# U.S. GROCERY – A FEW THINGS YOU MIGHT NOT KNOW

Winter 2024

SOLOMON PARTNERS

AN AFFILIATE OF NATIXIS CORPORATE AND INVESTMENT BANKING

# SUMMARY – A FEW THINGS YOU MIGHT NOT KNOW

1. Definition of Grocery

2. Grocery Market Transformation
   (Rapid Growth of National / Discount Grocers)

3. Grocery Competition Facts

4. Impact on Supermarket Grocers
   (Kroger / Albertsons Urgency)

5. Why Kroger / Albertsons is Good for America

# SUMMARY – DRASTICALLY TRANSFORMED GROCERY LANDSCAPE

**1 Grocery Market Definition**

- Grocery ≠ Supermarkets
- Grocery = Supercenters + Club Grocers + Discount Grocers + Dollar Grocers + Drug Grocers + Online Grocers + Specialty / Ethnic Grocers + Supermarket Grocers
- Rapid growth of National / Discount Grocers:

**2 Grocery Market Transformation**

- Supermarket Grocers were 10 of the Top 15 U.S. Grocers 20 years ago; only 5 of Top 15 U.S. Grocers today
- National / Discount Grocers added ~38,000 grocery stores in the past 20 years to >70,000 today, vs. <26,000 supermarkets
- Average consumer shops at 4 grocery types and 5 grocery banners
- Online Grocery up 4x in 4 years, led by National / Discount Grocers with AA/A credit ratings and nearly unlimited investment capacity
- Instacart expanded grocery choice (reaches 95% of NA consumers)

**3 National / Discount Grocers Growth**

- Supermarket Grocers were "primary shop" 20 years ago for 79% of Americans; now only 38%
- Walmart, Target, Costco, Amazon, Dollar General and Aldi increased market share >25% in the past 20 years
- National / Discount Grocers have over 60% market share; Supermarket Grocers market share down to 36%

**4 Consequences on Supermarket Grocers (Kroger / Albertsons Merger Urgency)**

- Kroger, Albertsons and Ahold Delhaize (all mostly unionized grocers) have lost roughly 10% share in the past 20 years
- Unionized Grocers employee share down from 50% to 15%[(1)]
- Non-Union National / Discount Grocers added ~2.5 million jobs
- Supermarket Grocers profit margins down considerably over time

1) Reflects Top 15 U.S. Grocers.

# SUMMARY – NATIONAL / DISCOUNT GROCERS COMPETITION

5

- #1 World / U.S. Grocer with ~30% U.S. market share
- $318bn U.S. Grocer: 3x Kroger, 3x Costco, 5x Albertsons, 5x Amazon
- U.S. Grocery Sales roughly as big as next four Grocers combined
- Ubiquitous storebase and fulfillment footprint; 36% Q2 Online Grocery

- World's #2 Grocer
- #3 U.S. Grocer – Majority of sales are groceries
- Stores generate 5x grocery sales of average supermarket
- Valued 80% above all U.S. supermarkets / grocery suppliers *combined*

- World's #3 Grocer (#2 in Europe)
- Owned by German Albrecht family (the 11th–wealthiest in the world); also owns Trader Joe's
- Over 12,000 global stores, including 2,800 in the U.S. (more than Kroger)
- Replicating global grocery leadership in U.S.; sales up 9x in 20 Years

- Vast majority of sales are groceries
- ~$50B combined grocery sales with >36,000 U.S. stores
- Added 23,000 stores in last 20 years
- 1/3 of all U.S. stores opened in 2021-2022 were dollar stores (DG 2,060)

- #6 U.S. Grocer
- Most sales are groceries
- 440,000 non-union employees
- Leading online grocer with Shipt

- Valued more than all public U.S. grocers *combined*; AA credit rating
- Long-term focus on grocery and extraordinary fulfillment footprint
- To overtake Walmart as #1 Global Retailer, need to be #1 Grocer
- #5 U.S. Grocer today but have not yet "figured out" grocery; begging simple question – ***what happens when they do?***

# SUMMARY – KROGER / ALBERTSONS TRANSACTION RATIONALE

**6** Kroger / Albertsons is Good for Consumers, Employees and Local Communities

- Kroger's 20-year track record of investing $5B in better prices
- Kroger's cost savings at acquired stores used toward better prices, e.g., Harris Teeter and Roundy's
- Kroger added 110,000 unionized jobs in past 20 years
- Merger preserves the viability of Albertson's stores, nearly 300,000 (mostly union) jobs and increase food access – with lower prices – for millions of Americans

**7** Kroger's Clear Commitments

- No store closures.
- No front-line job losses.
- $500M better prices
- $1B better wages
- $1.3B better store improvements
- 10% increase in locally-sourced products
- 10 billion meals being donated to help fight food insecurity

**8** C&S Wholesale Grocers is a Strong Divestiture Buyer

- Divestiture transaction designed to prevent Haggen failures
- ~$30B sales business; one of the largest private companies in the U.S.
- Family-owned, with 104-year operating / integration track record
- Buying / licensing local banners (Carrs, QFC, Mariano's / Albertsons); will maintain customer continuity, loyalty and performance
- Strong, well-capitalized buyer supplying 7,500 stores across country
- Balance Sheet to support customers, jobs and store investments
- Experienced management team with extensive acquisition and integration experience; spending $1.9bn to expand retail footprint
- Previously validated by FTC as divestiture buyer; assuming union CBA

# 1. GROCERY ≠ SUPERMARKETS

# GROCERY = SUPERCENTERS

Walmart · TARGET · meijer

## + CLUB GROCERS

COSTCO WHOLESALE · sam's club · BJ's Live Generously

## + DISCOUNT GROCERS

ALDI · TRADER JOE'S · LIDL · GROCERY OUTLET bargain market · Smart & Final · WinCo FOODS

## + DOLLAR GROCERS

DOLLAR GENERAL · DOLLAR TREE · FAMILY DOLLAR · 99¢ only STORES

## + DRUG GROCERS

CVS Health · Walgreens · RITE AID

## + ONLINE GROCERS

amazon · WHOLE FOODS MARKET · IMPERFECT FOODS · Misfits Market · Weee! · getir · Blue Apron

## + SPECIALTY / ETHNIC GROCERS

CARDENAS · SUPERMERCADO EL RANCHO · H MART · 99 大華超級市場 99 RANCH MARKET · SPROUTS FARMERS MARKET · Bristol Farms

## + SUPERMARKET GROCERS

Kroger · Ahold Delhaize · H-E-B · HyVee · STATER BROS. markets · SpartanNash · ingles · ROUSES · Schnucks · FOOD CITY

Publix · Albertsons Companies · GIANT EAGLE · Wegmans · Brookshire's · weis markets · NORTHEAST GROCERY · SAVE MART COMPANIES · Big Y · Lowes · ShopRite

# 1. NATIONAL / DISCOUNT GROCERS HAVE TRANSFORMED AMERICAN GROCERY

## NATIONAL / DISCOUNT GROCERS

# 1. 20 YEARS AGO, SUPERMARKET GROCERS COMPRISED 10 OF THE TOP 15 U.S. GROCERS

*($ In Billions)*

## U.S. GROCERS – 2003

| Ranking | Company | Grocery Sales | % Market Share |
|---|---|---|---|
| 1 | Walmart | $73 | 16% |
| 2 | Kroger | $49 | 11% |
| 3 | Albertsons | $32 | 7% |
| 4 | Safeway | $28 | 6% |
| 5 | Ahold USA | $24 | 5% |
| 6 | Costco Wholesale | $20 | 4% |
| 7 | Delhaize America | $14 | 3% |
| 8 | Publix | $14 | 3% |
| 9 | Target | $11 | 2% |
| 10 | Winn-Dixie | $10 | 2% |
| 11 | Supervalu | $10 | 2% |
| 12 | A&P | $10 | 2% |
| 13 | H-E-B | $8 | 2% |
| 14 | CVS Health | $8 | 2% |
| 15 | Meijer | $7 | 1% |

*$24bn*

National / Discount Grocers

## NOT ON THE LIST

Amazon, Whole Foods Market, Dollar General, Dollar Tree, Family Dollar, Aldi, Trader Joe's, Walgreens

Solomon Partners

Source: Company filings and company websites.
Note: Represents U.S. grocery sales only and excludes pharmacy, fuel and other non-grocery categories.

# 2. TODAY, ONLY 5 OF THE TOP 15 U.S. GROCERS ARE SUPERMARKETS; 10 ARE NATIONAL / DISCOUNT GROCERS

*($ In Billions)*

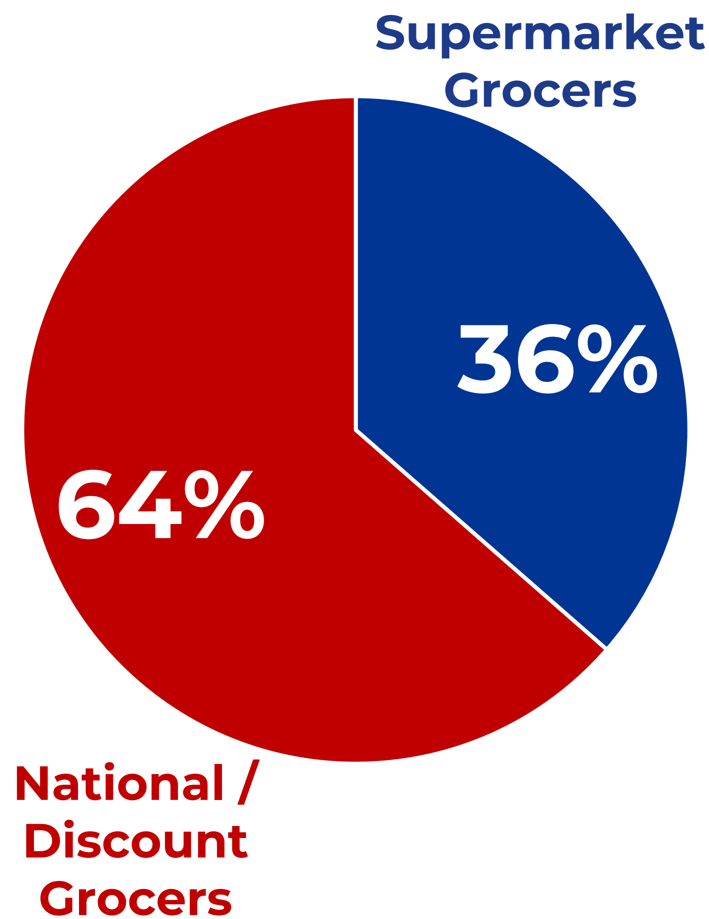
## U.S. GROCERS – 2023

| Ranking | Company | Grocery Sales | % Market Share |
|---|---|---|---|
| 1 | Walmart | $318 | 29% |
| 2 | Kroger | $109 | 10% |
| 3 | Costco Wholesale | $96 | 9% |
| 4 | Albertsons | $66 | 6% |
| 5 | amazon / Whole Foods Market | $64 | 6% |
| 6 | Target / Shipt | $54 | 5% |
| 7 | Ahold Delhaize | $52 | 5% |
| 8 | Publix | $48 | 4% |
| 9 | Dollar General | $31 | 3% |
| 10 | H-E-B | $31 | 3% |
| 11 | CVS Health | $22 | 2% |
| 12 | ALDI | $20 | 2% |
| 13 | Dollar Tree / Family Dollar | $18 | 2% |
| 14 | Walgreens | $17 | 2% |
| 15 | Trader Joe's | $15 | 1% |

*$208bn* (Walmart + Kroger)

National / Discount Grocers

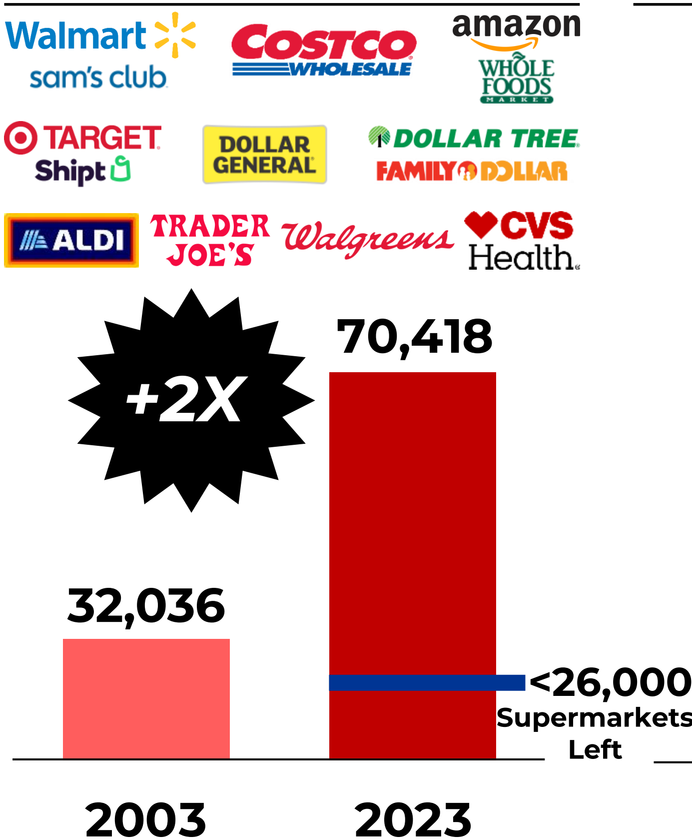
## U.S. GROCERY SHARE




Source: Company filings as of February 2024 and the Mercatus Grocery Insights Report.
Note: U.S. grocery sales excludes pharmacy, fuel and other non-grocery categories.. Amazon figures reflect 90% of North America sales (U.S. not reported). Aldi figures do not include the recent acquisition of Winn Dixie and Harvey's stores.

# 3. NATIONAL / DISCOUNT GROCERS' EXTREME STORE GROWTH, BROAD CUSTOMER TRIP DISPERSION AND ONLINE GROCERY HAVE TRANSFORMED U.S. GROCERY

## 1 38,000 NEW NATIONAL / DISCOUNT GROCERY STORES




## 2 CONSUMERS REGULARLY SHOP 4 GROCERY TYPES & 5 BANNERS

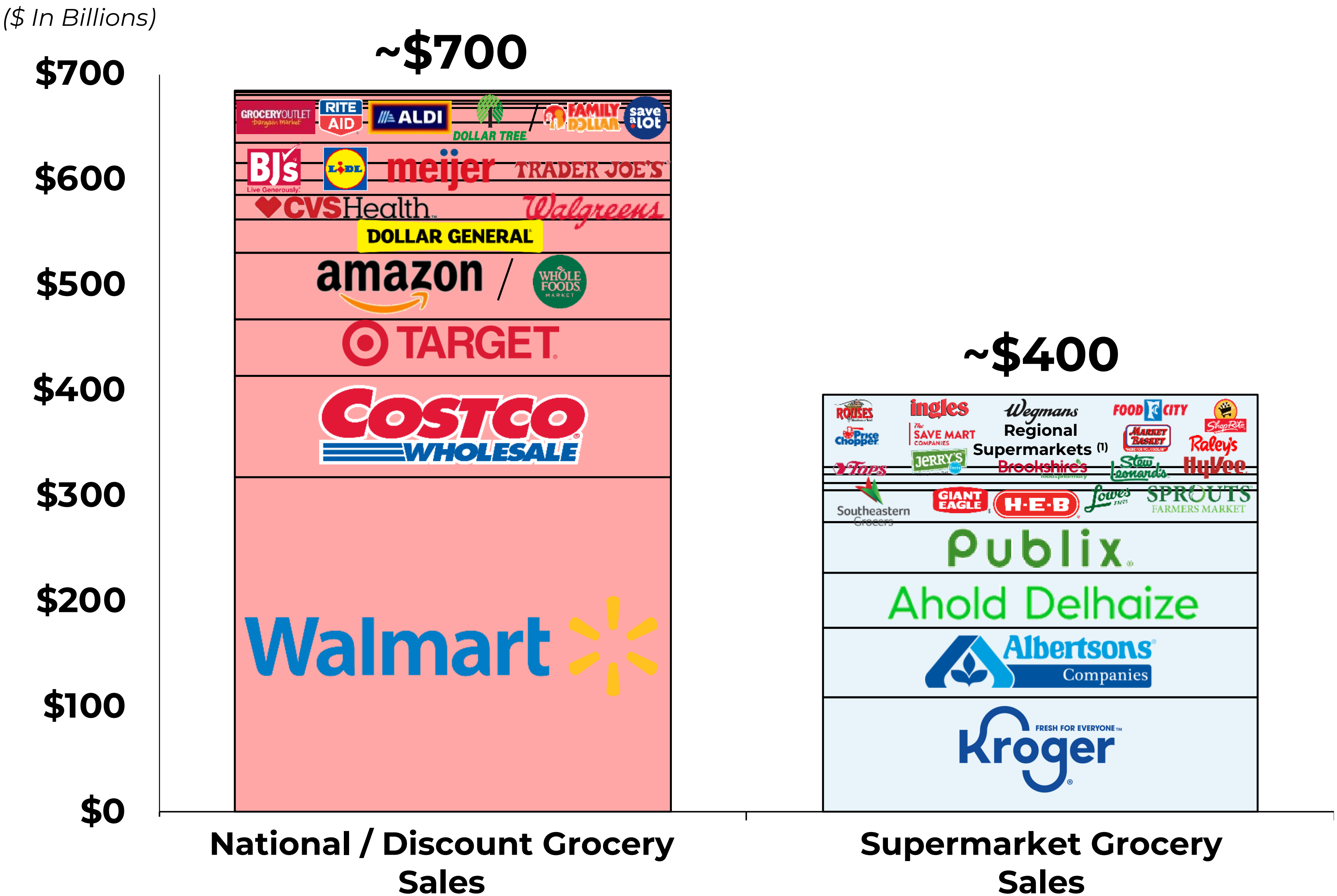

## 3 ONLINE GROCERY HAS INCREASED 4x


**Supermarket Grocers face existential competitive risk from powerful National / Discount Grocers.**

SOLOMON PARTNERS

Source: FMI U.S. Grocery Shopper Trends: 2003, 2014, 2023, Progressive Grocer, Mercatus and Incisive Grocery.

# 3. NATIONAL / DISCOUNT GROCERS ACCOUNT FOR FAR MORE GROCERY SALES THAN SUPERMARKET GROCERS

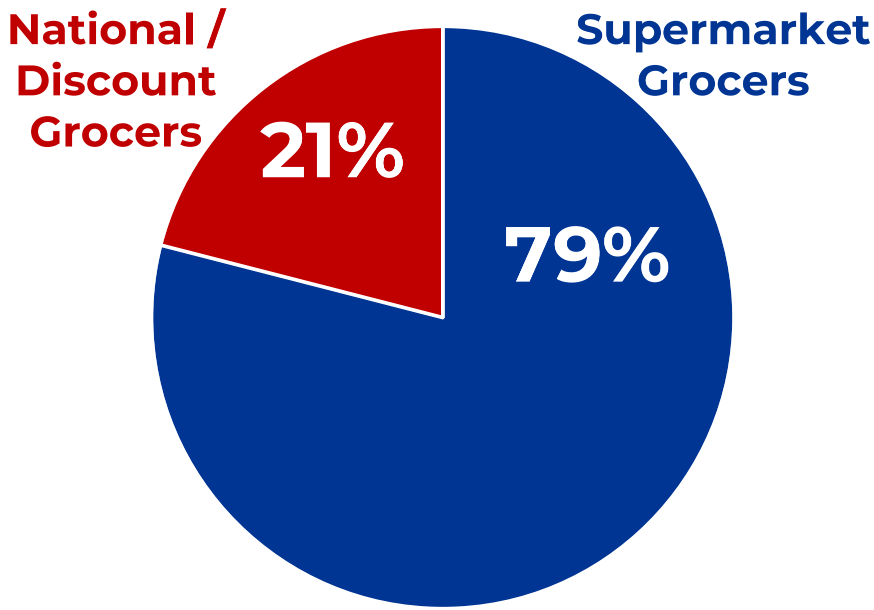




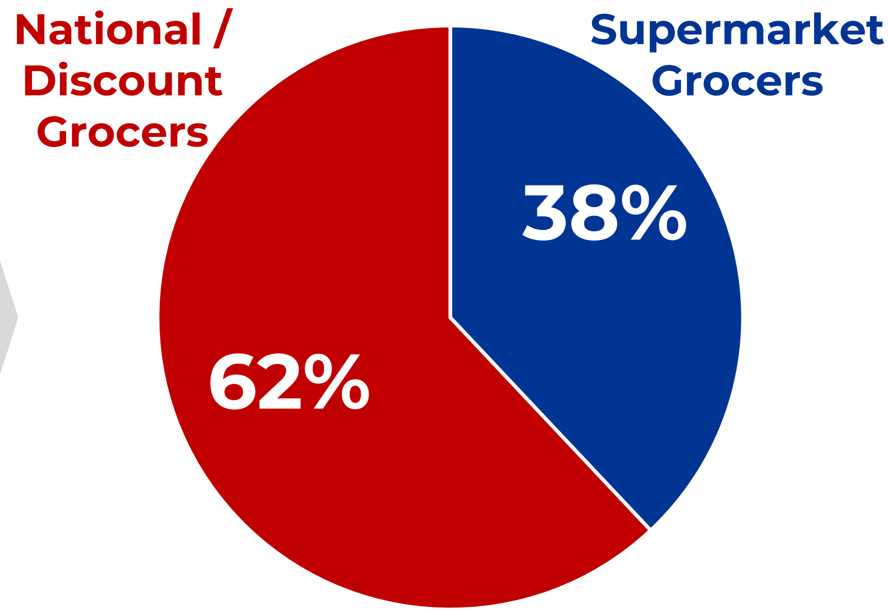

Source: Company filings and publicly available information as of February 2024.
1) Regional Supermarkets includes rest of the Top 100 grocers not already covered on the list and assumes 90% Food & Consumables.

