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

Spring 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 ~39,000 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 ~30% 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

Walmart / Sam's Club

- #1 World / U.S. Grocer with ~30% U.S. market share
- $321B U.S. Grocer: 3x Kroger, 3x Costco, 5x Albertsons, 5x Amazon
- U.S. Grocery Sales roughly as big as next four Grocers <u>combined</u>
- Ubiquitous storebase and fulfillment footprint; 36% Q2 Online Grocery

Costco Wholesale

- 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 <u>*combined*</u>

ALDI / Trader Joe's

- World's #3 Grocer (#2 in Europe)
- Owned by German Albrecht family (the 11^{th}–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

Dollar General / Dollar Tree / Family Dollar

- Vast majority of sales are groceries
- ~$50B combined grocery sales with ~37,000 U.S. stores
- Added ~24,000 stores in last 20 years
- Dollar General added >2,800 stores in the last 3 years

Target / Shipt

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

Amazon / Whole Foods Market

- Valued more than all public U.S. grocers <u>*combined*</u>; 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 Global / U.S. Grocer today but have not yet "figured out" grocery; begging simple question – <u>*what happens when they do?*</u>

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 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 · The 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

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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	$321	29%
2	Kroger	$113	10%
3	Costco Wholesale	$98	9%
4	Albertsons	$66	6%
5	amazon / Whole Foods Market	$64	6%
6	Target / Shipt	$55	5%
7	Ahold Delhaize	$52	5%
8	Publix	$47	4%
9	H-E-B	$34	3%
10	Dollar General	$31	3%
11	CVS Health	$22	2%
12	ALDI	$20	2%
13	Dollar Tree / Family Dollar	$19	2%
14	Walgreens	$17	2%
15	Trader Joe's	$15	1%

$208bn

National / Discount Grocers

U.S. GROCERY SHARE

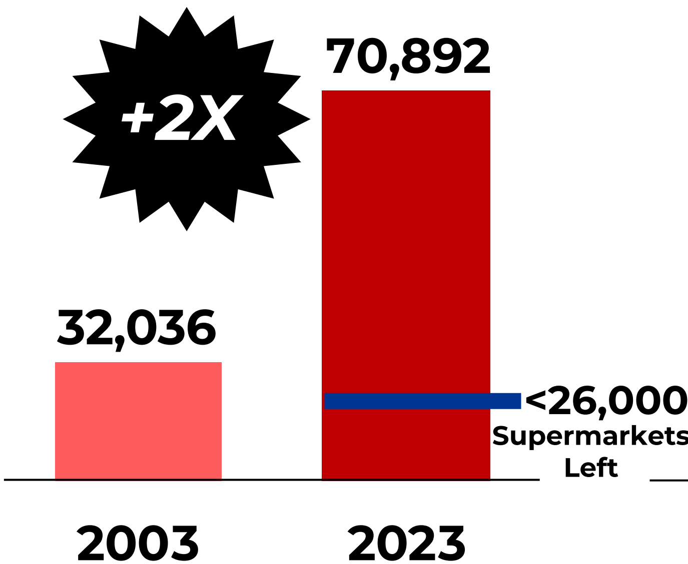
Supermarket Grocers 36%

National / Discount Grocers 64%

Source: Company filings as of April 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.

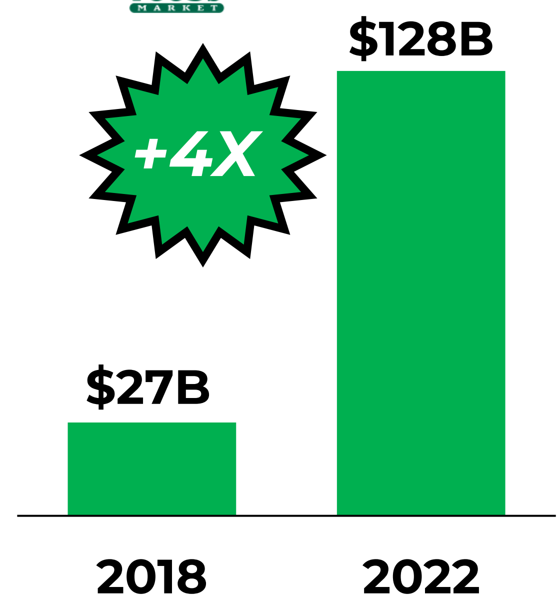
3. NATIONAL / DISCOUNT GROCERS' EXTREME STORE GROWTH, BROAD CUSTOMER TRIP DISPERSION AND ONLINE GROCERY HAVE TRANSFORMED U.S. GROCERY

1 39,000 NEW NATIONAL / DISCOUNT GROCERY STORES



2 CONSUMERS REGULARLY SHOP 4 GROCERY TYPES & 5 BANNERS

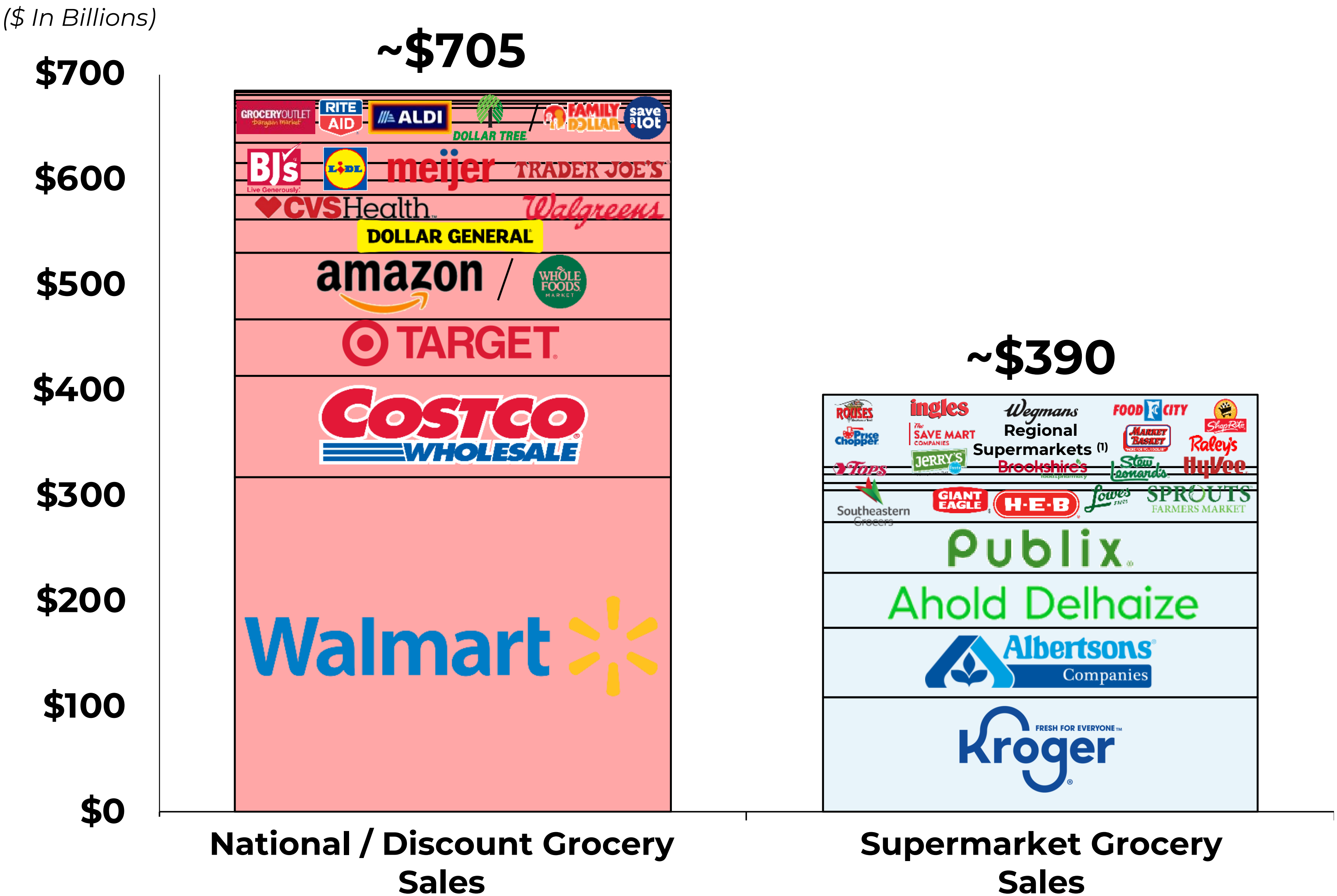
3 ONLINE GROCERY HAS INCREASED 4x



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

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

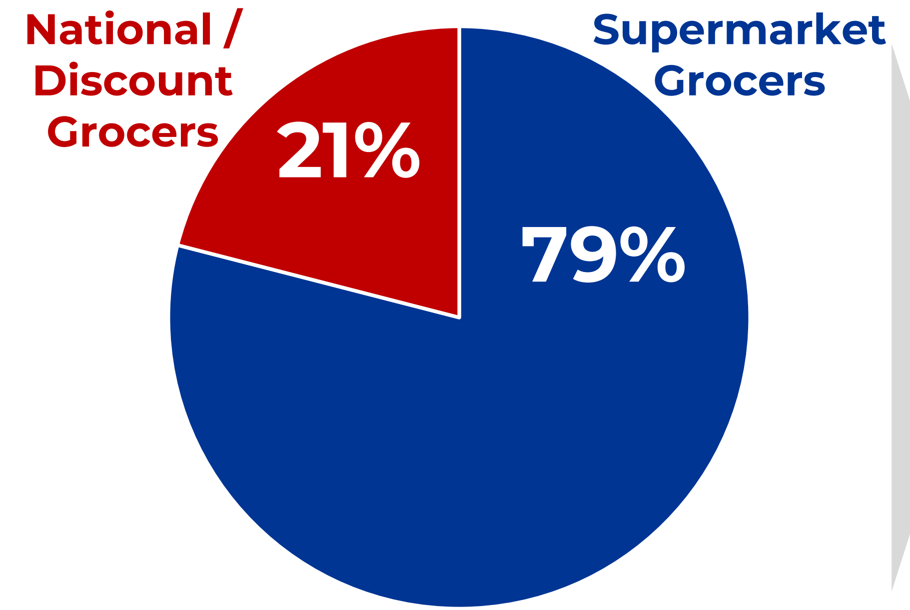


Source: Company filings and publicly available information as of April 2024.

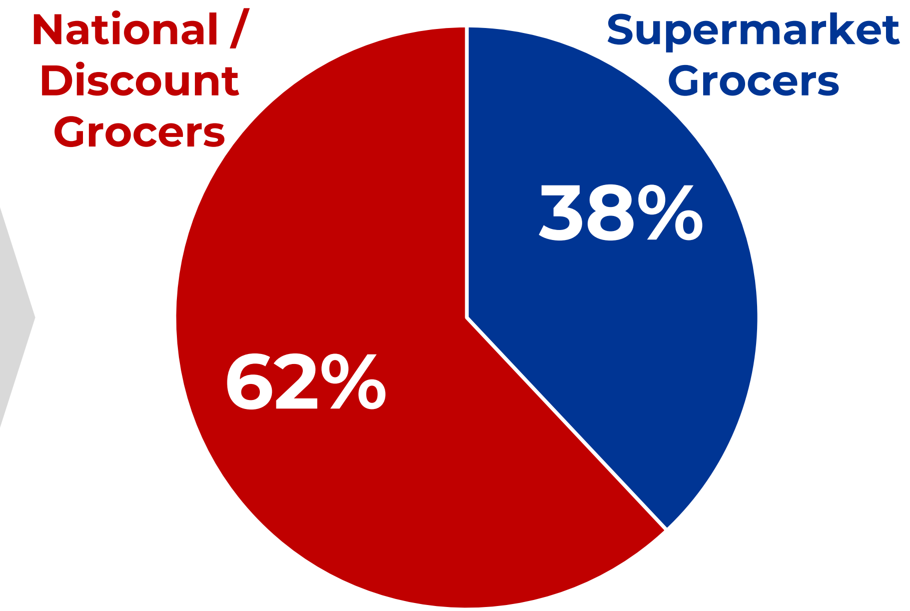
1) Regional Supermarkets includes rest of the Top 100 grocers not already covered on the list and assumes 90% Food & Consumables.

3. SHOPPERS' PRIMARY CHANNEL – 2003 VS. 2023

2003



2023



National / Discount Grocers +41%

Supermarket Grocers -41%

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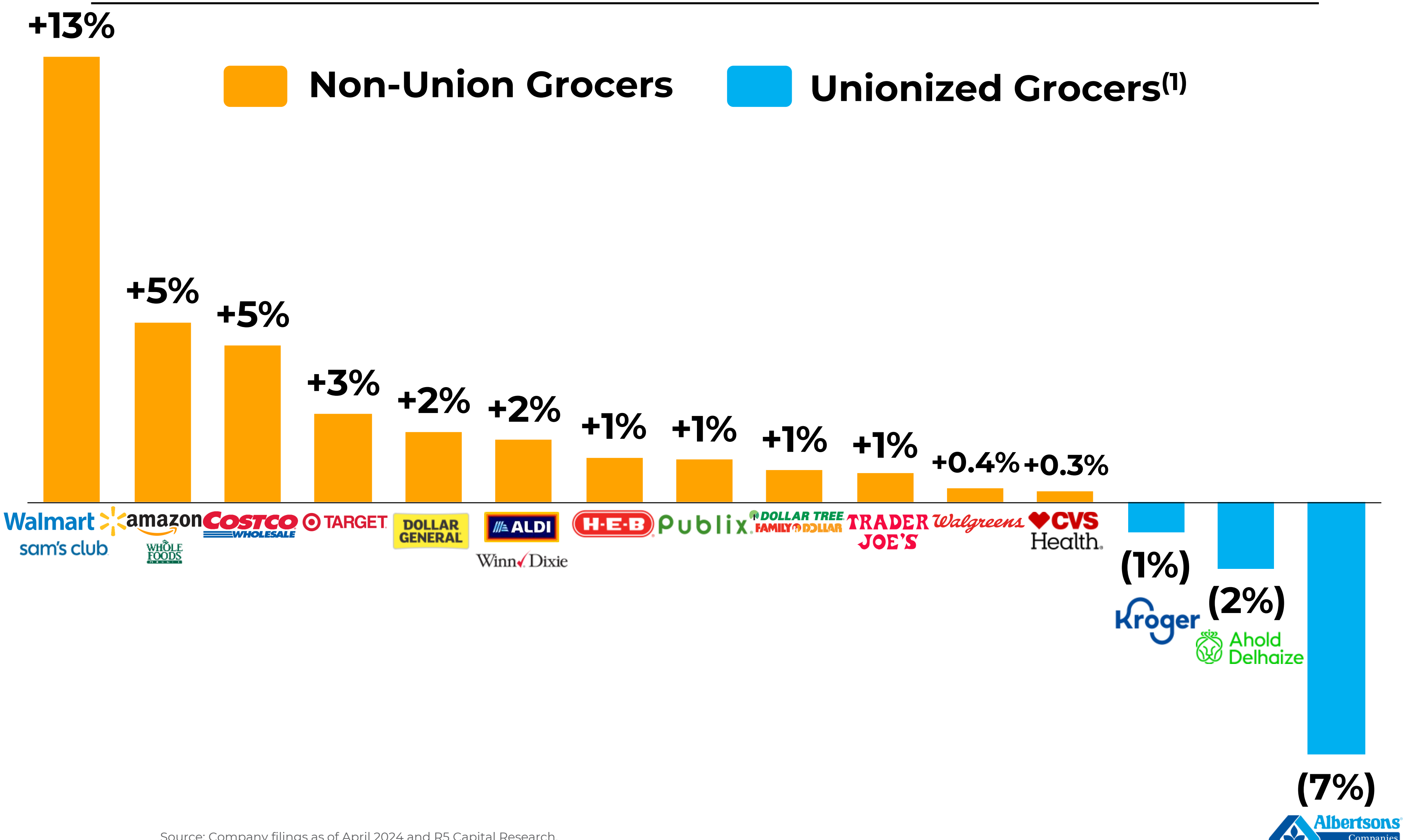
Source: FMI U.S. Grocery Shopper Trends: 2003 and 2023.

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

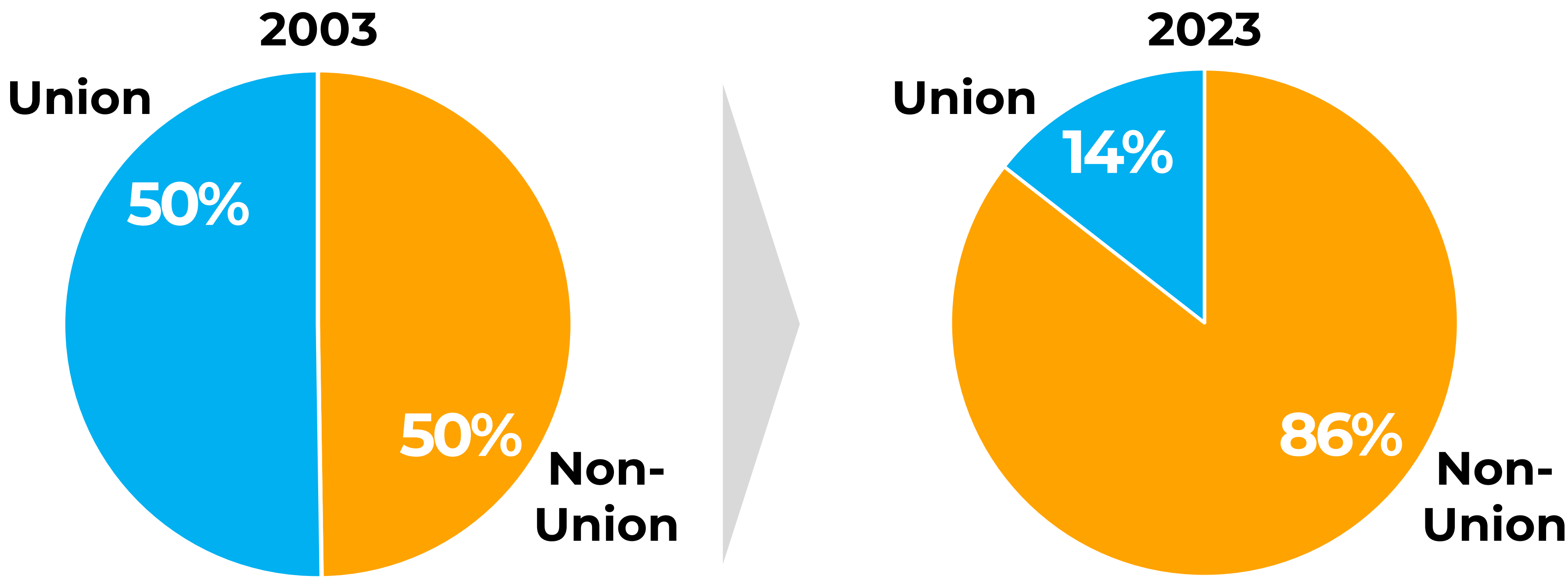
GROCERY SHARE CHANGE (2003-2023)



Source: Company filings as of April 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.

