A Recipe for F&B Success

Five Core Ingredients for Investing in the "New World"

TABLE OF CONTENTS

Executive Summary

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The recent pandemic has not only impacted global health, but also affected the economy and consumer behavior. The Baird Food & Beverage team has analyzed the trends leading up to and during the pandemic in order to refine our evaluation of the core go-forward trends in the sector.

We expect five critical themes to drive significant change in the "New World" of Food & Beverage.

1. Focus on Where it Came From and Who's Touched It
2. With the Threat of a Recession Looming, Private Label & Value Products (PL&VP) Will Take Share
3. F&B Spend Will Shift Towards Channels Serving Grocery and/or "At-Home" (Retail) Applications
4. Consumer Trend towards "Poles" of the Spectrum: Healthy or Indulgent – i.e., a "Barbell Effect"
5. After Years of Exploring the Perimeter of Stores, Consumers are Re-Discovering the Internal Aisles

We cannot predict perfectly how the landscape will unfold, but we believe companies that capitalize on any of these five critical themes will emerge as 'winners' and represent significant investment opportunities.

Disruption Spans Across the Entire Value Chain

Supply Chains:
E.g., 3.7M Gallons of Milk Dumped Each Day [(1)]

Safety:
E.g., 100+ Workers Test Positive at a Meat Processing Plant [(2)]

Channels:
E.g., ~10M+ F&B Service Workers Jobs At Risk Representing ~30% of Total At Risk Jobs [(3)]

Way-of-Life:
E.g., Full-Service Restaurant Tickets Drop 79% [(4)]

Business Models:
E.g., 85% of Independent Restaurants May Close Permanently [(5)]

Consumer Demand:
E.g., 400%+ Increase in Beans and Canned Foods [(6)]

(1) NYTimes. (2) Tyson Fresh Meats Plant in Wallula, Washington. (3) Vox, U.S. Private Sector Job Quality Index. (4) Fastcasual.com. (5) IRC. (6) WSJ.

“New World” Created by Reversal of Some Consumption Trends and Amplification of Others

Amidst the disruption, we believe companies that capitalize on any of the five critical themes will emerge as winners

1 Focus on Where it Came From and Who’s Touched It — **Continuing Prior Trend**

2 With the Threat of a Recession Looming, Private Label & Value Products (PL&VP) Will Take Share — **Continuing Prior Trend**

3 F&B Spend Will Shift Towards Channels Serving Grocery and/or “At-Home” (Retail) Applications — **Reversing Prior Trend**

4 Consumer Trend towards “Poles” of the Spectrum: Healthy or Indulgent – i.e., a “Barbell Effect” — **Continuing Prior Trend**

5 After Years of Exploring the Perimeter of Stores, Consumers are Re-Discovering the Internal Aisles — **Reversing Prior Trend**

Evaluation of Core Trends in the "New World"

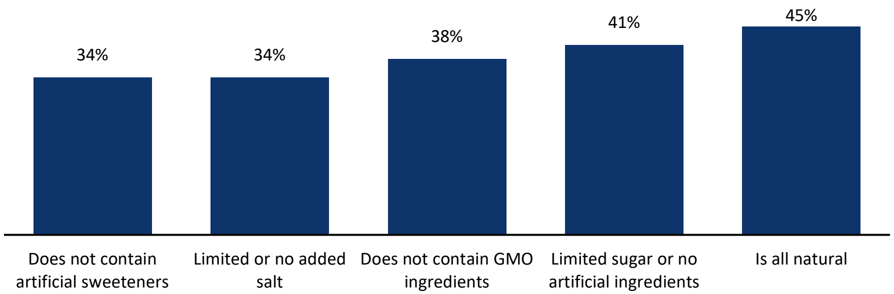
1 Focus on Where it Came From and Who's Touched It

PRE-COVID-19

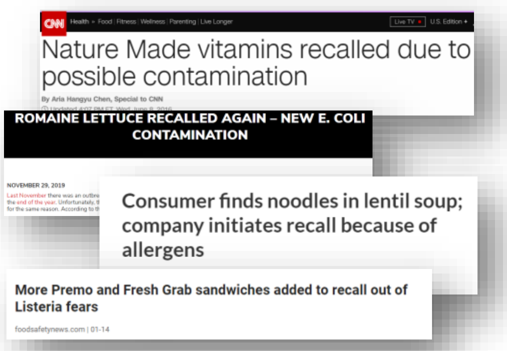
Increased Focus on a Product's Inputs

Consumers Are Hyper-Focused on Healthy Living *[1]*

(% of survey respondents seeking attribute on food labels)



