Economic Forces Driving the Cold Chain Sector

Bram Stevens - Head of Sponsor Coverage, Rabobank
Martijn Breur - Mergers & Acquisitions, Rabobank
Matteo Iagatti - Food Logistics Analyst, FAR Rabobank
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Your Rabobank team presenting today

**Bram Stevens**
Managing Director
Head of Sponsor Coverage North America
Bram.Stevens@Rabobank.com

- Over 15 years of Private Equity, Investment Banking and Leveraged Finance experience in Europe and North America
- Heads sponsor coverage for North America and closely coordinates with his counterpart in Europe as well as the various Global Sector Heads linking the various parts of the food value chain
- Core member in Rabobank’s efforts in Supply Chain and together with GSH Tjard Westbroek, Matteo Iagatti and Martijn Breur driving Rabobank’s agenda around the cold chain

**Martijn Breur**
Executive Director Mergers & Acquisitions
Martijn.Breur@Rabobank.com

- Over 12 years of M&A experience in the Netherlands, Singapore and New York
- Responsible for the foodservice, food distribution and cold chain sectors
- Advised clients such as Cargill, CP Foods, FrieslandCampina, Lineage Logistics, Post Holdings and Sysco
- Selected transactions include the acquisition of Partner Logistics and Yearsley Group by Lineage Logistics, Weetabix by Post Holdings, a Russian poultry processor by CP Foods and the sale of CSM Bakery Supplies to Rhône

**Matteo Iagatti**
Analyst
Food & Agri Supply Chains
Matteo.Iagatti@Rabobank.com

- Joined the F&A Supply chain team in April 2018
- Extensive experience in F&A market, worked as a lobbyist for the European sugar beet growers. Previous experiences include consultancy and rural development projects
- Responsible for market analysis in the food logistic sector covering cold chain, food distribution and agri bulk commodities logistics
- Main focus of 2019 research will be the mapping of the European cold chain sector and the contribution of food distribution to food supply sustainability
Introduction
Rabobank is a leader in Consumer Food and Agriculture globally

USD 740bn of assets with USD 120bn committed to the F&A sector

Located in 40 countries

Active in all segments in the Netherlands with a F&A focus worldwide

Note 1: Ranking as per Global Finance 2017
Over 50 strategic transactions in the last 24 months for industry leading clients

- Ourofino Quimica: Sale of a minority stake to ISK (pending)
- E&A Scheer: Sale of E&A Scheer to Riverside (pending)
- Groupe Soufflet: Disposal of Ceres to Dossche Mills (pending)
- Carigill: Acquisition of Carigill's maltling business
- Le Martiniquaise: Acquisition of Cuity Sark from Edrington (2018)
- Chomthana: Sale of 95.6% stake to Yili Group for USD 81m (2018)
- Gmyrek: Sale of Gmyrek to Group of Butchers (backed by Equistone) (2018)
- Konspol: Sale of Konspol to Carigill (2018)
- Permira: Acquisition of a 50% stake in Grobest (2018)
- Bay Grove / Lineage Logistics: Acquisition of Yearsley Group (2018)
- Marfrig Global Foods: USD 969m acquisition of 51% membership interest in National Beef (2018)
- Algar Agro: Sale of 100% of Algar Agro to ADM (2018)
- Adama & Syngenta: USD 490m sale of certain crop protection products in Europe by Adama and Syngenta to Nutfarm (2018)
- ED&F Man Holdings: Sale of SIS Group to Mitsui Sugar and Mitsui for c. USD 100m (2018)
- NPM capital: Acquisition of Ploeger Oxbo (2018)
- Food Freshness Technology: Acquisition of stake in Food Freshness Technology (2018)
- The Scouler Company: Sale of Mississippi River Delta grain facilities (2018)
- Autogill: Acquisition of Le Crobag from Groupe Soufflet (2018)
- Sioux: Sale of its 40.5% shareholding in Phenom-World to FEI (2018)
- Sun European Partners: Acquisition of a majority stake in Afriflora (2018)
- Fresh Del Monte Produce: USD 361m acquisition of Mann Packing (2018)
- Syngenta: Acquisition of Nidera Seeds (2018)
- Adama: Sale of certain crop protection assets in the US to AMVAC (2017)
- Post Holdings: USD 1.8bn acquisition of Weetabix (2017)
- Monsanto: Sale of Monsanto's seed plant in Brazil to Tennesseeds (2017)
- Cargill: Sale of soy crushing & refining assets in NW Europe to Burge (2017)
- Sazerac Company, Inc.: Acquisition of 43% stake in John Distilleries Pvt. Ltd. (2017)
- Davide Campari-Milano: Disposal of Campari's soft drinks division to Royal Unibrew (2017)
- Lineage / Bay Grove: Acquisition of Partner Logistics by Lineage / Bay Grove (2017)
Rabobank leading Food & Agri banking globally

