Foodservice Equipment and Supplies Industry Trends

The first half of 2011 was a period of improvement for foodservice equipment manufacturers and wholesalers. These positive growth trends are expected to continue: both Foodservice Equipment Reports (FER) and the Foodservice Equipment and Sales (FE&S) forecasts are predicting strong growth well into 2012. This growth may be attributable in part to an accumulation of demand from 2009 and early 2010. There is also evidence that operators are altering purchasing patterns for equipment and supplies, favoring repairs over replacements and placing more emphasis on price.

The MAFSI Barometer, an indicator of non-food sales to the foodservice industry, has signaled positive industry performance for three consecutive quarters. Most recently, in the second quarter of 2011, the MAFSI was up 5.7% from a year earlier, exceeding forecasts by around 0.8%. In the Northeast, recorded sales growth for the second quarter of 2011 was at a robust 7.1%. The revised forecasts predict real growth for manufacturers at 4.8% for the third quarter of 2011. Especially strong increases in sales performance were found in the equipment and furnishing sales categories, with furnishing sales raising 7.9%. A weaker increase of 2.2% was found in sales of tabletop products. The report also indicated that both cost quotations and consultations on the benefits of new equipment were more widely requested in the second quarter of 2011. This is the sixth quarter in a row that reported quotations have increased and the third consecutive quarter that reported consultations have increased.

FER revised its growth forecasts upwards in an August 2011 release. Now FER is expecting 2.2% real growth for the year 2011 and 2.6% real growth in 2012. The optimistic revisions affect forecasts through 2014. These data are supported by a mid-2011 FE&S survey that reports dealers expect total sales increases of 6.5% for 2011. That survey points to two sources behind this optimism. First, dealers indicate there has been an upswing in the demand for proposals for work to be completed in the second half of 2011. Second, for three consecutive years, a disproportionate number of operators have been electing to make repairs instead of replacing old equipment. This trend has contributed to a buildup of old equipment that will need to be replaced.

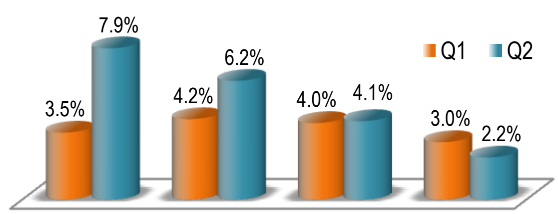
A recent FE&S survey corroborates the FER study's conclusion that sales increases have been accompanied by changes in the way operators are purchasing wares. The report reveals that over a third of dealers have noticed a change in how their customers are purchasing equipment and supplies. The most cited change is that operators are limiting new purchases on an as-needed basis, relying more on repairs than replacements. Dealers also indicated that operators are placing increasingly more emphasis on price over quality and are comparison shopping when they do buy.

Additional results from the FE&S forecast are consistent with a theme of operators choosing to optimize existing capital. Franchises appear to be following suit. A recent study by GE Capital reports that franchises are shifting their focus from building co-owned units to reducing risk and focusing on their brands. The study indicates that over 40% of large restaurant chains are concentrating on expanding in their current markets while 30% are looking to reimagine units.

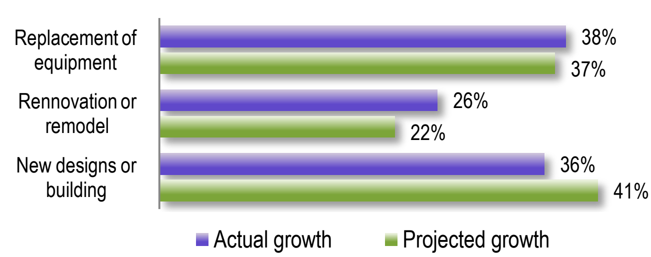
In summary, industry experts have converged on an optimistic forecast for the foodservice equipment and supplies industries. Those forecasts have been motivated by strong sales figures and a perceived buildup of demand. At the same time equipment purchasers appear to have reacted to the recession by changing their purchasing behavior, placing more emphasis on price. In contrast to the pre-2008 industry norm, franchises have been more focused on building their brands and improving existing properties.

