



COVID-19 Food & Beverage Retail Market Perspectives

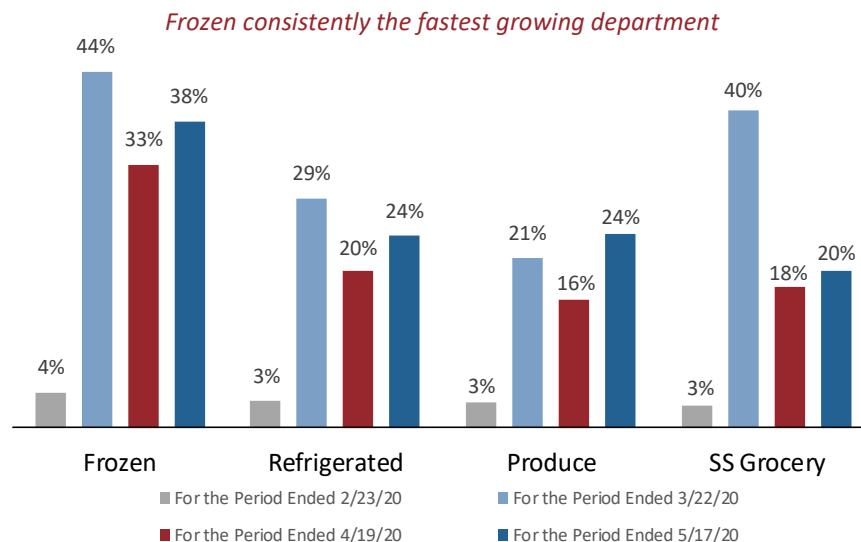
June 2020

Food & Beverage Department Insights

- Starting in March, the COVID-19 pandemic prompted a significant increase in demand in the retail channel across all food & beverage departments
- Harris Williams and Encore Consumer Capital have been monitoring the impact on retail sales across food & beverage categories throughout the various stages of the COVID-19 pandemic
- While all departments of the store are demonstrating exceptional growth, the frozen department has experienced the most growth of all food & beverage departments as at-home consumption continues to be elevated; this growth could be sustained over the intermediate or longer term as consumers eat out less even as restaurants begin to reopen at reduced capacity and with significant restrictions
- The longer shelf life and convenience of frozen foods have been key contributors to the higher growth relative to other categories²

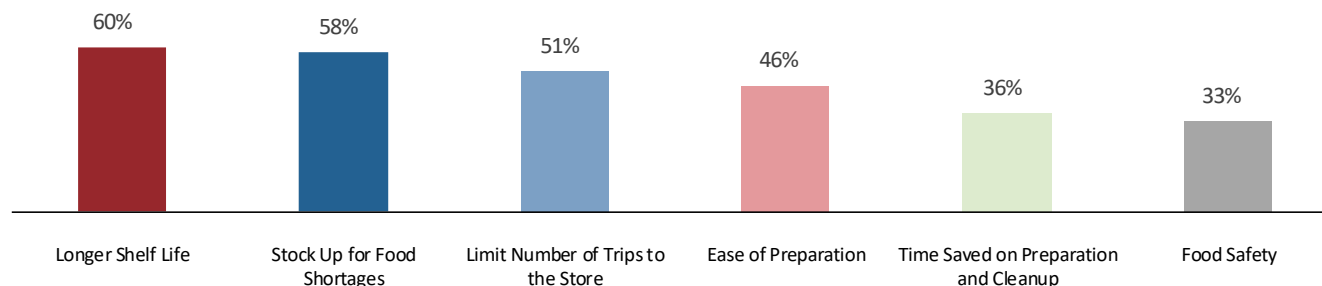
YOY Sales Growth by Department (4 Wks Ended)¹

(In order of highest growth rate in most recent period)