# 3. SHOPPERS' PRIMARY CHANNEL – 2003 VS. 2023

## 2003




## 2023



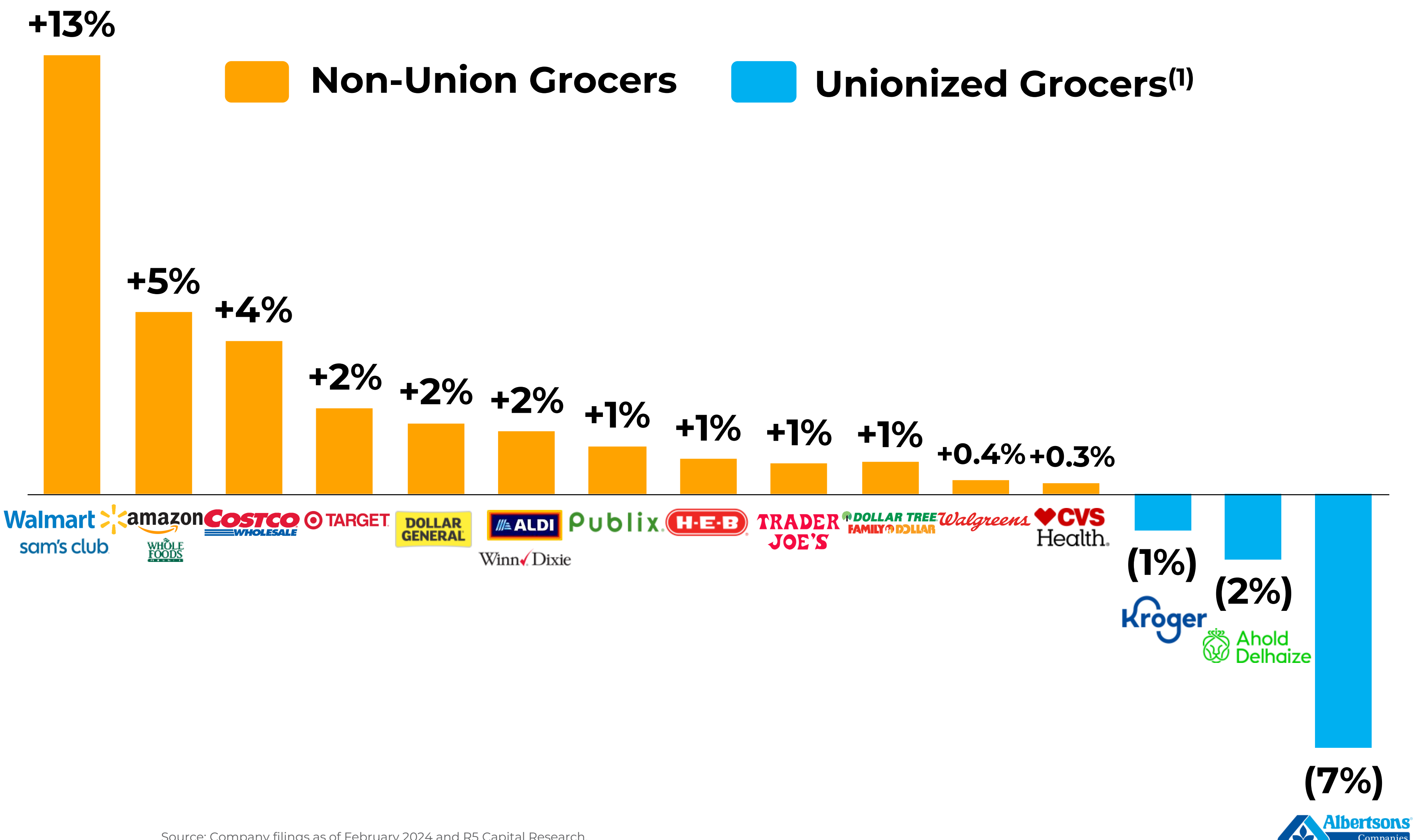

**National / Discount Grocers** +41%

**Supermarket Grocers** -41%

Source: FMI U.S. Grocery Shopper Trends: 2003 and 2023.

# 3. WALMART, AMAZON, COSTCO, TARGET, DG AND ALDI (ALL NON-UNION) HAVE TAKEN LOTS OF GROCERY SHARE

## GROCERY SHARE CHANGE (2003-2023)




Source: Company filings as of February 2024 and R5 Capital Research.

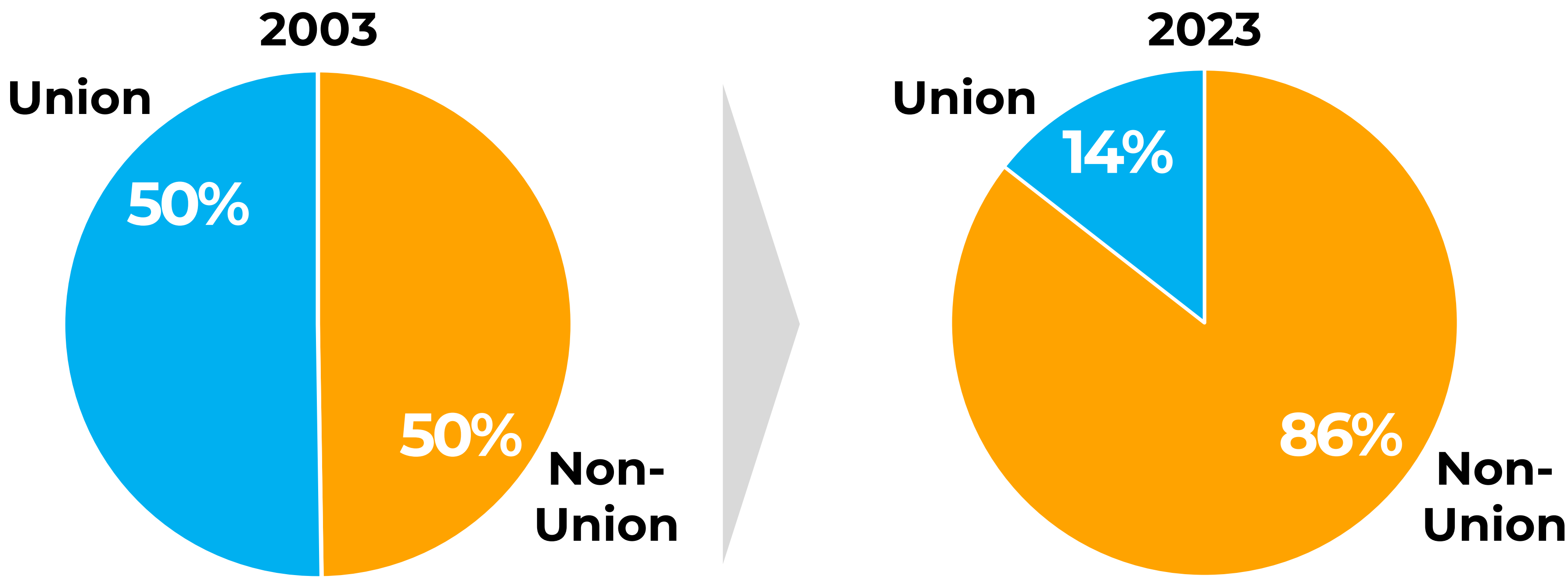
Note: Figures shown on a Pro Forma basis to represent current operational footprint. Albertsons acquired Safeway in 2015 and Ahold / Delhaize merged in 2016. Aldi figures are Pro Forma for the recently announced acquisition of Winn-Dixie and Harvey's stores.

1) Unionized grocers include partially-union grocers.

SOLOMON PARTNERS

# 3. NON-UNION GROCERS HAVE TAKEN THE VAST MAJORITY OF AMERICAN GROCERY JOBS IN THE PAST 20 YEARS

## UNION VS. NON-UNION JOB SHARE – TOP 15 GROCERS



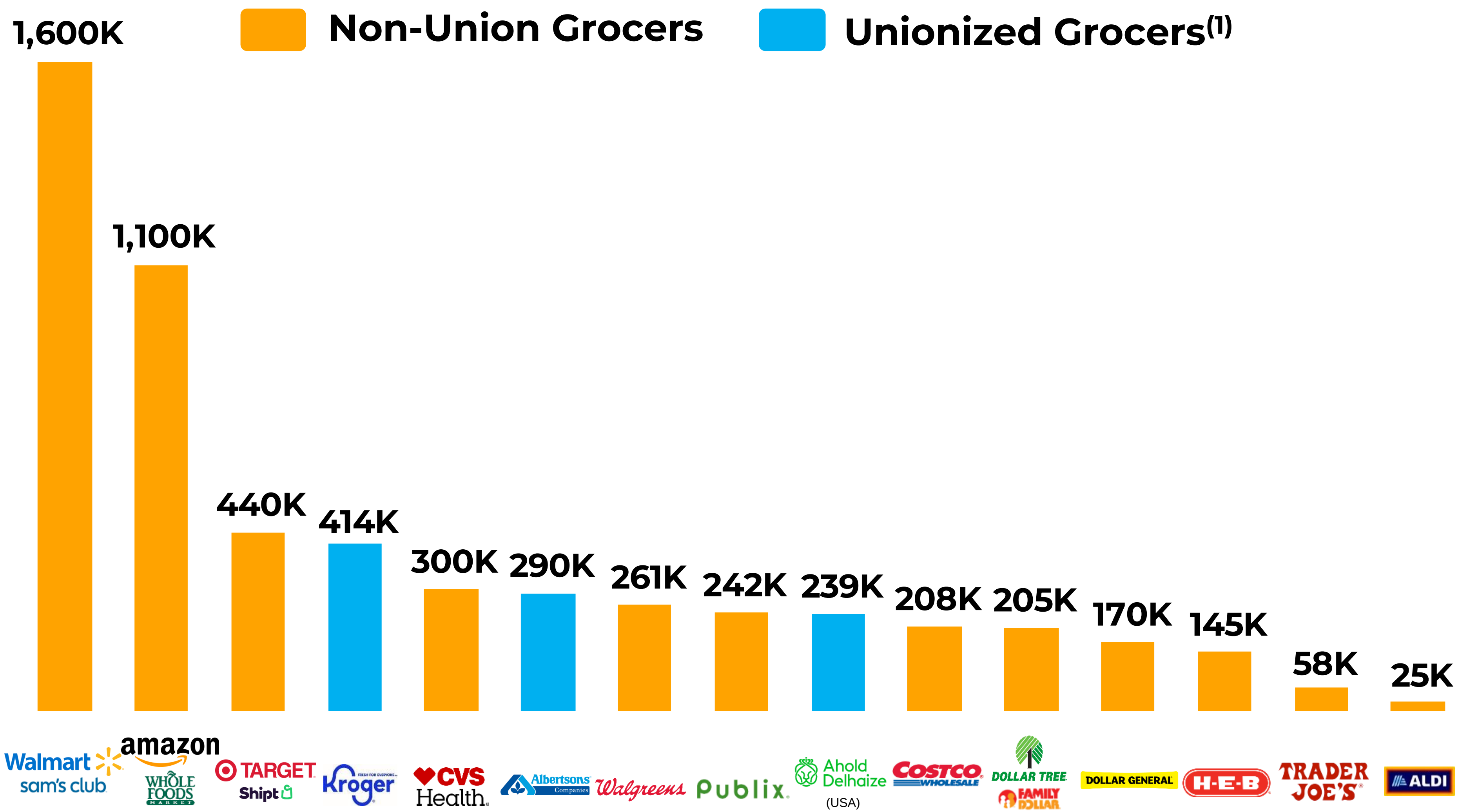

**Non-Union Grocers** +36%

**Unionized Grocers** -36%

Note: Represents Top 15 U.S. Grocers in 2003 and 2023. Unionized Grocers includes partially-unionized operators..

# 3. MILLIONS OF AMERICANS RELY ON GOOD JOBS WITH SUPERMARKET GROCERS

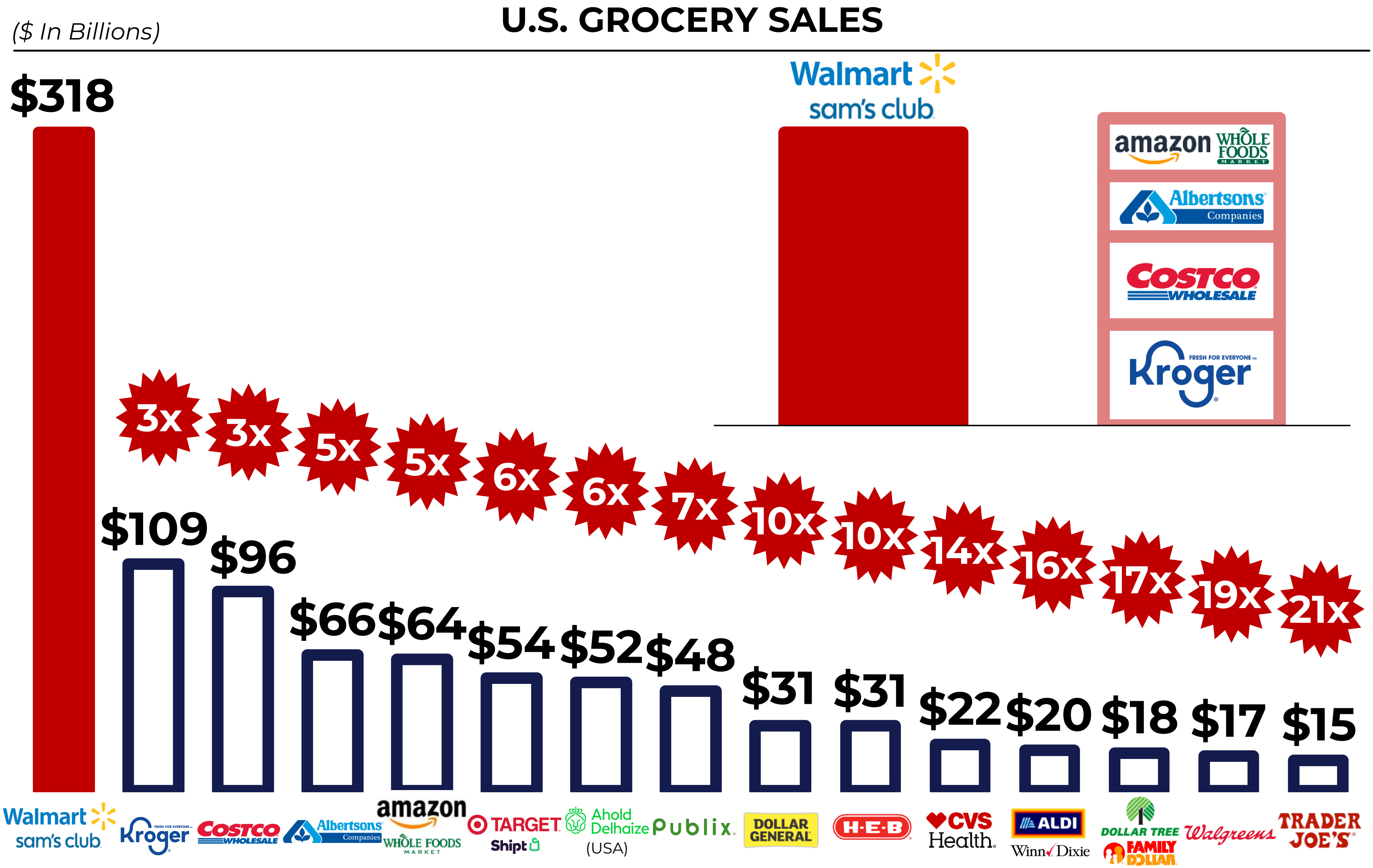
## 2023 EMPLOYEE COUNT




SOLOMON PARTNERS

Source: Company filings as of February 2024.
1) Unionized grocers include partially-union grocers.

# 4. WALMART, AMERICA'S #1 GROCER, HAS U.S. GROCERY SALES THAT ARE MANY TIMES ITS GROCERY COMPETITORS

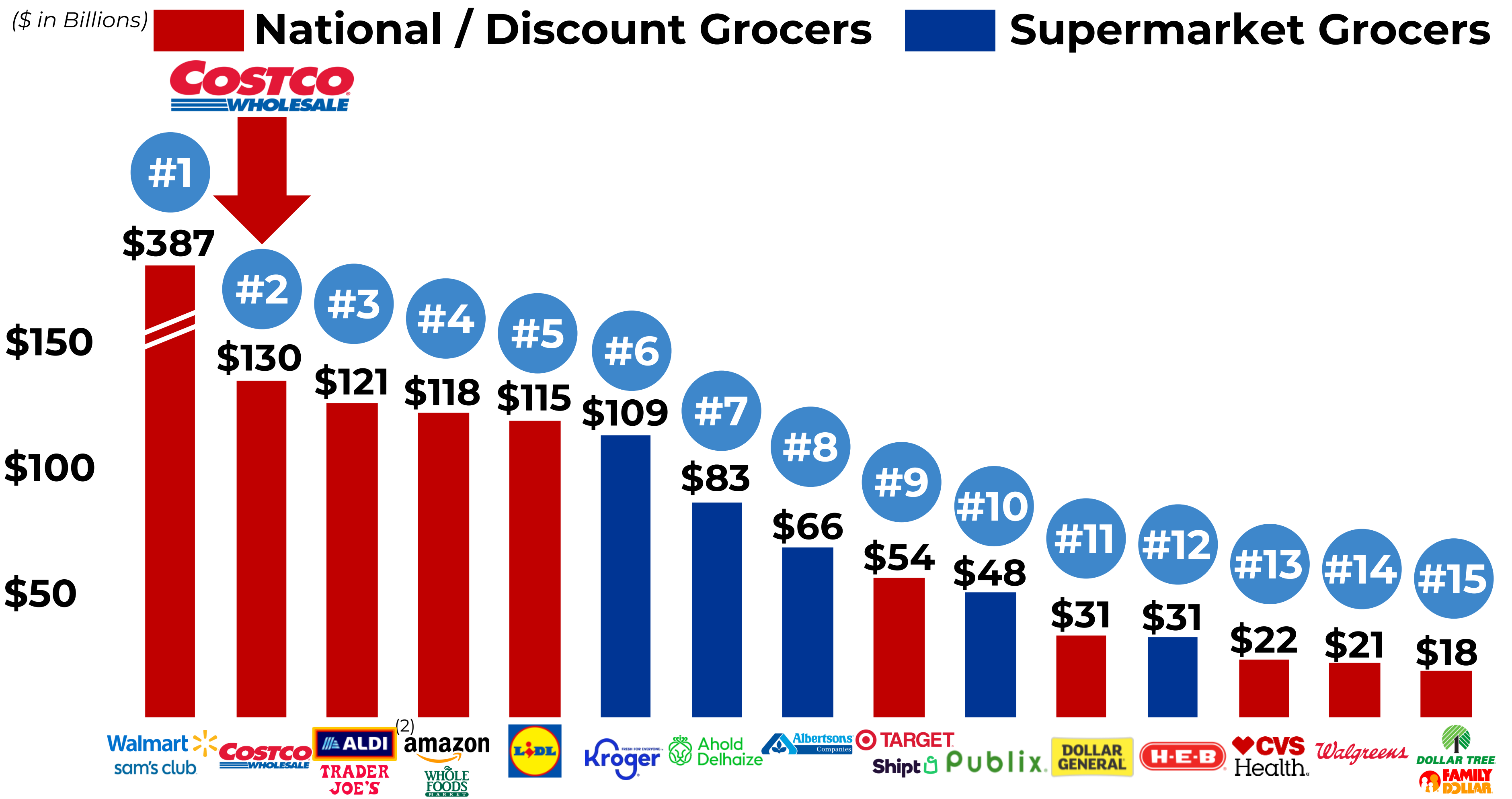



Source: Company filings and Capital IQ as of February 2024.
Note: Reflects annual U.S. grocery sales, excluding pharmacy, fuel and other non-grocery categories.. Amazon figures reflect 90% of North America sales (U.S. not reported).
Aldi figures do not include the recent acquisition of Winn Dixie and Harvey's stores.

# 5. COSTCO IS THE WORLD'S #2 GROCER AND #3 U.S. GROCER

COSTCO'S U.S. GROCERY BUSINESS GENERATES >$90 BILLION IN GROCERY SALES; ~40% OF U.S. HOUSEHOLDS ARE COSTCO MEMBERS

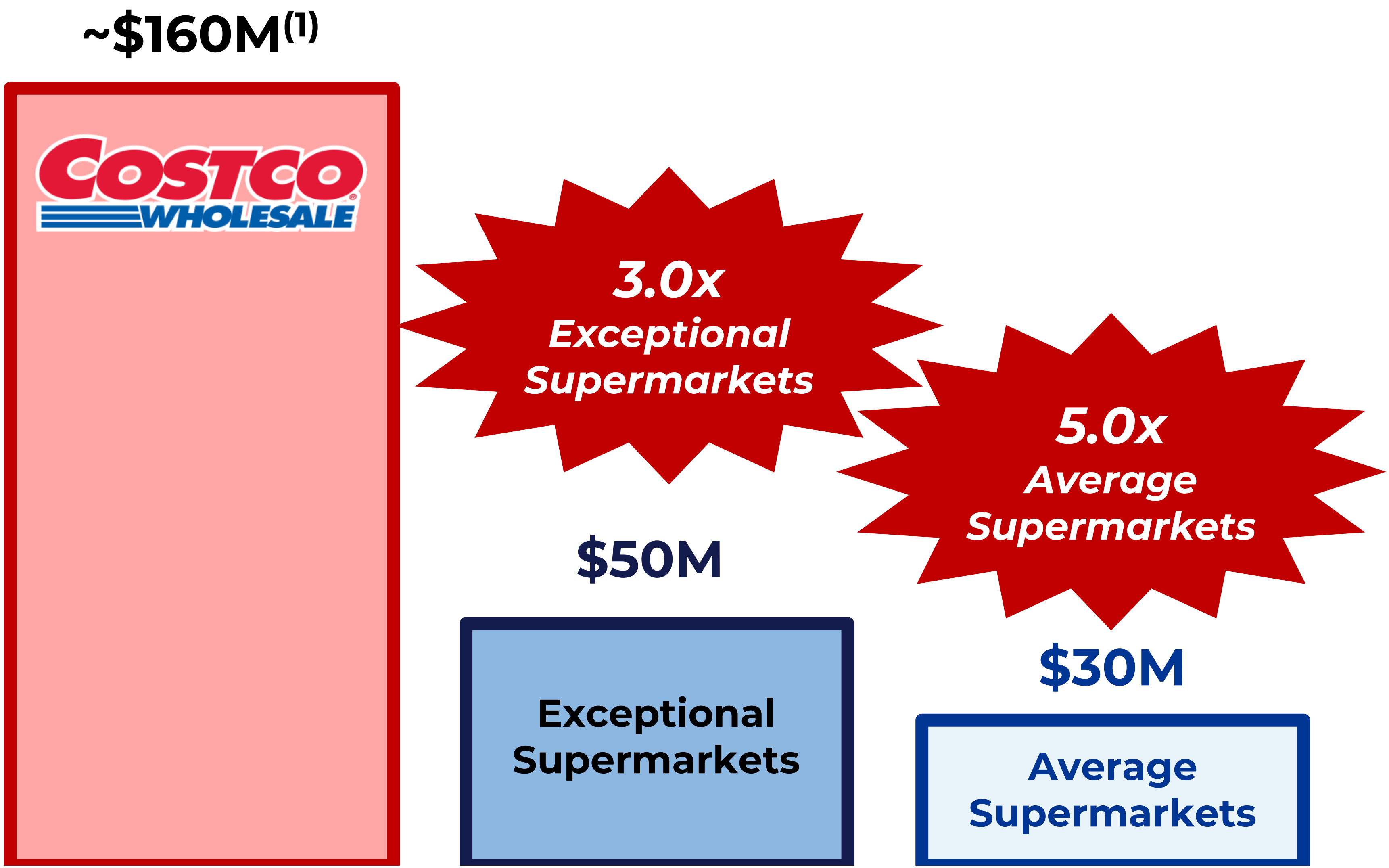
## GLOBAL GROCERY SALES RANKINGS (U.S. GROCERS)[(1)]




Source: Company Filings & Company Websites as of February 2024.
1) Among grocers with operations in the U.S.
2) Includes Aldi Sud 2022 & Aldi Nord 2021 figures, which represents the latest publicly available information. Pro forma for Winn Dixie and Harvey's stores to be acquired per announcement in August 2023.