Select Drivers of Healthy Living [1]



Growing transparency and concern over safety and recalls

79%

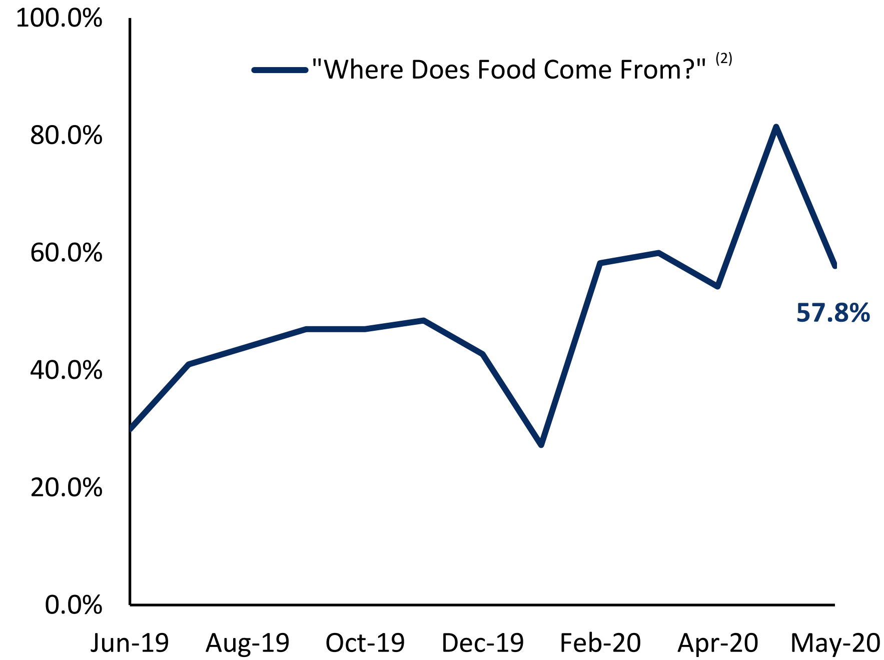
of Millennials agree that being able to understand all the ingredients increases their trust

68%

of Millennials believe a shorter ingredient list means a snack is better for you

DURING COVID-19

Acceleration of This Trend With An Added Focus on The Origins and Hygiene of the Product



60%

of consumers anticipate spending more on cleaning and hygiene products post-COVID-19 [3]

(1) Organic Trade Association. (2) Google Trends, based on indexed search interest as a proportion of all topics searched in the U.S. on Google. (3) Baird proprietary survey.

1 Focus on Where it Came From and Who's Touched It (Cont.)

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POST COVID-19

KEY TAKEAWAY: Consumers Will Demand Stricter Controls on Product Inputs, Provenance and Hygiene, All of Which Will Benefit Companies That Supply and/or Use Premium Ingredients Vetted Through Rigorous Quality Controls

Transparency Will Continue to Drive Change in the Supply Chain

Consumers Are Increasingly Doing Their Own Research

60%

of product research begins on Amazon

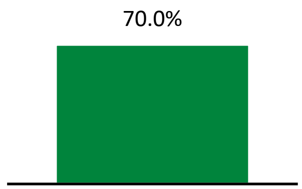
Scientists Have a Seat at The Table Again

78%

of people made a change in health habits based on a conversation with a healthcare provider

Consumers are Increasing Expectations for Health and Hygiene Standards

Consumer Mindset [2]



Identify Hygiene as Much More Important Today as Compared to 12 Months Ago

Adoption of New Standards

Contactless Delivery

Adjusting Workstations

Temperature Checks on Employees

Hygienic, Single-Serve Packaging

We Believe Consumers Will Become Even More Focused on Quality Ingredients and Where Products Originate From

#1

ranked criteria by consumers that their products are all natural, not-artificial, non-GMO [1]

Consumer Mindsets Towards Hygiene Will Never Be the Same and We Believe Brands That Reinvest in Higher Standards Will Capture Improved Margins

82%

indicated grocery stores' hygiene practices would influence a decision to patronize [2]

(1) Organic Trade Association. (2) Baird proprietary survey.

