The State of Natural & Organic Keynote

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Denver, Colorado

We have much to celebrate in natural & organic CPG

State of Natural & Organic Presenters

Carlotta Mast
SVP and Market Leader
New Hope Network

Nick McCoy
Managing Partner
Whipstitch Capital

Kathryn Peters
Head of Industry Relations
SPINS

June Jo Lee
Food Ethnographer

State of Natural & Organic Today

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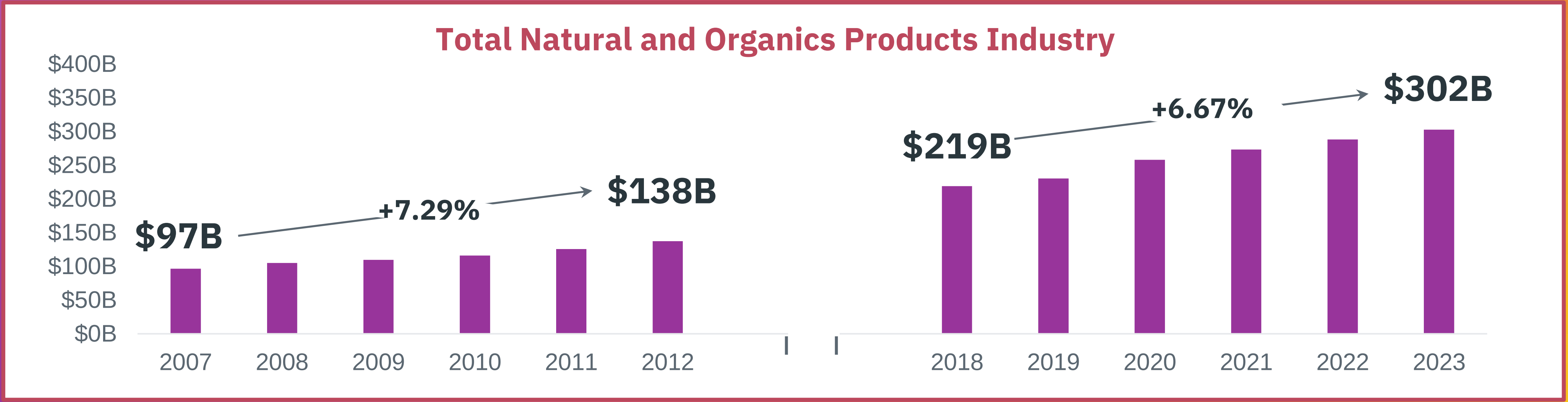
By Informa Markets

The U.S. natural products industry is a force

Our industry has **more than tripled in size since 2007** growing from **$97B** to over $300B in 2023 with volume growth every year. Our scale is accelerating, and this momentum can amplify our voice **and impact**.



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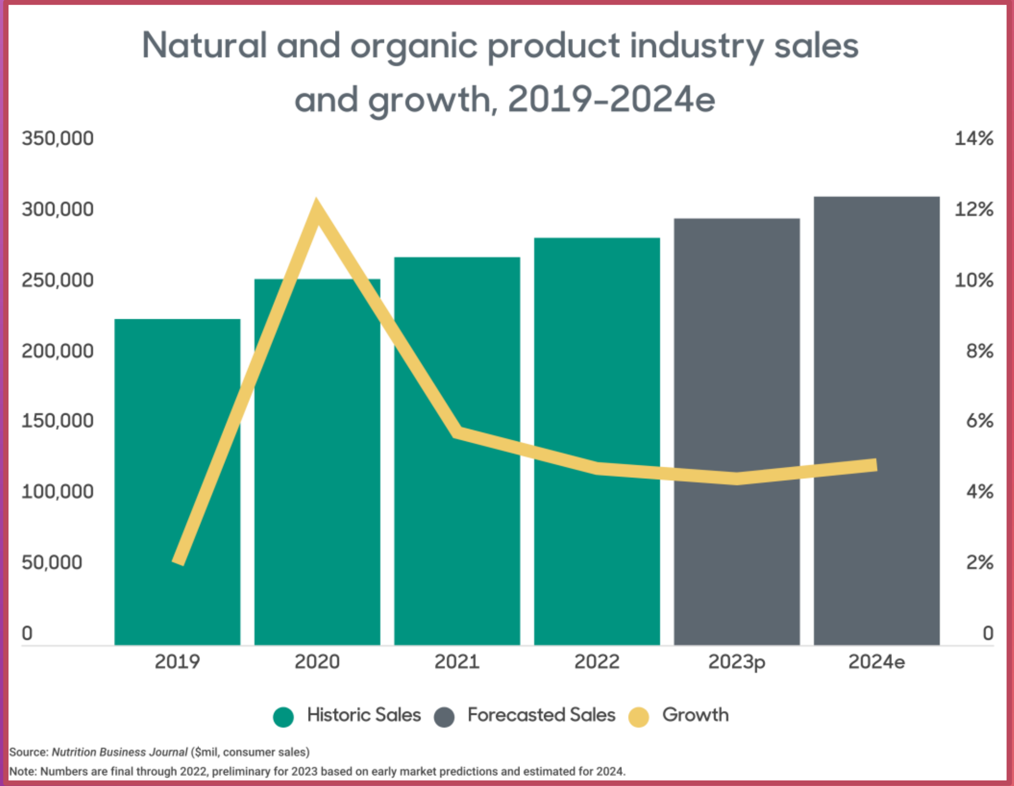
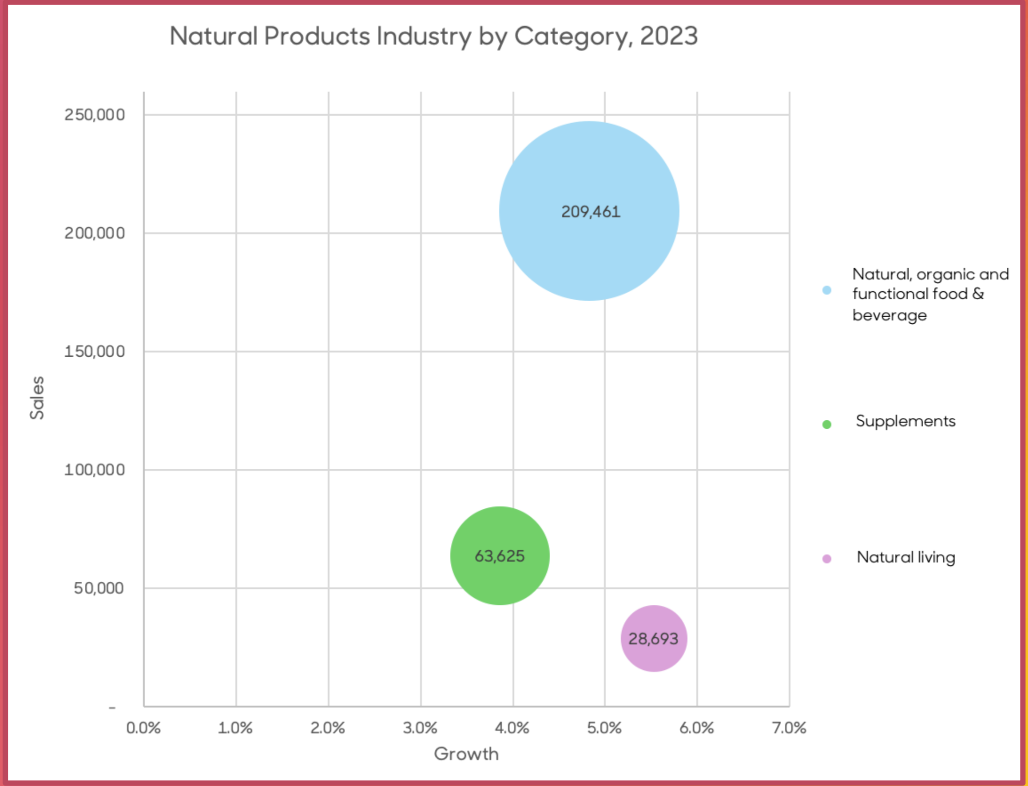
Source: Nutrition Business Journal ($mil, consumer sales), powered by SPINS. Recent trends for 2023 estimate apply SPINS trends to NBJ and SPINS source data Total includes natural and organic food and beverages, functional food and beverages, supplements and natural living

The natural & organic industry remained resilient in 2023

Although growth slowed to an estimated 4.7% last year, U.S. natural & organic industry consumer sales hit $302B in 2023 and growth is expected to pick up to 5.1% in 2024.





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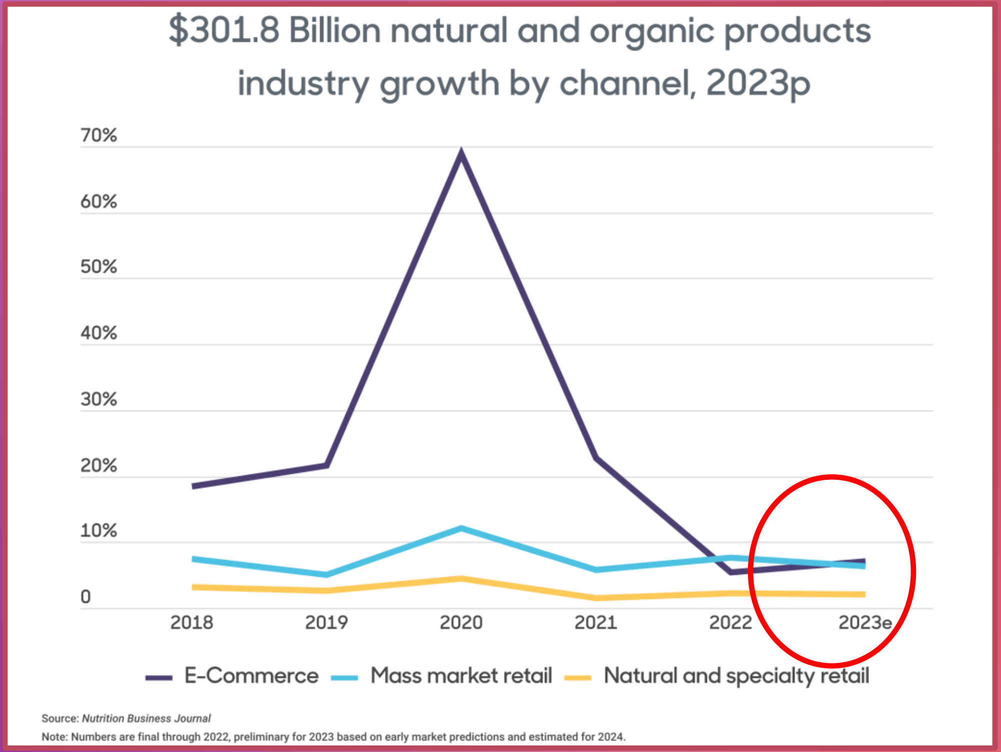
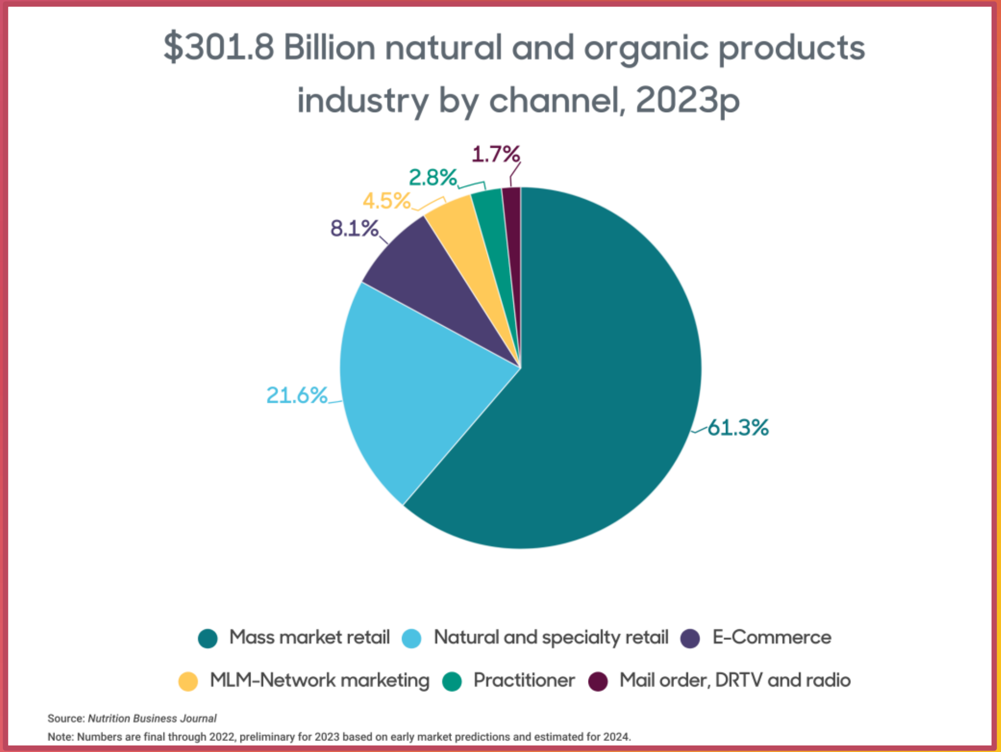
Source: Nutrition Business Journal ($mil, consumer sales), powered by SPINS. Recent trends apply SPINS trends to NBJ and SPINS source dataDepartment totals continue to be 2022 estimates.

