983	—
U.S. dollar private placement notes due July 2016—July 2018 (2.86%–3.55%)	100,000	100,000
2.00% U.S. dollar notes due September 2016	299,933	299,913
1.50% U.S. dollar notes due March 2017	299,648	299,556
U.S. dollar remarketable securities due December 2020	119,000	119,000
3.125% U.S. dollar notes due September 2021	395,772	395,268
2.85% U.S. dollar notes due March 2022	299,565	299,516
6.375% U.S. dollar debentures due July 2028	231,396	231,137
6.25% British pound notes due February 2030	192,376	202,158
6.75% U.S. dollar notes due March 2032	435,185	435,112
7.125% U.S. dollar notes due August 2039	628,082	626,747
Total long-term debt	4,749,096	4,851,785
Hedge accounting adjustments	122,455	128,444
Less portion due within one year	(1,023,212)	(200,248)
Total long-term debt	3,848,339	4,779,981
Weighted-average interest rate on long-term debt	4.70%	4.28%

Source: Heinz 2012 10-K.

HEINZ TAXES

Tax Rate History	2013	2012	2011
U.S. federal statutory tax rate	35.0%	35.0%	35.0%
Effective tax rate	18.0%	19.8%	26.2%

Source: Heinz 2012 10-K.

HEINZ FINANCIAL FORECAST (US$ IN MILLIONS, EXCEPT PER SHARE DATA)

For Fiscal Year Ending April	2013E	2014P	2015P	2016P	2017P	2018P
Revenue	11,529	12,141	12,657	13,112	13,744	14,446
EBITDA	2,057	2,195	2,340	2,453	2,613	2,789
EBIT	1,705	1,834	1,965	2,061	2,202	2,355
Fully diluted earnings per share	$3.58	$3.78	$3.83	$4.00	$4.29	$4.60

Source: Heinz 2012 10-K.

Exhibit 3: Heinz Historical Financial Statements (US$ in thousands, except per share data, unless otherwise specified)

CONSOLIDATED STATEMENTS OF INCOME

	12 Months Ended		
	Apr. 28, 2013	Apr. 29, 2012	Apr. 27, 2011
Sales	11,529	11,508	10,559
Cost of products sold	7,333	7,513	6,614
Gross profit	4,195	3,995	3,944
Selling, general, and administrative expenses	2,534	2,492	2,257
Operating income	1,662	1,502	1,688
Interest income	28	35	23
Interest expense	284	293	273
Other expense, net	(62)	(8)	(21)
Loss from continuing operations before income tax	1,344	1,236	1,416
Provision for income taxes	242	245	371
Income from continuing operations	1,102	991	1,046
Loss from discontinued operations, net of tax	(75)	(51)	(40)
Net income	1,027	940	1,006
Less: Net income attributable to the non-controlling interest	14	17	16
Net income attributable to H. J. Heinz Company	1,013	923	990
Average common shares outstanding—basic (millions)	321	321	320
Average common shares outstanding—diluted (millions)	323	323	323
Earnings before interest, taxes, depreciation, and amortization	2,057	1,947	1,862

Source: Heinz 2012 10-K.

Exhibit 3 *(continued)*

CONSOLIDATED BALANCE SHEETS

	12 Months Ended	
	Apr. 28, 2013	Apr. 29, 2012
Cash and cash equivalents	2,477	1,330
Receivables (net of allowance)	1,074	994
Inventories	1,333	1,329
Prepaid expenses	252	229
Total current assets	5,136	3,882
Property, plant, and equipment, net	2,459	2,484
Goodwill and intangible assets	4,495	4,684
Other non-current assets	850	933
Total assets	12,939	11,983
Short-term debt and current portion of long-term debt	2,160	247
Payables	1,493	1,349
Accrued liabilities	1,019	951
Income taxes	114	102
Total current liabilities	4,787	2,648
Long-term debt	3,848	4,780
Deferred income taxes	679	818
Non-pension post-retirement benefits	240	231
Other non-current liabilities	507	581
Total long-term debt and other non-current liabilities	5,274	6,411
Non-controlling interest	77	166
Capital stock	108	108
Additional capital	609	595
Retained earnings	7,907	7,567
Treasury shares, at cost	(4,647)	(4,666)
Accumulated other comprehensive loss	(1,175)	(845)
Total equity	2,849	2,811
Total liabilities and equity	12,939	11,983

Source: Heinz 2012 10-K.