# 5. COSTCO'S EXTRAORDINARY GROCERY BUSINESS

GROCERY SALES ACCOUNT FOR 54% OF COSTCO'S ~$300M AVERAGE ANNUAL STORE REVENUE




Source: Company filings and Capital IQ as of February 2024.

1) Costco food sales per store represents Food & Sundries and Fresh Food segments in U.S. stores.

# 5. COSTCO'S EXTRAORDINARY GROCERY BUSINESS (CONT'D)

COSTCO'S VALUATION IS ~80% MORE THAN ALL PUBLICLY-TRADED SUPERMARKETS AND SUPPLIERS, ***COMBINED***


Source: Company filings and Capital IQ as of February 2024.

# 6. DOLLAR STORES HAVE SIGNIFICANTLY EXPANDED THEIR GROCERY OFFERING



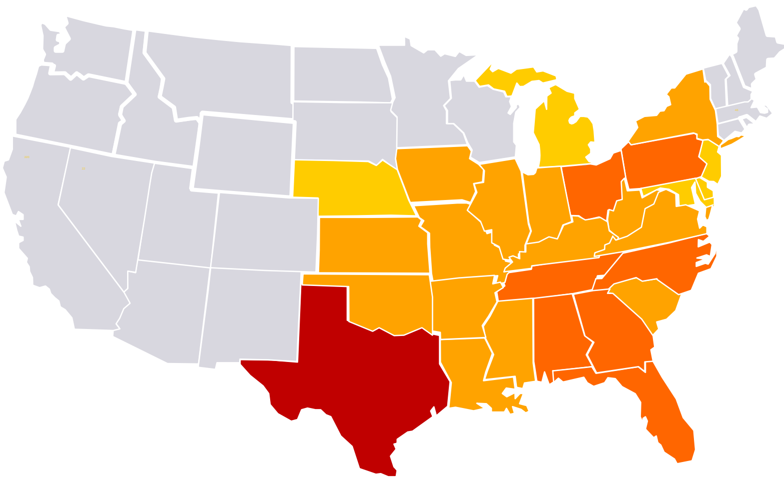



Source: Company Websites & Equity Research.

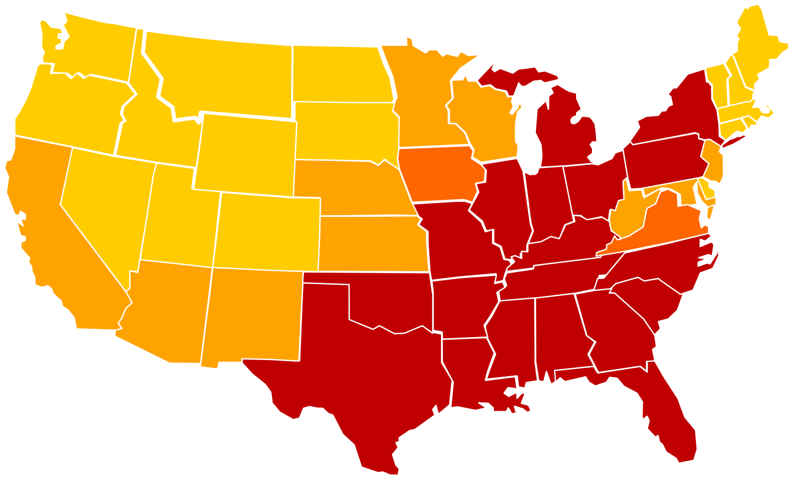
# 6. DOLLAR GENERAL'S RAPID GROCERY GROWTH CONTINUES, WITH OVER 14,000 NEW STORES FROM 2003-2022 TO BECOME A NATIONAL GROCER

DOLLAR GENERAL®

## 2003 – 6,113 STORES



## 2023 – 19,726 STORES



1-99 Stores | 100-299 Stores | 300-499 Stores | 500+ Stores

**Dollar General is projected to grow to 34,000 stores across the United States**



Source: Company filings.
Note: Total Store Count represents latest available data in Company's 10-Q ending 11/3/2023.

# THE WALL STREET JOURNAL.

LIFE & STYLE

## One-Percenters Keep Shopping at the Dollar Store

Wealthy consumers scour discount-chain aisles for bargains

June 19, 2023 9:00 pm ET

***"No matter how much you make, there is no longer a stigma in going after a good deal."***

***"A carrot is a carrot is a carrot."***


businesswire
A BERKSHIRE HATHAWAY COMPANY

**Dollar General Surpasses Milestone of 5,000 Stores Nationwide Offering Fresh Produce**

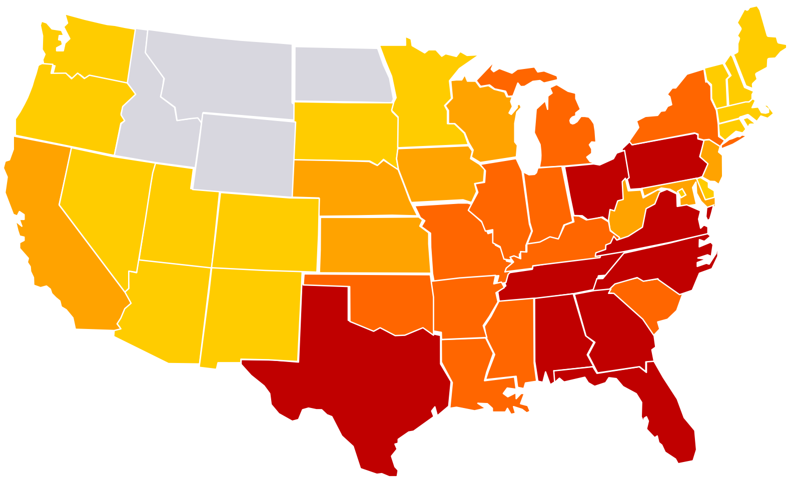
January 30, 2024 06:55 AM

***"…more individual points of produce distribution than any other U.S. mass retailer or grocer"***

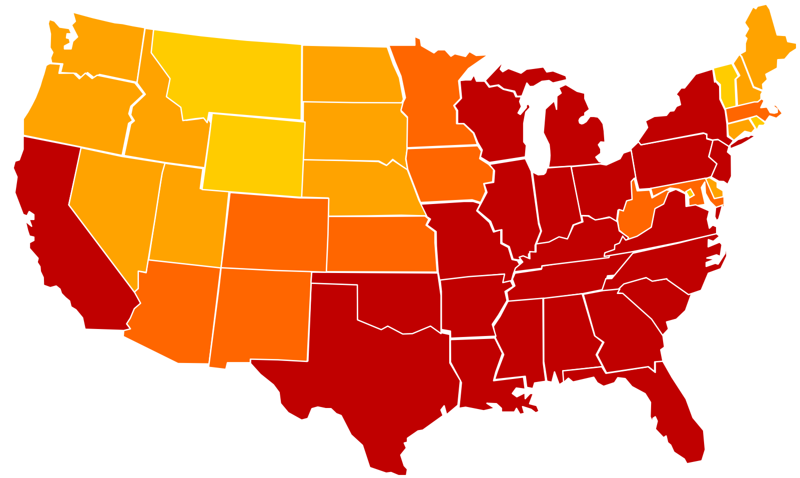
# 6. OVER THE PAST 20 YEARS, THE TWO LEADING DOLLAR GROCERS HAVE ADDED 23,000 STORES AND NOW GENERATE ~$50B IN ANNUAL GROCERY SALES

DOLLAR GENERAL
DOLLAR TREE
FAMILY DOLLAR

## 2003 – 12,992 STORES



## 2023 – 36,346 STORES



1-99 Stores | 100-299 Stores | 300-499 Stores | 500+ Stores

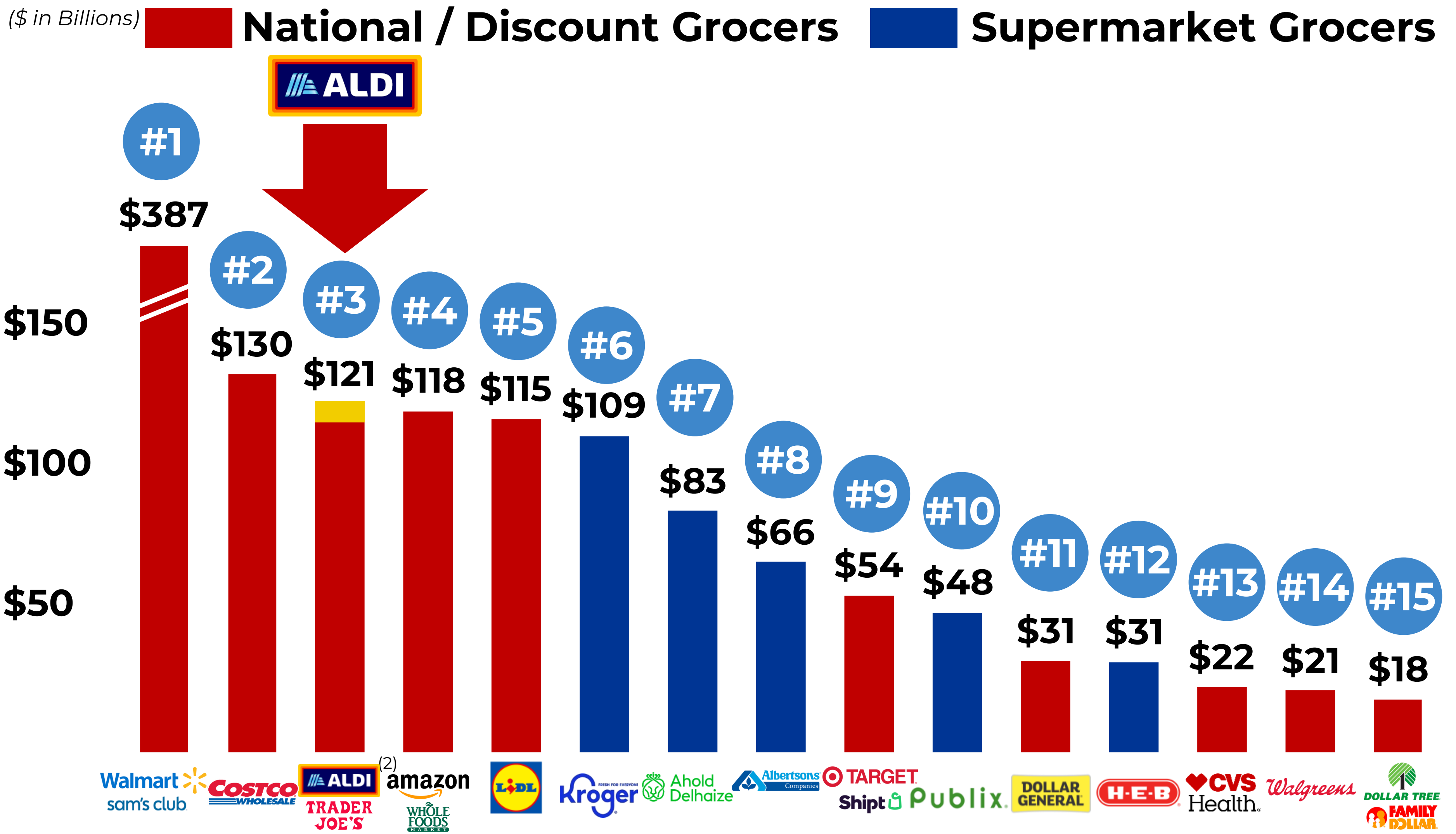
**~36,000 combined dollar grocery stores is well more than the <26,000 Supermarket Grocers remaining in the U.S.**



Source: Company filings and Company Website.
Note: Total Store Count represents latest available data in Company's public filings / Store Locator.

# 7. ALDI IS THE #3 GLOBAL GROCER AND #2 IN EUROPE (LIDL IS #1)

## GLOBAL GROCERY SALES RANKINGS (U.S. GROCERS)[(1)]

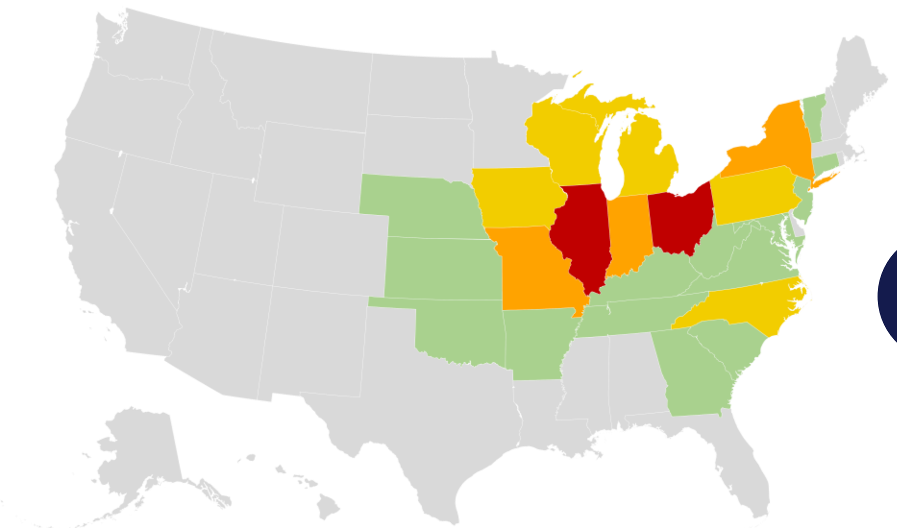



Source: Company Filings & Company Websites as of February 2024.
1) Among grocers with operations in the U.S.
2) Includes Aldi Sud 2022 & Aldi Nord 2021 figures, which represents the latest publicly available information. Pro forma for Winn Dixie and Harvey's stores to be acquired per announcement in August 2023.

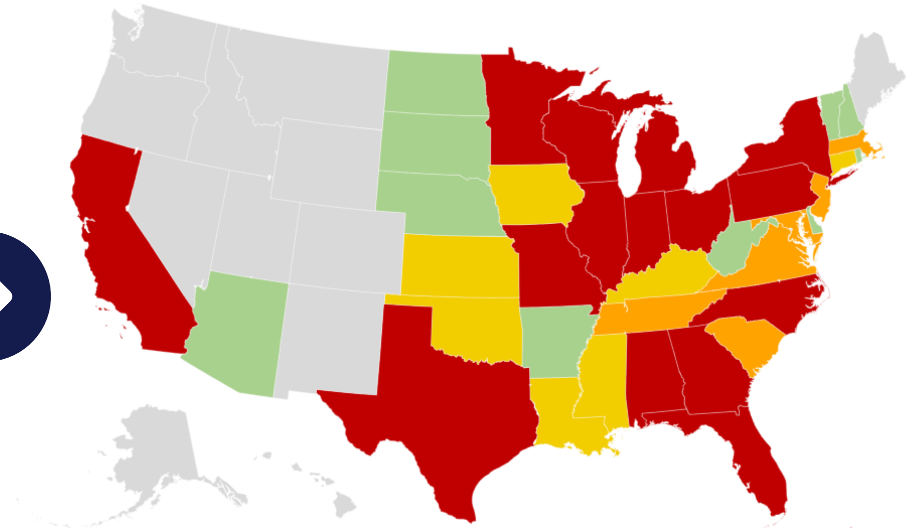
# 7. ALDI'S U.S. GROCERY BUSINESS HAS GROWN RAPIDLY, EVEN BEFORE ITS ACQUISITION OF WINN-DIXIE

## ALDI'S U.S. STORE EXPANSION (2003 – 2023)

### 2003 – 680 STORES (24 STATES)



### 2023 – ~2,800 STORES (38 STATES)



Winn-Dixie

**+4X Stores**

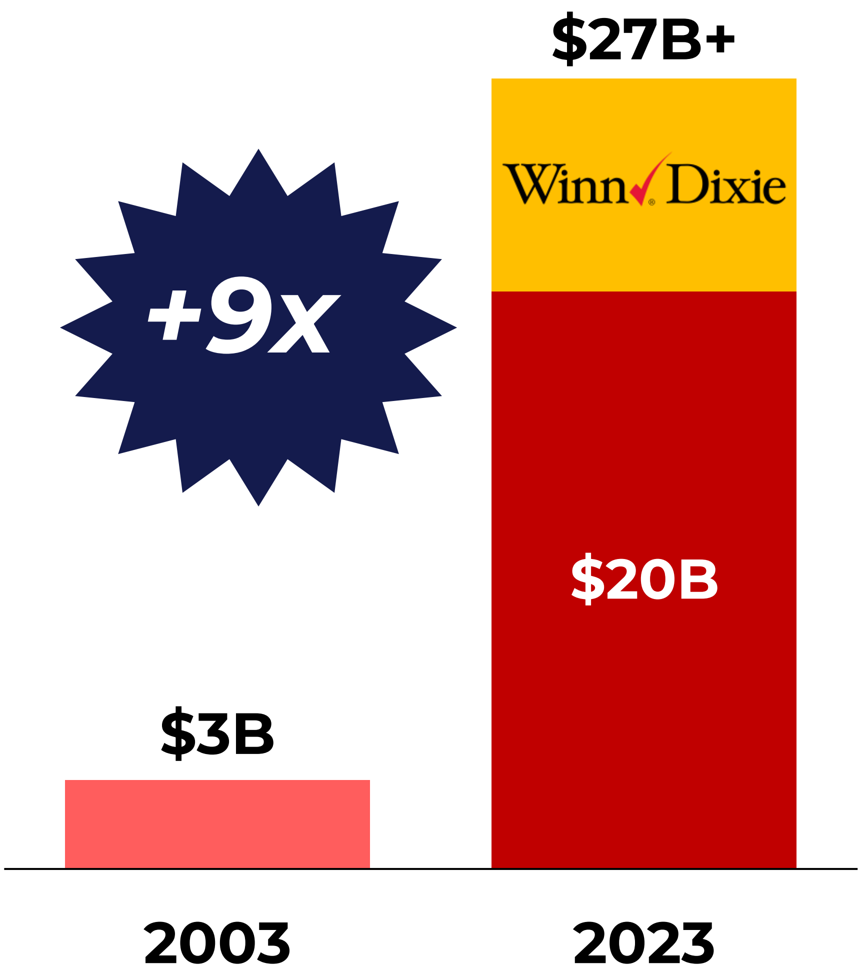
1-20 Stores | 21-49 Stores | 50-74 Stores | 75+ Stores

Source: Company Filings & Company Websites as of February 2024.

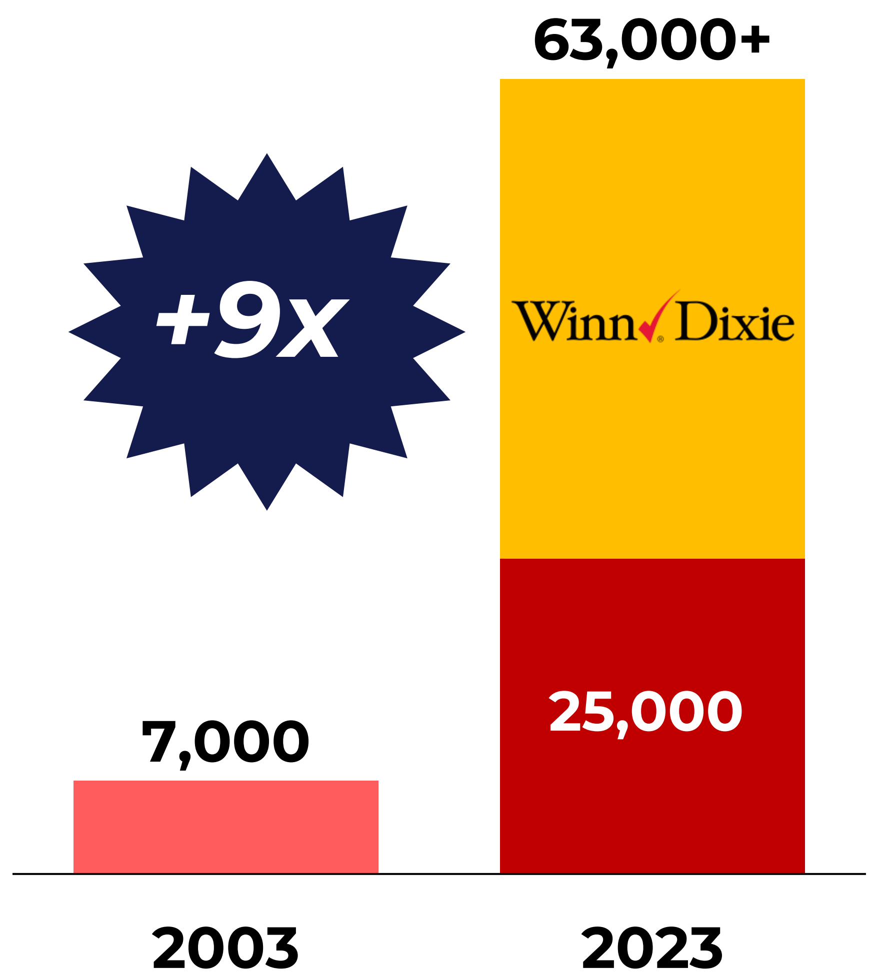
# 7. ALDI WILL HAVE A $27BN U.S. GROCERY BUSINESS WITH WINN-DIXIE, AND OVER 60,000 NON-UNION JOBS

ALDI

## U.S. GROCERY SALES GROWTH




## U.S. GROCERY JOBS GROWTH



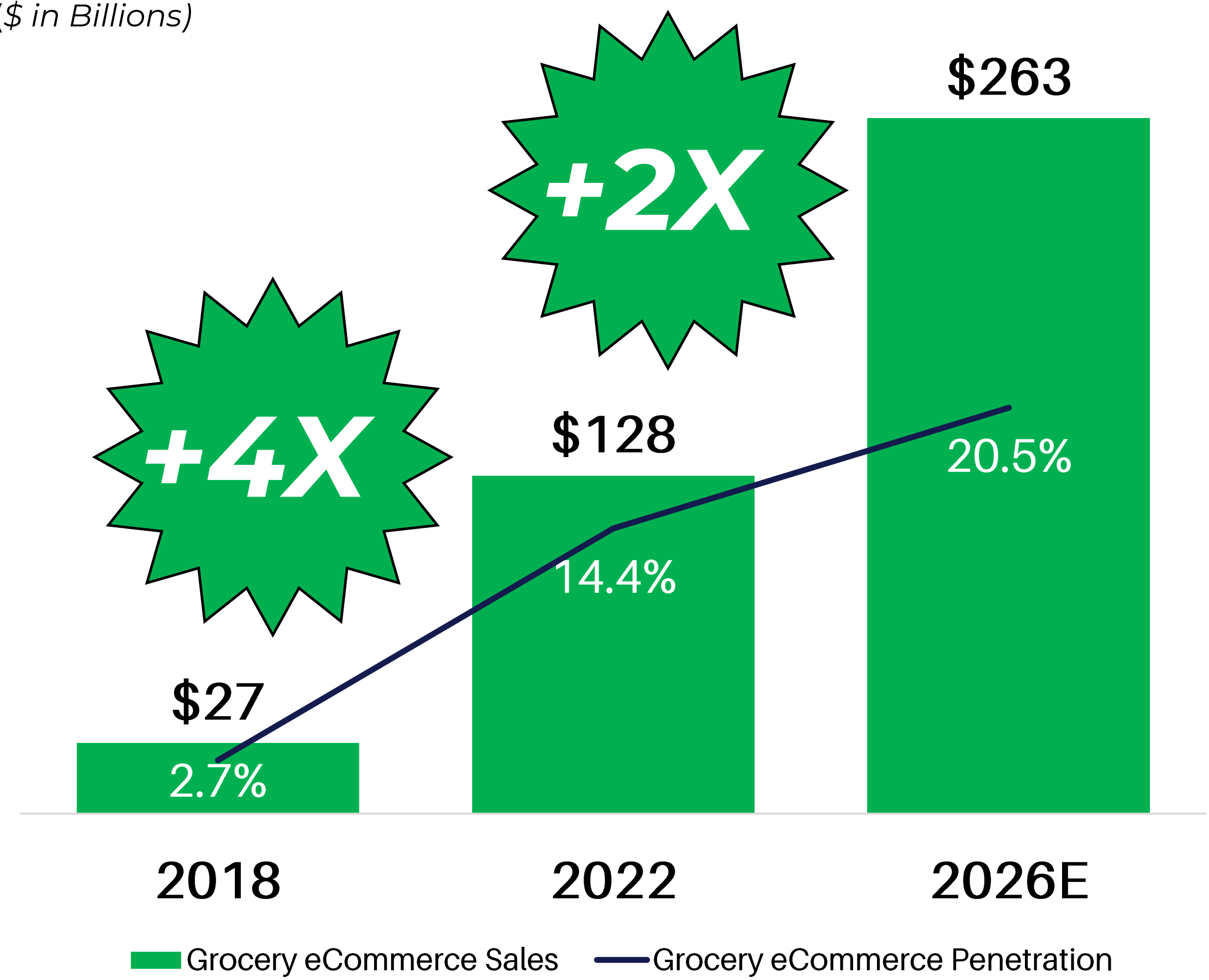

SOLOMON PARTNERS

Source: Company Filings & Company Websites as of February 2024.

