BEST BETS: 2020 VISION

FINDING GROWTH FOR CANADIAN CPG

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THE CHALLENGE FOR GROWTH

CPG STILL SPUTTERING FOR GROWTH IN NORTH AMERICA

United States

+1.3

-0.6

Dollars

Units

Nielsen: ScanTrack - Total Tracked Sale
52 wks ending December 20 , 2014

Canada

+2.0

+0.5

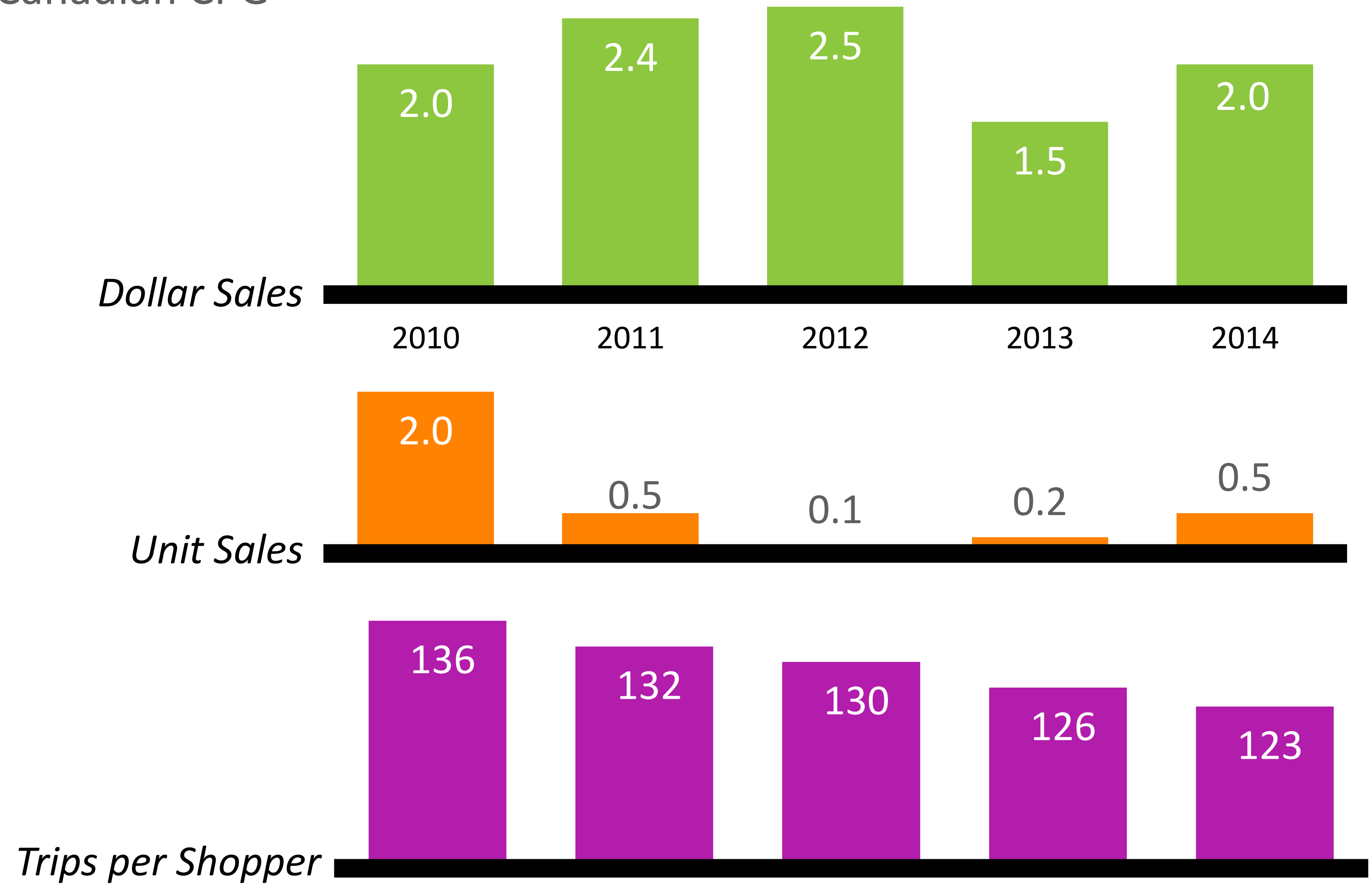
Dollars

Units

Nielsen: MarketTrack - Total Tracked Sale
52 wks ending December 12, 2014

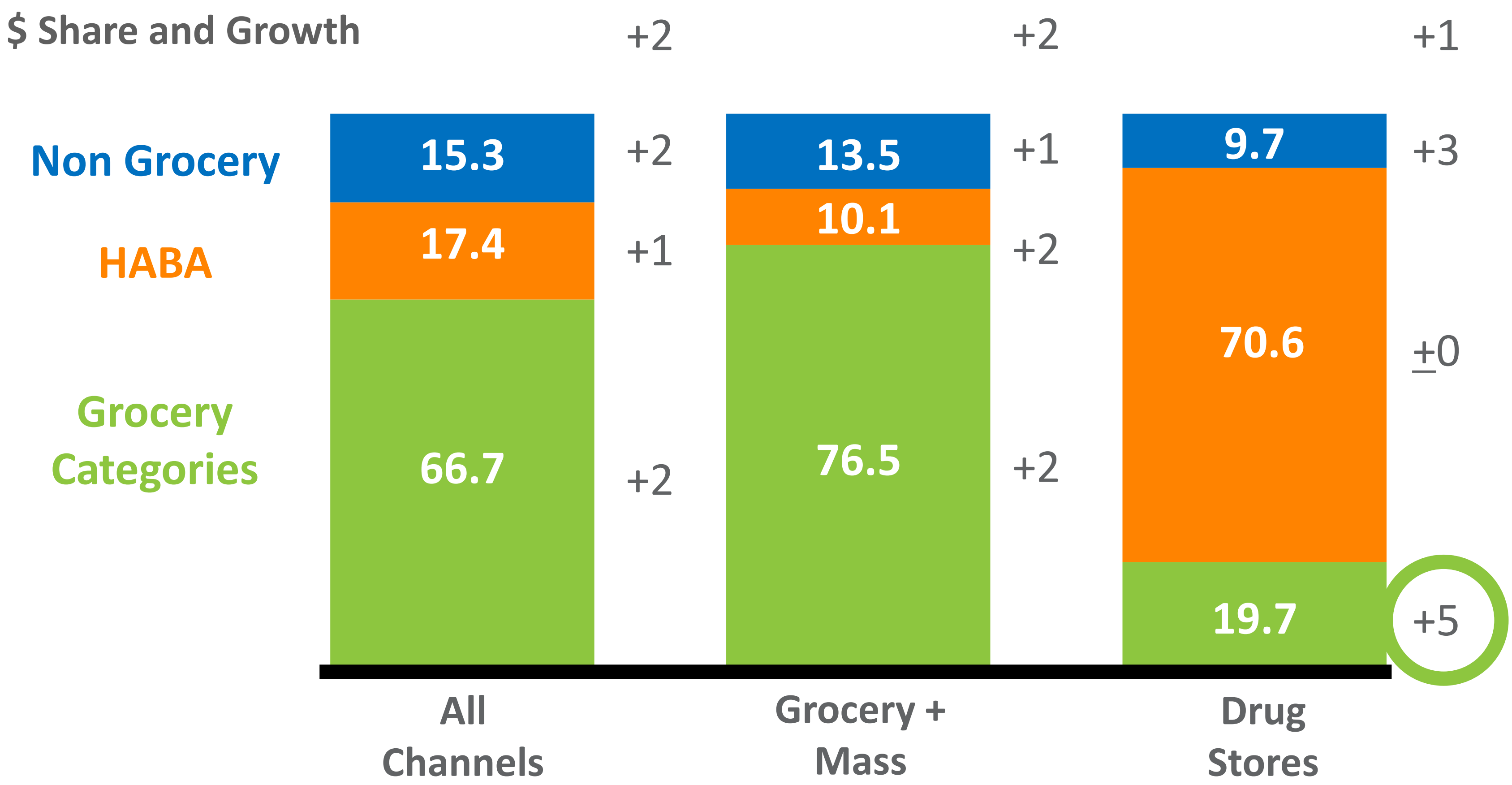
SLIGHT IMPROVEMENT IN CPG PERFORMANCE

Canadian CPG



Source: Nielsen MarketTrack, National All Channels – 52 weeks to December 13, 2014 - Total Tracked Sales excluding Fresh Random Weight
Homescan Grocery Composite 52 weeks ending December 27, 2014

FOOD CATEGORIES ARE DRIVING GROWTH, ESPECIALLY IN DRUG STORES – NOW ONE-FIFTH OF TOTAL SALES



Source: Nielsen MarketTrack, 52 Weeks to December 13, 2014 - Excludes Random Weight Fresh

MIXED RESULTS WITHIN THE STORE

TOP 5

+12% Processed Meat

+9% Home Meal Replacements

+6% Vegetables

+6% Fresh Meat

+5% Hot Beverages

BOTTOM 5

-3% Shaving

-2% Household Products

-1% Cold Beverages

±0% Paper Products

±0% Bread & Rolls

Source: Nielsen MarketTrack, National All Channels – 52 weeks Ending December 13, 2014
Total Tracked Sales including Fresh Random Weight

TRADITIONAL RETAIL RELATIVELY STATIC