Exhibit 3 *(continued)*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	12 Months Ended		
	Apr. 28, 2013	Apr. 29, 2012	Apr. 27, 2011
OPERATING ACTIVITIES:			
Net income	1,027	940	1,006
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	302	296	255
Amortization	47	47	43
Deferred tax (benefit)/provision	(87)	(95)	154
Pension contributions	(69)	(23)	(22)
Asset write-downs/impairments	56	59	0
Other items, net	85	75	98
Changes in current assets and liabilities, excluding effects of acquisitions:			
Receivables (incl. proceeds from securitization)	(166)	172	(91)
Inventories	(49)	61	(81)
Prepaid expenses and other current assets	14	(12)	(2)
Accounts payable	169	(72)	233
Accrued liabilities	72	(20)	(61)
Income taxes	(9)	66	51
Cash provided by operating activities	1,390	1,493	1,584
INVESTING ACTIVITIES:			
Capital expenditures	(399)	(419)	(336)
Proceeds from disposals of PP&E, net	19	7	(605)
Proceeds from divestitures	17	4	2
Sale of short-term investments	0	57	0
Change in restricted cash	4	(39)	(5)
Other items, net	(14)	(11)	(6)
Cash used for investing activities	(373)	(402)	(950)
FINANCING ACTIVITIES:			
Net proceeds/(payments) on short-term debt	1,090	(43)	(193)
Dividends	(666)	(619)	(580)
Purchase of treasury stock	(139)	(202)	(70)
Exercise of stock options	113	83	155
Acquisition of subsidiary shares from non-controlling interests	(80)	(55)	(6)
Earn-out settlement	(45)	0	0
Other items, net	2	1	28
Cash provided by/(used for) financing activities	257	(363)	(483)
Effect of exchange rate changes on cash and CE	(128)	(122)	90
Net increase in cash and cash equivalents	1,146	606	241
Cash and cash equivalents at beginning of year	1,330	724	483
Cash and cash equivalents at end of year	2,477	1,330	724

Source: Heinz 2012 10-K.

Exhibit 4: Comparable Company Metrics

GROWTH ANALYSIS

	Revenue Growth (%)				EBITDA Growth (%)				EPS Growth (%)			
	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)
Campbell	(0.2)	4.5	5.1	2.1	(7.8)	9.9	1.4	3.3	(4.3)	8.6	(1.7)	5.5
ConAgra Foods	7.8	16.8	13.4	0.3	3.0	19.0	18.0	5.6	5.1	17.4	7.7	10.9
General Mills	11.9	6.7	3.2	3.7	5.3	4.4	5.3	5.2	3.2	5.1	8.2	7.8
Groupe Danone	13.6	8.0	3.3	4.5	9.7	4.3	(2.5)	7.2	6.6	4.2	(4.2)	6.9
Hershey	7.2	9.3	6.7	6.2	8.5	10.4	9.9	8.6	10.6	14.9	14.6	10.7
Kellogg	6.5	7.6	4.5	2.7	(1.6)	5.0	7.5	4.8	2.4	(0.3)	11.8	7.6
Kraft	—	—	(0.4)	2.4	—	—	9.8	12.3	—	—	1.7	14.0
Mondelēz	10.5	(35.6)	1.2	4.3	9.3	(37.6)	(0.1)	10.2	13.4	(39.3)	12.0	9.3
Nestlé S.A.	(23.8)	10.2	1.7	4.3	(9.3)	9.9	2.7	5.8	(4.8)	9.6	1.8	6.7
PepsiCo	15.0	(1.5)	1.4	4.2	8.3	(5.6)	3.5	6.8	6.5	(6.8)	5.6	8.5
Unilever	1.6	12.2	1.2	1.6	(2.0)	12.4	4.6	3.7	(6.1)	12.6	1.2	5.7
Smucker	14.5	6.7	(0.5)	3.0	1.5	8.5	4.4	4.7	0.9	13.5	8.6	8.5
Mean	5.9	4.1	3.4	3.3	2.3	3.7	5.4	6.5	3.0	3.6	5.6	8.5
Median	7.8	7.6	2.4	3.3	3.0	8.5	4.5	5.7	3.2	8.6	6.7	8.1
Heinz	8.6	8.8	1.9	4.4	2.9	1.7	7.4	6.4	9.5	8.1	4.0	5.2

Source: FactSet.

