

The State of Natural & Organic Keynote

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AUGUST 25 - 28, 2024

Denver, Colorado

Natural
Products
EXPO WEST[®]



New Hope
NETWORK

By Informa Markets



SPINS

whipstitch
CAPITAL

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*



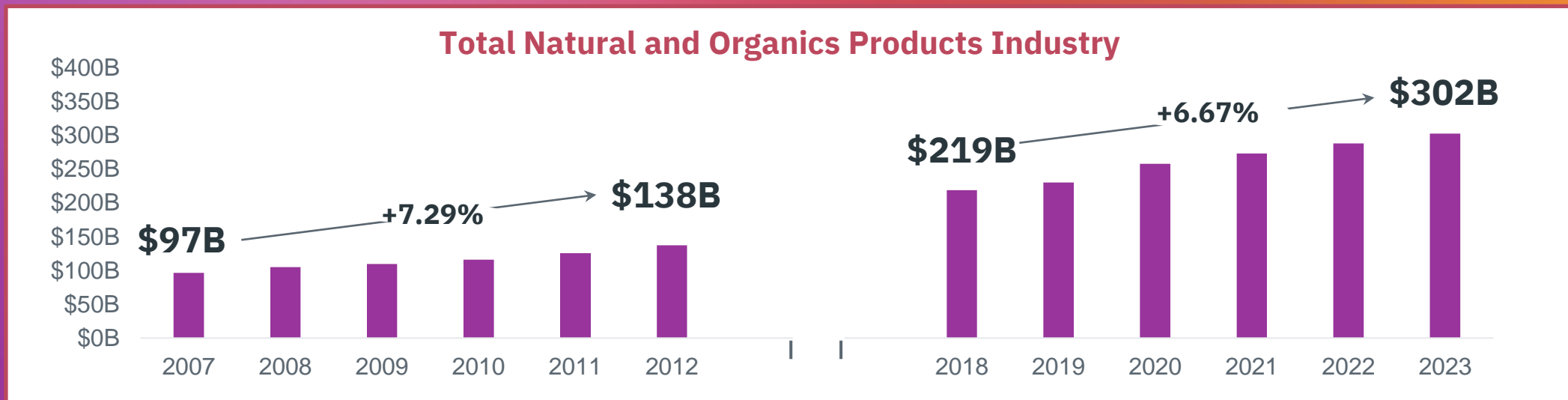
June Jo Lee

Food Ethnographer

State of Natural & Organic Today

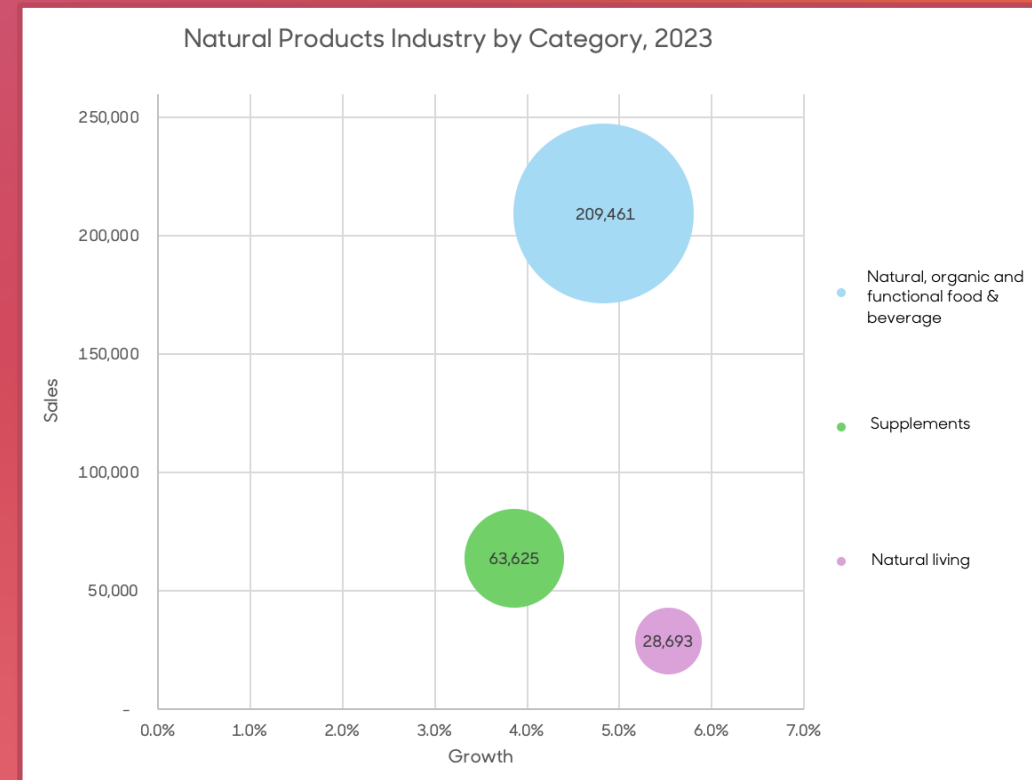
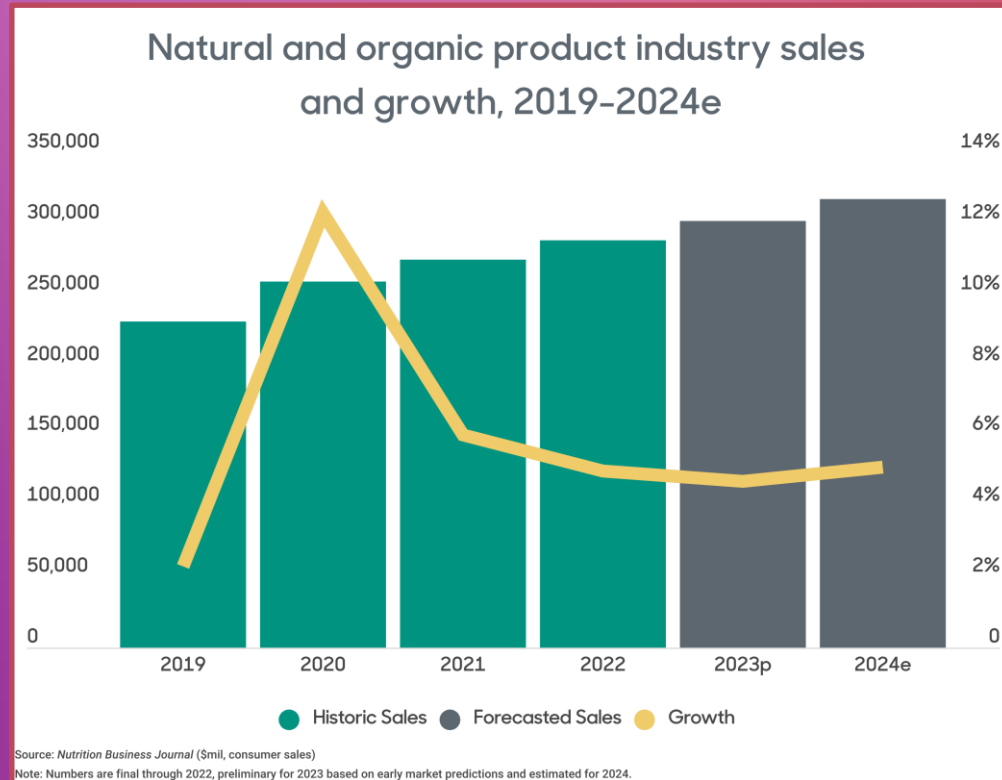
The U.S. natural products industry is a force

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**.