# 8. ONLINE GROCERY INCREASED 4X FROM 2018 TO 2022 AND IS EXPECTED TO SURPASS 20% AND $250BN BY 2026

## GROCERY ECOMMERCE SALES (2018-2026)

*($ in Billions)*



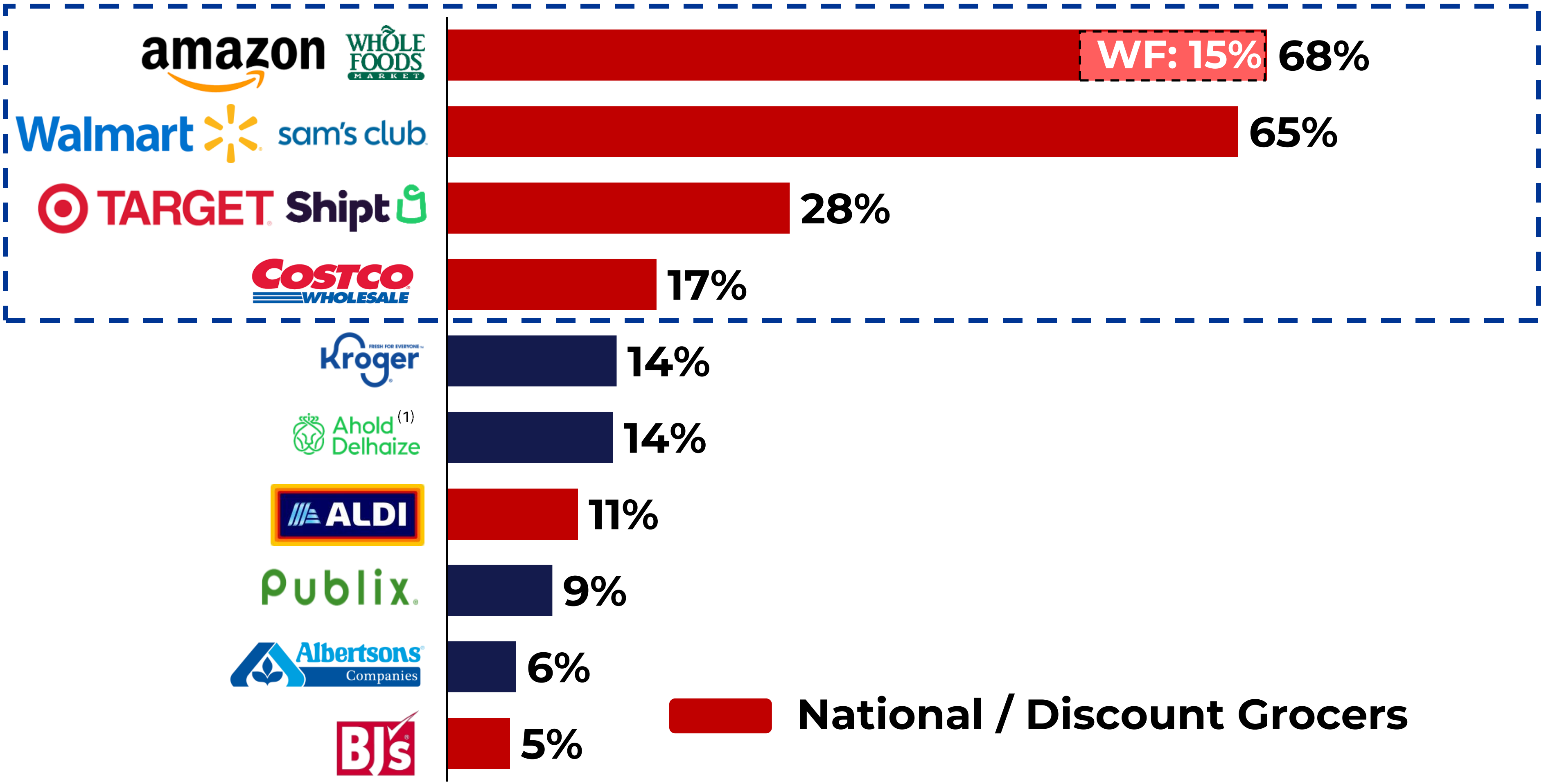

**In the past 90 days:**

- 72% of U.S. households used online grocery
- >50% purchased dairy, produce, meat and frozen groceries online

**Before COVID, 63% bought most grocery staples at physical stores; it's 44% today**

# 8. AMAZON / WHOLE FOODS, WALMART, TARGET AND COSTCO DOMINATE ONLINE GROCERY

## % OF ONLINE GROCERY PENETRATION

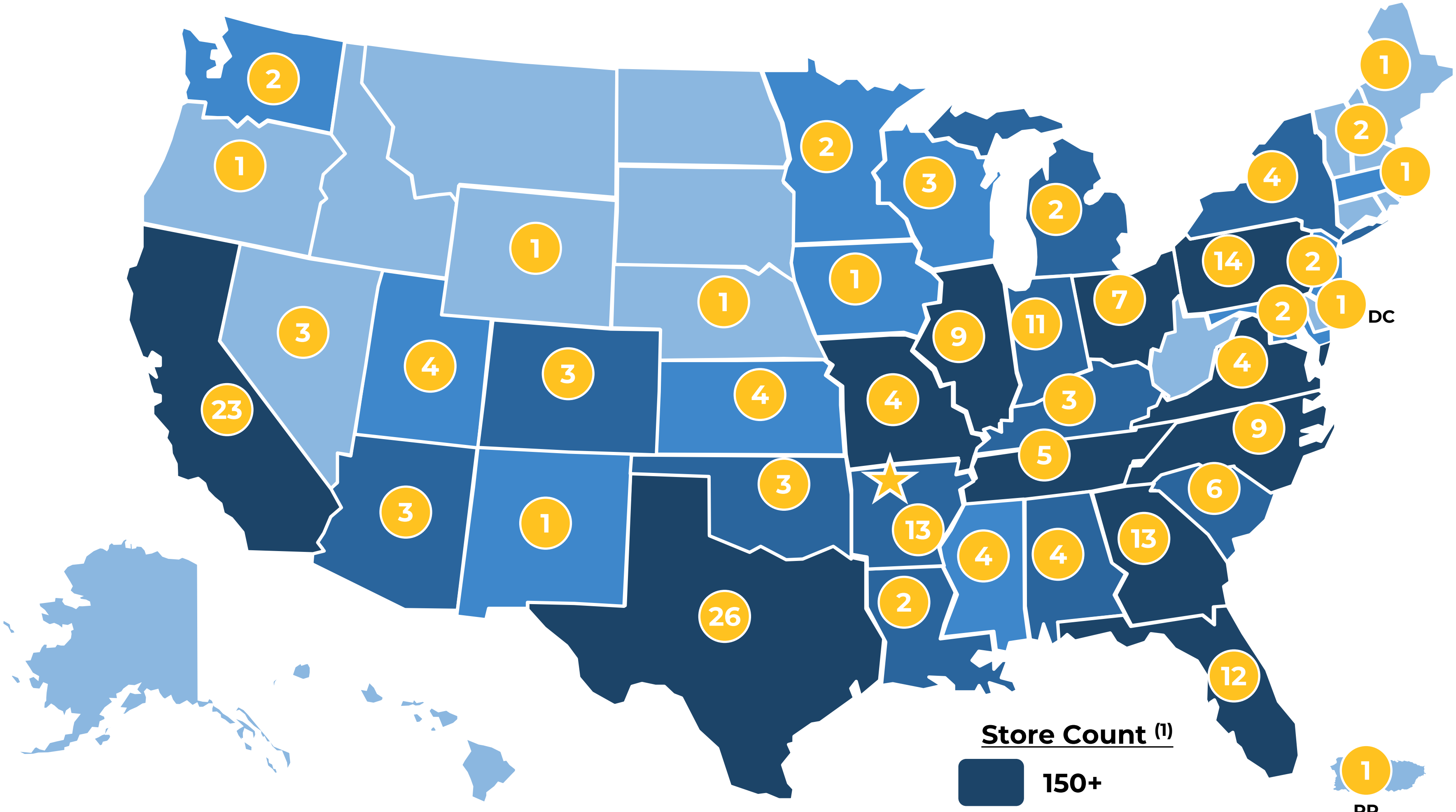



Source: Coresight Research.
1) Ahold Delhaize includes Fresh Direct and Peapod.

# 8. WALMART'S EXTENSIVE FULFILLMENT FOOTPRINT

Walmart

## WALMART HAS OVER 200 FULFILLMENT CENTERS ACROSS THE U.S.




**Store Count (1)**

- **150+**
- **101 – 150**
- **51 – 100**
- **1 – 50**

★ **Headquarters**

● **Fulfillment Centers (217)**

SOLOMON PARTNERS

Source: MWVPL – Walmart's Distribution Center Network as of Q1 2023.
Note: Includes planned locations.
1) Represents total store count (Walmart / Sam's) in respective state.

# THE WALL STREET JOURNAL.

## Walmart, in a Reversal, to Open New Stores in the U.S.

January 31, 2024 9:00 AM

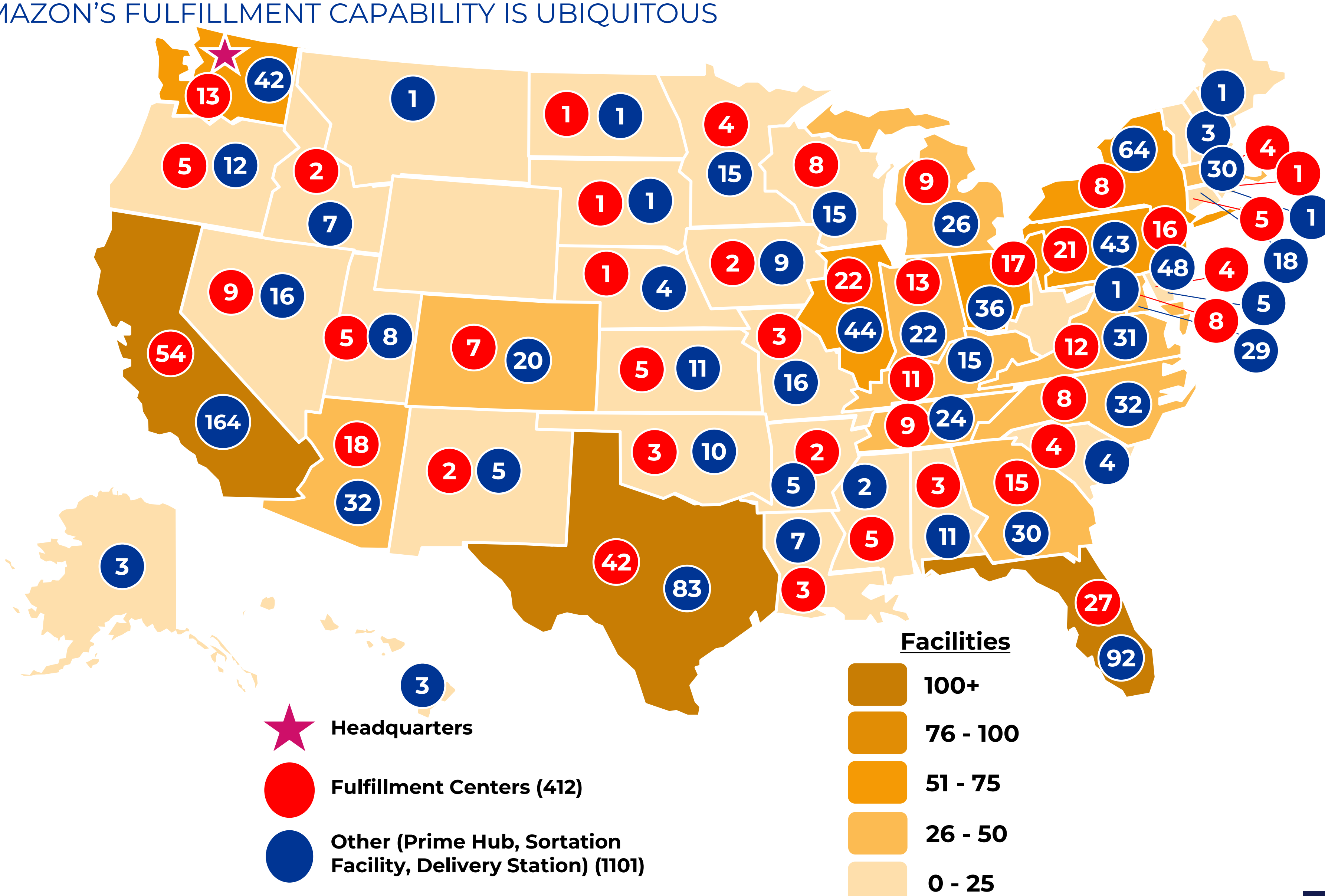
***“The retail giant plans to open or expand 150 stores in the U.S. over the next five years…***

***…Walmart…also plans to remodel around 650 of its U.S. locations over the next 12 months…***

***…That is <u>on top of</u> upgrades to around 1,400 stores over the last two years, an effort that the company said cost around $9 billion.”***

# 8. AMAZON'S EXTRAORDINARY FULFILLMENT FOOTPRINT

## AMAZON'S FULFILLMENT CAPABILITY IS UBIQUITOUS




Source: MWVPL – Amazon's Global Fulfillment Center Network as of Q1 2023.
Note: Includes planned locations.

# 9. AMAZON'S $1.9 TRILLION VALUATION IS MANY MULTIPLES ITS GROCERY COMPETITORS


Source: Company filings and Capital IQ as of February 2024.

# 9. AMAZON'S $1.9 TRILLION VALUATION EXCEEDS ALL OTHER PUBLICLY-TRADED U.S. GROCERS, COMBINED

*($ In Trillions)*


Source: Company filings and Capital IQ as of February 2024.
Note: All Other Public-Traded U.S. Grocers includes Ingles, Weis, Village, Natural Grocers, SpartanNash, United Natural Foods and Rite Aid.

SUPERMARKET NEWS

# CEO Andy Jassy Remains Optimistic About Grocery and Pharmacy

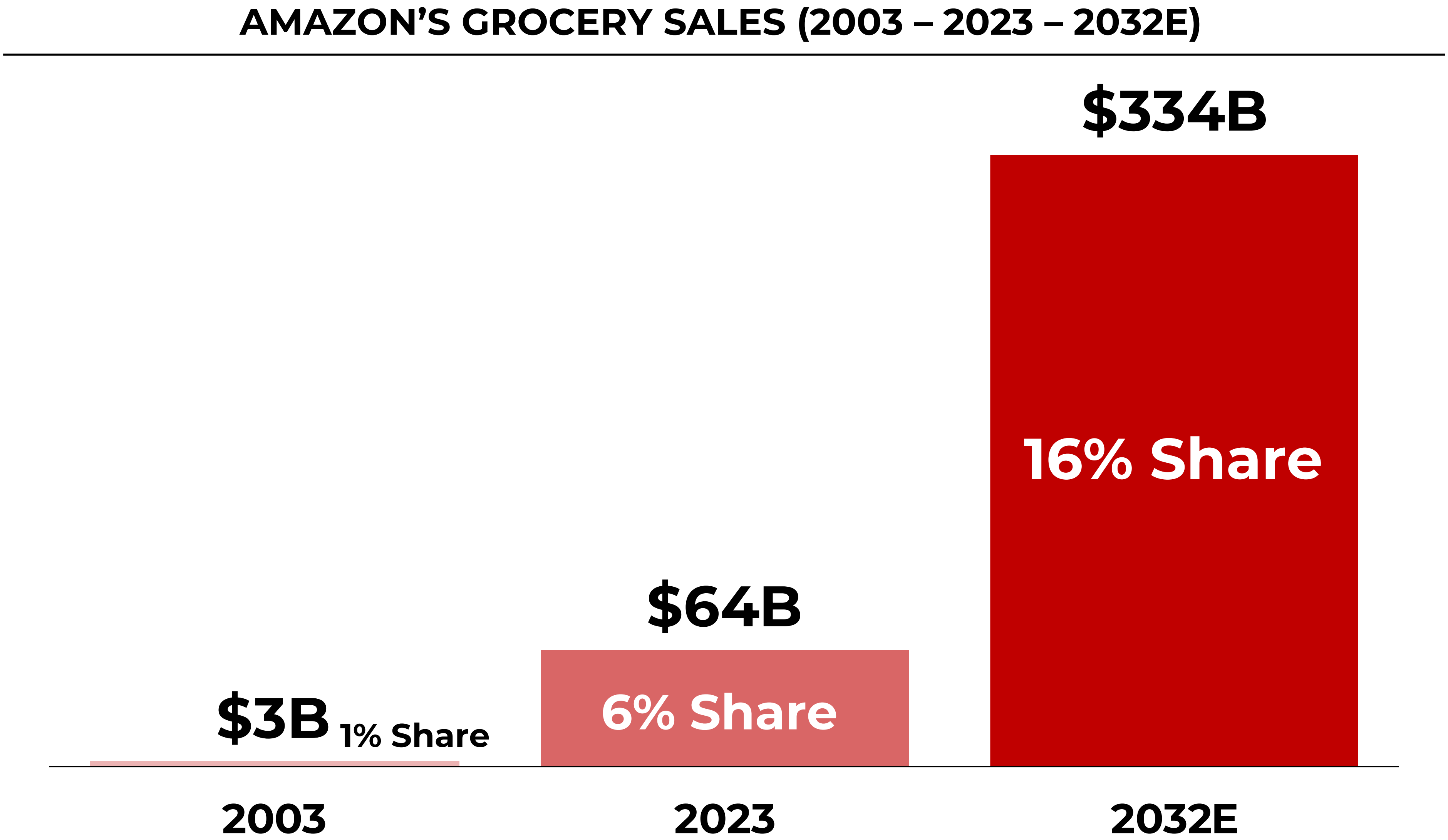
February 2, 2024

***"It's a big business, and it's continuing to grow at a very healthy clip, and we're really pleased with that business. And it's really the way that most mass merchandisers got into the grocery business a few decades ago…"***

***…"If you want to serve as many grocery needs as we do, you have to have a mass physical presence…***

***…It's very early, but the [Amazon Fresh] results are very promising and on almost every dimension…***
***…then the issue becomes how fast and what's the best way to expand."***

# 9. AMAZON'S GROCERY SALES ARE PROJECTED TO CONTINUE ACCELERATING




Source: R5 Capital projection.

