

# ANCHIN<sup>®</sup>

Accountants and Advisors

## Food for Thought: State of the Food and Beverage Industry 2017





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# Industry Executive **Panel Profiles**





## Greg A. Wank

Leader - Food and Beverage Industry Practice  
Anchin, Block & Anchin LLP



Gregory Wank, CPA, CGMA, is an accounting and advisory partner at Anchin and a member of the Firm's Executive Committee. Greg is the Leader of the Firm's Food and Beverage Industry Practice, providing accounting, business, and tax planning services to privately held companies and investors throughout the industry, including many emerging brands, manufacturers, distributors and retailers.

As a prominent thought leader in the food and beverage industry, Greg is often sought after as an expert panelist at industry events. He assists the growth of emerging brands as a strategic partner with various investors and accelerators. He also authors the Firm's Food and Beverage industry news alerts, highlighting business issues, distributes the only regional industry survey, and hosts regular industry events including presenting to well over 100 companies at Anchin's annual State of the Food and Beverage Industry event.

Greg is frequently interviewed by various publications and has recently been heard on *Bloomberg Radio* discussing the natural foods industry and quoted in *The Wall Street Journal*. Greg is a devoted father of four and is an active fundraiser for the National Multiple Sclerosis Society as well as a regular blood donor.





**Brett Thomas**  
Partner  
Cavu Venture Partners



Prior to co-founding CAVU, Brett founded and ran Thematic Capital Partners, a private investment vehicle focused on equity investments in the consumer sector.

Brett has invested in and provided media services to some of the biggest brands in the consumer space, including Suja, Bai, Lyft, and Popchips. For many of these brands, Brett helped execute national ad campaigns that led to accelerated company growth and helped build brand equity and recognition.



## Lewis Hershkowitz

President and CEO  
Big Geysers



Lewis Hershkowitz is the President and CEO of Big Geysers Inc. Big Geysers is the premier independent non-alcoholic beverage and snack food distributor for NYC, Long Island, Westchester and Putnam counties. With over 25,000 accounts and servicing all channels of trade, Big Geysers has built a reputation as NY's beverage brand builder since 1986. Big Geysers represents some of the largest food and beverage companies in the world such as Coca-Cola, Nestle, Campbell's, Monster and Hormel. Over the years, Big Geysers has built such brands as Mystic, Nantucket Nectars, Honest Tea, Zico, Vitamin Water and Smart Water. Currently they are in the process of developing exciting newer brands like Essentia, Core and Body Armor.

After graduating Johnson & Wales University, Lewis joined his family's business 23 years ago. Along with his brother Steven, he is proud to carry on the legacy left by their father Irving "Hal" Hershkowitz. Hal was a legend in the NY beverage business, as he started Big Geysers Inc. after an extremely successful career in the wine and spirits industry. Today, Lewis and Steven produce Hal's New York Seltzer and Ginger Ale in his honor.



## Peter J. Burns

President and CEO  
ONE Brands



In 2017, Peter Burns accepted the position of President/CEO at ONE Brands. Burns' experience in the industry will help position the company's infrastructure for growth and drive the expansion of the popular ONE® Bar, a nutrition snack bar packed with 20 grams of protein while containing only one gram of sugar. CAVU Venture Partners, a VC and growth equity firm started by CPG veterans known for backing and building iconic consumer brands, holds a significant investment in ONE Brands parent company and recruited Burns to the position. CAVU has offices in New York, NY Austin, TX, and Los Angeles, CA.

Peter Burns accepted the role of President/CEO at Justin's – Boulder Colorado's much celebrated nut butter company, in January of 2014. Burns developed and executed a successful 2 year strategic sales plan leading to the acquisition of Justin's by Hormel Foods, in May of 2016.

Prior to arriving at Justin's, Burns held the position of President at Celestial Seasonings for more than 5 years. In May of 2011, he accepted the additional position and responsibilities as Chief Sales Officer – Hain Celestial USA. As Celestial's President, Burns typically performed the duties held by a CEO, and as CSO he focused on sales growth and volume forecasting for the most prestigious of the Hain Celestial Brands in the most dominant retailers across the USA.