The natural & organic industry remained resilient in 2023

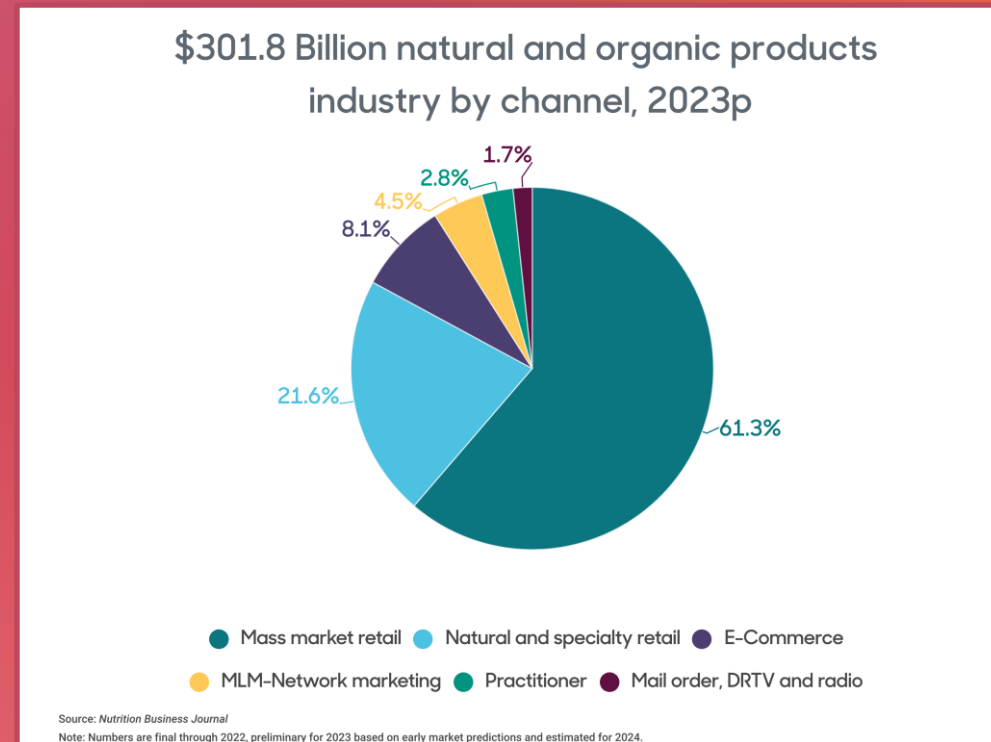
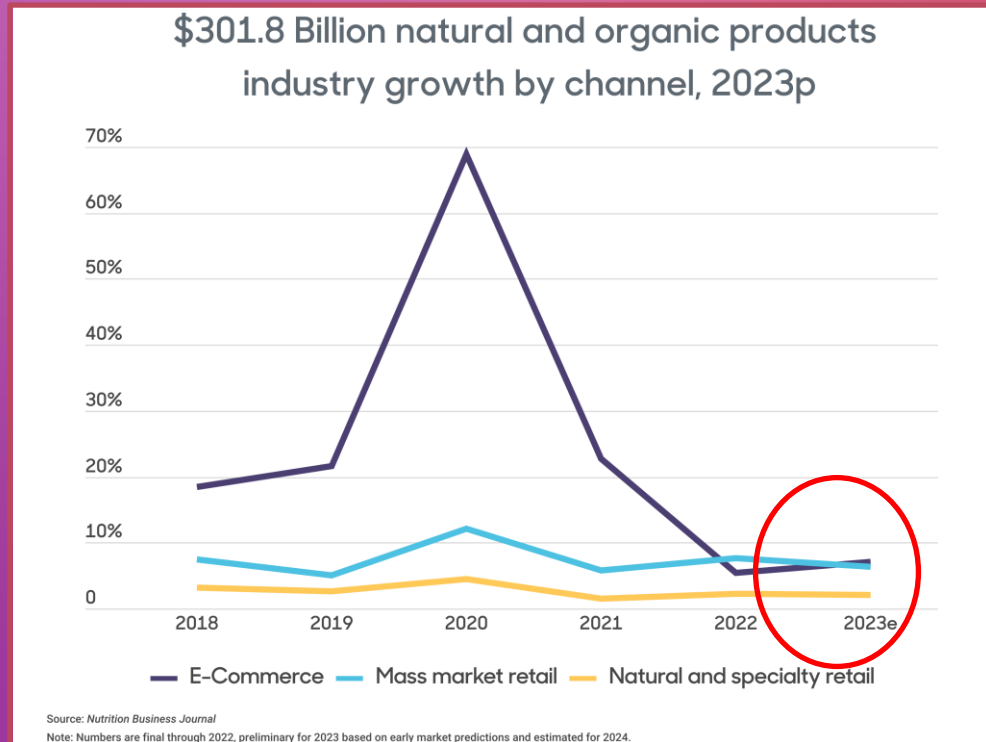
Although growth slowed to an estimated 4.7% last year, U.S. natural & organic industry consumer sales hit \$302B in 2023 and growth is expected to pick up to 5.1% in 2024.



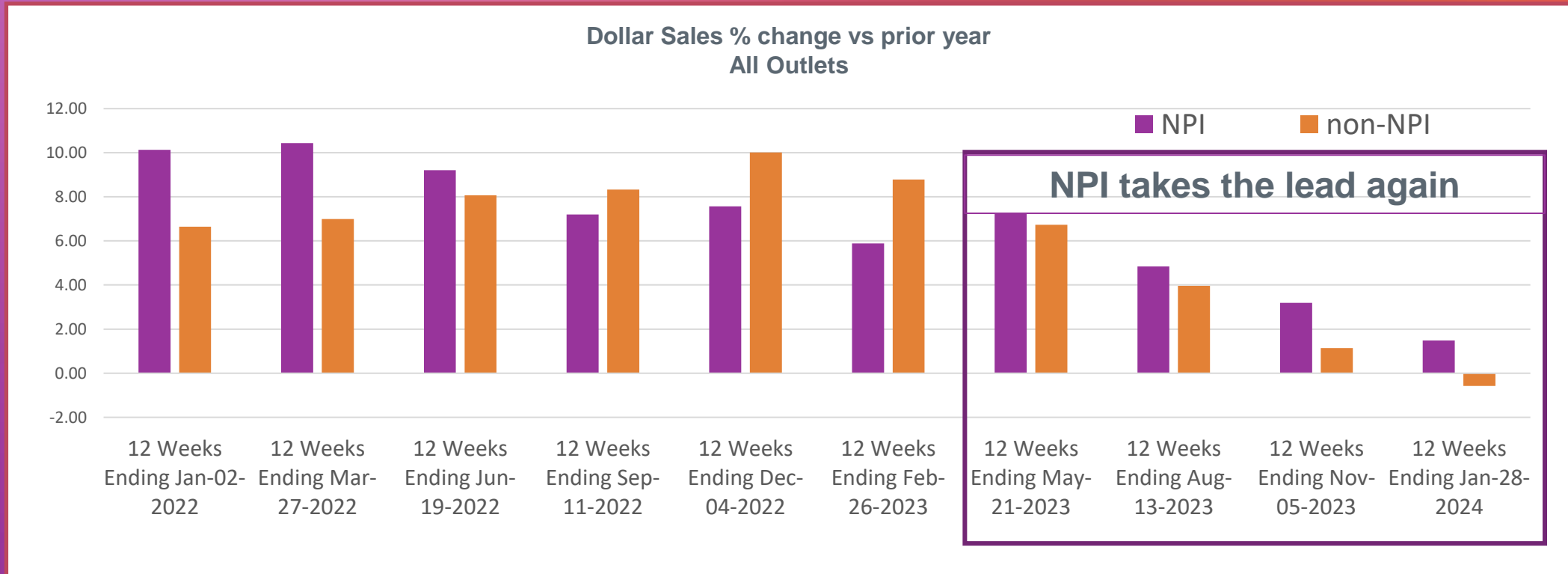
Source: Nutrition Business Journal (\$mil, consumer sales), powered by SPINS. Recent trends apply SPINS trends to NBJ and SPINS source data. Department totals continue to be 2022 estimates.

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.



Natural products have returned to leading growth across outlets



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 +2.8% SPECIALTY & WELLNESS PRODUCTS	+1.2% NATURAL PRODUCTS +2.4% SPECIALTY & WELLNESS PRODUCTS	+4.6% NATURAL PRODUCTS +5.0% SPECIALTY & WELLNESS PRODUCTS	+8.6% NATURAL PRODUCTS +11.3% SPECIALTY & WELLNESS PRODUCTS
+0.6% CONVENTIONAL PRODUCTS	-0.8% CONVENTIONAL PRODUCTS	+3.4% CONVENTIONAL PRODUCTS	+4.5% CONVENTIONAL PRODUCTS

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%

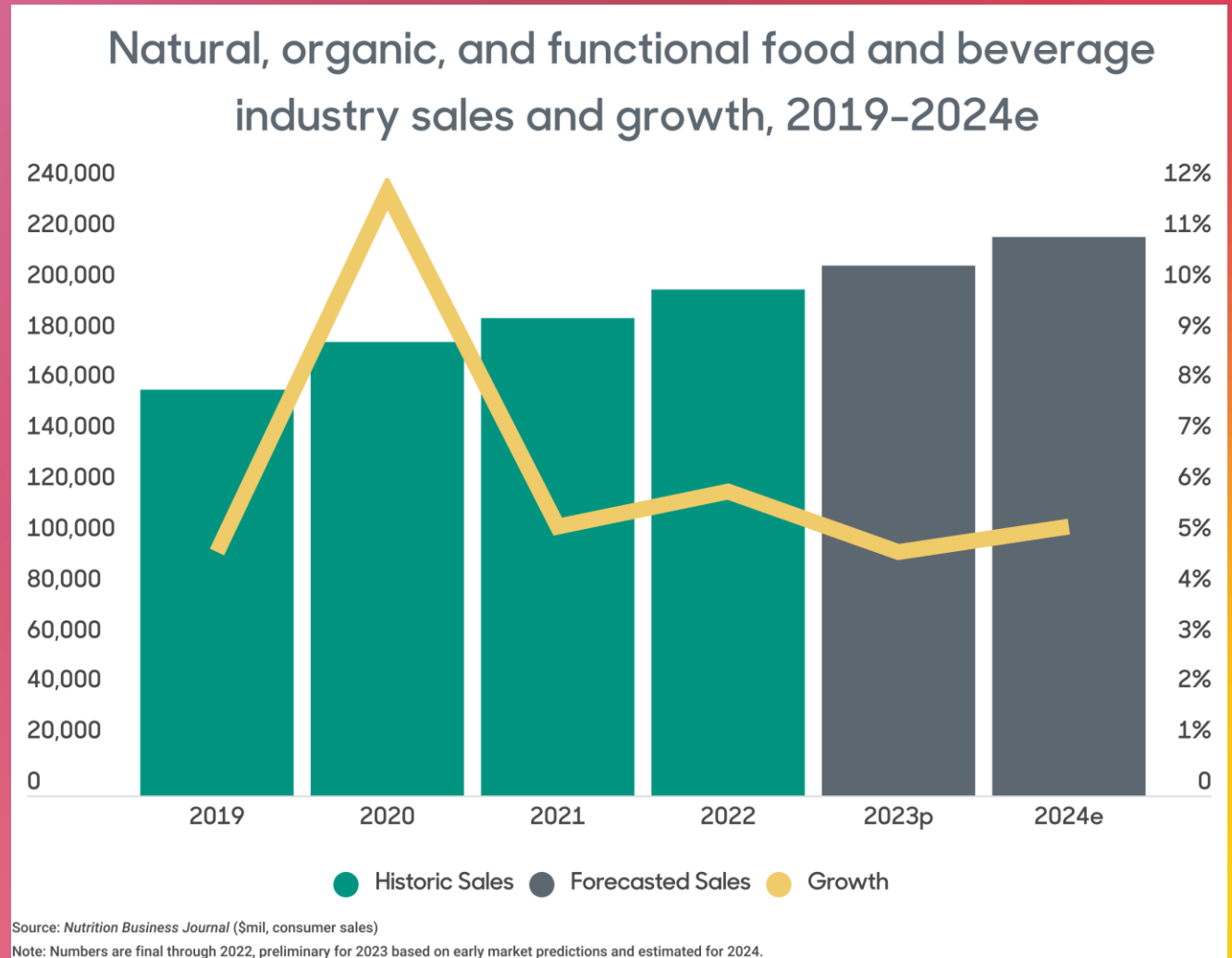
Of younger natural shoppers believe Organic & Regen farming can improve the nutrient density of our food.