# 10. INSTACART'S NUMEROUS GROCERY CHOICES

instacart

## REACH 95% OF NORTH AMERICAN HOUSEHOLDS WITH 1,400 RETAIL BANNERS (80,000 STORES)

### LOS ANGELES, CA

**Ralphs**
Organic • Butcher Shop • Farmer's Market
Delivery by 12:50pm

**Sprouts Farmers Market**
Organic • Groceries • Butcher Shop
Delivery by 12:55pm
Pickup available
In-store prices | Accepts EBT
1.3 mi away

**Ralphs Delivery Now**
Groceries • Organic
Delivery by 12:45pm
Lower fees on $10+
Ideal for smaller orders

**Costco**
Groceries • Wholesale
Delivery by 1:00pm

**Smart & Final**
Alcohol • Groceries
Delivery by 12:50pm

**Walmart**
Groceries • Home • Electronics
Delivery by 1:15pm
In-store prices

**Gelson's**
Organic • Alcohol • Prepared Meals
Delivery by 12:50pm
Pickup ready in 45 min
In-store prices | 2.0 mi away

**Erewhon**
Organic • Specialty • Vegetarian
Delivery by 12:55pm
Pickup ready by 2:00pm
0.9 mi away

**Target**
Pantry • Frozen Food • Dairy
Delivery by 12:55pm
New

**Bristol Farms**
Specialty • Groceries • Prepared Meals
Delivery by 12:55pm

**Pavilions**
Groceries • Bakery • Deli
Delivery by 12:55pm
Accepts EBT

**Vons**
Groceries • Bakery • Deli
Delivery by 12:55pm
Accepts EBT

**Sprouts Express**
Organic • Groceries
Delivery by 12:45pm
Lower fees on $10+
Ideal for smaller orders

**Western Kosher**
Delivery by 12:55pm

**Albertsons**
Groceries • Bakery • Deli
Delivery by 1:00pm
Accepts EBT

**Livonia Glatt Market**
Delivery by 12:55pm

**HMart**
Specialty • Prepared Meals • Ethnic
Delivery by 1:00pm
Pickup available
3.5 mi away

**Food4Less**
Pantry • Dairy • Frozen Food
Delivery by 12:55pm

**Lazy Acres**
Organic • Groceries • Vegetarian
Delivery by 1:00pm
Pickup ready in 58 min
13.4 mi away

**Jetro**
Pantry • Meat • Fresh Produce
Delivery by 12:55pm

**Restaurant Depot**
Pantry • Meat • Dairy
Delivery by 1:00pm

**ALDI**
Groceries • Produce • Organic
Delivery by 1:15pm
Pickup available
Accepts EBT | 8.3 mi away

**Eataly**
Groceries • Specialty • Organic
Delivery by 1:00pm
Pickup available
3.4 mi away

**Lassens Natural Foods & Vitamins**
Delivery by 12:55pm

### PHOENIX, AZ

**Fry's**
Groceries • Organic
Delivery by 12:50pm

**Sprouts Farmers Market**
Organic • Groceries • Butcher Shop
Delivery by 12:55pm
Pickup available
In-store prices | Accepts EBT
2.7 mi away

**Safeway**
Groceries • Bakery • Deli
Delivery by 12:55pm
Accepts EBT

**Fry's Delivery Now**
Groceries • Organic
Delivery by 12:50pm
Lower fees on $10+
Ideal for smaller orders

**Costco**
Groceries • Wholesale
Delivery by 1:15pm

**Target**
Pantry • Frozen Food • Dairy
Delivery by 1:00pm
New

**Sprouts Express**
Organic • Groceries
Delivery by 12:50pm
Lower fees on $10+
Ideal for smaller orders

**ALDI**
Groceries • Produce • Organic
Delivery by 1:15pm
Pickup available
Accepts EBT | 8.1 mi away

**Natural Grocers**
Organic • Specialty
Delivery by 1:00pm

**AJ's Fine Foods**
Pantry • Meat • Fresh Produce
Delivery by 1:00pm
Pickup ready in 52 min
Accepts EBT | 4.2 mi away

**Bashas'**
Groceries • Household
Delivery by 1:00pm
Pickup ready in 45 min
Accepts EBT | 4.8 mi away

**Albertsons**
Groceries • Bakery • Deli
Delivery by 1:15pm
Pickup ready by 1:35pm
Accepts EBT | 19.1 mi away

**Sam's Club**
Groceries • Wholesale
Delivery by 1:15pm

**Restaurant Depot**
Pantry • Meat • Dairy
Delivery by 1:00pm

**El Super**
Produce • Butcher Shop • Bakery
Delivery by 1:00pm
Pickup available
In-store prices | 4.0 mi away

**Los Altos Ranch Markets**
Delivery by 12:55pm
Accepts EBT

**ALDI Express**
Delivery by 12:50pm
Lower fees on $10+
Ideal for smaller orders

**Smart & Final**
Alcohol • Groceries
Delivery by 1:00pm
Pickup ready by 1:35pm
12.6 mi away

**Dollar Tree**
General Merchandise • Essentials • Groceries
Delivery by 12:55pm
In-store prices

**HMart**
Specialty • Prepared Meals • Ethnic
Delivery by 1:15pm

**Food City**
Pantry • Meat • Fresh Produce
Delivery by 12:55pm
Pickup ready by 1:30pm
Accepts EBT | 2.5 mi away

**Bashas' Express**
Groceries • Household
Delivery by 12:50pm
Lower fees on $10+
Ideal for smaller orders

**The 99 Store**
General Merchandise • Essentials • Grocery
Delivery by 1:00pm
In-store prices

**Family Dollar**
General Merchandise • Essentials • Groceries
Delivery by 12:55pm

Source: Instacart Website.

# 10. INSTACART'S NUMEROUS GROCERY CHOICES (CONT'D)

instacart

## REACH 95% OF NORTH AMERICAN HOUSEHOLDS WITH 1,400 RETAIL BANNERS (80,000 STORES)

### SEATTLE, WA

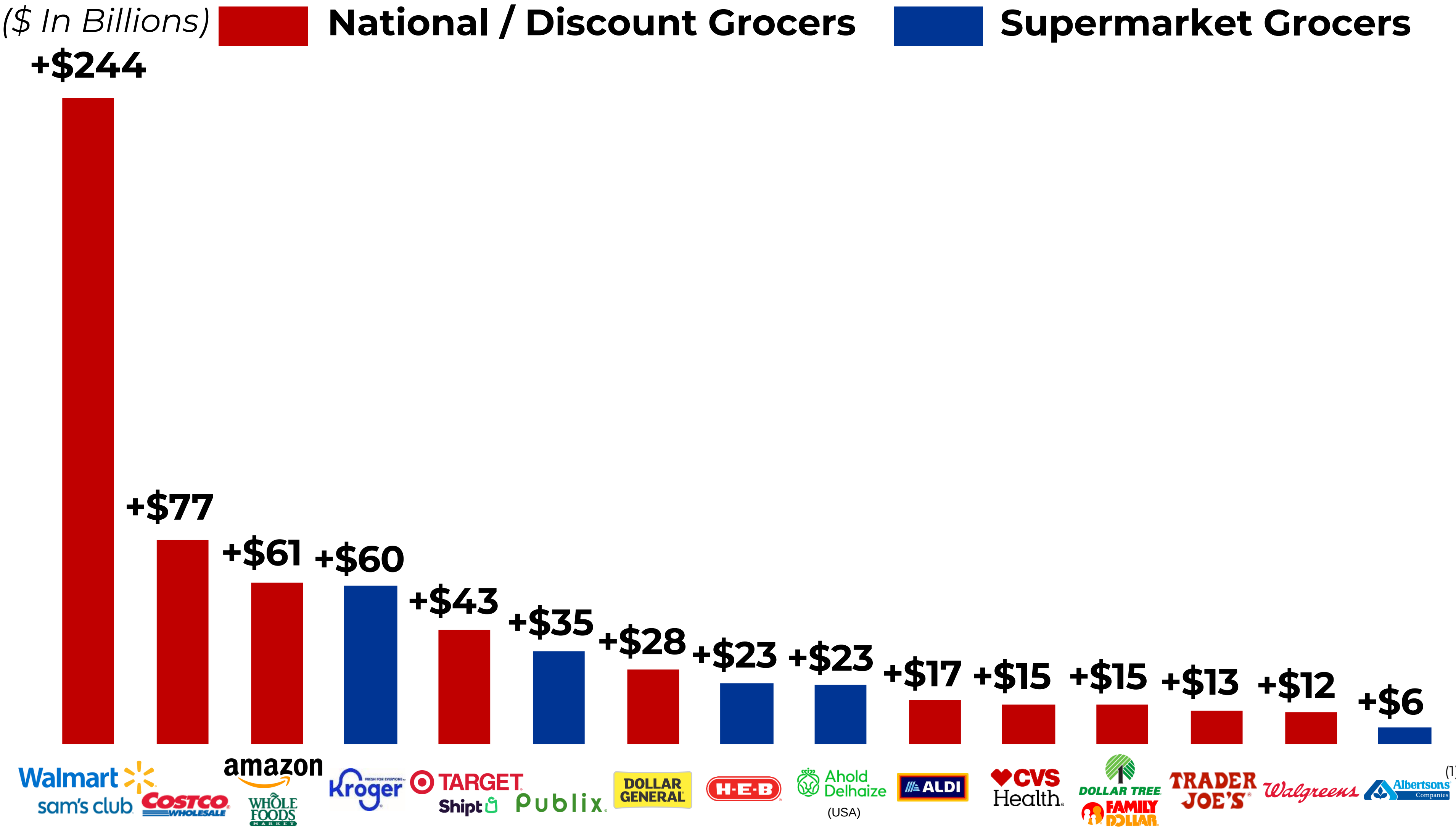
- QFC — Groceries • Organic — Delivery by 6:45pm
- QFC Delivery Now — Groceries • Organic — Delivery by 5:55pm — Lower fees on $10+ — Ideal for smaller orders
- PCC Community Markets — Organic • Co-op • Prepared Meals — Delivery by 6:45pm — Pickup available — In-store prices | 4.9 mi away
- Metropolitan Market — Groceries • Specialty • Prepared Meals — Delivery by 6:30pm — Pickup ready in 45 min — 2.6 mi away
- Costco — Groceries • Wholesale — Delivery by 7:00pm
- Safeway — Groceries • Bakery • Deli — Delivery by 6:45pm
- Fred Meyer — Groceries • Organic • Deli — Delivery by 6:45pm
- Fred Meyer Delivery Now — Groceries • Organic — Delivery by 6:15pm — Lower fees on $10+ — Ideal for smaller orders
- Sprouts Farmers Market — Organic • Groceries • Butcher Shop — Delivery by 6:45pm — Pickup available — In-store prices | Accepts EBT — 7.1 mi away
- Central Co-op — Co-op • Organic • Specialty — Delivery by 6:45pm — Pickup available — In-store prices | 1.9 mi away
- Uwajimaya — Pantry • Fresh Produce • Meat — Delivery by 7:00pm — In-store prices
- Target — Pantry • Frozen Food • Dairy — Delivery by 6:45pm — New
- Target: Fast Delivery — Delivery by 6:15pm — Lower fees on $10+ — Ideal for smaller orders
- Albertsons — Groceries • Bakery • Deli — Delivery by 6:45pm — Accepts EBT
- CHEF'STORE — Wholesale • Groceries — Delivery by 6:45pm — Pickup available — 12.8 mi away
- Grocery Outlet — Groceries • Organic • Alcohol — Delivery by 6:45pm
- Dollar Tree — General Merchandise • Essentials • Groceries — Delivery by 7:30pm — In-store prices
- 99 Ranch Market — Pantry • Fresh Produce • Meat — Delivery by 7:15pm
- Ballinger Thriftway — Delivery by 7:45pm
- Restaurant Depot — Pantry • Meat • Dairy — Delivery by 9:45am tomorrow
- Jacksons Food Stores — Snacks • Convenience — Delivery by 6:45pm — Lower fees on $10+
- Pressed — Delivery by 6:45pm
- Marketime Foods — Delivery by 7:15pm
- 7-Eleven — Groceries • Alcohol • Convenience — Delivery by 6:45pm — Lower fees on $10+

### PORTLAND, OR

- Fred Meyer — Groceries • Organic • Deli — Delivery by 6:45pm
- Fred Meyer Delivery Now — Groceries • Organic — Delivery by 6:10pm — Lower fees on $10+ — Ideal for smaller orders
- Safeway — Groceries • Bakery • Deli — Delivery by 6:45pm — Accepts EBT
- Costco — Groceries • Wholesale — Delivery by 6:45pm
- New Seasons Market — Organic • Groceries • Specialty — Delivery by 6:30pm — Pickup ready by 7:00pm — Accepts EBT | 2.4 mi away
- New Seasons Now — Delivery by 6:10pm — Lower fees on $10+ — Ideal for smaller orders
- Natural Grocers — Organic • Specialty — Delivery by 6:45pm
- Target — Pantry • Frozen Food • Dairy — Delivery by 6:45pm — New
- Target: Fast Delivery — Delivery by 6:10pm — Lower fees on $10+ — Ideal for smaller orders
- Grocery Outlet — Groceries • Organic • Alcohol — Delivery by 6:45pm
- Albertsons — Groceries • Bakery • Deli — Delivery by 6:45pm — Accepts EBT
- CHEF'STORE — Wholesale • Groceries — Delivery by 10:45am tomorrow — Pickup available — 16.3 mi away
- QFC — Groceries • Organic — Delivery by 6:30pm
- QFC Delivery Now — Groceries • Organic — Delivery by 6:10pm — Lower fees on $10+ — Ideal for smaller orders
- 99 Ranch Market — Pantry • Fresh Produce • Meat — Delivery by 7:00pm
- Uwajimaya — Pantry • Fresh Produce • Meat — Delivery by 7:00pm — In-store prices
- Restaurant Depot — Pantry • Meat • Dairy — Delivery by 10:00am tomorrow
- Jacksons Food Stores — Snacks • Convenience — Delivery by 6:45pm — Lower fees on $10+
- Dollar Tree — General Merchandise • Essentials • Groceries — Delivery by 7:00pm — In-store prices
- Barbur World Foods — Delivery by 6:45pm
- 7-Eleven — Groceries • Alcohol • Convenience — Delivery by 6:30pm — Lower fees on $10+
- Sheridan Fruit Co — Delivery by 6:45pm — In-store prices
- World Foods — Groceries — Delivery by 6:45pm
- Mega Foods — Delivery by 7:15pm

# 11. 20-YEAR U.S. GROCERY SALES GROWTH (TOP 15 GROCERS)

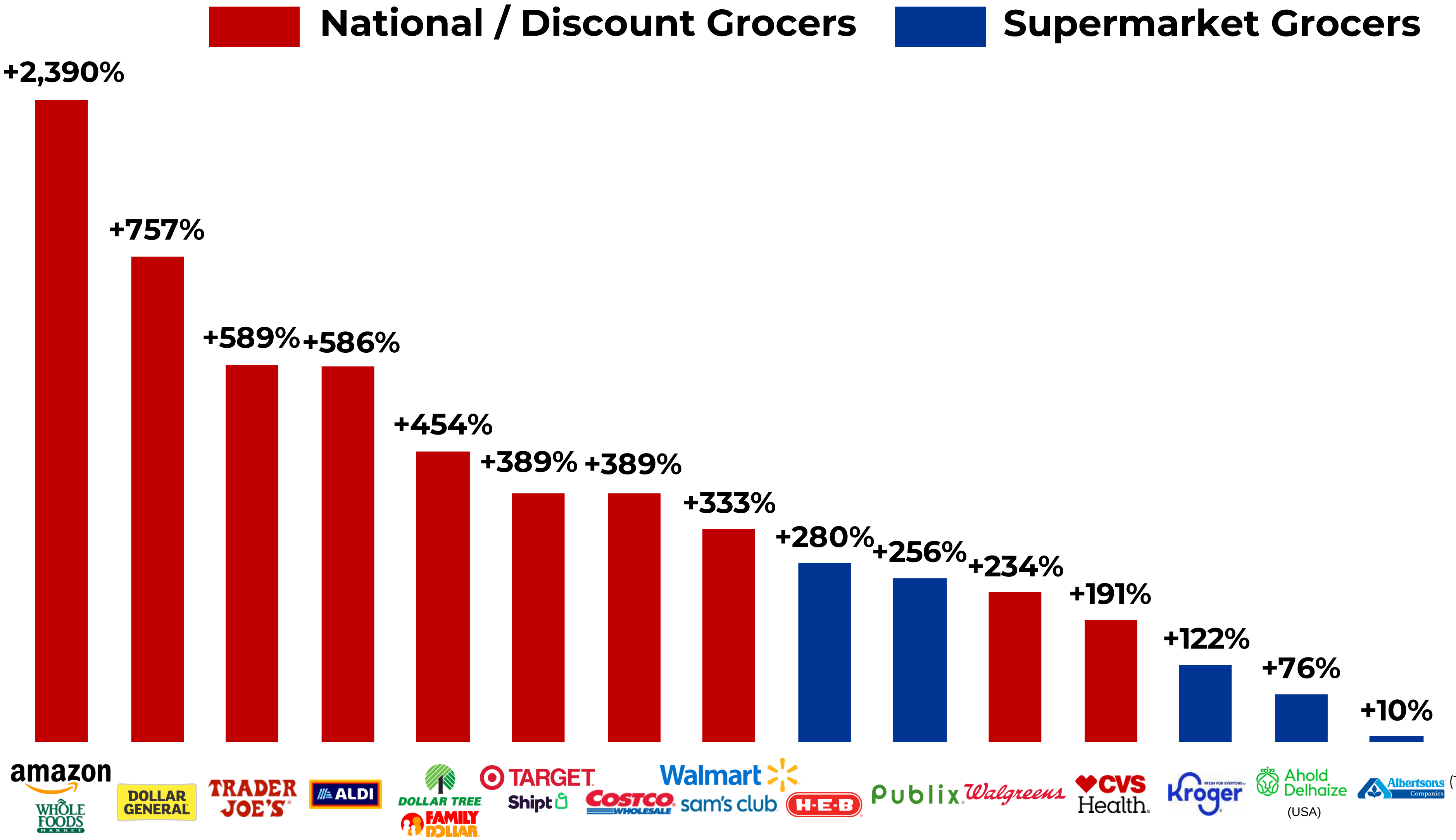
NATIONAL / DISCOUNT GROCERS HAVE ADDED EXTRAORDINARY AMOUNTS OF GROCERY SALES IN THE PAST 20 YEARS




Source: Company filings and Progressive Grocer Top 100 Report as of February 2024.
Note: U.S. grocery sales excludes pharmacy, fuel and other non-grocery categories.. Amazon figures reflect 90% of North America sales (U.S. not reported).
1) ACI ownership and operational footprint has changed substantially over the past 20 years. ACI figures shown on a Pro Forma basis to represent current operational footprint.

# 11. 20-YEAR U.S. GROCERY SALES GROWTH CONT'D (TOP 15 GROCERS)

## NATIONAL / DISCOUNT GROCERS HAVE INCREASED GROCERY SALES RAPIDLY IN THE PAST 20 YEARS



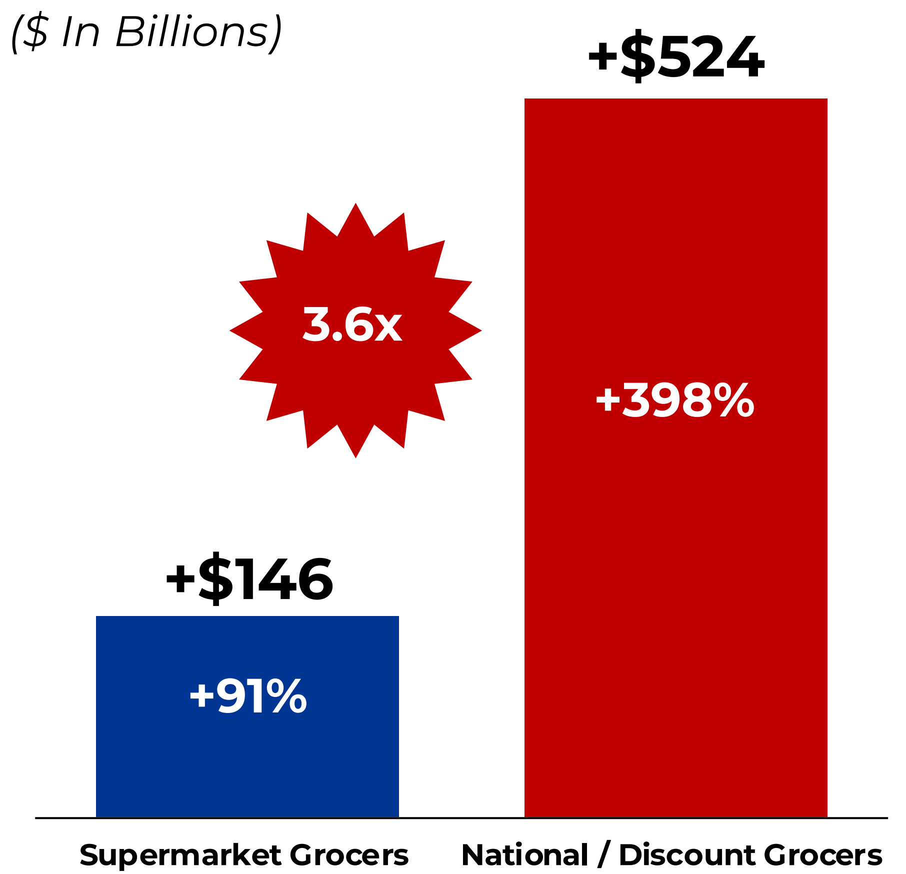

Source: Company filings and Progressive Grocer Top 100 Report as of February 2024.
Note: U.S. grocery sales excludes pharmacy, fuel and other non-grocery categories. Amazon figures reflect 90% of North America sales (U.S. not reported).
1) ACI ownership and operational footprint has changed substantially over the past 20 years. ACI figures shown on a Pro Forma basis to represent current operational footprint.