Global F&A – 2018 # deals¹

<table>
<thead>
<tr>
<th>Rank</th>
<th>Mandated Lead Arranger</th>
<th>Deal count</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rabobank</td>
<td>98</td>
</tr>
<tr>
<td>2</td>
<td>Bank of America Merrill Lynch</td>
<td>75</td>
</tr>
<tr>
<td>3</td>
<td>JPMorgan</td>
<td>74</td>
</tr>
<tr>
<td>4</td>
<td>MUFG</td>
<td>66</td>
</tr>
<tr>
<td>5</td>
<td>BMO</td>
<td>56</td>
</tr>
<tr>
<td>6</td>
<td>BNP Paribas</td>
<td>49</td>
</tr>
<tr>
<td>7</td>
<td>Wells Fargo</td>
<td>48</td>
</tr>
<tr>
<td>8</td>
<td>Mizuho</td>
<td>48</td>
</tr>
<tr>
<td>9</td>
<td>ING</td>
<td>44</td>
</tr>
<tr>
<td>10</td>
<td>Citi</td>
<td>42</td>
</tr>
</tbody>
</table>

Note 1: Source: Dealogic, 01-01-2018 – 31-12-2018
Rabobank is highly active in the cold chain industry

Selected recent advisory & financing transactions

- **Confidential**
  Acquisition financing in relation to acquisition in Asia-Pacific region
  Pending

- **Lineage Logistics**
  Acquisition of Yearsley Group Limited
  Undisclosed
  Lead Financial Advisor 2018

- **Lineage Logistics**
  Refi USD 550,000,000 Senior Secured Credit Facilities
  Joint Lead Arranger 2018

- **Americold**
  IPO and Follow-On Offering USD 1,050,000,000
  Senior Co-Manager 2018

- **Lineage Logistics**
  Acquisition of Partner Logistics
  Undisclosed
  Financial Advisor 2018

- **Americold**
  Refinancing USD 1,275,000,000 Senior Secured Credit Facilities
  Joint Lead Arranger, Joint Bookrunner 2018

- **Arhma Holding B.V.**
  EUR 10,400,000
  Global Client Solutions
  Sole Arranger
  Growth Capital Provider 2017
Market fundamentals driving the cold chain market
Global market and regional relevance

**Globalized Food Market**
- Global approach to F&A logistics
- Need ability to consistently deliver in multiple markets
- Integrity of supply chain
- Large CPGs under pressure

**Specific Regional Products**
- Sectorial regional specialization of food production
- Demand for premium products rising
- Demands for Organic, Local and Sustainable
- Different service models

**Concentration of Population**
- Larger city to be supplied in the future
- Demanding consumers and closer cooperation with retailers
- Proximity vs. economies of scale
- Variety of distribution channels

**Eating habits in emerging markets**
- Fresh and frozen food consumption on the rise
- Attractive demographic trends
- First signs of premiumization
- Need for modern and flexible cold chain infrastructure

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**F&A logistics**
- Opportunity to grow organically in different region
- Consolidation involves also smaller specialized players
- Serving the growing city population
- Follow the consumption trends in emerging economies

Source: Rabobank
Consumer megatrends have an impact on logistics, mainly through convenience and health & safety.