Exhibit 4 *(continued)*

PROFITABILITY ANALYSIS

	Gross Margin (%)				EBITDA Margin (%)				Net Margin (%)			
	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)
Campbell	38.8	37.3	37.5	37.6	19.3	20.3	19.5	19.8	10.0	10.4	9.6	9.8
ConAgra Foods	22.2	22.9	22.3	22.9	12.9	13.1	13.6	14.4	5.8	5.0	5.6	6.3
General Mills	36.9	36.1	36.2	36.5	19.9	19.5	19.9	20.2	9.4	10.4	10.3	10.5
Groupe Danone	52.5	50.8	49.8	49.8	18.0	17.4	16.4	16.8	8.7	8.0	7.2	7.9
Hershey	42.4	43.8	46.2	47.0	21.4	21.7	22.3	22.8	10.3	9.9	11.8	12.3
Kellogg	41.3	40.1	38.6	39.2	17.8	17.3	17.8	18.2	9.3	6.8	9.2	9.6
Kraft	—	31.8	32.8	32.8	—	16.9	18.6	20.4	—	9.0	9.2	10.2
Mondelēz	35.1	37.4	37.5	38.2	16.0	15.5	15.3	16.2	7.5	8.6	7.9	8.0
Nestlé S.A.	47.4	47.6	47.9	48.0	18.7	18.6	18.8	19.1	11.3	11.5	11.4	11.7
PepsiCo	52.0	52.2	53.0	53.3	19.7	18.9	19.3	19.8	10.6	9.9	10.1	10.4
Unilever	39.9	41.2	42.8	42.8	16.1	16.1	16.6	17.0	9.2	8.8	9.1	9.4
Smucker	34.2	34.6	36.4	36.7	20.2	20.6	21.6	21.9	8.3	9.2	10.4	10.8
Mean	40.2	39.7	40.1	40.4	18.2	18.0	18.3	18.9	9.1	9.0	9.3	9.7
Median	39.9	38.8	38.0	38.7	18.7	18.0	18.7	19.4	9.3	9.1	9.4	10.0
Heinz	35.5	34.3	35.8	36.0	17.3	17.3	17.9	18.2	7.9	9.5	9.6	9.7

Source: FactSet.

Exhibit 4 *(continued)*

RETURNS ANALYSIS

	Return on Assets (%)				Return on Equity (%)				Dividend per Share (%)			
	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)
Campbell	11.5	11.2	9.7	10.1	67.4	69.3	60.4	51.9	1.16	1.16	1.25	1.34
ConAgra Foods	6.7	4.9	4.6	4.8	16.7	15.6	15.9	14.5	0.95	0.99	1.00	1.02
General Mills	7.9	8.5	8.3	8.6	23.9	26.0	24.7	24.6	1.22	1.32	1.52	1.71
Groupe Danone	5.9	5.8	5.2	5.8	13.6	13.6	12.4	13.7	1.39	1.45	1.45	1.55
Hershey	14.5	14.4	16.6	16.6	69.5	68.8	64.2	53.6	1.38	1.54	1.81	2.03
Kellogg	10.4	7.1	8.9	9.2	62.8	45.6	46.1	39.6	1.67	1.74	1.79	1.89
Kraft	—	7.0	7.2	8.2	—	46.0	45.0	47.0	—	0.50	2.03	2.12
Mondelēz	4.3	3.6	3.7	4.0	11.4	8.8	7.8	7.5	1.16	0.52	0.54	0.58
Nestlé S.A.	8.4	8.8	8.3	8.6	15.9	18.0	17.0	17.0	1.95	2.05	2.13	2.25
PepsiCo	10.0	8.8	8.9	9.4	33.2	29.8	29.8	30.9	2.03	2.13	2.24	2.40
Unilever	10.4	10.2	10.2	10.0	29.1	30.0	28.6	28.1	1.17	1.27	1.43	1.50
Smucker	5.3	6.0	6.7	7.0	8.8	10.6	11.8	12.6	1.89	2.05	2.31	2.54
Mean	8.7	8.0	8.2	8.5	32.0	31.8	30.3	28.4	1.45	1.39	1.62	1.74
Median	8.4	7.8	8.3	8.6	23.9	27.9	26.7	26.3	1.38	1.39	1.65	1.80
Heinz	7.6	7.6	9.5	9.9	29.4	31.5	39.2	37.4	1.92	2.06	2.22	2.39

Source: FactSet.