Ecommerce once again fastest growing channel in 2023

Ecommerce sales grew an est. 7.3% in 2023 after dramatic drops in 2021 and 2022, but most industry sales still rung up in retail with mass growing at 5.9% and natural & specialty at 2.1% in 2023.





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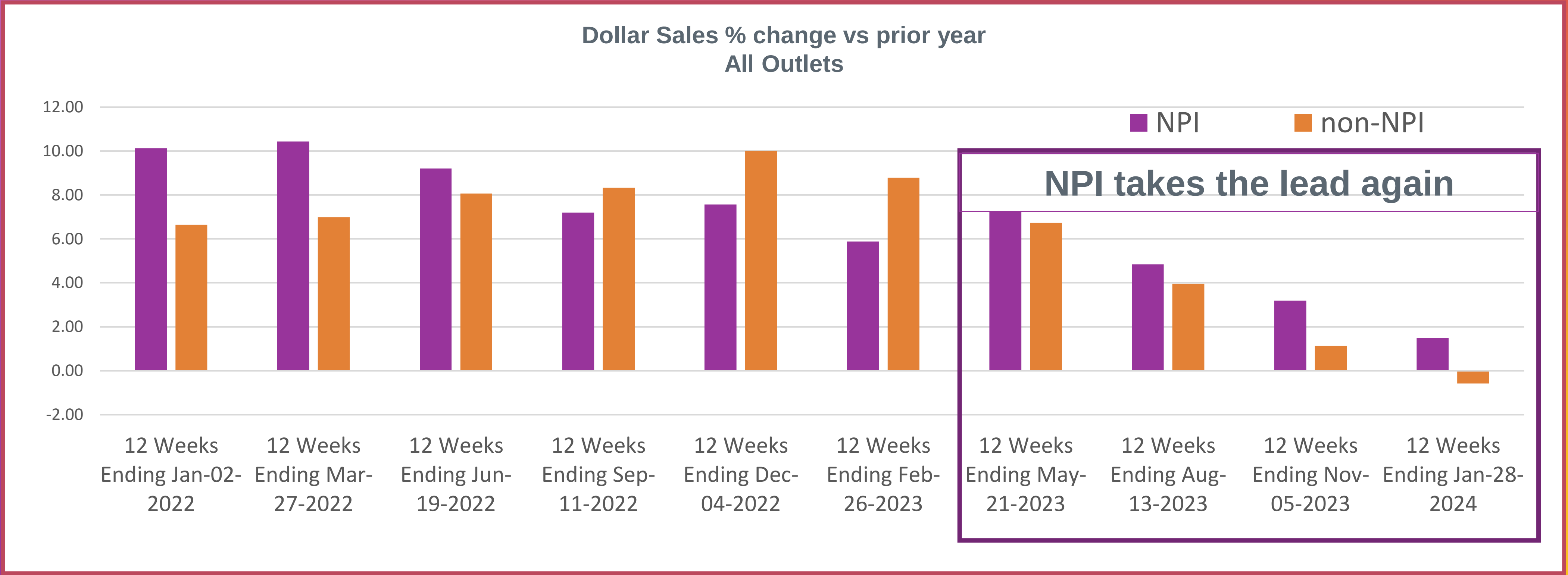
Source: Nutrition Business Journal ($mil, consumer sales), powered by SPINS

Natural products have returned to leading growth across outlets



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Source: SPINS attribute-enriched Circana all outlet consumer panel data

Natural and Wellness products are driving growth across all SPINS channels

"A rising tide lifts all boats." Each channel has a unique role in a brand's lifecycle as each channel's retailers have a distinct approach to embracing consumer preferences and innovation.

Natural Expanded Channel +3.2% Sales Growth		Regional & Independent Grocery Channel +0.0% Sales Growth		Conventional MultiOutlet +3.7% Sales Growth		Convenience Channel +7.2% Sales Growth	
+4.9%	NATURAL PRODUCTS	+1.2%	NATURAL PRODUCTS	+4.6%	NATURAL PRODUCTS	+8.6%	NATURAL PRODUCTS
+2.8%	SPECIALTY & WELLNESS PRODUCTS	+2.4%	SPECIALTY & WELLNESS PRODUCTS	+5.0%	SPECIALTY & WELLNESS PRODUCTS	+11.3%	SPECIALTY & WELLNESS PRODUCTS
+0.6%	CONVENTIONAL PRODUCTS	-0.8%	CONVENTIONAL PRODUCTS	+3.4%	CONVENTIONAL PRODUCTS	+4.5%	CONVENTIONAL PRODUCTS

Source: SPINS Total store US Natural Enhanced Channel, Regional Grocery, Conventional Multioutlet + Convenience Channels (powered by Circana), 52 Weeks ending 1/28/2024

Strength in Organic continues as consumers understand and trust the Organic seal

Across the store, Organic sales outpaced non-Organic in 2023 in both dollars and unit growth.

Organic Top Food & Bev **Growth Categories**

Surplus of Unit Growth of Organic over Non-Organic

Soda	**+121 pts**
RF Pasta & Pizza Sauce	**+75 pts**
Infant Formula & Toddler Nutrition	**+31 pts**
Spirits	**+25 pts**
Bacon & Breakfast Meats	**+26 pts**
SS Meat, Poultry & Seafood	**+26 pts**
Rf Plant-Based Milk	**+25 pts**
RF Meat, Poultry & Seafood	**+23 pts**
Drink Mixes & Concentrates	**+16 pts**
Hot Dogs & Dinner Sausages	**+10 pts**

65% Of all shoppers report they are more likely to buy a product if it is Certified USDA Certified Organic. Younger shoppers index higher.

86% Of younger natural shoppers believe Organic & Regen farming can improve the nutrient density of our food.

1 of 2 USDA Certified Organic & Non-GMO Project Verified are only two certifications growing in net importance from '19 to '23.

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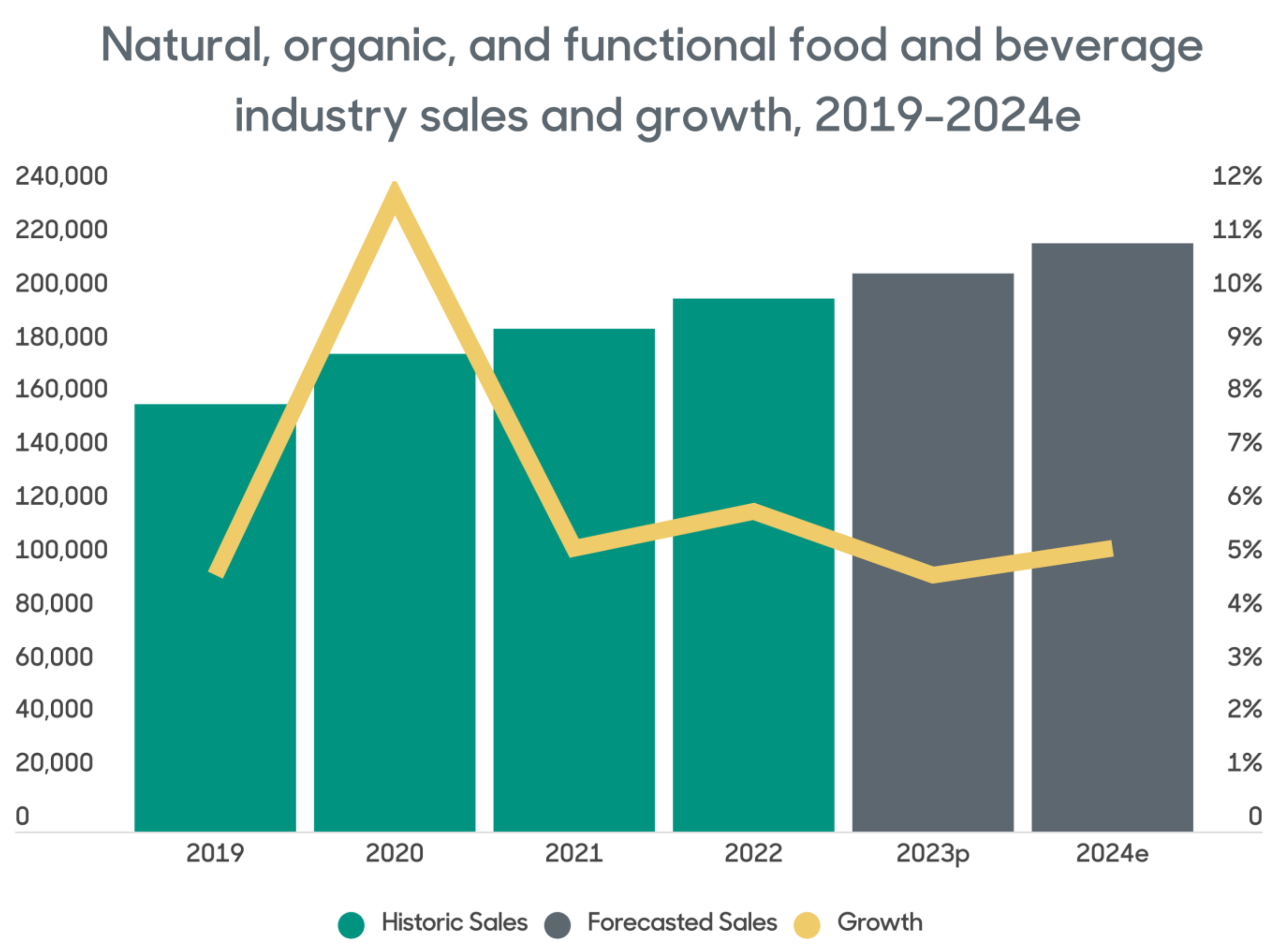
Source:SPINS Total US Natural Expanded Channel + Multioutlet (powered by Circana), 52 Weeks Ending 1.28.2024; Circana All Outlet Panel enriched by SPINS attributes; https://www.nongmoproject.org/blog/who-is-the-natural-shopper-in-2024//

Consumer snacking fueled natural, organic and functional food and beverage sales in 2023

U.S. natural, organic and functional food & beverage sales grew est. 4.8% to $209B in 2023, outpacing total industry sales. Category is expected to reach $220b on 5.3% growth in 2024.