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



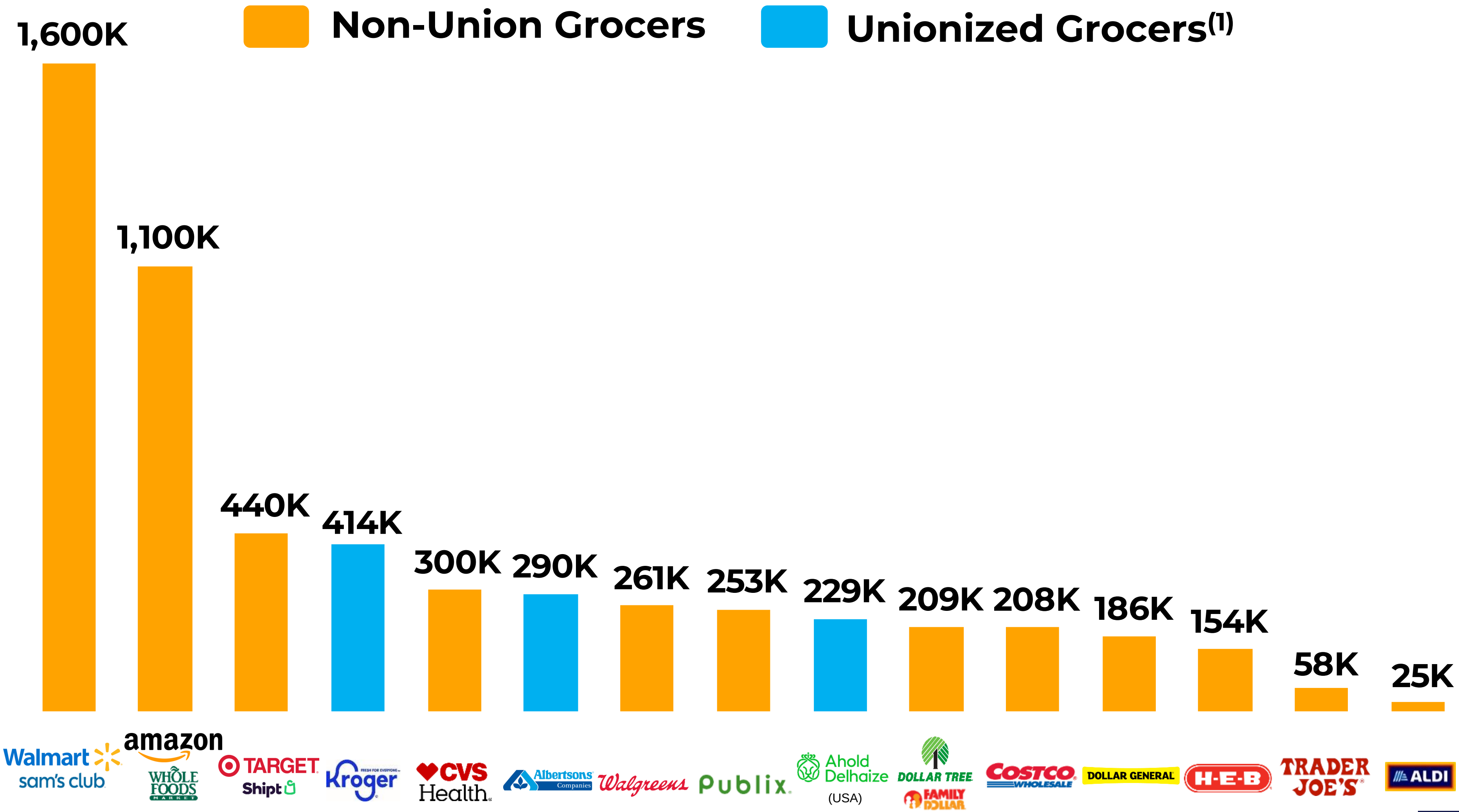
Non-Union Grocers +36%

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

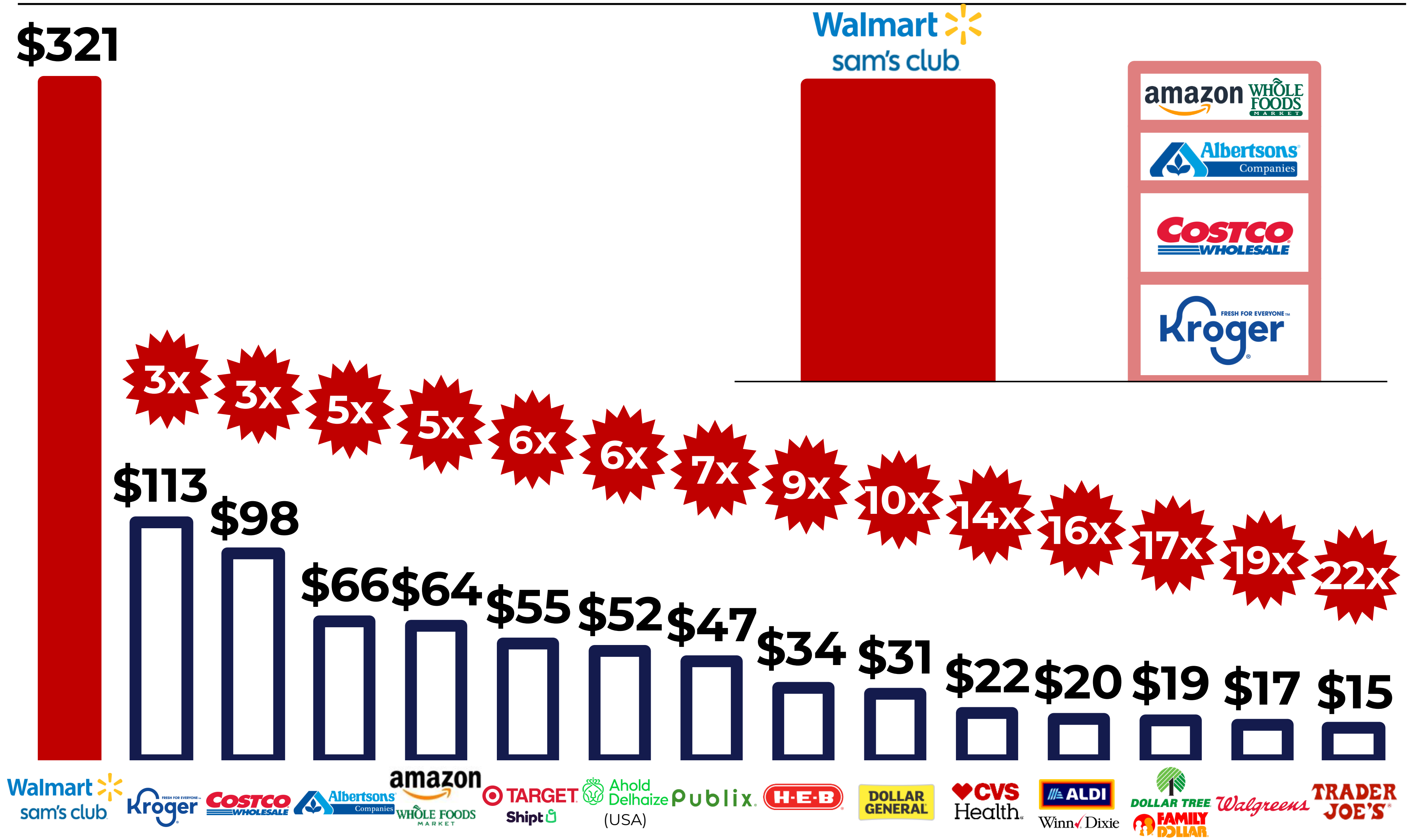


Source: Company filings as of April 2024.
1) Unionized grocers include partially-union grocers.

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

U.S. GROCERY SALES

($ In Billions)

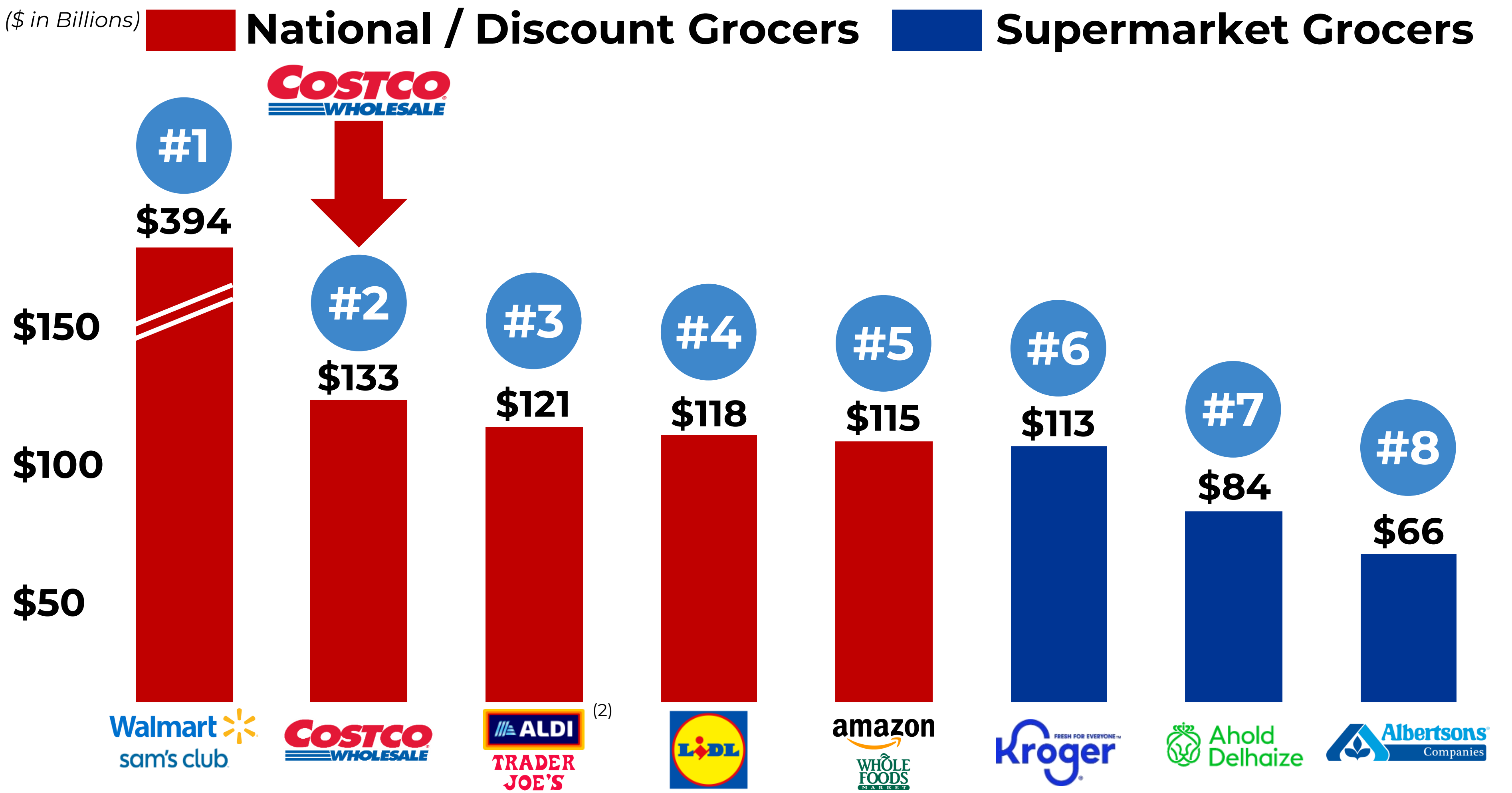


Source: Company filings and Capital IQ as of April 2024.
Note: Reflects annual U.S. grocery sales, excluding pharmacy, fuel and other non-grocery categories.. Amazon figures reflect 90% of North America sales (U.S. not reported). Aldi figures do not include the recent acquisition of Winn Dixie and Harvey's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



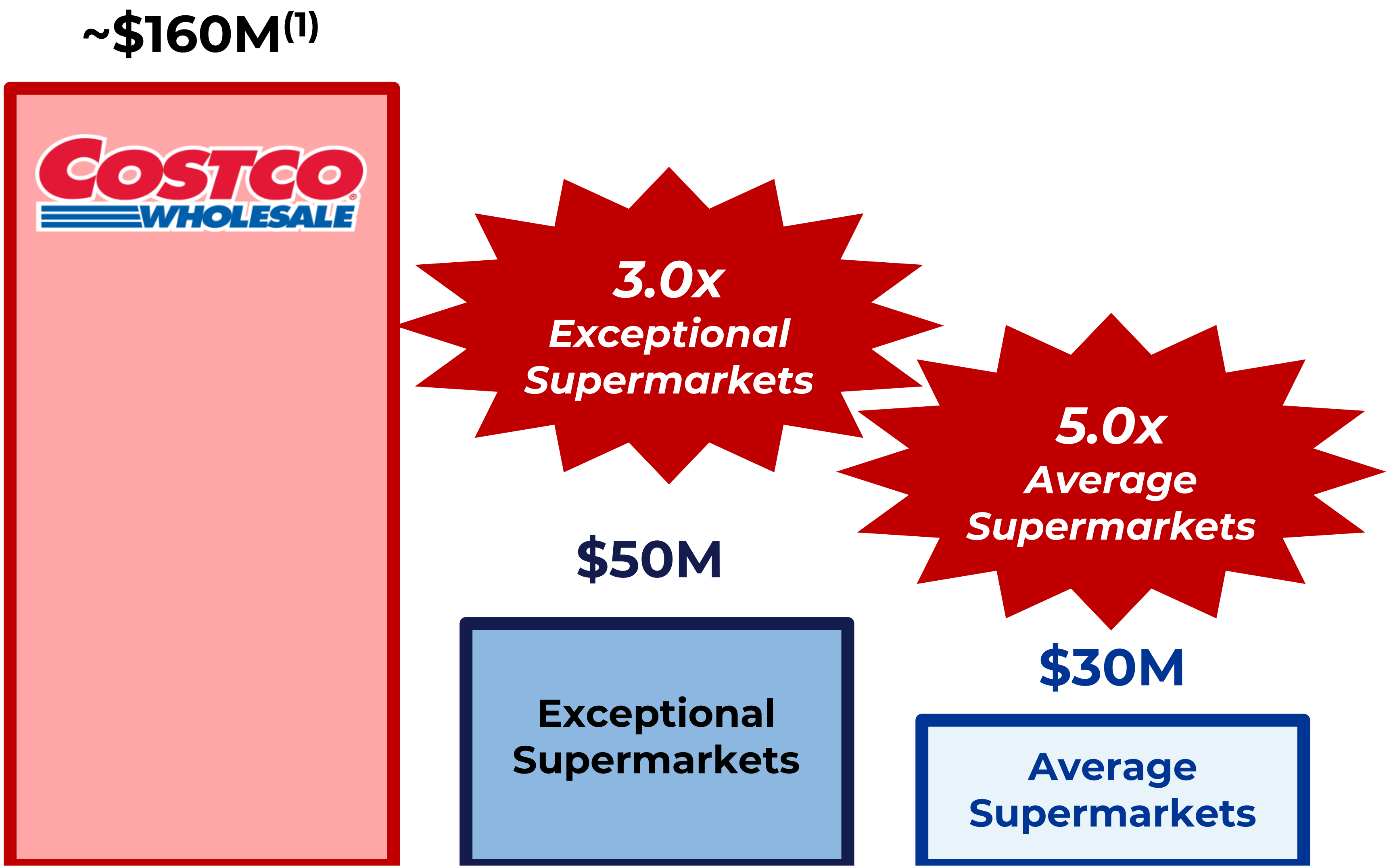
Source: Company Filings & Company Websites as of April 2024.

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 April 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 ~90% MORE THAN ALL PUBLICLY-TRADED SUPERMARKETS AND SUPPLIERS, ***COMBINED***

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

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6. DOLLAR STORES HAVE SIGNIFICANTLY EXPANDED THEIR GROCERY OFFERING

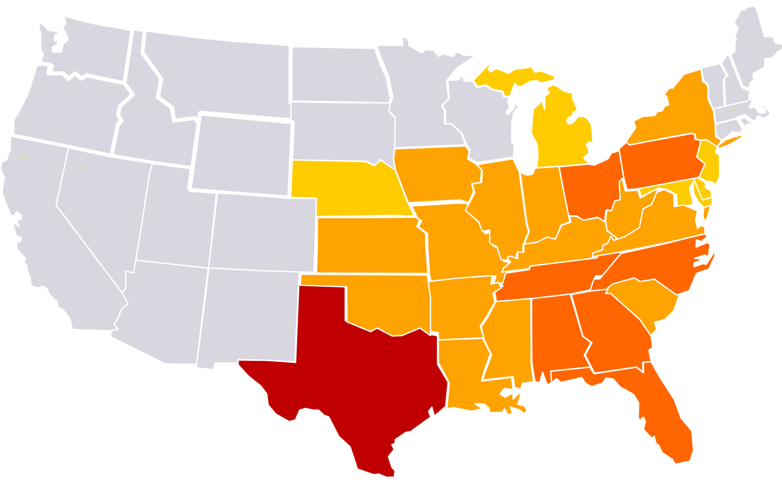
DOLLAR GENERAL
DOLLAR TREE
FAMILY DOLLAR

Source: Company Websites & Equity Research.

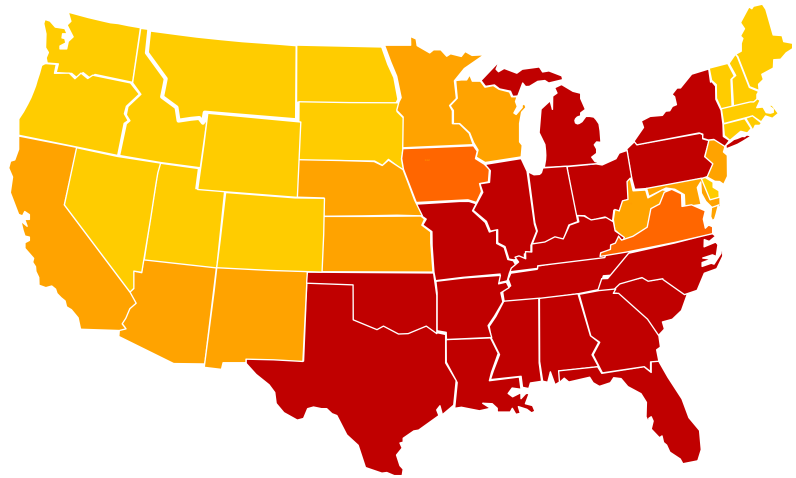
6. DOLLAR GENERAL'S RAPID GROCERY GROWTH CONTINUES, WITH ~14,000 NEW STORES FROM 2003-2023 TO BECOME A NATIONAL GROCER

DOLLAR GENERAL

2003 – 6,113 STORES



2023 – 20,000 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 as of April 2024.

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

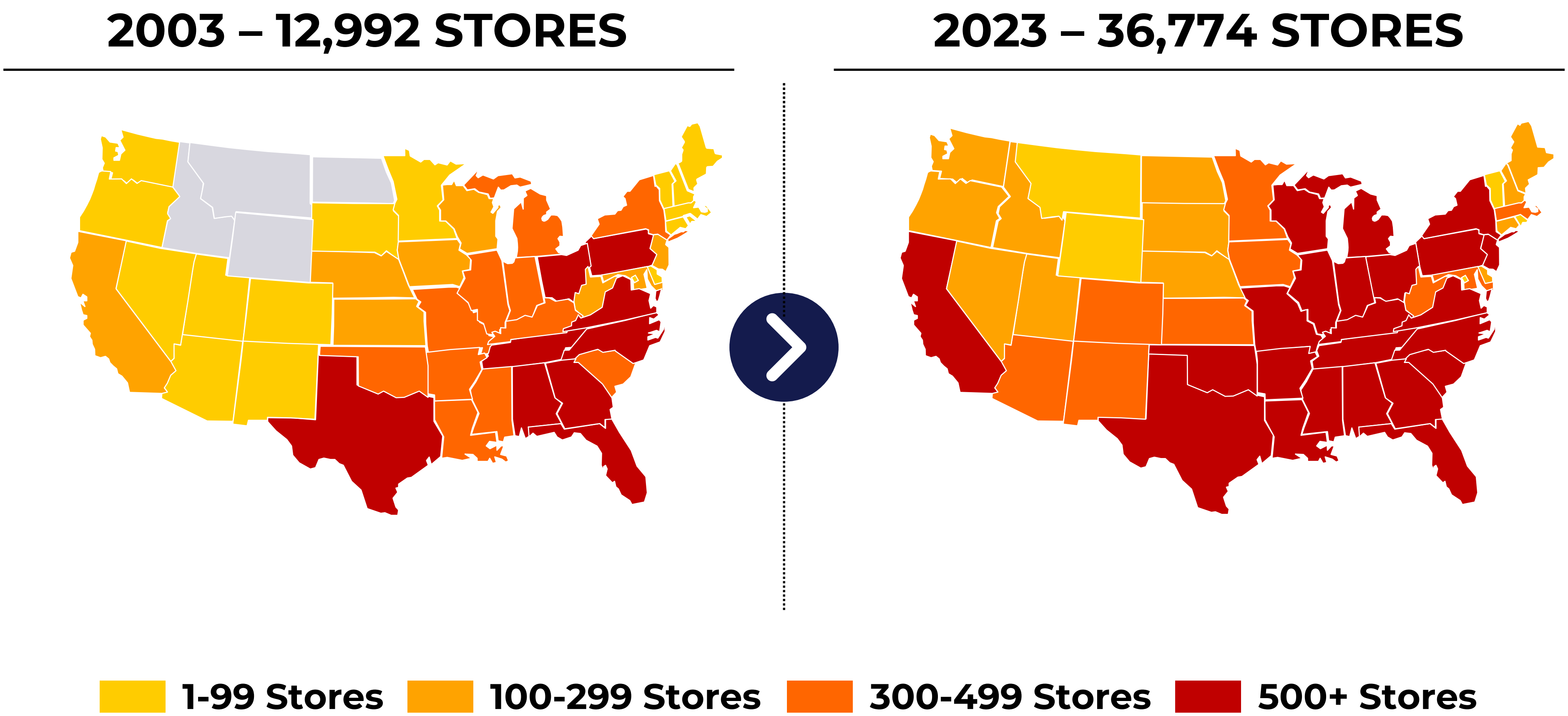
Dollar General Surpasses Milestone of
5,000 Stores Nationwide Offering Fresh Produce