Prior to his accomplishments at Celestial Seasonings, Burns was the Senior Executive Vice President of Sales and Marketing at Jones Soda Co. and before that, the Vice President of Sales at IZZE Beverage Company. At IZZE, Burns developed a long-term strategic plan and achieved \$20 million in sales in less than two years. He also held senior executive positions at the Mauna Loa Macadamia Nut Corporation and The Hershey Company.



## Nicholas Giannuzzi

Founder/Partner  
The Giannuzzi Group, LLP



From Harvard University to New York University School of Law to a chic business residence in the Meatpacking District of NYC, Nicholas Giannuzzi is a partner and founder of The Giannuzzi Group, LLP.

Started in 2011, the “Giannuzzi Group” has since become the leading law firm for nearly 500 high-growth consumer brand companies in the natural, better for you food and beverage industry.

Among the firm’s many clients – both present and historic – are some of the industry’s most successful and fastest growing companies such as Glaceau (creator of VitaminWater and SmartWater), Pirate’s Booty, Pretzel Crisps, Vita Coco, Siggis, WTRMLN WTR, Mamma Chia, Sir Kensington’s, Hint, Califia Farms, Krave, HappyBaby, Chameleon Cold Brew, Essentia, Rhythm Superfoods, Peeled, Runa, Oatmega, Sugarfina, Juice Press and many more.

In addition to day-to-day legal services, advice and guidance the Giannuzzi Group has assisted its clients in over 500 financing transaction and in nearly 50 exits to strategics and PE funds, including but not limited to sales to Coke, Pepsi, General Mills, Group Danone, Hersheys, Hain Celestial, Amplify, Bacardi, White Wave and many other multi-national companies and some of the largest PE funds.

In the last year, the firm has overseen the sale of KRAVE Jerky to The Hershey Company, the partial sale of Suja Juice to The Coca-Cola Company, the acquisition of Wallaby Yogurt by WhiteWave Foods, the sale of YummyEarth to the Riverside Company and the firm is currently working on multiple sales transactions in the 100s of millions of dollars for its other food and beverage clients.

The Giannuzzi Group has an un-paralleled understanding of the industry and works tirelessly to serve its clients and to create positive relationships with all the investors, co-packers, distributors, brokers, acquirers, service providers and difference makers throughout the industry so that we can shares these relationships with our clients.