Source: Rabobank
Distribution Channels: getting closer to the consumer

Market share for grocery distribution channels in Western Europe - % of retail sales value

Distribution channels in Western Europe: CAGR 2013-2017 vs. CAGR 2018-2023

Source: Euromonitor, Rabobank, 2019
Multi-layered approach to food supply and logistics

- Segmentation of Economic and Food supply chain
- Fine tuning of market analysis on multiple layers
- Define specific opportunity and threat
- Deep knowledge of the market
Key trends in the cold storage market
Key trends in cold chain logistics

1. **Technology – Big Data**

2. **Thinking outside the traditional storage box**

3. **Value added services**

4. **Adaptation to change in consumer preferences**

5. **Disruptive innovations**

6. **Consolidation driven by institutional investors**

Source: Rabobank FAR
### Innovation and technology play key roles in the sector’s development

<table>
<thead>
<tr>
<th>Concept</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Automation</strong></td>
<td>Conveyor belts, automatic guided vehicles, AS/RS</td>
</tr>
<tr>
<td><strong>Big data analysis</strong></td>
<td>Multiple temperature sensors in a single building</td>
</tr>
<tr>
<td></td>
<td>Analyzing weather forecasts (using algorithms)</td>
</tr>
<tr>
<td></td>
<td>Analyzing the usage of storage rooms</td>
</tr>
<tr>
<td></td>
<td>Pricing excellence</td>
</tr>
<tr>
<td><strong>AI – Machine learning</strong></td>
<td>Truck movement tracking</td>
</tr>
<tr>
<td></td>
<td>Optimization of internal routing</td>
</tr>
</tbody>
</table>

### Select innovation examples

- Temperature detection sensors
- App dashboard to track all metrics
- Space optimization through automation

*Source: Rabobank FAR*
Key trends in cold chain logistics

1. Technology – Big Data
2. Thinking outside the traditional storage box
3. Value added services
4. Adaptation to change in consumer preferences
5. Disruptive innovations
6. Consolidation driven by institutional investors

Source: Rabobank FAR
Cold chain industry continues to trend towards modern capacity as proven by recent projects

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Completion</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEWCOLD</td>
<td>Tacoma (WA, US)</td>
<td>May 2018</td>
<td>A fully automated cold storage warehouse, ASRS (automated storage and retrieval system), 275,000 sq ft, temperature-controlled logistic and distribution facility, uniquely designed to accommodate 36 refrigerated rail cars for the (un)loading of perishables</td>
</tr>
<tr>
<td>Lineage Dreisbach</td>
<td>Oakland (CA, US)</td>
<td>November 2018</td>
<td>A fully automated cold storage warehouse, ASRS (automated storage and retrieval system), a significant expansion to its current facility</td>
</tr>
<tr>
<td>Americold</td>
<td>Rochelle (IL, US)</td>
<td>December 2018</td>
<td>Central trimodal location, 80,729 sq ft expedition area featuring 38 dock shelters, equipped with ripening rooms and (un)packing facility designed for handling fruits &amp; vegetables</td>
</tr>
<tr>
<td>Kloosterboer</td>
<td>Rotterdam (NL)</td>
<td>May 2017</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Height</th>
<th>Storage capacity</th>
<th>Key customer(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>43m</td>
<td>100,000 pallets</td>
<td>Trident</td>
</tr>
<tr>
<td>n.a.</td>
<td>20,000 pallets</td>
<td>Tyson</td>
</tr>
<tr>
<td>n.a.</td>
<td>57,600 pallets (additional)</td>
<td>McCain, Kraft Heinz</td>
</tr>
<tr>
<td>n.a.</td>
<td>40,000</td>
<td></td>
</tr>
</tbody>
</table>

Source: Rabobank
Key trends in cold chain logistics

1. Technology – Big Data
2. Thinking outside the traditional storage box
3. Value added services
4. Adaptation to change in consumer preferences
5. Disruptive innovations
6. Consolidation driven by institutional investors

Source: Rabobank FAR
Cold storage companies broaden offering of ancillary services to increase “points of contact” with existing customers