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 ~24,000 STORES & NOW GENERATE ~$50B IN ANNUAL GROCERY SALES

DOLLAR GENERAL
DOLLAR TREE
FAMILY DOLLAR

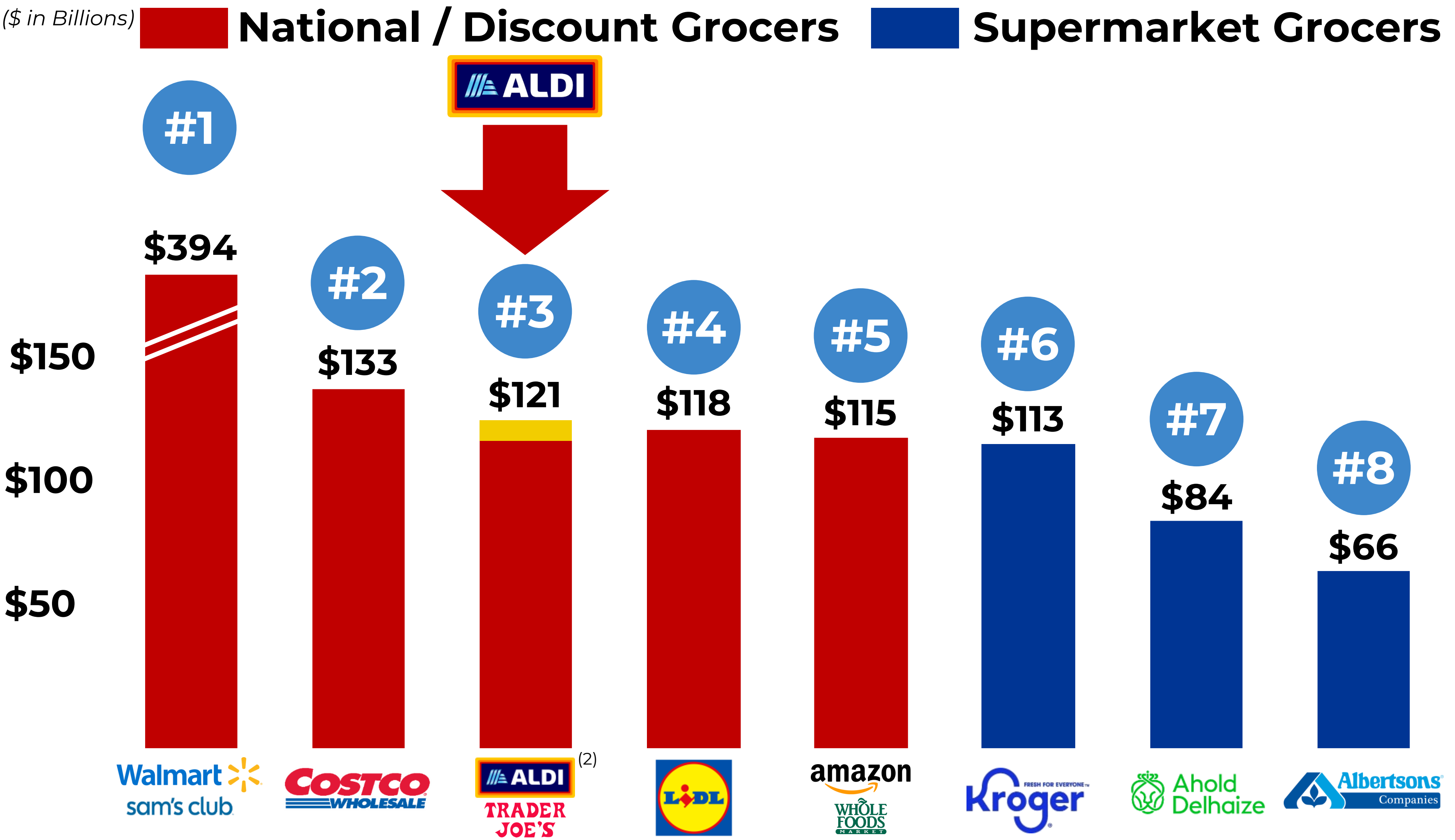


~37,000 combined dollar grocery stores is well more than the <26,000 Supermarket Grocers remaining in the U.S.

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]



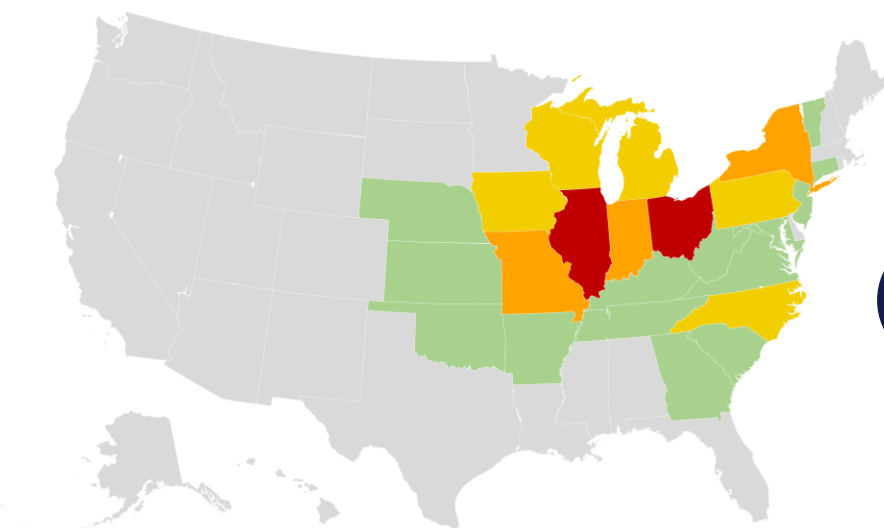
Source: Company Filings & Company Websites as of April 2024.
1) Among grocers with operations in the U.S.
2) Includes Aldi Sud 2022 & Aldi Nord 2021 figures, which represents the latest publicly available information. Pro forma for Winn Dixie and Harvey's stores to be acquired per announcement in August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

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

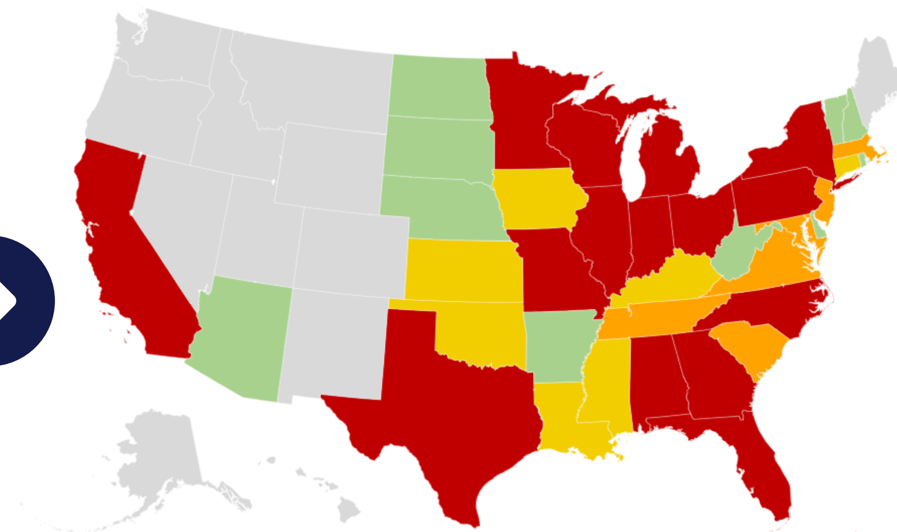
ALDI

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

2003 – 680 STORES (24 STATES)



2023 – ~2,800 STORES (38 STATES)



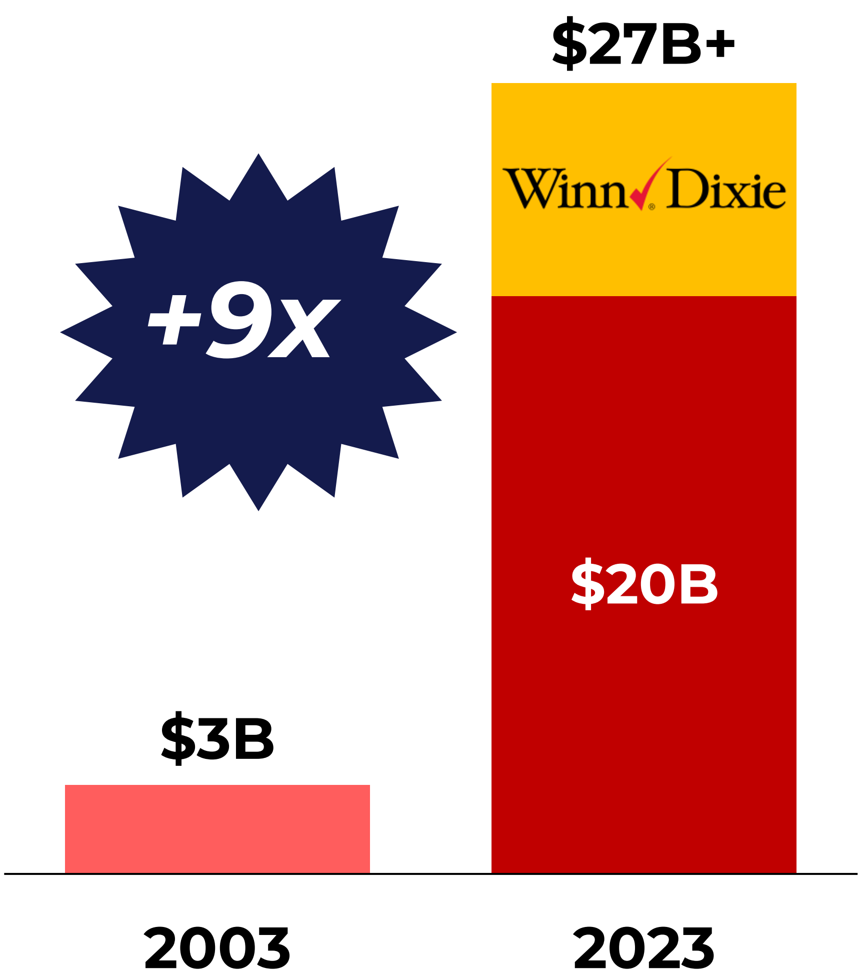
+4X Stores

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

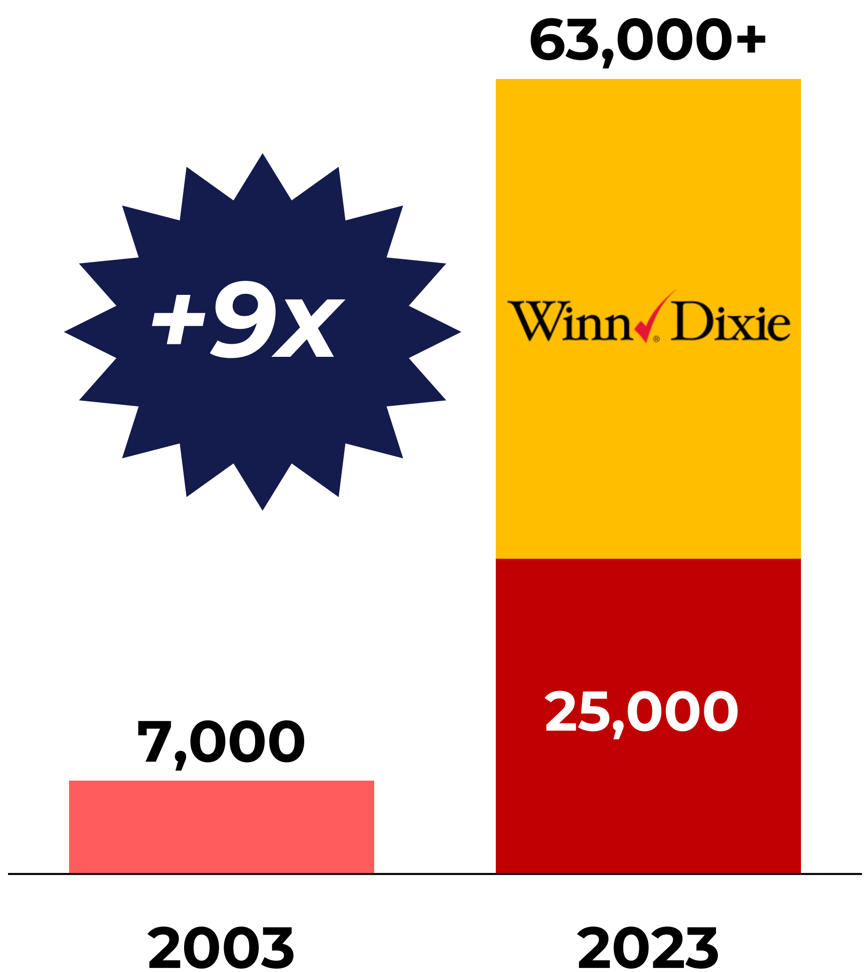
Source: Company Filings & Company Websites as of April 2024.

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

U.S. GROCERY SALES GROWTH



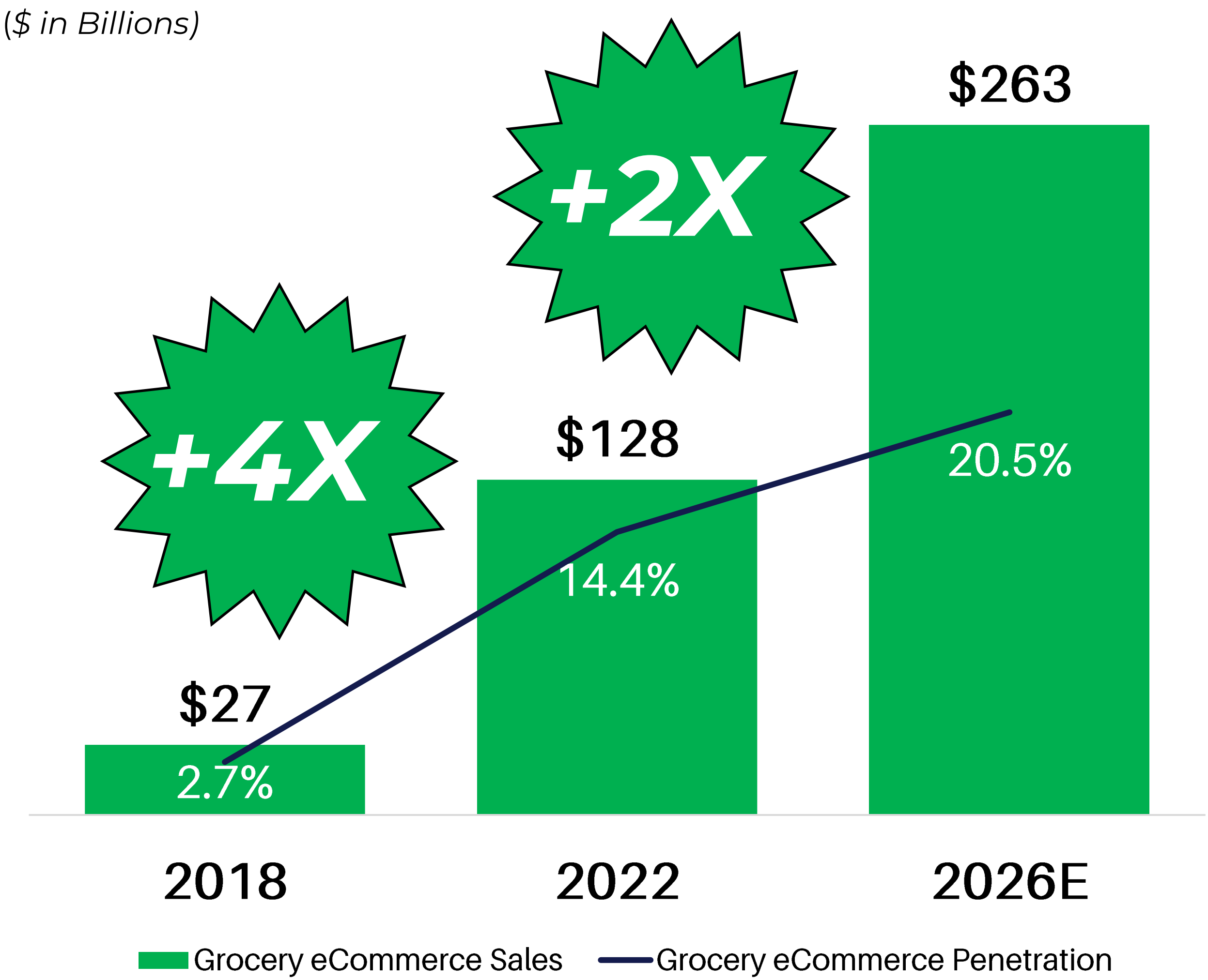
U.S. GROCERY JOBS GROWTH



Source: Company Filings & Company Websites as of April 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)



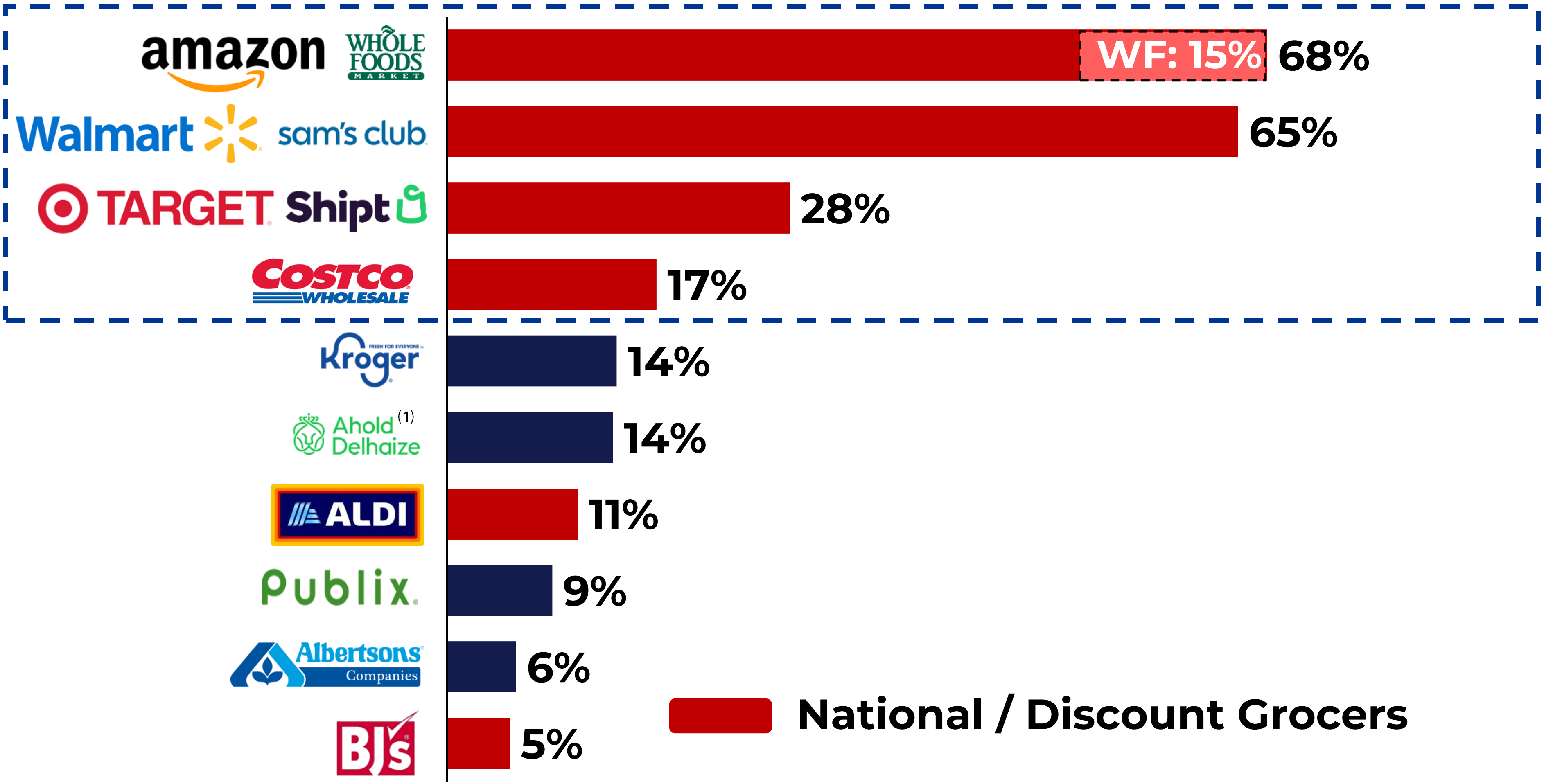
In the past 90 days:

- 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

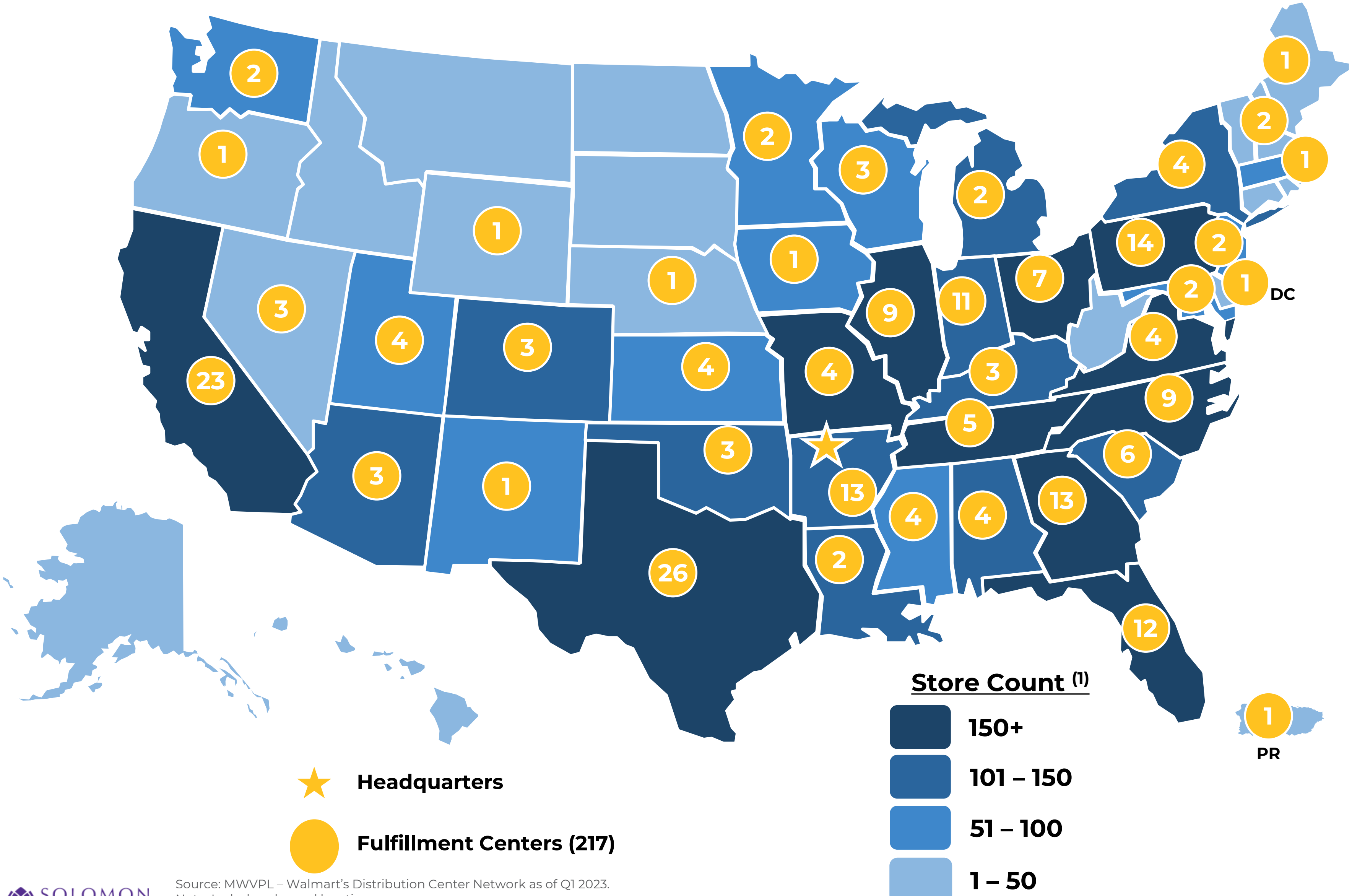


Source: Coresight Research.
1) Ahold Delhaize includes Fresh Direct and Peapod.