2 With the Threat of a Recession Looming, Private Label & Value Products (PL&VP) Will Take Share

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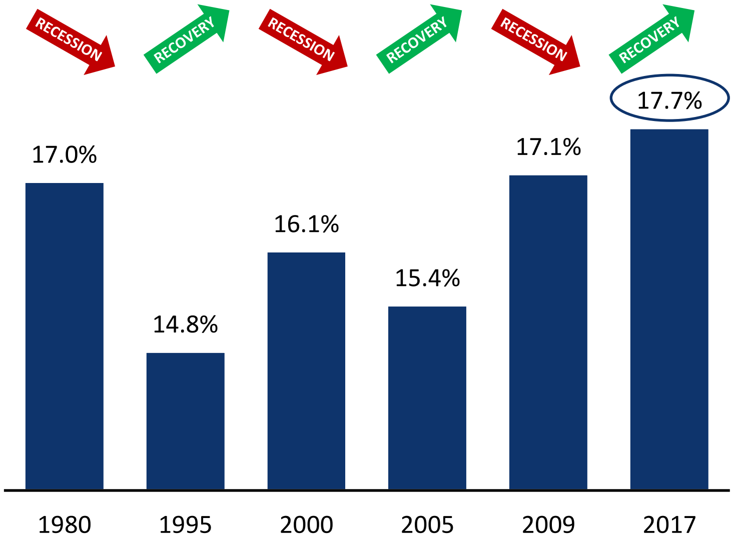
PRE-COVID-19

PL&VP Sales Were Increasing For The First Time During A Recovery Period

Private Label Dollar Share (2)



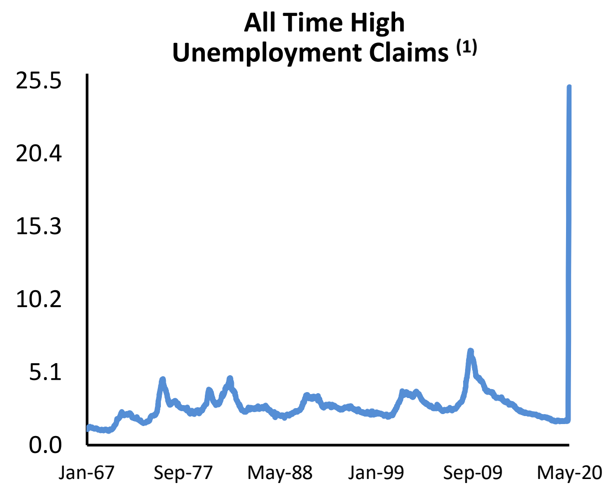
Select Drivers of PL&VP Sales

- Increased Quality
- CCI Consumer Confidence
- Disposable Income
- Corporate Decision Making (Profit vs. Traffic)

DURING COVID-19

As Consumer Confidence Wanes, Shift to PL&VP Accelerating

Indications of a Recession



"__A big behavior shift likely to occur over the next weeks and months is a focus on value__. Unemployment has hit a historical high in the U.S., and the financial markets have crashed. When you emerge from this pandemic, people will be "looking to save money. There will be a decline in brand affinity."

– Jason Goldberg, Chief Commerce Strategy Officer at Publicis

50% to be "very careful" about how they spend money (3)

33% of consumers feel brands are now far less important (3)

Private Label Sales Increased to **19.0%** of Spend for the Week Ending 5/3/20 (Branded Sales Increased **12.0%** in Comparison)

(1) # Continued Unemployment Claims (in million) St. Louis Federal Reserve. Continued Claims (Insured Unemployment), Number, Weekly, Seasonally Adjusted (in Million) (2) CNBC: Shoppers Begin to Shift From Stockpiling to Penny Pinching at the Grocery Store. Cadent Consulting. (3) EY: Future Consumer Index: How COVID-19 is changing consumer behaviors.

2

With the Threat of a Recession Looming, Private Label & Value Products (PL&VP) Will Take Share (Cont.)