1 of 2

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

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.

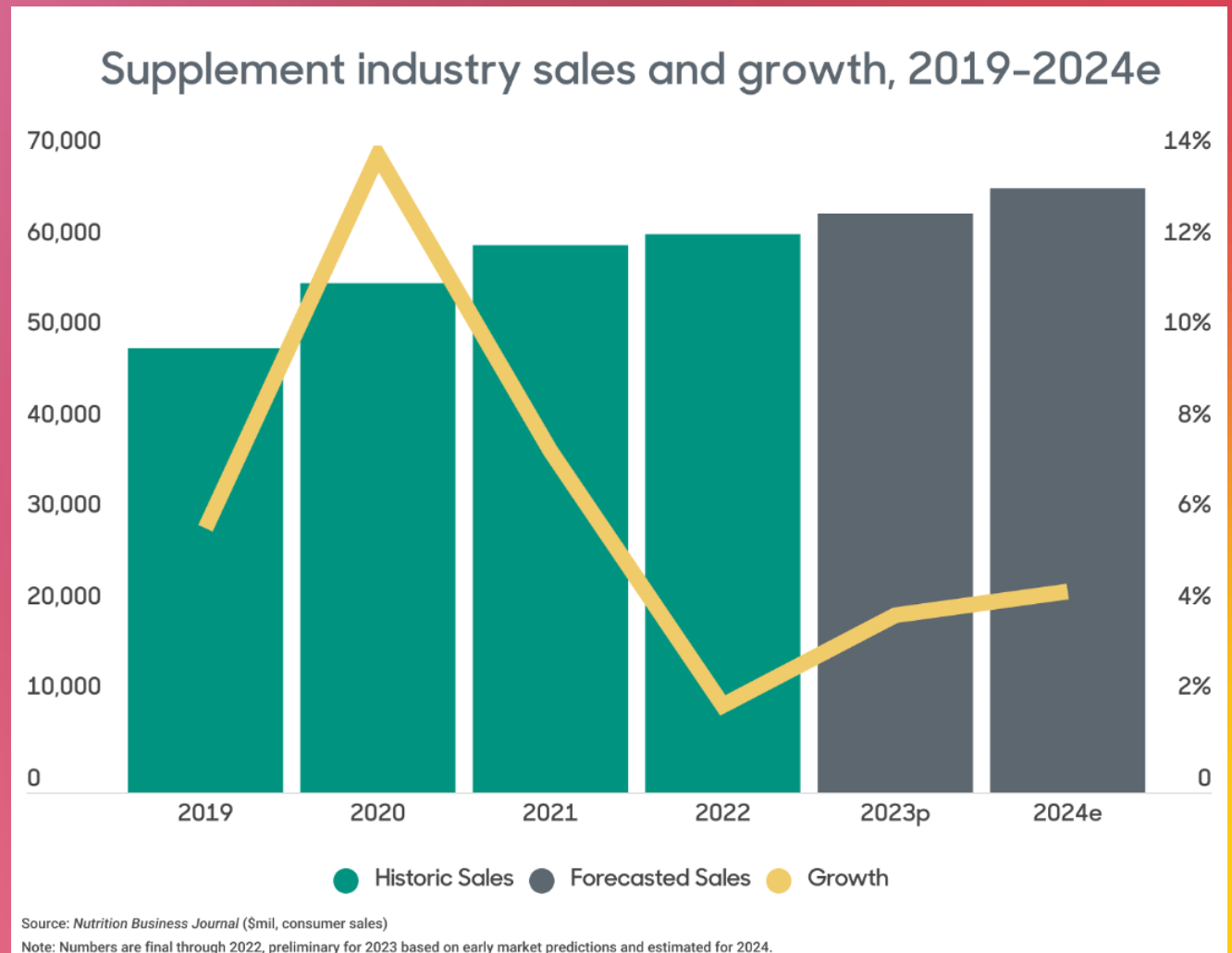


Sports nutrition boosts supplement sales in 2023 after dramatic drop in 2022

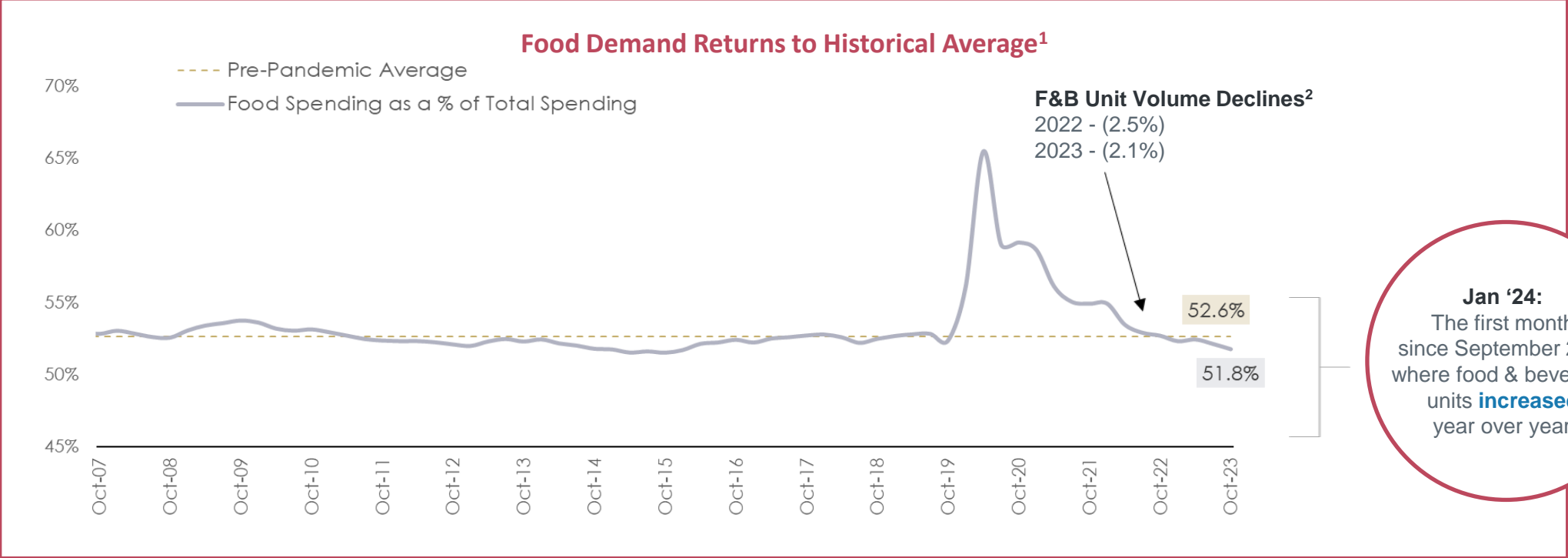
U.S. Supplements grew estimated 3.9% to \$63B in 2023

Top growing categories in 2023:

- Sports nutrition/ Meal supplements
- Specialty supplements
- Herbs and botanicals



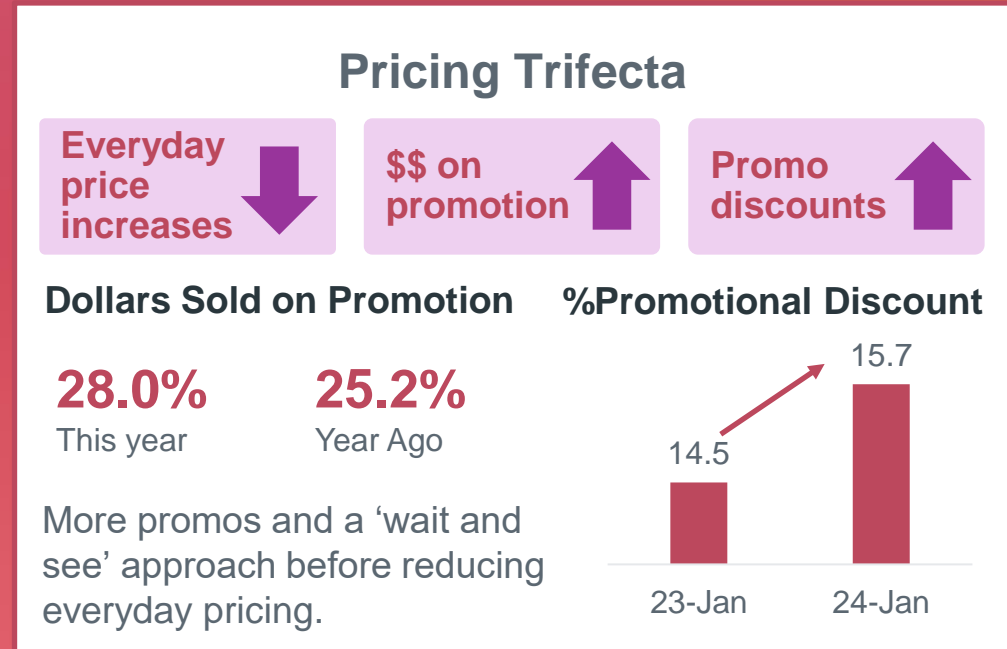
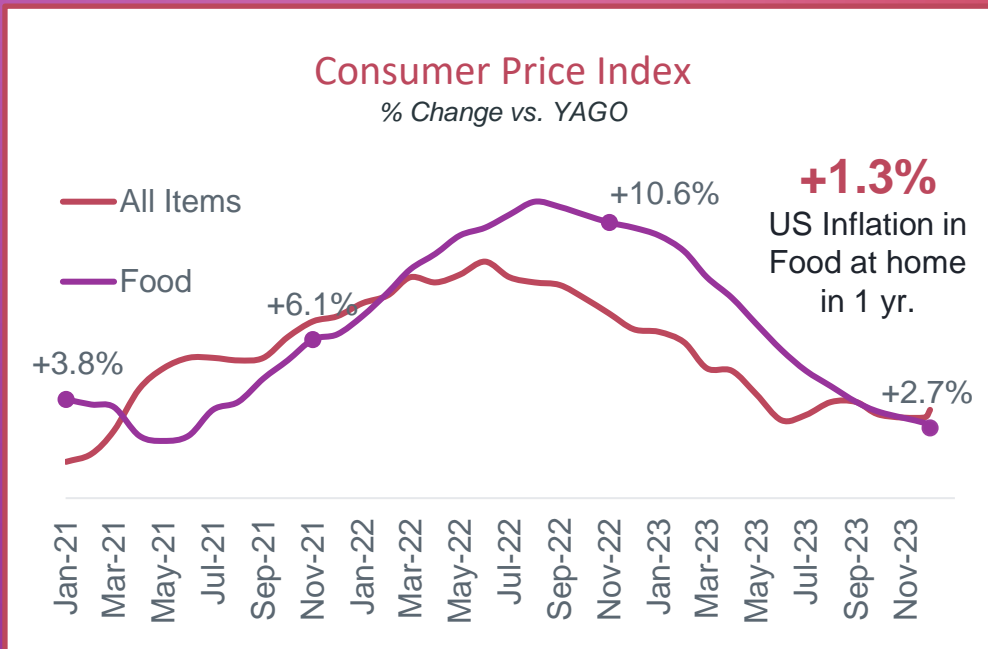
Grocery as a % of Food and Beverage is now Below its Pre-Pandemic Average