On the consumer wholesale front, a moderate increase in consumer spending may benefit manufacturers and distributors of household goods such as Libbey Inc. and Tupperware Brands Corporation. While consumer spending slipped by 0.2% in June 2011, it subsequently rose by a sharp 0.8% in July, the largest gain in one and a half years, and economists forecast that continued consumer spending, which is up 5.1% from a year ago, will contribute to a modest increase in retail sales. Moreover, the housewares industry grew by approximately 5% in 2010, due largely to increased interest in casual and value-based items, which alone accounted for 83% of the 2010 market; amidst lingering economic uncertainty, consumers are drawn to high-value products that allow them to perform tasks such as cooking and cleaning that they previously paid others to do. According to Global Industry Analysts, the global house-and-tabletopwares market is forecast to reach $32 billion by 2015, fueled in part by burgeoning demand in Asia.

Increases in Non-Food Sales to Foodservice By Category in 2011

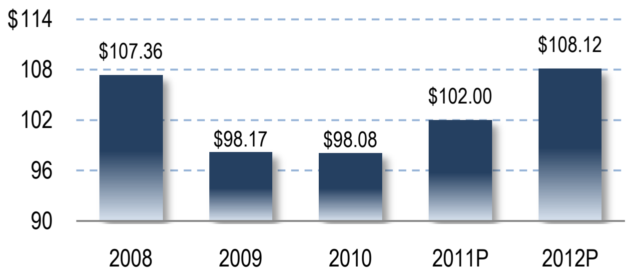


Foodservice Equipment Dealer Sales Growth in 2011

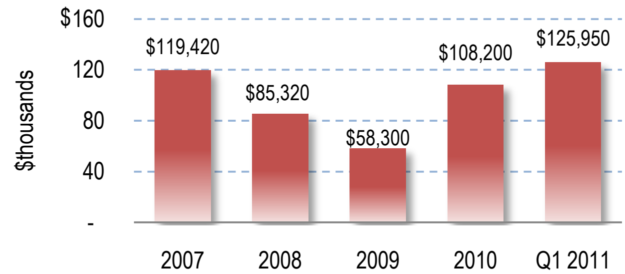


Sources: Reported by Foodservice Equipment and Supplies Magazine from MAFSI Business Barometer. Dealer sales growth data from FES Magazine Mid-Year Forecast Update.

Hotel Average Daily Rate



Average Selling Price Per Room



Sources: ADR data from STR 12th Annual HCHMA Trends & Forecasting Forum. Average selling price data from Lodging Econometrics 2010 Transaction Trends.

Hotel Industry Business Trends

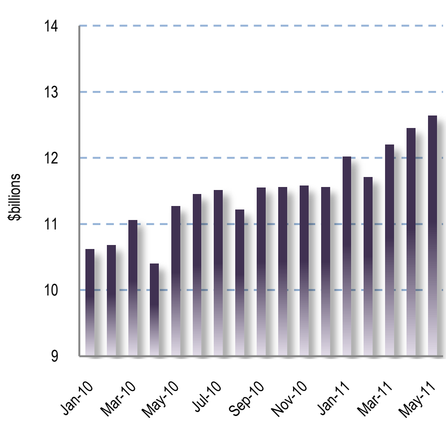
So far in 2011, the hotel industry has exhibited consistent positive growth in average daily rates (ADR). Revenue per available room (revPAR) has increased as well, which shows that hoteliers are making more efficient use of the rooms they own. These figures are supported by sustained demand growth through the first half of 2011. Additionally, the figures are supported by a tapering off of supply growth and a shifting of supply towards the upscale segment. Capital is once again flowing into the hotel industry, transaction activity has expanded, and franchising has become a topic of interest.

STR Global reports that ADRs have seen solid increases throughout 2011, increasing by 3.3% to date. This is a reversal from trends in 2009 and 2010 which saw substantial combined declines. These price increases give some indication that hoteliers are confident that the 5.8% increase in room demand will persist. Occupancy rates have also increased by approximately 5% this year to date. Increases have been affected by a deceleration of supply growth in recent months. According to STR projections, both occupancy and ADR are expected to reach pre-recession levels by the end of 2012.