Survey Analysis

# Food for Thought



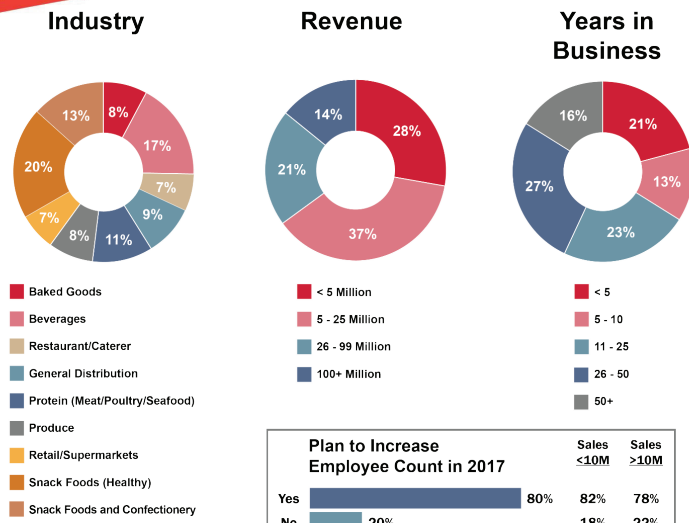
# Agenda

## Respondent Population

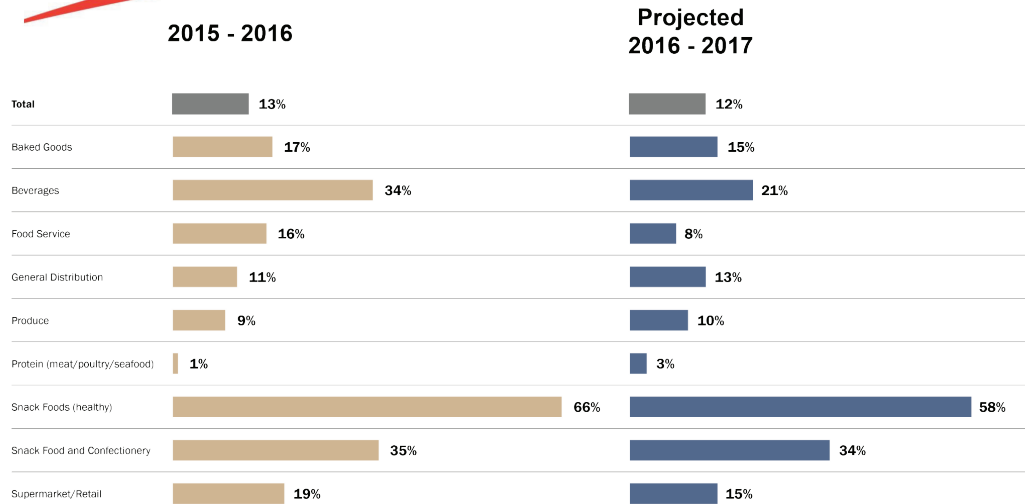
- Growth Trends
- Industry Challenges
- Strategic Responses to Challenges
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# Respondent Population



## Respondent Population: Change in Sales



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## Respondent Population: Distribution Trends

Industry	Top 2015 Channel	Top 2016 Channel
General Distribution	Food service	National retailers
Baked Goods	Supermarkets	Food service
Protein	Food service	Wholesaler
Beverages	Wholesaler	Food service
Snack Foods (healthy)	Wholesaler	National retailers/supermarkets
Snack Foods and Confectionery	Wholesaler	Food service
Produce	Food service	Food service

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# Agenda

Respondent Population

**Growth Trends**

Industry Challenges

Strategic Responses to Challenges

Food for Thought



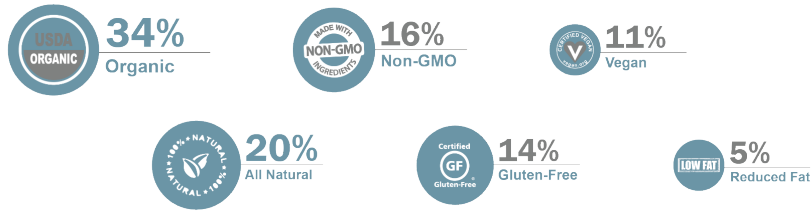
## Growth Trends: Market Positioning

### Expansion Methods

Rank	2013	2014	2015	2016
1	New product offerings	New product offerings	New product offerings	New customers and/or sales relationships
2	New customers and/or sales relationships	Development of a new brand	New customers and/or sales relationships	New product offerings
3	Development of a new brand	New customers and/or sales relationships	Acquisition	Development of a new brand
4	Private labeling	Price	Price	Acquisition
5	Price	Private labeling	Development of a new brand	Price



# Growth Trends: New Product Success



## Agenda

- Respondent Population
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# Industry Challenges

Rank	Actual, 2014	Actual, 2015	Actual, 2016	Projected, 2017
1	New sales channels	Financing/cash flow	New sales channels	New sales channels
2	Financing/cash flow	New sales channels	Increased competition	Cost of labor/benefits
3	Commodity costs	Increased competition	Cost of labor/benefits	Increased competition
4	Cost of labor/benefits	Commodity costs	Commodity costs	Financing/cash flow
5	Increased competition	Government regulation/ food safety	Financing/cash flow	Commodity costs
6	Government regulations/ food safety	Cost of labor/benefits	Cost of fuel/ logistics/utilities	Government regulation/ food safety