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

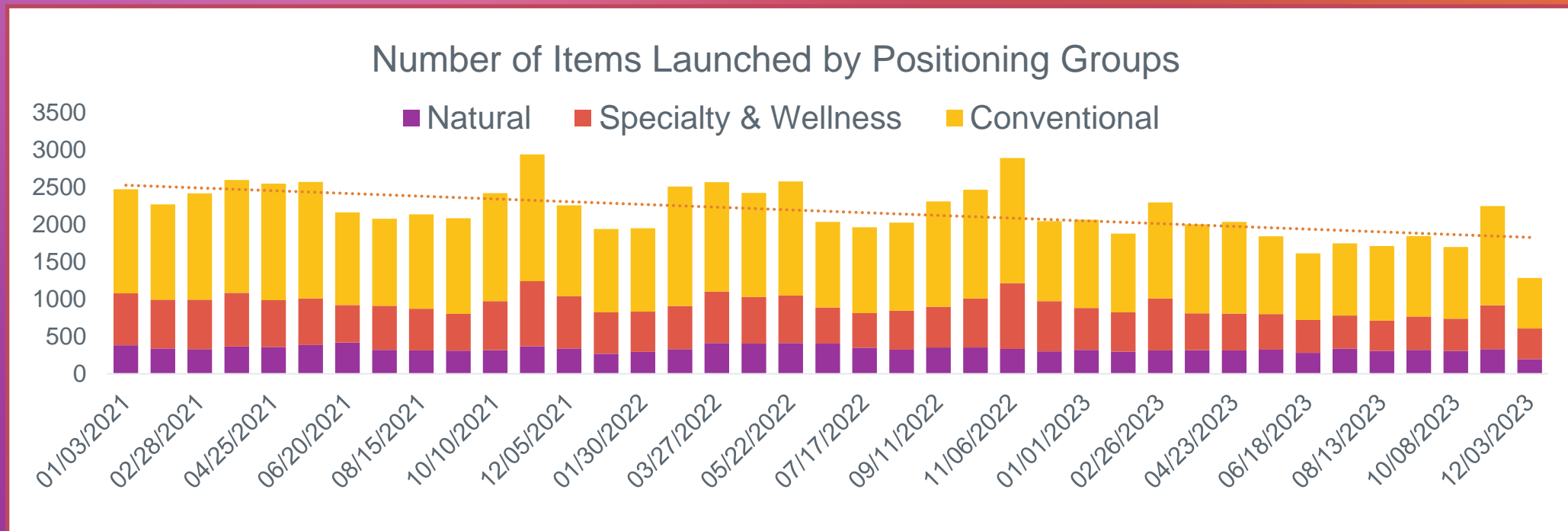
Food inflation is coming down, but perception matters

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.



Market conditions + profit focus = fewer new products

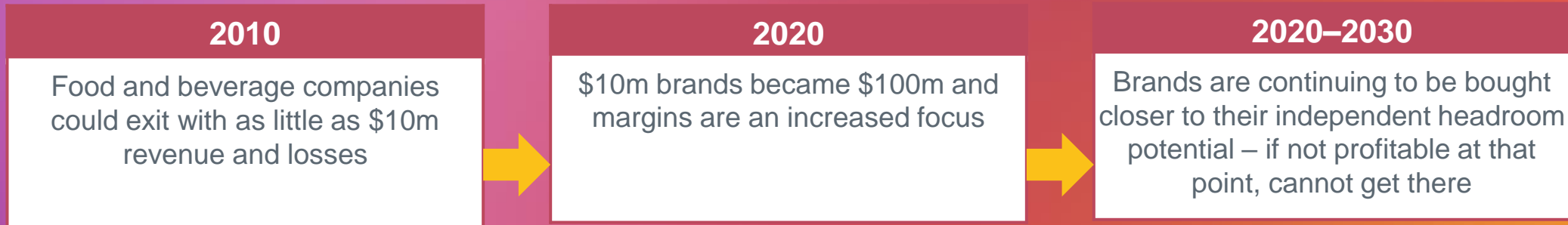
Fewer new products doesn't mean less innovation. Brands are evolving their approach.



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%

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



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	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	 Sustainability
Buyout Viable Liquidity for Investors in Growing Companies		 Larger, innovative, better-for-you, and sustainable brands that are \$200M+ Exit Basis: Revenue > \$100m; Profitability	 Wellness
M&A Consistent Participation by Large Strategics		 Multi-brand portfolios that can exit off EBITDA > \$20M Exit Basis: EBITDA > \$10m	 Social Responsibility
IPO 2021 Marked First Real Open Year for Natural Product Company IPOs		 Appeal to Multicultural Consumer Base	

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**



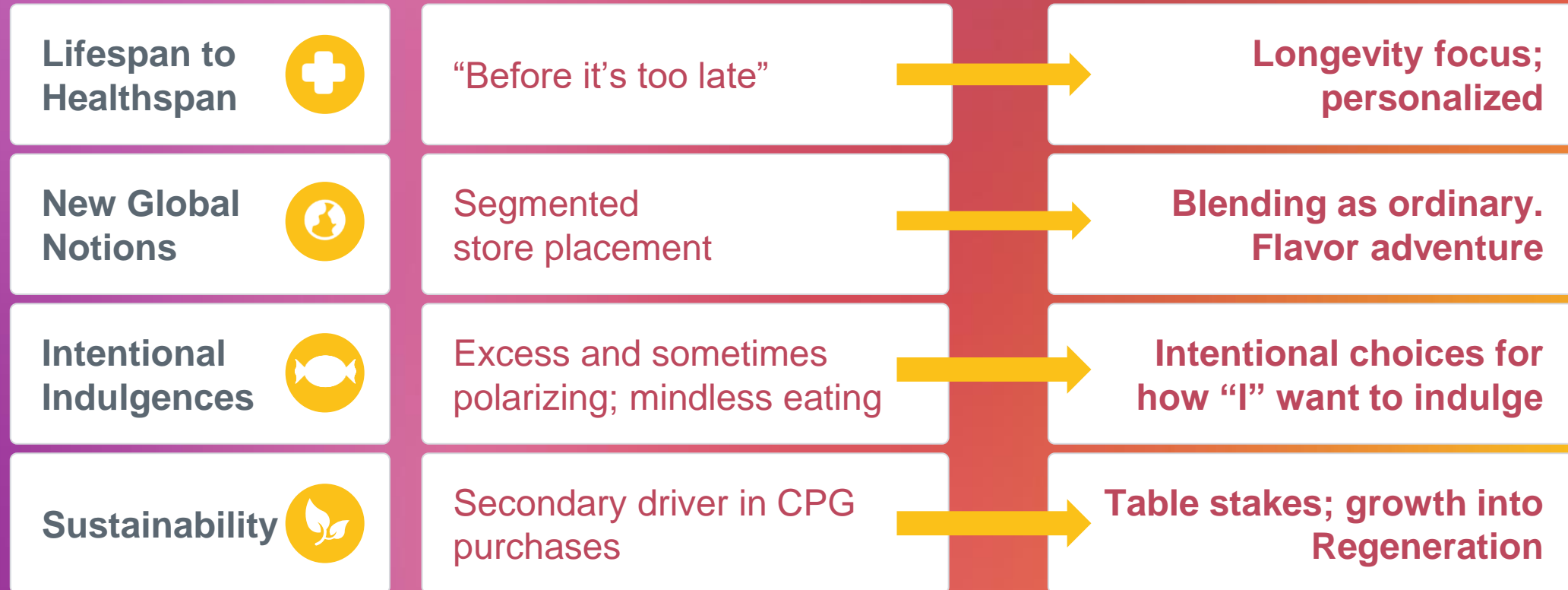
The **unit volume drop of 2022-2023 is stabilizing**