TRADITIONAL CPG CHANNELS RELATIVELY STATIC

Grocery	+1%
Drug	+2%
Conv & Gas	+3%
Mass Merch	+2%

Source: Nielsen Homescan Channel Watch – Canada - 52 weeks to December 27, 2014
*Drug & C&G: 52 weeks to December Jan 10, 2015

MANY RETAIL CHANNELS SUFFERING DUE TO THE SHIFT TO ONLINE AND INCREASED COMPETITION

Grocery	+1%
Drug	+2%
Conv & Gas	+3%
Mass Merch	+2%

Office Supply	-16%
Electronic	-15%
US Cross Border	-15%
Department	-5%

Source: Nielsen Homescan Channel Watch – Canada - 52 weeks to December 27, 2014
*Drug & C&G: 52 weeks to December Jan 10, 2015

E-COMMERCE, ETHNIC, DOLLAR, WAREHOUSE AND HEALTH FOOD STORES LEAD RETAIL GROWTH

Ethnic Grocery	+30%
On-line	+21%
Dollar Stores	+13%
Warehouse	+7%
Health Food	+4%

Grocery	+1%
Drug	+2%
Conv & Gas	+3%
Mass Merch	+2%

Office Supply	-16%
Electronic	-15%
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Department	-5%

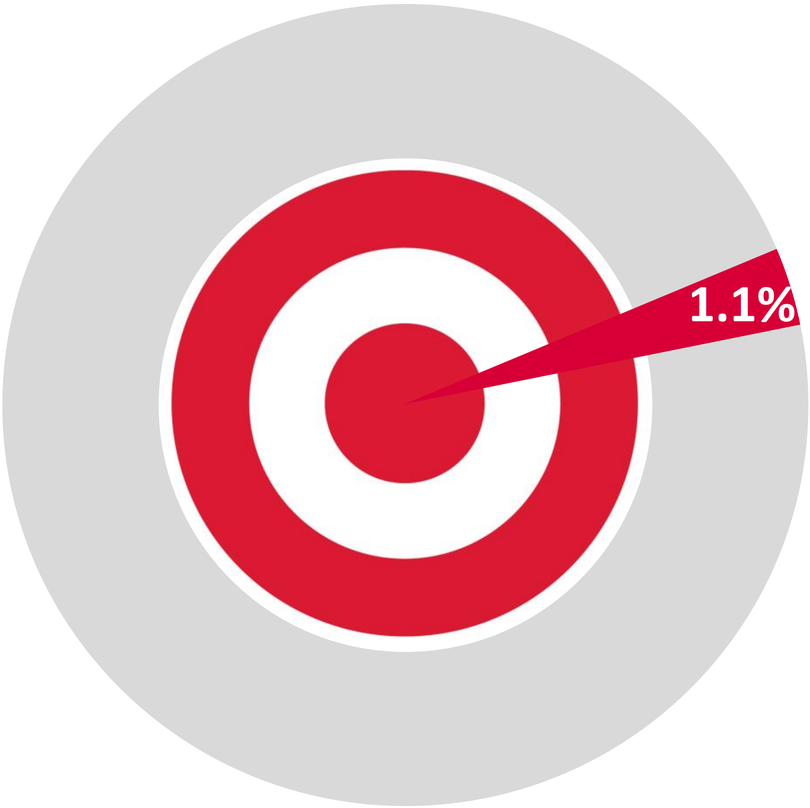
Source: Nielsen Homescan Channel Watch – Canada - 52 weeks to December 27, 2014
*Drug & C&G: 52 weeks to December Jan 10, 2015

TARGET CAPTURED 1.1% OF CPG IN THE PAST YEAR

	Total Expenditures	Grocery Composite	Drug Composite
Target Share	1.1%	0.7%	1.6%
Penetration	43%	32%	34%
Dollars/Trip	$46	$18	$18
Trips/HH	5	5	4

Source: Nielsen, Channel Watch, 52 weeks ending December 27, 2014

WHICH RETAILERS ARE ESTIMATED TO BENEFIT FROM TARGET'S EXIT?