SOLOMON PARTNERS

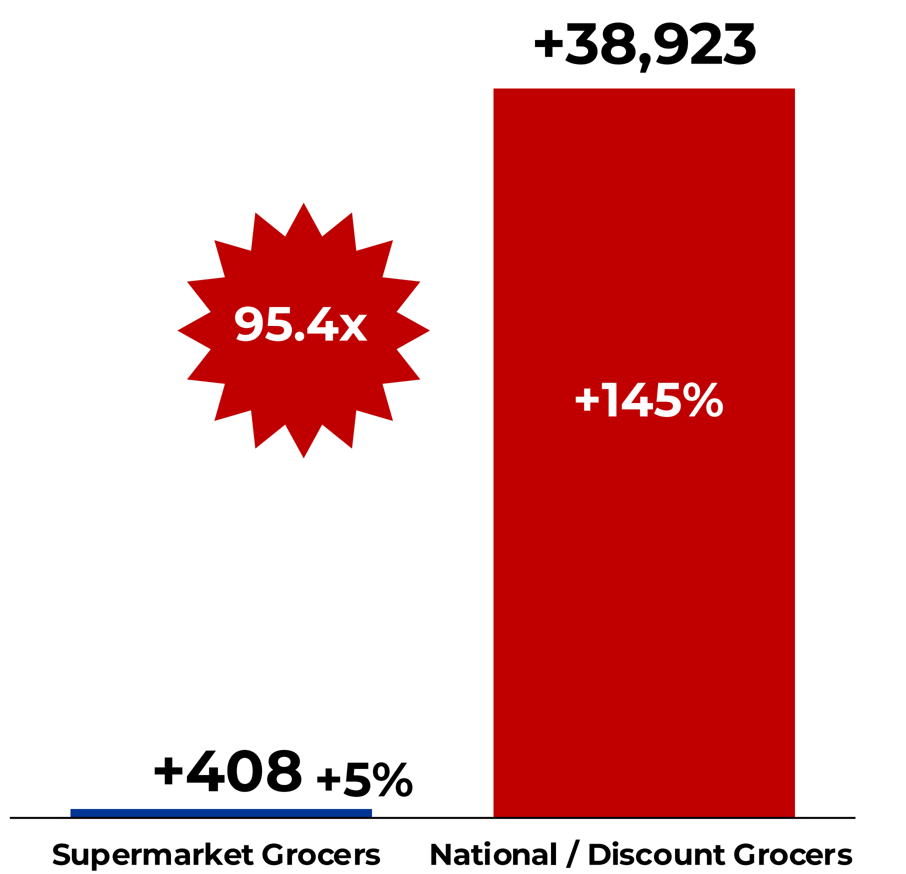
# 11. NATIONAL / DISCOUNT GROCERS GROWTH HAS FAR EXCEEDED THAT OF SUPERMARKET GROCERS OVER THE PAST 20 YEARS

## GROCERY GROWTH (2003 – 2023, TOP 15 GROCERS)

### GROCERY SALES GROWTH



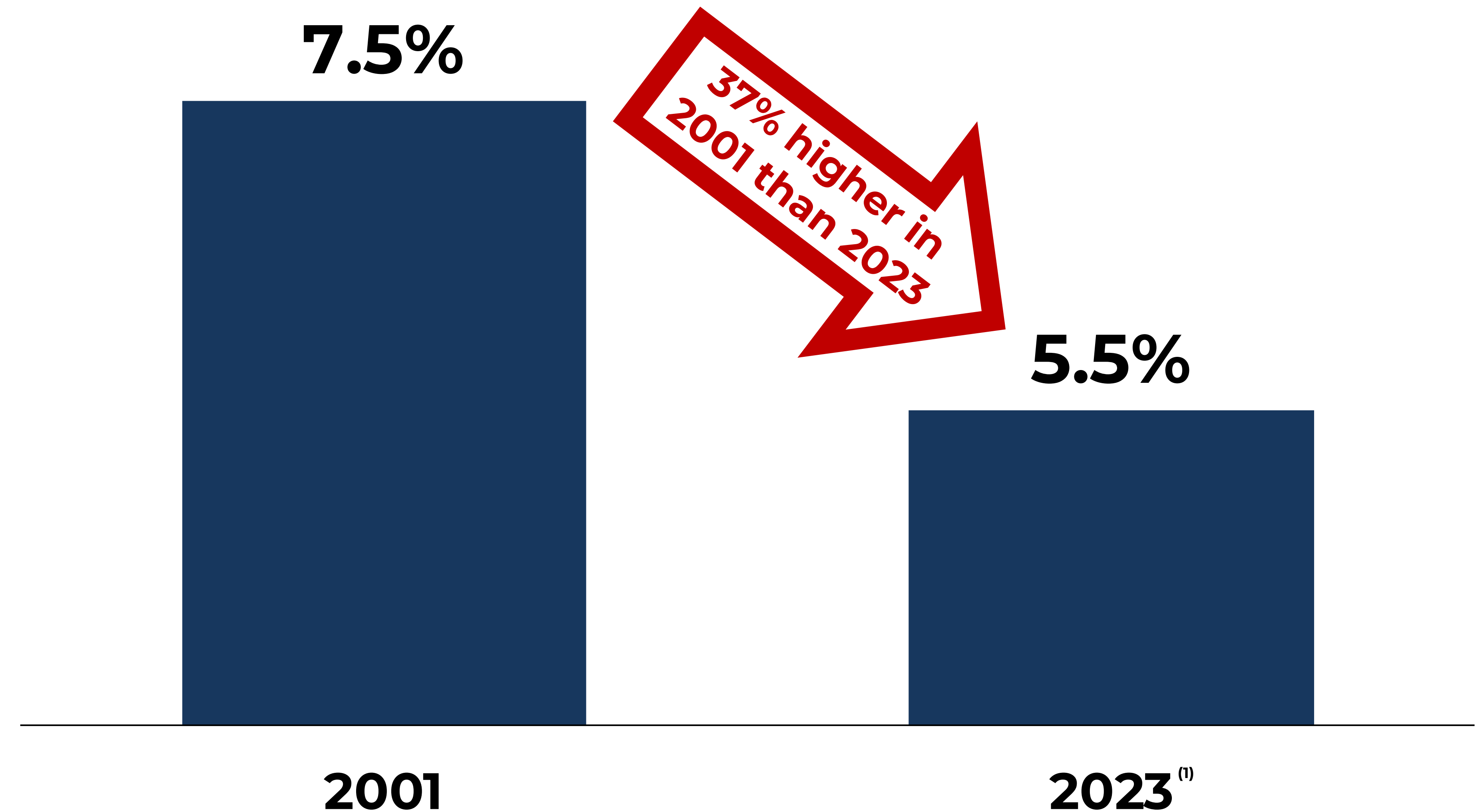

### STORE COUNT GROWTH




Source: Company filings and Progressive Grocer Top 100 Report as of February 2024.
Note: Represents top 15 national / discount and supermarket grocers, which includes Walmart, Kroger, Costco, Albertsons, Amazon, Target, Ahold Delhaize, Publix, H-E-B, Walgreens, Dollar General, CVS, Aldi, Dollar Tree / Family Dollar and Trader Joe's..

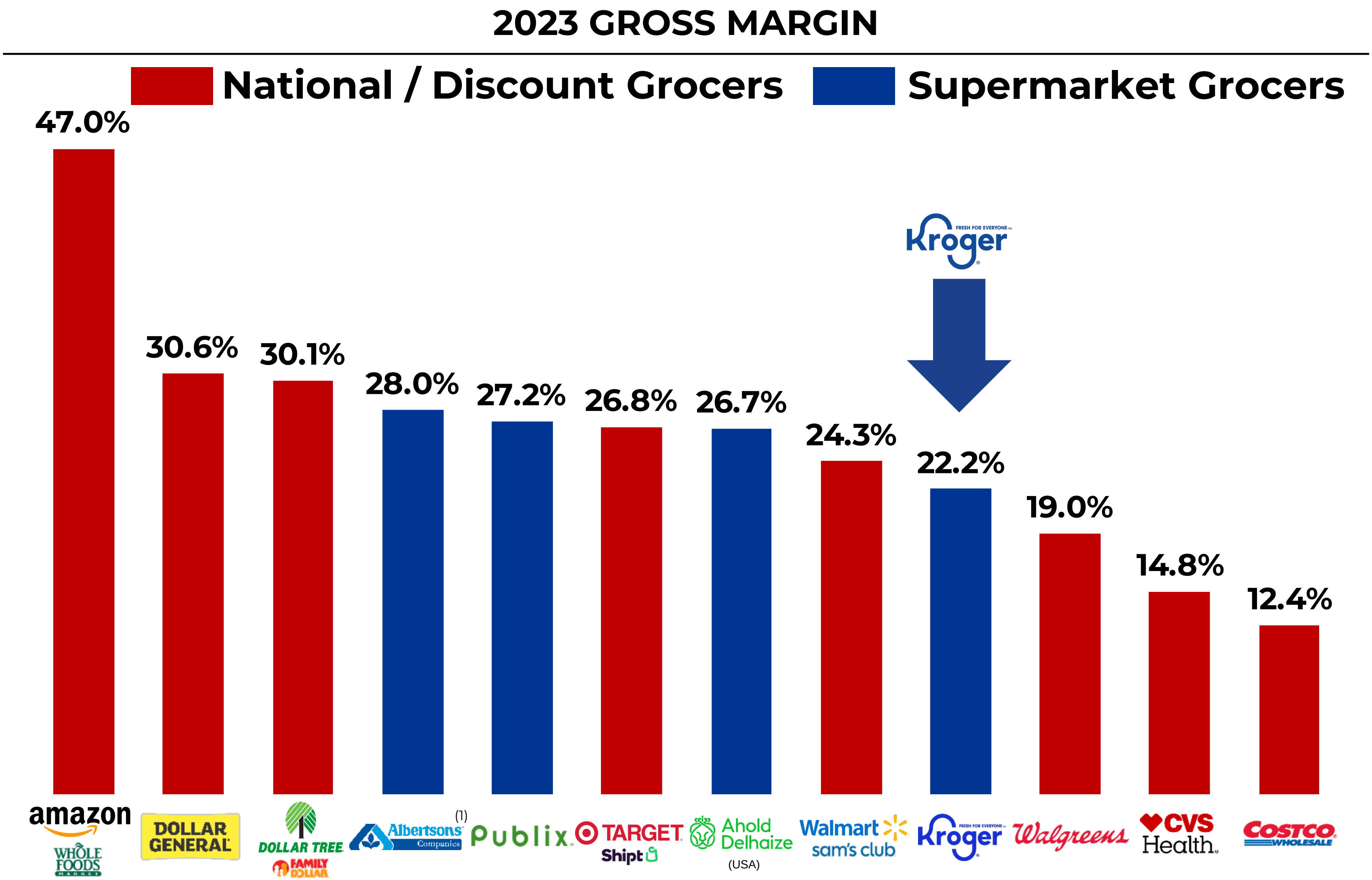
# 12. SUPERMARKET GROCER EBITDA MARGINS HAVE MEANINGFULLY DECLINED

## HISTORIC SUPERMARKET GROCERS' EBITDA MARGIN




Source: Capital IQ and Company filings as of February 2024. Includes A&P (until 2009), Albertsons, Ingles, Kroger, Roundy's (until 2015), Safeway (until 2014), Stater Bros (until 2013), Village and Weis.
1) LTM Figures.

# 12. KROGER'S GROSS MARGIN IS WELL LESS THAN MOST PEERS






Source: Company filings as of February 2024.
1) ACI ownership and operational footprint has changed substantially over the past 20 years. ACI figures shown on a Pro Forma basis to represent current operational footprint.

# 12. WHILE MANY GROCERS' GROSS MARGINS HAVE INCREASED, KROGER'S HAS DECLINED CONSIDERABLY

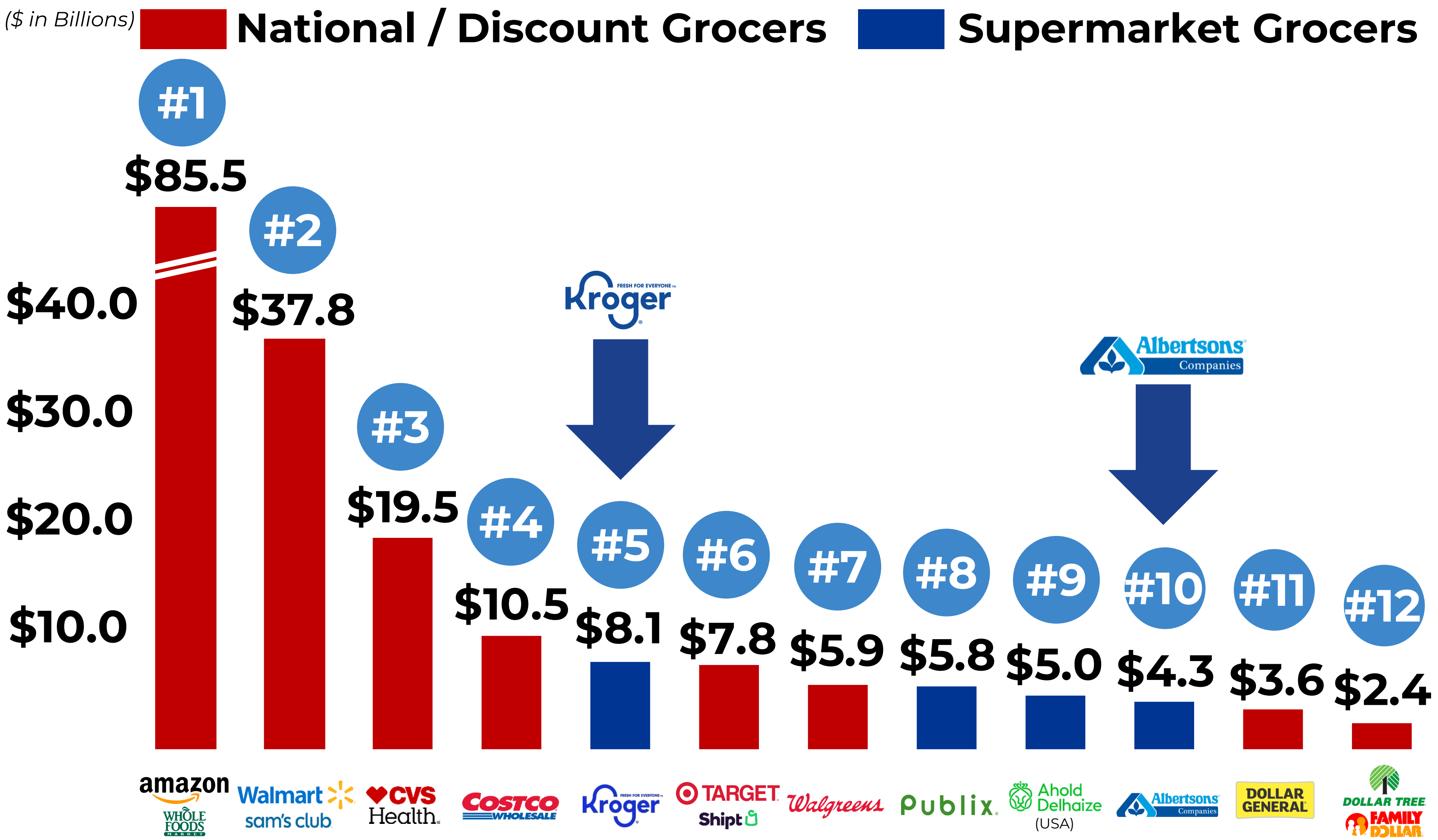
## 20-YEAR GROSS MARGIN CHANGE

| | |
|---|---|
| amazon / Whole Foods Market | +23% |
| Ahold Delhaize (USA) | +4% |
| Dollar General | +2% |
| Walmart / sam's club | +1% |
| Albertsons Companies | -2% |
| Kroger – Fresh for Everyone | -5% |

Source: Company filings as of February 2024.

# 12. THERE IS AN EXTREME EBITDA DIFFERENCE BETWEEN AMERICA'S NATIONAL / DISCOUNT GROCERS AND THEIR SUPERMARKET GROCER PEERS

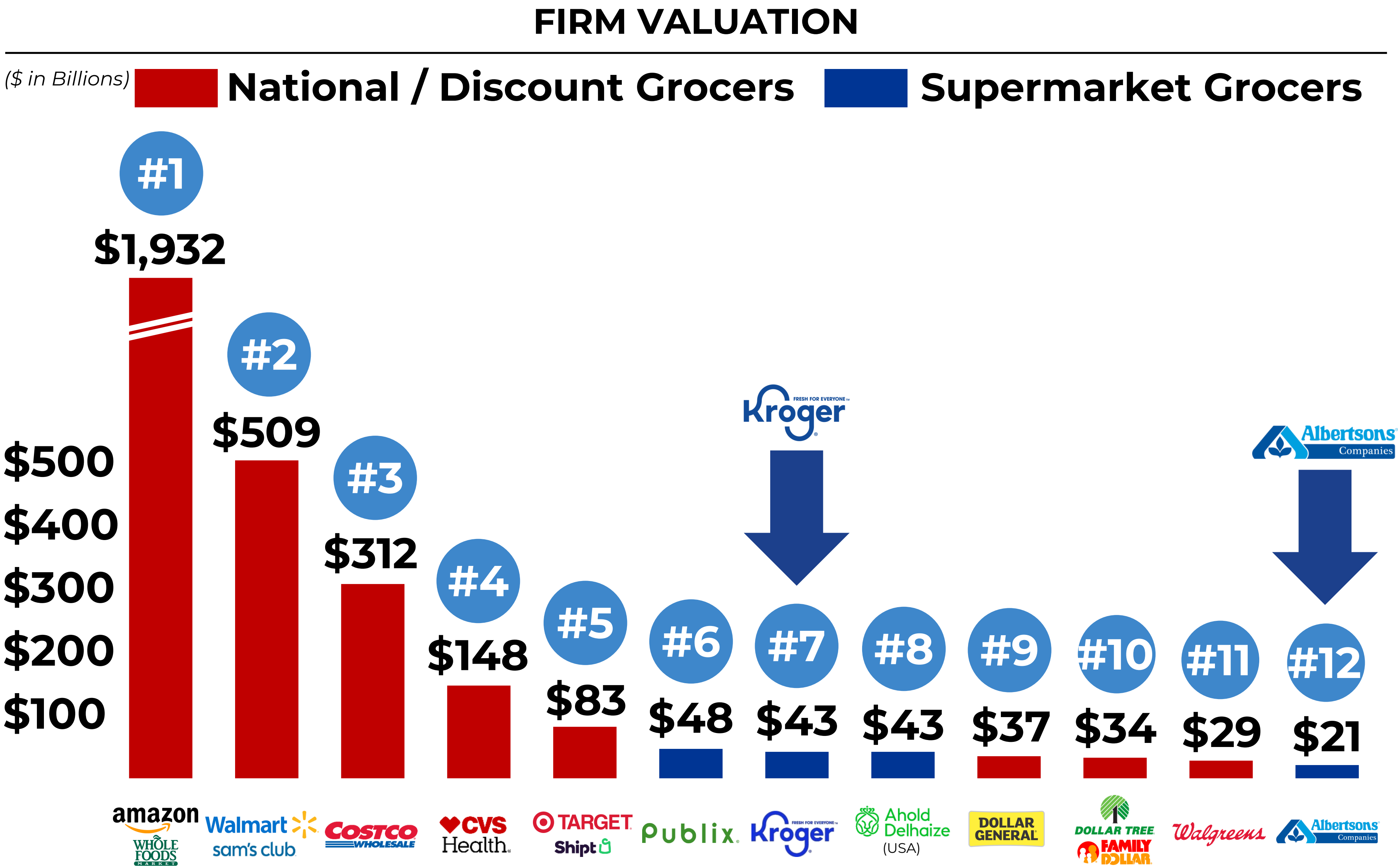
## LTM EBITDA






Source: Capital IQ and Company Filings as of February 2024.

# 12. AMERICA'S NATIONAL / DISCOUNT GROCERS HAVE MEANINGFULLY LARGER VALUATIONS THAN SUPERMARKET GROCERS

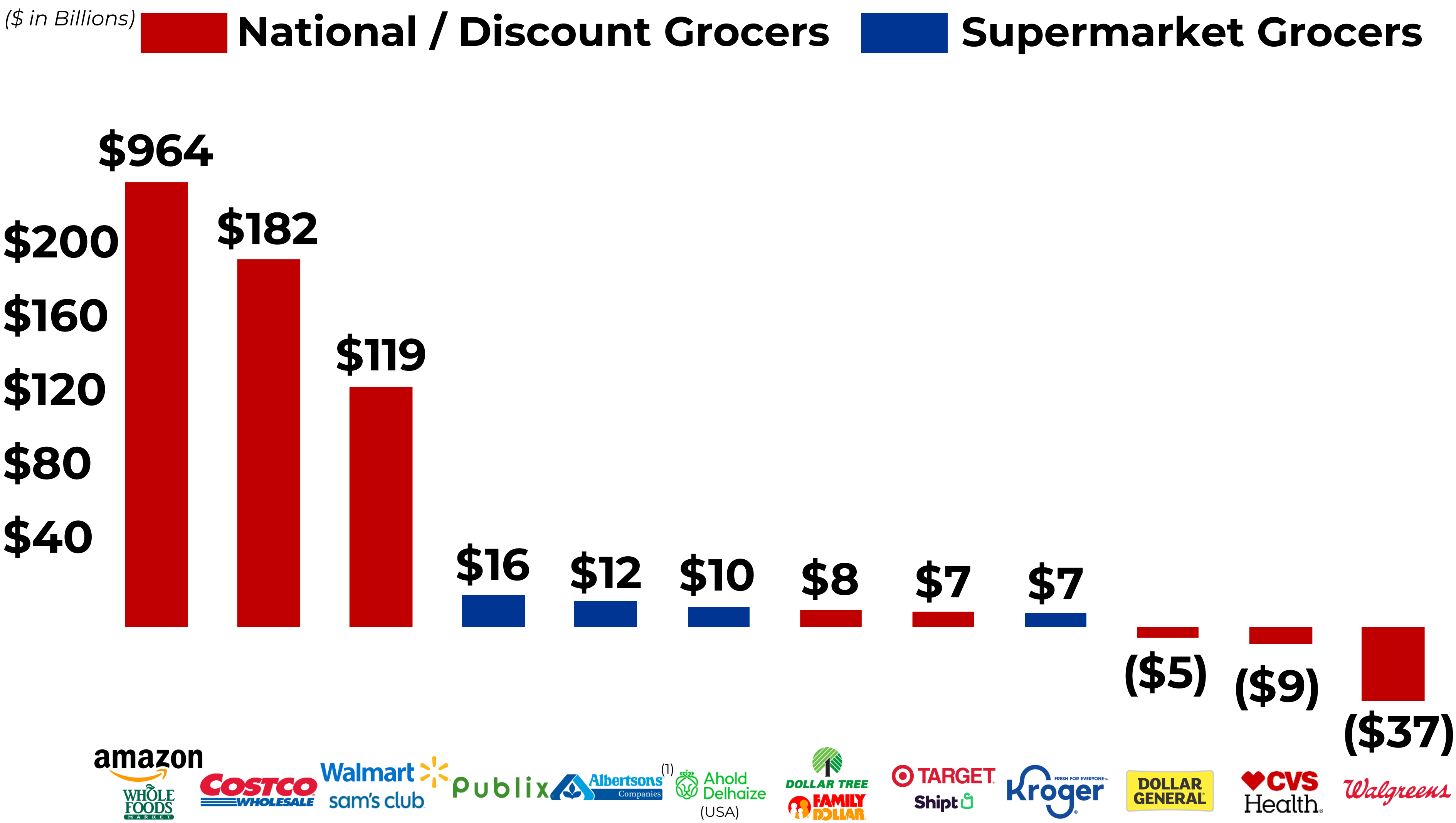



SOLOMON PARTNERS

Source: Capital IQ and Company Filings as of February 2024.