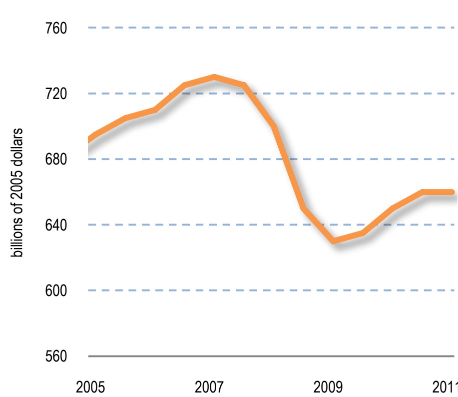
Contributing to strong demand growth over the last 12 months, international visitor spending in the U.S. has shown a strong positive trend. Additionally, accommodation expenses of U.S. tourists have seen modest increases in 2011. However, STR Global's July 2011 projections reveal that this growth in demand may begin to level off. Consumers are scaling back spending, and while business travel has begun a modest recovery, those improvements may be fragile given the current economic climate.

In contrast to demand trends, supply growth has started to recede. STR data shows that both planned projects and projects under construction are seeing declining growth. Looking at changes in supply within segment, a recent PricewaterhouseCoopers document reported significant cumulative growth in the upscale segment with sharp declines in the upper midscale and midscale segments during the period from 2006 to February 2011. These trends are reflected in recent data on average selling price per room and may have been impacted by hoteliers' efforts to squeeze more revenue from existing properties during the recession.

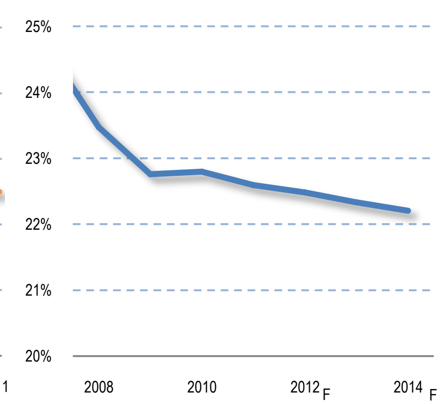
International Visitor Spending in the U.S



Domestic Tourism Spending



Domestic Business Travel Share of Total



Sources from left to right: the US Department of Commerce, Bureau of Economic Analysis and the U.S. Travel Agency.

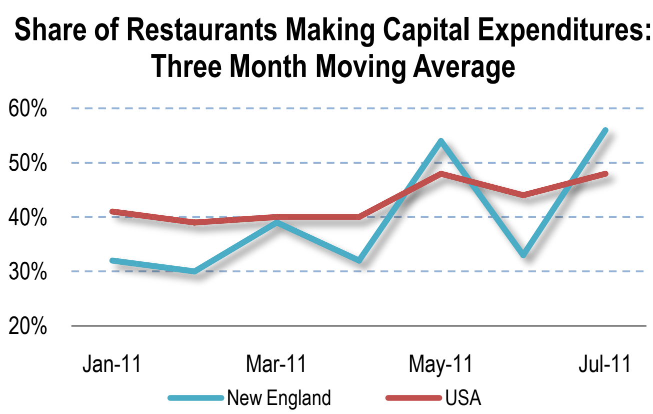
Restaurant Industry Business Trends

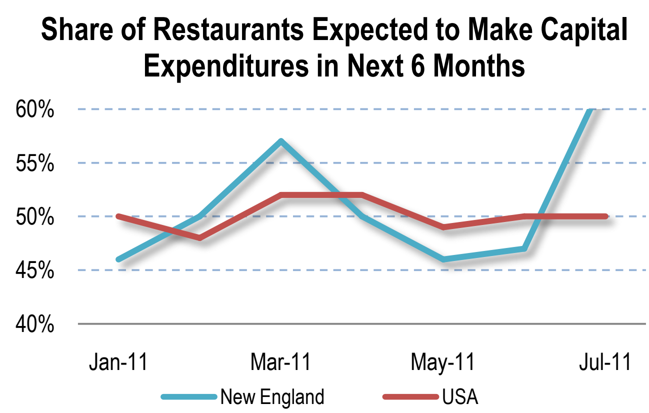
Growth forecasts for the restaurant industry have been modest in 2011. Weak consumer confidence and unemployment figures justify pessimism in the near term while industry growth in sales and number of establishments provides offsetting optimism. Restaurateurs themselves are relatively optimistic about sales in 2011, leading them to undertake new capital expenditures.