8. WALMART'S EXTENSIVE FULFILLMENT FOOTPRINT

Walmart

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



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…

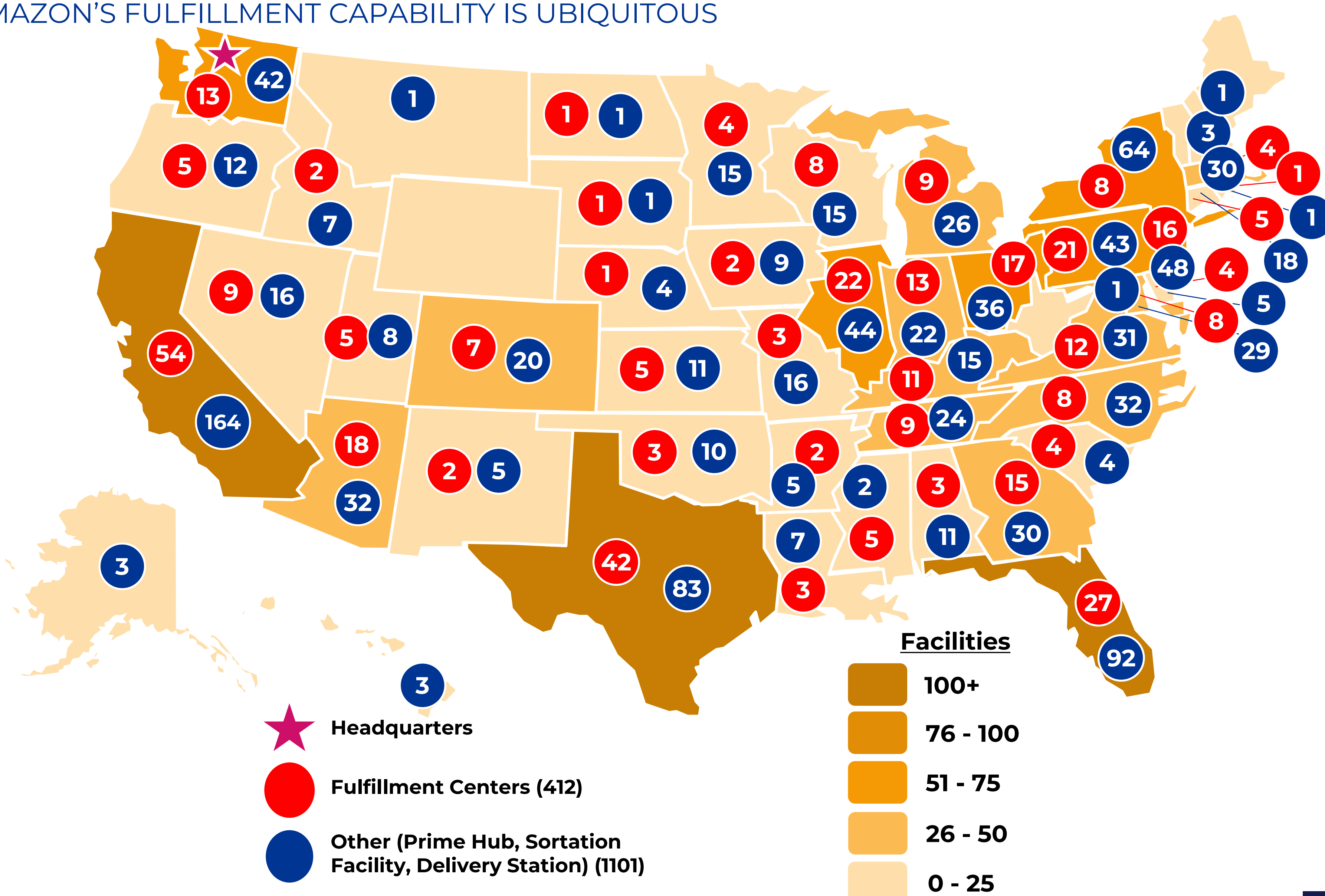
…Walmart…also plans to remodel around 650 of its U.S. locations over the next 12 months…

…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

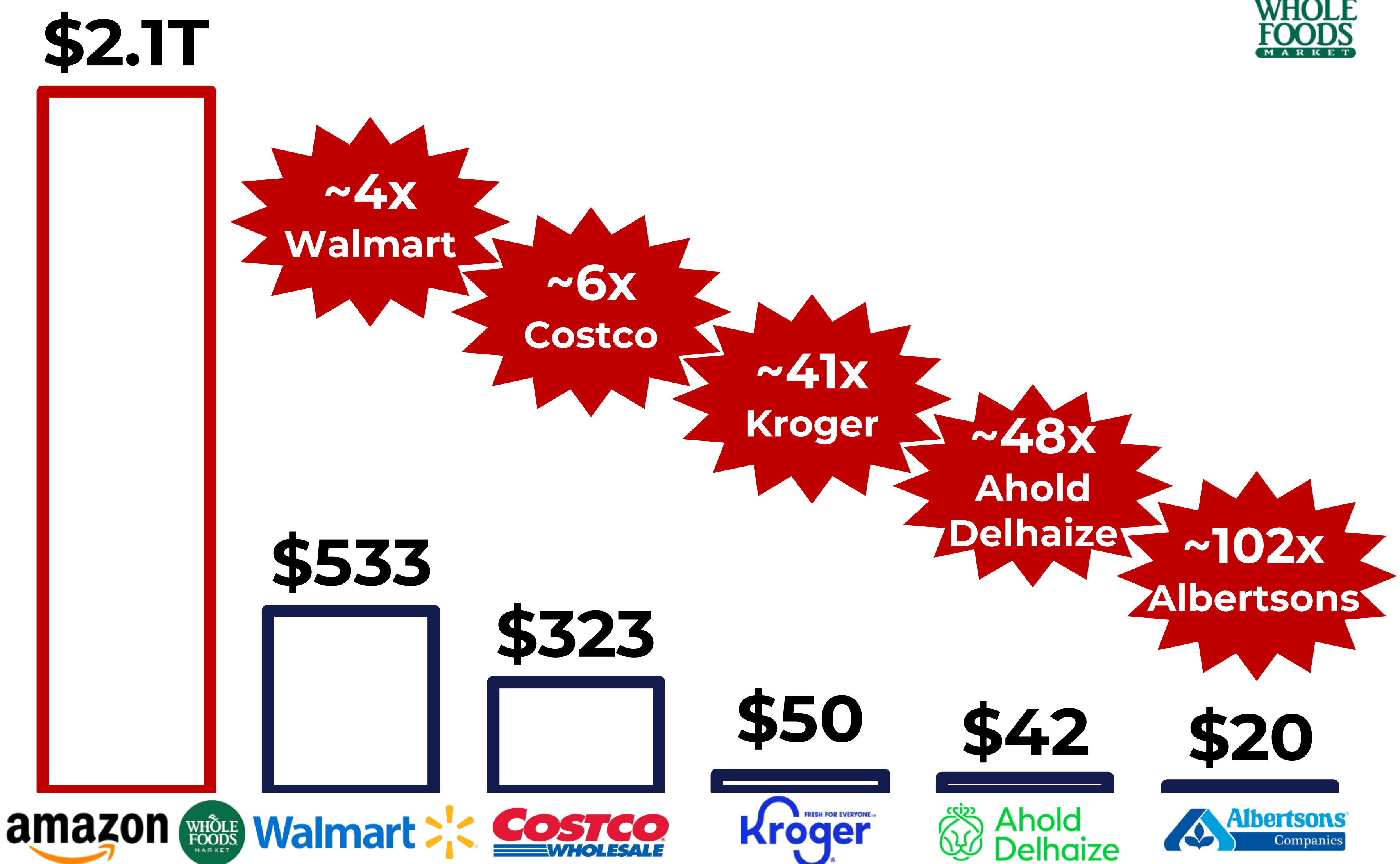
AMAZON'S FULFILLMENT CAPABILITY IS UBIQUITOUS



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

9. AMAZON'S $2.1 TRILLION VALUATION IS MANY MULTIPLES ITS GROCERY COMPETITORS

($ In Billions)



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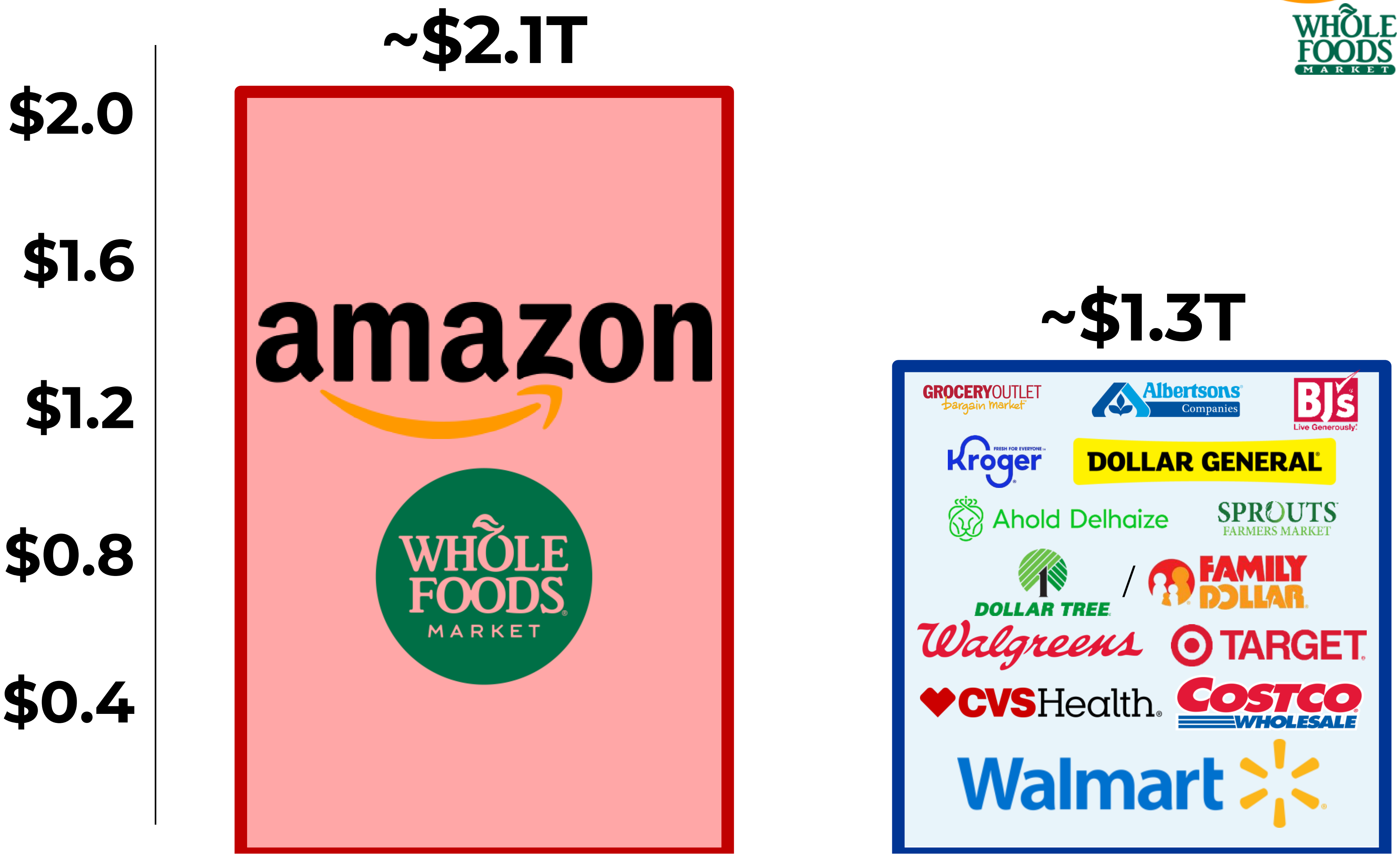
Source: Company filings and Capital IQ as of April 2024.

9. AMAZON'S $2.1 TRILLION VALUATION EXCEEDS ALL OTHER PUBLICLY-TRADED U.S. GROCERS, COMBINED

($ In Trillions)



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

CEO Andy Jassy's 2023 Letter to Shareholders

April 11, 2024

"We have a <u>very large and growing grocery business in organic grocery</u> (with Whole Foods Market) and non-perishable goods (e.g. consumables, canned goods, health and beauty products, etc.)."

"We also <u>continue to improve delivery speeds, breaking multiple company records</u>… As we get items to customers this fast, <u>customers choose Amazon to fulfill their shopping needs more frequently</u>…"

Progressive GROCER amazon WHOLE FOODS MARKET

Amazon Introduces Low-Cost Grocery Delivery

April 23, 2024

"Our goal is to build a <u>best-in-class grocery shopping experience</u> – whether shopping in-store or online – where <u>Amazon is the first choice for selection, value and convenience</u>. We have many different customers with many different needs, and we want to <u>save them time and money every time they shop for groceries</u>."

- Tony Hoggett, SVP of Worldwide Grocery Stores at Amazon

Amazon launches low-cost grocery delivery subscription plan in US

April 23, 2024

"Ecommerce giant ***Amazon.com launched a new grocery delivery subscription*** *on Tuesday in the United States for members of its Prime program and customers who are recipients of the government food assistance benefits.*

The ***subscription plan would allow Amazon's Prime members to get unlimited grocery delivery at $9.99 per month on orders over $35 from Whole Foods Market, Amazon Fresh, and other local grocery and specialty retailers on the platform****, including Save Mart, Bartell Drugs, Rite Aid and Pet Food Express.*

The service ***will be available in over 3,500 cities and towns across the country****.*

Low-income citizens, who rely on the government's Supplemental Nutrition Assistance Program (SNAP) to support their grocery budgets, would have to pay a reduced $4.99 fee per month for the same perks and do not require a Prime membership, according to the statement by Amazon.com.

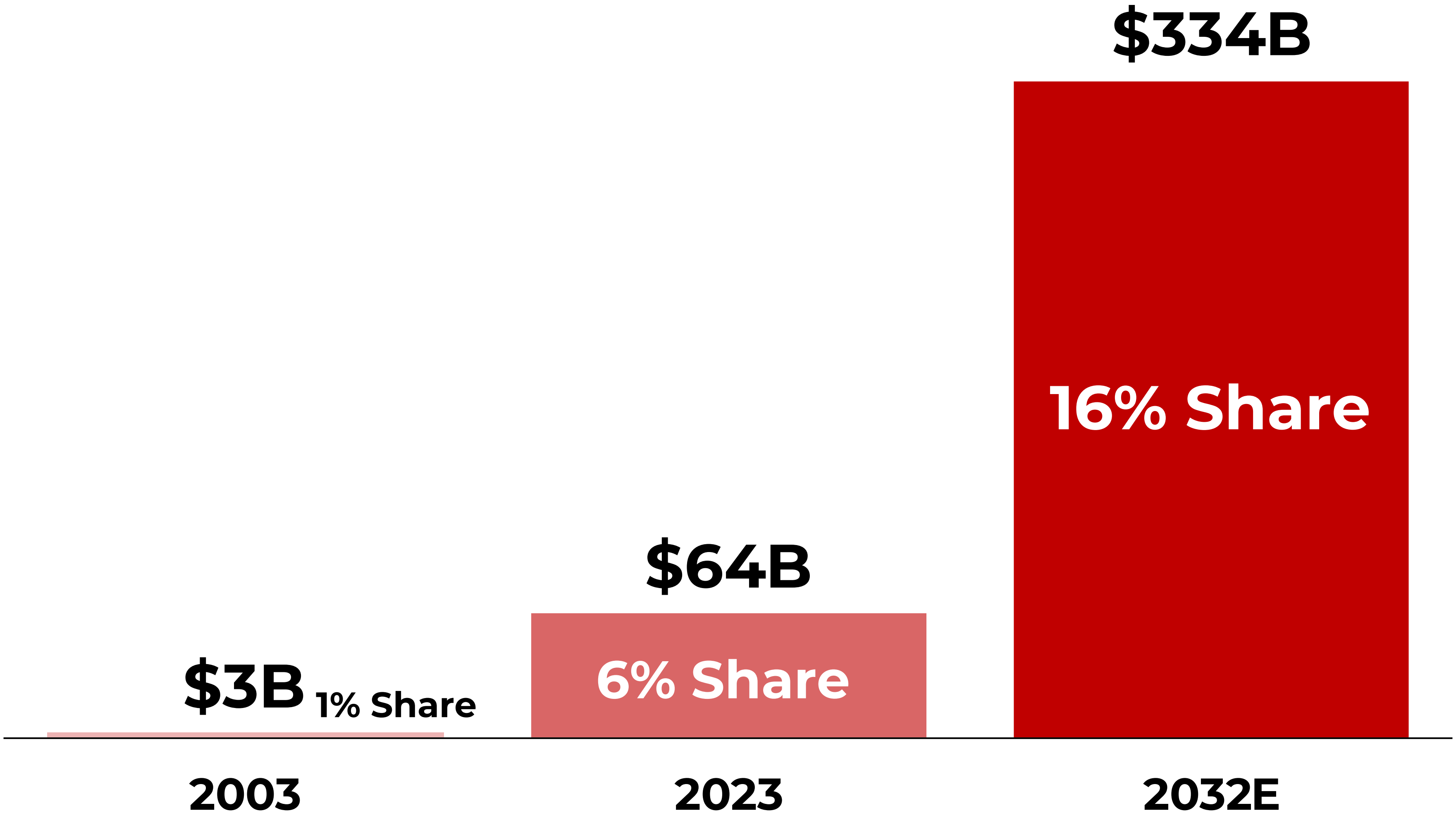
The move comes as part of the ***company's efforts to expand its fresh-food business in a space already occupied by players like Walmart and Target****, which also have paid membership programs.*

A Walmart Plus offers plans for $12.95 per month, or a yearly plan for $98.