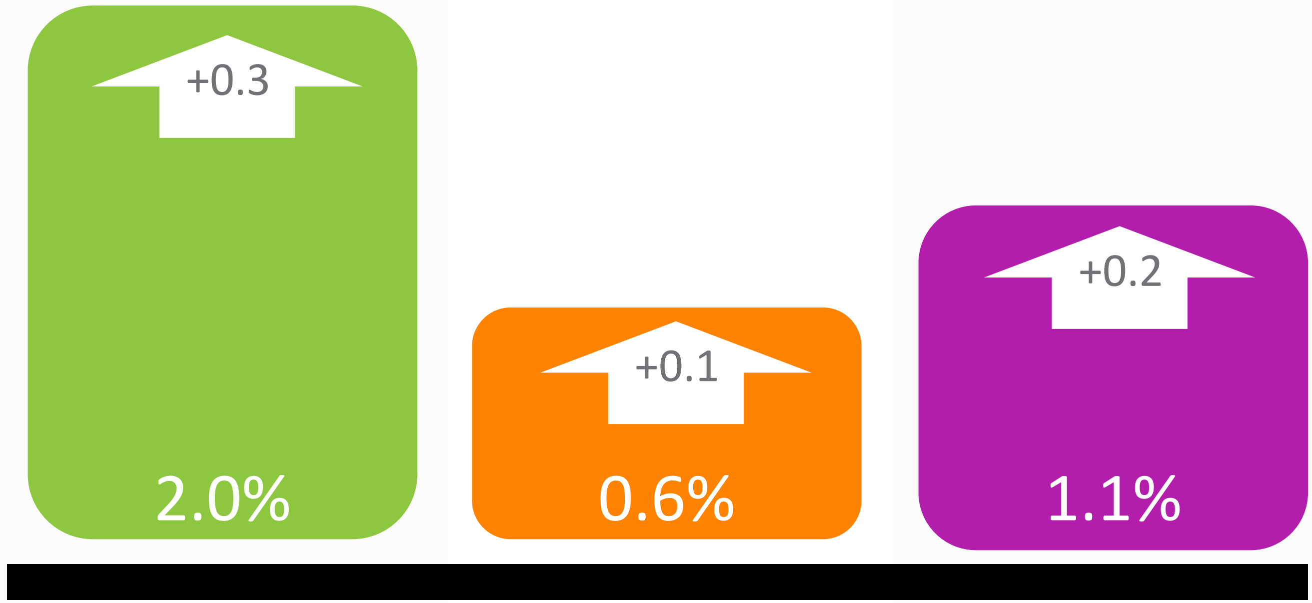


Target's Volume Shift Estimate

Walmart	35%
Costco	19%
SDM	10%
Canadian Tire	3%
RCWC	3%
RCSS	2%
Others*	25%

Source: Nielsen, Cross Outlet Facts, 52 weeks ending September 27, 2014
Spectra Retail Interaction, Target vs All Major Competitors (excl dollar stores)

E-COMMERCE HAS GAINED MOMENTUM FOR CPG, BUT ON A SMALL SHARE BASE



	Total Expenditures	Grocery Composite	Drug Composite
$ % Chg	+21	+19	+18
Penetration	43%	17%	21%

Source: Nielsen, Cross Outlet Facts, 52 weeks ending December 27, 2014

WHICH CPG DEPARTMENTS ARE TRENDING ONLINE?

FOOD (+17%)		
Confectionery	0.7%	+8
Beverages	0.6%	+4
Condiments	0.6%	+35
Baking	0.5%	+12
Snack	0.5%	+18

HEALTH & BEAUTY (+25%)		
Cosmetics	1.9%	+65
Baby Care	1.6%	+28
Body Care	1.4%	+22
OTC	1.2%	+21
Oral Hygiene	1.2%	+31

NON GROCERY (+13%)		
Gen Merch	3.3%	+13
Pet Needs	1.0%	+16
Household	1.0%	+15
Paper	0.8%	+18

Source: Nielsen, Cross Outlet Facts, 52 weeks ending December 27, 2014 – E-Commerce $ share and growth