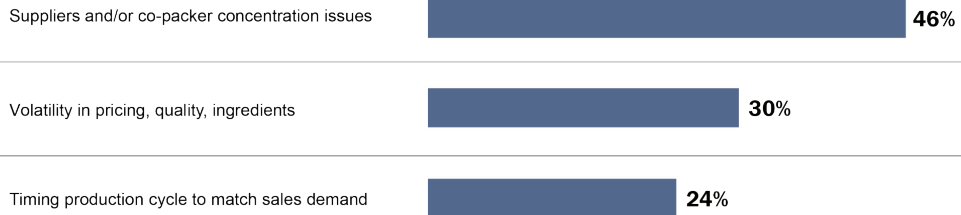


# Top 3 Challenges by Industry

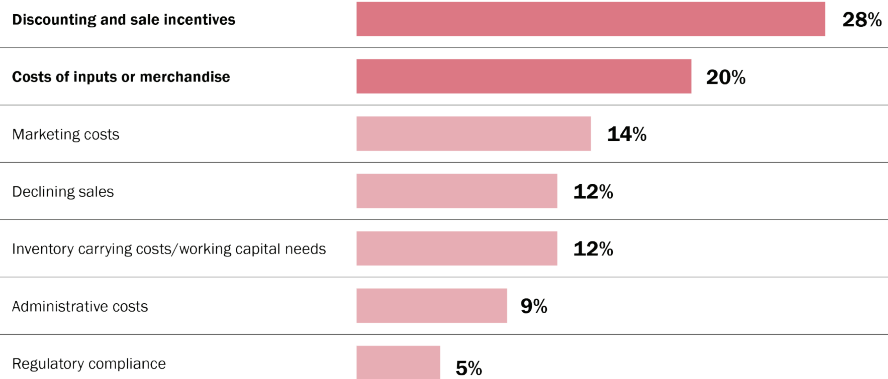
Industry	2016 Challenges	Projected 2017 Challenges
General Distribution	1. New Sales Channels 2. Commodity/Ingredients costs 3. Cost of Labor/Benefits	1. New Sales Channels 2. Cost of Labor/Benefits 3. Government Regulations/Food Safety
Food Service	1. Cost of Labor/Benefits 2. Cost of Fuel/Logistics/Utilities 3. Increased Competition	1. Financing/Cash Flow 2. Increased Competition 3. Cost of Labor/Benefits
Baked Goods	1. New Sales Channels 2. Financing/Cash Flow 3. Cost of Labor/Benefits	1. Increased Competition 2. New Sales Channels 3. Cost of Labor/Benefits
Protein	1. New Sales Channels 2. Cost of Labor/Benefits 3. Commodity/Ingredients costs	1. Commodity/Ingredient Costs 2. Cost of Labor/Benefits 3. New Sales Channels
Beverages	1. Increased Competition 2. New Sales Channels 3. Financing/Cash Flow	1. New Sales Channels 2. Increased Competition 3. Financing/Cash Flow
Snack Foods (healthy)	1. New Sales Channels 2. Financing/Cash Flow 3. Cost of Labor/Benefits	1. New Sales Channels 2. Commodity/Ingredient Costs 3. Increased Competition
Snack Foods and Confectionery	1. New Sales Channels 2. Increased Competition 3. Commodity/Ingredients costs	1. New Sales Channels 2. Increased Competition 3. Commodity/Ingredient Costs
Supermarket/Retail	1. Cost of Labor/Benefits 2. Increased Competition	1. Cost of Labor/Benefits 2. Increased Competition 3. New Sales Channels
Produce	1. Commodity/Ingredients costs 2. New Sales Channels	1. New Sales Channels 2. Commodity/Ingredient Costs 3. Cost of Labor/Benefits



## Industry Challenges: Supply Chain Issues



## Industry Challenges: Greatest Threat to Profitability



# Agenda

■ Respondent Population

■ Growth Trends

■ Industry Challenges

■ **Strategic Responses to Challenges**

■ Food for Thought



# Strategic Responses: Initiatives

Concern	Initiative
Developing New Sales Relationships	<ol style="list-style-type: none"> <li>1. Reviewing and modifying broker network</li> <li>2. Redefining sales strategy by customer</li> <li>3. Hiring internal salespeople</li> </ol>
Supply Chain Costs	<ol style="list-style-type: none"> <li>1. More consistent product mix</li> <li>2. Evaluating hedging strategies or commodity pricing</li> <li>3. Examining alternative sources of production, including bringing in-house</li> </ol>
Cash Flow	<ol style="list-style-type: none"> <li>1. Budget discipline</li> <li>2. Working closely with accountants and advisors</li> <li>3. Right-sizing cost, in light of rising cost of labor</li> </ol>