Cold storage business consists only 44% of total revenue

Source: Rabobank FAR
Note 1: IARW 2016 Productivity and Benchmarking Survey
Key trends in cold chain logistics

1. Technology – Big Data
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Source: Rabobank FAR
Changing consumer preferences translate into an increase in outsourcing of logistics services

1. Changing consumer preferences

2. Challenge for F&A companies

3. Outsourcing of cold storage

Drives increased cold storage demand

Increasing cost and complexity to meet consumer needs

Outsourcing to ensure high-quality services while controlling costs

Source: Rabobank FAR
Key trends in cold chain logistics

1. Technology – Big Data

2. Thinking outside the traditional storage box

3. Value added services

4. Adaptation to change in consumer preferences

5. Disruptive innovations

6. Consolidation driven by institutional investors

Source: Rabobank FAR
Emergence of innovative companies with the potential to disrupt the cold chain warehousing industry

**Problem / opportunity**

*Food retailers have significant idle capacity*

- Used 75%
- Unused 25%

**Innovation**

- Access online market place free of charge
- Select warehouse based on:
  - Capacity
  - Location
  - Temperature
- Live fee estimation and transaction

**Operational flexibility**

**Access to prime locations**

**Financial flexibility**

**Competitive pricing**

**Latest technology**

Source: Company information
Key trends in cold chain logistics

1. Technology – Big Data
2. Thinking outside the traditional storage box
3. Value added services
4. Adaptation to change in consumer preferences
5. Disruptive innovations
6. Consolidation driven by institutional investors

Source: Rabobank FAR
Attractive returns are increasingly drawing financial sponsors’ attention towards the cold chain sector.

- **Attractive risk adjusted returns**
- **Technological shift ~ margin improvement**
- **Capital intensity**
- **Fragmented and (historically) relatively stale industry ~ consolidation**
- **Availability of funds**

Source: Mergermarket, Rabobank FAR
Deal volume relatively stable, but deal size and Private Equity involvement is increasing

- Overall deal volume is stable over the last 5 years, but deal size and valuation levels are increasing

- The “Americold effect”: More sellers but with higher valuation expectations?

- Data availability on deal size and transaction multiples remains limited given most acquirers and targets are privately owned
The top-10 cold chain players have significantly outgrown the North American and global markets.

**Top-5 player market share development**

### 2013A market share

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Capacity (m m³)</th>
<th>Market share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Americold</td>
<td>27.1</td>
<td>5.0%</td>
</tr>
<tr>
<td>2.</td>
<td>Lineage</td>
<td>8.2</td>
<td>1.5%</td>
</tr>
<tr>
<td>3.</td>
<td>Swire</td>
<td>8.2</td>
<td>1.5%</td>
</tr>
<tr>
<td>4.</td>
<td>Millard</td>
<td>7.9</td>
<td>1.5%</td>
</tr>
<tr>
<td>5.</td>
<td>PFS</td>
<td>6.7</td>
<td>1.2%</td>
</tr>
<tr>
<td>6.</td>
<td>Nichirei</td>
<td>4.3</td>
<td>0.8%</td>
</tr>
<tr>
<td>7.</td>
<td>Kloosterboer</td>
<td>3.4</td>
<td>0.6%</td>
</tr>
<tr>
<td>8.</td>
<td>Versacold</td>
<td>3.3</td>
<td>0.6%</td>
</tr>
<tr>
<td>9.</td>
<td>Partner Logistics</td>
<td>2.9</td>
<td>0.5%</td>
</tr>
<tr>
<td>10.</td>
<td>Interstate</td>
<td>2.6</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