Source: *Nutrition Business Journal* ($mil, consumer sales)

Note: Numbers are final through 2022, preliminary for 2023 based on early market predictions and estimated for 2024.

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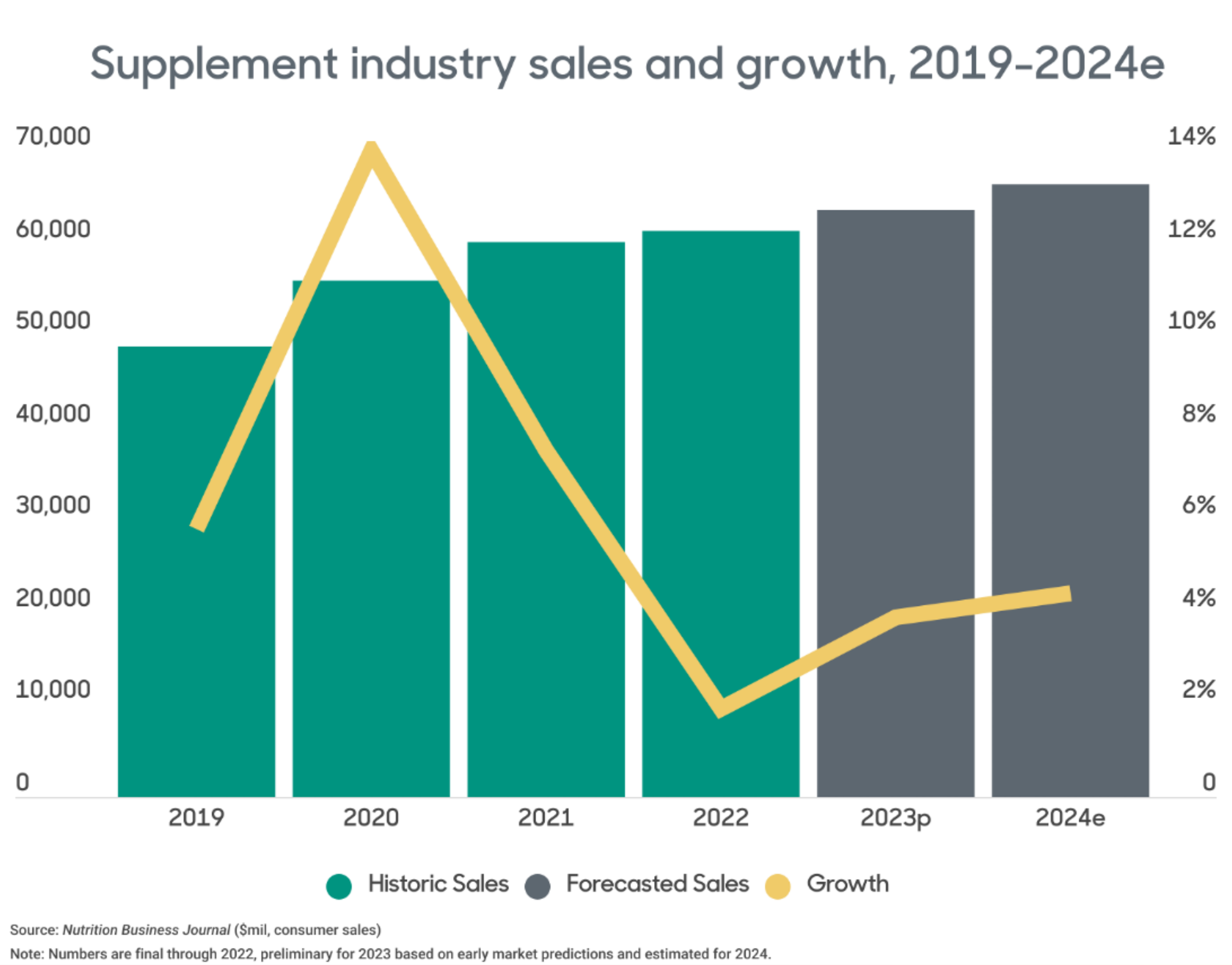
Source: Nutrition Business Journal ($mil, consumer sales), powered by SPINS. Recent trends apply SPINS trends to NBJ and SPINS source data.

Sports nutrition boosts supplement sales in 2023 after dramatic growth drop in 2022

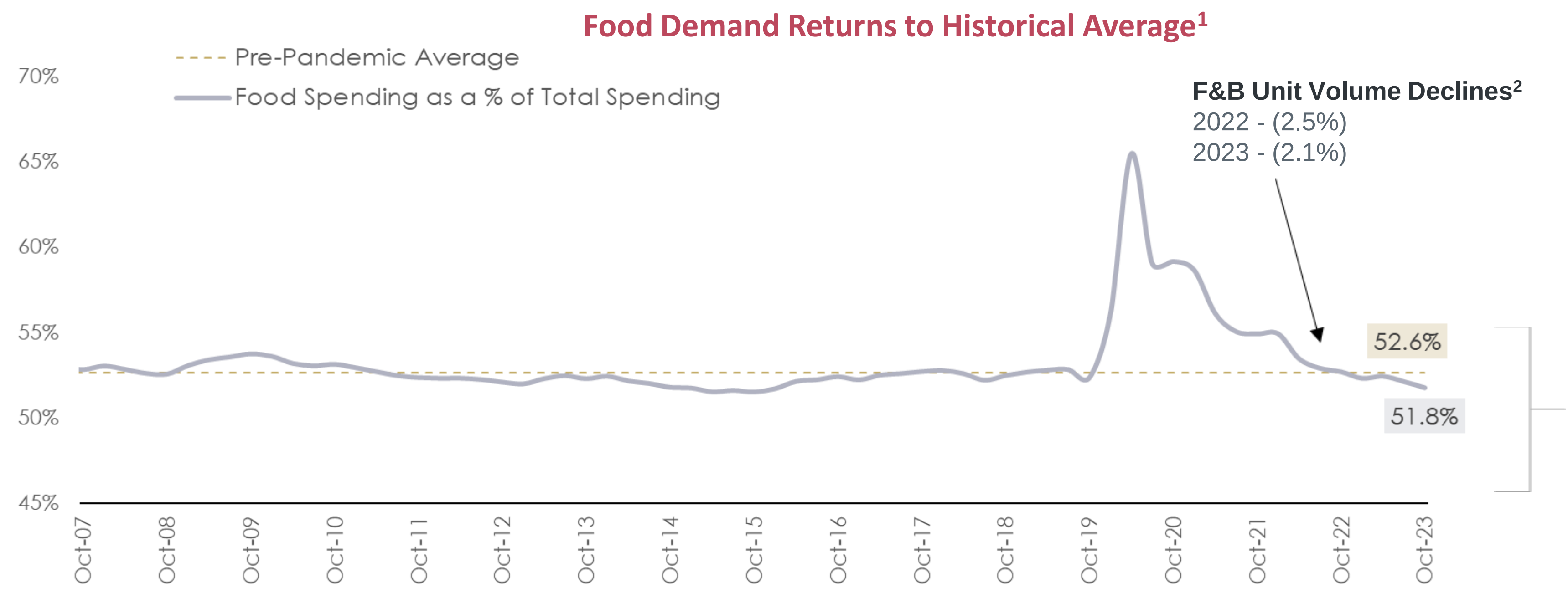


U.S. Supplements **grew estimated 3.9% to $63B in 2023**

Top growing categories in 2023:
- Sports nutrition/ Meal supplements
- Specialty supplements
- Herbs and botanicals

Source: Nutrition Business Journal ($ml, consumer sales)

Grocery as a % of Food and Beverage is now Below its Pre-Pandemic Average



Jan '24:
The first month since September 2021 where food & beverage units **increased** year over year[2]

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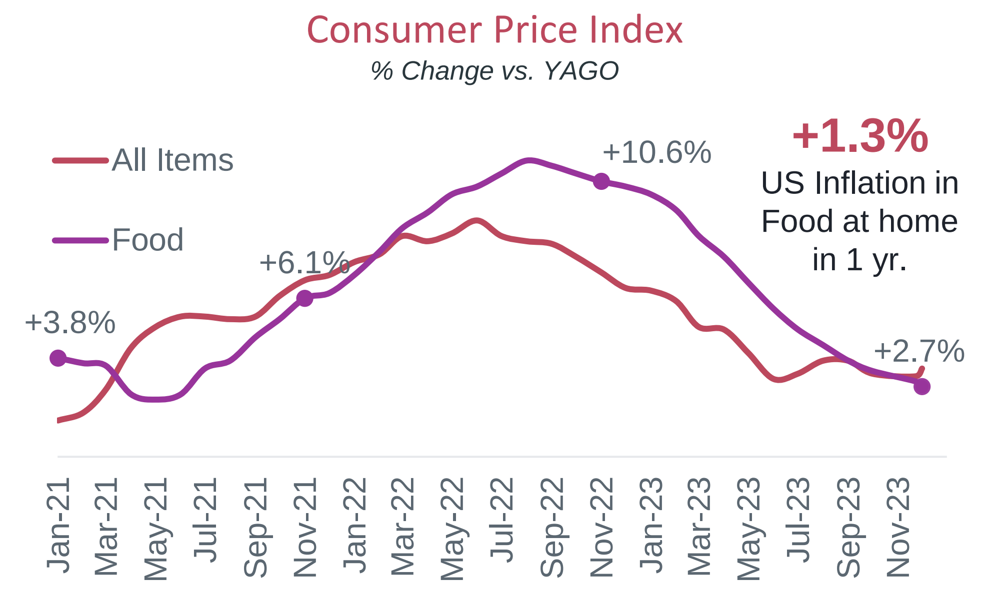
1) Federal Reserve Economic Data, Real personal consumption expenditures
2) SPINS, TPL, MULO + Natural + C Store, Alcohol, Frozen, Grocery, Produce, & Refrigerated, WE 1/28/24

Food inflation is coming down, but perception matters

Costs are coming down across the supply chain. **CPGs are pressured to re-invest** in everyday price reductions or promotions. It will take time for consumer perception to improve.



Pricing Trifecta

Everyday price increases | **$$ on promotion** | **Promo discounts**

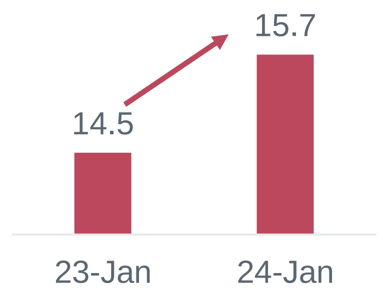
Dollars Sold on Promotion

28.0% This year

25.2% Year Ago

More promos and a 'wait and see' approach before reducing everyday pricing.