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POST COVID-19

KEY TAKEAWAY: Regardless of a Recession, Continued Changing Retailer and Consumer Preferences as Well as Inherent Changes from Online Shopping Will Drive PL&VP Sales and Enable PL&VP Brands and Contract Manufacturing Companies to Thrive

Retailers Have Accelerated Use Of PL&VP and Consumers Are Embracing The Change

Costco driving private label penetration from 25% to 37% of sales [(1)]

Could reach 10% grocery market share by 2022 [(1)]

Amazon private label sales expected to top $4B, including $700M from Whole Foods [(1)]

OTHER RETAIL-OWNED PRIVATE LABEL

We Expect Retailer Use of PL&VP to Accelerate Given Consumer Preferences and Lasting Changes from Product Trial During Lockdown

70%

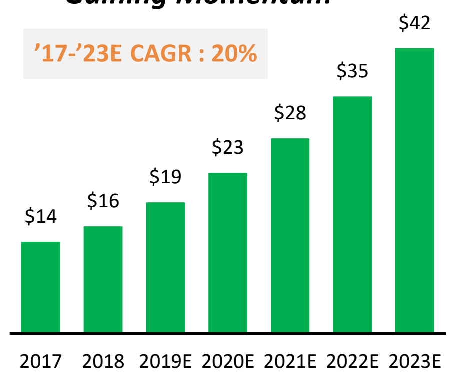
millennials prefer stores with a wide selection of private label offerings [(1)]

25%

of consumers that tried a new brand or private label during the lockdown (65% of consumers have) expect to stick with the change after the crisis [(2)]

Digital Shopping Often Leaves Brand Choice to Store or Shopper

Food & Beverage E-Commerce is Gaining Momentum [(3)]



Amazon and Walmart, the Two Largest Online Grocery Providers, Have Strong Private Label Food Offerings [(2)]

When Shopping Online for Groceries, Which We Expect To Increase, Substitutes Are More Common As Online Platforms Have Difficulty Measuring…

200M+

…grocery items in-stock quantities. Because the product choice is then left to the store or the app's shopper, we believe stores will partner with apps to drive increased spend to their PL&VP [(4)]

Source: Innova Market Insights, Bloomberg, Euromonitor, SPINScan, Baird proprietary consumer hygiene study (April 2020) and Hain Celestial investor presentation.
(1) IRI: The Evolution of Private Label in a Transforming Marketplace. (2) Alix Partners: COVID-19 Disrupts Brand Loyalties. (3) US Food & Beverage Online Sales, ($ in Billions), Euromonitor and Nielsen Connected Commerce Global Survey 2016.
(4) tech.instacart.com/predicting-real-time-availability-of-200-million-grocery-items.

3 F&B Spend Will Shift Towards Channels Serving Grocery and/or "At-Home" (Retail) Applications

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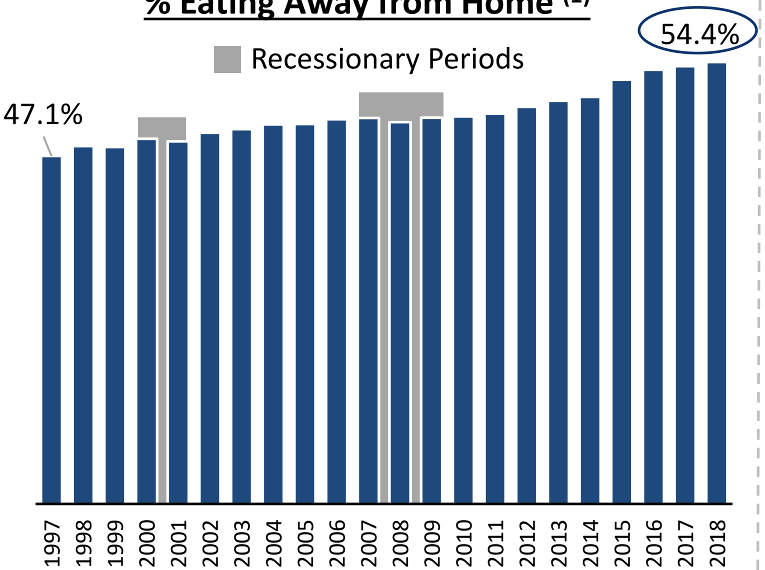
PRE-COVID-19

Sales "Away-From-Home" Were On the Rise

% Eating Away from Home [1]