The Evolving Consumer Mindset

Macro Trends with Staying Power

Change agents and signals of progress

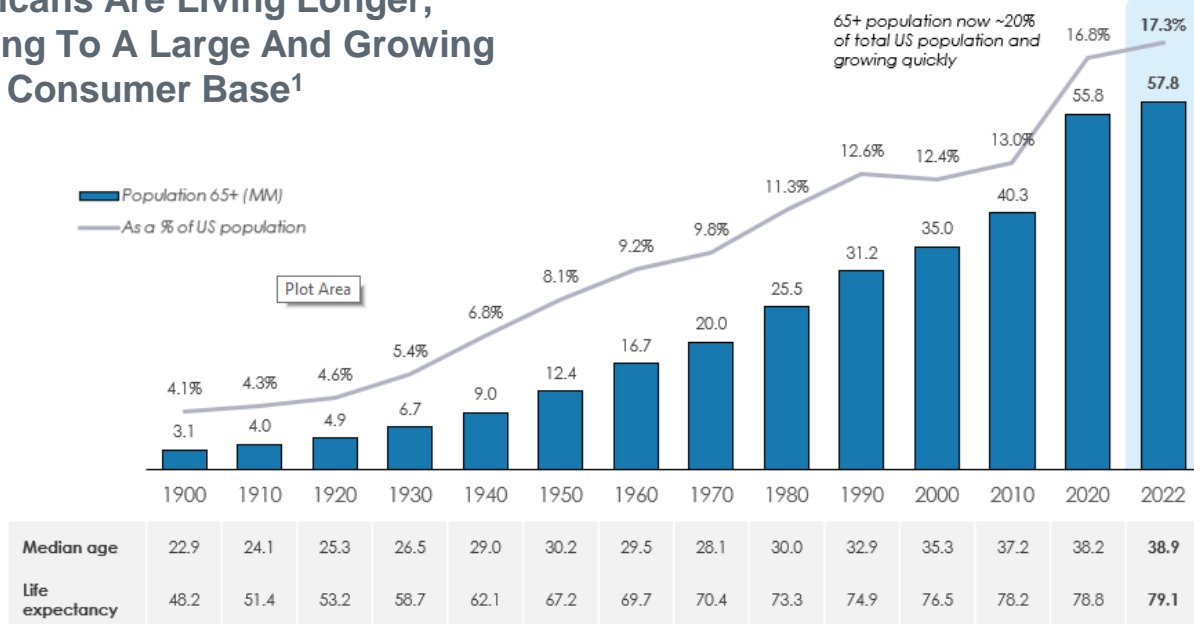
The preferences and behaviors that will transform our industry over the next few years



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 Base¹





The Healthspan – Lifespan Gap Is 9 Years Due To Chronic Disease²

Lifespan: total life lived
Healthspan: period free from disease

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

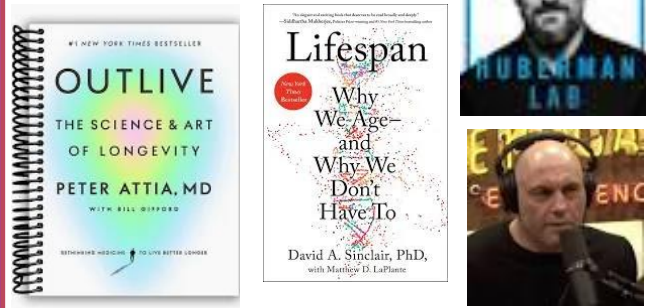
Respiratory diseases  Cancer 

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



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%	-0.6%
Non-Alcoholic Beer	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	

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

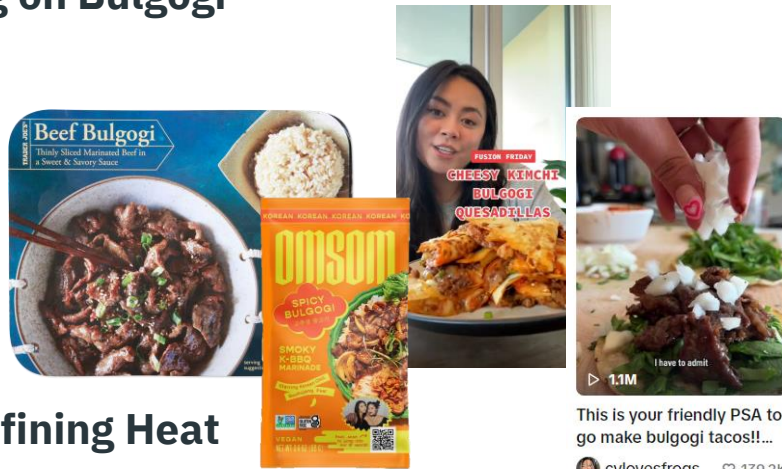
Ozempic Maker Novo Gets Calls From 'Scared' Food CEOs

- 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



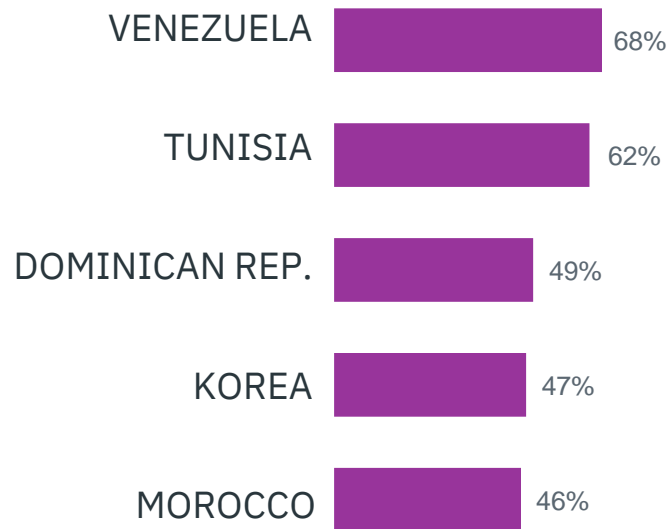
Charcuterie & Meat



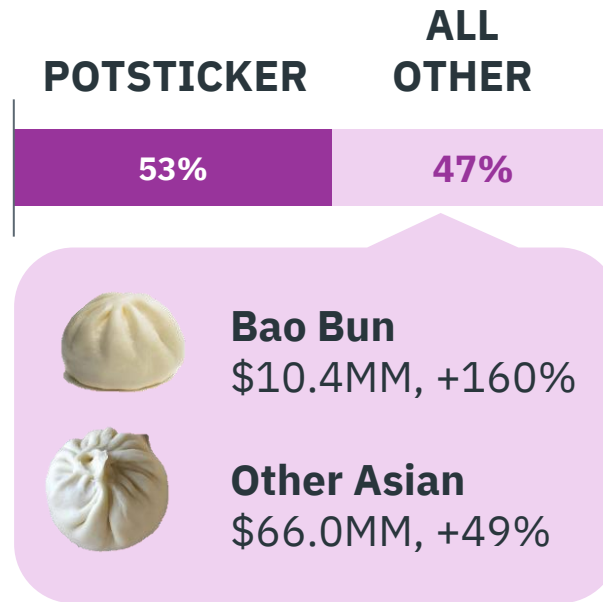
Global curiosity inspires younger shoppers

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



Foreign Ingredient Standards
Building Consumer Trust

No More Bromine: Coke, Pepsi Drop Controversial Ingredient



Teen wins battle against Gatorade 'BVO' ingredient

Shoppers increasingly indulge with intention

Culinary Culture

+9.9%

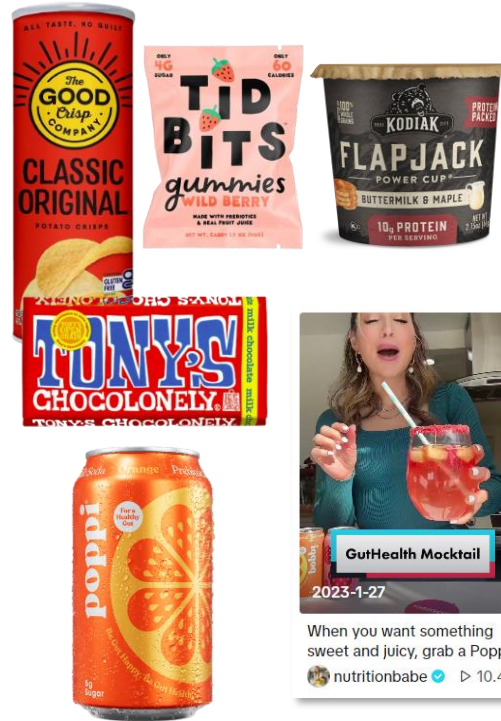
Specialty Natural Brands

+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

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



+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

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

- ✓ Private Label pledge
- ✓ 100% recyclable, reusable or compostable



- ✓ Aggressive goals to divert landfill waste



- ✓ Strong produce requirements for pesticide avoidance.



- ✓ Carbon-negative store operations.
- ✓ Don't sell 'avoid' rated seafood
- ✓ All coffee is organic or fair/direct trade.