In April 2011 the Chicago-based research and consulting firm Technomic revised downward its forecast for restaurant sales growth to 0.6% growth in real sales for 2011. The downward revision affected both full service and real service sales forecasts. High commodities prices and lower-than-anticipated consumer confidence levels were cited as reasons for the revisions. For example, a recent Neilson survey reported that 49% of respondents will dine out less this year due to high oil prices. Those respondents also expect to cut costs by replacing full service with quick service alternatives.

In June 2011 the National Restaurant Association (NRA) released an update on its industry forecast. That report showed signs that the industry is meeting expectations. The Restaurant Performance Index, the NRA's measure of overall restaurant activity, has hovered under 1% for most of 2011. While temperate, a 1% level of growth represents significant improvement from early 2010. The NRA's Current Performance Index (CPI) figures, a composite measure of same-store sales, as well as traffic, labor and capital expenditures, were optimistic in June 2011. At the time of that report, the CPI was at its highest level since September 2007. Additionally, more than half of restaurants surveyed reported same store sales growth over the last 12 months, with 31% indicating declines.

The NRA's expectations index indicates that restaurateurs' expectations have been improving each month since July 2010. Related NRA data support a view that restaurateurs remain optimistic about the recovery. While the wholesale food price index is up 7% since June 2010 (and in particular coffee, flour, cheese and meat all posted at least a 10% increase in price), there is evidence that demand will continue to expand. At the beginning of 2011, two out of every five consumers interviewed by the NRA reported that they do not dine out as much as they would like. NRA numbers show that 50% of restaurateurs are planning to make capital expenditures on equipment, expansions or remodeling over the next six months, building on the estimated 48% of restaurateurs who have made investments over the prior three months.





Source: National Restaurant Association Tracking Survey

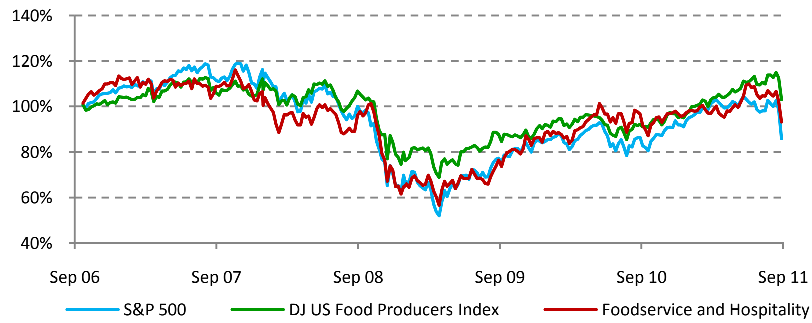
Efficiency Incentives for Purchasers and Manufacturers of Equipment

The Energy Policy and Conservation Act of 1975 was the first in a series of laws that requires states to provide incentives to promote energy efficiency and renewable energy capital investments. These incentives represent one component from a list of specific initiatives that states must undertake in order to qualify for federal assistance in meeting a series of federally mandated energy usage reductions. The latest amendment to this act was passed in February 2010. That amendment provided certain extensions of previous goals and set aside additional federal funding for this purpose. Under the law, federal support for state programs is guaranteed through 2012. It is left to states to decide how to meet these requirements. Programs are run either locally, at the state level or through utilities themselves.