Top Reasons Consumers Are Purchasing More Frozen Foods (By % Answered)²

- The frozen department is likely to retain the share gains made during the first few months of the pandemic as an increased desire to limit number of trips to stores, ease and time of preparation, and an emphasis on perceived food safety are all factors that are likely to contribute to continued growth



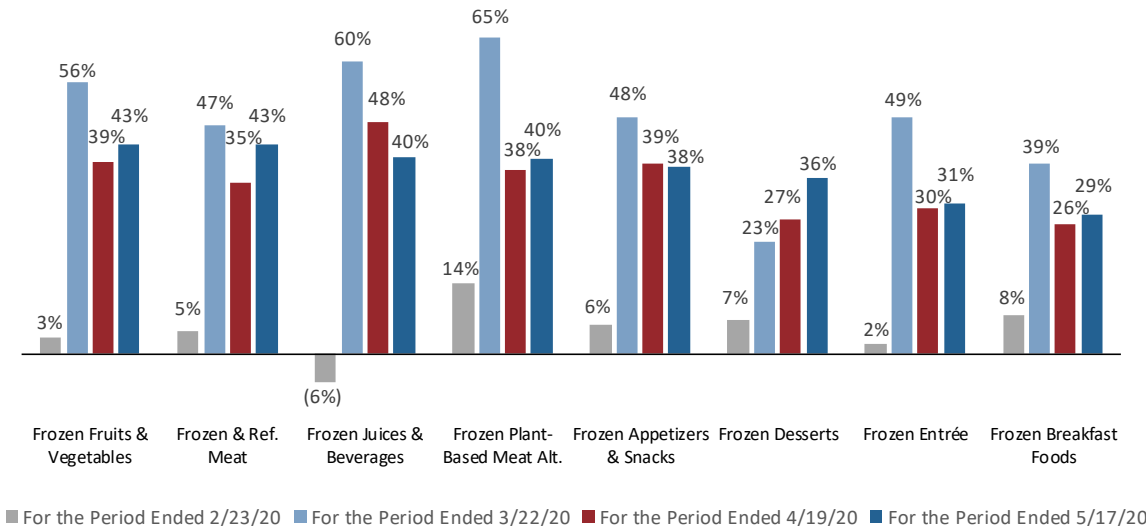
1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores
 2. American Frozen Food Institute (Survey conducted in April 2020 included national sample of 1,200 U.S. consumers)

Frozen Department Insights

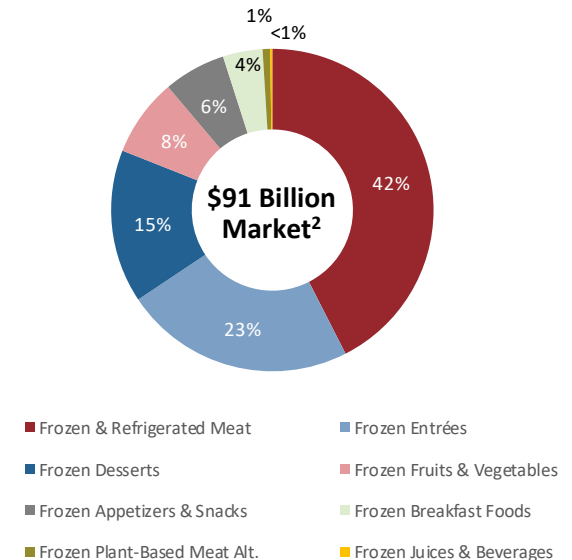
- During the most recent period, frozen fruits and vegetables (43%) have experienced greater growth than fresh fruits and vegetables (26%) and shelf-stable fruits and vegetables (34%)
 - Frozen may continue to outperform fresh as the increased emphasis on food safety and longer shelf life may shift some consumers away from fresh
 - We also expect the growth of frozen to be more sustainable than shelf-stable alternatives in future periods due to the higher quality and superior nutrient retention of frozen compared to shelf-stable
- Increased at-home meal preparation has also driven significant growth in the meat, poultry, and seafood category
- Frozen plant-based meat alternatives have experienced accelerated growth and may continue to as opportunities for longer term share gains exist due to supply chain disruptions in the meat category that could further encourage trial
- At the same time, strong growth in frozen entrées as a result of the shift away from restaurant dining may persist over the longer term

