

Performance Foods / Reinhart Foodservice



Acquisition Insights

July 3, 2019





Transaction Overview

- Performance Food Group Company (PFG) announced the acquisition of the assets of Reinhart Foodservice (RFS).
- Reinhart is the second largest privately held foodservice distribution company with 2018 net sales of over \$6 billion and an adjusted 2018 EBITDA of \$164 million.
- The purchase price is \$2 billion, a 12.2x multiple of adj. 2018 EBITDA.
- Reinhart did not have a financial advisor, while PFG was advised by Credit Suisse.
- The transaction was structured as an asset sale and has estimated tax benefits to PFG of \$265 million.
- The deal is subject to regulatory approval including the FTC's approval.



Reinhart Foodservice

Profile:

- 26 distribution centers
- Over \$6 billion of net sales in 2018
- \$164 million adjusted 2018 EBITDA
- ~ 90,000 SKUs
- 42,500 customers
- ~ 5,600 associates

Note:

- RFS was acquired by Reyes Holdings in 2005 and has grown from \$1.6 billion in revenue to \$6 billion.

Summary Financials - Reinhart

\$ in MMs

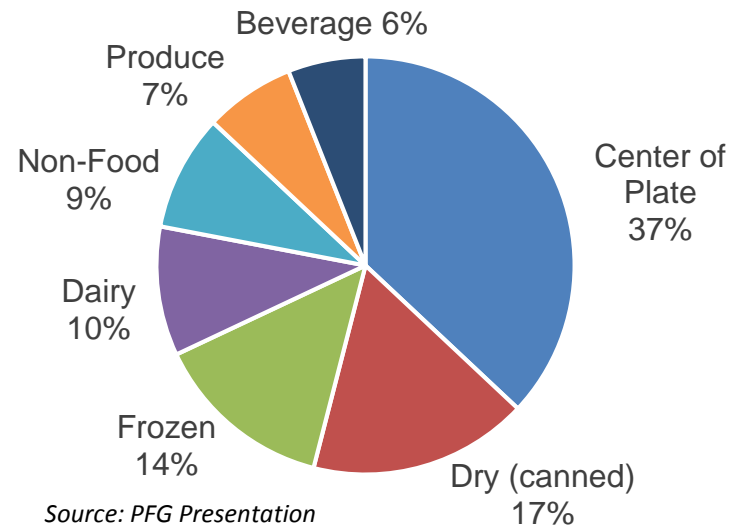
Net Revenue (2018) ~\$6,000

Adj EBITDA (2018) **\$164**
% Margin 2.7%

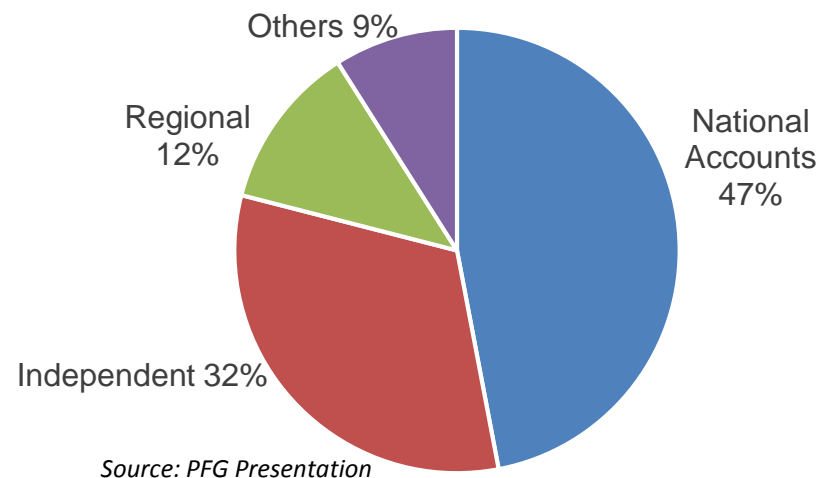
Adj EBITDA plus Synergies **\$214**
% Margin 3.6%

