COVID-19 Report

FUTURE STATE OF VALUE-DRIVEN CPG

October 30, 2020
COVID-19 Boosts Moderate CPG Demand Growth

**CPG Sales Growth / % Change vs. YA**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dollars</strong></td>
<td>3.0%</td>
<td>1.7%</td>
<td>2.5%</td>
<td>3.0%</td>
<td>1.5%</td>
<td>1.4%</td>
<td>2.0%</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>Price/Mix</strong></td>
<td>2.9%</td>
<td>1.6%</td>
<td>2.3%</td>
<td>2.4%</td>
<td>0.8%</td>
<td>1.4%</td>
<td>1.9%</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Volume</strong></td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2020 Pre COVID</th>
<th>2020 Peak COVID</th>
<th>2020 Post COVID</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dollars</strong></td>
<td>30.3%</td>
<td>12.1%</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Price/Mix</strong></td>
<td>2.4%</td>
<td>1.8%</td>
<td>7.2%</td>
</tr>
<tr>
<td><strong>Volume</strong></td>
<td>0.1%</td>
<td>0.7%</td>
<td>28.0%</td>
</tr>
</tbody>
</table>


Moderate CPG growth pre-COVID-19 driven by rising price / mix

Elevated demand during pandemic due to more time at home

Changing shopping behaviors, consumer demand, and in-store environment define COVID-19 environment.
Unprecedented Changes in Consumer Behavior Since the Start of the Pandemic Result in Sales Gaps as Large as 10-15% Between Competitors

15-20% sales increases for some categories while other categories are down 5-10% due to shifting consumer behaviors.

15-20% out-of-stocks for certain categories due to supply chain disruptions.

2-5 share point growth for e-commerce, grocery and discounter channels; CPG e-commerce sales are up ~80% in the last 13 weeks.*

30-40% new buyers for most brands during the pandemic due to shifting behaviors and limited product availability.

10-15% increase in basket sizes based on shifts to larger packs and volume price increases.

10-15% drop in total store UPC counts due to out-of-stocks, reduced product ranges and to facilitate shopping.

*source: IRI CPG E-Commerce Demand Index August 2020
## E-Commerce, Grocery and Value Channels Accelerated During COVID-19

### Total CPG $ Share by Channel: Before, During, After Stockpiling Peak

<table>
<thead>
<tr>
<th>Channel</th>
<th>Pre-COVID-19</th>
<th>During COVID-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery</td>
<td>31.2</td>
<td>32.8</td>
</tr>
<tr>
<td>Mass</td>
<td>22.1</td>
<td>20.2</td>
</tr>
<tr>
<td>Conv.</td>
<td>14.2</td>
<td>13.3</td>
</tr>
<tr>
<td>eCom</td>
<td>12.7</td>
<td>15.6</td>
</tr>
<tr>
<td>Club</td>
<td>8.9</td>
<td>8.4</td>
</tr>
<tr>
<td>Drug</td>
<td>4.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Dollar</td>
<td>1.9</td>
<td>2.2</td>
</tr>
<tr>
<td>All Other</td>
<td>4.3</td>
<td>3.8</td>
</tr>
</tbody>
</table>

**Note:** Top All Other retailers include Specialty Stores, Liquor, Pet, and Military. eCommerce sales are collected via 204 tracked categories, with share scaled up to match coverage of total store.

Demand is Higher for Frozen Foods and Cleaning Products and Variable in Other Areas

Stock-Up / Replenishment Matrix / Dollar Sales % Chg vs. YA – MULO+C

20 weeks ending 8/9/20 vs YA

“Quarantine Needs”
Low Stock-Up/
Elevated Replenishment

“Discretionary”
Declining Stock-Up/
Declining Replenishment

“Necessities”
High Stock-Up/
High Replenishment

“Pantry Stocking”
High Stock-Up/
Low Replenishment

Note: Segments based on IRI Standard “Aisles”. Source: IRI POS data Week Ending August 9, 2020

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Small Manufacturers Continue to Gain Share, Even During COVID-19 Pandemic

% Share of Total Store Sales by CPG Manufacturer Size / Total U.S. Measured Channels (MULO+C)

- Small manufacturers continue to grow at a faster rate
- Large manufacturers seeing slower growth in Convenience channel during pandemic

Note: Note: Large is $5.5B+ in L52W, Medium $1-5.5B, Small $100M-1B and Extra Small <$100M. Pre COVID-19 8 w/e 2/23/20, Peak COVID-19 4 w/e 3/22/20, Post COVID-19 12 w/e 6/14/20.