Amazon's offering also includes one-hour delivery windows at no extra cost and unlimited 30-minute pickup on orders of any size*. The move comes after a successful trial of this subscription plan in Denver, Colorado, Sacramento, California, Columbus and Ohio last year, the company added."*

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

AMAZON'S GROCERY SALES (2003 – 2023 – 2032E)



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

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+

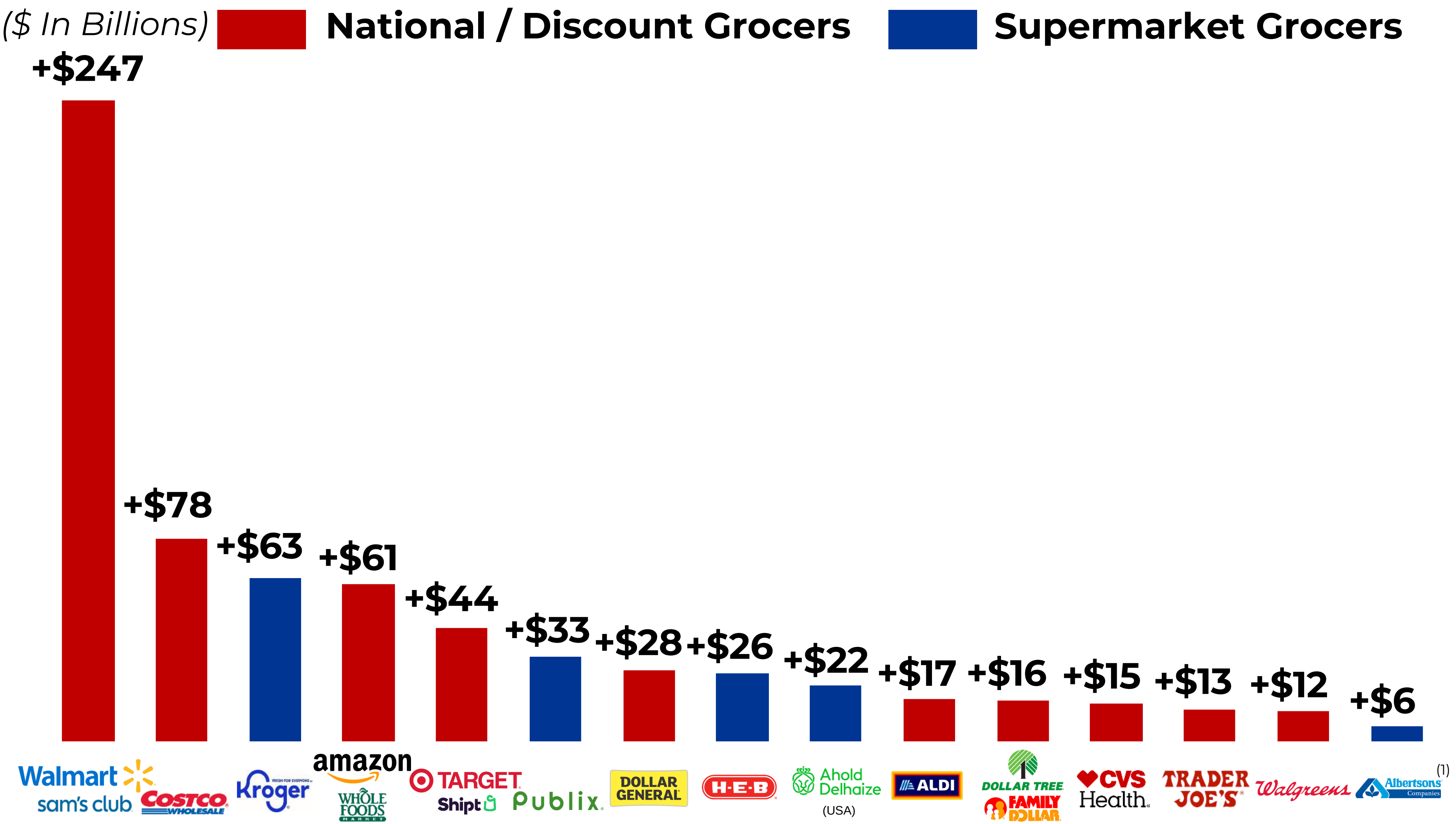
PORTLAND, OR

- **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

Source: Instacart Website.

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

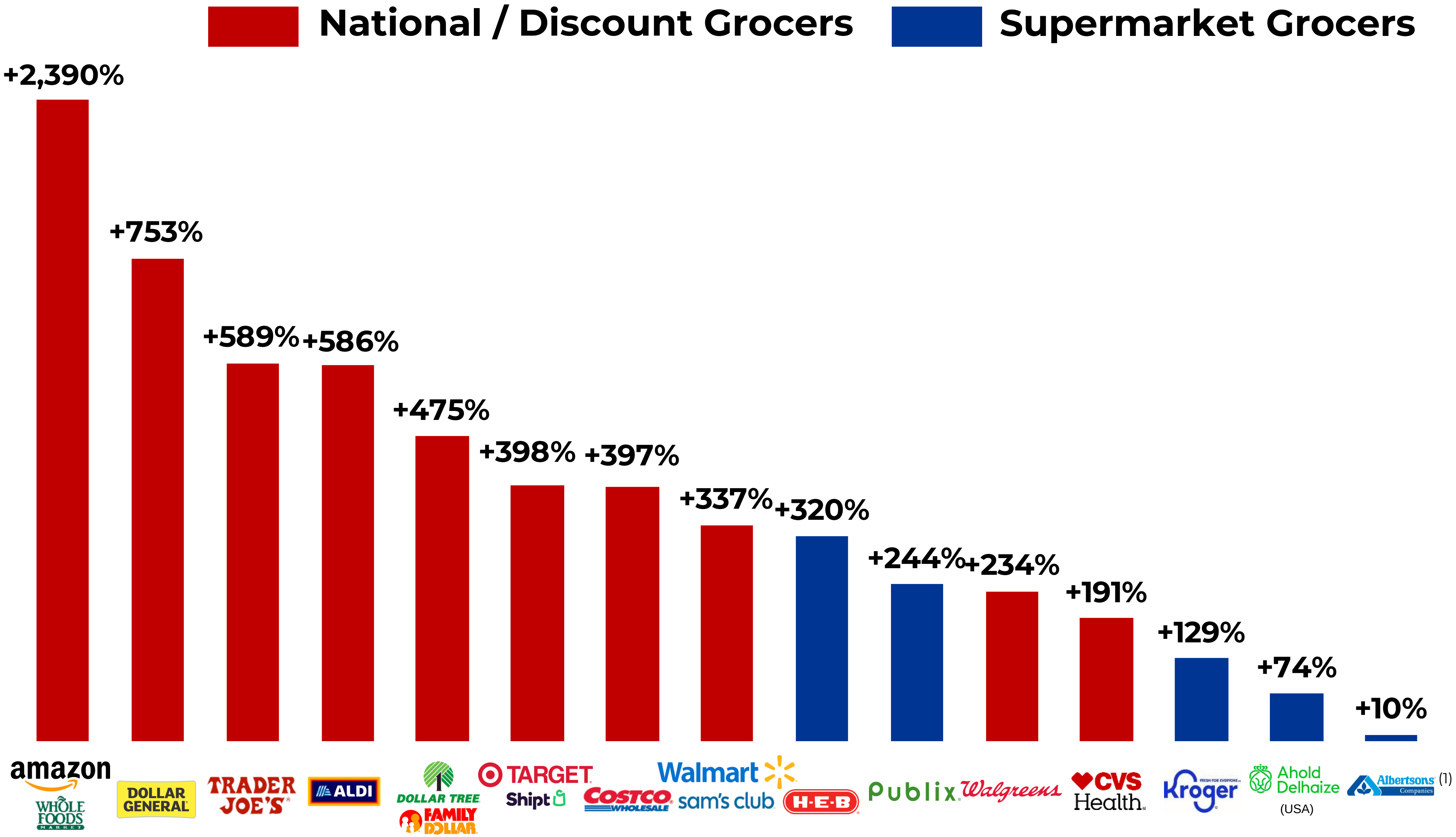
NATIONAL / DISCOUNT GROCERS HAVE ADDED EXTRAORDINARY AMOUNTS OF GROCERY SALES IN THE PAST 20 YEARS



Source: Company filings and Progressive Grocer Top 100 Report as of April 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

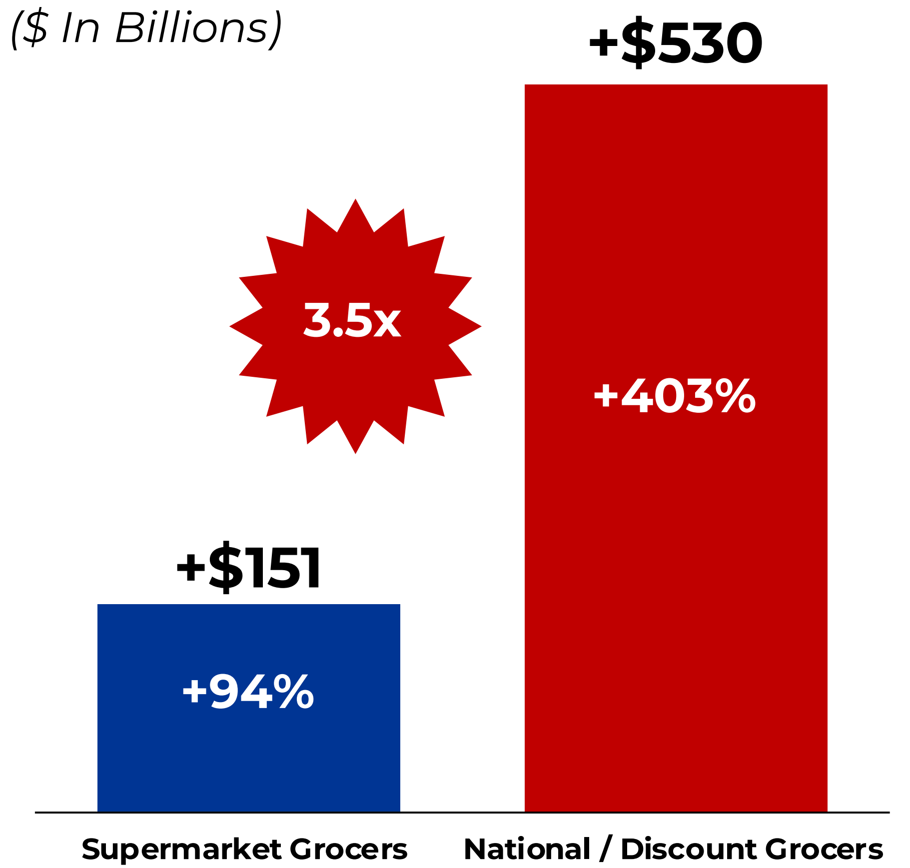


Source: Company filings and Progressive Grocer Top 100 Report as of April 2024.
Note: U.S. grocery sales excludes pharmacy, fuel and other non-grocery categories. Amazon figures reflect 90% of North America sales (U.S. not reported).
1) ACI ownership and operational footprint has changed substantially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

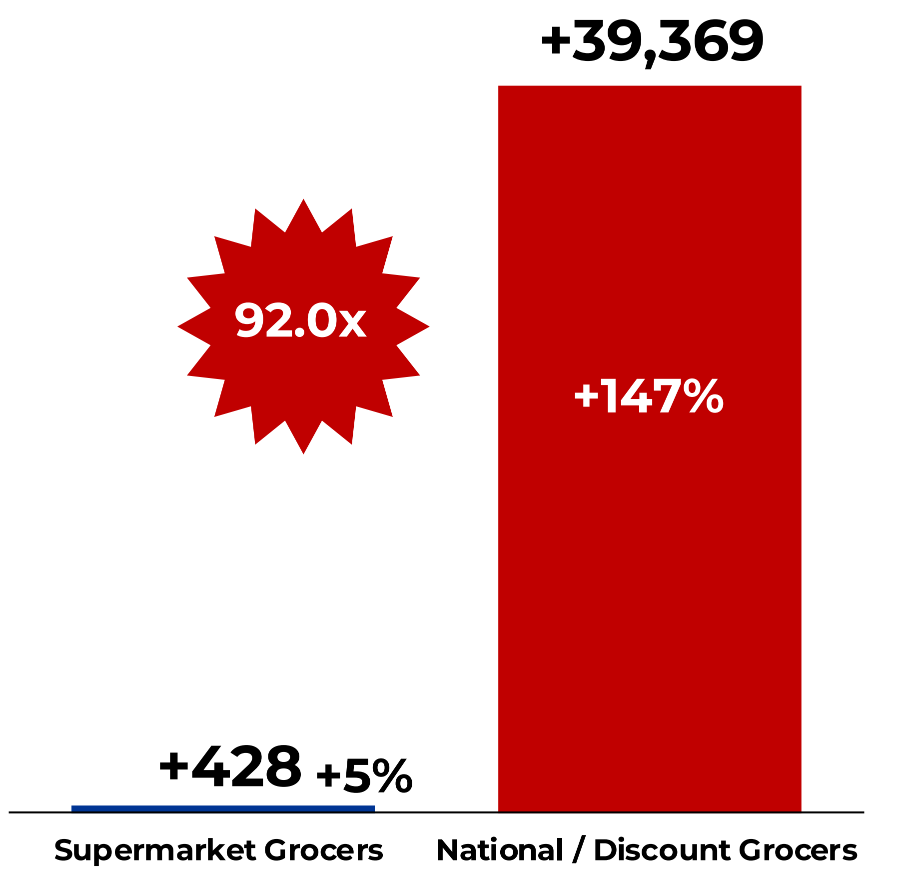
11. NATIONAL / DISCOUNT GROCERS GROWTH HAS FAR EXCEEDED THAT OF SUPERMARKET GROCERS OVER THE PAST 20 YEARS

GROCERY GROWTH (2003 – 2023, TOP 15 GROCERS)

GROCERY SALES GROWTH



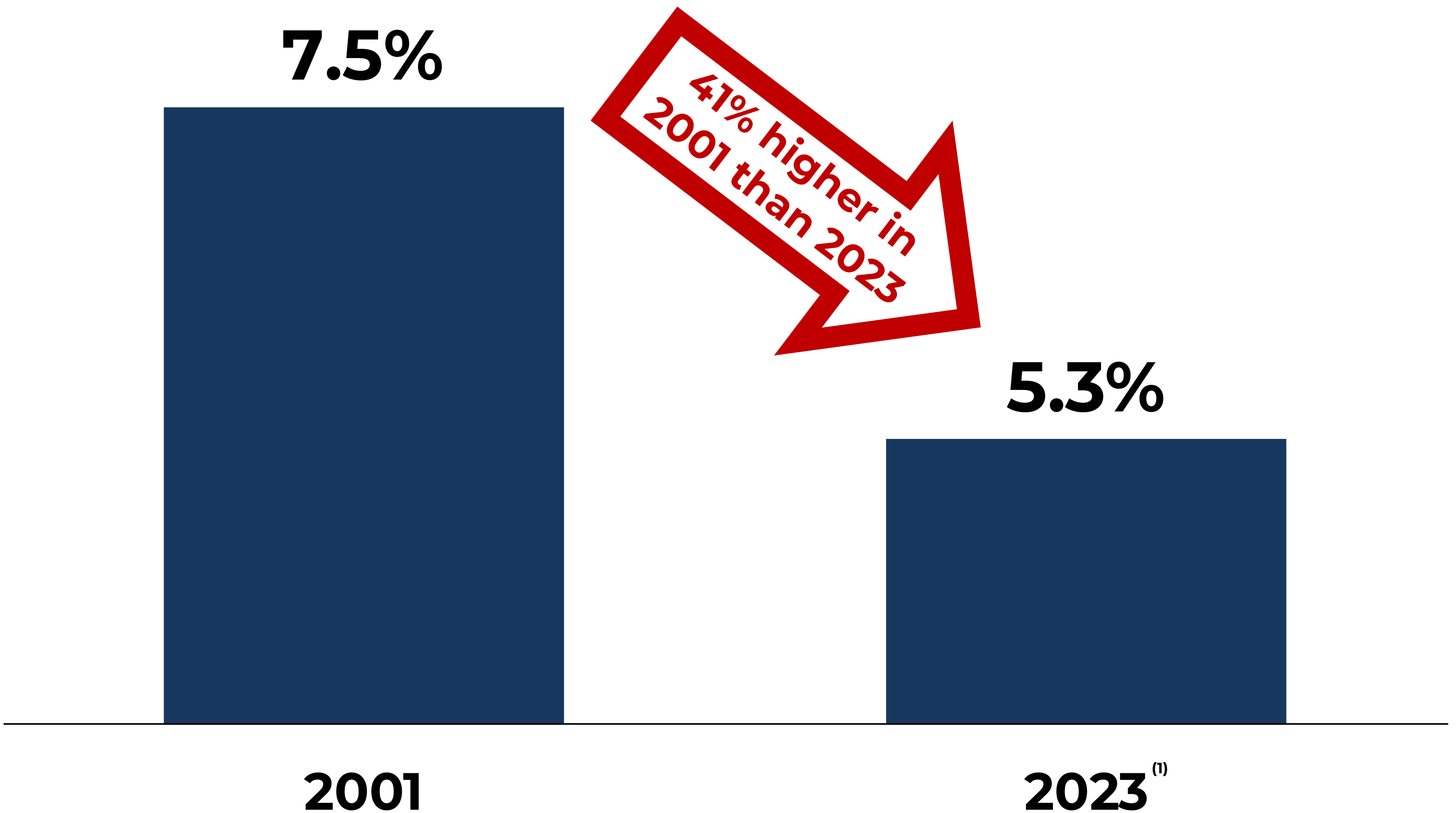
STORE COUNT GROWTH



Source: Company filings and Progressive Grocer Top 100 Report as of April 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

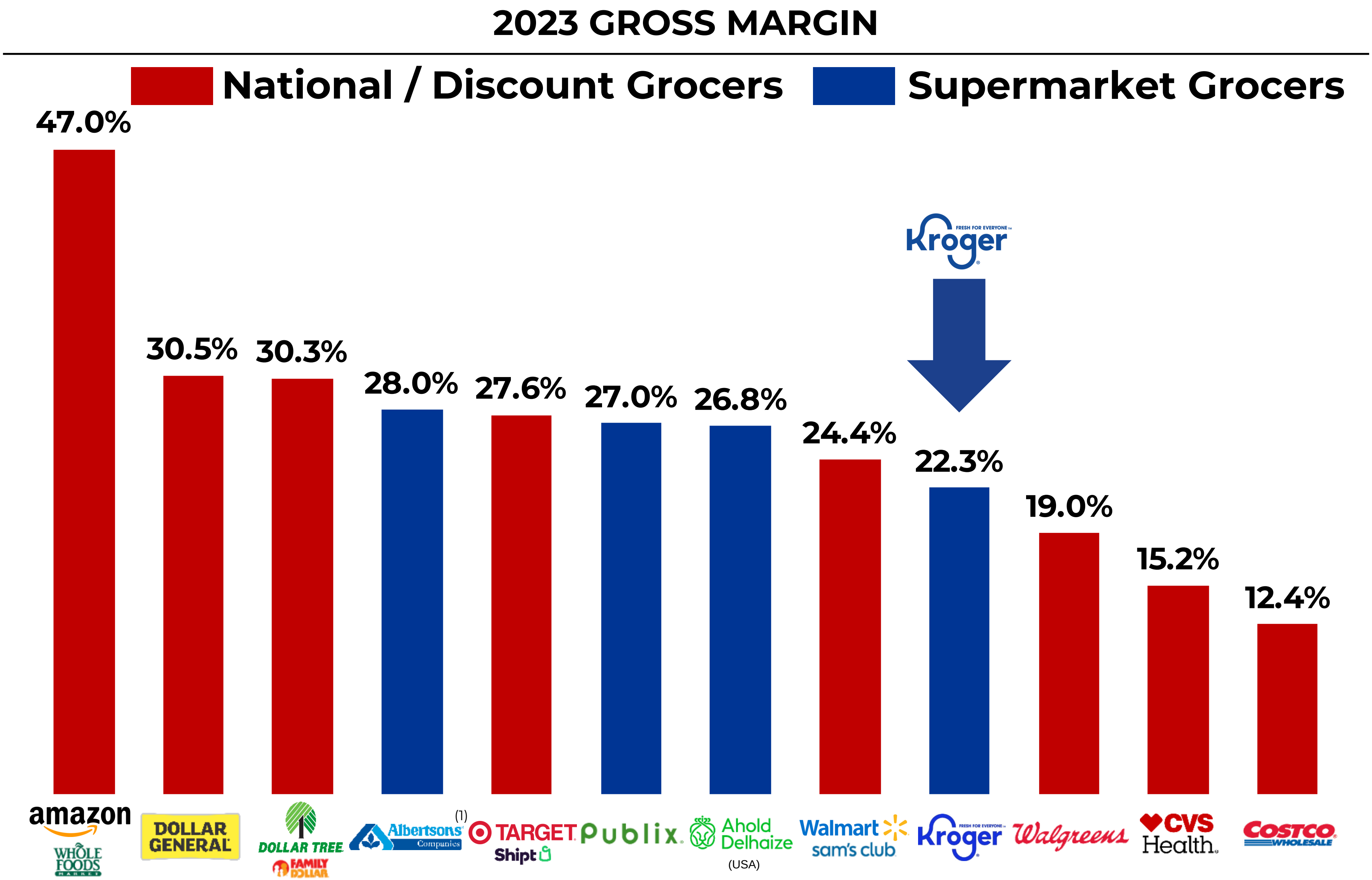
HISTORIC SUPERMARKET GROCERS' EBITDA MARGIN



Source: Capital IQ and Company filings as of April 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 April 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

