

Bolthouse CEO Ready for More M&A After Acquisition From Starbucks

"We're just getting started," Jeff Dunn told CPG Specialist.

By **Shefali Kapadia** | June 22, 2022



After **Bolthouse Farms** announced plans to acquire Evolution Fresh from **Starbucks**, Bolthouse CEO **Jeff Dunn** described the purchase as a "perfect fit."

Evolution Fresh's high-end portfolio would slot neatly into Bolthouse's premium lineup of refrigerated juices and smoothies, Dunn told CPG Specialist. Bolthouse contracts rail service from Bakersfield, California, to Chicago, which would expand Evolution Fresh's mostly West Coast distribution. And there's plenty of runway for the cold-pressed juice category, he said.

"We can add value to them in our core channels. And they can add a lot of value to us in their core channels," Dunn said.

It's quite the contrast to how Dunn described the relationship between Bolthouse and **Campbell Soup Company** (the latter divested the former in 2019). Bolthouse's focus on refrigerated juices on the store perimeter and Campbell's operations in shelf stable, center-of-store products "wasn't ever a great marriage," Dunn said.



Jeff Dunn, CEO of Bolthouse Farms

Post-divestment, Dunn is ready to revive Bolthouse's growth story, staying true to its "original thesis" as a better-for-you, premium beverage brand. In that growth narrative, beverage acquisitions are certainly on the menu, especially brands that use materials from Bolthouse's agricultural arm and tap into the growing cold-pressed juice category.

"We're very acquisitive," Dunn said.

How the Acquisition Happened

The Evolution Fresh acquisition started with a cold call, according to Dunn. **Butterfly Equity**, a private equity firm that specializes in the food sector and invests in Bolthouse, was tracking the performance of various beverage brands.

One day, a Butterfly associate called Starbucks' business development team and expressed interest in buying the Evolution Fresh brand. As Dunn told it, the Butterfly associate noted that the people behind Evolution Fresh would be part of a "juice conglomerate, where what they do looks exactly like what we do. And that got Starbucks' attention."

From when Starbucks started to get serious about selling Evolution Fresh, to agreeing to a deal, took about six months, according to Dunn.

Starbucks foresaw an "opportunity to take Evolution Fresh to the next level," according to a statement from **Hans Melotte**, Starbucks executive vice president of global channel development. But that wouldn't necessarily happen with the brand under Starbucks' umbrella. Instead, divesting the premium juice brand allowed Starbucks to focus on its core business of coffee shops and put Evolution Fresh with another CPG.

"It really was just a natural acquisition for us and for them."

Jeff Dunn
Bolthouse Farms

"It really was just a natural acquisition for us and for them," Dunn said.

Several CPGs have embarked upon a similar path of divesting the brands least central to their core missions. **General Mills** sold off Helper and Suddenly Salad, and **Mondelēz International** divested Halls and its gum business in developed markets, to focus on chocolate and biscuits.

Bolthouse's beverage focus is premium and refrigerated — a category in which Evolution Fresh fits, and a category that Dunn is confident will keep growing.

The Premium Juice Niche

The juice category got a boost in 2020, when consumers began to renew their focus on immune health, according to a report from market research firm **Mintel**. Juice drinks with claims of immune health made up 5% of North America juice product launches last year, compared to 1% in 2019.



Post-divestment from Campbell, Jeff Dunn is ready to revive Bolthouse's growth story, staying true to its "original thesis" as a BFY, premium beverage brand.

Bolthouse's beverage lineup includes **Green Immunity Boost** and **Superfood Immunity Boost**, along with others with packaging that touts vitamins, minerals and antioxidants. And, according to Dunn, refrigeration is the secret sauce.

"There's nothing like a fresh-squeezed glass of orange juice, but it's not convenient for the vast majority of consumers. We think [our juices are] one step off of that," Dunn said. "They're higher quality, shorter shelf life."

Cold-pressed juices, in particular, are growing at an above-market rate as consumers prioritize health and wellness, according to **Randy Burt**, a managing director in the consumer products practice at consulting firm **AlixPartners**. The firm projects cold-pressed juice will grow 6% to 8% over the next five years, Burt said in an email to CPG Specialist.

"It is growing much faster than all juice, which is being held back by Orange Juice and Juice drinks like Sunny D or Minute Maid that are becoming 'unhealthier' in consumer minds," Burt said.

Cold-Pressed Juice Growth Outpaces Overall Category

Category	Retail sales growth (Feb 2021 to Feb 2022)
Juice, juice drinks, other functional beverages	7.6%
Cold-pressed juice	6.8%
Orange juice	4.5%
All refrigerated juice	-0.2%

Source: SPINS via AlixPartners

In an inflationary environment, premium products tend to be fairly resilient, given the demographics of their buyers.

"Consumers drink us as part of their health routines. Particularly, millennials are very willing to pay up," Dunn said.

But other industry observers are skeptical of the premium juice trend.

"Juice is a sugar bomb, and no amount of vegetables can change this. Consumers don't want kale smoothies without a lot of sugar or sweetener," **James Richardson**, author of *Ramping Your Brand: How to Ride the Killer CPG Growth Curve*, wrote in a [LinkedIn post](#).

His theory: Bolthouse acquired Evolution Fresh for a "fire sale price" because the latter's lower sugar content produces an "unpalatable result." Bolthouse didn't disclose the terms of its acquisition.

"Evolution Fresh is a great example of innovating a niche within a niche with nowhere to grow," Richardson wrote.

Cold-pressed juice, while growing, accounted for just 2.5% of all refrigerated juice sales between February 2021 and February 2022, according to SPINS data provided by AlixPartners.

Areas of Innovation

Juice as a whole has already lost some momentum, following the category's spike in 2020. From February 2021 to February 2022, refrigerated juice sales in retail fell 0.2%, SPINS data shows. Per Mintel, U.S. juice sales reached \$19.6 billion in 2021, and the firm forecasts a drop to \$18.8 billion by 2026.

The growth prospects for the category are in functional benefits, gut health and lower sugar content, according to **Julia Buech**, global food and drink analyst at Mintel. Burt named example ingredients such as zinc for immunity, matcha for energy or probiotics for gut health.

In addition, "smoothies are well placed to go a step further," as younger consumers view the beverages as meal replacements, Buech wrote in a report emailed to CPG Specialist.



Cold-pressed juices are growing at an above-market rate, but they account for just 2.5% of all refrigerated juice sales. (TOLGA AKMEN/AFP via Getty Images)

Bolthouse and Evolution Fresh include smoothies in their portfolios, and Dunn has already witnessed growth in Bolthouse's smoothie sales.

“Smoothies are well placed to go a step further.”

Julia Buech
Mintel

"Our breakfast smoothie line has absolutely gone crazy," he said. "People just discovered it and thought it was a great breakfast replacement."

Dunn said he sees myriad opportunities to innovate both brands, within and beyond juices and smoothies. Bolthouse has more than a dozen new SKUs set to release this fall. Juice shots are a "no brainer," and protein-based drinks (plant-, whey- and soy-based), are another opportunity for expansion, he said.

Once Bolthouse closes on Evolution Fresh by the end of the summer, the company's annual revenue will be half a billion dollars, Dunn said. The firm will continue to look at additional beverage brands it can acquire and scale.

"[We're] one of the fastest growing consumer businesses in the U.S.," Dunn said. "And we're just getting started."

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