

# PNC FOOD & BEVERAGE

## Market Quarterly

Welcome to the *Food & Beverage Market Quarterly* where we will highlight industry trends occurring within the value chain. While diverse, most companies generally fall within one or more of the five upstream and downstream sectors shown to the right.

### FOOD & BEVERAGE VALUE CHAIN

#### Processing



- Agribusiness
- Meats, Protein, Dairy
- Produce, Nuts
- Packaged, Bulk

#### Branded Food



- Frozen, Refrigerated
- Shelf Stable
- Savory Snacks
- Confectionary

#### Beverage



- Beer, Wine, Spirits
- Soft Drinks, Seltzer
- Coffee, Tea
- Juice, Water

#### Grocery & Retail



- Large Format
- Small Format
- Club Stores
- Convenience

#### Food Service



- Quick Service
- Casual
- Specialty
- Institutional

### TREND SPOTLIGHT

#### Plant-Based Alternatives Growing With Consumers

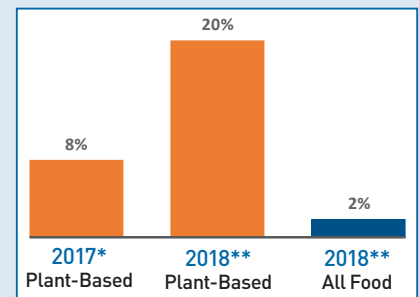
The plant-based food industry has experienced rapid growth in recent years with Nielsen finding 39% of Americans actively trying to eat more plant-based foods last year.<sup>2</sup> The rise in plant-based food sales has been attributed to consumers' focus on health and wellness, animal welfare, and environmental sustainability. Individuals purchasing these plant-based alternatives do so when they are viewed as healthier, more ethically sourced options that don't sacrifice taste.

Grocers, restaurants and food companies are actively investing through shelf space, marketing or ownership in the plant-based food category, partnering with startup companies such as Impossible Burger, Memphis Meats and Beyond Meat. Grocers are positioning meat and dairy alternatives in their traditional counterparts' aisles.

Restaurants such as Carl's Jr., TGI Fridays, White Castle and A&W Restaurants are adding meat alternatives to their menu, alongside health-focused marketing initiatives. Large meat processors such as Tyson and Cargill are making strategic investments in plant-based startups to help diversify their protein offerings.<sup>4,5</sup> All sectors are attempting to attract customers who want to experiment with plant-based eating but aren't necessarily vegan, also referred to as being a *flexitarian*.

PNC proudly supports **475+** clients with more than **\$12 billion** of credit commitments across the industry.<sup>1</sup>

#### PLANT-BASED FOOD ANNUAL RETAIL SALES GROWTH



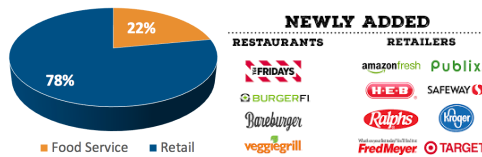
\* 52 weeks dollar sales ending August 2017  
 \*\* 52 weeks dollar sales ending June 2018  
 Nielsen data includes dollar sales for meat, egg and dairy alternatives.<sup>3</sup>

## HIGHLIGHTED TRANSACTION

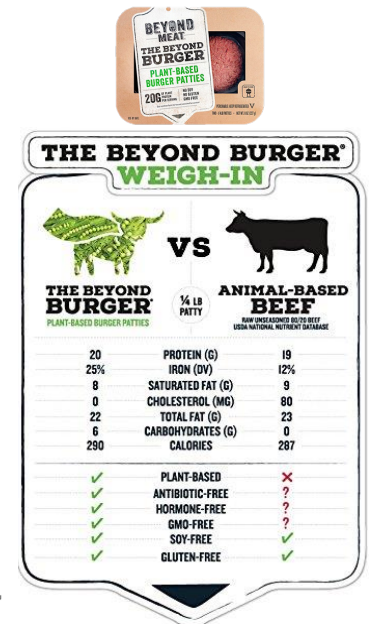
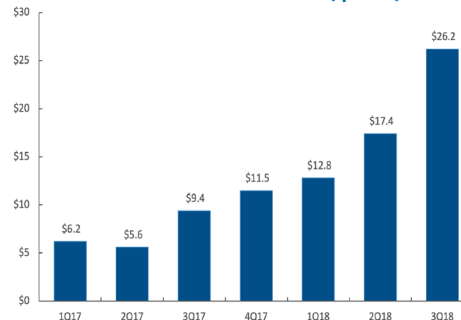
### Beyond Meat Files for Initial Public Offering — November 19, 2018<sup>4</sup>

- Beyond Meat is one of the fastest growing food companies in the United States, offering a portfolio of plant-based meats.
- The California-based startup is the maker of the “Beyond Burger,” its flagship vegan product, and vegan sausage, vegan chicken and vegan meat crumbles.
- The company hopes to raise as much as \$100 million to invest in current and additional facilities and R&D, and to expand sales and marketing capabilities.
- Products are currently available in approximately 28,000 points of distribution primarily in the United States as well as in several other countries, across mainstream grocery, mass merchandiser and natural retailer channels, and various food-away-from-home channels, including restaurants, food service outlets and schools.
- At one of its main vendors, Kroger, 93% of Beyond Burger buyers over the 26-week period ended June 30, 2018, also purchased animal protein during the same period, evidencing appeal to both vegan and flexitarian eaters.

### REVENUE BREAKDOWN / VENDORS



### QUARTERLY REVENUE (\$MM)



### RECENT LOAN MARKET ACTIVITY

Date	Borrower	Rating	Size (\$MM)	Structure	Tenor	Drawn (bps)	Undrawn (bps)	Purpose
1/3/19	Altria	BBB / A3	\$14,600	DDTL	364 Days	100.0	9.0	Acquisition
12/5/18	McDonald's	BBB+ / Baa1	\$3,500	Revolver	5 Years	100.0	8.0	General Corporate
11/29/18	Tyson Foods	BBB / Baa2	\$1,800	Term Loan A	364 Days	112.5	-	Acquisition
11/16/18	Albertsons	B+	\$4,000	ABL Revolver	5 Years	150.0	25.0	General Corporate
		BB- / Ba2	\$2,000	Term Loan B	7 Years	300.0	-	General Corporate

### RECENT CAPITAL MARKETS ACTIVITY

Date	Issuer	Rating	Size (\$MM)	Tenor (Years)	Spread (bps)	Coupon	Purpose
1/7/19	Kroger Co.	BBB / Baa1	\$600 / \$600	10 / 30	190 / 245	4.50% / 5.40%	General Corporate
11/28/18	Anheuser-Busch InBev	A- / Baa1	\$2,500 / \$4,250 / \$750	6 / 10 / 12	160 / 205 / 220	4.15% / 4.75% / 4.90%	General Corporate
			\$2,000 / \$4,000 / \$2,000	20 / 30 / 40	240 / 250 / 275	5.45% / 5.55% / 5.80%	

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1 As of November 30, 2018

2 nielsen.com/us/en/insights/news/2018/plant-based-food-options-are-sprouting-growth-for-retailers.html

3 plantbasedfoods.org/consumer-access/nielsen-data-release-2018/

4 sec.gov/Archives/edgar/data/1655210/000162828018014471/beyondmeats-1.htm

5 chicagotribune.com/business/ct-biz-tyson-ventures-beyond-meat-20180419-story.html

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