%Promotional Discount



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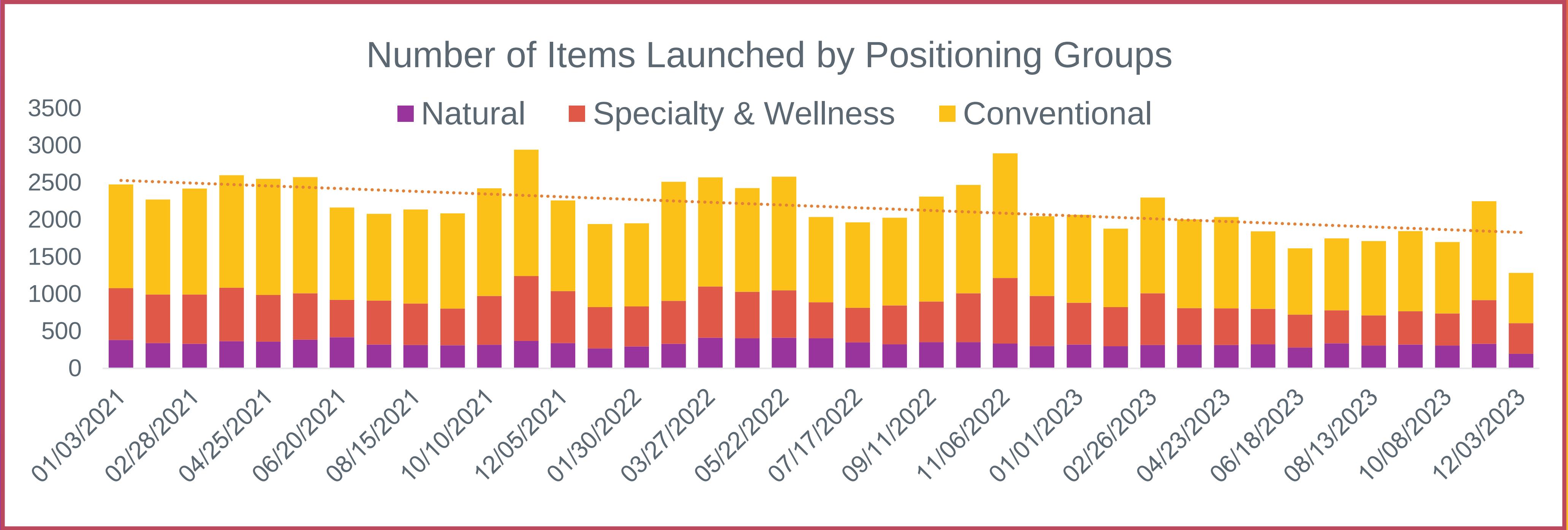
Source: US Bureau of Labor Statistics and SPINS Natural Expanded Channel + MULO, week ending 1.28.24

Market conditions + profit focus = fewer new products

Fewer new products doesn't mean less innovation. Brands are evolving their approach.



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Source: SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Frozen, Grocery and Refrigerated Departments; UPC Level; First Week Selling Used to Calculate New Items Launched Per Quad

Independent companies continue to drive growth over larger strategics

Product Universe	Company Status	$ Growth YoY	$ Growth YoY YA	Unit Growth YoY	Unit Growth YoY YA
NPI	Strategics	4.2%	6.4%	-6.7%	-3.0%
	Independents	7.3%	8.8%	-1.1%	2.4%
TPL	Strategics	6.4%	7.4%	-3.8%	-3.2%
	Independents	6.6%	8.0%	-1.5%	-1.8%

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Source: SPINS

The maturity of our industry is driving the convergence of growth and profit

2010	2020	2020–2030
Food and beverage companies could exit with as little as $10m revenue and losses	$10m brands became $100m and margins are an increased focus	Brands are continuing to be bought closer to their independent headroom potential – if not profitable at that point, cannot get there

Investor and Strategic Observations

1. Investors increasingly underwriting to EBITDA-based exits – multiples range from 10x–20x
2. Long-held portfolio companies tend to be unprofitable and have limited brand headroom to scale profitability
3. Increased value from strategics for brands that manufacture
4. Strategic EBITDA multiples validate higher end of EBITDA multiples for best brands

Enablers of Profitability

- **Increased integration of supply chain**
- **Marketing efficiency through better data**
- **Omnichannel as a toll to increase brand headroom**
- **Greater number of "rising tides" for every brand**

Vision 2030: The natural products industry IS holistically mainstream

The Industry Shares the Same Capital Markets and Business Models as Others

Capital Markets	Mainstreaming of Conscious Products	Successful Business Models	Trends/Rising Tides
Venture More and Larger Funds **Buyout** Viable Liquidity for Investors in Growing Companies **M&A** Consistent Participation by Large Strategics **IPO** 2021 Marked First Real Open Year for Natural Product Company IPOs	**Past:** Section of the grocery dedicated to clean and natural **Present and Future:** Clean and natural products integrated throughout entire store	Specialty with profitability – items that are unique that customers will pay a premium for **Exit Basis: Positive EBITDA** Larger, innovative, better-for-you, and sustainable brands that are $200M+ **Exit Basis: Revenue > $100m; Profitability** Multi-brand portfolios that can exit off EBITDA > $20M **Exit Basis: EBITDA > $10m**	**Sustainability** **Wellness** **Social Responsibility** **Appeal to Multicultural Consumer Base**

1) SPINS, Total Product Library, MULO + Natural, Refrigerated + Grocery, 52WE 1/28/24
2) Pitchbook, Q4 2023 NVCA Venture Monitor Summary, US VC Exit Activity, As of 12/31/23

The fundamentals of the industry are strong and fundraising will get easier

Summary	
	Independent brands are **driving growth** over large strategics in TPL and NPI
	M&A will accelerate the capital cycle bringing in more funding with continued declines in interest rates
	Restaurant volume is up – an economic slowdown suggests growth will subside – if economic growth occurs, we are past inflation shock and NPI will benefit from growth **– natural products win either way**
	The **unit volume drop of 2022-2023 is stabilizing**

The Evolving Consumer Mindset

Macro Trends with Staying Power

Change agents and signals of progress

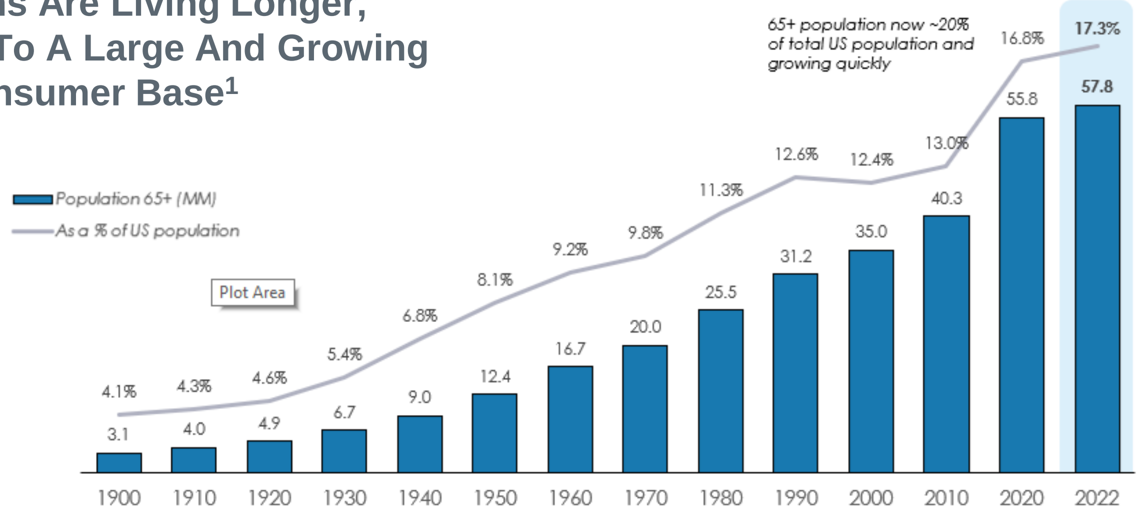
The preferences and behaviors that will transform our industry over the next few years

Lifespan to Healthspan	"Before it's too late"	**Longevity focus; personalized**
New Global Notions	Segmented store placement	**Blending as ordinary. Flavor adventure**
Intentional Indulgences	Excess and sometimes polarizing; mindless eating	**Intentional choices for how "I" want to indulge**
Sustainability	Secondary driver in CPG purchases	**Table stakes; growth into Regeneration**

Healthspan an increasing consumer focus – increases focus on nutrition

Elder demographic & overall life expectancy growth leading to interest in silver wellness and graceful aging products

Americans Are Living Longer, Leading To A Large And Growing Elder Consumer Base[1]



	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000	2010	2020	2022
Median age	22.9	24.1	25.3	26.5	29.0	30.2	29.5	28.1	30.0	32.9	35.3	37.2	38.2	**38.9**
Life expectancy	48.2	51.4	53.2	58.7	62.1	67.2	69.7	70.4	73.3	74.9	76.5	78.2	78.8	**79.1**

The Healthspan – Lifespan Gap Is 9 Years Due To Chronic Disease[2]

Lifespan: *total life lived*

Healthspan: *period free from disease*

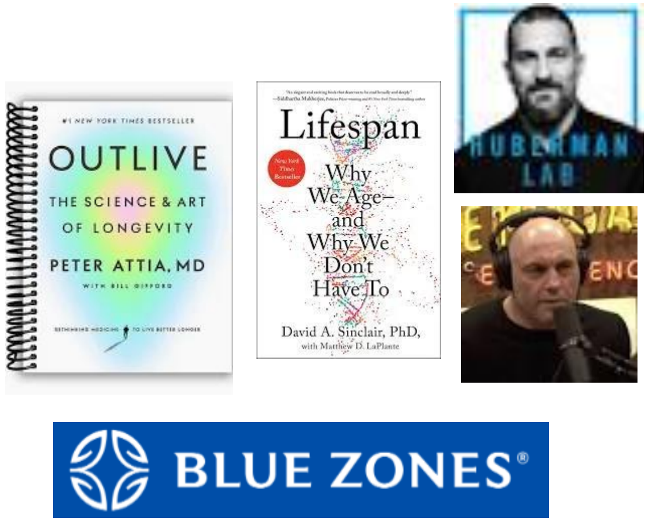
Chronic diseases are responsible for 79% of all years lived with disability

- **Respiratory diseases**
- **Cancer**
- **Cardiovascular diseases**
- **Diabetes**

1. US Census Bureau
2. National Library of Medicine, "Longevity leap: mind the healthspan gap"

Quality of life and holistic wellness has become integral to our “personal brand”

Revolution of the **practitioner approach**



Practical prevention for **long game living**

Incorporation of **incremental elements**

Food as Medicine is a key pillar of the wellness journey

Consumers are actively demanding more from the foods they choose.

Shoppers in every generation turn to functional **food, beverages, and supplements over pharmaceuticals** when looking for health benefits

Ingredients matter

Top growth Functional Ingredients in Snacks

- Mushrooms – Reishi
- Plant Protein – General
- Animal Protein – Meat
- Ashwagandha

Top growth Health Focus areas in Beverages

- Mood Support
- Cleanse & Detox
- Digestive Health
- Energy Support

Source: NBJ, SPINS Total US Natural Enhanced Channel + Multioutlet (powered by Circana), Frozen, Grocery and Refrigerated

Beverages are the new mechanism of action

Functional ingredients are being added to relieve anxiety, support mindfulness and create alcohol alternatives for social connectivity.