Exhibit 4 *(continued)*

LEVERAGE ANALYSIS

	Net Debt/EBITDA				Debt/Equity				Assets/Equity			
	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)
Campbell	0.6x	0.5x	0.4x	0.5x	0.4x	0.5x	0.6x	0.5x	5.5x	6.9x	5.7x	4.7x
ConAgra Foods	0.7x	0.3x	0.3x	0.3x	0.8x	1.0x	1.3x	1.2x	2.5x	3.8x	3.2x	2.9x
General Mills	0.5x	0.5x	0.5x	0.5x	1.1x	1.3x	1.4x	1.8x	3.2x	3.0x	3.0x	2.7x
Groupe Danone	0.5x	0.5x	0.5x	0.5x	1.7x	1.9x	2.7x	2.1x	2.3x	2.4x	2.4x	2.3x
Hershey	1.2x	1.2x	1.5x	1.8x	1.6x	2.1x	6.1x	—	5.1x	4.5x	3.4x	3.1x
Kellogg	0.4x	0.4x	0.4x	0.4x	0.5x	0.6x	0.6x	0.6x	6.8x	6.2x	4.4x	4.1x
Kraft	—	0.4x	0.4x	0.4x	0.4x	0.5x	0.5x	—	—	6.5x	6.0x	5.8x
Mondelēz	0.3x	0.3x	0.4x	0.4x	2.7x	2.8x	2.9x	2.1x	2.7x	2.3x	1.9x	1.9x
Nestlé S.A.	1.7x	1.1x	1.0x	1.3x	4.1x	5.0x	6.5x	4.7x	2.0x	2.1x	2.0x	1.9x
PepsiCo	0.6x	0.6x	0.6x	0.6x	1.1x	1.1x	1.1x	0.9x	3.5x	3.3x	3.3x	3.2x
Unilever	1.0x	1.0x	1.1x	1.1x	2.1x	2.3x	2.4x	3.9x	3.2x	2.7x	2.9x	2.7x
Smucker	0.8x	0.7x	0.7x	0.8x	3.0x	3.2x	3.6x	2.5x	1.8x	1.8x	1.8x	1.8x
Mean	0.8x	0.6x	0.6x	0.7x	1.6x	1.9x	2.5x	2.0x	3.5x	3.8x	3.3x	3.1x
Median	0.6x	0.5x	0.5x	0.5x	1.3x	1.6x	1.9x	1.9x	3.2x	3.2x	3.1x	2.8x
Heinz	0.5x	0.5x	0.6x	0.7x	1.8x	1.8x	1.6x	1.3x	3.9x	4.3x	3.9x	3.6x

Source: FactSet.