ONLINE GROCERY SHOPPING STILL NICHE

% who would take advantage of these online options for GROCERY shopping

17% Delivered to home

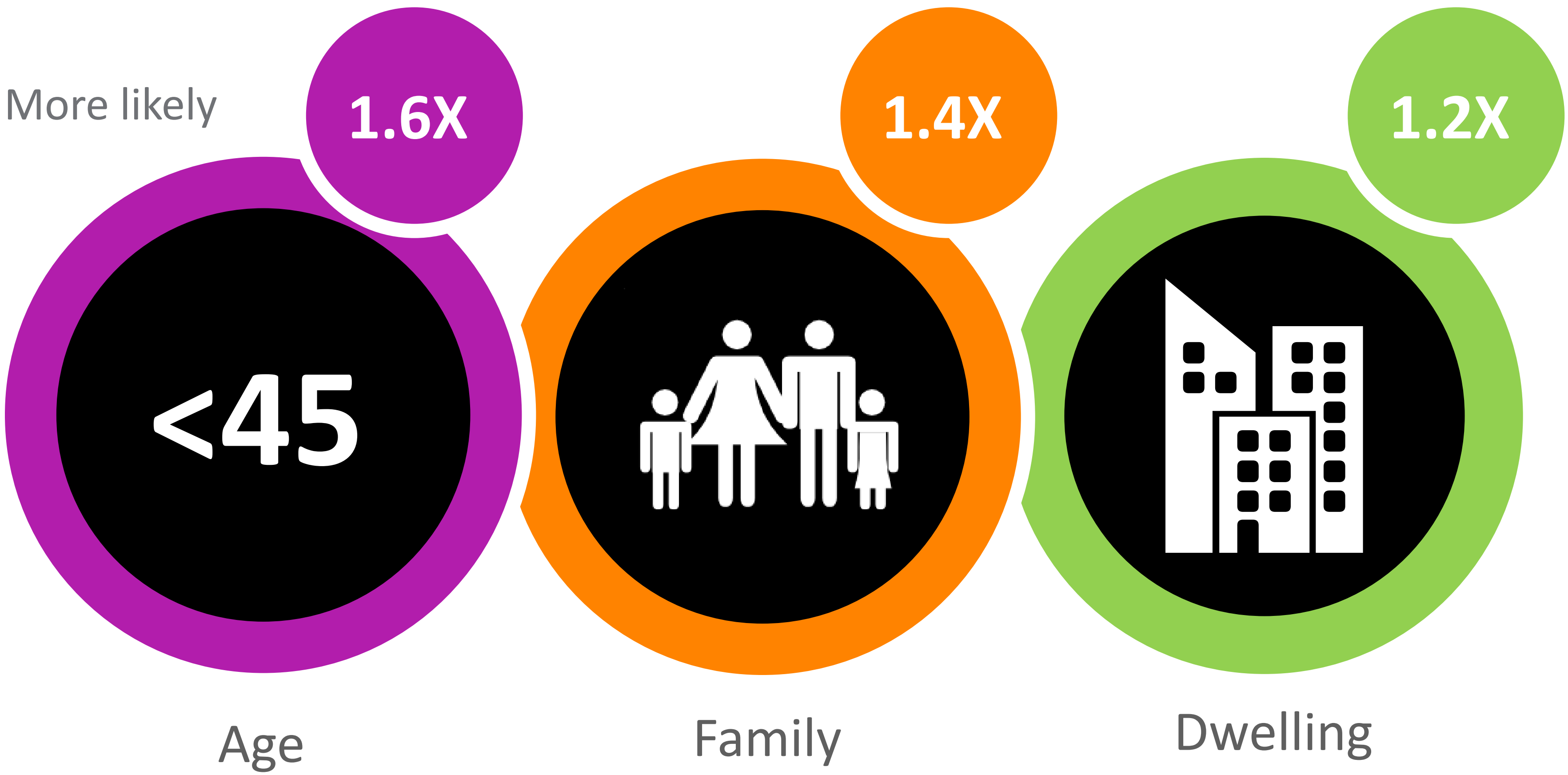
15% Pick up inside the store

11% Use drive-thru pick up

9% Pick up curbside outside store

Source: Source Nielsen Homescan – 52 weeks to March 29, 2014

YOUNGER URBAN HOUSEHOLDS WITH KIDS ARE MORE LIKELY TO SHOP ONLINE



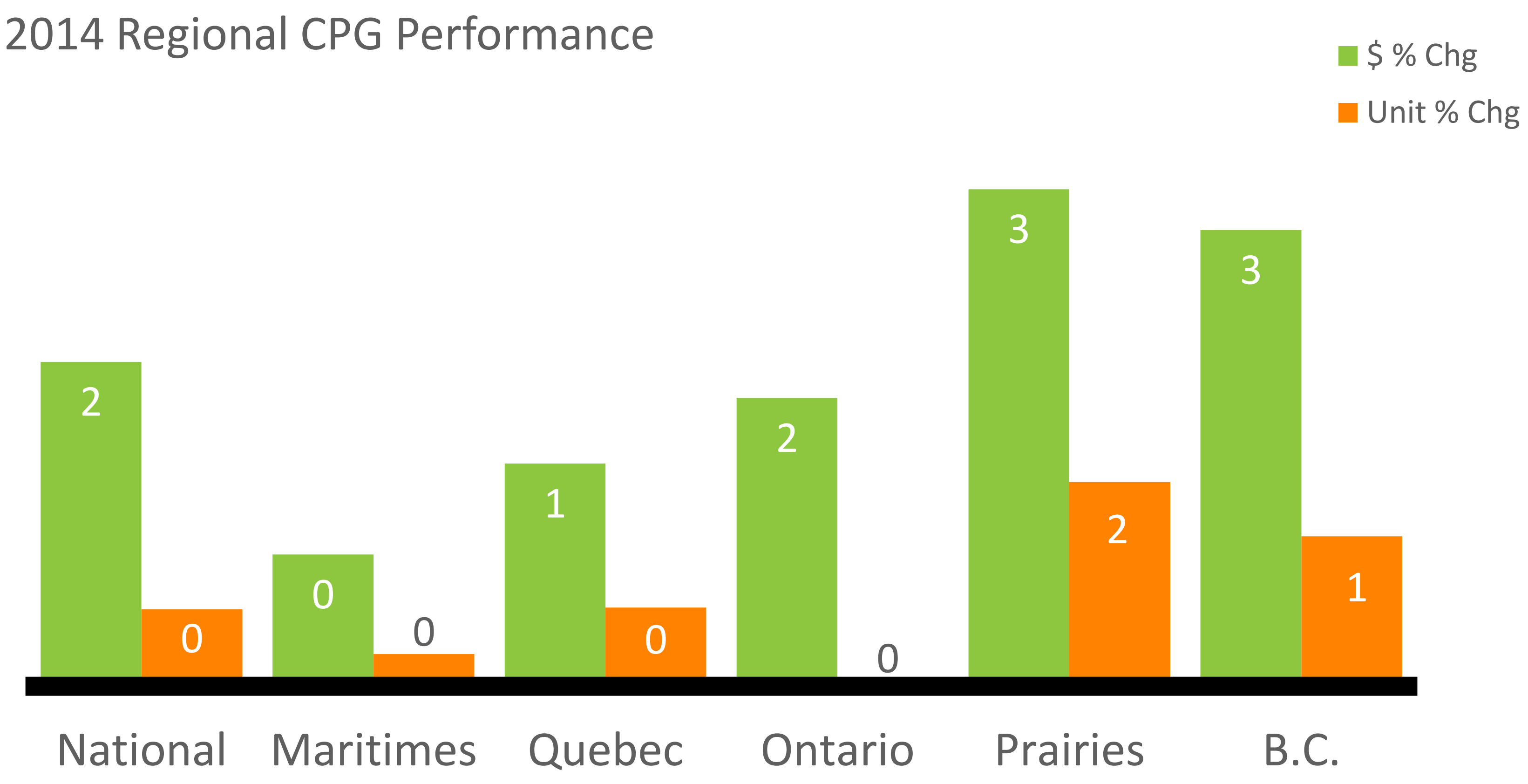
Source: Nielsen 2014 Economic Impact Survey

WHERE DO WE FIND FUTURE GROWTH IN A CHALLENGING ENVIRONMENT?