The Hottest Beer in America Doesn't Have Alcohol

Founded by a hedge-fund trader and a brewer, Athletic Brewing has become the king of nonalcoholic beers. So what's all the buzz about?

THE WALL STREET JOURNAL.

+28.5% Non-Alcoholic Beer

-0.6% Total Beer Category

Cannabis Drinks Hit Total Wine

By Hilary Bricken on November 6, 2023

POSTED IN GENERAL INDUSTRY

+510.1% THC, *(Hemp derived – Delta 8)*

+51.2% Super Mushrooms	**+48.7%** Magnesium	**+20.4%** Kratom
+9.2% Ashwagandha	**+6.8%** Kava	

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Source: SPINS Natural Channel, SPINS Conventional Channel (powered by Circana) data 52 Weeks Ending 01.28.24 Department: VMS, Grocery, Refrigerated, Frozen

The new era of weight loss impacts every brand

Ozempic Is Making People Buy Less Food, Walmart Says

- Retailer is analyzing shopping behavior of people on drug
- Prescriptions for GLP-1s, like Ozempic, are boosting sales

Bloomberg

PepsiCo monitoring impact of weight loss drugs, but says early impact on sales is 'negligible'

CEO Ramon Laguarta told analysts there are "a lot of question marks" when it comes to the impact Ozempic and other similar medicines will have on his beverages and snacks business.

FOOD DIVE

Nestlé vows to increase sales of healthier foods by 2030

The world's largest food company said it wants to boost sales of better-for-you products by as much as $27.3 billion by the end of this decade, a 50% increase from 2022.

FOOD DIVE

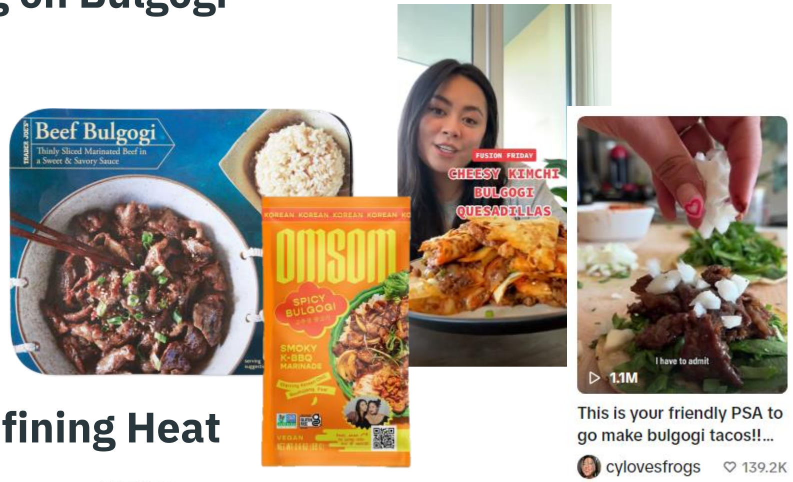
Ozempic Maker Novo Gets Calls From 'Scared' Food CEOs

- Novo CEO Jorgensen says weight-loss drugs have huge impact
- Company is working to overcome supply shortage hurdles

Bloomberg

Openness to new tastes has created a flavor explosion

Bring on Bulgogi



Redefining Heat

New Textures, More Variety, Emerging Formats

Olive Varietals

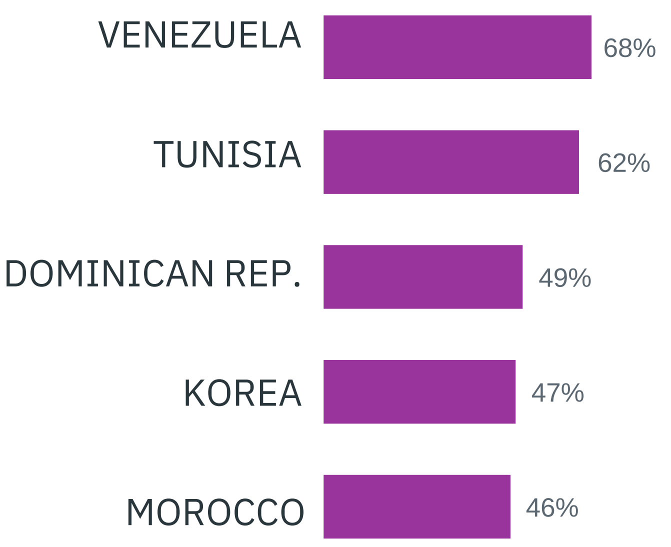
Cultured Butter

Charcuterie & Meat

Global curiosity inspires younger shoppers

58% of Gen Z has eaten a **globally inspired dish** within the last week vs 19% of Boomers*

Top International Attribute $ % Change over $100k



$ Share and $ Growth by Type

Bao Bun
$10.4MM, +160%

Other Asian
$66.0MM, +49%

Foreign Ingredient Standards Building Consumer Trust

No More Bromine: Coke, Pepsi Drop Controversial Ingredient

Teen wins battle against Gatorade 'BVO' ingredient

Source: SPINS. 52 Weeks ending 01.28.24 Total US- MULO + Natural Expanded Channel. Total F&B
Source: Datassential 2023; CivicScience 2023

Shoppers increasingly indulge with intention

Culinary Culture

+9.9%
Specialty Natural Brands

+6.0%
Specialty Gourmet Brands

Treating with Decadence

Regimens Take Hold

Gen Alpha is big on skincare

'Sephora kids' and the booming business of beauty products for children — BBC

Barbie who? Gen Alpha kids 'obsessed' with skin care could fuel holiday spending — CNBC

GEN ALPHA

Inside the Tween Obsession With Drunk Elephant Skin Care

GLAMOUR

Source: SPINS. 52 Weeks ending 01.28.24 Total US- MULO + Natural Expanded Channel.

Sustainability is a growing area of interest

From upcycled to regenerative organic, planetary health is on consumer's minds. However, **education remains an opportunity to help shoppers identify sustainable practices**.

Top 3 Sustainability priorities for shoppers:

1. **Reducing waste**
2. **Renewable energy**
3. **Responsible packaging**

Regenerative Organic Certified

UP CYCLED CERTIFIED

+5.9% Certified Organic	**+3.5%** Certified Non-GMO Project	**+8.6%** Certified Regen Organic
+16.9% Labeled Grass-Fed	**-5.6%** Certified Upcycled Total	**+115.5%** Certified Upcycled Snacks

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Source: Nutrition Business Journal, SPINS Natural Channel, MULO (powered by Circana), 52 Weeks Ending 01.28.24
Powered by SPINS Product Intelligence: Certificates & Labels

When it comes to sustainability, retailers are getting ready

Areas of focus and commitment

- Waste Diversion
- Emissions Reduction
- Single-use plastic waste reduction
- Sustainable packaging
- Sustainable sourcing
- Pesticide use

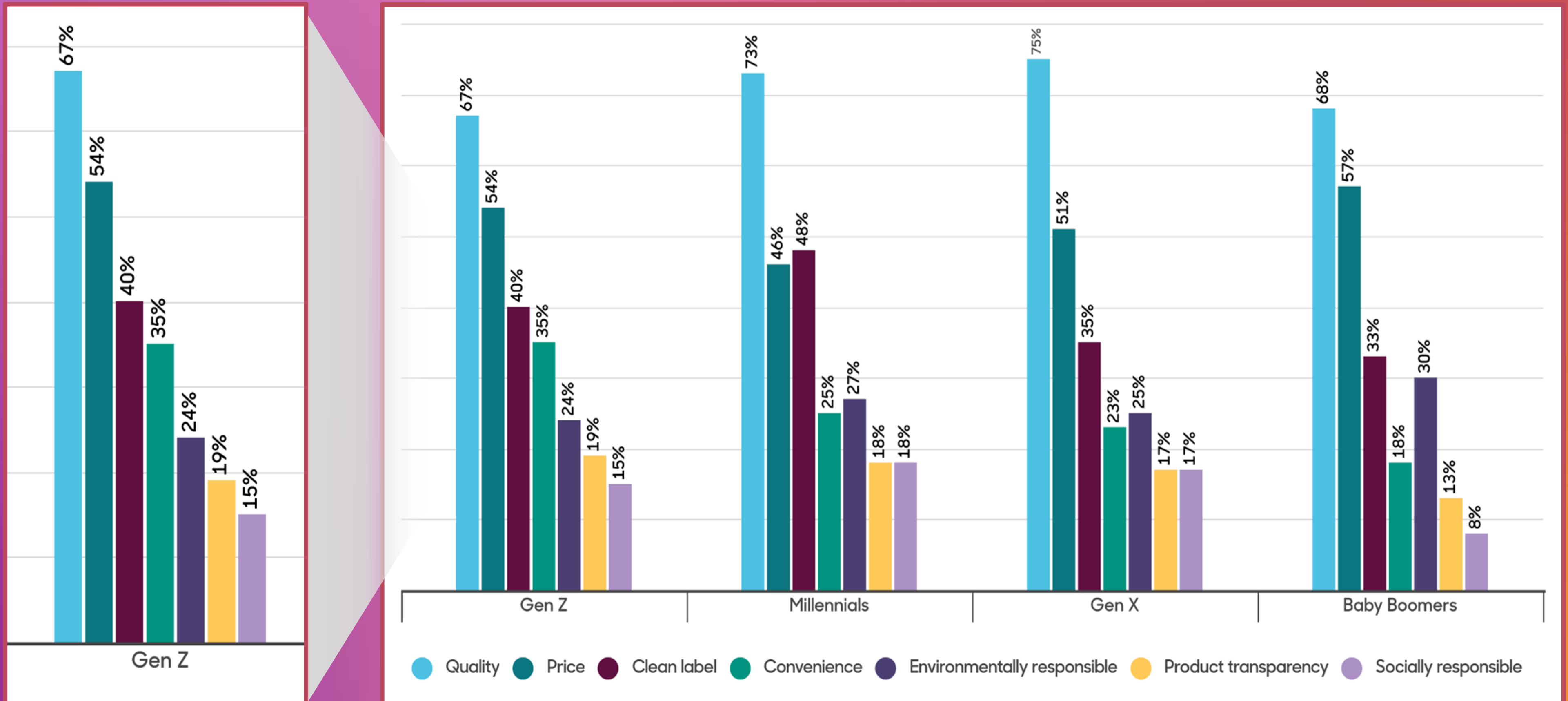
Examples

Examples	
✓ Private Label pledge ✓ 100% recyclable, reusable or compostable	Kroger, giant eagle
✓ Aggressive goals to divert landfill waste	Kroger, giant eagle, Ahold Delhaize
✓ Strong produce requirements for pesticide avoidance.	Kroger, giant eagle, Whole Foods Market, Walmart
✓ Carbon-negative store operations. ✓ Don't sell 'avoid' rated seafood ✓ All coffee is organic or fair/direct trade.	PCC Community Markets
✓ Only grocer with takeback reusable packaging	Misfits Market

Rising Gen Z:
What the data says

A new generation of demand. And expectations. Younger consumers are demanding accelerated change as their buying power grows.