Exhibit 4 *(continued)*

VALUATION ANALYSIS 1

	Price/Book				Price/Sales				Price/Earnings to Growth			
	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)
Campbell	9.8x	9.0x	11.6x	8.5x	1.4x	1.4x	1.8x	1.6x	9.8x	9.0x	11.6x	8.5x
ConAgra Foods	2.3x	2.1x	2.6x	2.4x	0.8x	0.8x	0.9x	0.8x	2.3x	2.1x	2.6x	2.4x
General Mills	4.0x	3.5x	4.7x	4.7x	1.7x	1.5x	1.7x	1.8x	4.0x	3.5x	4.7x	4.7x
Groupe Danone	2.1x	2.4x	2.4x	2.7x	1.8x	1.6x	1.5x	1.6x	2.1x	2.4x	2.4x	2.7x
Hershey	11.5x	16.2x	15.7x	16.5x	1.9x	2.3x	2.4x	3.1x	11.5x	16.2x	15.7x	16.5x
Kellogg	8.7x	10.3x	8.3x	6.3x	1.5x	1.4x	1.4x	1.5x	8.7x	10.3x	8.3x	6.3x
Kraft	—	—	7.6x	8.6x	—	—	1.5x	1.7x	—	—	7.6x	8.6x
Mondelēz	1.0x	1.2x	1.4x	1.8x	1.1x	1.2x	1.3x	1.7x	1.0x	1.2x	1.4x	1.8x
Nestlé S.A.	3.0x	3.0x	3.1x	3.4x	1.7x	2.1x	2.1x	2.3x	3.0x	3.0x	3.1x	3.4x
PepsiCo	4.9x	5.1x	4.8x	5.7x	1.8x	1.6x	1.6x	2.0x	4.9x	5.1x	4.8x	5.7x
Unilever	4.5x	5.0x	5.5x	5.5x	1.6x	1.7x	1.7x	1.7x	4.5x	5.0x	5.5x	5.5x
Smucker	—	—	2.2x	2.2x	1.8x	1.6x	1.9x	2.0x	—	—	2.2x	2.2x
Mean	5.2x	5.8x	5.8x	5.7x	1.6x	1.6x	1.7x	1.8x	5.2x	5.8x	5.8x	5.7x
Median	4.2x	4.3x	4.8x	5.1x	1.7x	1.6x	1.7x	1.7x	4.2x	4.3x	4.8x	5.1x
Heinz	5.1x	5.5x	7.6x	6.9x	1.5x	1.5x	2.0x	1.9x	5.1x	5.5x	5.6x	5.5x

Source: FactSet.

Exhibit 4 *(continued)*

VALUATION ANALYSIS 2

	Price/Earnings				Enterprise Value/EBITDA				Enterprise Value/Free Cash Flow			
	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)	2011	2012	2013(E)	2014(E)
Campbell	13.0x	13.6x	17.7x	16.3x	8.2x	8.7x	11.5x	10.2x	15.3x	18.4x	47.4x	21.2x
ConAgra Foods	14.5x	13.7x	15.6x	14.2x	7.6x	7.8x	11.6x	9.4x	14.3x	18.6x	24.6x	22.4x
General Mills	16.0x	15.0x	17.5x	17.6x	10.0x	9.6x	10.8x	10.9x	36.1x	18.4x	16.3x	20.3x
Groupe Danone	17.3x	16.8x	16.6x	19.1x	11.8x	10.9x	10.7x	11.9x	22.3x	20.6x	19.1x	31.0x
Hershey	18.5x	21.9x	22.3x	26.5x	9.7x	11.6x	12.0x	14.6x	17.7x	38.1x	20.1x	36.8x
Kellogg	15.5x	15.0x	16.6x	16.6x	10.2x	10.1x	11.2x	11.3x	20.7x	23.7x	22.6x	32.5x
Kraft	—	—	16.5x	19.0x	—	—	11.5x	11.9x	—	—	13.7x	39.9x
Mondelēz	10.2x	10.7x	18.3x	21.9x	10.2x	10.4x	11.2x	13.6x	38.9x	33.1x	36.8x	35.3x
Nestlé S.A.	17.0x	17.6x	17.7x	19.5x	11.2x	12.3x	12.3x	13.1x	23.2x	37.8x	20.9x	28.4x
PepsiCo	15.8x	15.1x	16.7x	19.9x	10.1x	9.6x	10.3x	12.0x	23.4x	22.6x	22.2x	29.5x
Unilever	15.8x	18.2x	18.7x	19.1x	10.3x	11.7x	11.4x	11.3x	22.1x	28.5x	22.0x	25.0x
Smucker	16.0x	16.8x	19.2x	18.8x	8.8x	9.6x	10.6x	10.4x	45.9x	14.3x	19.8x	20.8x
Mean	15.4x	15.8x	17.8x	19.0x	9.8x	10.2x	11.3x	11.7x	25.5x	24.9x	23.8x	28.6x
Median	15.8x	15.1x	17.6x	19.0x	10.1x	10.1x	11.3x	11.6x	22.3x	22.6x	21.5x	29.0x
Heinz	16.7x	15.6x	20.5x	19.2x	10.4x	10.4x	12.8x	12.0x	17.0x	20.2x	24.7x	22.2x

Source: FactSet.