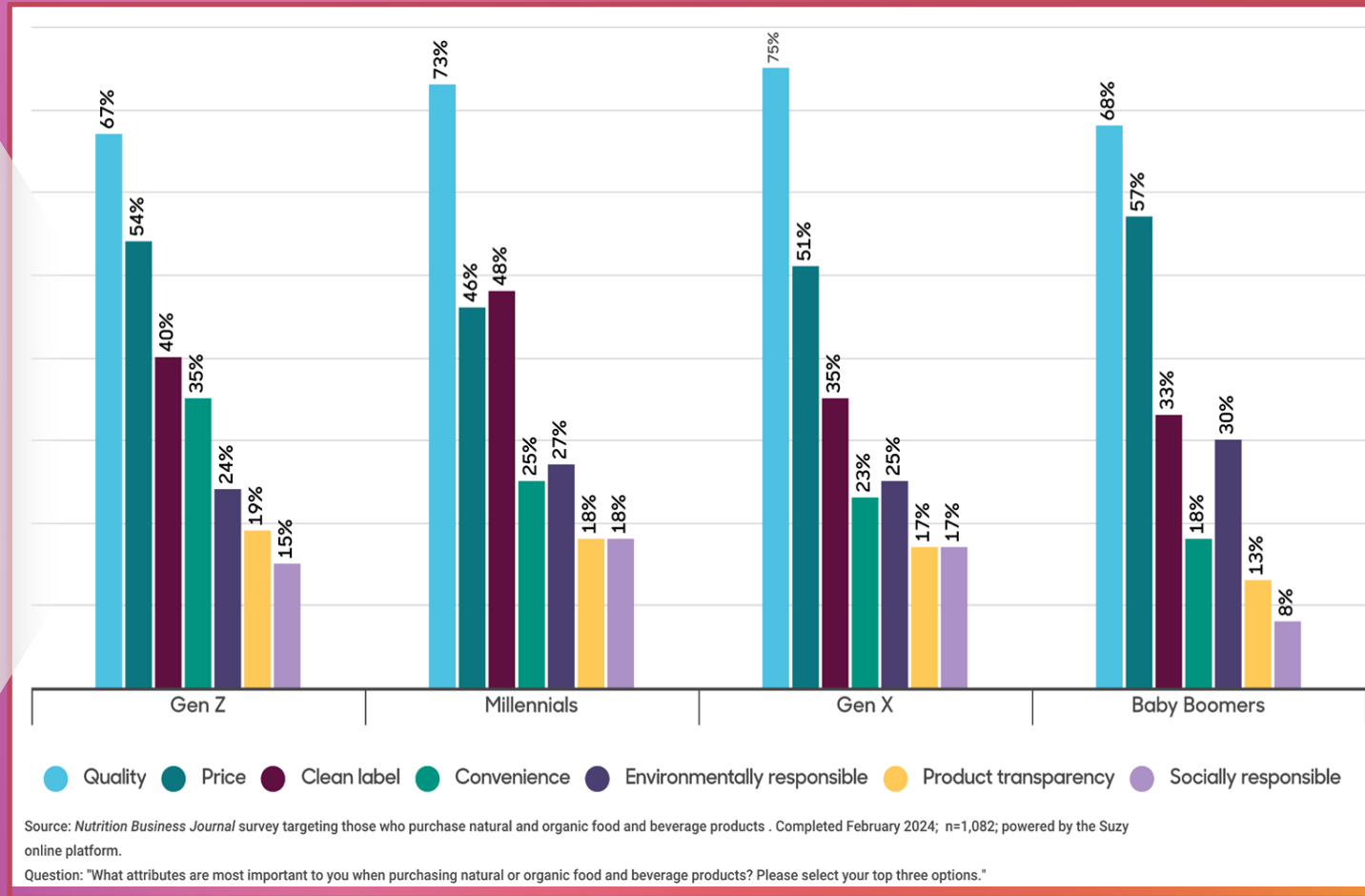
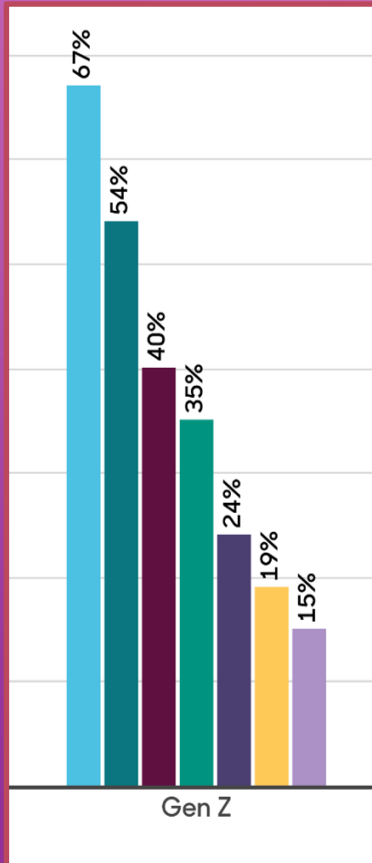
- ✓ Only grocer with takeback reusable packaging



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



When comparing generations, Gen Z ranks higher on...

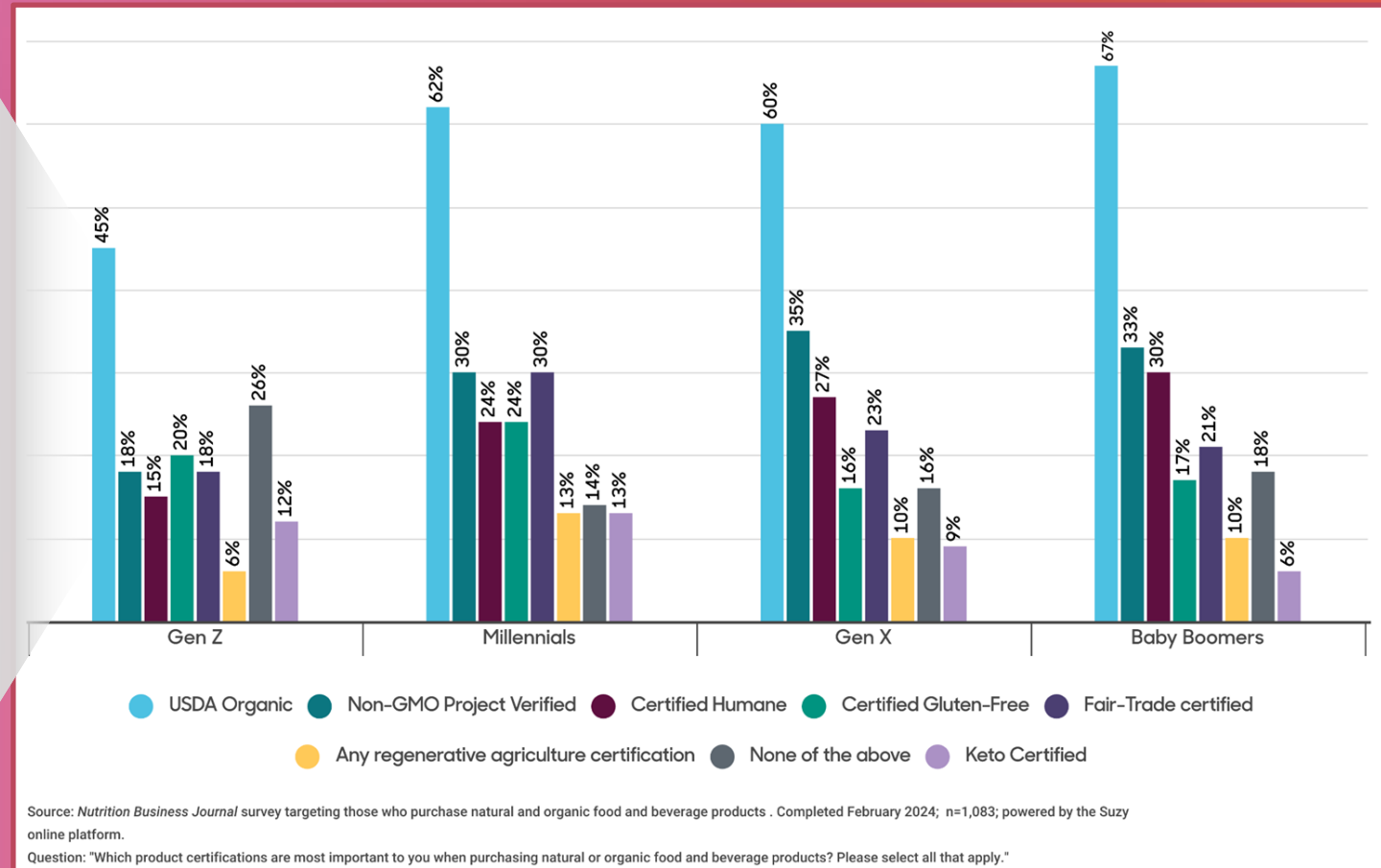
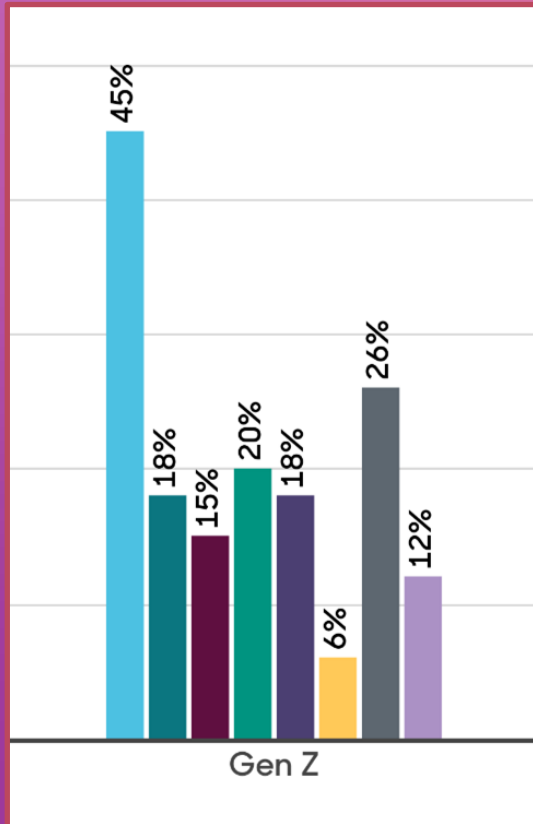
- Convenience
- Clean label
- Price
- Product transparency

Ranks lower on...