BEST BETS FOR GROWTH BY 2020

The Prairies will continue to lead CPG growth

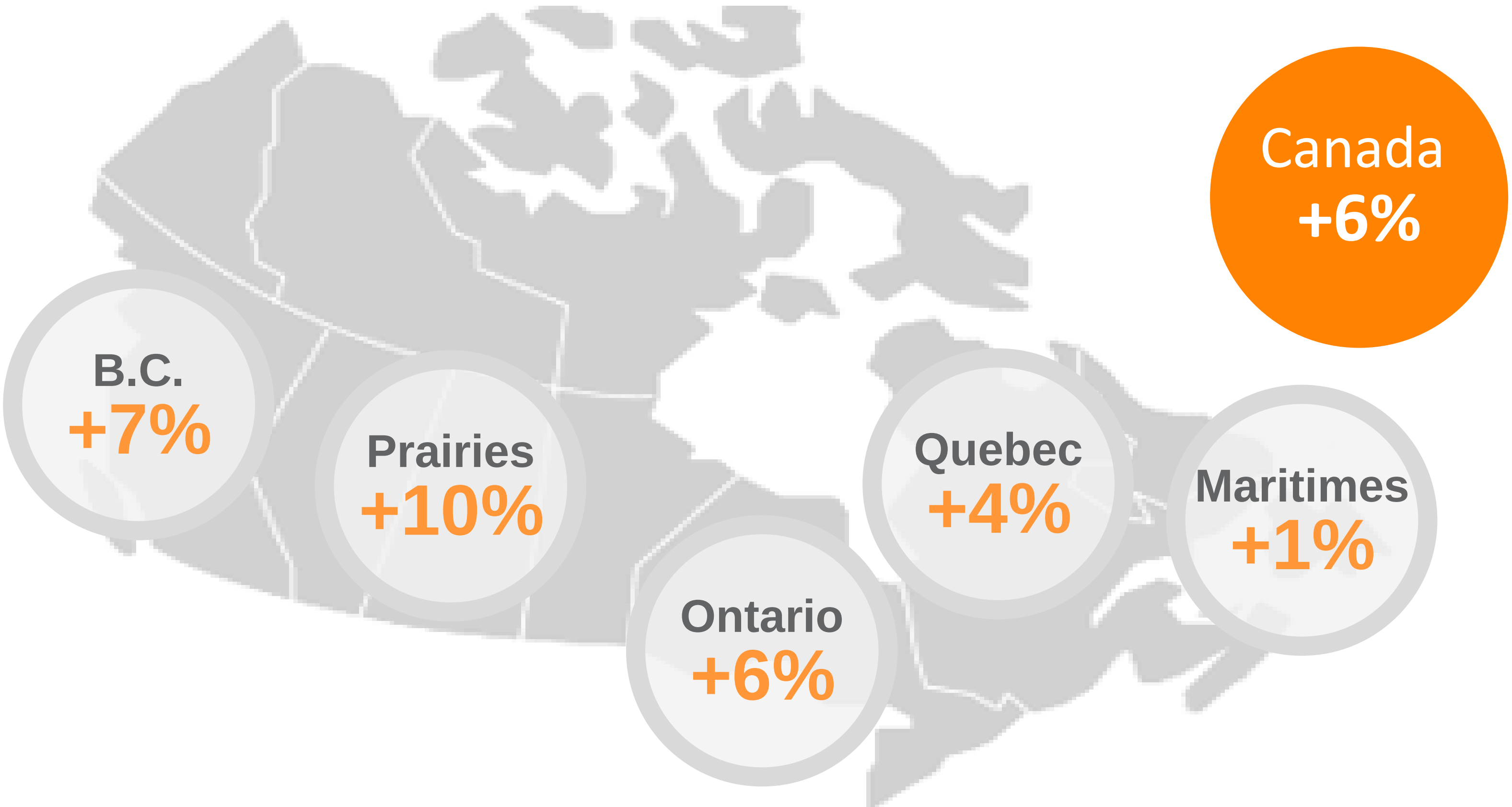
WESTERN CANADA LEADS REGIONAL GROWTH



Source: Nielsen MarketTrack, National All Channels – 52 weeks Ending December 13, 2014
Total Tracked Sales excluding Fresh Random Weight

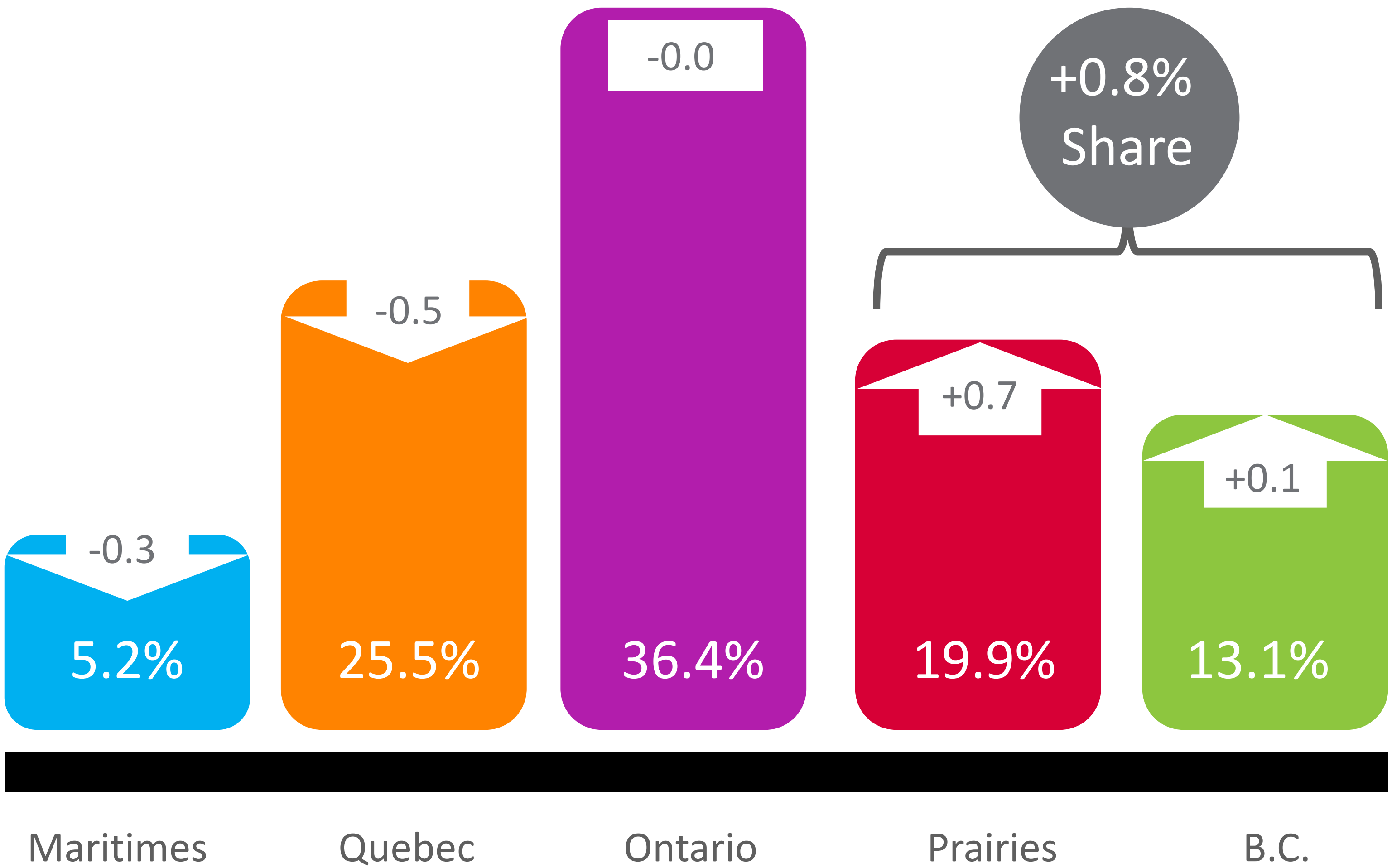
BY 2020…

The prairies will lead Canada's population growth



Source: Statistics Canada population growth estimates

BY 2020, REGIONAL CPG SHARE WILL SHIFT WEST



Source: Nielsen, Homescan 2014 vs 2020 – Grocery Composite - estimates

THE EMERGING PRAIRIES CONSUMER…

+7% They spend 7% more than average and shop less on deal

26% Of household earn >$100k, an increase of 4 points from 2009

19% Of household heads are <35 years old (vs 14% for Canada)

Top 3 Of Canada's fastest growing cities are in the Prairies (Calgary, Edmonton, Saskatoon)