YOY Sales Growth by Frozen Category (4 Wks Ended)¹

(In order of highest growth rate in most recent period)



Frozen Department by Category Size¹



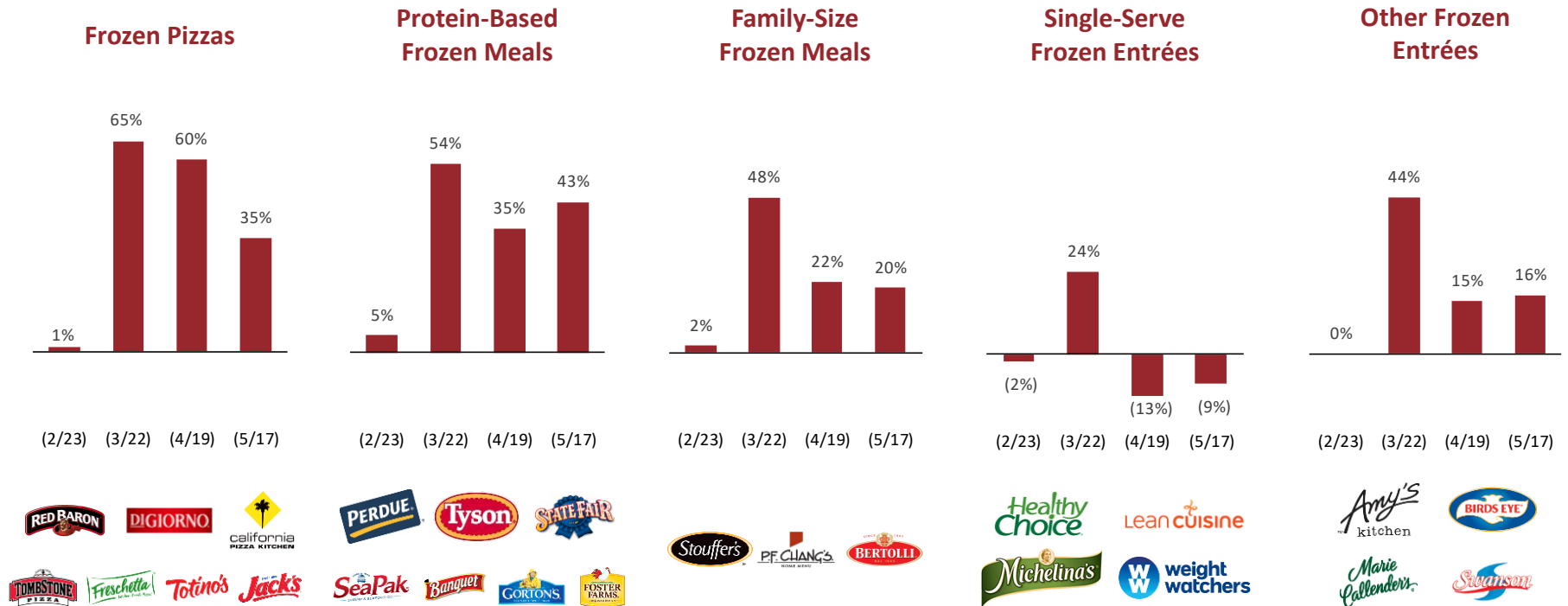
1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores
 2. Last 52 Weeks

Frozen Entrée Insights

- During the most recent period, frozen entrées experienced ~31% YOY growth
 - Frozen pizza, protein-based, and family-size frozen meal brands were the fastest growing as consumers stocked up on convenient family meals
 - Single-serve frozen entrée brands that are oriented toward lunch meal occasions experienced a meaningful decline in the last two periods as consumer demand for convenient at-work meals waned