- Environmentally and socially responsible

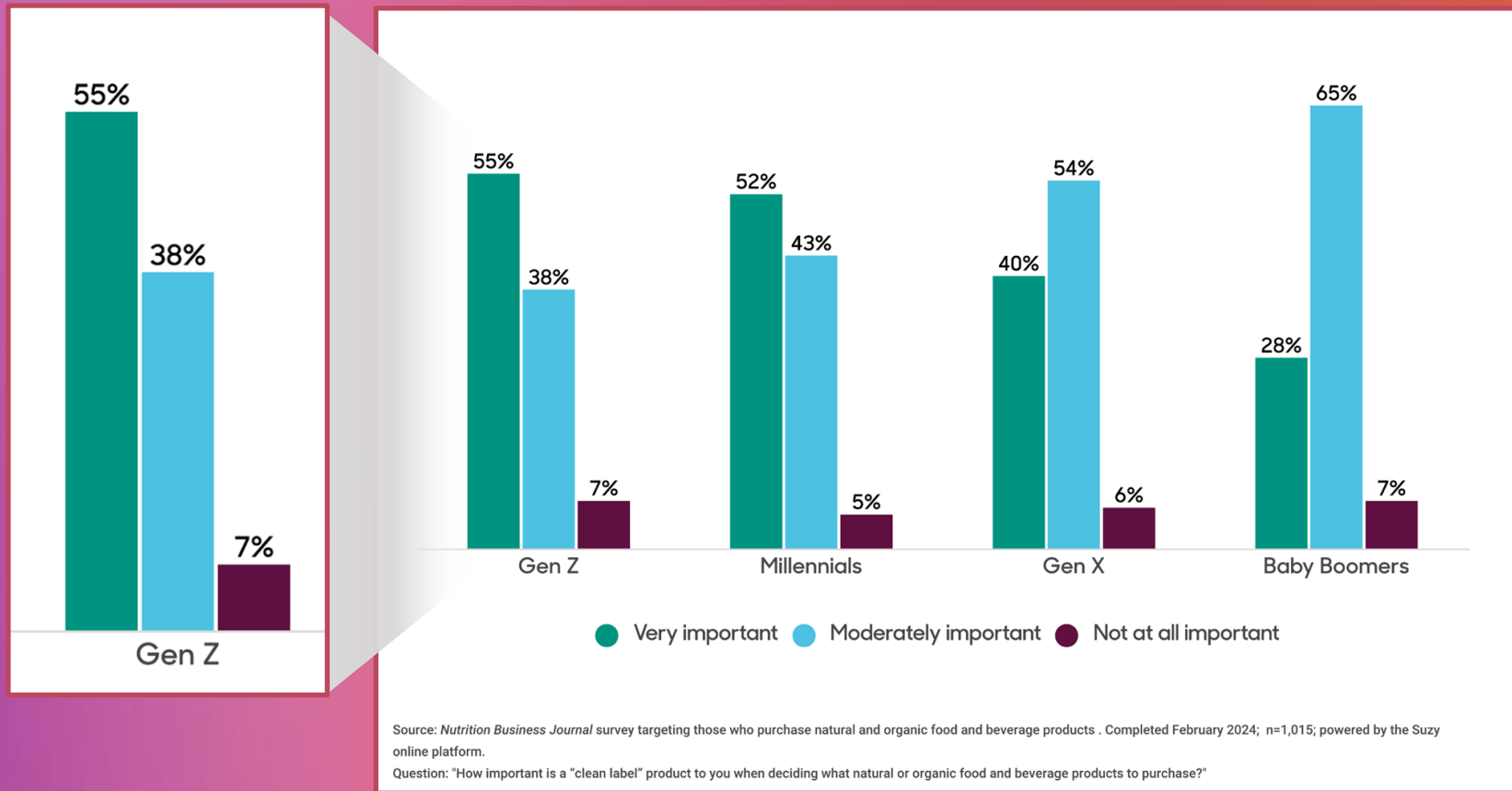
Certifications have the least pull with Gen Z

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

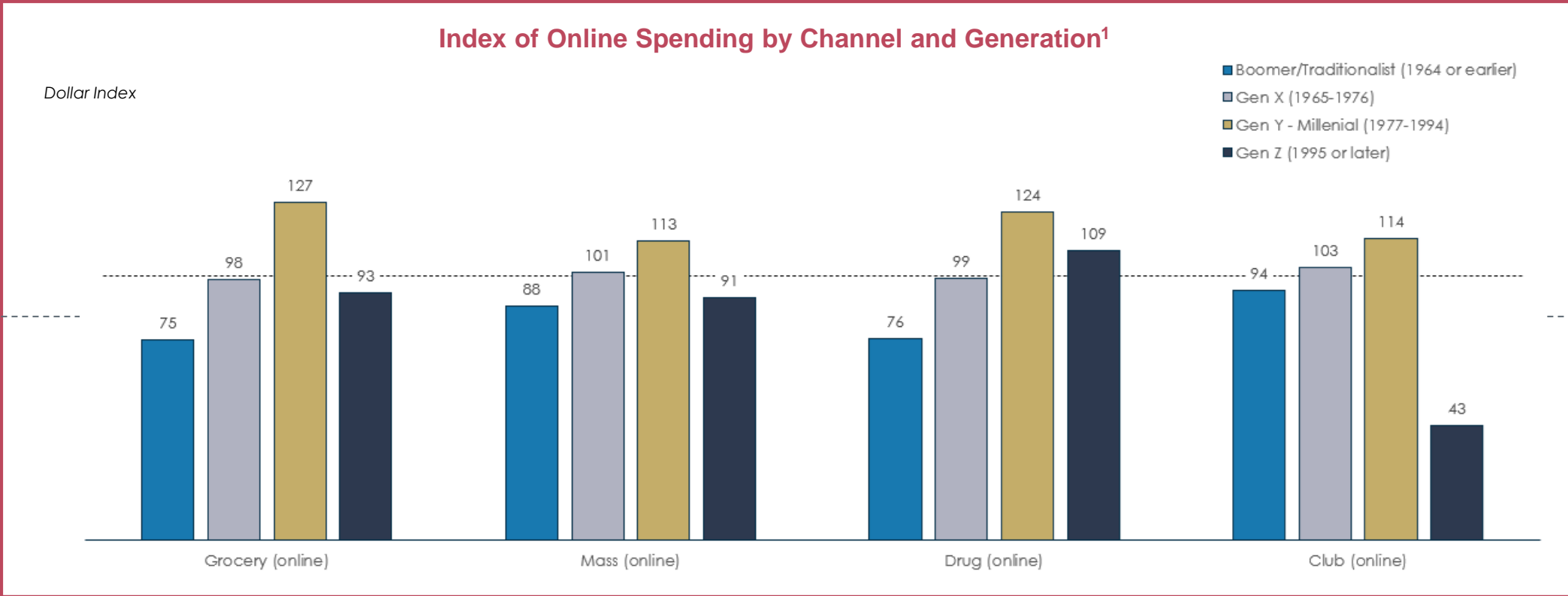


“Clean label” importance for N&O shoppers

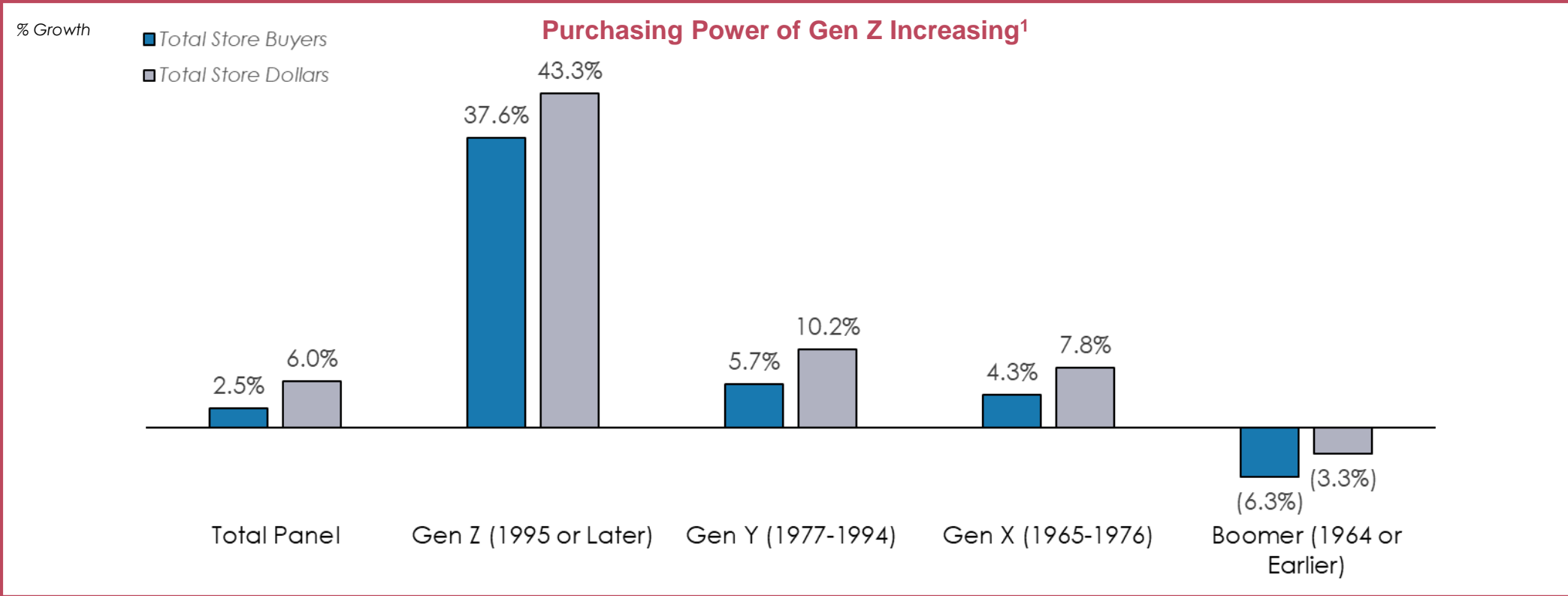
Younger generations place higher importance on products that have “clean labels”