Select Drivers of Eating Away From Home

- Increasing "Dual-Income" Households
- Decreasing Family Size
- Diminishing Cooking Skills
- Limited Time/ Convenience

See Next Page for Post COVID-19 Drivers

DURING COVID-19

Outperformance in "At-Home" (Retail) Serving Applications As Lockdowns Continued

Stock Performance By Sub-Sector Since Market Peak (Feb 21, 2020) [4]

SSS / Sales Growth Q1-2020 [2]

Food Retail: 13%	Sprouts Farmers Market: 11%	Walmart: 10%	Target: 7%
Food Distributors & Foodservice: (30%)	Sysco: (9%)	US Foods: (8%)	Core-Mark: (5%)

Food Away From Comprised Only ~20 of Spend During March and April 2020 and as of April 2020 56% of Consumers Indicate That Their Return to Restaurants Will be Stalled by More Than a Month [3]

1) USDA Economic Research Service (2) Public filings (3) Technomic's Take: COVID-19, The Foodservice View (4) Market data from market peak (2/21/20) to (6/5/20).

3 F&B Spend Will Shift Towards Channels Serving Grocery and/or "At-Home" (Retail) Applications (Cont.)

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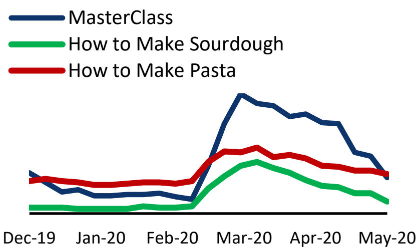
POST COVID-19

KEY TAKEAWAY: As Consumers Learn to Cook and Adopt More Time Convenient Options for At Home Meals Businesses Serving Grocery & Retail With a Strong E-Commerce Presence Will Experience Elevated Demand

Consumers, Especially Millennials are Learning The Skills Needed to Cook At-Home Long-Term

Increased Popularity and Availability of Online Instructional Videos Are Building Basic Cooking Skills

Google Search Interest [1][2]



Growth In Meal Kits, Provide Novice Home Cooks Instruction, Time-effective Meals and Discovery For Advanced Home Chefs

Q1-20 Sales Growth Significantly Higher than Prior Periods

Blue Apron	56%
Hello Fresh	66%

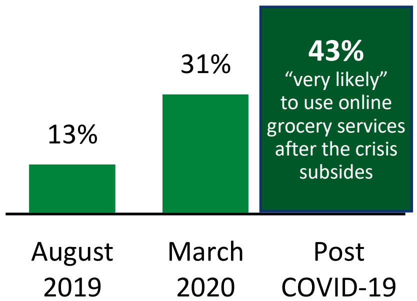
Armed With New Skills and Convenient/Time-Saving Options, We Expect To Continue To See Elevated Levels of Spend Serving At-Home Applications, Especially Among Millennials

70%

of subscribers say meal kits have helped them improve their culinary skills and confidence cooking at home, a key barrier previously preventing home cooking [3]

Step-Change in Online F&B Adoption

% Of US Households Using An Online Grocery Pickup / Delivery Service In The Last 30 Days [4]



Record Grocery App Downloads During COVID-19

instacart	218%
Walmart Grocery	160%
Shipt	124%

We Expect The Shift to Online Grocery Ordering to Accelerate Overall Adoption Now That The Barrier Has Been Forced Open For Many New Consumers Who Are "Sticky" Users

58%

of these online consumers make another purchase in the month following the first order [5]

(1) Google Trends. (2) Based on indexed search interest as a proportion of all topics searched in the U.S. on Google. (3) Report Linker: Julia Child Would Be Thrilled: Most Americans Prefer to Cook at Home. (4) Brick Meets Click: Online Grocery Shopping Surges to Record Levels in US during COVID-19 Crisis (5) Edison Trends: While Kroger Held Steady in August, Instacart Tripled Online Sales.

