

Masterful Deal Maker

Filipp Chebotarev has his head on a swivel, aptly-eyeing the wellness that defines both the financials of his stakeholders and the theme of his portfolio companies.

The COO and Managing Partner of Cambridge Companies SPG (Special Projects Group), Chebotarev's investment firm was, as recently as 2016, wholly-vested in distressed real estate properties. Yet, as the real estate market recovered and as Chebotarev told the *California Business Journal* in the summer of '18: "The upside potential was slowly being diminished. There were no more distressed opportunities."

Evidencing a master-class of both pivot and purview, Chebotarev redirected Cambridge SPG (cambridgespg.com) into the consumer product space, placing an onus on the food and beverage wellness market.

The results? Astounding.



Investment firm Cambridge Companies SPG was wholly-vested in distressed real estate properties. When the distressed real estate market recovered, Philipp Chebotarev shifted to investing in clean label consumer products across the food, beverage, personal care and beauty sectors. The result has been astonishing.

The company has 27 brands in its portfolio with revenue of about \$750 million, up from \$42 million in 2017.

"We comfortably pivoted," Chebotarev says. "When we first started investing in consumer products, we knew that food, beverage and beauty are extremely stable during times of economic volatility; very defensible sectors, as these are products which people consume on routine, whether daily or weekly. However, CPG brands trade at above average multiples during times of economic expansion."

Even considering his stellar foresight, neither Chebotarev – nor, any investor in the world, for that matter – could have grasped navigation of in-

vesting dynamics amid a global pandemic.

"At the onset of COVID, we sent an e-mail to all of our portfolio companies explaining the strength of our balance sheet, along with a very detailed letter to our clients and stakeholders which explained we have no corporate debt, unleveraged assets, very low personal debt and that we were in a very strong cash position," Chebotarev says. "And that all effectively evidenced we were in a position of strength."

But Chebotarev wasn't quite aware of exactly how good a place his company was in. "In late March into April, we started seeing tremendous volatility in our market, and in the investment community; restaurants shutting down, hotels shutting down, coffee shops, gyms. But -- grocery stores are

Investments

packed and e-commerce is booming. And we sell our products mostly in grocery stores and online."

Not only did Cambridge's portfolio prove recession-proof, it was booming.

"Not only are these essential, consumer products, but the guardrails around all of our brands are health and wellness," Chebotarev says. "So, as consumers started seeking and buying more immunity-building and organic products, our portfolio proved to be at the right place at the right time. In April, we saw between 30-300% increases beyond what we were forecasting. Now that the pantry loading and panic buying has subsided we are seeing rate of sale return to a higher baseline than pre-Covid levels."

With the food manufacturing industry already working with extremely high health and safety standards in a pre-virus world, Cambridge moved into overdrive to accommodate product demand. "You walk into one of these facilities, and everybody, long before COVID, is dressed like a virologist," Chebotarev says.

"Were we prepared for that? No, but we were able to accommodate the growth through a lot of work behind those numbers. And we were fortunate that, back in December of '19, with very early talks about the virus and talks of a trade war with China, our portfolio companies had already pre-ordered packaging and were stocked-up. While all of our portfolio company products' ingredients come from the U.S., the packaging, mostly, comes from abroad."

Evidencing one of Cambridge's myriad success stories, Chebotarev points to Vive Organics. "Vive Organics wellness shots were 300% above-plan in April and May," he says. "And it is now the top-performing functional beverage in beverage history. We produced the highest profit per cubic inch than any item sold at Whole Foods. It's incredible growth, and we were already growing extremely well. But it's gone into overdrive as COVID hit."

Further prosperity may be viewed via Cambridge's October addition of NorCal-based Starbird Chicken as its newest brand, along with the company's investment in Santa Cruz-based LIFE AID, a functional beverage company.

"With LIFE AID, we have a variety of SKU's from

FITAID for sports recovery to FOCUS AID targeted for students and professionals, PARTY AID for reviving essential nutrients and IMMUNITY AID for defense – and that was No. 4 in that product line on volume. IMMUNITY AID is now the No. 1 seller."

Cambridge has also found success working with brands connected to celebrity ambassadors, sponsors and investors. Chebotarev sees such pairings as a win-win, as products enjoy enhanced brand-awareness, while the celebs see lucrative paydays which usurp their livelihoods or enhance their passion projects.

Amid the Cambridge portfolio: Prive'Revaux eye-wear is connected to actors Jamie Foxx, Hailey Steinfeld and Jeremy Piven; actress Sarah Michele Gellar is a co-founder of Foodstirs, which purveys organic baking kits; musician Drake is a key investor in the ceremonial-grade bottled matcha made Matchabar; and actress Jennifer Garner is a main component of the fresh baby food products sold by Once Upon a Farm.

"Celebrities and branded businesses are just a good fit," Chebotarev says. "Celebrities have a lot of engagement, a lot of followers on social, and people look to them for style, brands, social causes."

His swivel keeping a careful watch on the future, Chebotarev's look ahead sees IPOs exploding. "There's a lot of appetite from public market investors in clean-label, wellness food companies," he says. "We know there's a lot more coming in the next 24 or 36 months, and the IPO market for these businesses is going to be booming. Of course, things that boom eventually come down, but I look ahead at this as three years of above-average multiples on the public side in the sector."

Across concerning times of human vulnerability, Chebotarev and Cambridge SPG are offering resilience. "The virus has shown us how vulnerable we all are as a species; we're now hyper-aware and demand for immunity-building products will continue to grow over the next ten years," the COO concludes. "And our company is well-positioned for that demand." — *By Judd Spicer, California Business Journal.*

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