

Private Equity Dealmaking amid COVID-19

Doing Well by Doing Good: *Vital Farms Initial Public Offering*



Insights from Sergio Reyes

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Vital Farms Completes IPO

Vital Farms, a Certified B Corporation that offers a range of pasture-raised food products nationwide, completed an initial public offering (IPO) on August 4th, 2020.

The company boosted its opening stock price, initially planned between \$15 and \$17, to \$22, and the underwriters exercised in full their option to purchase additional shares. Vital Farms' IPO comes at a time when the ongoing coronavirus pandemic has caused a slowdown in IPO activity, with a 19% decline in deal volume and 8% decline in proceeds in the first half of the year compared to the same period in 2019.

Vital Farms had previously raised an estimated \$40.9 million from private investors, including SJF Ventures, Arborview Capital, Sunrise Strategic Partners and Manna Tree Partners. A \$25 million round raised in 2018 valued the company at approximately \$136 million.

Vital Farms is a leading U.S. brand of pasture-raised eggs and butter by retail dollar sales. Its pasture-raised products, including shell eggs, butter, hard-boiled eggs, ghee and liquid whole eggs, are sold in approximately 13,000 stores nationwide. The company is focused on the humane treatment of farm animals and sustainable farming practices, as well as the long-term benefits of each of its stakeholders, including farmers, customers, communities, the environment, crewmembers and stockholders.

At the close of its first day of trading, Vital Farms stock was up nearly 60%, with stock selling at \$35, up from its initial price of \$22.

Pricing Date	7/30/2020
Ticker	VITL
Exchange	NASDAQ
Share Price	\$22.00
Shares Offered	10.7M
Offering amount	\$235.4M
Market Capitalization	\$1.3B
Primary / Secondary	47% / 53%
Use of Proceeds	Increase financial flexibility; create a public market for common stock; \$15M to fund expansion of egg processing facility. Vital Farms will not receive any proceeds from the sale of secondary shares.

Sources: Public filings, Crunchbase, Forbes



Vital Farms Early Investors



SJF Ventures

Headquarters: Durham, NC

Initial Investment Date: June 20, 2013

Investment Amount: \$2.35 million

SJF Ventures is a venture capital firm that seeks to invest in high-growth companies creating a healthier, smarter and cleaner future. SJF was founded in 1999 and became a certified B Corporation in 2011. At the time of SJF's investment, Vital Farms was #51 in the Inc. 500 list of fastest growing private companies in the US and had been profitable for three years. It intended to use the investment to increase its then 35-person staff and continue its push into grocery store chains and the food service industry.

Arborview Capital

Headquarters: Chevy Chase, MD

Initial Investment Date: September 19, 2014

Investment Amount: \$2.25 million

Arborview Capital is a private investment firm that makes growth equity investments in clean energy companies across the energy efficiency and resource efficiency sectors. At the time of Arborview's investment, Vital Farms had been recognized as one of the fastest growing private companies in the US for the previous two consecutive years.



Sources: Public filings, company websites

Vital Farms Timeline

2007

- Founded by Matthew O'Hayer and Catherine Stewart in Austin, TX

2013

- Investment by SJF Ventures

2015

- Launched pasture raised butter
- Became Certified B Corporation

2014

- Current President and CEO Russell Diez-Canseco, joined Vital Farms
- Investment by Arborview Capital

2017

- Opened 82,000 sq ft facility in Springfield, MO
- Investment by Sunrise Strategic Partners
- Became public benefit corporation

2018

- Launched pasture raised hard boiled eggs

2020

- Completed IPO

2019

- Launched ghee and liquid whole eggs
- Investment by Manna Tree Partners

B Corps and Public Benefit Corporations

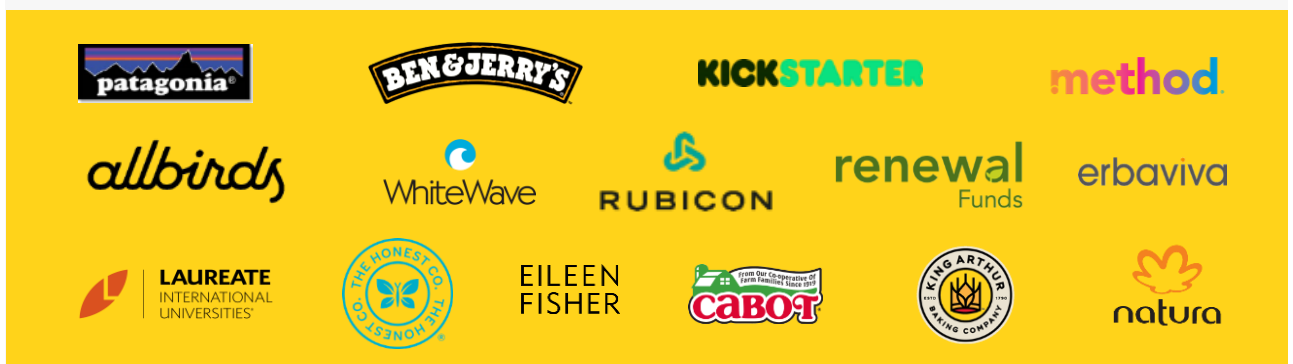
B Corporations are using their business as a force for good

A benefit corporation or B-corporation is a for-profit corporate entity that creates a positive impact on society in addition to profit as its legally defined goal

B Lab is the non-profit that provides third-party certification for benefit corporations

B Lab certification is a standard of excellence such as Fair Trade or LEED

More than 3,200 certified B Corporations exist in 70+ countries, spanning 150 industries, including:



Vital Farms states its purpose is rooted in a commitment to Conscious Capitalism, which prioritizes the long-term benefits to each of its stakeholders (farmers and suppliers, customers and consumers, communities and the environment, crew members and stockholders). The company became a certified B Corp in 2015 and incorporated as a public benefit corporation in 2017.

In its public filings, the company acknowledged risks related to its public benefit status: "As a public benefit corporation, our duty to balance a variety of interests may result in actions that do not maximize stockholder value." The company believes its public benefit corporation status will make it more difficult for another party to take over the company without maintaining its benefit corporation status and purpose. A vote of at least 66.67% of outstanding shares of voting stock is required to either merge with an entity that is not a public benefit corporation or to amend or remove the company's purpose. Through these provisions, the company seeks to preserve its public benefit purpose.

Sources: Public filings, B Lab, company websites

KEENE ADVISORS

Founded in 2015, Keene Advisors has provided on-demand investment banking and consulting services to clients ranging from start-ups to Fortune 50 companies, private equity firms and family offices across North America, Europe and the Middle East.

The Keene Advisors team has advised clients on over 200 investment banking and consulting engagements over the last 18 years, including over \$40 billion in M&A, capital raising and restructuring transactions.

In recognition of our commitment to all our stakeholders — clients, employees, community — the nonprofit B Lab named Keene Advisors “*Best for the World*” in 2017, 2018 and 2019.



m&a

capital raising

turnaround

strategy consulting

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Flexible engagements to conquer any challenge. We offer on-demand remote and on-site advisory services to clients, providing flexible solutions to supplement your in-house expertise, knowledge, experience and capacity.

An aerial, top-down view of a rowing team in a scull on dark, choppy water. The team consists of six rowers, each with their own oar, moving in a synchronized fashion. The water is dark and textured with small waves. The rowers are wearing light-colored athletic gear. The overall mood is one of intense focus and physical effort.

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