4 Consumer Trend Towards "Poles" of the Spectrum: Healthy or Indulgent – i.e., a "Barbell Effect"

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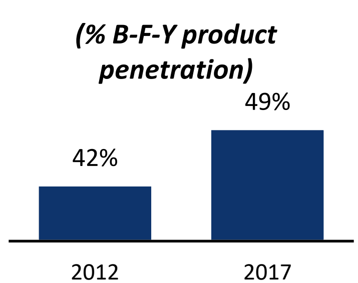
PRE-COVID-19

The Barbell Effect Had Been Increasing

Indulgents — **Better for You Products "B-F-Y"**

85%

Admit they give in to over half of their cravings for indulgent foods [(1)]



Select Drivers of the Barbell Effect

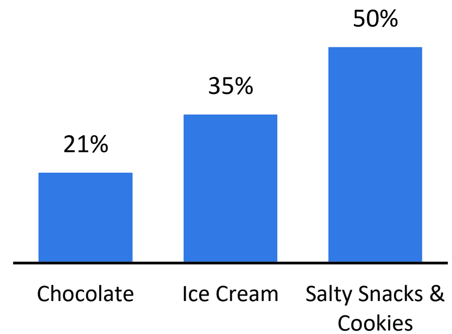
- Limited Time/ Convenience
- Inability to Fight Cravings
- Affordable Pleasure
- Stress Reliever
- Increased Focus on Health and Wellness
- Proliferation of Options

DURING COVID-19

Stress and Focus on Health Drive Continued Growth Towards "Poles"

Indulgents

Increase in Sales During Lockdown (week ending March 15, 2020) [(2)]



"People are retreating back into comfort habits," said Bloomberg Intelligence analyst Jennifer Bartashus. "There's a lot of uncertainty and in those kind of times people tend to retreat to what's known to them and what's comforting to them."

– Bloomberg Intelligence Analyst, March 2020

B-F-Y

WORTHY — Nourishing the Goodness in All of Us

The Worthy Company, maker of 'blendie bowls', is shipping "more product the last 4 days than all of last month," [(3)]

Immunity supplements sales growth is projected to spike above 25% in 2020 (the highest in a decade) [(4)]

Sales of oat milk grew 345%+ during March 2020 in the United States [(5)]

OTHER NOTABLE STRONG PERFORMING B-F-Y BRANDS

Consumer Trend towards "Poles" of the Spectrum: Healthy or Indulgent – i.e., a "Barbell Effect" (Cont.)

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POST COVID-19

KEY TAKEAWAY: All Underlying Drivers that Impact the Barbell Effect Will Remain In-Play Benefiting Large Consumer Packaged Goods Brands as well as Well-Known Better-For-You Brands that Distinguish on Quality

Indulgents

Stress Consumption

Stress levels expected to remain high post pandemic due to an imminent recession and an altered way of life from permanent job loss

Family Time

Continuation of old habits as people enjoy having more meals at home and with family, including the resurgence of breakfast

Continued Cravings

Convenience will become king again; snacking is a tough habit to break and people have been reintroduced to the habit

B-F-Y

Food as Medicine

With COVID-19 having greater impact on obese and patients with underlying health issues and rising healthcare costs and risks, consumers are more conscious of the role diet plays

Ingredient Specific

From ingredient-specific diets to improving fast-food menus, consumer choice and ability to test is driving a market shift

Rapid Growth in DNA Food Testing

We Expect the Underlying Drivers Impacting Indulgent Growth to Remain in Play Post COVID

100%

chance of recession in 2H 2020 and we're likely already in it

10%

increase in job postings on ZipRecruiter offering ability to Work From Home

85%

of people admit that they give into >50% of their cravings

We Believe Preventative Health is Now More Important Than Ever For Long-Term AND Short-Term Driving B-F-Y Growth

80%

Of consumers believe functional foods help prevent the delay and onset of some diseases

100M+

Global users expected to have taken a form of DNA test by the end of 2021

Source: The Atlantic, S2G Ventures, MIT Technology Review, Innova Market Insights, Bloomberg, Euromonitor, SPINScan, Baird proprietary consumer hygiene study (April 2020) and Hain Celestial investor presentation.