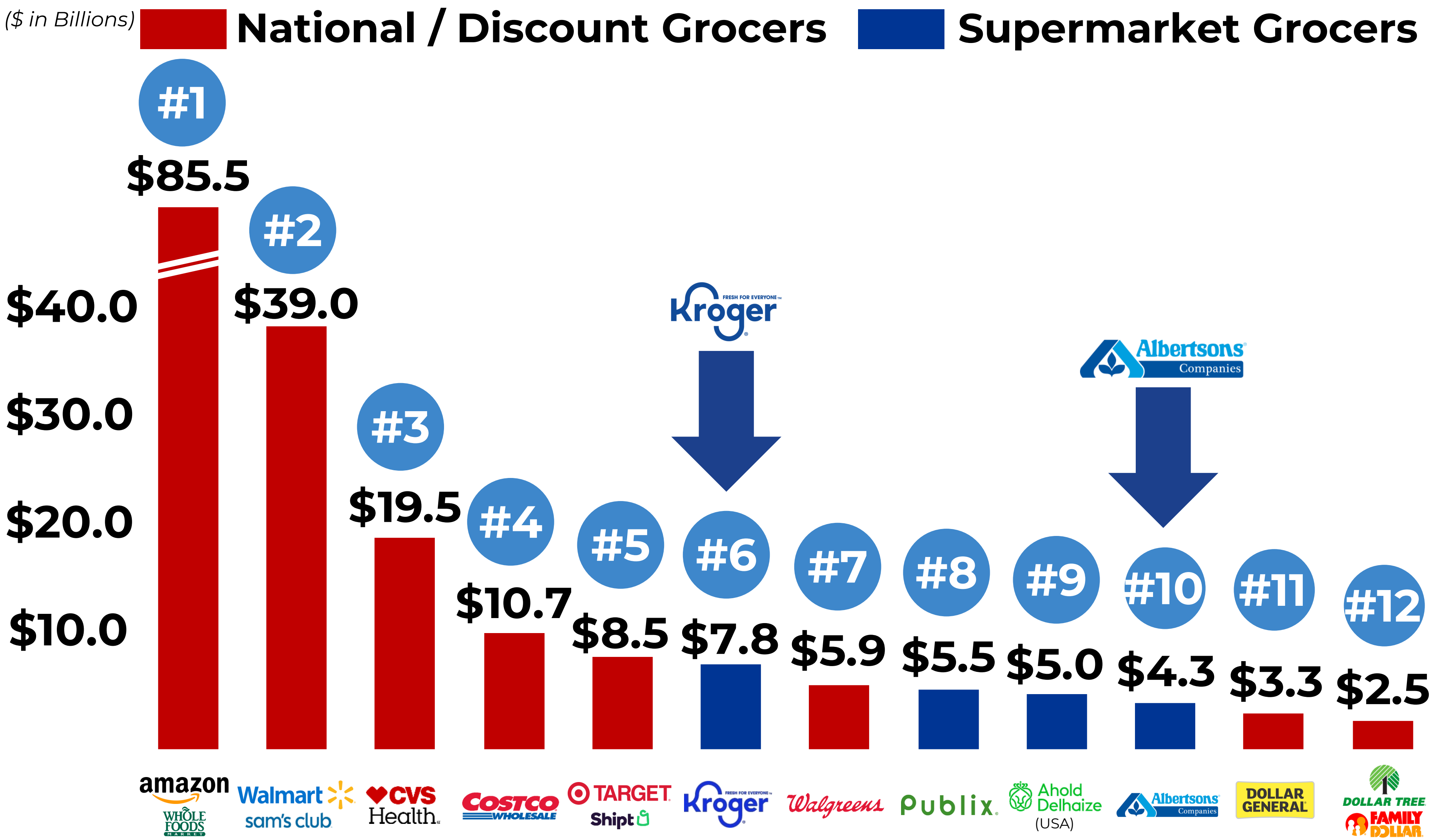
20-YEAR GROSS MARGIN CHANGE

amazon / WHOLE FOODS MARKET	+23%
Ahold Delhaize	+4%
DOLLAR GENERAL	+2%
Walmart / sam's club	+1%
Albertsons Companies	-2%
Kroger FRESH FOR EVERYONE	-5%

Source: Company filings as of April 2024.

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

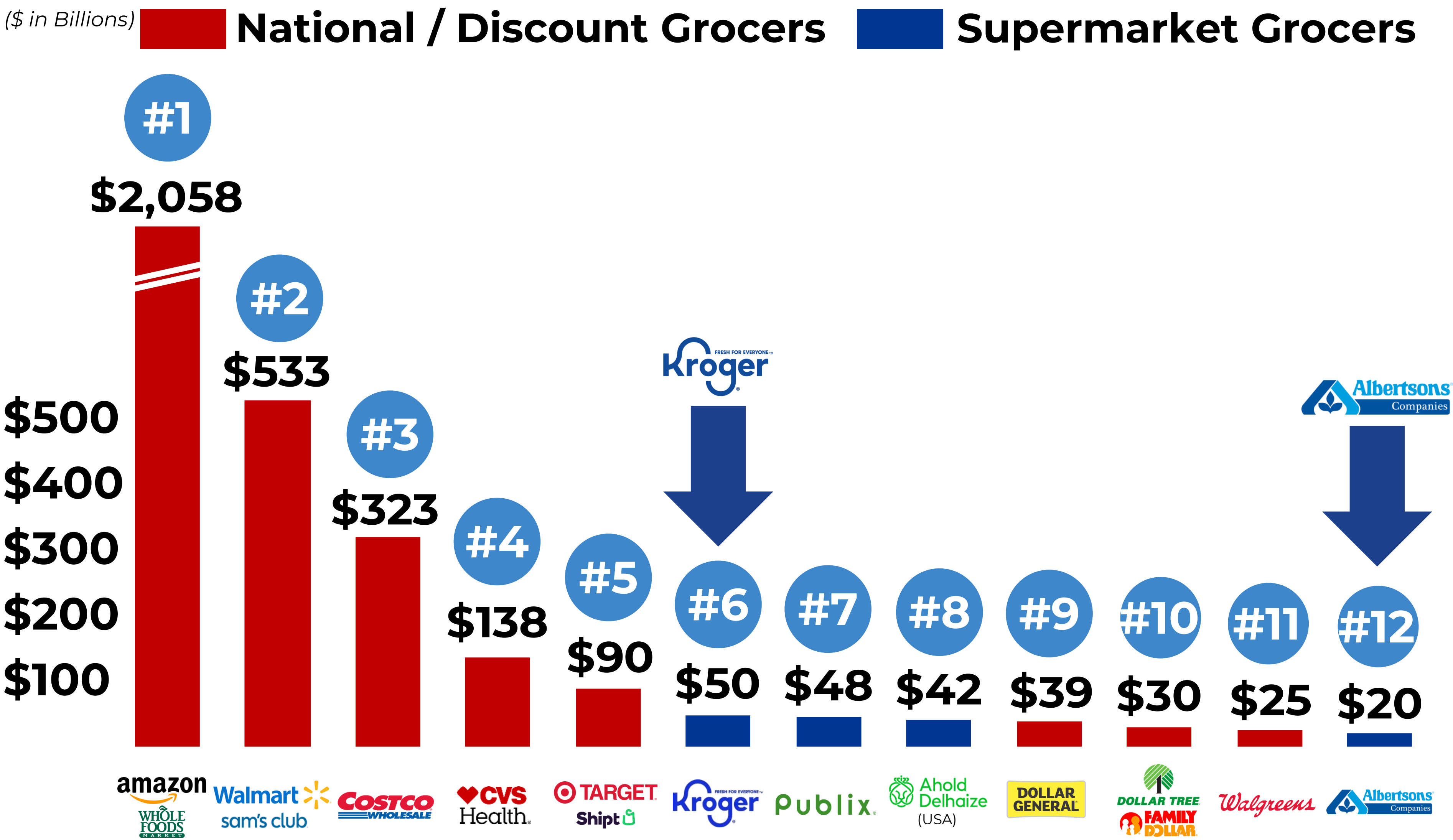
LTM EBITDA



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

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

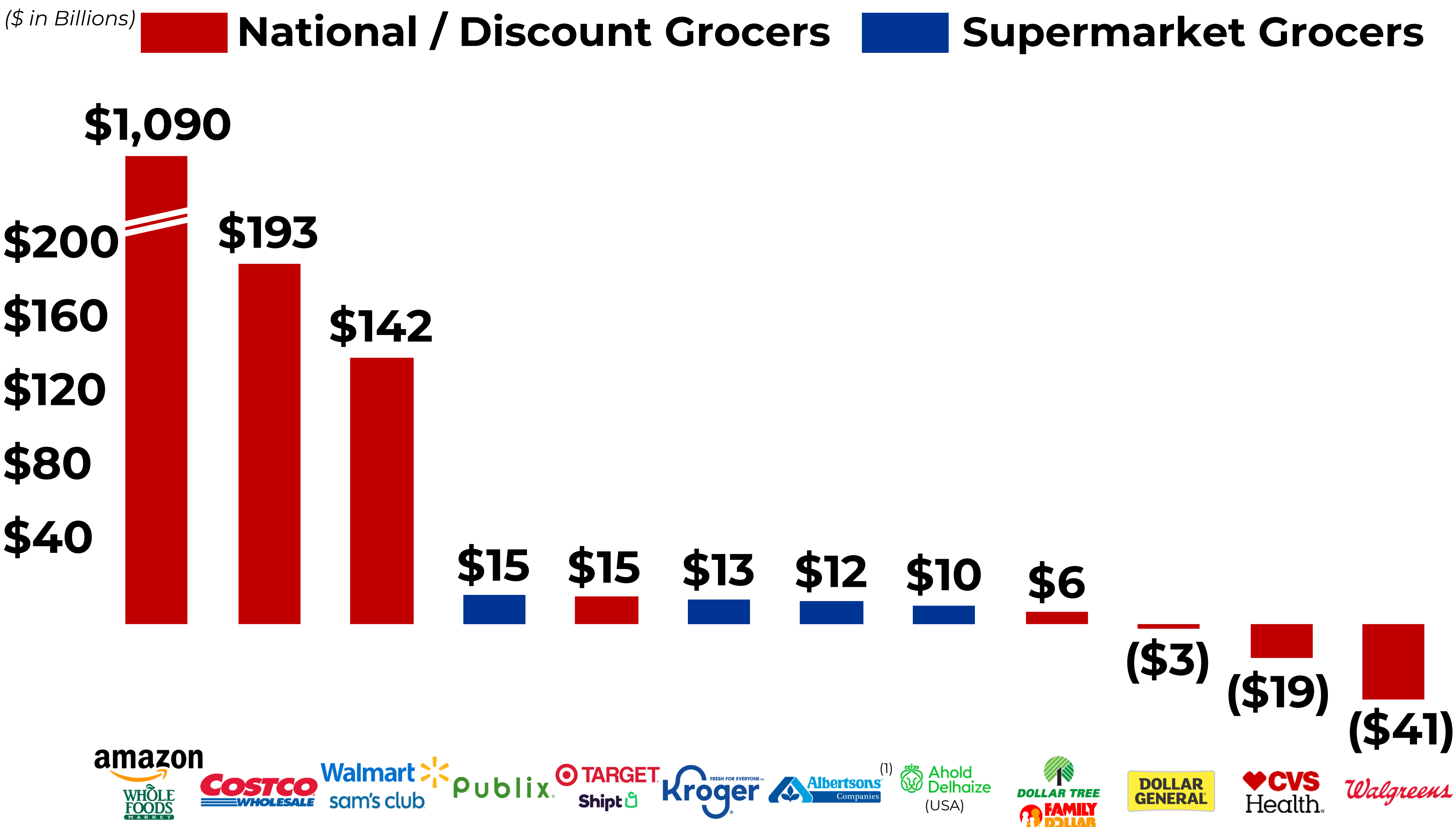
FIRM VALUATION



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

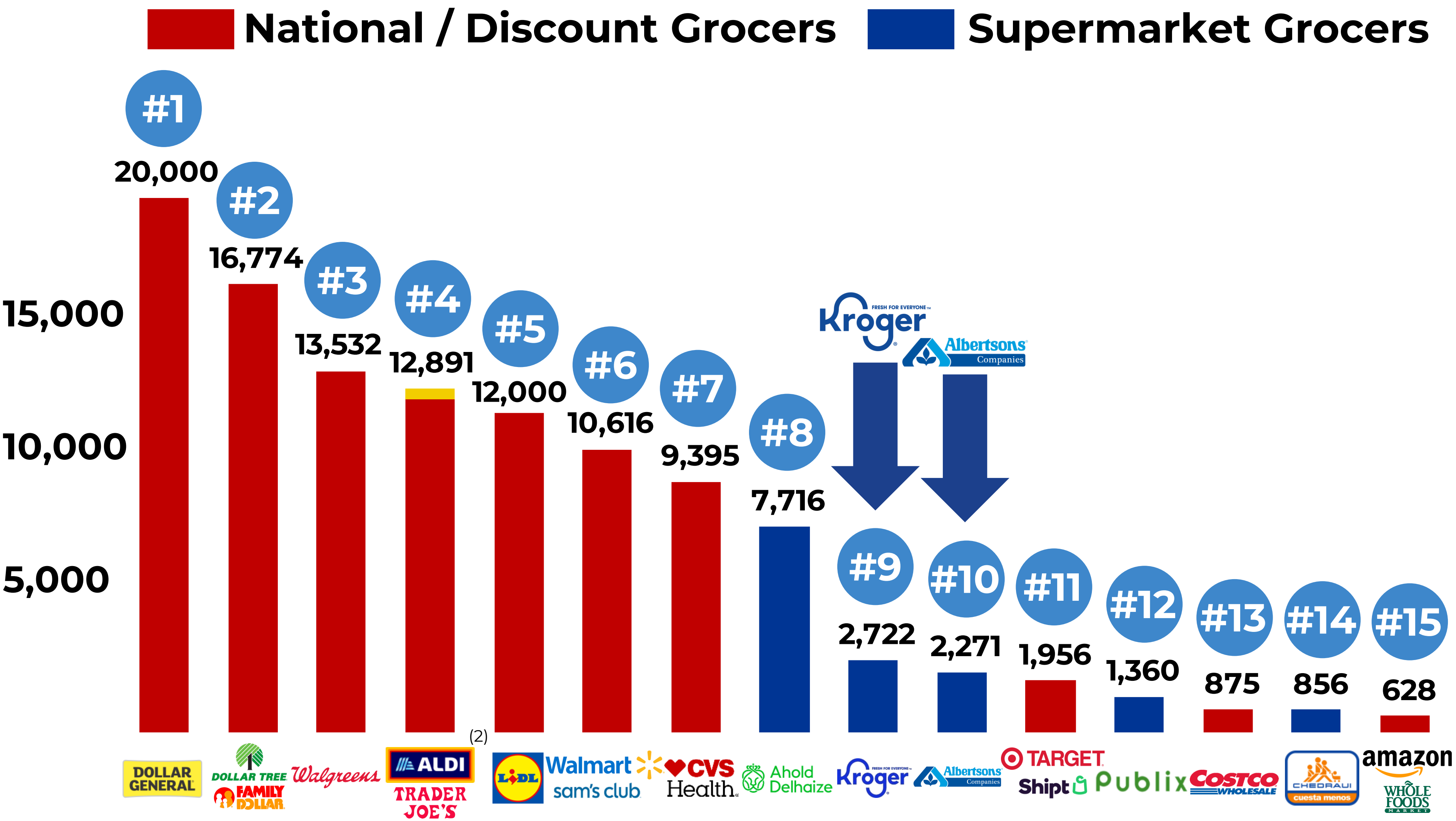
12. THE VALUATIONS OF AMERICA'S NATIONAL / DISCOUNT GROCERS HAVE INCREASED FAR MORE DURING THE PANDEMIC THAN SUPERMARKET GROCERS

FIRM VALUATION GROWTH SINCE JANUARY 2020



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

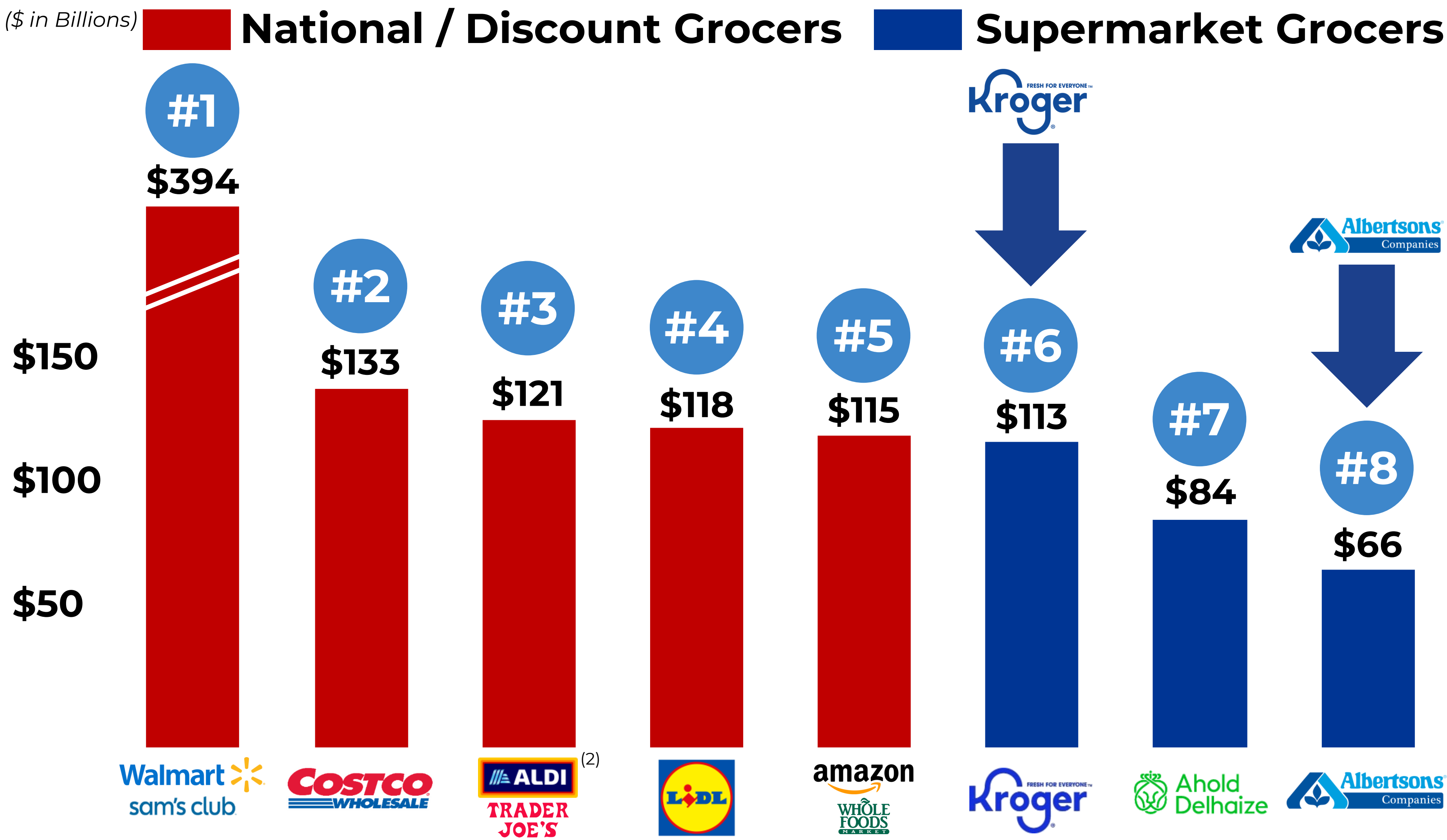
GLOBAL STORE COUNT (U.S. GROCERS)(1)



Source: Company Filings & Company Websites as of April 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

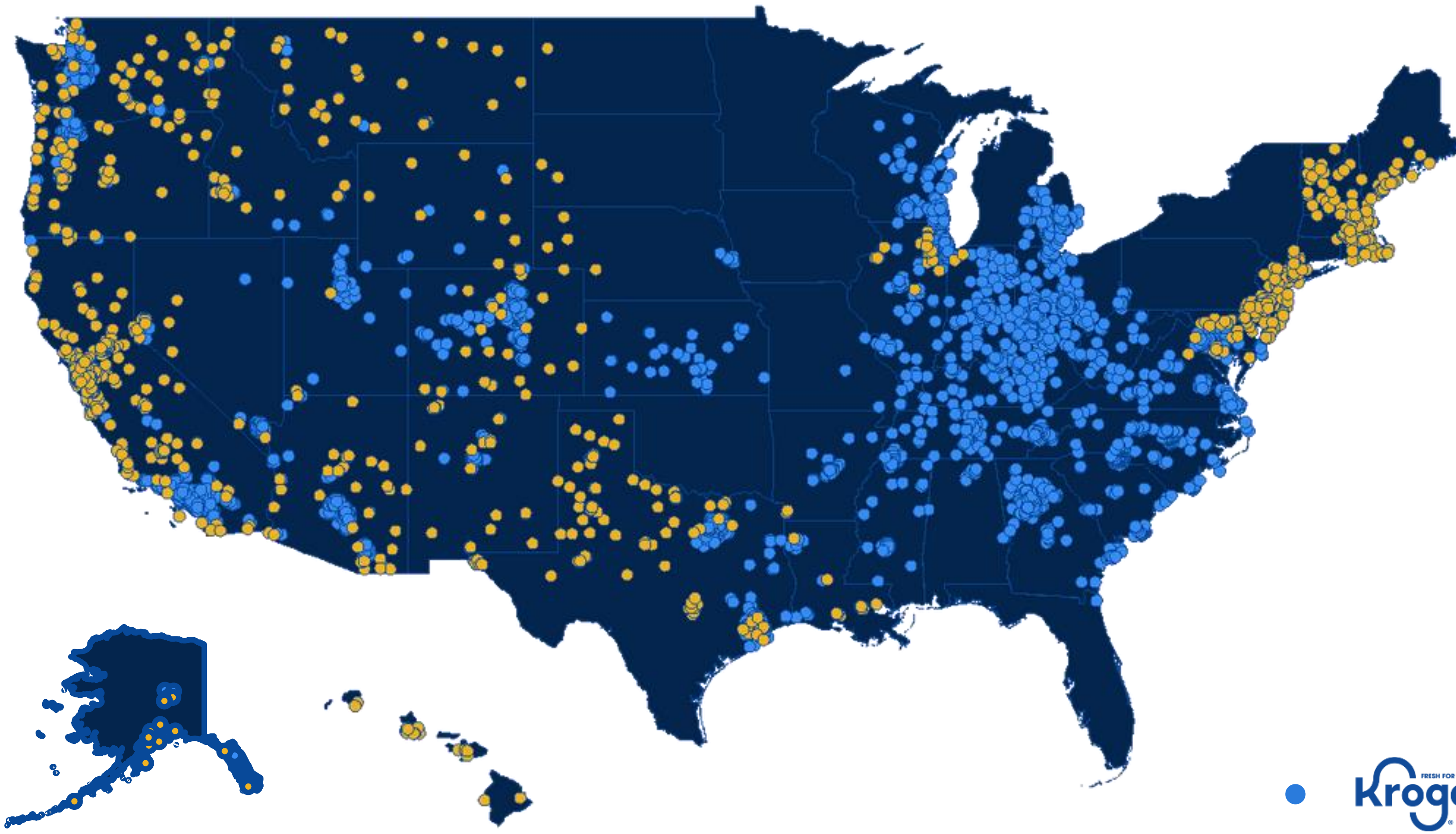
GLOBAL GROCERY SALES RANKINGS (U.S. GROCERS)[1]



Source: Company Filings & Company Websites as of April 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 FRESH FOR EVERYONE

Albertsons Companies

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% (500 bps), 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

Kroger's Clear Commitments

- **Better prices, <u>Day One.</u>**
  - **Building on Kroger's $5 billion better price track record in last 20 years**
- **No store closures**
- **No front-line job losses**
- **Assuming all collective bargaining agreements**
  - **With industry-leading healthcare and pension benefits**
- **$1 Billion for better wages**
  - **Building on Kroger's $2.4 billion wage improvement track record since 2018**
- **$1.3 Billion for better stores**
- **$21,000 tuition reimbursement for full-time and part-time employees**
- **Donating 10 billion meals to combat food insecurity**

KROGER / ALBERTSONS IS GOOD FOR AMERICAN CONSUMERS AND EMPLOYEES.

