



Ingredients 2026 Midyear Update: An Attractive Sector for Buy-and-Build M&A

For private equity investors looking for opportunities for buy-and-build mergers and acquisitions (M&A), ingredients is proving to be one of the most attractive sectors in the entire consumer industry. Within food and beverage, the ingredients sector continues to perform extremely well. The landscape is less impacted by the many challenges faced in other food and beverage sectors given it is a large and global market with resilient demand; growth in the ingredients sector is also underpinned by favorable trends for unique flavor solutions and differentiated dining experiences, as well as the growth in outsourcing foodservice labor. Additionally, many companies within the sector demonstrate an attractive set of business fundamentals, including technical R&D expertise, formula ownership and sticky customer relationships, leading to strong topline growth and margins.

As a result of the positive industry tailwinds and strong business fundamentals, investor interest in the sector remains strong. When coupled with the large and fragmented nature of the ingredients landscape, the opportunity for investors to build a platform for future M&A is very attractive.

Five Trends Boosting Buy-and-Build M&A in 2026

Five key themes are driving buy-and-build M&A within the ingredients sector:

1 **Accretive Add-Ons of Smaller Players**

While the total addressable markets (TAMs) within the ingredients sector often exceed several billion dollars, the landscape is fragmented with many “mom-and-pop” companies with small market shares. Despite the attractive industry tailwinds and strong growth outlook, these smaller players are sometimes less sophisticated. As a result, investors can often acquire the business at an attractive price then quickly professionalize operations and improve the margin profile. Immediate professionalization allows investors to execute acquisitions that are accretive to the larger platform while also capitalizing on the target’s strong topline trends, unique capabilities and existing customer relationships. By giving the acquired businesses access to greater resources, the acquisitions often supercharge organic growth.

2 **Acquisitions to Expand Capabilities, Geographies and Customer Relationships**

Many foodservice and industrial companies require a broad array of ingredient capabilities and are constantly looking to outsource R&D and consolidate their suppliers. By acquiring additional capabilities through M&A, an ingredients platform can become a one-stop shop and serve a broader range of customer needs, resulting in unique ingredient solutions, sticky customer relationships and cross-sell opportunities.

M&A can also extend a company into a new geography. Acquiring a regional player often provides access to long-tenured partnerships with local restaurant chains or foodservice providers, unlocking a new regional and sticky customer base.

As customer relationships within the ingredients sector are typically very sticky, the new customer sales cycle can be lengthy, and it can be difficult to penetrate a new customer account organically. Acquisitions of companies who have their own tenured customer relationships can provide immediate access to a new customer base. Penetrating a new customer base provides the opportunity for additional cross-selling opportunities and expansion into additional channels, both of which greatly expand the TAM.

3 **Value-Add M&A to Supercharge Growth, Drive Scale and Optimize Margins**

With greater capabilities under a collective go-to-market strategy, ingredients players can effectively cross-sell their offerings with no incremental investment. Presenting existing and new customers with additional portfolio capabilities allows for the opportunity to “land and expand,” driving topline growth while further entrenching customer stickiness.

In addition to revenue synergies, M&A can often provide ample opportunity for cost synergies by optimizing procurement, rationalizing facilities and removing redundancies. With increased facility production and an expanded footprint, the platform can benefit from greater operating leverage with limited incremental fixed costs.

4 **Evolving Assets into a More Diversified and Valuable Platform for an Eventual Exit**

Financial sponsors that own ingredients platforms will find significant value in M&A by evolving the business into a more diversified platform. Shifting an operating strategy toward more value-added solutions such as increased R&D capabilities and more-collaborative solutions drives multiple arbitrage and long-term value creation.

Expanding coverage and footprint can additionally boost the appeal of an asset by diversifying end markets and mitigating customer concentration, if it exists. The next owner of the platform will benefit from a diversified business across customers, channels and capabilities, which further expands the TAM and ability to cross-sell.

5 **Buying Down the Entry Multiple**

By executing on accretive M&A opportunities during a hold period, an investor “buys down” their entry multiple. This strategy is possible because of the fragmented nature of the industry, the large TAM and the many “mom and pop” competitors. For example, if an investor acquires an ingredients asset at a higher valuation multiple, acquiring targets below that level blends down the multiple for the combined business. When assessing how aggressively to value the main platform, investors will take into account how actionable the M&A pipeline is, the likely valuations and the timing of integration.

By “buying down” the multiple during the hold period and establishing a platform that is more attractive to the next buyer, the investor can exit the business at an attractive multiple and generate a very strong return.

An Ingredients Business with a Proven M&A Platform Becomes More Attractive to the Next Owner

When preparing for an eventual exit, establishing a track record as a proven M&A platform makes the company more attractive to future owners. To do so, it is important for companies to demonstrate the business has an established M&A playbook, including dedicated resources, a defined strategy and disciplined approach and a repeatable process, while also showcasing the ability to effectively integrate add-ons and generate strong returns. Lastly, by clearly articulating the detailed M&A pipeline for the next owner, buyers will have confidence in the opportunity for future value creation.

Looking Ahead with Lincoln

After a strong first half in 2026, momentum in the ingredients sector is expected to continue. Lincoln International's dedicated food and beverage ingredients team has a proven track record of outstanding results within ingredients. If you would like to learn more about Lincoln's relevant experience or capabilities, please contact one of the individuals below today.

Recent Lincoln Ingredients Transaction: Sale of Dalziel to Peak Rock Capital

Lincoln International acted as the exclusive M&A advisor to Dalziel and its shareholders to secure a partner that embraced the Dalziel platform. This transaction further strengthens Lincoln's ingredients coverage and highlights the firm's deep expertise advising founder-owned businesses in the global specialty ingredients sector. Prior to the sale of Dalziel, Lincoln successfully represented specialty ingredients businesses including McClancy, Giraffe Foods and Woodland amongst others.

 DALZIEL	 has sold	 GRAHAM PARTNERS	 WOODLAND FOODS
has been acquired by	McClancy FOODS & FLAVORS	has sold	has received a majority investment from
	to	 Giraffe Foods™	
	NovaTaste	to	 GRAHAM PARTNERS
	a portfolio company of	symrise	
 PEAK ROCK CAPITAL	 PAI		
Sell-Side	Sell-Side	Sell-Side	Sell-Side
 	  	  	

Ready to discuss the opportunities ahead for you?

Connect with a senior professional at connect@lincolnternational.com