5 After Years of Exploring the Perimeter of Stores, Consumers are Re-Discovering the Internal Aisles

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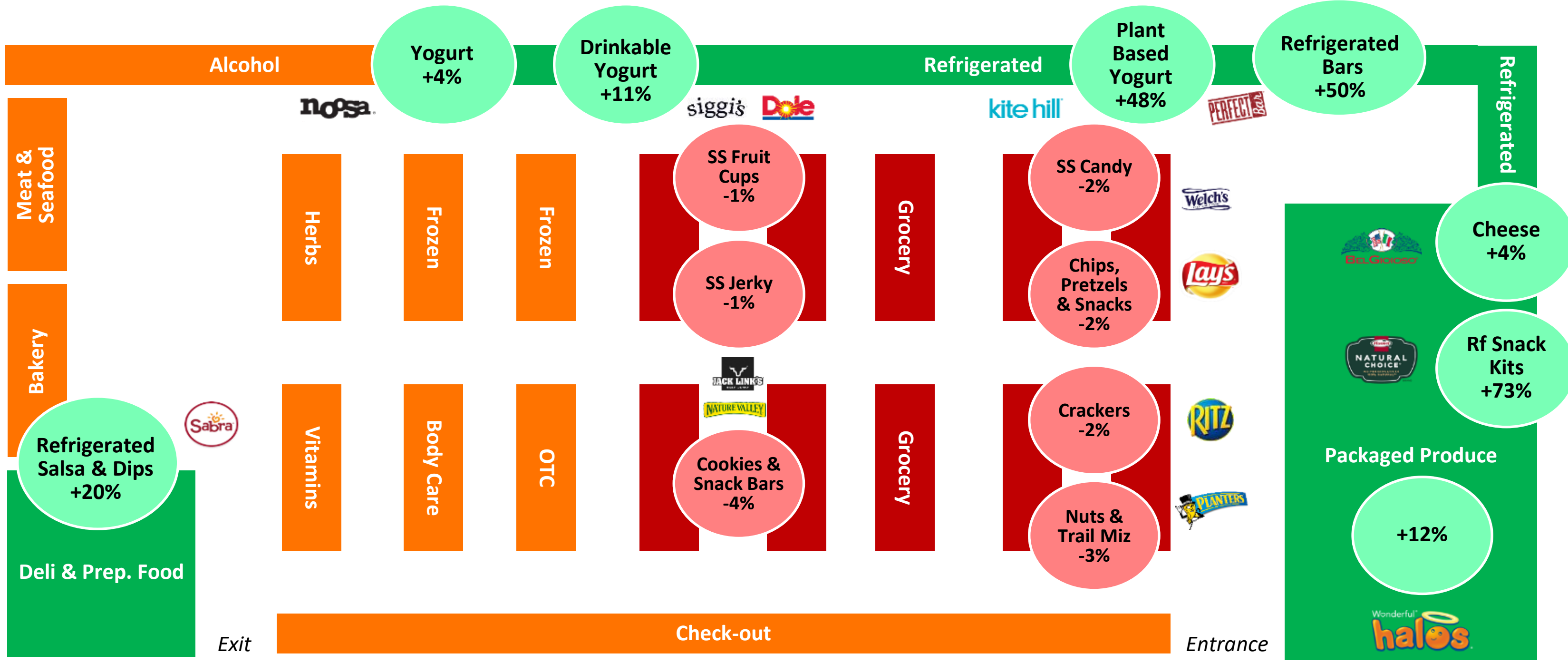
PRE-COVID-19

The Perimeter of the Store Drove Growth (1)



Select Drivers of Store Perimeter Growth

Holistic Approach to Health

Targeting Consumers

Trend Towards Not Starting from Scratch

Hyper-Localism

Social and Cultural Alignment

See Next Page for Post COVID-19 Drivers

(1) Grocery Dive: Fresh Opportunities for Growth: How Grocery Stores Can Leverage the Perimeter.