Attributes most important to the Natural shopper



Source: *Nutrition Business Journal* survey targeting those who purchase natural and organic food and beverage products . Completed February 2024; n=1,082; powered by the Suzy online platform.

Question: "What attributes are most important to you when purchasing natural or organic food and beverage products? Please select your top three options."

When comparing generations, Gen Z ranks higher on…

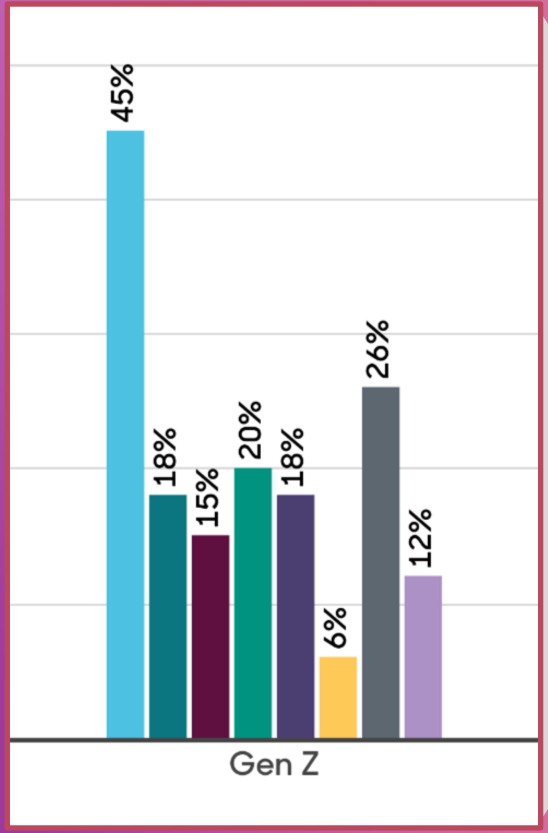
- → **Convenience**
- → **Clean label**
- → **Price**
- → **Product transparency**

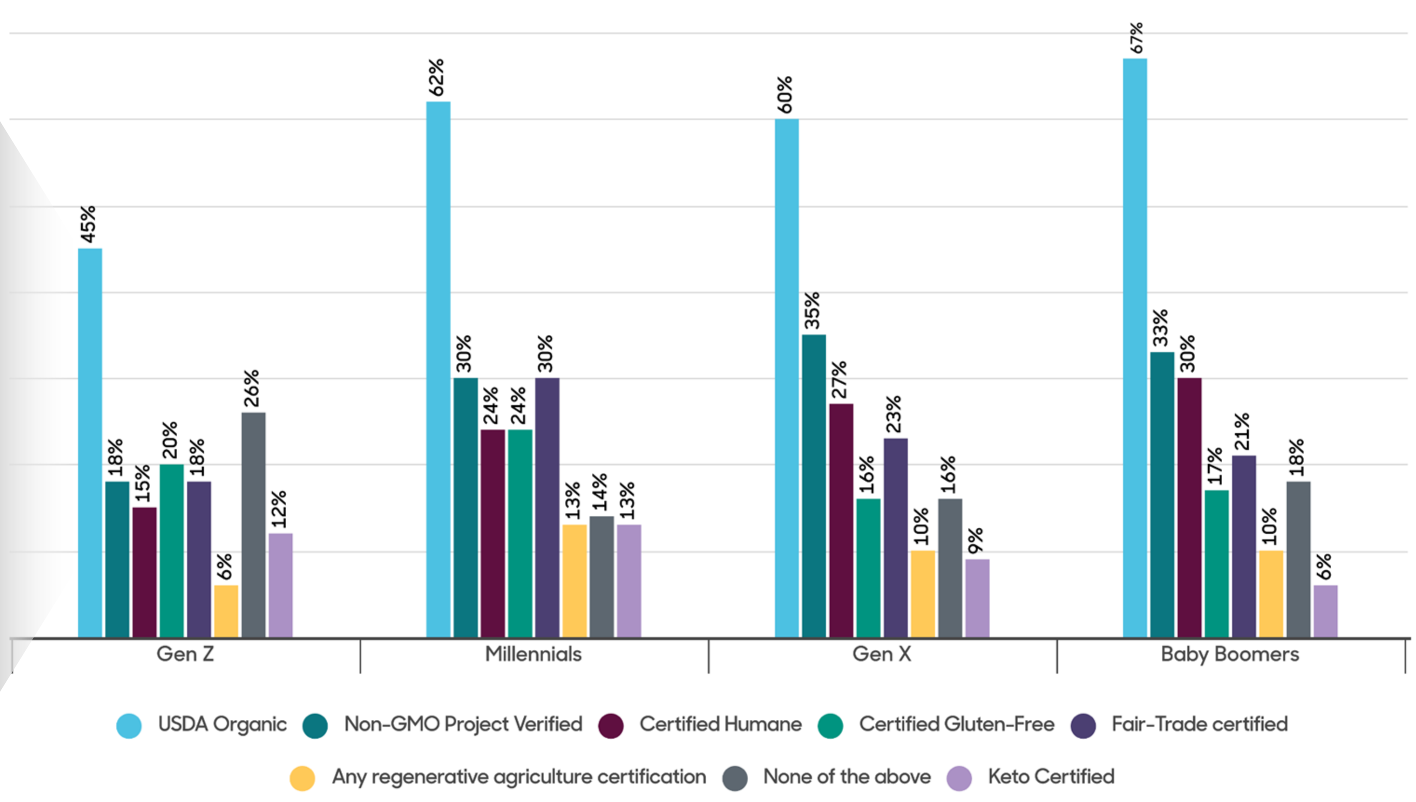
Ranks lower on…

- → **Environmentally and socially responsible**

Certifications have the least pull with Gen Z

USDA organic rises to the top for all generations, including Gen Z



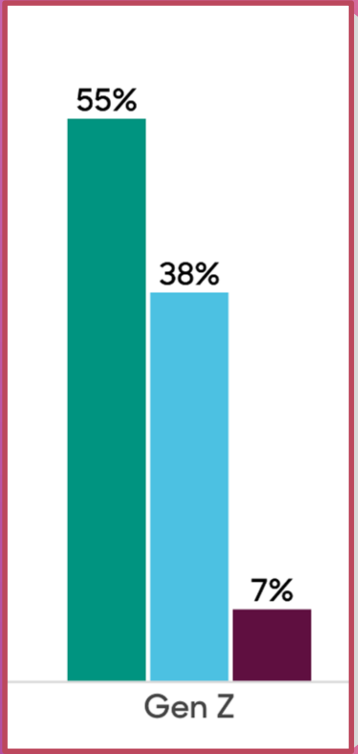


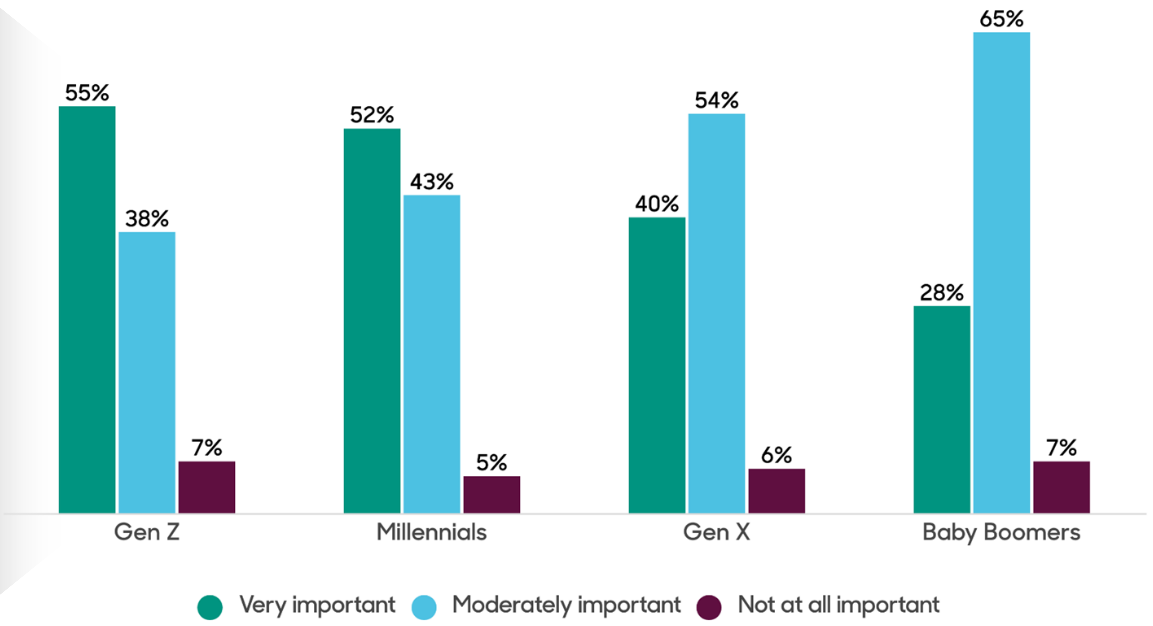
Source: *Nutrition Business Journal* survey targeting those who purchase natural and organic food and beverage products . Completed February 2024; n=1,083; powered by the Suzy online platform.

Question: "Which product certifications are most important to you when purchasing natural or organic food and beverage products? Please select all that apply."

“Clean label” importance for N&O shoppers

Younger generations place higher importance on products that have “clean labels”

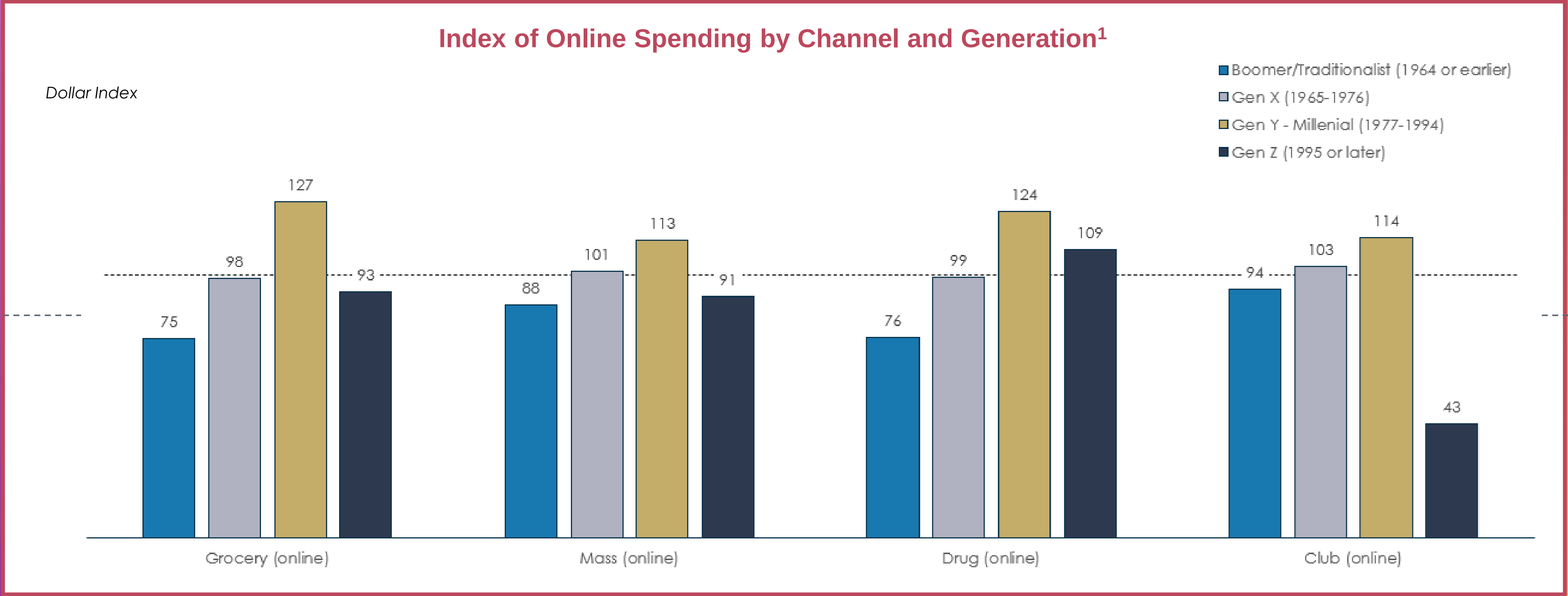




Source: *Nutrition Business Journal* survey targeting those who purchase natural and organic food and beverage products . Completed February 2024; n=1,015; powered by the Suzy online platform.