YOY Sales Growth by Frozen Entrée Brand (4 Wks Ended)¹

(Growth of Top 25 Brands in Frozen Entrée Category)

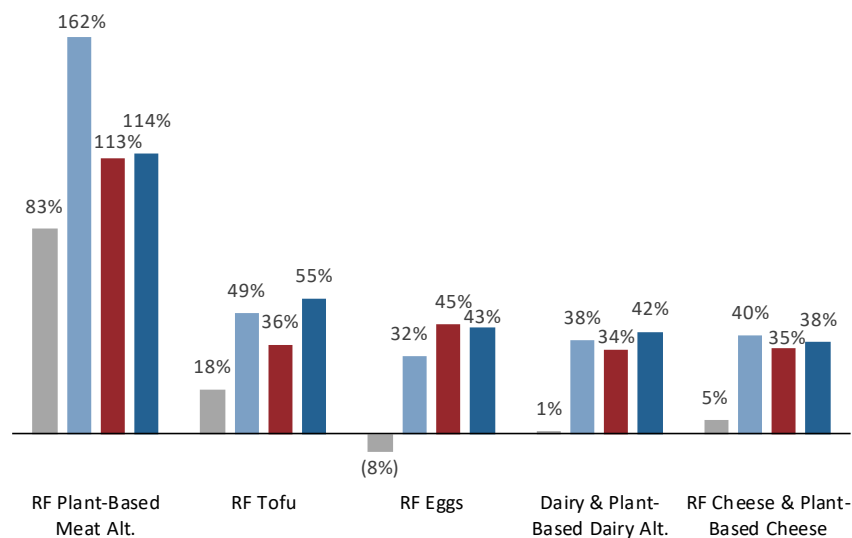


1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores

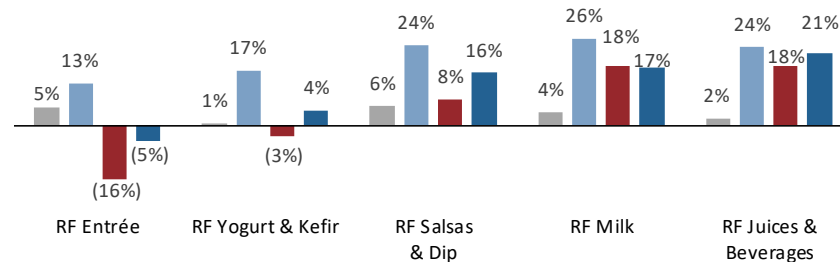
Refrigerated Department Insights

- The refrigerated department has continued to see an increase in demand as at-home meal preparation continues to grow
- Refrigerated sales growth remained at similar levels compared to the prior periods and was the second fastest growing department as consumers continued to demand foods used in meal preparation
- Refrigerated plant-based meat alternatives have experienced increased demand and may continue to as some recent shortages of traditional meat products due to the temporary closure of meat processing facilities across the U.S. encourages trial of plant-based meat alternatives
- Refrigerated eggs have seen significant growth in the last three periods due to a significant increase in prices, coupled with an increased demand for the use of eggs in at-home baking and meal preparation