5 After Years of Exploring the Perimeter of Stores, Consumers are Re-Discovering the Internal Aisles (Cont.)

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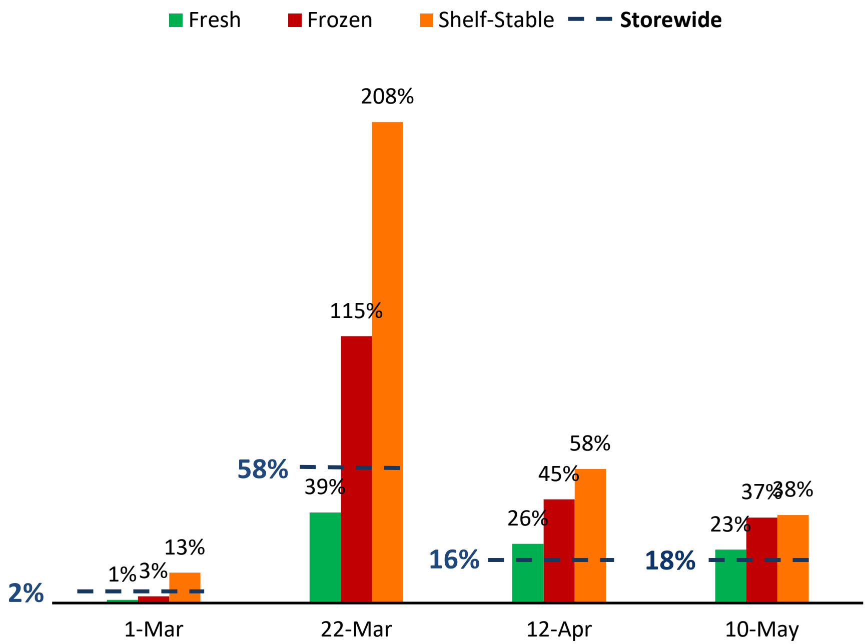
DURING COVID-19

Consumers are Re-Discovering Internal Aisles

Sales Increase from Prior Year Respective Week (1) (2) (3) (4) (5) (6)



Campbell's +366%

GOYA +400%

Pasta ~700%

Ice Cream ~25%

Bananas ~17%

Apples ~20%

Tomato Sauce ~270%

Evaporated Milk ~290%

- As consumers stay home, demand surged for shelf-stable and comfort food
- Demand for perimeter goods increased as well as shoppers migrated to grocery stores but lagged the growth of the internal aisle
- After the initial stock up, frozen goods beginning to match shelf-stable growth

(1) Food Navigator USA: Consumers Pick Up Basics Cooking Skills and "Stress Baking" During Coronavirus Quarantine. (2) WSJ: Grocers Stopped Stockpiling Food then Coronavirus Happened, Nielsen. (3) NYT: Boom Time for the Bean Industry. (4) BakeryandSnacks: What's Happening in the World of Coronavirus. (5) Nielsen Report for the week ending March 14. (6) IRI – Week vs. Prior Year (Fresh, Frozen, Canned Vegetables).

5 After Years of Exploring the Perimeter of Stores, Consumers are Re-Discovering the Internal Aisles (Cont.)

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POST COVID-19

KEY TAKEAWAY: Post Pandemic, Multiple Drivers Will Continue to Drive Internal Aisle Sales Benefiting Large Consumer Packaged Goods Brands with BFY Exposure in the Internal Aisle As Well As Tech-Enabled Grocers

Cooking More at Home (Trend Discussed in Theme #1)	Looming Recession (Trend Discussed in Theme #2)	Flight to Indulgents (Trend Discussed in Theme #3)

Ongoing Reasons to Continue to Keep the Pantry and Freezer Stocked

Staying Prepared

Threat of similar events in the future, outweigh the trend away from preservatives in food

Permanent Shifts in Preferences

Even with new safety procedures (e.g. shields) consumers may not trust the communal perimeter

Return of Big Food

Big CPG has revived relevance with more stable supply chains than local fresh food and is capitalizing on momentum

Grocer's Digital Partnerships Enable Better Personalization and Traction Back to Store & Internal Aisle

Grocers Are Finally Becoming More Tech Enabled

Harnessing new available data, grocers are providing personalized offers driving traffic to stores and ultimately the internal aisle

Delivery Drives Larger Baskets Leading to Longer Periods Between Replenishment

Average basket sizes from e-commerce orders are are 30% larger

We Expect Basket Sizes To Remain Elevated Which Will Drive Continued Shelf-Stable Food Purchases Found in the Internal Aisle

60%

Of growth in F&B was driven by pantry stocking trips as consumers limit store trips (25% more than historical share) [1]

When Shopping Online for Groceries, Customer's Baskets Skew Towards the Internal Aisle. We Expect Movement Towards the Internal Aisle as Shopping Online Continues

More likely to buy snacks, cereals and canned goods

Online

More likely to buy pre-made meals, dairy and meats

In-Store

(1) IRI Worldwide.

Next Steps

Please Contact the Baird Team for Potential Opportunities Related to the Themes Outlined in this Document

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