1	Transaction Benefits for Consumers and Employees	• Better Prices - $500M better price investment • Better Grocery Choice – better food and multi-channel options • Better, Sustainable Union Jobs – stronger stores • 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 • Kroger's gross profit margin is down 5% while 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 • Harris Teeter: $130M lower price investment (2014) • Roundy's: $110M lower price investment (2017)
4	Kroger / Albertsons Is NOT Albertsons / Safeway	• Kroger will be running the combined business • Kroger has a much stronger balance sheet than Albertsons • 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	• No Store Closures; No Front-Line Job Losses • $1B Better Wage Investment / $21,000 Tuition Reimbursement • $1.3B Better Store Investment • Donating 10 billion meals to combat food insecurity

"… 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, Haggen and Mariano's, plus Safeway / Albertsons in some markets) to maintain continuity, 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 FTC divestiture buyer just two years ago)

SOLOMON PARTNERS

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 ~39,000 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 is #1 Global Grocer; has $320B+ 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 $50B U.S. Grocery Business and ~37,000 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 is #5 Global / U.S. Grocer; $2 <u>Trillion</u> 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; Unprecedented Grocery Convenience & 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

- **COVID**
- **Global heatwave / Avian flu**
- **Commodities volatility**
- **Consumer behavior changes**

2 Russia-Ukraine Conflict

- **Impeded flow of goods**
- **Fueled food supply**
- **Shortages increased energy costs**

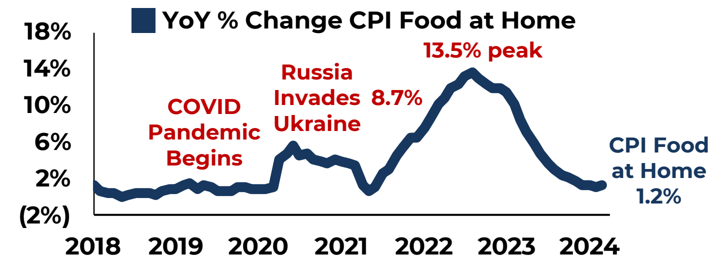
3 Food Manufacturers Passing Cost Increases to Supermarkets and Consumers

Various **food manufacturers' gross margins increased 248 bps over the last year** [(1)]

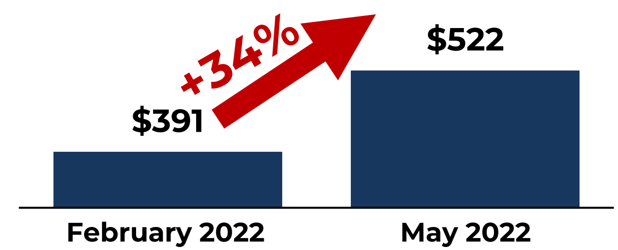
4 Shrinkflation By Food Manufacturers

Reducing product size and quantity while charging the same price

CPI FOOD AT HOME



WHEAT PRICES PER METRIC TON (USD)



FOOD MANUFACTURERS GROSS PROFIT INCREASES

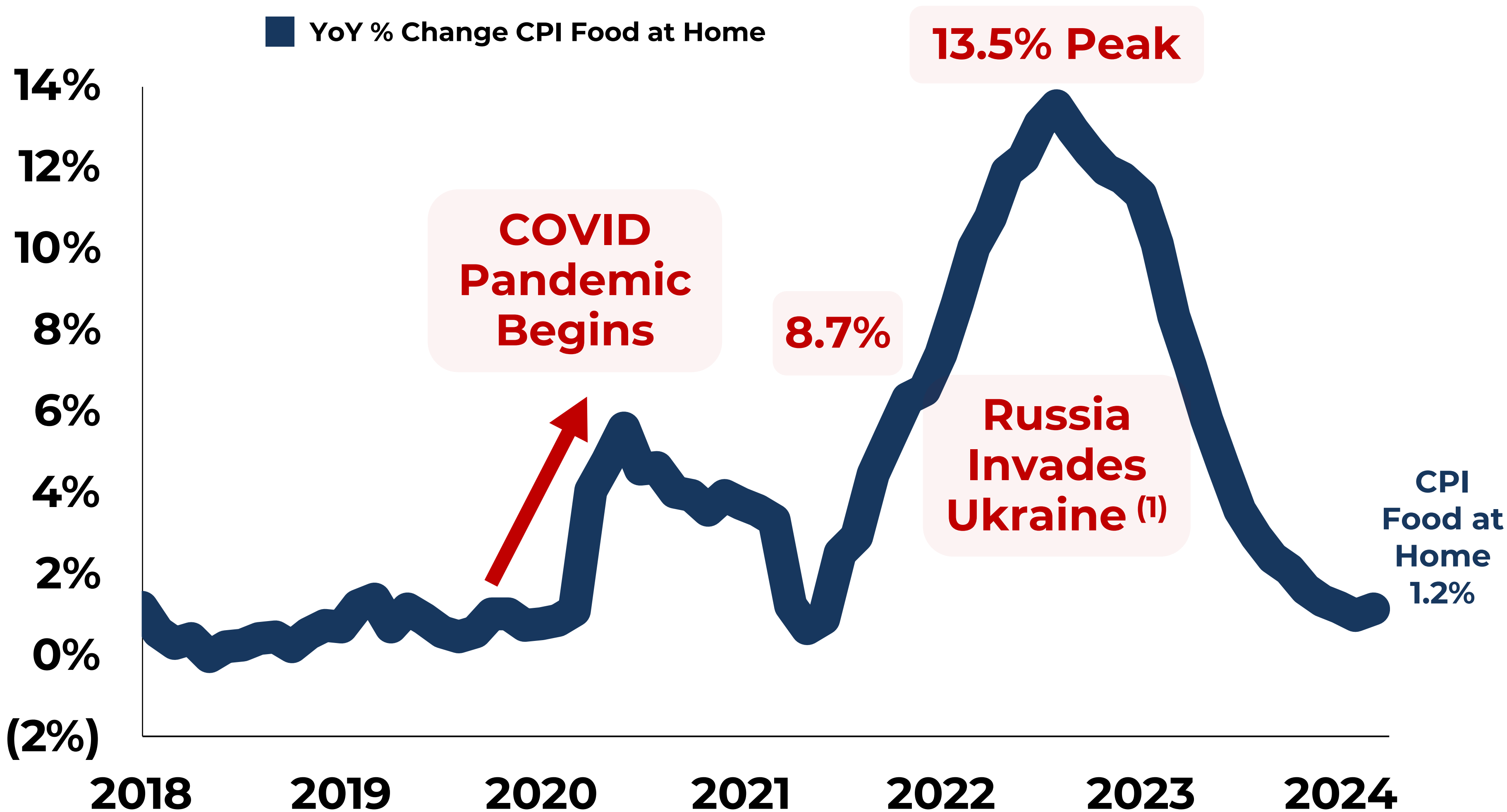
SHRINKFLATION EXAMPLES

SOLOMON PARTNERS

Source: Bureau of Labor Statistics, JOLT Survey, Index Mundi and CapIQ as of April 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 MANUFACTURERS DROVE FOOD INFLATION (NOT GROCERS)

CPI FOOD AT HOME



SOLOMON PARTNERS

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

FOOD INFLATION CAUSES

1. **Supply Shocks**
   - Meat – Global cow reduction
   - Poultry – 2022 U.S. Avian flu
   - Vegetable oil – Indonesia banning exports
   - Soybean oil – Argentina & Brazil droughts
   - Oranges – Hurricane Ian & citrus greening disease

2. **Commodity Prices**
   - Wheat & Fertilizer – Russia / Ukraine
   - Sugar – Mexico, Texas, Louisiana droughts
   - Cocoa – Ivory Coast & Ghana climate crisis

3. **Food Manufacturer "Profiteering"**
   - Meat – Tyson Foods
   - Beverages – Coca-Cola, Keurig Dr Pepper & PepsiCo
   - Snacks – Hershey, Mondelez & PepsiCo

Source: Barchart, FAO, FRED, International Cocoa Organization, Marketplace, Perfect Union, Reuters, SierraClub, The Washington Post, Trading Economics, USA, Wall Street Journal, Yahoo Finance, company filings and other publicly available information.

SUPPLY SHOCKS, COMMODITIES VOLATILITY AND FOOD MANUFACTURER PROFITEERING DROVE INFLATION

Wheat

- *War in Ukraine has caused rising wheat price; Ukraine was 5th largest exporter before the war*
- *Global wheat prices immediately rose, reaching historic highs in May 2022*
- *Russia has continued to restrict and attack Ukrainian export ports*

Citrus

- *U.S. orange production decreased 12% in 2022*
- *In 2022, Hurricane Ian destroyed over $400M worth of citrus plants in Florida, causing lowest citrus production since the Great Depression*
- *Incurable citrus greening disease also reduced the citrus supply in Mexico, Brazil and Florida*

Cocoa

- *Global cocoa supply has declined 1/3 as climate crisis ravages Ivory Coast and Ghana, the world's largest producers (60% of global supply)*
- *As a result, cocoa futures have doubled since January 2023*

Beverages

- *PepsiCo and Coca-Cola expanded Q3 2023 profit margins by raising prices roughly 10%*
- *PepsiCo noted that cost pressures induced by Russia-Ukraine war eased*
- *Keurig Dr Pepper nearly doubled its operating margin for its U.S. non-coffee beverage segment in Q3 2023 to 30%*

Snacks

- *Hershey's profit margins grew 19% YoY in Q3 2023 as pricing & productivity gains more than offset inflation and higher manufacturing costs*
- *In Q3 2023, PepsiCo, increased profit margins by 12%, primarily driven by increased prices*
- *Mondelez increased Q3 2023 profit margins 75%*

Fertilizer

- *Prices hit near-record levels in 2022 and remain elevated, in part due to Russia's war on Ukraine*
- *Accounts for nearly 1/5 of U.S. farm costs*

Vegetable Oil

- *Several factors drove prices up 50% since 2019*
- *Indonesia, the world's largest palm oil producer, temporarily banned exports in April 2022 to bring down rising domestic food prices*

Soybean Oil

- *Droughts in Argentina and Brazil, the top global soybean exporters, caused yields to hit a near-50-year low*
- *Argentina increased export taxes and restricted exports since escalation of Ukraine war*

Sugar

- *Global sugar prices hit a decade-high in Fall 2023 (70%), largely due to drought conditions caused by El Niño*
- *Droughts in Mexico, Louisiana and Texas have reduced the sugar supply*

Meat

- *In 2021 and 2022, wholesale prices grew much more rapidly than input prices*
- *Tyson Foods noted that its pricing actions "more than offset the higher COGS" on a 2021 earnings call*

SOLOMON PARTNERS

Source: Barchart, FAO, FRED, International Cocoa Organization, Marketplace, Perfect Union, Reuters, SierraClub, The Washington Post, Trading Economics, USA, Wall Street Journal, Yahoo Finance, company filings and other publicly available information.

SHRINKFLATION BY FOOD MANUFACTURERS MAKES CONSUMERS FEEL CHEATED

1. **Shrinkflation is when food manufacturers reduce product size or quantity while still charging the same price; it is another form of food price inflation**

2. **Shrinkflation Examples (Prices Remained Constant)**

16oz → 14oz

Mondelēz International

19.3oz → 18.1oz

General Mills

"We took just a little bit out of the [Doritos] bag so we can give you the same price..."
– Frito-Lay spokesperson

9.75oz → 9.25oz

32oz → 28oz

PEPSICO

3. **Negative Impacts on Consumer Psychology**

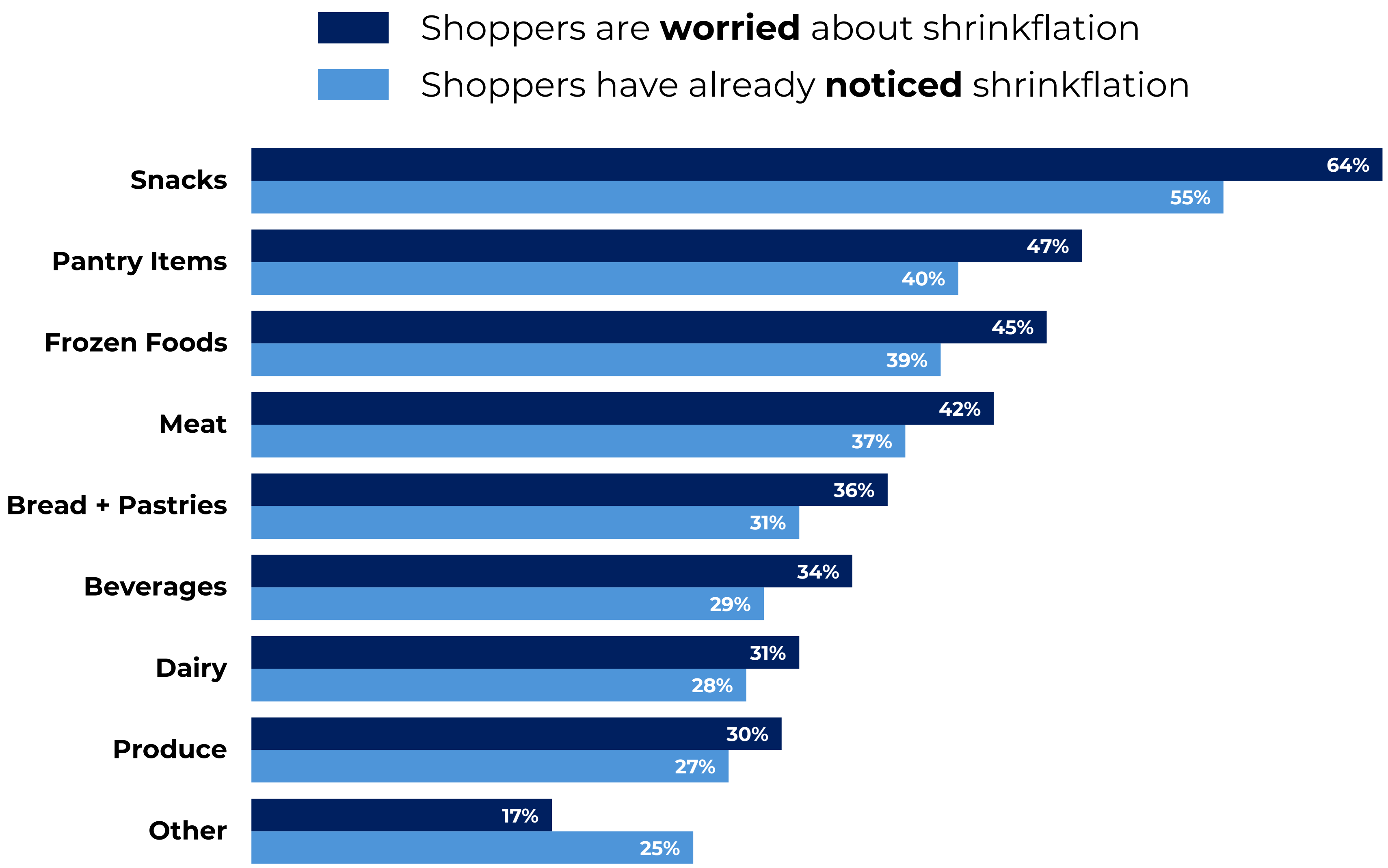
"...New study indicates that nearly three quarters of consumers (73%) are concerned about shrinkflation..."
– Supermarket News (04/04/2023)

"More than eight in ten (83%) report noticing that they are getting less and paying the same amount or more. And nearly as many (79%) say they feel cheated when it happens."
– Ipsos Consumer Tracking (06/12/2023)

Source: Supermarket News, Business Insider, Ipsos Consumer Tracker and Forbes.

SHRINKFLATION BY FOOD MANUFACTURERS MAKES CONSUMERS FEEL CHEATED (CONT'D)

AMERICANS ARE SEEING SHRINKFLATION ACROSS GROCERY CATEGORIES



Source: CNBC.

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."