Source: IRI POS Data MULO+C. IRI Consulting Analysis.
Rising Stars in 2020 Exhibit Continuing Trends and COVID-19 Winners

<table>
<thead>
<tr>
<th>Large Companies</th>
<th>Mid-Size Companies</th>
<th>Small Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. General Mills</td>
<td>1. Mike’s</td>
<td>1. Beyond Meat</td>
</tr>
<tr>
<td>2. RB</td>
<td>2. The Boston Beer Company</td>
<td>2. GermX</td>
</tr>
<tr>
<td>5. Grupo Bimbo</td>
<td>5. CJ Foods</td>
<td>5. IL Conte</td>
</tr>
</tbody>
</table>

Note: CJ Foods present as Schwan’s in 2019 Growth Leaders ranking. GermX present as ViJon Labs, who also produces private label (not included).

Note: Extra Small = <$100M, Small = <$1B, Medium = $1B-$5.5B, Large >$5.5B based on L52 Source: IRI data for multi-outlet and convenience (MULO+C), data ending 6/14/20. IRI Consulting analysis.

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Large Brands Drove the Majority of Rising Stars’ Performance to Date, as Well as COVID-19 Winners in Baking, Cleaning and Health

<table>
<thead>
<tr>
<th>#1 Growth Category</th>
<th>Brand 1 ($M)</th>
<th>Brand 2 ($M)</th>
<th>Brand 3 ($M)</th>
<th>Top 3 Sales Combined Contribution %</th>
<th>Top 3 Growth Combined Contribution %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Rfg Dough / Biscuit Dough</td>
<td>Pillsbury</td>
<td>Betty Crocker</td>
<td>PROGRESSO</td>
<td>31%</td>
<td>50%</td>
</tr>
<tr>
<td>2 Household Cleaner</td>
<td>Lyol</td>
<td>finish</td>
<td>Airborne</td>
<td>35%</td>
<td>103%</td>
</tr>
<tr>
<td>3 Cookies</td>
<td>OREO</td>
<td>RITZ</td>
<td>Chips Ahoy!</td>
<td>45%</td>
<td>65%</td>
</tr>
<tr>
<td>4 Household Cleaner</td>
<td>CLOROX</td>
<td>KINGSDON</td>
<td>GLAD</td>
<td>61%</td>
<td>80%</td>
</tr>
<tr>
<td>5 Fresh Bread &amp; Rolls</td>
<td>THOMAS</td>
<td>SaraLee</td>
<td>Entenmann's</td>
<td>48%</td>
<td>53%</td>
</tr>
</tbody>
</table>

Note: 2020 year-to-date sales growth in US$ ending 6/14/20

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customer personalization & collaboration
PepsiCo Launches Direct-to-Consumer Website for Personalized Orders and Engages Consumers At Home

DTC: Create Your Own Pack
• Within 30 days of COVID-19 pandemic, PepsiCo launches Pantrystock.com and Snacks.com for direct-to-consumer purchases
• Personalize orders and sample latest new products
• “Direct consumer connection to have a conversation on how their needs are evolving.” – Ram Krishnan, PepsiCo CCO

Experiential Engagement: Exercising At Home
• Pivot role of Gatorade in China to how Gatorade can help a consumer run a marathon in their own apartment

Source: IRI CEO Conversations with Ram Krishan, PepsiCo Chief Commercial Officer.
Clorox and Lysol Partner with Airline, Hospitality Industries

Branding Cleanliness

Clorox and Lysol partner with airlines and hotels to reinforce high standards of cleaning.
Activia Spain and No7 in UK Launch Online Courses and Beauty Consultation Services

Engaging Consumers at Home

Activia Spain launches online cooking and yoga classes to engage consumers at home in Spain

Boots No7 in the UK offers free beauty services via phone or video link

Advice Aimed at Making Customer Look and Feel Good at Home
Online Hair Care Manufacturer Prose Fully Customizes Products
corporate social responsibility
Products Marketed as Sustainable Continued to Gain Share of Market in 2020

CSB^ Sustainable Market Share Index™ 2020 YTD Market Share

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of Marketed Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>13.66%*</td>
</tr>
<tr>
<td>2019</td>
<td>16.13%*</td>
</tr>
<tr>
<td>2020 YTD**</td>
<td>16.77%</td>
</tr>
</tbody>
</table>

Based on 36 product categories examined

^NYU’s Stern Center for Sustainable Business, in partnership with IRI; * Shares updated due to CSB & IRI recategorizations / ** January-June 15, 2020
Case Studies: Leveraging Sustainability – U.S.

ENFAMIL NEUROPRO
#2 Food & Beverage New Product Pacesetter 2019
• $230M+ in MULO
• Imitates mother’s milk more closely than any product
• Huge market potential: parents
• Revolutionary nutrition advancement in R&D

SCHMIDT’S
Niche Brand, Big Reach
• 2018 acquired by Unilever
• Grabbed mass distribution; $26M+ in MULO
• Established brand and grew
• Lifestyle brand for consumers with strong commitment to natural
Case Study: Leveraging Responsibility – France

Responsible Milk Sourcing
• $Manufacturer brands and private labels partner with local dairy farmers to purchase their milk at above-market prices, ensuring fair renumeration for producers
• Despite paying higher prices in store, shoppers support the initiative
• Brands involved in initiative gain share since launch

Source: IRI France. Hypermarkets, supermarkets, online (excluding pure players), convenience and discounters – S1-Q1+Q2.

