



Crest Foods Co., Inc

Run by the Meiners family since 1950, Crest Foods is based in Ashton, Illinois and is the town's largest employer. The business **manufactures and sells dairy stabilisers, contract food packaging and turn-key outsourced packaged-food product development**. Crest customers include both branded and private label food companies.

Stabiliser Ingredients (54% of sales)

Once solely focused on dairy products, Crest **now offers a full suite of plant-based and aseptically packaged non-dairy solutions**. These formulations are custom developed to meet customer product specifications and manufacturing configurations.

Crest's stabilisers business grows at a **stable 5-6% compound annual growth rate (CAGR)**, underpinned by a dominant **50-75%** share of the North American cottage cheese and sour cream sub segments.

The Company's growth segment is **'fortified fluid products'** - both dairy and plant-based protein shakes - which have expected **double digit CAGRs** and where Crest has a **15-20% market share**.

Contract Food Packaging (38% of sales)

This division accommodates a comprehensive range of dry food products, operating up to **36** finished product lines, **producing over 2,000,000 retail units per day**.

Consumer Products (8% of sales)

The consumer products division specialises in developing and manufacturing turn-key dry food solutions in the retail, food service and industrial packaged goods industries.

Contract packaging and outsource food product development are closely linked and are enjoying a trend amongst food companies to redefine themselves as pure marketing organisations, coupled with outsourcing.

Outsource contract manufacturing / packaging is projected to grow at 9% CAGR through to 2033.



Crest Foods Investment by Harwood Funds

Harwood Private Equity and its largest limited partner, NASCIT, completed the investment in Crest on 2nd February 2024. NASCIT **invested approximately £26.6m** (\$33.7m) in Crest Foods, comprising **£17.9m** (\$22.7m) of equity and **£8.7m** (\$11.0m) of 14.5% Senior Subordinated loans, at a leverage ratio of 2.4x EBITDA. Crest was **acquired on a multiple of 6.5x trailing twelve months December 2023 EBITDA**.



NASCIT Company Overview

North Atlantic Smaller Companies Investment Trust PLC ('NASCIT') (LSE: NAS), targets capital appreciation for its shareholders through investing primarily in companies within the UK, with some exposure to the US.

Run by Christopher Mills since 1982, NASCIT focuses on smaller cap, public and unquoted businesses, specifically those which have sustainable cash flows over the long term. The Company uses a bottom-up approach when determining investment strategy and adopts a multifactor philosophy: targeting companies that have low levels of debt, quality management and a competitive advantage - **taking a private equity style approach to 'special situations' with a unique sourcing strategy**.

The Opportunity

The Meiners family, who owned Crest Foods, were looking to exit as a result of estate planning, but were wary of "Wall Street institutions" and had concerns about the success and longevity of the business in the hands of an unfamiliar buyer. **The opportunity was made privately available to Harwood owing to the reputation it has built, and its experience successfully transitioning other businesses from family to institutional ownership**. The involvement of NASCIT - given its status as a London stock exchange closed end trust with diverse industrial interests and **without the limited life of a typical private equity fund - distinguished Harwood from traditional private equity**.

Investment Thesis

- Valuation uplift** - acquired at a substantial discount to comparable food company transactions
- Recession-resistant**, consumer staple meaning lower commercial investment risk
- Cash rich** with free-hold property assets
- Core ingredients division is a **niche market leader**, commanding **higher valuation multiple**
- Current 'outsourcing trends' beneficial to emerging, high growth, consumer products division
- Contract packaging division is at a turning point in its growth due to:
 - price increases** negotiated during Harwood's DD;
 - the **return of volumes** from the division's second largest customer displaced due to supply chain disruptions;
 - redeployment of co-packing capacity** to support the high growth consumer products division;
 - opportunities to **integrate into private** label contract manufacturing;
- The business is transitioning from founding family to institutional ownership with the benefit of **sound business discipline, development, and operational improvement opportunities**