# 12. THE VALUATIONS OF AMERICA'S NATIONAL / DISCOUNT GROCERS HAVE INCREASED FAR MORE DURING THE PANDEMIC THAN SUPERMARKET GROCERS

## FIRM VALUATION GROWTH SINCE JANUARY 2020

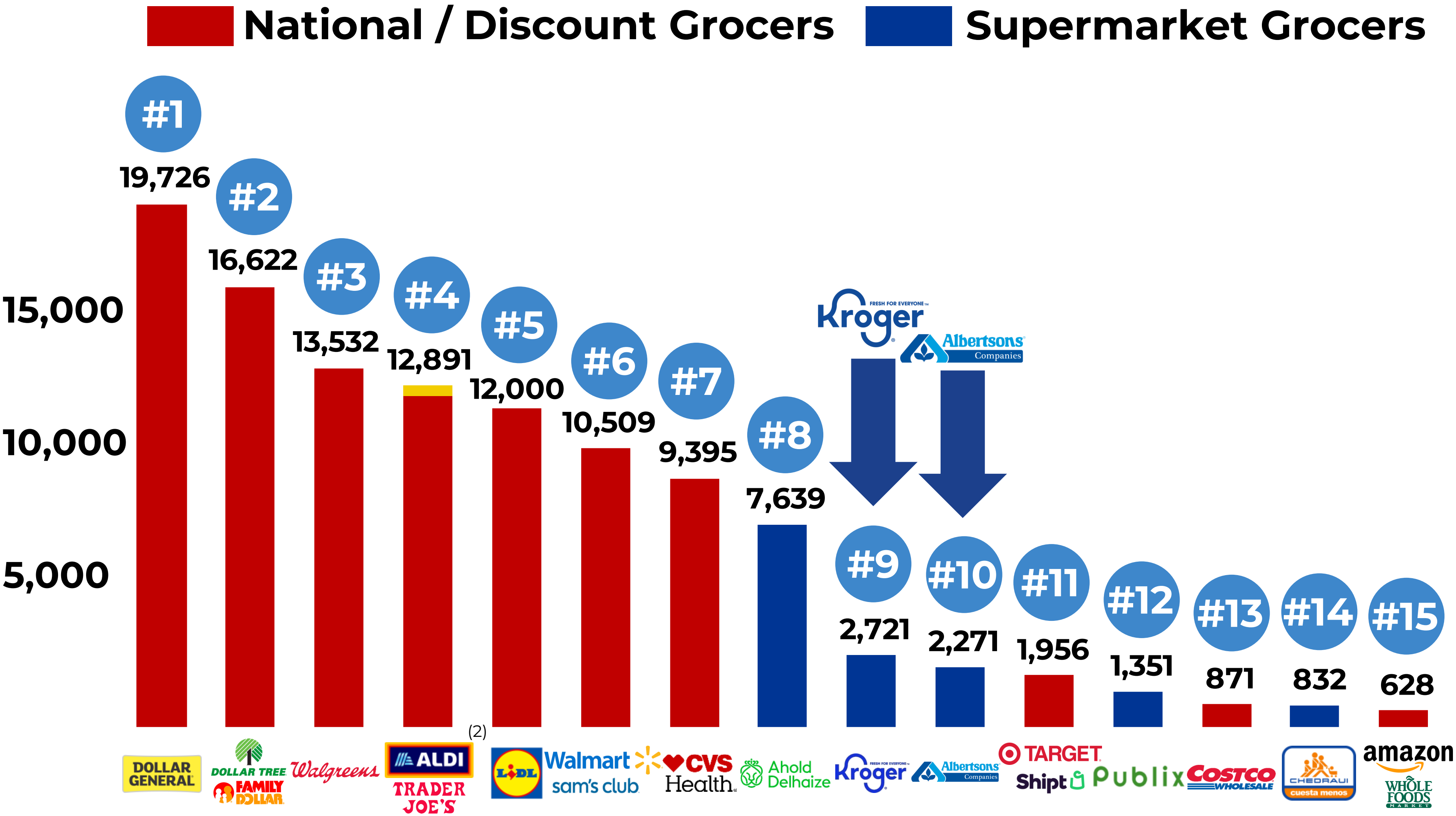



SOLOMON PARTNERS

Source: Capital IQ and Company Filings as of February 2024.
1) Displays Albertson's FV growth since June 2020 (ACI IPO).

# 12. MOST U.S. NATIONAL / DISCOUNT GROCERS HAVE THE BENEFIT OF GLOBAL SCALE

## GLOBAL STORE COUNT (U.S. GROCERS)(1)



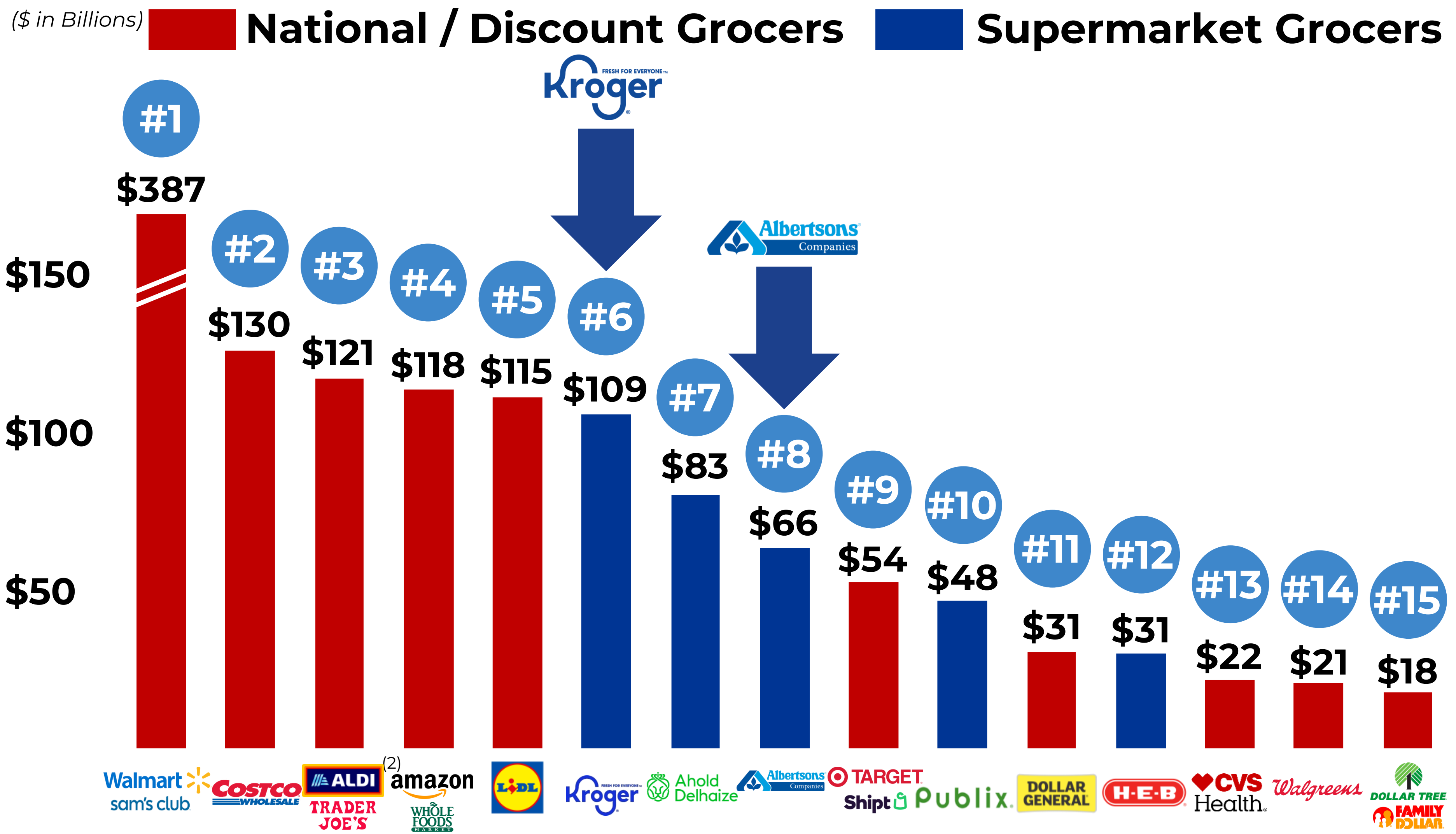

Source: Company Filings & Company Websites as of February 2024.

1) Among grocers with operations in the U.S.

2) Includes Aldi Sud 2022 & Aldi Nord 2021 figures, which represents the latest publicly available information. Pro forma for Winn Dixie and Harvey's stores to be acquired per announcement in August 2023.

# 12. ON A GLOBAL GROCERY BASIS, KROGER AND ALBERTSONS ARE RANKED JUST #6 AND #8, RESPECTIVELY

## GLOBAL GROCERY SALES RANKINGS (U.S. GROCERS)[1]



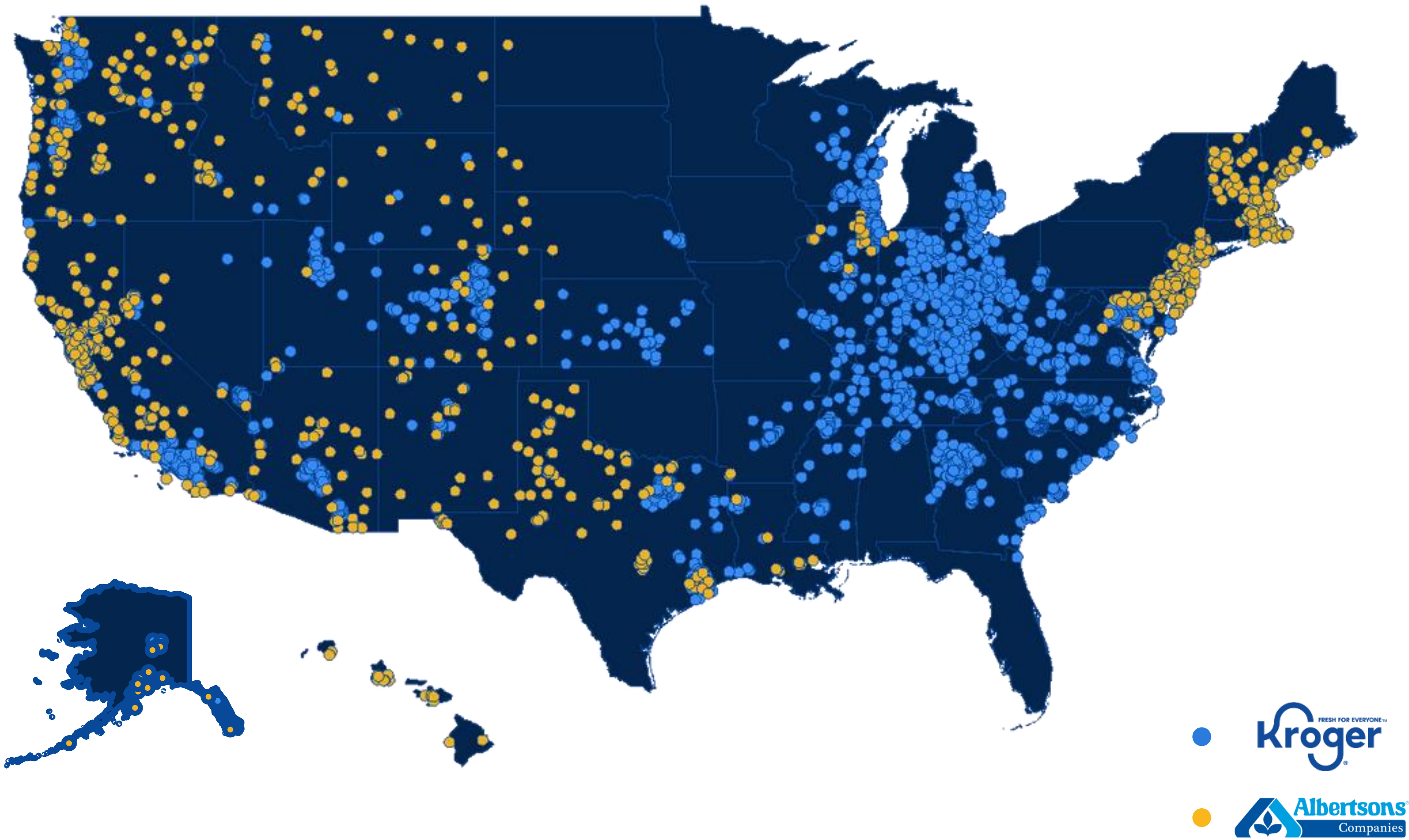

Source: Company Filings & Company Websites as of February 2024.

1) Among grocers with operations in the U.S.

2) Includes Aldi Sud 2022 & Aldi Nord 2021 figures, which represents the latest publicly available information. Pro forma for Winn Dixie and Harvey's stores to be acquired per announcement in August 2023.

# KROGER / ALBERTSONS TRANSACTION BACKGROUND

# KROGER / ALBERTSONS: COMPLEMENTARY FOOTPRINT WITH ICONIC AND TRUSTED SUPERMARKET BANNERS



# KROGER / ALBERTSONS IS GOOD FOR CUSTOMERS, EMPLOYEES AND COMMUNITIES

- **Kroger / Albertsons Will Lower Prices**
- **Kroger / Albertsons Will Strengthen and Protect Union Jobs**

# KROGER'S 20-YR BETTER PRICE AND UNION JOBS TRACK RECORD IS EXCEPTIONAL

## Kroger's 20-Year Track Record

- **Invested nearly $5bn in better prices company-wide**
- **Consistently improved prices at acquired companies:**
  - **Invested $130 million to lower prices at Harris Teeter**
  - **Invested $110 million to lower prices at Roundy's**
- **Reduced Gross Profit Margin by 5% (27% to 22%), while Amazon, Walmart, Ahold and Dollar General have all *increased***
- **Added 110,000 union jobs, while unionized grocery jobs declined from ~50% to 15% of the Top 15 Grocers**

# KROGER'S CLEAR PUBLIC COMMITMENTS RELATED TO THE ALBERTSONS MERGER

- **No store closures.**
- **No front-line job losses.**
- **$500mm more price investment**
- **$1 Billion for better wages**
- **$1.3 Billion for better store investments**
- **Donating 10 Billion meals to combat food insecurity[1]**
- **$21,000 tuition reimbursement for employees**
- **More local food sourcing**

SOLOMON PARTNERS

1) 10 billion meals is enough to feed *every person* in Boston, Chicago, Denver and Seattle *every meal, every day,* for nearly two years.

# KROGER / ALBERTSONS IS GOOD FOR AMERICAN CONSUMERS AND EMPLOYEES.

| | | |
|---|---|---|
| 1 | **Transaction Benefits for Consumers and Employees** | • Better Prices - $500M better price investment<br>• Better Grocery Choice – better food and multi-channel options<br>• Better, Sustainable Union Jobs – stronger stores<br>• Better Community Service |
| 2 | **Kroger's 20-Year Track Record of Better Prices (Customer 1st)** | • Since 2003, Kroger has invested $5B to lower prices for customers<br>• Kroger's gross profit margin is down 5% from 27% to 22% (Amazon, Ahold Delhaize, Walmart and DG have all *increased*) |
| 3 | **Kroger's Track Record of Better Prices at Acquired Companies** | • Kroger has historically invested in lower prices at acquisitions<br>• Harris Teeter: $130M lower price investment (2014)<br>• Roundy's: $110M lower price investment (2017) |
| 4 | **Kroger / Albertsons Is <u>NOT</u> Albertsons / Safeway** | • Kroger will be running the combined business<br>• Kroger has a much stronger balance sheet than Albertsons<br>• C&S is a much stronger divestiture buyer – well-capitalized, $30BN unionized grocer with deep acquisition/integration experience; buying / licensing local banners for continuity |
| 5 | **Kroger's Clear Commitments** | • <u>No Store Closures</u><br>• <u>No Front-Line Job Losses</u><br>• <u>Prevent Food Insecurity</u> – donating 10 billion meals<br>• <u>$1BN Better Wage Investment</u> / $21,000 Tuition Reimbursement |

**"… We have lowered our cost of doing business.**
**We have reinvested all of those savings in lower prices…"**
– Rodney McMullen, Kroger Chairman & CEO, Earnings Call, June 2014

# COMPARING C&S WHOLESALE GROCERS TO HAGGEN IS INCORRECT ON MULTIPLE LEVELS

## THE DISTINCT CHARACTERISTICS THAT LED TO THE FAILURE OF HAGGEN'S ACQUISITION OF DIVESTED STORES IN 2015 ARE NOT PRESENT WITH C&S WHOLESALE GROCERS TODAY

| HAGGEN (2015) | C&S WHOLESALE GROCERS (2023) |
|---|---|
| ✗ Nearly bankrupt just a few years before acquired divestiture stores | ✓ Strong, well-capitalized buyer with solid 104-year operating / integration track record |
| ✗ Very small chain owned by a small private equity firm | ✓ One of the largest private companies in the U.S.; $30 billion in sales and ample financial investment capacity; serves 7,500 grocery stores across U.S. |
| ✗ Haggen banner was unknown to customers in the new markets where they changed banner and re-opened stores as Haggen | ✓ C&S buying / licensing local banners (Carrs, QFC, Mariano's and Albertsons) to maintain continuity, strong customer loyalty and performance |
| ✗ Haggen's weak balance sheet led to insufficient capital invested to build brand recognition | ✓ Robust balance sheet and infrastructure to support customers, jobs and store investments |
| ✗ Haggen's senior management team lacked local operating and integration experience | ✓ Experienced management team with extensive acquisition and integration experience (as an approved divestiture buyer) |

# GROCERY = SUPERCENTERS

## + CLUB GROCERS

## + DISCOUNT GROCERS

## + DOLLAR GROCERS

## + DRUG GROCERS

## + ONLINE GROCERS

## + SPECIALTY / ETHNIC GROCERS

## + SUPERMARKET GROCERS

# CONCLUSION – ADDING UP GROCERY FACTS

1. **Supermarket Grocers are a shrinking part of a much larger U.S. Grocery landscape**

2. **There's more Grocery choice, convenience and competition than ever before**

3. **Just like Department Stores before them, Supermarket Grocers are under siege from National / Discount operators**

4. **Millions of jobs – especially union jobs – are at risk, as is the deeply important place Supermarket Grocers hold as pillars of thousands of American communities**

# KEY TAKEAWAYS – A FEW THINGS YOU MIGHT NOT HAVE KNOWN

1. **Grocery ≠ Supermarkets; 20 Years Ago, 10 of 15 Top American Grocers Were Supermarket Grocers Today, 10 of 15 Top American Grocers Are National / Discount Grocers, <u>NOT</u> Supermarket Grocers**
2. **National / Discount Grocers Have Added ~38,000 Stores in the Past 20 Years and Doubled Share; Consumers Regularly Shop at 4 Grocery Types and 5 Banners; Online Grocery Has Grown 4x Since Covid**
3. **Non-Union National / Discount Grocers Have Over 60% Grocery Share and Most Grocery Jobs; In 2003, Supermarket Grocers Were the "Primary Shop" for 79% of Americans; Today, It's 38%**
4. **Walmart has a $300bn+ Grocery Business That Has Quadrupled in the Past 20 Years; U.S. Grocery sales roughly as large as Kroger, Costco, Amazon and Albertsons, <u>*combined*</u>**
5. **Costco is #2 Global Grocer and #3 U.S. Grocer, Stores Sell 5x the Groceries of Average Supermarkets**
6. **Dollar General and Dollar Tree Have a $50BN U.S. Grocery Business and ~36,000 Grocery Stores**
7. **Aldi is #3 Global Grocer; Added >2,000 Non-Union U.S. Grocery Stores and $24B Sales in 20 Years**
8. **Amazon/Whole Foods, Walmart, Target/Shipt and Costco Are the Top Online Grocers**
9. **Amazon's $1.9 Trillion Valuation Is Many Multiples Its Grocery Rivals; Worth More All Public U.S. Grocers, <u>*Combined*</u>, Fueling Significant Grocery Investment**
10. **Instacart Reaches 95% of North American Households, Offers Unprecedented Grocery Choice**
11. **National / Discount Grocers' 20-Year Sales and Store Growth Far Exceeds Supermarket Grocers**
12. **Global Scale Helps National / Discount Grocers' EBITDAs and Valuations Dwarf Supermarket Grocers**

**<u>Conclusion</u> – Kroger / Albertsons is Necessary, and Good for American Consumers and Employees.**

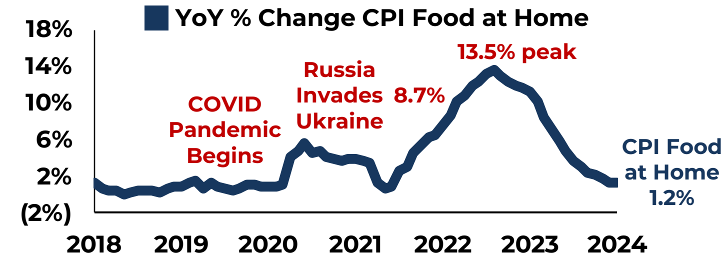
# APPENDIX – FOOD INFLATION CAUSES SUMMARY

# MACRO FACTORS DRIVING RECENT FOOD INFLATION

**1 Supply Chain Disruption and Commodities Impact**

**COVID**, **global heatwave** and **Avian flu** have been **straining global supply chains** and causing **commodities volatility** for nearly four years, **driving changes in consumer behavior**

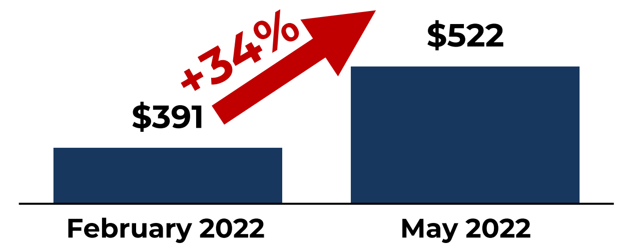
CPI FOOD AT HOME




**2 Russia-Ukraine Conflict**

Russia-Ukraine conflict **impeded flow of goods, fueled food supply shortages** and **increased oil and gas prices**

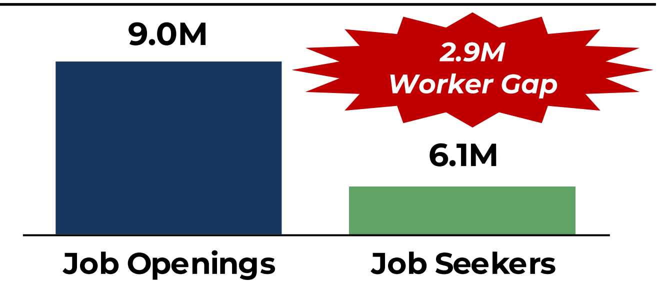
WHEAT PRICES PER METRIC TON (USD)




**3 Labor Shortage**

**~2.9M worker shortage** due to working-age **COVID losses**, **historically low labor force participation** and **lower immigration** growth rate

JOB OPENINGS VS. JOB SEEKERS




**4 Food Manufacturers Passing Cost Increases to Supermarkets and Consumers**

Various **food manufacturers' gross margins increased 247 bps over the last year**[1]

FOOD MANUFACTURERS EARNINGS CALL COMMENTARY

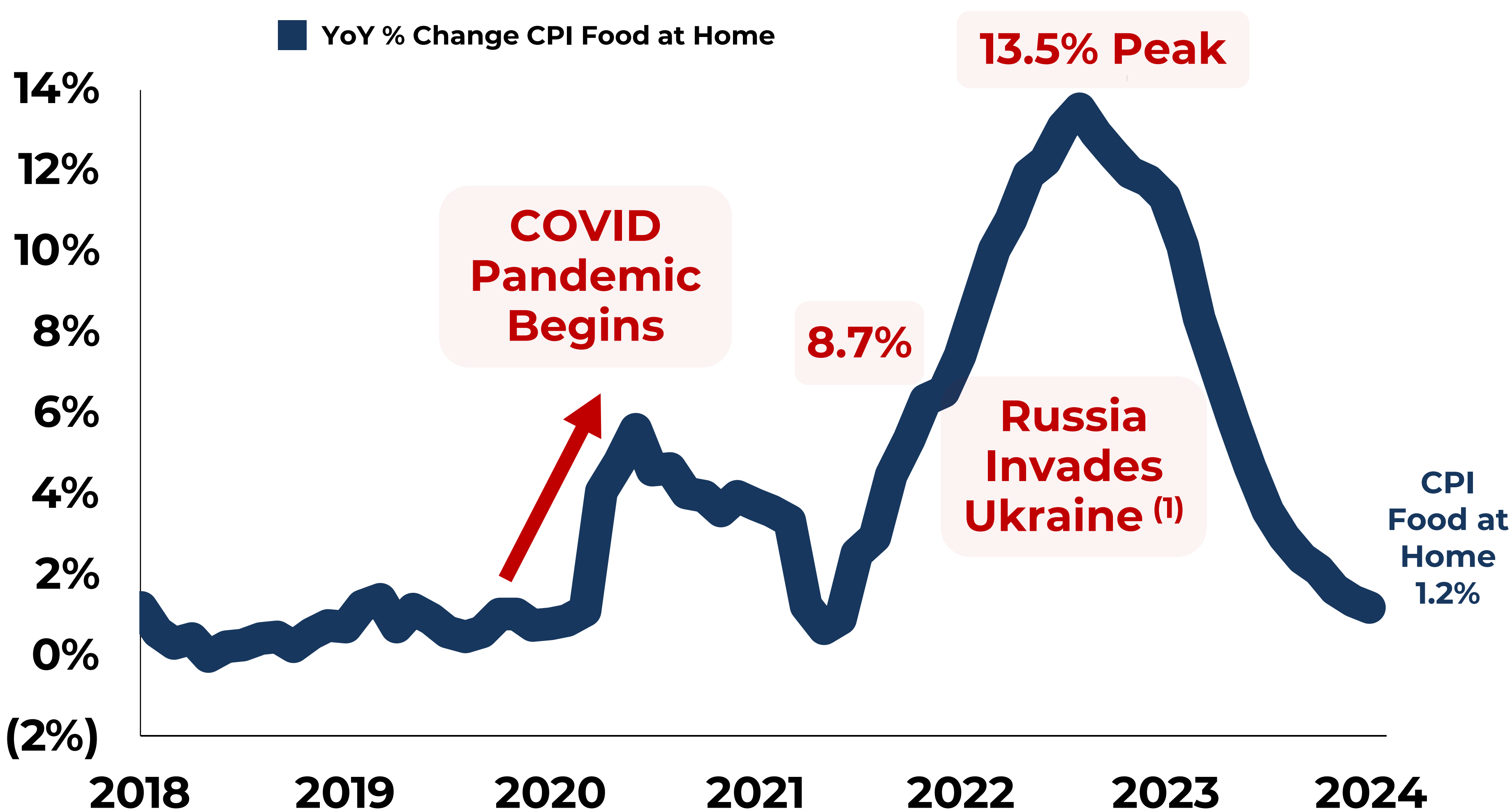
"The strong growth in the quarter and year was driven by price/mix needed to cover soaring cost inflation…while volume did decline, the elasticity was below historical levels."