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



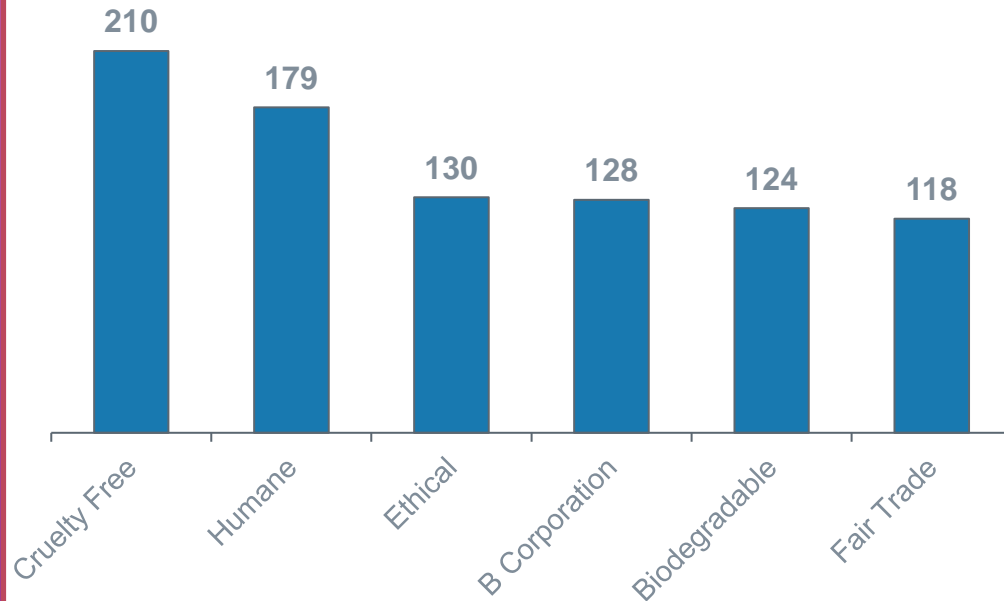
Gen Z Materially Outpaces Growth of Buyers & Dollars Compared to Older Generations



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

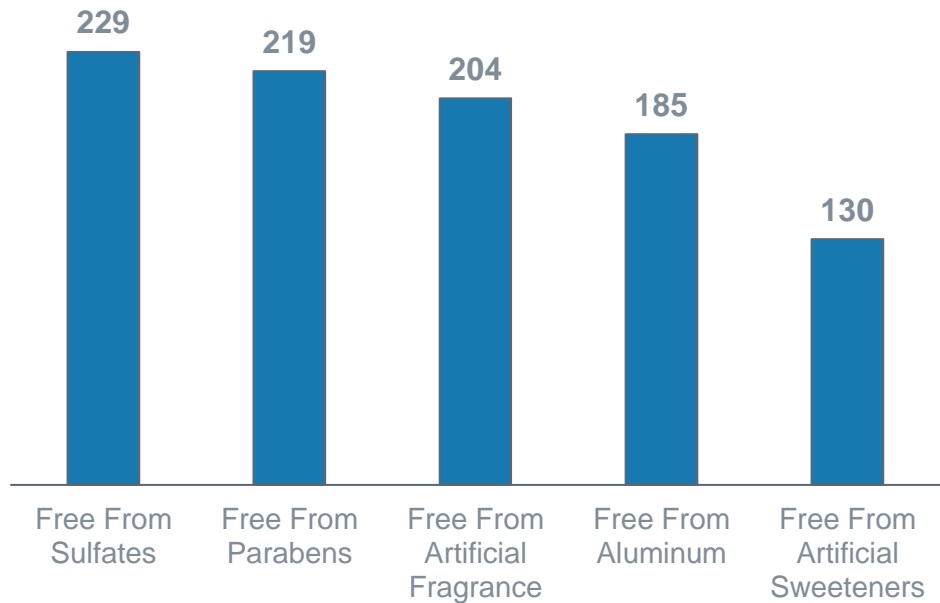
Gen Z Overindexes in Common Sustainable and Ethical Product Traits¹

Dollar Index of Gen Z vs Total Population



Gen Z Prioritizes Free-From Chemicals and Free-From Artificial Additions in Total Store Choices¹

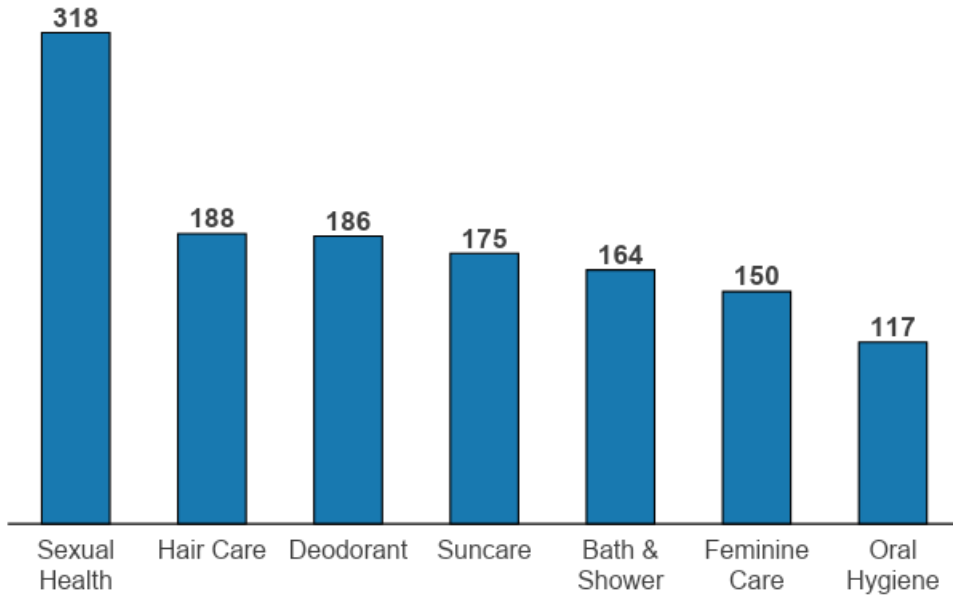
Dollar Index of Gen Z vs Total Population



Gen Z Spending on Beauty and Health Consistent With Age

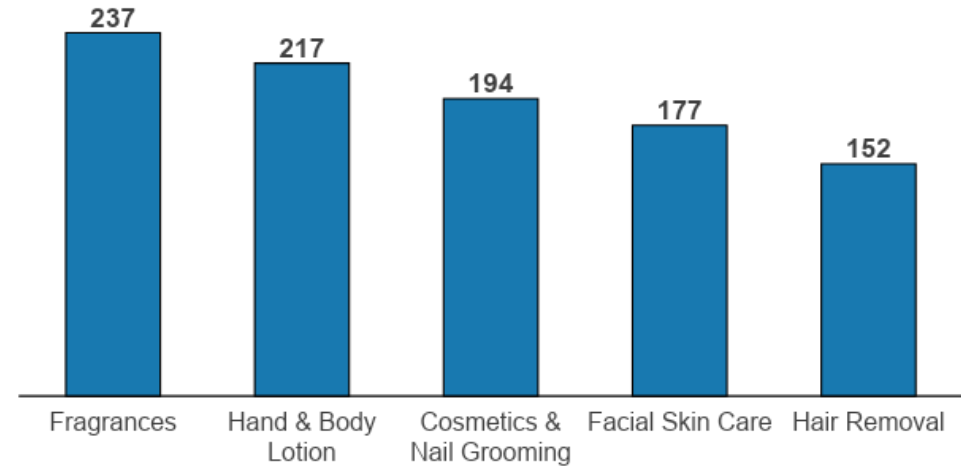
Generic Personal Care¹

Dollar Index of Gen Z vs Total Population



Personal Grooming¹

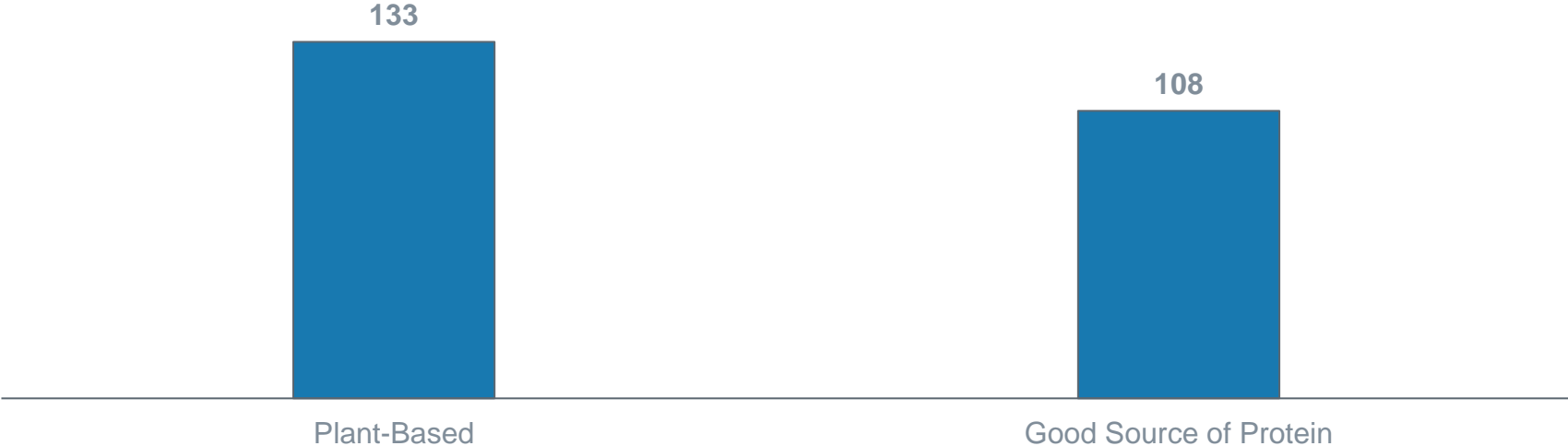
Dollar Index of Gen Z vs Total Population



Gen Z Purchases Plant-Based And Protein

Gen Z Purchases Overindex in Both Plant-Based and Protein Attributes¹

Dollar Index of Gen Z vs Total Population



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

Gen Z
Foodlife Study

Nourishing Modern Hungers



food
ethnographer

Being Gen Z

feels like learning

to surf



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



**If I know who
you're becoming...**

01 Digital Foodlife is Nourishing

Press home to unlock

02 Social Suffering

03 Third Culture Kids





04 COVID

hit like bad

weather

05 Friend Groups



06 Fully Hybrid



07 Well

(functioning)

Culture



food
ethnographer





**08 Craving
Nature**

09 System Thinkers



10 Teachers of Newways





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

Empower Your Future

Thank you!

Have a wonderful Expo West