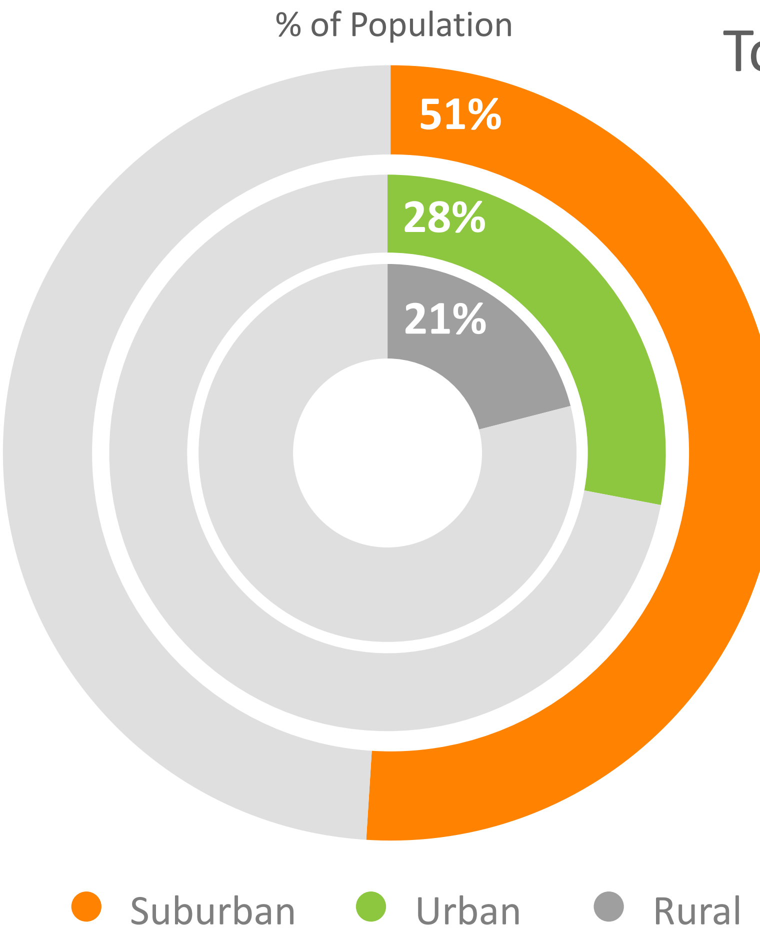
Source: Nielsen Panel Views Survey 2013/4 Census Canada

BEST BETS FOR GROWTH BY 2020

The Prairies will continue to lead CPG growth

Urbanization is redefining how we live and shop

35% OF CANADIANS CALL THE TOP 3 CITIES HOME



Top 3 Cities: **35%** Top 10: **54%**

Top 10 CPG Growth Cities	
Calgary	+5%
Edmonton	+4%
Saskatoon	+4%
Regina	+4%
Abbotsford	+4%
Vancouver	+4%
Kelowna	+4%
Quebec City	+4%
Thunder Bay	+4%
Niagara	+4%

Source: Nielsen PanelViews Survey, Statistics Canada – Census 2011 MarketTrack: G+D+MM 52 weeks to December 13, 2014

URBAN, SUBURBAN, RURAL

	Urban	Suburban	Rural
	$3,443	$4,102	$4,357
	1-2	2-4	2-3
Age	<44	35-54	>45
$	>$100K	$70K - $100K	<$50K

Source: Nielsen HomeScan, Grocery Composite, 52 weeks ending September 20, 2014

THE URBAN CONSUMER…

12% Less likely to own a car

13% Bring prepared food home or get meals delivered (vs. 8% Rural)

12% Eat out more often (vs. 8% Rural)

32% Of Males are the primary grocery shopper (vs. 19% Rural)

Source: Nielsen Panel Views Survey 2013/4

BEST BETS FOR GROWTH BY 2020

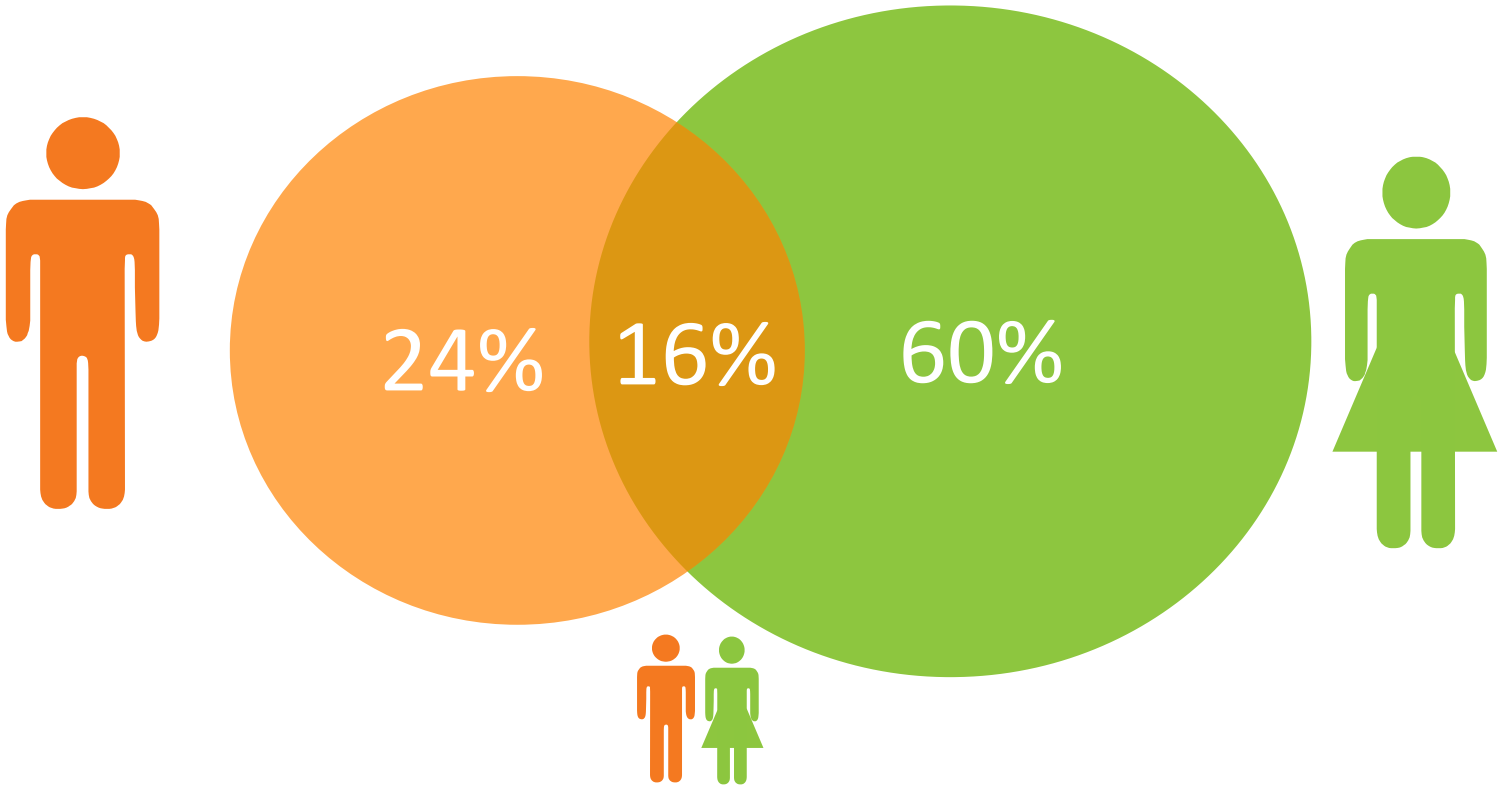
The Prairies will continue to lead CPG growth