Source: PFG Press Release

2018 Sales by Product Mix



2018 Sales by Customer Type





Deal Metrics

Transaction Highlights:

- The transaction is being financed by PFG with a combination of borrowing on the company's ABL, new senior unsecured notes, and equity proceeds, subject to market conditions, of \$300 mm - \$400 mm.
- PFG estimates a \$265 million present value of tax benefits to be realized as a result of the transaction.
- PFG expects to achieve \$50 mm in annual run-rate cost synergies in the third year following the close of the transaction.
- PFG is targeting a net debt-to-Adjusted EBITDA ratio of less than 4.0x within 24 months following closing.

Source: PFG Presentation

Enterprise Value Metrics (\$ in MMs)

Enterprise Value	\$2,000
Enterprise Value Adj. for Tax Benefits	\$1,735
Ent. Value / 2018 Net Revenues	0.3x
Ent. Value / 2018 Adj. EBITDA	12.2x
Ent. Value adj. for Tax Ben. / 2018 Adj EBITDA	10.6x
Ent. Value adj. for Tax Ben. / 2018 Adj EBITDA + Synergy	8.1x

PFG Pro Forma Financial Profile

(\$ in MMs)

Net Debt

Debt Prior to Acquisition (3/30/19)	\$1,185
Less: Cash prior to Acquisition (3/30/19)	<u>8</u>
Net Debt prior to Acquisition (1)	1,177
Plus: Acquisition (2)	<u>1,600</u>
Net Debt Pro Forma	2,777

(1) Does not include any debt that may have been incurred from the Eby-Brown acquisition.

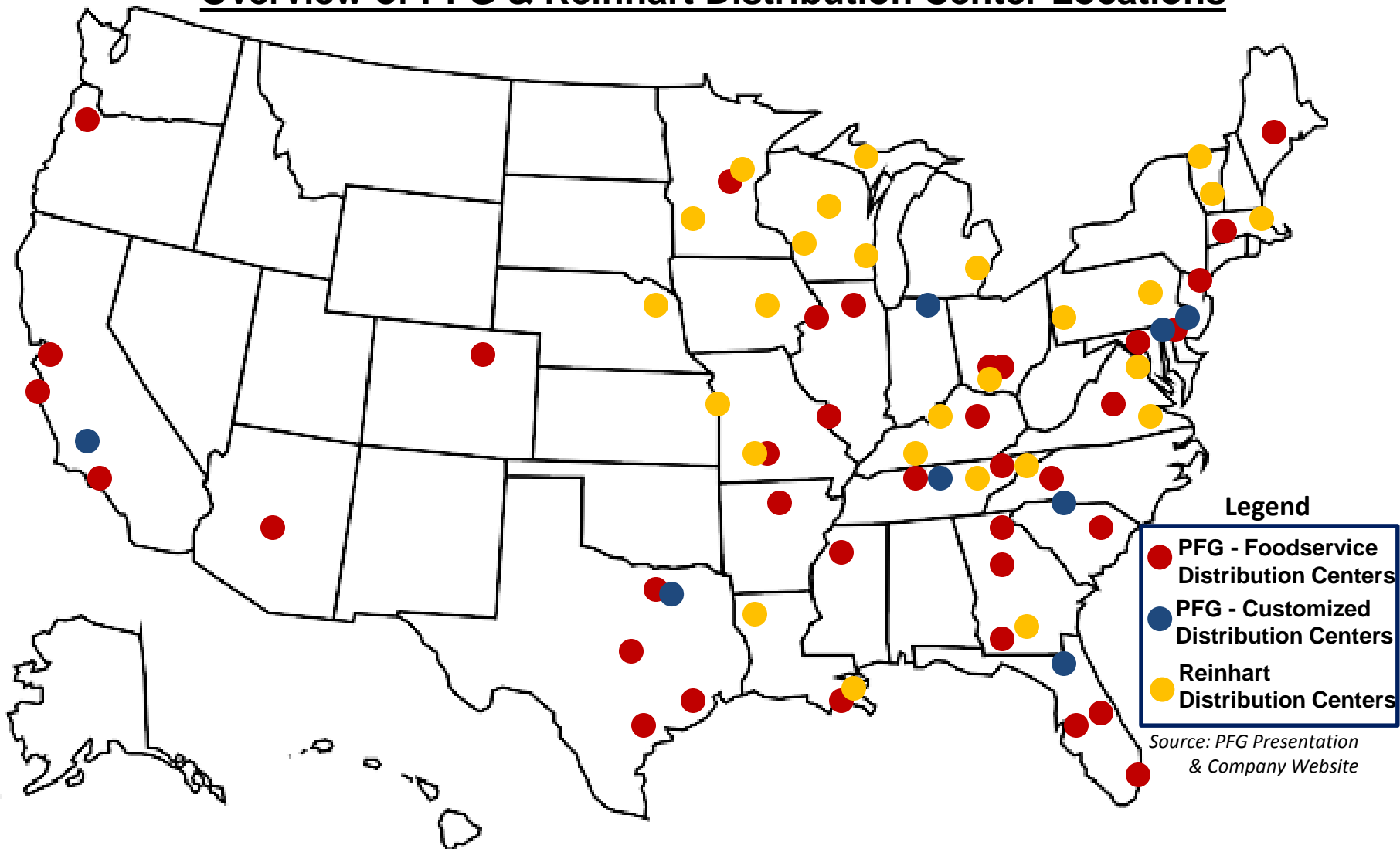
(2) PFG anticipates raising \$300mm to \$400mm in equity subject to market conditions. We have assumed they raise \$400 mm.