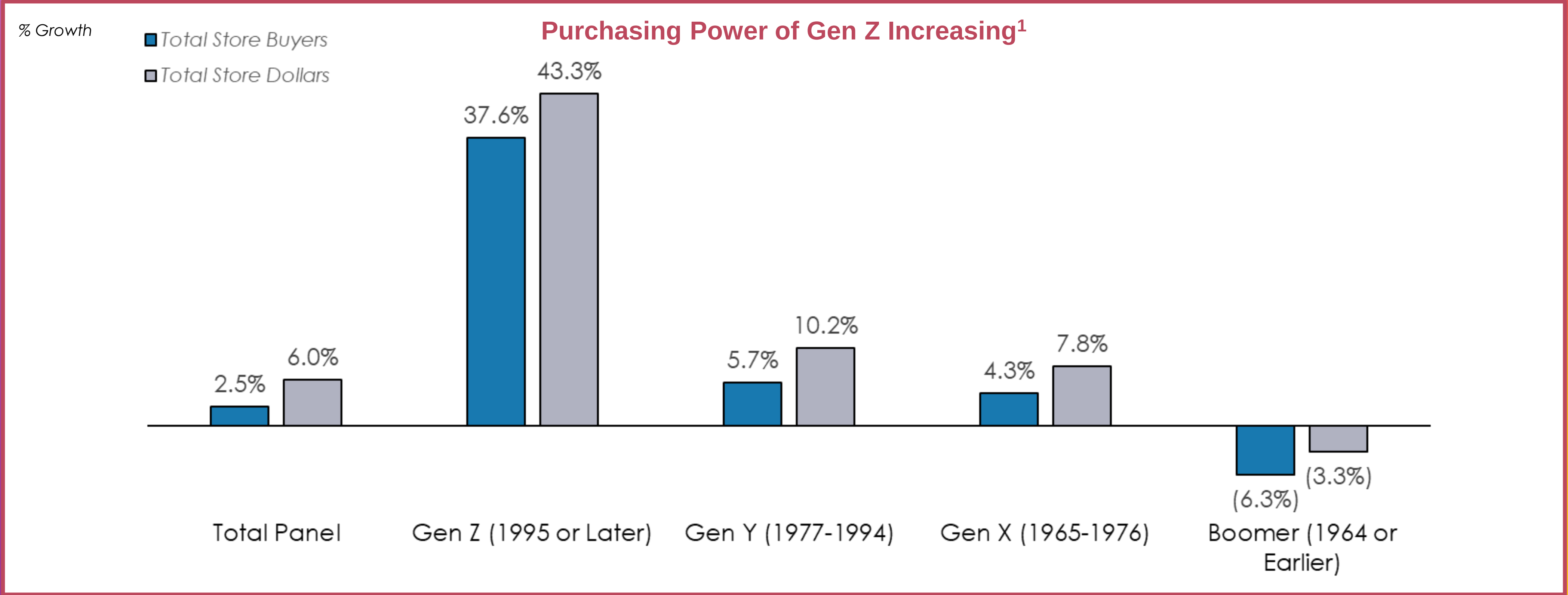
Question: "How important is a “clean label” product to you when deciding what natural or organic food and beverage products to purchase?"

Gen Z Under-Indexes in Online Spend Compared to Gen X and Millennials



1. Nielsen IQ

Gen Z Materially Outpaces Growth of Buyers & Dollars Compared to Older Generations



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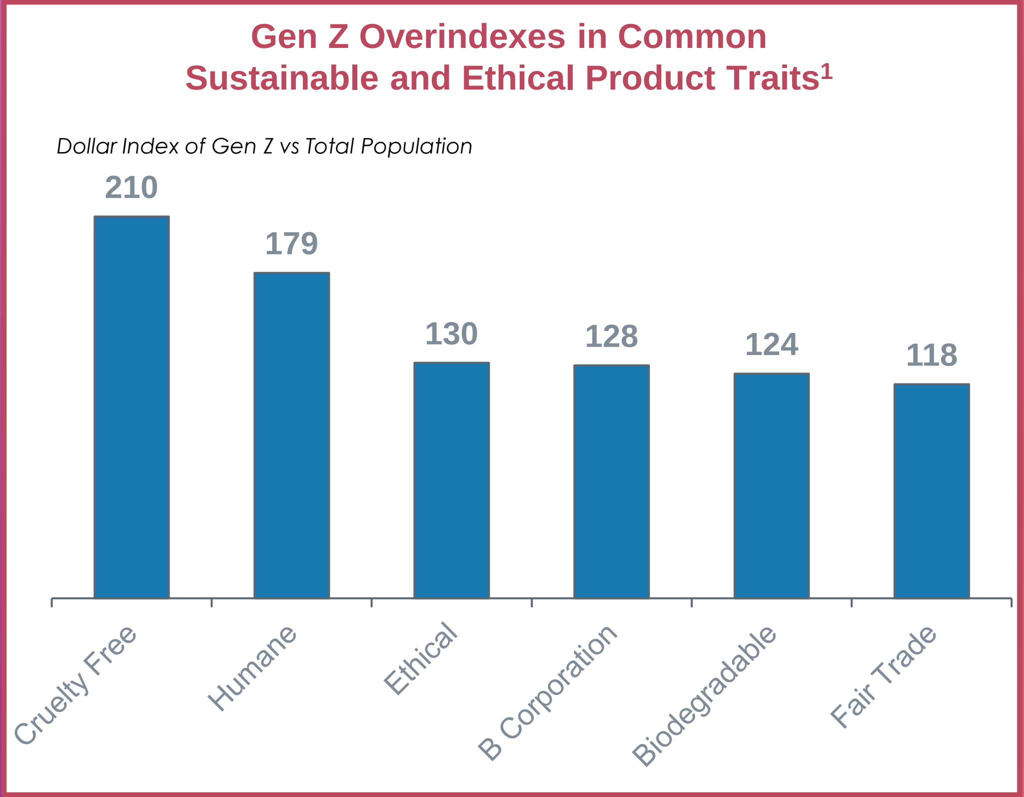
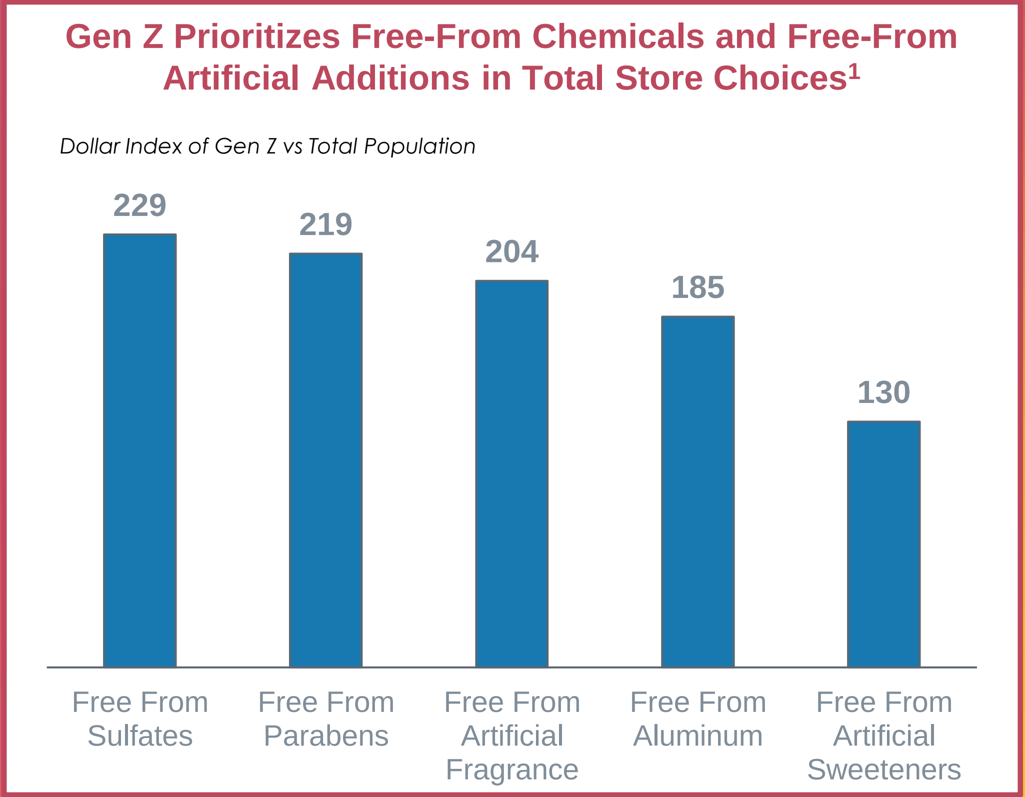
1. Nielsen IQ