Urbanization is redefining how we live and shop

The male shopper is a key decision maker

MALE SHOPPERS ARE OFTEN OVERLOOKED BUT ACCOUNT FOR 24% OF PRIMARY SHOPPERS

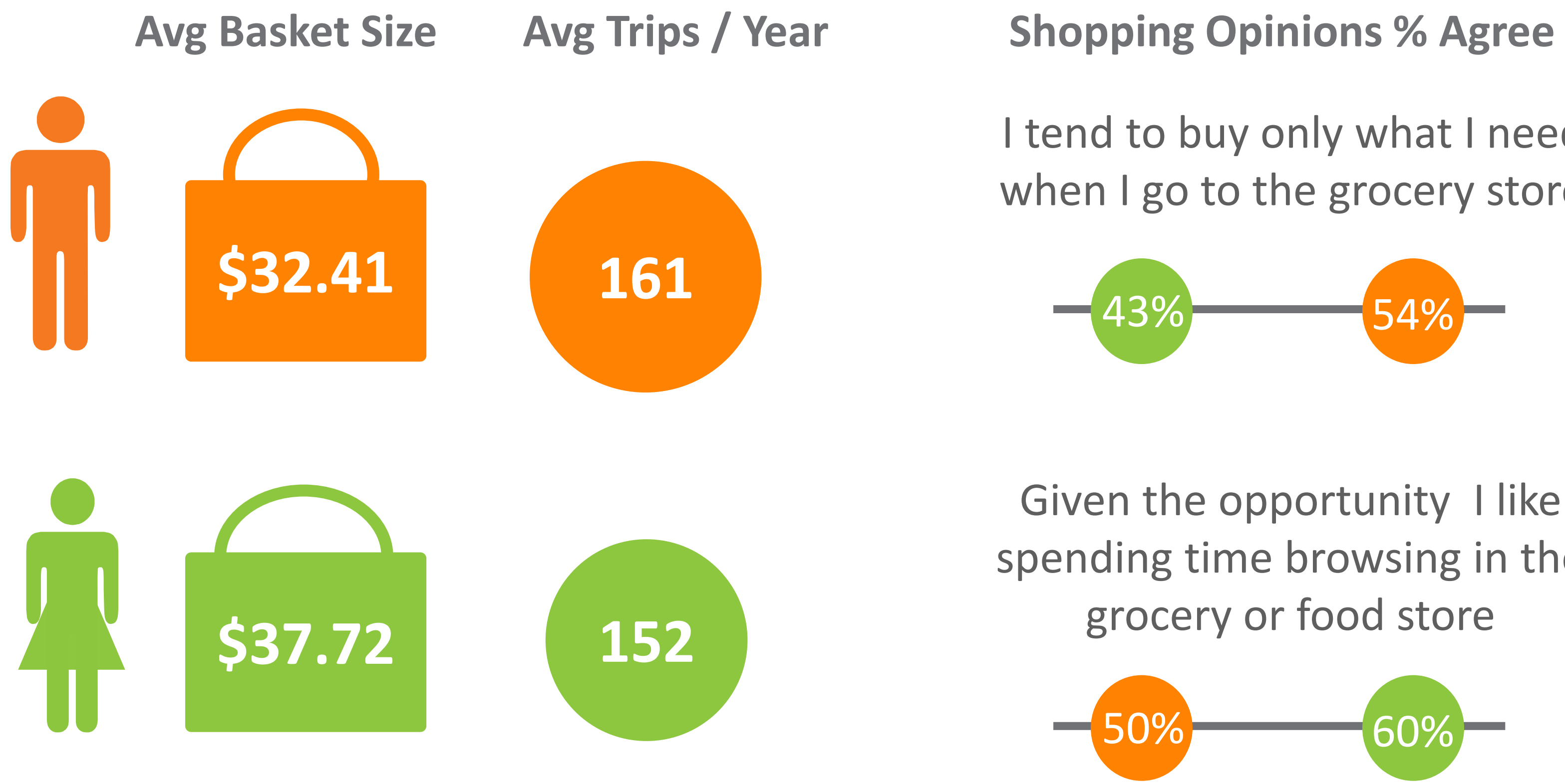
% of Households **(>50% of Shopping)**



Source: Nielsen Panelviews June 2014

ENSURE IT'S EASY FOR MALES TO FIND WHAT THEY NEED

Male shoppers spend less but shop more often; less likely to browse and more likely to buy only what they need



Source: Nielsen Homescan, National All Channels, Total Expenditures, 52 Weeks ending July 26, 2014; Nielsen Panelviews June 2014

THE MALE SHOPPER CAN BE MORE PROFITABLE

24% Of male spend is on perceived deal
(28% for female)

13% Use coupons (67% for female)

12% Typically prepare a shopping list
(78% for female)

32% Are aged > 55 years
(40% for female)

Source: Nielsen Panel Views Survey 2013/4

BEST BETS FOR GROWTH BY 2020

- **The Prairies will continue to lead CPG growth**
- **Urbanization is redefining how we live and shop**
- **The male shopper is a key decision maker**
- **Millennials will surpass Boomers as #1 consumer**

MILLENNIALS AND BOOMERS: THE TOP 2 CONSUMER POWERHOUSES

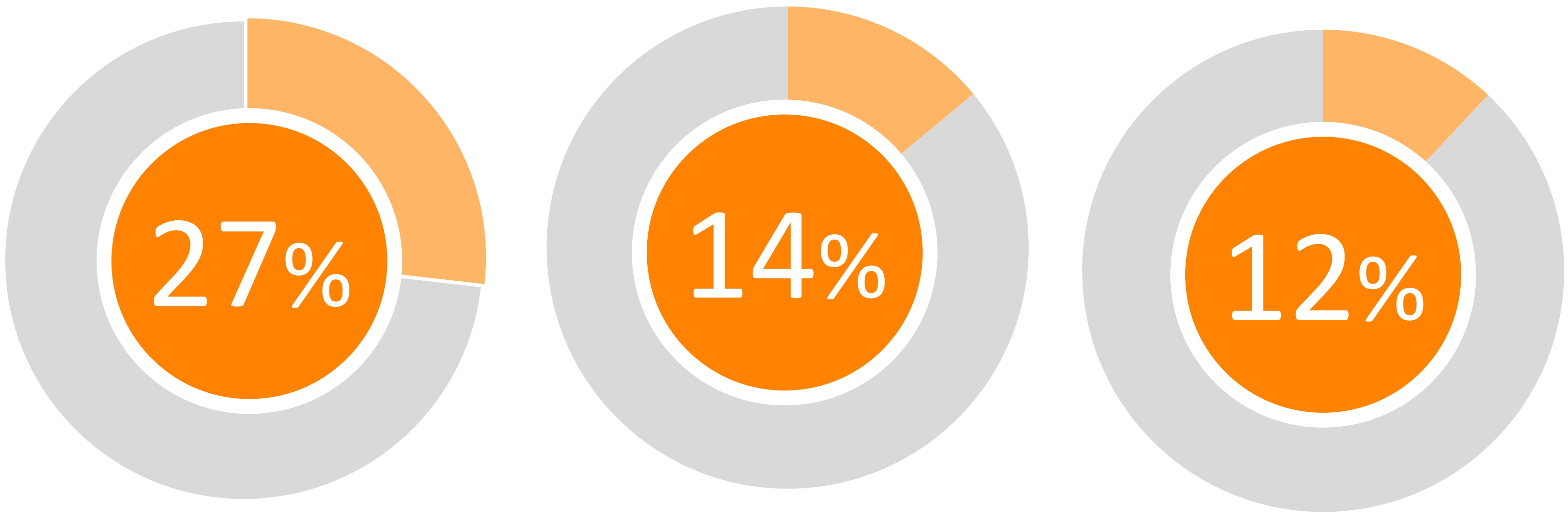
<19 'Gen Z'	19-37 'Millennials'	38-47 'Gen X'	48-67 'Boomers'	68+ 'Greatest'
16%	**27%**	**14%**	**28%**	**14%**