<table>
<thead>
<tr>
<th></th>
<th>S1 2018</th>
<th>S1 2019</th>
<th>S1 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share – Value</td>
<td>5,6</td>
<td>8,5</td>
<td>9,6</td>
</tr>
</tbody>
</table>
COVID-19 Will Impact Future Innovation

What will hit the New Product Pacesetters mark in 2020 and beyond?

• Historical Precedent from Past Recessions
• Current Momentum
  – Sustainability
  – Natural
  – Health and Wellness
  – Indulgence
• Guide Future Innovation
  – Personal Health and Safety
  – Economic Considerations

Note: Numbers may not add to 100% due to rounding.
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What Innovation Can Look Like in 2020 and Beyond

**Premiumization**
The Great Recession saw a new product evolution that brought professional services home, including restaurant-branded frozen entrees and teeth whitening.

For the current recession, premiumization will take the form of restaurant-quality meals for home consumption and personalized DIY kits for services, including hair treatments, nail care and color.

**More is More**
Multi-serve food products satisfied a financial need with high-quality food and indulgent products. Products trending now include multi-serving premium chocolates and non-chocolate candy.

Multifunction laundry and home care with sanitizing properties and perceived convenience will become increasingly important in the coming months.

**Brand Expandability**
Leverage brand equity to expand into adjacent categories and make the most of growth pockets.

Alcohol has been identified as a category ripe for innovation. Traditional spirit brands can adapt to at-home cocktail machines a la Keurig Drinkworks or develop branded frozen slushy concoctions.

**Pack Size Innovation**
Package innovation can be just as important in a recession as brand new products. Estimate the demand for multipack, multi-serving or larger sizes as a way to answer consumer demand. Beer and cereal are just two examples of recent large pack innovation shifts that feed a need to "pantry stock."

**Private Label**
High-quality private brands are an important innovation platform as retailers enhance their commitment to shoppers.

Emerging categories include plant-based meats and dairy alternatives, as well as CBD products.
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appendix
### CSB Sustainable Market Share Index™ Shares of Sustainable Products

<table>
<thead>
<tr>
<th>Category</th>
<th>&lt;5% Share</th>
<th>5%–20% Share</th>
<th>&gt;20% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diapers</td>
<td>Cereal</td>
<td>Vitamins</td>
<td>Toilet Tissue</td>
</tr>
<tr>
<td>Cookies</td>
<td>Crackers</td>
<td>Frozen Dinner</td>
<td>Yogurt</td>
</tr>
<tr>
<td>Sanitary Napkins</td>
<td>Fresh Bread</td>
<td>Dish Detergent</td>
<td>Facial Tissue</td>
</tr>
<tr>
<td>Toothpaste</td>
<td>Floor Cleaner</td>
<td>Household Cleaner</td>
<td>Milk</td>
</tr>
<tr>
<td>Chocolate</td>
<td>Soup</td>
<td>Deodorant</td>
<td>Bottled Juice</td>
</tr>
<tr>
<td>Laundry Care</td>
<td>Weight Control</td>
<td>Cups and Plates</td>
<td>Soap</td>
</tr>
<tr>
<td>Laundry Detergent</td>
<td>Paper Towels</td>
<td>Paper Napkins</td>
<td>Coffee</td>
</tr>
<tr>
<td>Pet Treats</td>
<td>Salty Snacks</td>
<td>Natural Cheese</td>
<td>Skin Care</td>
</tr>
<tr>
<td>Pet Food</td>
<td>Energy Drinks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Drinks</td>
<td>Cereal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbonated Beverages</td>
<td>Crackers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trash Bags</td>
<td>Fresh Bread</td>
<td></td>
<td></td>
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</tbody>
</table>

**Graph:***
- The x-axis represents various categories of products.
- The y-axis represents the percentage share of sustainable products in each category.
- Categories are color-coded and ordered from least to most sustainable share.
Gen Z’s Definition of Sustainability is Notable for Its Inclusion of Human Rights

Among Older Generations, Sustainability is More Widely Associated with the Environment

% Naming as Among the Top 3 Things Most Closely Associated with the Term “Sustainability”

- Millennials (22-37 years): 37% Commitment to using renewable resources, 14% Protecting Human Rights
- Gen X (38 - 53 years): 38% Commitment to using renewable resources, 15% Protecting Human Rights
- Baby Boomers (54-72 years): 44% Commitment to using renewable resources, 14% Protecting Human Rights
- Seniors (73+ years): 41% Commitment to using renewable resources, 16% Protecting Human Rights

Source: April 2019 IRI Consumer Survey / Q. Please pick the top 3 things that you most closely associate with the term, “sustainability.”