Gen Z's Empathy and Preference for Clean Label Demonstrated In Purchase Habits

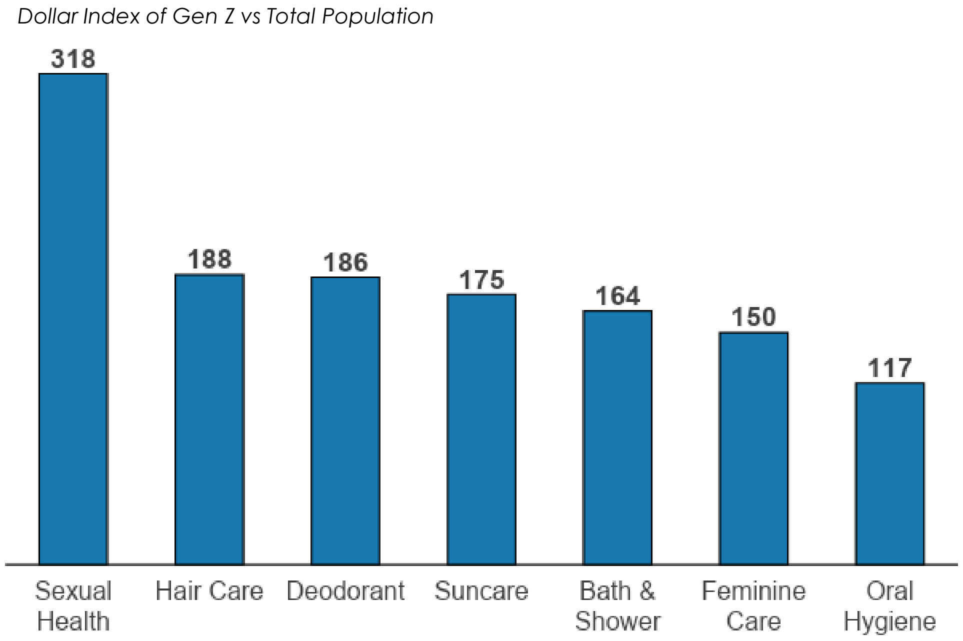




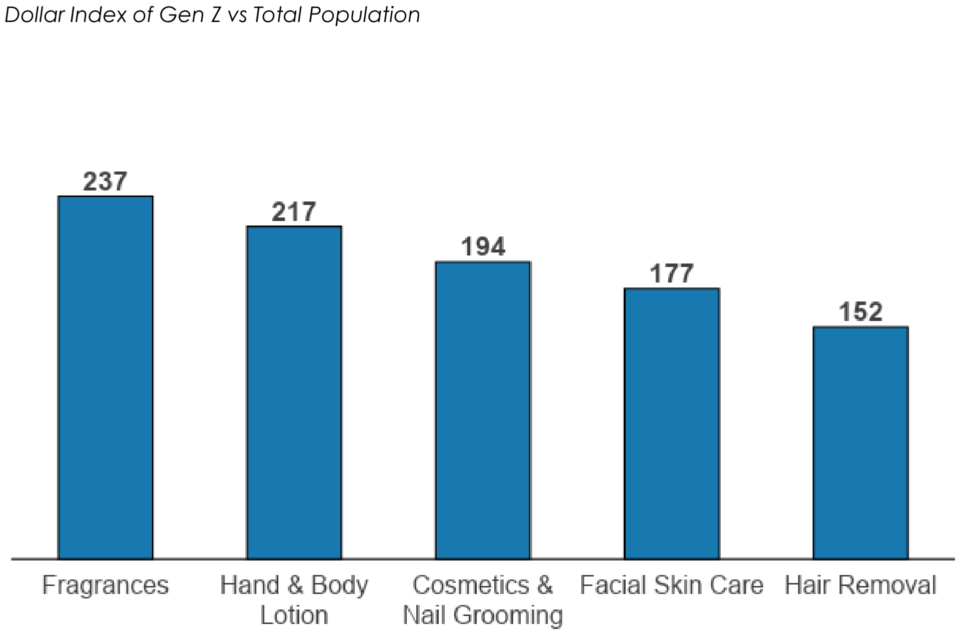
1. Nielsen IQ, 52 WE 1/27/24

Gen Z Spending on Beauty and Health Consistent With Age

Generic Personal Care[1]



Personal Grooming[1]



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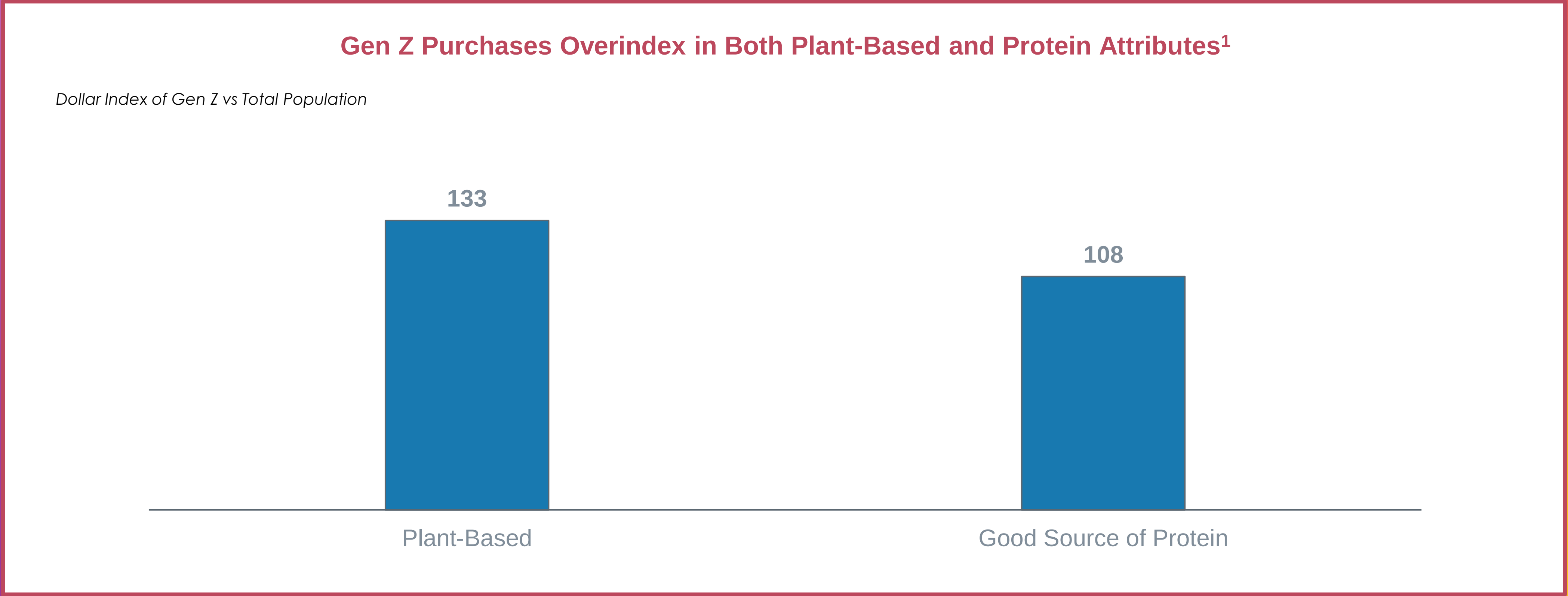
1. Nielsen IQ, 52 WE 1/27/24

Gen Z Purchases Plant-Based And Protein



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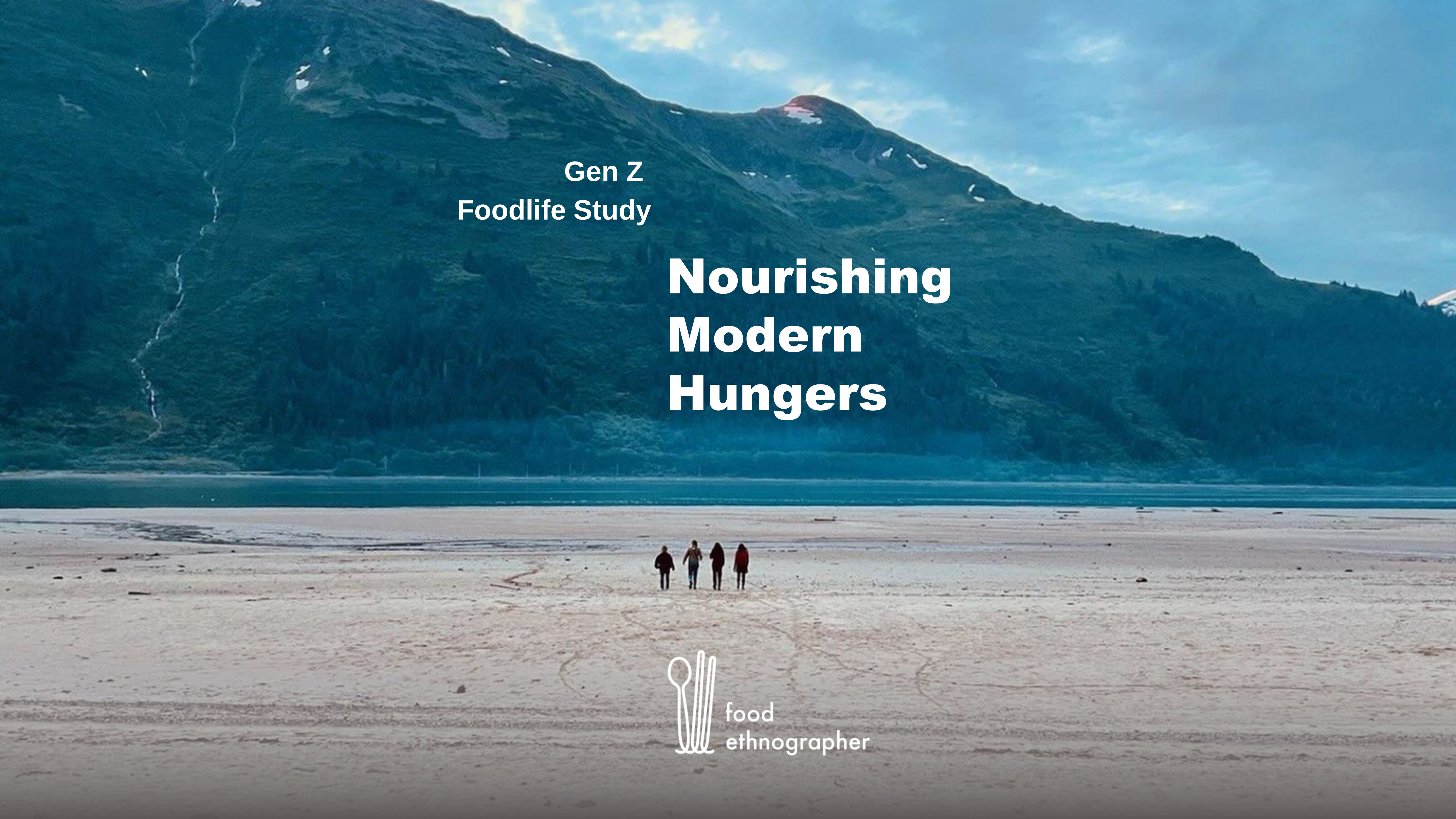

Gen Z
Foodlife Study
Nourishing
Modern
Hungers
food
ethnographer


Being Gen Z
feels like learning
to surf
food
ethnographer

Who are Gen Z?

Children of Gen X
born 1997-2012

2.5B+ Globally
~2B Millennials
~8B global population/2023

27% of global workforce
by 2025

48% Not White
most diverse cohort in US history

57% Enrolled in College
compared to 52% of Millennials at the same age, 43% of Gen X

food ethnographer







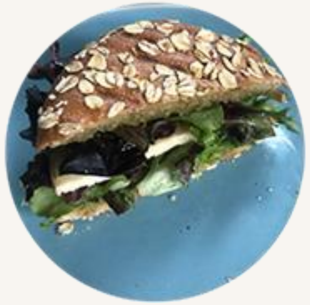






If I know who you're becoming...




01 Digital Foodlife is Nourishing

02 Social Suffering

food ethnographer

03 Third Culture Kids

food
ethnographer

roll
Regina


04 BOOM!
COVID hit
like bad
weather
food
ethnographer
roll
Luis

05 Friend Groups

food
ethnographer

06 Fully Hybrid

food
ethnographer

07 Well (functioning) Culture


08 Craving
Nature
food
ethnographer

09 System Thinkers

food ethnographer

roll Olivia


10 Teachers
of Newways
food
ethnographer
roll
Blue


food
ethnographer

State of Natural & Organic Panelists

Carlotta Mast
New Hope Network

Caitlin Sakdalan
Momofuku | BeFatBeHappy

Gabe Brown
Regenified | Brown's Ranch

June Jo Lee
Food Ethnographer

Placeholder for Common Ground video

Empower Your Future

Thank you!

Have a wonderful Expo West

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