Most states have enacted rebate programs for the instillation of energy efficient appliances and lighting by businesses, and additional incentives are available to qualifying small and start-up businesses. Upgrades that qualify for rebates vary by state and may include lighting, lighting controls/sensors, chillers, heat pumps, central air conditioners, LED exit signs, commercial cooking equipment, commercial refrigeration equipment, commercial laundry equipment, duct sealing, insulation and other related capital expenditures.

Additional incentives for manufacturers of efficient appliances were written into law in the Tax Relief and Job Creation Act of 2010. This act extended tax credits that are available for the manufacture of certain dishwashers, clothes washers and refrigerators. Tax credits are issued per unit produced according to its energy efficiency. There are limitations on the redemption of these credits: credits are not to exceed 4% of the three-year trailing average annual gross receipts of the business; and no more than $25 million in cumulative rebates are allowed starting December 31, 2010.

Public Market Trading and Performance



Source: Capital IQ as of Sept ember 1, 2011.

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Public Company Valuation and Performance

Foodservice and Hospitality

Company Name	Stock Price 9/1/2011	% of 52-week High	% of 52-week Low	Market Cap	Enterprise Value	Cash	EV / Revenue LTM	EV / Revenue LQA	EV / Revenue CY2011 E	EV / Revenue CY2012 E	EV / EBITDA LTM	EV / EBITDA LQA	EV / EBITDA CY2011 E	EV / EBITDA CY2012 E	P/E Ratio LTM	P/E Ratio CY2011 E	P/E Ratio CY2012 E
Sysco Corp.	$27.79	84.8 %	105.1 %	$16,471	$18,500	$640	0.5 x	0.4 x	0.4 x	0.4 x	7.9 x	7.0 x	7.5 x	7.1 x	14.2 x	13.5 x	12.7 x
Compass Group PLC	8.95	89.5	110.8	16,976	18,179	880	0.7	0.7	NA	NA	8.6	8.2	NA	NA	14.7	NA	NA
Cintas Corporation	31.55	91.3	120.1	4,140	4,900	525	1.3	1.2	1.2	1.1	8.3	7.3	7.1	6.7	18.9	16.7	14.2
Lancaster Colony Corporation	59.75	92.3	132.6	1,634	1,501	132	1.4	1.5	1.3	1.3	9.0	10.7	8.9	NM	15.6	15.4	14.3
UniFirst Corp.	50.54	82.6	124.5	1,004	1,076	109	1.0	0.9	0.9	0.9	5.7	5.9	5.0	5.1	13.3	13.0	12.2
G&K Services Inc.	27.38	74.9	136.4	513	628	23	0.8	0.7	0.7	0.7	6.0	6.1	5.9	5.4	15.3	14.6	12.2
Core-Mark Holding Company, Inc.	34.71	89.7	128.8	396	472	19	0.1	0.1	0.1	0.1	8.5	5.6	6.2	4.9	21.7	14.0	10.8
Colabor Group Inc.	9.23	67.8	113.1	212	410	0	0.4	0.3	0.3	0.3	11.0	9.8	9.6	8.1	15.9	15.6	10.7
AMCON Distributing Co.	60.18	71.2	107.5	37	95	1	0.1	0.1	NM	NM	5.6	5.3	NM	NM	5.8	NA	NA
Superior Uniform Group Inc.	11.84	98.6	133.3	71	69	2	0.6	0.6	0.6	0.6	8.0	7.9	NM	NM	18.5	20.9	18.8
	Mean	84.3 %	121.2 %				0.7 x	0.7 x	0.7 x	0.7 x	7.9 x	7.4 x	7.2 x	6.2 x	15.4 x	15.5 x	13.2 x
	Median	87.2	122.3				0.7	0.7	0.7	0.6	8.1	7.1	7.1	6.0	15.4	15.0	12.5