**2018A market share**

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Capacity (m m³)</th>
<th>Market share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Americold</td>
<td>27.8</td>
<td>4.5%</td>
</tr>
<tr>
<td>2.</td>
<td>Lineage</td>
<td>27.3</td>
<td>4.4%</td>
</tr>
<tr>
<td>3.</td>
<td>USCS</td>
<td>8.8</td>
<td>1.4%</td>
</tr>
<tr>
<td>4.</td>
<td>PFS</td>
<td>9.2</td>
<td>1.5%</td>
</tr>
<tr>
<td>5.</td>
<td>AGRO</td>
<td>7.2</td>
<td>1.2%</td>
</tr>
<tr>
<td>6.</td>
<td>Nichirei</td>
<td>5.1</td>
<td>0.8%</td>
</tr>
<tr>
<td>7.</td>
<td>Kloosterboer</td>
<td>4.8</td>
<td>0.8%</td>
</tr>
<tr>
<td>8.</td>
<td>NewCold</td>
<td>4.8</td>
<td>0.8%</td>
</tr>
<tr>
<td>9.</td>
<td>VersaCold</td>
<td>3.8</td>
<td>0.6%</td>
</tr>
<tr>
<td>10.</td>
<td>Cloverleaf Cold Storage</td>
<td>3.7</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

**Top-5 player market share development**

- **2013A**
  - Top-5: 10.8%
  - Other: 89.2%

- **2018A**
  - Top-5: 13.1%
  - Other: 86.9%

**CAGR (%)**

- Top 5: 6.7%
- Top 10: 6.6%
- # 6-10: 6.2%
- N. America: 3.2%
- Global: 2.8%

- **Top 5** when adjusted for PFS: 13.9%

**Notes:**

- '13 – ‘18 CAGR (%): Top 5 6.7%, Top 10 6.6%, # 6-10 6.2%, N. America 3.2%, Global 2.8%
- PE owned

Source: Global Cold Chain Alliance, Rabobank
Ongoing consolidation throughout the global cold storage and logistics sector

<table>
<thead>
<tr>
<th>Selected consolidators</th>
<th>Acquisitions 2010 – Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lineage</td>
<td>RCS</td>
</tr>
<tr>
<td></td>
<td>Castle &amp; Cooke Cold Storage</td>
</tr>
<tr>
<td></td>
<td>BCS</td>
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<tr>
<td></td>
<td>OTEA</td>
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<tr>
<td></td>
<td>University Park</td>
</tr>
<tr>
<td></td>
<td>Millard</td>
</tr>
<tr>
<td></td>
<td>Coldstore Wibaco</td>
</tr>
<tr>
<td></td>
<td>Zarantapec</td>
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<td></td>
<td>EV: €25m</td>
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<tr>
<td></td>
<td>Phoenix</td>
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<td></td>
<td>Bethlehem</td>
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<td></td>
<td>Sandston</td>
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<tr>
<td></td>
<td>Flint River</td>
</tr>
<tr>
<td></td>
<td>Santa Maria</td>
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<td></td>
<td>Mosseporten Frysehotell</td>
</tr>
<tr>
<td>Kloosterboer</td>
<td>ADM</td>
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<tr>
<td></td>
<td>WILD</td>
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<tr>
<td></td>
<td>Juice Terminal - Rotterdam</td>
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<tr>
<td>emergentcold</td>
<td>Swire Cold Storage</td>
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<td></td>
<td>Polarcold</td>
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<tr>
<td></td>
<td>Finlays</td>
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<td></td>
<td>Merchants Group</td>
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<td></td>
<td>AGRO</td>
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<td>Insofrisa</td>
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<tr>
<td></td>
<td>Zarantapec</td>
</tr>
<tr>
<td></td>
<td>Juice Terminal - Rotterdam</td>
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<tr>
<td>STEF</td>
<td>GLS</td>
</tr>
<tr>
<td></td>
<td>Transmode</td>
</tr>
<tr>
<td>The Blackstone Group</td>
<td>Gruppo Marconi</td>
</tr>
</tbody>
</table>

Source: MergerMarket
Conclusions

✓ Investments in technology and modern capacity will require substantial capital and ongoing true commitment

✓ Consolidation is expected to continue to enable players to:
  - Build (international) networks
  - Leverage on technological opportunities
  - Adapt to customer needs today and in the future (supply chain complexity)

✓ Partnering with an investment fund can be an attractive avenue to additional capital, knowledge and networks