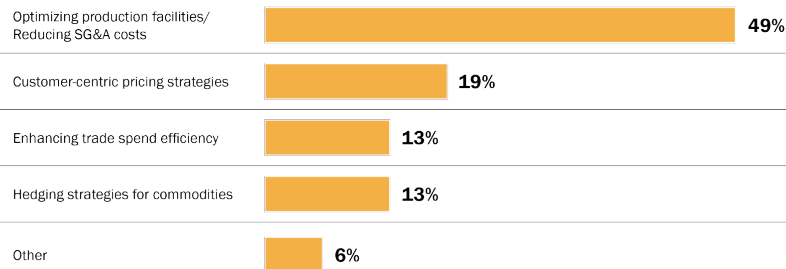
## Strategic Responses: New Investments

		Sales <10M	Sales >10M
Research and development/new products	46%	58%	38%
Advertising and marketing/branding	45%	77%	23%
Employee compensation and training	31%	35%	31%
Expanding facilities	28%	23%	33%
Information technology	22%	12%	28%
Acquisition of a business	11%	12%	10%
Regulation/control environment	3%	0%	5%

Multiple responses allowed

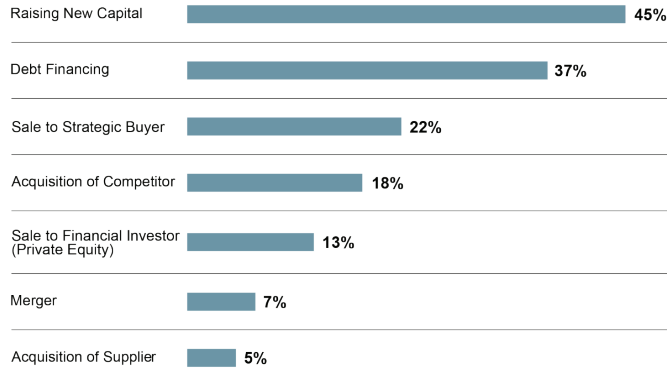
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## Strategic Responses: Combating Volatile Costs



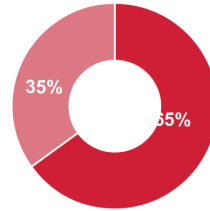
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## Strategic Responses: Anticipate within 3 Years



Multiple responses allowed

Of the 73%  
anticipating a transaction:

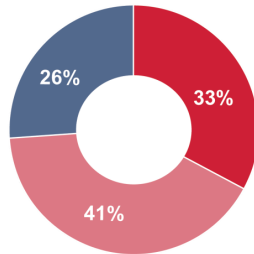


65% have met with interested parties  
35% have not met with interested parties

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## Succession Planning

2016



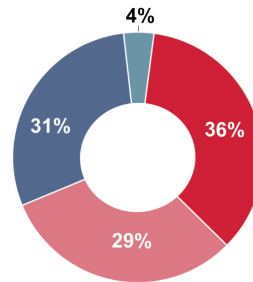
Of the

74%

with a succession plan

Family Member  
Sale or Merger  
Key Employee(s)  
ESOP

2017



Of the

64%

with a succession plan

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# Agenda



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# Food for Thought



- Consistent top line growth
- Cost/benefit of sales promotions
- Supply chain management concerns
- Increase in new product development
- Focus on developing new channels of distribution



A top-down view of a wooden cutting board on a wooden surface. The board is surrounded by fresh ingredients: red bell peppers, asparagus, onions, and potatoes at the top; and sliced bread, cheese, and a glass of milk at the bottom. The text 'Anchin's Food and Beverage Industry Practice' is centered on the board.

**Anchin's Food and Beverage  
Industry Practice**



# WHY ANCHIN? FOOD AND BEVERAGE INDUSTRY PRACTICE



## INDUSTRY KNOWLEDGE

At Anchin, we are not just accountants. We are industry experts with deep knowledge of all areas of the food and beverage industry.



## TAX

Identifying substantial tax savings and areas of exposure often overlooked by others, providing immediate value to you.



## CONTINUITY

Working alongside clients and their management for many years, long lasting relationships that define who we are. We care about you and the future of your business.



## FOCUS

Anchin's Food and Beverage experts help businesses identify and minimize risk, allowing executives to focus on their business.