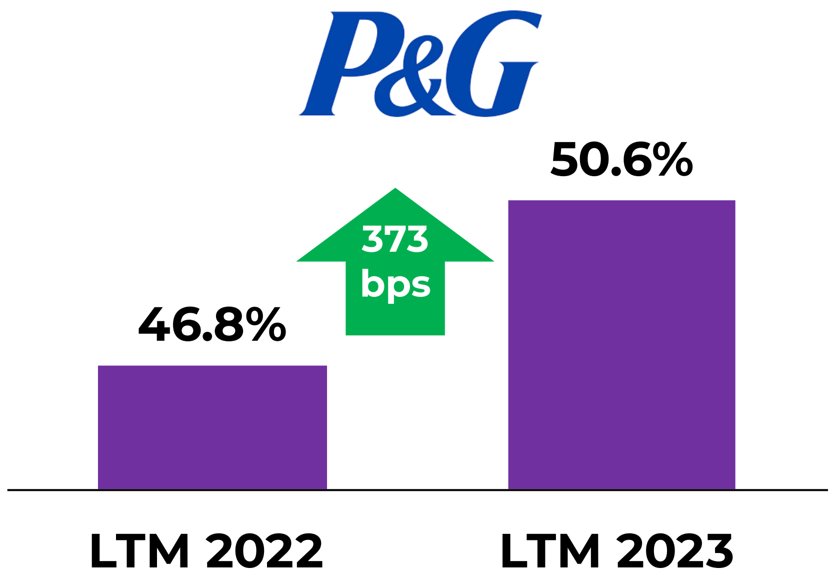
-Steve Cahillane, CEO of ***Kellogg****, Q4 2022 Earnings Transcript*

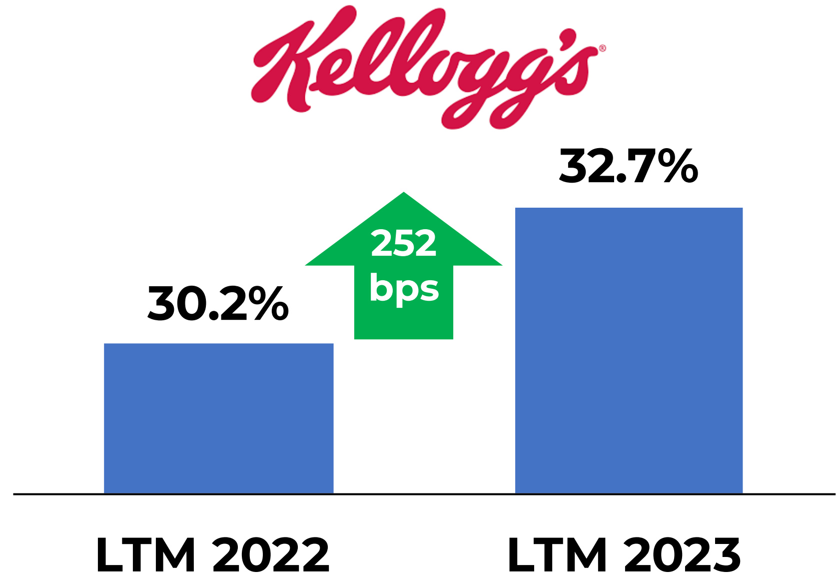
GROSS MARGIN EXPANSION / (COMPRESSION)

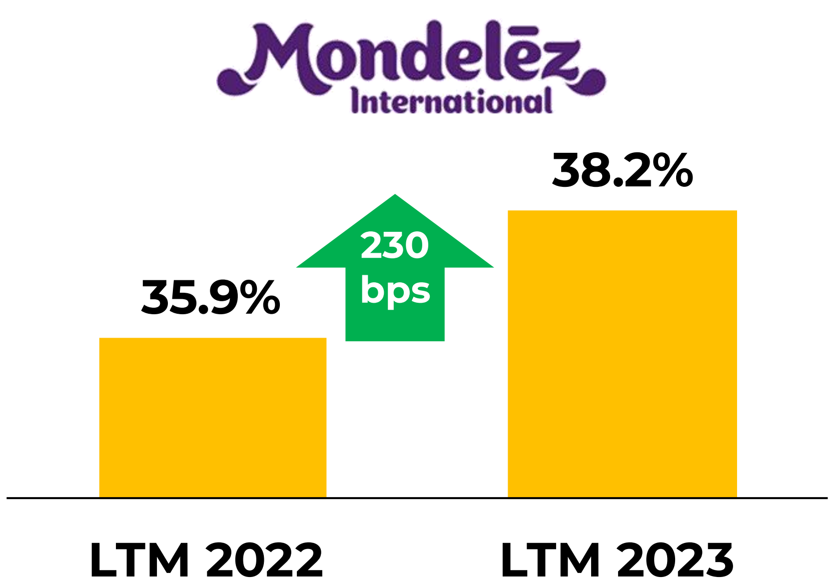
Company	1 Year Change
P&G	373 bps
Kellogg's	252 bps
Mondelēz International	230 bps
Coca-Cola	138 bps
Average	**+248 bps**

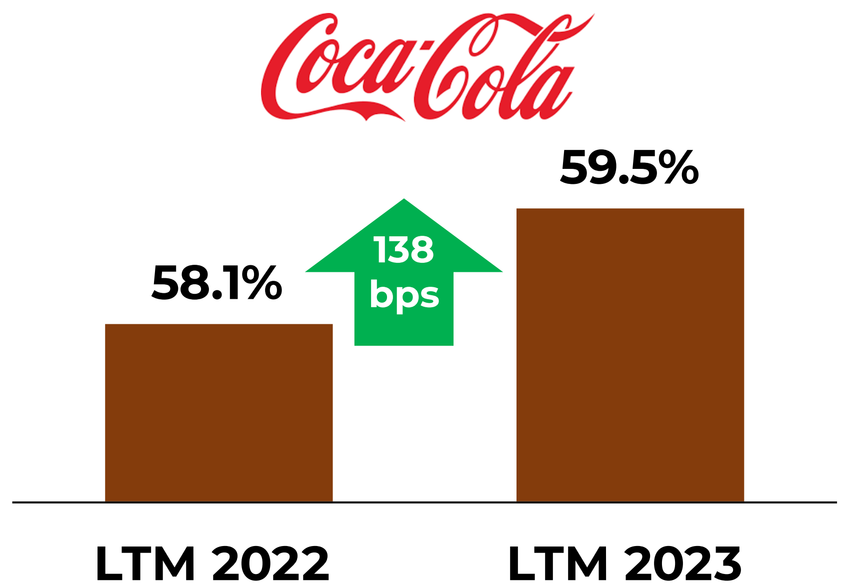
Source: Publicly available information and Capital IQ as of April 2024.
Note: Represents change from the twelve-month period ending December.

FOOD MANUFACTURERS SHOW GROSS MARGIN EXPANSION IN THE RECENT INFLATIONARY ENVIRONMENT









SOLOMON PARTNERS

Source: Publicly available information and Capital IQ as of April 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

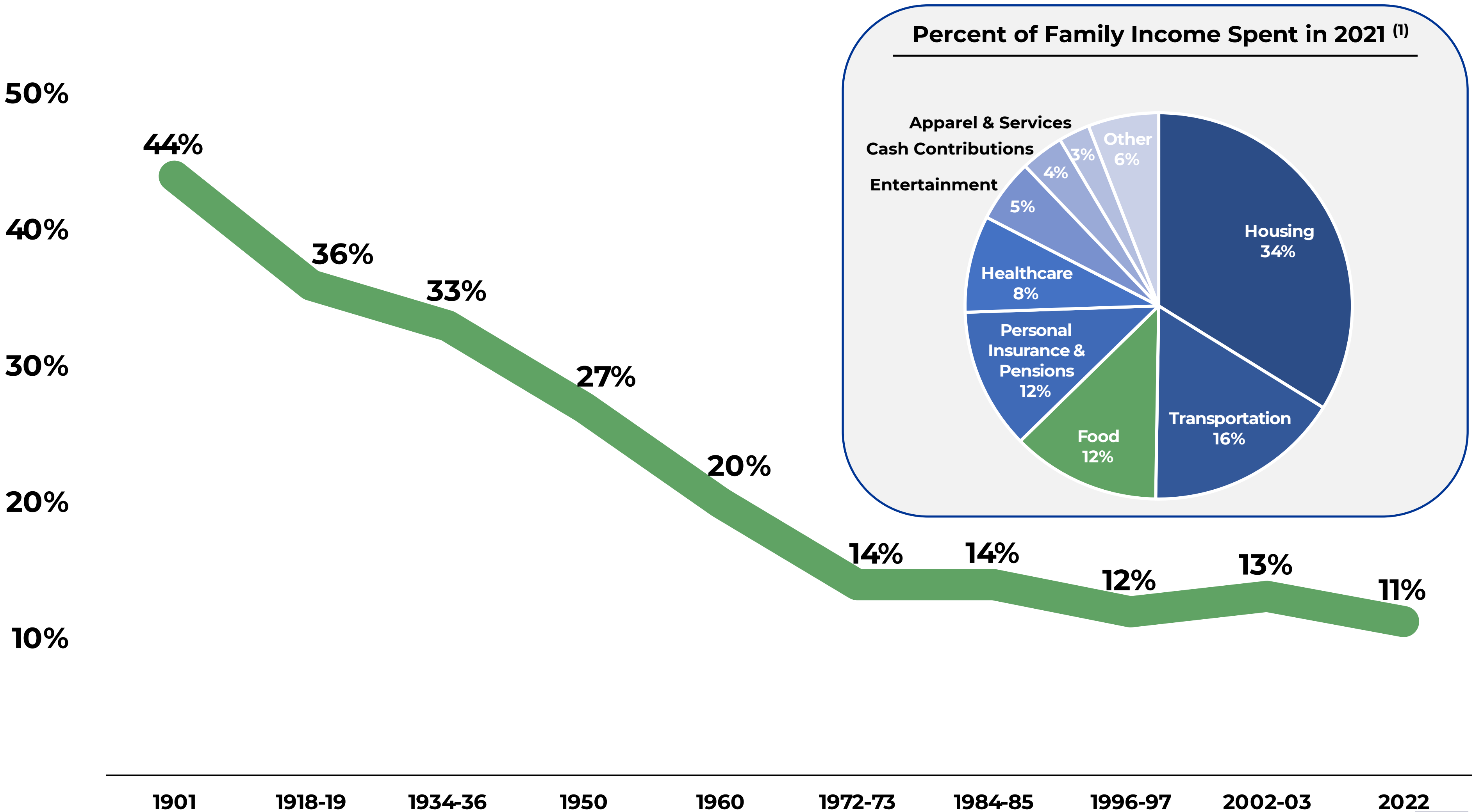
- "If you look over the last 4 years … we've been able to sustain a pretty resilient gross margin … with respect to 2023, the key ingredients … were the impact of the various pricing actions we've had around the world." – *John Murphy, CFO, Q4 2023 Earnings Call*
- "Most of the inflation is in a set 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*

Sources: Publicly available information.

HISTORICAL PERSPECTIVE – AMERICAN FAMILIES CURRENTLY SPEND LESS INCOME ON FOOD VERSUS ANY OTHER TIME IN HISTORY

U.S. FAMILIES SPEND ROUGHLY HALF OF THEIR TOTAL INCOME ON HOUSING AND TRANSPORTATION, THOUGH AT LESS FREQUENT INTERVALS THAN THEIR FOOD SPEND

PERCENT OF FAMILY INCOME SPENT ON FOOD: 1901-2022



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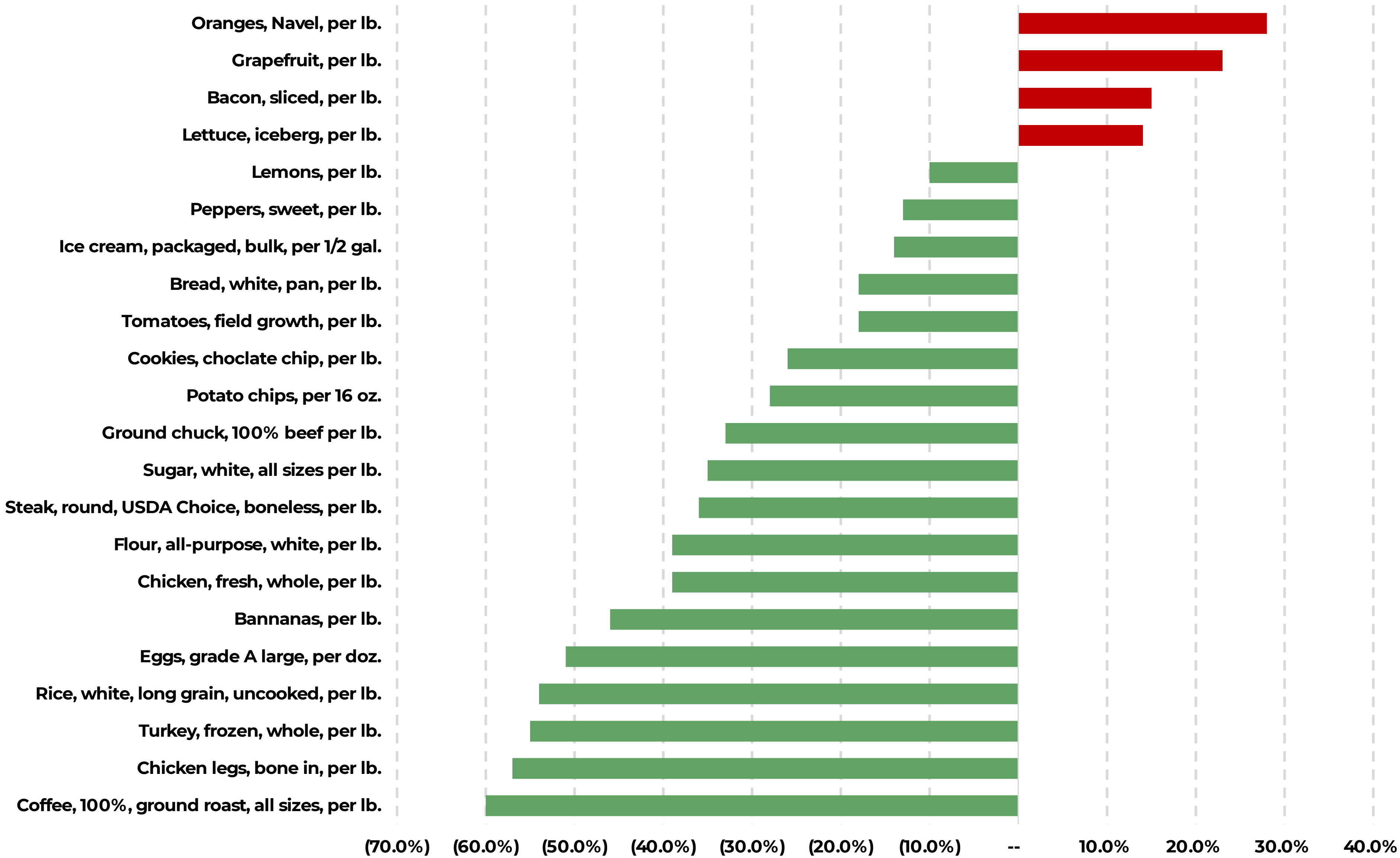
Source: BLS Consumer Expenditure Surveys & USDA Economic Research Service.
1) 2021 is the latest available data for % of family income spent.

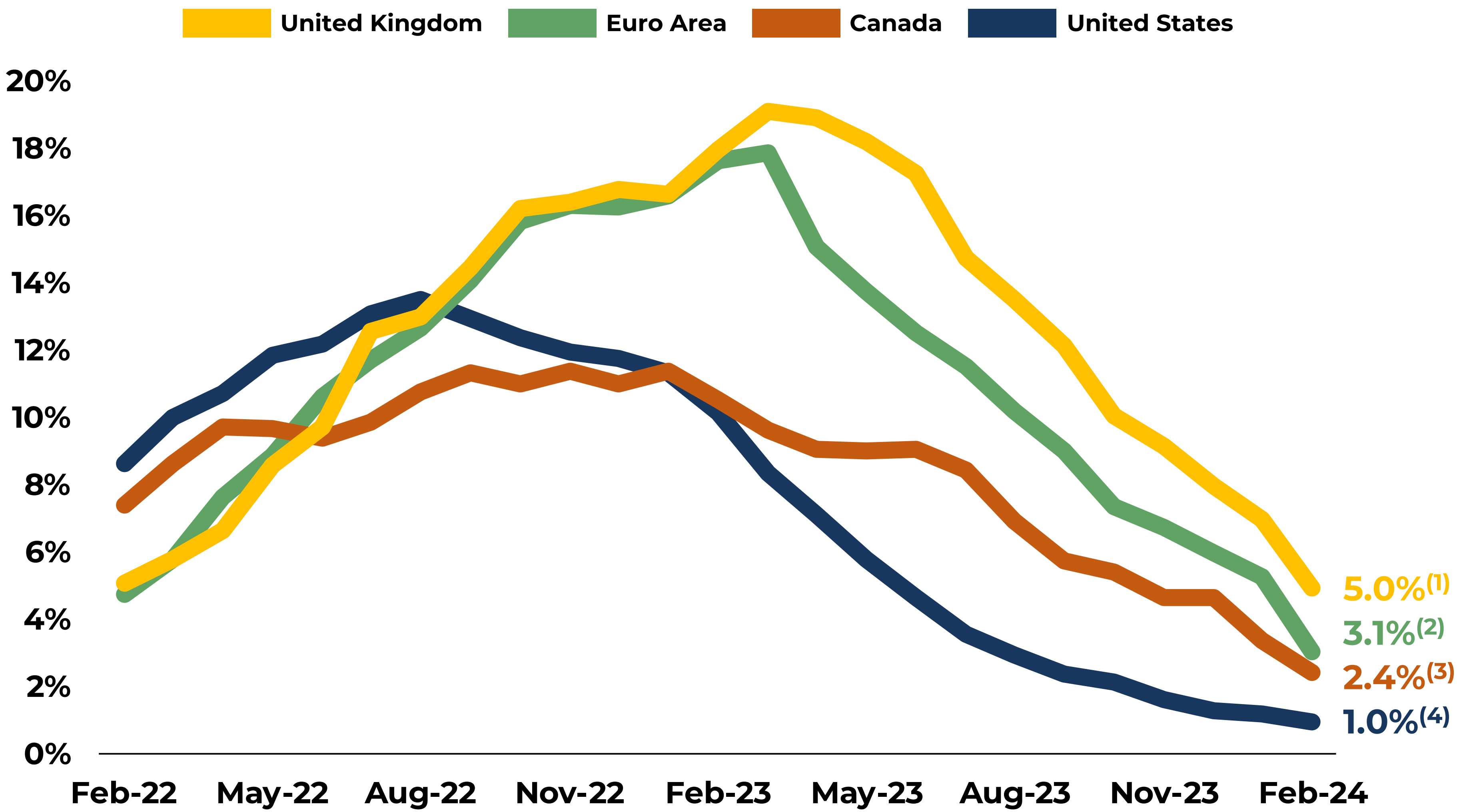
HISTORICAL PERSPECTIVE – MOST GROCERY PRODUCTS ARE MEANINGFULLY LESS EXPENSIVE THAN THEY WERE 40 YEARS AGO



Source: FMI, the Fundamentals of Food Prices.

GLOBAL PERSPECTIVE – INTERNATIONAL FOOD INFLATION IS 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 April 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.

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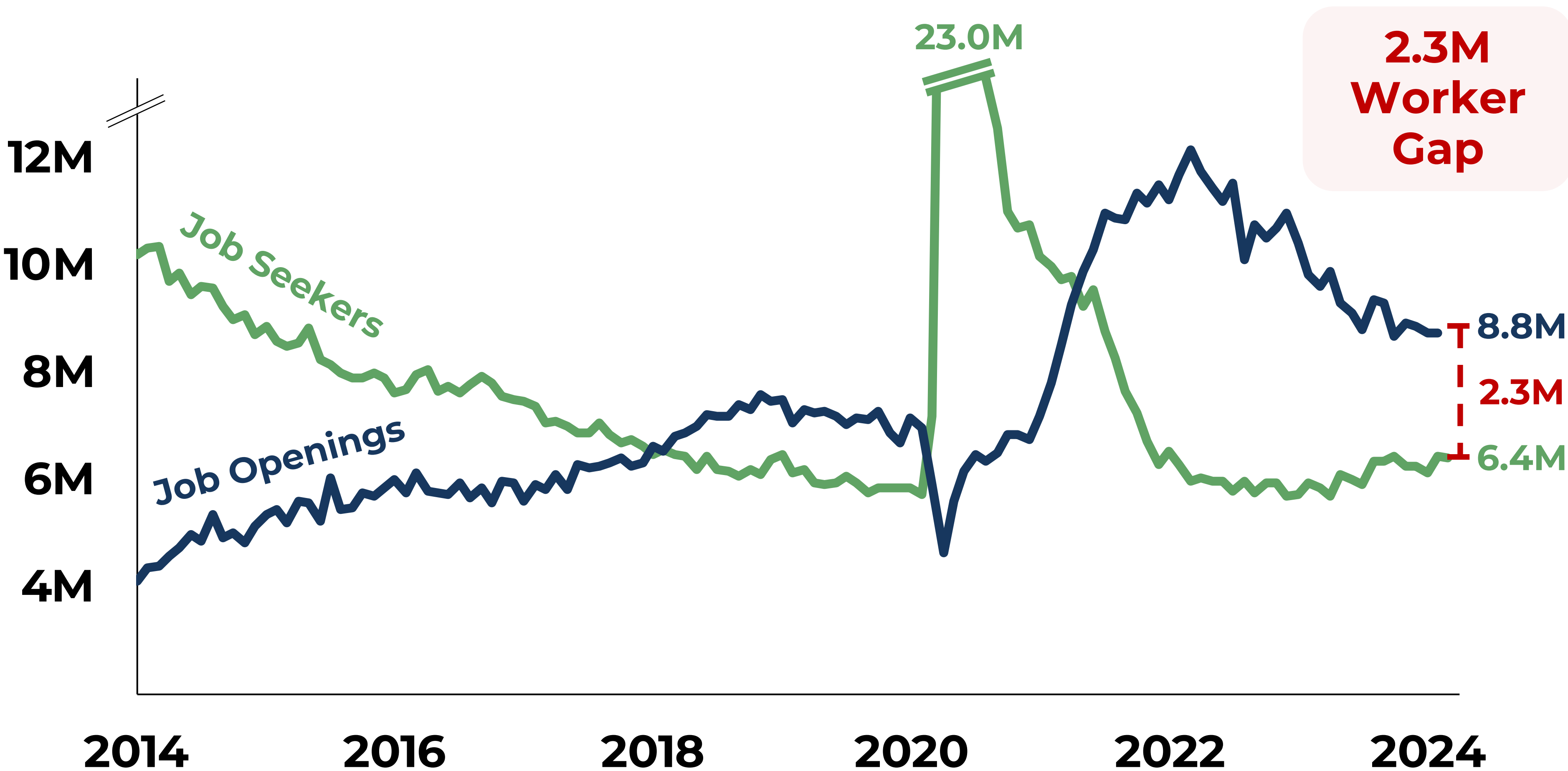
U.S. WORKER SHORTAGE HAS EXACERBATED FOOD INFLATION

JOB OPENINGS CURRENTLY OUTNUMBER JOB SEEKERS BY 2.3 MILLION WORKERS

JOB OPENINGS VS. JOB SEEKERS: 2014-PRESENT



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

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