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Landec Corporation Announces Strategic Acquisition of O Olive Oil to Expand into Adjacent Natural Food Product Segment

MENLO PARK, Calif., March 02, 2017 (GLOBE NEWSWIRE) -- Landec Corporation (NASDAQ:LNDC), a leading innovator of diversified health and wellness solutions within the packaged food and biomaterial markets, announced today that it has entered into a definitive agreement to purchase O Olive Oil, Inc. ("O Olive") for \$2.5 million in cash plus an opportunity for the seller to earn an additional \$7.5 million over the next three years based upon O Olive achieving mutually agreed EBITDA targets. O Olive, founded in 1995, is based in Petaluma, California, and is the premier producer of California specialty olive oils and wine vinegars. Its products are sold in over 4,600 natural food, conventional grocery and mass retail stores, primarily in the United States and Canada.

Molly Hemmeter, Landec's President and CEO, commented, "Landec's mission is to create innovative products that support each person's unique health and wellness journey. The oil and vinegar markets are currently experiencing a dramatic shift in consumer behavior from conventional to natural and organic oils and vinegars and O Olive is uniquely positioned to take advantage of this transition. Retailers across North America are making "clean label" and organic products a priority. O Olive sells a variety of products, including certified organic options, that are all-natural, high quality, great tasting and with easily traceable ingredients for retailers to offer their consumers. O Olive has created a strong brand recognition and has been honored with 17 SOFI awards by the Specialty Food Association, more than any other oil and vinegar company in the world. By supporting O Olive products with growth capital and the strength of Apio's sales, customer service, procurement and logistics capabilities, O Olive can achieve its true potential and offer consumers a healthy and delicious option for everyday eating."

The market size for oils and vinegars in U.S. multi-channel outlets is approximately \$4.3 billion. O Olive products compete in the specialty product segments of oils and vinegars that make up approximately \$1.9 billion of the total \$4.3 billion market. Within the specialty oil segment, natural products now comprise 43% of the market with a current growth rate of 24% versus conventional products that make 57% but are declining at 2% per year. Within the specialty vinegar category, natural products are 60% of the market and are growing at 54% while conventional vinegar products are growing at only 13%.¹

Greg Hinson, O Olive's President and Founder, stated, "This is a significant milestone for the O Olive team. After two decades of carefully crafting our products in a responsible fashion without chemicals and preservatives that yielded unmatched quality and taste, we now have a like-minded partner that can help us grow our distribution, secure supply and bring our award-winning products to more consumers throughout the world."

"Landec's food subsidiary, Apio, Inc., issued a press release on Tuesday, February 28, 2017 announcing a commitment for all Eat Smart® products to be 100% clean by the end of next year (go to www.landec.com to see Tuesday's release) as part of a 100% Clean Label initiative. This initiative is to ensure all salad dressings, toppings and dips being offered with our fresh vegetable products are free from high fructose corn syrup, artificial preservatives, hydrogenated fats, as well as artificial colors, flavors, and sweeteners," states Hemmeter.

"The acquisition of O Olive is a first step in our stated strategy of moving into adjacent product segments outside of produce that offer consumers healthy, convenient and delicious products that deliver a gross margin over 30% and can take advantage of Apio's robust supply chain, logistics and customer reach. The O Olive products are a clear adjacency to our salad kit products, a significant growth platform for Apio. The strong product innovation capabilities of the O Olive team and the synergies with the Apio business provide a roadmap for future, sustainable growth. We are very excited to welcome the O Olive team to our Landec family and look forward to supporting their growth initiatives," concluded Hemmeter.

In calendar year 2016, O Olive had approximately \$3.6M in net sales and it realized breakeven EBITDA (earnings before interest, taxes, depreciation and amortization). O Olive's gross margin for the twelve months ended May 2017 is projected to be approximately 33% and we expect to increase these margins in the upcoming years through anticipated synergies with Apio. Based on our preliminary forecast, we see an immediate opportunity to significantly increase O Olive revenues in Landec's fiscal year 2018, and expect the business to be accretive in fiscal year 2018. For fiscal year 2017, we expect a net negative impact to net income of approximately \$200,000, primarily from acquisition and integration related costs. O Olive will continue to be managed by its existing management team and retain its headquarters and operations at its Petaluma, CA facility.

Aspect Consumer Partners acted as exclusive financial advisor to O Olive in the transaction.

For additional information on O Olive, please visit their website at: www.ooliveoil.com

About Landec Corporation

Landec Corporation (NASDAQ:LNDC) is a leading innovator of diversified health and wellness solutions within the packaged food and biomaterial markets. Apio, Landec's food business, is the leader in branded, packaged fresh vegetables in North America, utilizing its proprietary BreatheWay® packaging technology to naturally extend the shelf life of fresh produce. Apio combines this technology with the capabilities of a large national fresh produce supplier to offer healthy fresh vegetable products under the Eat Smart® brand to consumers through club and retail grocery stores. Lifecore Biomedical, Landec's biomaterial business, is a fully integrated Contract Development and Manufacturing Organization (CDMO) that offers expertise and capabilities in fermentation, specialty formulation, aseptic filling and final packaging for FDA regulated medical devices and drugs to customers for applications in a wide array of markets including Ophthalmic, Orthopedic and Oncology. For more information about the company, visit Landec's website at www.landec.com.

Important Cautions Regarding Forward-Looking Statements

Except for the historical information contained herein, the matters discussed in this news release are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially, including such factors among others, as the timing and expenses associated with operations, the ability to achieve acceptance of the Company's new products in the market place, weather conditions that can affect the supply and price of produce, the amount and timing of research and development funding and license fees from the Company's collaborative partners, the timing of regulatory approvals, the mix between domestic and international sales, and the risk factors listed in the Company's Form 10-K for the fiscal year ended May 29, 2016 (See item 1A: Risk Factors) which may be updated in Part II, Item 1A Risk Factors in the Company's Quarterly Reports on Form 10-Q. As a result of these and other factors, the Company expects to continue to experience significant fluctuations in quarterly operating results and there can be no assurance that the Company will remain consistently profitable. The Company undertakes no obligation to update or revise any forward-looking statements whether as a result of new developments or otherwise.

Sources:

1. *Spins 52 Weeks Ending 10/2/16*

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