5 Fastest Growing Categories (4 Wks Ended)¹



5 Slowest Growing Categories (4 Wks Ended)¹



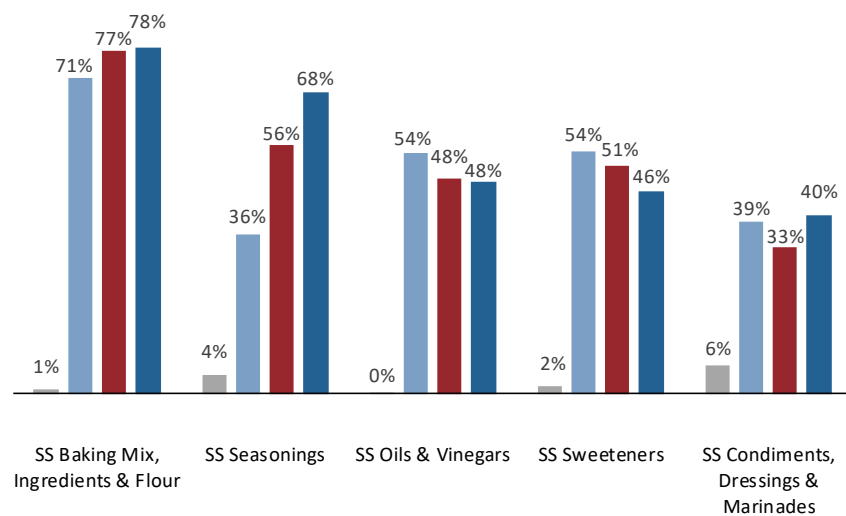
■ For the Period Ended 2/23/20 ■ For the Period Ended 3/22/20 ■ For the Period Ended 4/19/20 ■ For the Period Ended 5/17/20

1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores

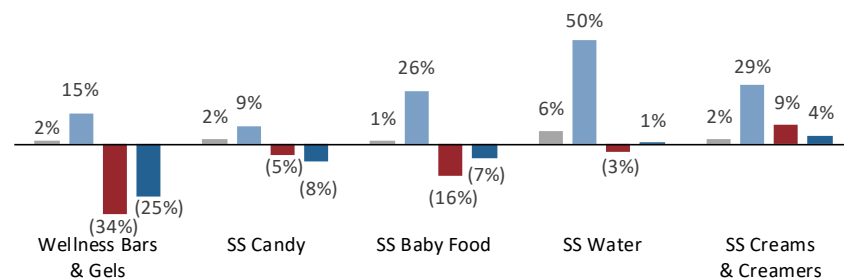
Shelf-Stable Grocery Department Insights

- The shelf-stable grocery department experienced ~20% YOY growth in the most recent period, but had growth decelerate from the stock-up in March as consumer pantry stuffing abated
- Both the baking mix, ingredients, and flour and seasoning categories experienced accelerated growth compared to the prior period as consumers increased at-home baking and meal preparation
- Traditional staple items (beans, pasta, soup) all experienced significant growth declines from March levels and are no longer amongst the fastest growing categories as consumers participated in less pantry stuffing
- “On the go” snack foods like wellness bars and impulse items like candy have experienced YOY declines in the last two periods as consumers continue to change their eating and shopping habits as a result of the pandemic

5 Fastest Growing Categories (4 Wks Ended)¹



5 Slowest Growing Categories (4 Wks Ended)¹



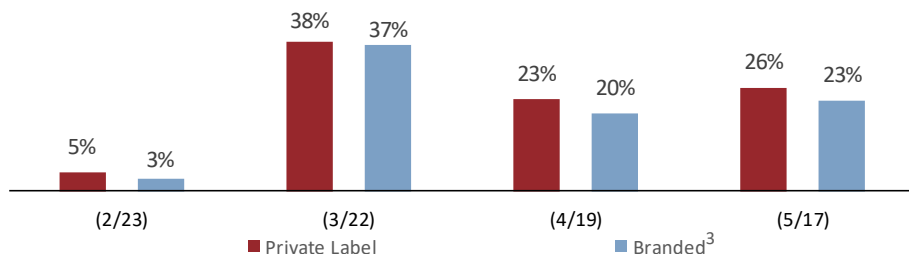
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Private Label Insights