## GLOBAL

Anchin takes a global approach, thinking about you, your business and your succession or exit strategy. Proactive planning by us provides you with solutions.



## LISTENING

We listen to management to understand all of the factors involved and construct the best advisory plan moving you forward.



## DEPTH

Your business and its challenges change as you grow. We help overcome obstacles and identify opportunities to prosper.



## QUARTERBACK

Our Food and Beverage experts take the lead on your ownership and business needs, quarterbacking the process and helping you plan for the future.



## STRATEGY

Our Food and Beverage team understands your business to help present more opportunities, properly managing your long-term goals.



## NETWORKING

Relationships with key Food and Beverage industry executives and influencers connecting clients with the resources they need to succeed.

# ANCHIN<sup>®</sup>

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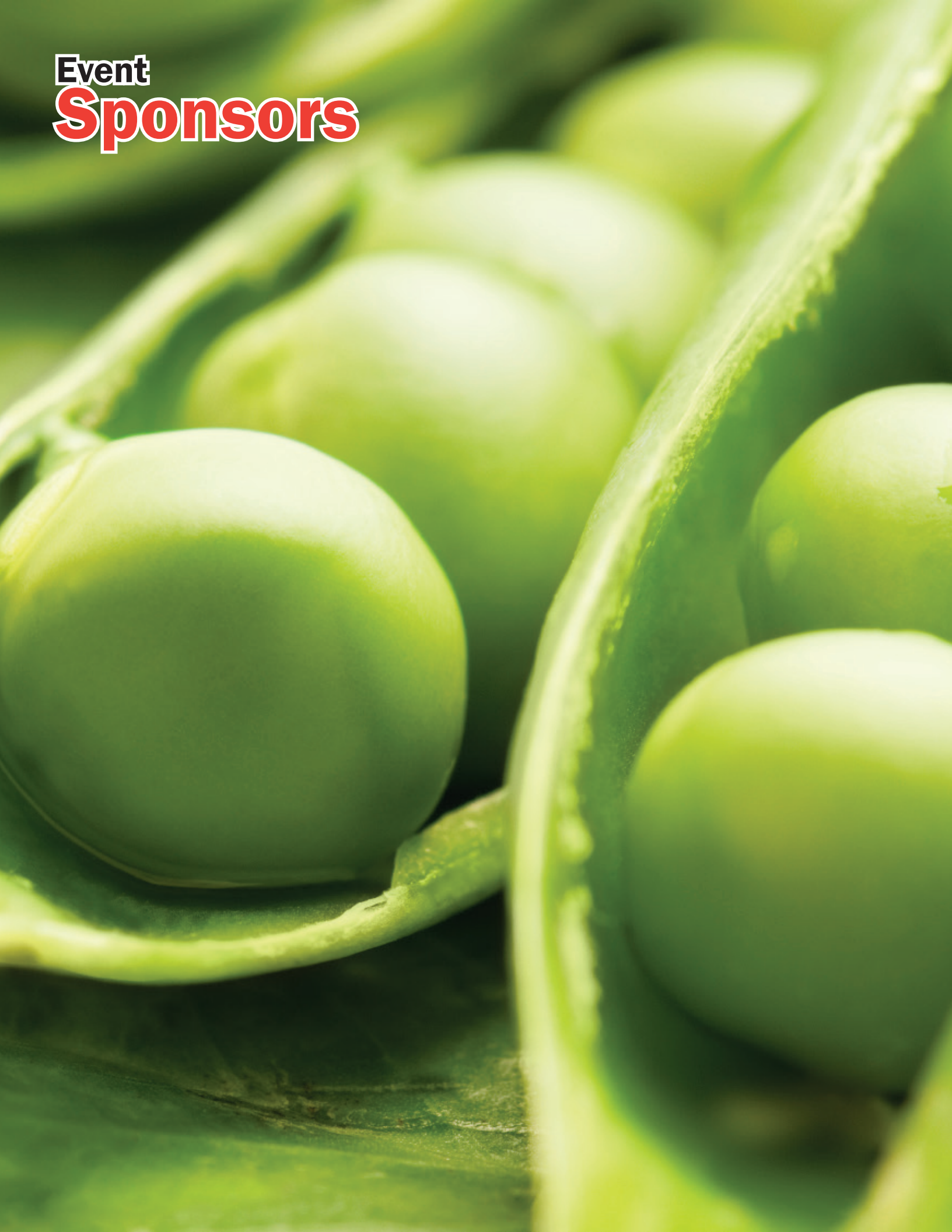
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Event  
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**City Harvest**  
www.cityharvest.org