Consumer Wholesale

Company Name	Stock Price 9/1/2011	% of 52-week High	% of 52-week Low	Market Cap	Enterprise Value	Cash	EV / Revenue LTM	EV / Revenue LQA	EV / Revenue CY2011 E	EV / Revenue CY2012 E	EV / EBITDA LTM	EV / EBITDA LQA	EV / EBITDA CY2011 E	EV / EBITDA CY2012 E	P/E Ratio LTM	P/E Ratio CY2011 E	P/E Ratio CY2012 E
Whirlpool Corp.	60.74	65.8	110.4	4,640	6,417	845	0.3	0.3	0.3	0.3	4.3	4.2	4.0	3.4	18.4	5.0	6.8
Newell Rubbermaid Inc.	13.76	67.5	119.7	4,010	6,391	150	1.1	1.0	1.0	1.0	7.4	6.4	7.0	6.5	12.6	8.4	7.6
Electrolux AB	16.38	53.9	108.8	4,731	4,946	1,752	0.3	0.3	NA	NA	4.0	5.1	NA	NA	9.8	NA	NA
Tupperware Brands Corporation	64.94	90.2	158.9	3,936	4,258	116	1.7	1.6	1.6	1.5	10.1	8.9	9.0	8.3	17.1	13.9	12.3
De' Longhi S.p.A.	11.81	89.9	225.4	1,765	1,782	0	0.7	0.8	NA	NA	6.0	7.1	NA	NA	NA	NA	NA
	Mean	73.5 %	144.6 %				0.8 x	0.8 x	1.0 x	0.9 x	6.4 x	6.4 x	6.7 x	6.0 x	14.5 x	9.1 x	8.9 x
	Median	67.5	119.7				0.7	0.8	1.0	1.0	6.0	6.4	7.0	6.5	14.8	8.4	7.6

Source: Capital IQ as of September 1, 2011. Amounts in millions of U.S. dollars, except per share data.

Recent M&A Activity in Foodservice and Hospitality

Date	Target	Acquirer	Enterprise Value	Revenue	EBITDA	EV / Revenue	EV / EBITDA	Description
Aug 11 A	Filterfresh Coffee Service, Inc.	ARAMARK Refreshment Services	$145	-	-	-	-	Coffee and beverage systems for foodservice and retail
Jun 11 A	Diversey Holdings, Inc.	Sealed Air Corporation	$4,290	$3,225	$374	1.3 x	11.5 x	Industrial cleaning products for the foodservice industry
May 11 A	Spotless Group Ltd.	The Blackstone Group	-	-	-	-	-	Cleaning, food and laundry services
May 11	Lincat Group plc	Middleby Corp.	$51	$33	$7	1.5 x	7.7 x	Commercial catering equipment
Jan 11	Northern Colorado Paper	Interline Brands, Inc.	$10	$40	-	0.2 x	-	Cleaning products and janitorial supplies
Oct 10	IPL Inc.	Novacap Investments, Inc.	$133	$169	$19	0.8 x	6.9 x	Plastic food containers and pails for foodservice
Nov 10	Pactiv Corporation	Reynolds Group Holdings Ltd.	$6,035	$3,548	$685	1.7 x	8.8 x	Foodservice and packaging products
Apr 10	PWP Industries, Inc.	Pactiv Corporation	$203	$140	-	1.5 x	-	Plastic packaging products for baking applications
May 10	Diedrich Coffee Inc.	Green Mountain Coffee Roasters	$288	$86	$7	3.3 x	38.5 x	Coffee roasting and wholesale for the hospitality industry
Jun 10	Royal Laser Corp.	Triple M Metal, LP	$91	$186	-	0.5 x	NM	Custom metal and wood products for retail and hospitality
Apr 09	CookTek, LLC	Middleby Corp.	$9	$10	-	0.9 x	-	Induction cooking and heated delivery systems
Apr 09	Central Products LLC	K + K America Corporation	$83	$70	$9	1.2 x	9.3 x	Foodservice equipment and supplies
Nov 07	Indiana Glass Company	Anchor Hocking LLC	$22	$53	-	0.4 x	-	Tabletop and decorative glassware containers
Apr 07	Anchor Hocking LLC	Monomoy Capital Partners	$95	$200	-	0.5 x	-	Glass products
			Mean for deals			1.2 x	13.8 x	
			Median for deals			1.0 x	9.1 x	

Source: Capital IQ as of September 1, 2011. Amounts in millions of U.S. dollars.