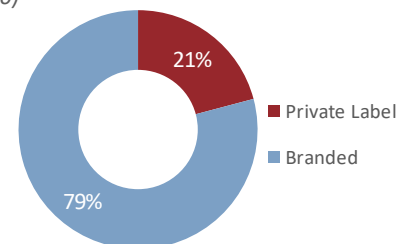
- Stock-outs across grocery departments as consumers stocked up in the early days of the pandemic likely led to private label trial that would have not otherwise occurred
- Based on category performance during the Great Recession, it could be reasonable to expect that private label repeat purchase will be high²
- Private label product growth outperformed branded product growth during the last three periods as less expensive private label products are likely attracting new consumers during the current recessionary period
- The private label category has matured significantly and gained market share since the Great Recession as it has become more trusted by consumers so it is likely to benefit in the current economic environment and continue to gain share as the economic recovery takes hold

YOY Sales Growth by Product (4 Wks Ended)¹



Private Label Market Share ¹

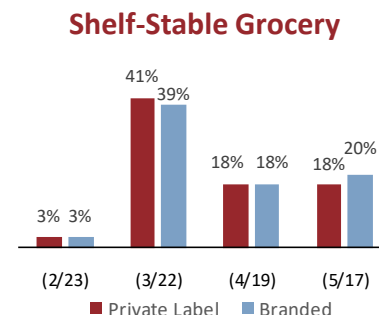
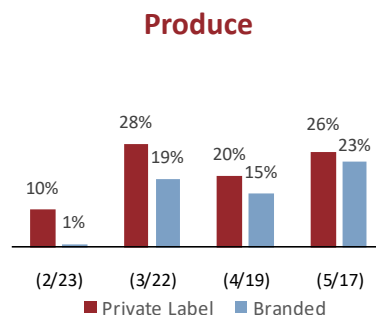
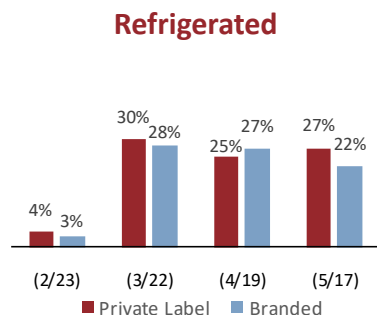
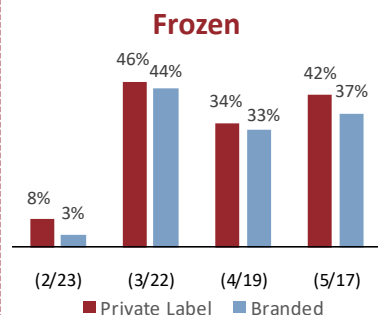
(As of 5/17/20)



YOY Sales Growth by Department (4 Wks Ended)¹

- Private label growth in the shelf-stable grocery department has not outperformed branded, while private label growth in other departments is outpacing branded with strong private label growth in frozen, refrigerated, and produce

Private label is growing faster – particularly in frozen, refrigerated, and produce categories



1. Source: SPINS Natural Enhanced Channel and SPINS Multi-Outlet Channel (powered by IRI). Multi-Outlet channel data includes Food, Drug, Mass, and select Club, Military, Dollar stores
 2. L.E.K. research and analysis
 3. Includes brands with greater than \$10M annual sales

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About Encore Consumer Capital

[Encore Consumer Capital](#) is a private equity firm focused on investing in food and consumer products manufacturing, marketing and distribution companies with greater than \$10 million in revenue. Encore has raised over \$600 million in committed equity capital and is a partnership between experienced principal investors and veteran industry executives. Encore works closely with its operating executives to identify new investment opportunities and drive portfolio company performance.

About SPINS

For this study we partnered with [SPINS](#), the leading retail data company for investors and brands in the Natural Products Industry. SPINS retail data coverage includes Natural Enhanced Channel, which is a hotbed for new innovation and emerging brands, as well as Multi-Outlet Channel (Powered by IRI), which covers the major Food, Drug, Mass, Club, and Convenience retailers. SPINS solutions enable brands to win at retail. SPINS also offers unique solutions to enable investors to find, analyze, and invest in winning brands.

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