City Harvest pioneered food rescue in 1982 when they saw the abundance of excess food and recognized the practical purpose it could serve in filling the plates of the working mom who had trouble making ends meet at month's end, the senior in the apartment upstairs living on a fixed income, and the family around the corner coping with a large and unexpected medical bill.

Today, nearly 1.4 million New Yorkers struggle to put meals on their tables and City Harvest has scaled up their efforts to fight hunger. City Harvest will collect 55 million pounds of excess food this year and deliver it free of charge to 500 soup kitchens, food pantries and other community food programs across the five boroughs. By redirecting this nutritious food from supermarkets, manufacturers, farmers markets, and restaurants to our neighbors in need, they support our local communities and reduce the environmental impact of food that would otherwise go to waste. Learn more at [cityharvest.org](http://cityharvest.org).

Anchin is proud to support City Harvest's *Skip Lunch Fight Hunger* initiative, which ran from May 15–19, 2017. *Skip Lunch Fight Hunger* is City Harvest's annual spring fund-raising campaign that asks New Yorkers to donate what they normally spend on lunch to help fight childhood hunger in New York City. During the summer, access to free school meals may become limited, adding strain to families who already struggle to put food on the table. Funds raised through *Skip Lunch Fight Hunger* help City Harvest to meet this need for emergency food. Learn more at [skiplunch.org](http://skiplunch.org).



## The Giannuzzi Group, LLP

www.gglaw.us



**GIANNUZZI**  
**GROUP LLP**

The Giannuzzi Group, LLP is a boutique New York City based law firm focusing on corporate, general business and merger and acquisition matters, with significant experience in the consumer brands areas of fashion, food and beverage, leisure, lifestyle and wellness.

Servicing a unique and important part of consumer-driven business, the firm's tailored experience and resources enable their clients to meet the unique range of legal challenges facing consumer brands such as brand and infrastructure development, raising capital, market implementation, consumer acceptance, and ultimately, selling their business.

The firm's long-established relationships with investors, manufacturers, distributors, marketing companies and other consultants and advisors, makes the Giannuzzi Group a value-added legal practice.

Since 1993, Nicholas L. Giannuzzi, the firm's managing partner has focused on the legal representation of small to mid-sized consumer products companies which have become some of the best known and most successful category leaders in the United States.

In 2010, Nick launched the Giannuzzi Group – the premiere law firm dedicated solely to guiding clients to achieving their business, brand and product development goals.



## IDB Bank

www.idbny.com

# It's personal™

IDB Bank is a full service commercial bank chartered by the State of New York and a member of the Federal Deposit Insurance Corporation (FDIC). We offer innovative and valuable products and services that meet the diverse financial needs of our clients. The Bank specializes in U.S. Private Banking, International Private Banking, Middle Market Lending, Asset Based Lending, Commercial Real Estate Lending, Trademark Financing, Factoring, Trade and Finance (Import, Export and Standby Letters of Credit, Documentary Collections, Bankers' Acceptances)

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- Cash Management
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- Import financing for international transactions
- Can act as sole lender or actively participate in multi-bank transactions and large syndication loans
- Direct access to decision-makers
- Quick turnaround
- Competitive terms
- Flexibility
- Years of experience in and commitment to this market
- Seasoned executives with expertise in a wide range of industries
- High degree of personalized attention

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## Propeller Industries

www.propellerindustries.com

# PROPELLER INDUSTRIES

Propeller Industries is a CFO and accounting partner for companies that have outgrown bookkeeping but can't yet afford to hire a full-time finance team. Our approach enables clients to manage growth using a dedicated team at different levels and a proven set of technologies and best practices – all under one point of CFO-level accountability.