Exhibit 5: Comparable Transaction Metrics (US$ in millions, except multiples)

The following is a list of transactions from the packaged food, beverage, and related industries. Use discretion in choosing comparable transactions for valuation analysis because some of the target companies may be better comparables than others.

Announce-ment Date	Target	Acquiror	Ent. Value ($bn)	Ent. Value/ LTM EBITDA	Revenue	EBITDA	Net Income	Capex	Cash	Debt	Assets
Dec. 2012	Morningstar Foods, LLC	Saputo Inc.	1.45	9.3x	1,626	156	—	—	—	—	—
Nov. 2012	Ralcorp Holdings, Inc.	ConAgra Foods, Inc.	6.78	12.1x	4,322	560	73	—	352	2,022	4,539
July 2012	Peet's Coffee & Tea, Inc.	Joh A. Benckiser GmbH	0.95	23.2x	383	40	15	—	32	—	230
Feb. 2012	Pringles Business of P&G	Kellogg Company	2.70	11.1x	1,456	243	153	(41)	—	—	581
Dec. 2011	National Beef Packing Co. LLC	Leucadia National Corp.	0.87	3.7x	5,808	300	248	—	20	—	913
Aug. 2011	Provimi SAS	Cargill, Inc.	1.83	8.1x	2,296	224	93	—	304	—	2,162
June 2011	Foster's Group Ltd.	SABMiller Plc	13.12	-122.9x	4,547	(107)	(554)	—	238	4,731	6,908
Nov. 2010	Del Monte Foods Co.	Funds affiliated with KKR & Co. and others	5.30	8.8x	3,713	603					
June 2010	American Italian Pasta Co.	Ralcorp Holdings, Inc.	1.26	8.3x	590	151	80	(11)	36	45	508
Jan. 2010	N.A. Frozen Pizza Business of Kraft	Nestlé S.A.	3.70	12.5x	2,100	296	—	—	—	—	—
Nov. 2009	Birds Eye Foods, Inc.	Pinnacle Foods Group, Inc.	1.37	9.5x	921	144	52	(21)	44	750	747
Sept. 2009	Cadbury plc	Kraft Foods Inc.	21.40	13.3x	5,975	1,609	509	(408)	313	1,618	8,129
Sept. 2008	UST LLC	Altria Group, Inc.	11.50	11.9x	1,991	971	560	—	48	1,280	1,417
June 2008	The Folgers Coffee Company	The J.M. Smucker Company	3.40	8.8x	1,754	386	227	(23)	—	8	629
Apr. 2008	Wm. Wrigley Jr. Company	Mars, Incorporated	23.02	18.4x	5,780	1,251	682	(240)	383	1,130	5,517
Nov. 2007	Post Foods	Ralcorp Holdings, Inc.	2.64	11.3x	1,103	234	117	(21)	—	—	919
Feb. 2007	Pinnacle Foods Group, Inc.	The Blackstone Group, L.P.	2.14	8.9x	1,809	241	(109)	—	—	—	1,765
Aug. 2006	European Frozen Foods of Unilever	Permira Advisors Ltd.	2.20	9.9x	15,200	222	—	—	—	—	—
Aug. 2006	Chef America, Inc.	Nestlé S.A.	2.60	14.5x	22	179	—	—	—	—	—
Oct. 2001	The Pillsbury Company	General Mills, Inc.	10.40	10.1x	6,067	1,005	(114)	(156)	51	230	9,262
Dec. 2000	The Quaker Oats Company	PepsiCo, Inc.	14.01	15.6x	5,096	928	468	(269)	161	774	2,494
Oct. 2000	Keebler Foods Company	Kellogg Company	4.47	10.7x	2,757	449	176	(93)	34	583	1,773
June 2000	Nabisco Holdings Corp.	Philip Morris Companies Inc.	19.02	13.7x	8,913	1,394	378	(222)	140	4,014	11,610
June 2000	International Home Foods	ConAgra Foods, Inc.	2.91	8.5x	2,210	342	1,000	(44)	14	1,150	1,527

Source: FactSet.