*– Amit Banati, CFO, **Kellogg's**, Q4 2022 Earnings Call*

Source: Bureau of Labor Statistics, JOLT Survey, Index Mundi and CapIQ as of February 2024.
Note: Job Openings reflects 'Total Nonfarm Job Openings.' Latest data as of December 2023. Job Seekers reflects 'Civilian Unemployment'. Latest data as of January 2024.
Note: Russia invaded Ukraine on February 24, 2022.
1) Representative food manufacturers include P&G, Mondelez, Kellogg's and Coca-Cola.

# COVID, SUPPLY CHAIN CHALLENGES, UKRAINE AND FOOD PRODUCER PROFITS DROVE FOOD INFLATION (NOT GROCERS)

CPI FOOD AT HOME

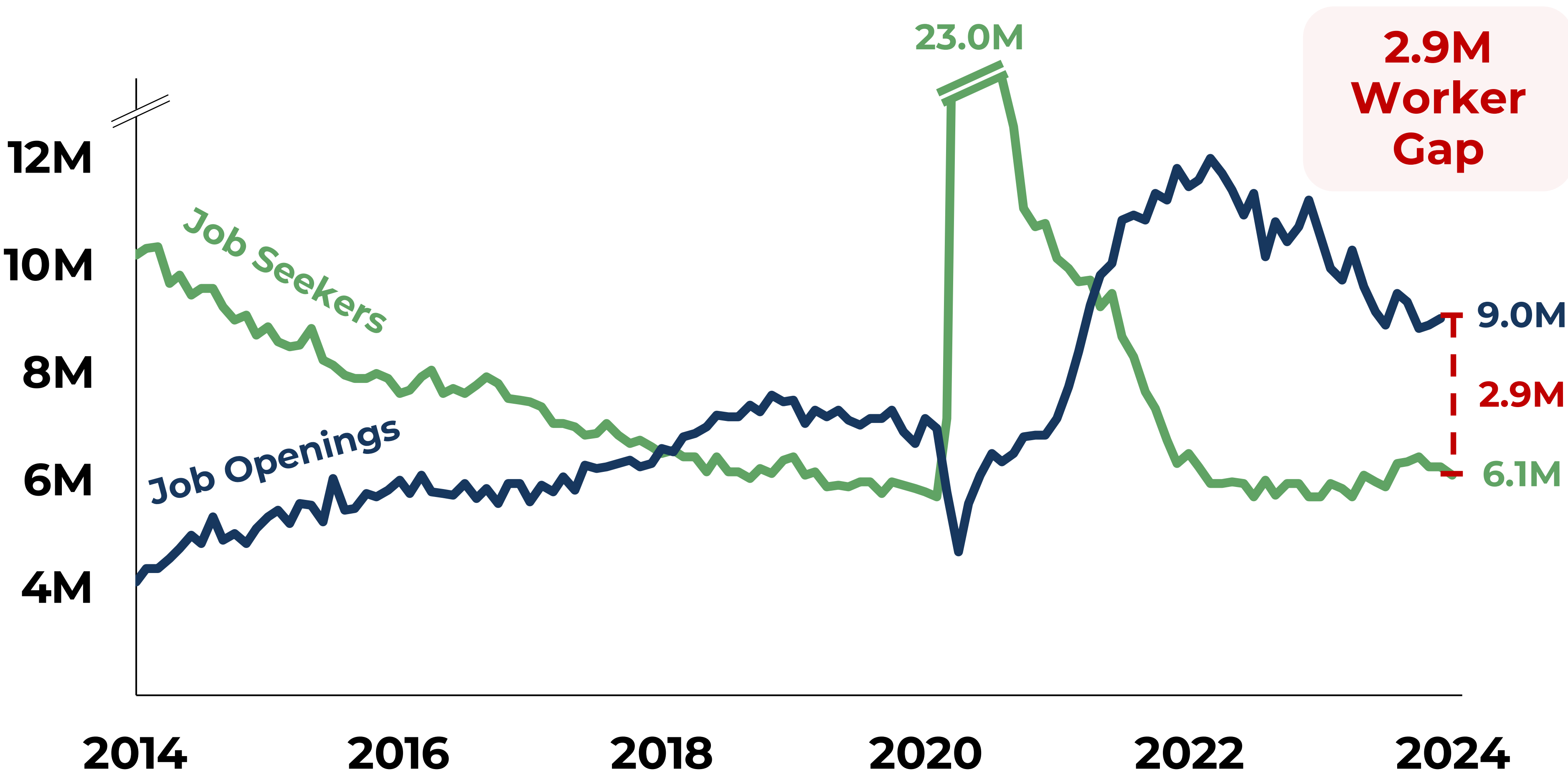



Source: Bureau of Labor Statistics and CapIQ as of February 2024.
1) Russia invaded Ukraine on February 24, 2022.

# BEYOND COVID SUPPLY CHAIN AND UKRAINE CHALLENGES, BROAD U.S. WORKER SHORTAGE HAS EXACERBATED GROCERY INFLATION

## JOB OPENINGS CURRENTLY OUTNUMBER JOB SEEKERS BY 2.9 MILLION

JOB OPENINGS VS. JOB SEEKERS: 2014-PRESENT




SOLOMON PARTNERS

Source: JOLT Survey and U.S. Bureau of Labor Statistics as of February 2024.
Note: Job Openings reflects 'Total Nonfarm Job Openings.' Latest data as of December 2023. Job Seekers reflects 'Civilian Unemployment'. Latest data as of January 2024.

# FOOD MANUFACTURERS HAVE LARGELY PASSED INFLATION COSTS ONTO THEIR CONSUMERS

"OUR DOUBLE-DIGIT ORGANIC GROWTH AND NET SALES IN 2022 WAS DRIVEN BY PRICE MIX WHICH ACCELERATED IN THE SECOND HALF AS WE CONTINUED TO EXECUTE REVENUE GROWTH MANAGEMENT ACTIONS AROUND THE WORLD TO COVER ACCELERATED INPUT COST INFLATION."

*-Steve Cahillane, CEO of **Kellogg**, Q4 2022 Earnings Transcript*

## GROSS MARGIN EXPANSION / (COMPRESSION)

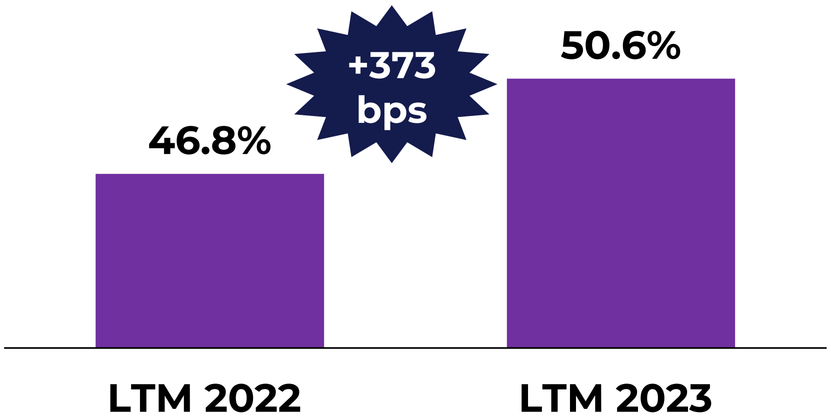
| Company | 1 Year Change |
|---|---|
| P&G | ▲ 373 bps |
| Kellogg's | ▲ 248 bps |
| Mondelēz International | ▲ 230 bps |
| Coca-Cola | ▲ 138 bps |
| **Average** | ▲ **247 bps** |



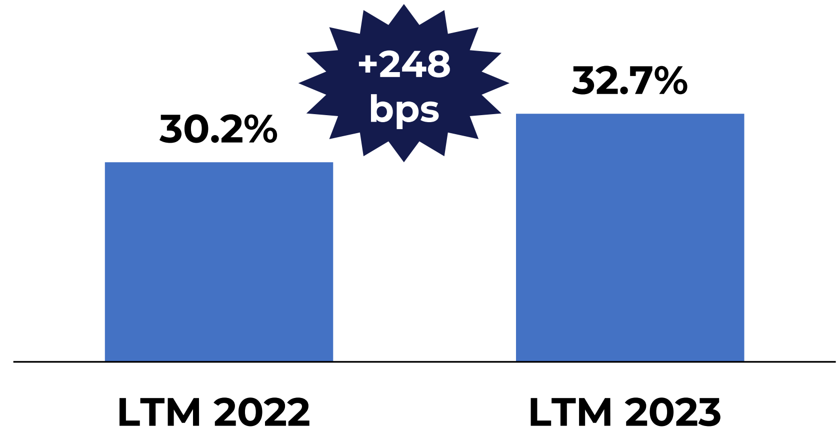
Source: Publicly available information and Capital IQ as of February 2024.
Note: Represents change from the twelve-month period ending December.

# FOOD MANUFACTURERS SHOW GROSS MARGIN EXPANSION IN THE RECENT INFLATIONARY ENVIRONMENT

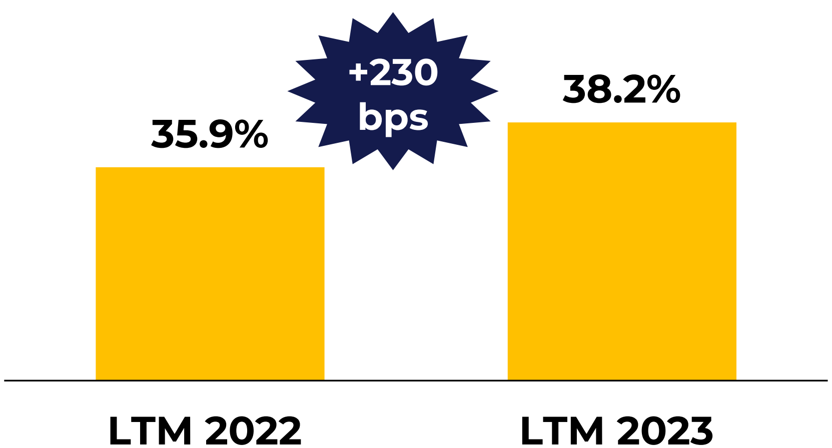
P&G



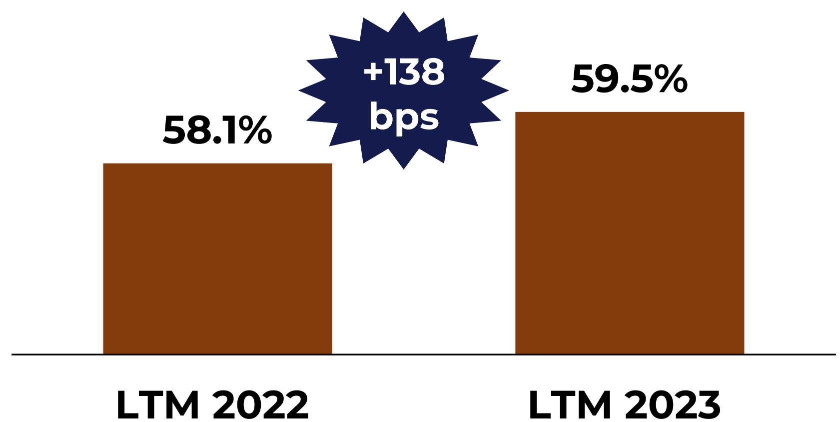

Kellogg's




Mondelēz International




Coca-Cola






Source: Publicly available information and Capital IQ as of February 2024.
Note: Represents change from the twelve-month period ending December.

# RECENT FOOD MANUFACTURER EARNINGS CALL COMMENTARY

## FOOD MANUFACTURERS CONTINUE TO PASS ALONG COST INCREASES TO CONSUMERS

P&G

- "Raw and packaging material costs … still remain a significant headwind versus last fiscal year … In addition to these impacts, we are also facing higher inflation in wages and benefits … we are offsetting a portion of these cost headwinds with price increases and productivity savings." – *Andre Schulten, CFO, Q3 2023 Earnings Call*
- "Pricing has been a core component of our growth for 18 out of the last 19 years." – *Andre Schulten, CFO, Q1 2024 Earnings Call*

Kellogg's

- "When you take the type of pricing, you're talking about 30-plus percent pricing over the last 18 months … As we go into next year, we're lapping a lot of this pricing. Consumers are becoming much more used to different price points." – *Steve Cahillane, CEO, Q3 2023 Earnings Call*
- "Our double-digit organic growth and net sales in 2022 was driven by price mix which accelerated in the second half as we continued to execute revenue growth management actions around the world to cover accelerated input cost inflation." – *Steve Cahillane, CEO, Q4 2022 Earnings Call*

Mondelēz International

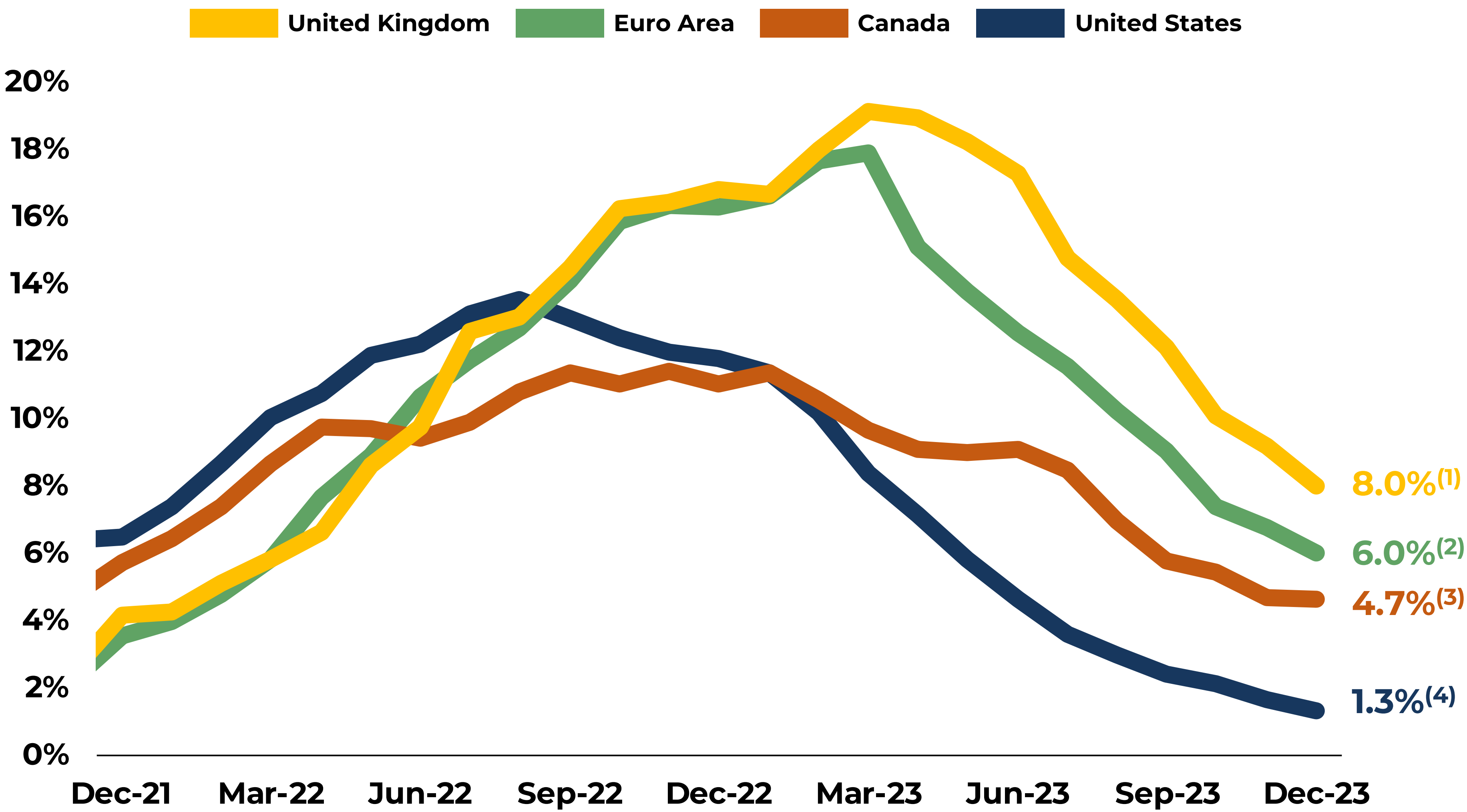
- "We've increased prices more aggressively than Clif would have done historically. We increased prices in August, in January and another one later in Q1." – *Dirk Van de Put, CEO, Q2 2023 Earnings Call*
- "Our strong profit dollar growth was driven by cost discipline and pricing to offset cost inflation." – *Luca Zaramella, CFO, Q2 2023 Earnings Call*
- "And so we will have to price again, much less than we had to do this year, but we have to price. And so, so far, elasticity is good. Volumes are good." – *Dirk Van de Put, CEO, Barclays 2023 Global Consumer Staples Conference*

Coca-Cola

- "If you look over the last 4 years … we've been able to sustain a pretty resilient gross margin … with respect to 2023, the key ingredients … were the impact of the various pricing actions we've had around the world." – *John Murphy, CFO, Q4 2023 Earnings Call*
- "Most of the inflation is in a set of markets where we do price for local inflation. And in a way, the higher inflation gets, the more likely it is we're just -- you're going to follow inflation." – *James Quincey, CEO, Q3 2023 Earnings Call*
- "We delivered 12% organic revenue growth in the quarter. This was primarily driven by pricing actions across markets." – *James Quincey, CEO, Q1 2023 Earnings Call*

# INTERNATIONAL FOOD INFLATION REMAINS SUBSTANTIALLY HIGHER THAN IN THE U.S.

YEAR-OVER-YEAR % CHANGE IN PRICE




Source: Bureau of Labor Statistics, Office for National Statistics and Statistics Canada as of February 2024.
1) Consumer Price Index: Food and Non-Alcoholic Beverages.
2) Harmonized Index of Consumer Prices: Food for Euro Area (excludes food products sold for immediate consumption away from the home).
3) Canada Consumer Price Index: Food Purchased from Stores.
4) Consumer Price Index for All Consumers: Food at Home in U.S. City Average.

SOLOMON PARTNERS

# DISCLAIMER

This document is a marketing presentation. It has been prepared by personnel of Solomon Partners or its affiliates and not by Natixis' research department. It is not investment research or a research recommendation and is not intended to constitute a sufficient basis upon which to make an investment decision. This material is provided for information purposes, is intended for your use only and does not constitute an invitation or offer to subscribe for or purchase any of the products or services mentioned. Any pricing information provided is indicative only and does not represent a level at which an actual trade could be executed. Natixis may trade as principal or have proprietary positions in securities or other financial instruments that are the subject of this material. It is intended only to provide observations and views of the said personnel, which may be different from, or inconsistent with, the observations and views of Natixis analysts or other Natixis sales and/or trading personnel, or the proprietary positions of Natixis. Observations and views of the writer may change at any time without notice.

This presentation may contain forward-looking statements and comments relating to the objectives and strategy of Solomon Partners. Any such projections inherently depend on assumptions, project considerations, objectives and expectations linked to future events, transactions, products and services as well as on suppositions regarding future performance and synergies.

Certain information in this presentation relating to parties other than Solomon Partners or taken from external sources has not been subject to independent verification, and Solomon Partners makes no warranty as to the accuracy, fairness or completeness of the information or opinions in this presentation. Neither Solomon Partners nor its representatives shall be liable for any errors or omissions or for any harm resulting from the use of this presentation, the content of this presentation, or any document or information referred to in this presentation.

Nothing in this presentation constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances. Each individual or entity who receives this document or participates in any future transaction shall be responsible for obtaining all such advice as it thinks appropriate on such matters and shall be responsible for making its own independent investigation and appraisal of the risks, benefits and suitability of the transactions as to itself. Any discussions of past performance should not be taken as an indication of future results, and no representation, expressed or implied, is made regarding future results. No person shall have any liability whatsoever (in negligence or otherwise) for any loss arising from any use of this document or its contents or otherwise arising in connection with this document or any other written or oral communications transmitted to the recipient in relation hereto.

Solomon Partners and/or its affiliates, officers, directors and employees, including persons involved in the preparation or issuance of this material, may, from time to time, have long or short positions in, and buy or sell, the securities or derivatives mentioned in this material.

The information contained herein may be based in part on hypothetical assumptions and for certain models, past performance. These assumptions have certain inherent limitations, and will be affected by any changes in the structure or assets for this transaction. This material is confidential and any redistribution is prohibited. Solomon Partners is not responsible for any unauthorized redistribution.