Source: PFG Press Release and KA estimates



Geographic Profile

Overview of PFG & Reinhart Distribution Center Locations





Geographic Profile – Broadline Per State

Locations Per State:	<u>PFG</u>	<u>RFS</u>	<u>Total</u>
AR	1	0	1
AZ	1	0	1
CA	3	0	3
CO	1	0	1
FL	3	0	3
GA	2	1	3
IA	0	1	1
IL	2	0	2
KY	1	2	3
LA	1	2	3
MA	1	1	2
MD	1	0	1
ME	1	0	1
MI	0	2	2
MN	1	2	3
MO	2	2	4
MS	1	0	1
NC	1	0	1
NE	0	1	1
NJ	3	0	3
OH	2	1	3
OR	1	0	1
PA	0	2	2
SC	1	0	1
TN	2	2	4
TX	4	0	4
VA	1	2	3
VT	0	2	2
WI	0	3	3
Total	37	26	63

Source: PFG Presentation
& Annual 10-K filed 8-16-18



- At \$2 billion, this acquisition represents the largest in the U.S. broadline distribution industry, certainly in recent years. It closely follows US Foods July 2018 purchase of SGA for \$1.8 billion.
- The RFS acquisition will require a significant integration effort over the next year or so. It is unknown at this time how this manpower requirement will impact PFG's near term acquisition plans.
- PFG is also currently integrating their acquisition of Eby-Brown into their Vistar division. The deal closed on April 29, 2019. Eby-Brown had \$5.3 billion in revenue in 2018, which included \$1 billion of tobacco excise taxes.
- PFG indicated they hoped to close the transaction by the end of this year. As noted previously, the USF / SGA acquisition was announced 11 months ago and has yet to clear the Federal Trade Commission.



- RFS is the single largest member of IMA. Their purchases, when combined with SGA's are estimated to be 65% - 70% of all purchases.
- Reinhart is also a member of DMA. While DMA has added three new members in anticipation of SGA's departure, RFS's exit will represent a significant reduction in geographic coverage.
- However should the FTC require PFG to divest locations due to a perceived overconcentration, it could significantly alter the broadline playing field in as many as 4 – 6 markets.
- In addition, KA believes the “race for scale” will accelerate as the remaining super regional distributors seek to acquire profitable well managed independent companies, including broadline, produce and protein operations.



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