Millions	5.7	9.4	4.7	9.8	5.0

Source: Statistics Canada – Census 2011

CURRENTLY MILLENNIALS ARE UNDER REPRESENTED IN PURCHASING POWER

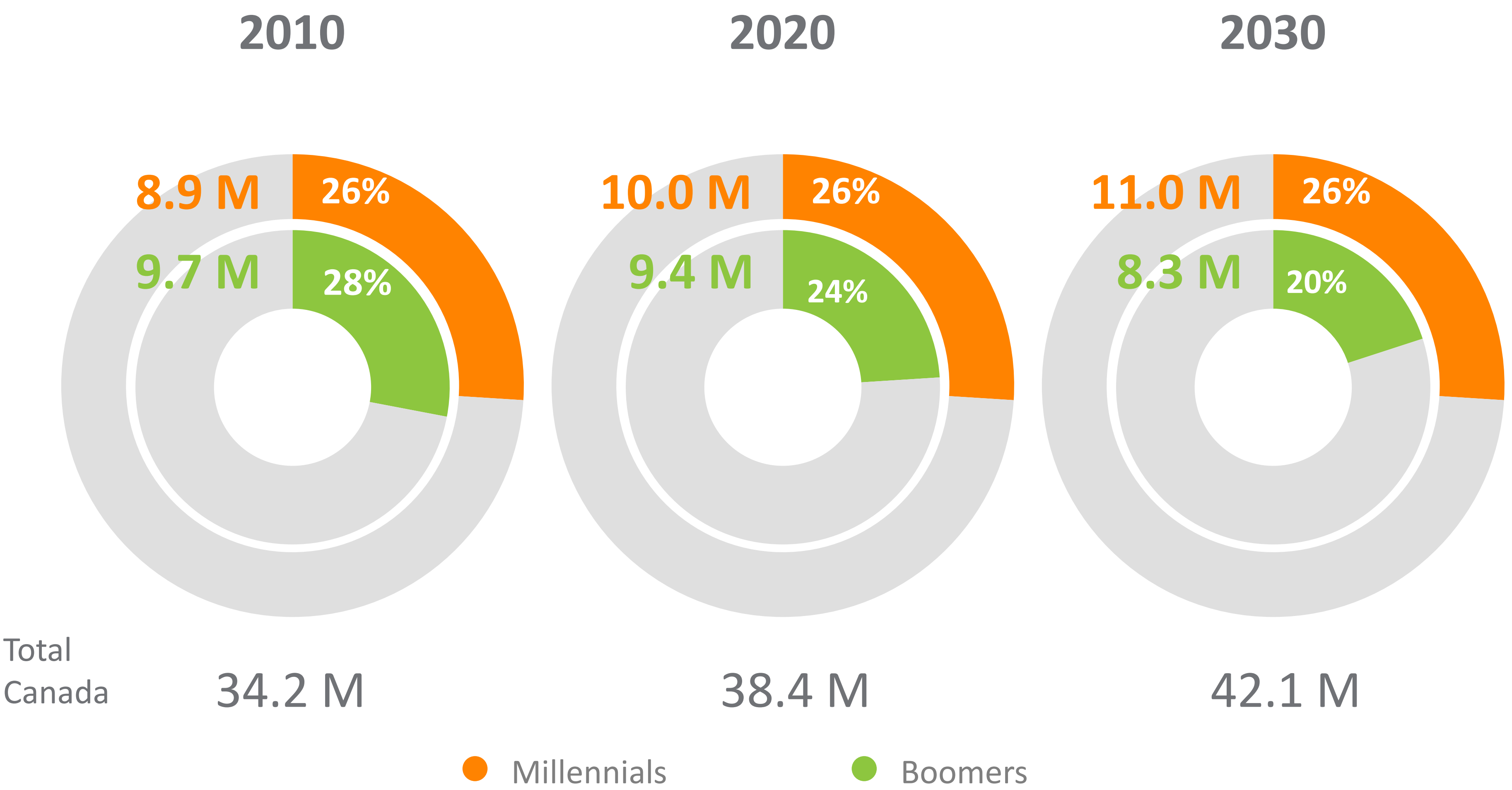
Millennials' Importance



% of Population	% Household Heads	% of CPG $'s
9.1 M	2.0 M	11.7 B

Source: Source Nielsen Homescan – 52 weeks to March 29, 2014

MILLENNIALS WILL SURPASS BOOMERS BY 2020



Source: Statistics Canada M: Millions

THE CPG GROWTH ENGINE WILL SWITCH GEARS

By 2020…

	MILLENNIALS	BOOMERS
	+$12.6 B	-$4.3 B
	+207%	-9%

Source: Nielsen Homescan 52 weeks to March 29, 2014 – HH <35 years – Based on older generation spend

WHICH CPG DEPARTMENTS ARE MOST COMMONLY FOUND IN A MILLENNIALS' SHOPPING BASKET?

Relative Dollar Index	<35 years
Baby Care	384
Desserts	150
Body Care	122
Hair Care	120
Prepared Foods	120
Refrigeration & Dairy	118
Frozen Food	114
Snack Foods	112
Produce	111
Condiments & Sauces	111

Nielsen Homescan – Dollar Consumption Index – 52 wks to December 28, 2013 – Consumer Facts CPG Departments Relative Index (82 for total)

MILLENNIALS ARE VALUE DRIVEN AND CONNECTED

73% Price is the first thing they look at
(58% for total Canada)

39% Of Wallet in Discount Retailers
(30% for Boomers)

26% Don’t subscribe to cable TV
(12% for Boomers)

79% Have a smartphone
(51% for total Canada)

Source: Nielsen Panel Views Survey 2013/4

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CHASING THE CUSTOMER

… NOT THE COMPETITION!

RONALD LUNDE

THANK YOU!

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OF THE CONSUMER™