Propeller has taken clients from seed stage through exit and from \$0 to over \$100M in revenue, but we specialize in funded, consumer products, food & beverage, technology and services firms with annual revenue between \$2M and \$20M. Selected CPG clients include Krave Jerky, Sir Kensington's, Chameleon Cold Brew and Kite Hill Foods. Consumer and tech clients include Casper, Giphy and TheSkimm.

Since our founding in 2008, Propeller has grown to over 100 full-time employees working from 5 US and 2 international offices. Our firm currently manages nearly \$1B in annual spending for several hundred clients who have raised over \$1B in capital from top investors.

## Whipstitch Capital

www.whipstitchcapital.com



Whipstitch Capital is a specialized investment bank that provides mergers & acquisitions and private placement advisory services to consumer products companies. Led by industry veterans Michael Burgmaier and Nick McCoy, Whipstitch prides itself on working with clients to make the right deals happen at the right time. We help our clients sell all or a majority of their company, raise capital from the right investor at the best-possible terms and assist companies and private equity firms with identifying and completing investments and/or acquisitions.

Our comprehensive expertise covers all aspects of M&A and capital raising. We focus on fast-growth, innovative consumer products companies in the following sectors: branded food and beverage, ingredients, food-related technology, private label manufacturers, nutritional supplements and OTC/pharma, and retail and restaurants. Whipstitch Capital's deep expertise in the healthy and active-living subsectors can't be matched. Since 2005, the Whipstitch team has completed more than 40 transactions with innovative consumer companies such as KeVita, Essentia Water, Saffron Road, Blake's All Natural Foods, Spindrift, Zola, JC's Pie Pops, Soapbox, Yasso and more.

Whipstitch is about the true consumer product and retail innovators who fight the good fight, take risks, and change how consumers think about the products and services they buy. We like to get to know companies early in their lifecycle, share what we know, provide informal advice and feedback, and bask in your success while having fun together. We love to help. We pride ourselves in straight talk and transparency—no time for BS. Let's get the job done—and done right—and enjoy some living.

Whipstitch Capital: DealDifferent™



# Attending Companies & Exhibitors

Ace of Spades  
Affinity Beverages  
All Beauty, LLC  
Baruvi Fresh, LLC  
BCS International Corp  
Beyond Better Foods LLC  
Big Geyser, Inc.  
BMT Weiser LLC  
Bogopa Food Services Corp  
BONCHOU Eclairerie  
BRAMI  
Chef LMT Foods  
Brooklyn Brands  
Carrington Tea Company  
Castella Imports, Inc.  
Chef El-Amin  
Chef's Cut Real Jerky Co.  
Cissé Cocoa Co.  
Dora's Naturals, Inc  
Dr. Praeger's Sensible Foods  
Ends Meat  
Evoke Healthy Foods  
Fairway Group Holdings  
Feel Good Foods  
Five Boroughs Brewing Co.  
Fruit Bliss  
Gotham Greens LLC  
Grady's Cold Brew  
Gritwork  
Hal's Beverage LLC  
Handsome Brook Farm  
Happy Tree Maple Water  
Harbor Seafood, Inc.  
Havana Central  
HFactor  
House of Spices Inc.  
Jersey Lynne Farms, Inc.

JUST Goods, Inc.  
Kidfresh  
Madécasse  
Ms. Michelle's  
Navy Hill  
New Pop  
Nourish Snacks  
ONE Brands  
Old Dutch Mustard  
Owl's Brew  
Peeled Snacks  
Pure Green  
Rao's Specialty Foods, Inc.  
Rip Van Wafels  
Ruby's Naturals / Brewla Bars  
Runa LLC  
S. Katzman Produce  
Satur Farms LLC  
Schmieding Produce Company  
Schuman Cheese  
Screamin' Onionz  
Sea Breeze Syrups  
Siggii's Dairy  
Sir Kensington's / Kensington & Sons, LLC  
Sophia's Delight  
SOUND Tea  
Stur Drinks  
Sunniva  
Sweetriot, Inc.  
Tasty Bite / Preferred Brands International, LLC  
Temple Turmeric  
Tio Gazpacho  
Tribeca Oven  
Tumbador Chocolate  
VERDAY  
Vita Mansi Company, Inc  
White Coffee Corp

.....and many more!



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