

The State (and Future) of Natural & Organic

Wednesday, March 6, 2019
Marriott, Marquis Ballroom Central

The logo for Natural Products EXPO WEST is located in the top right corner. It features a stylized sunburst icon above the text "Natural Products" in a bold, dark blue font, with "EXPO WEST" in a smaller, purple font below it. The entire logo is enclosed within a white circle, which is surrounded by several concentric rings in shades of orange and yellow.

**Natural
Products**
EXPO WEST®

The State (and Future) of Natural & Organic



CARLOTTA **Mast**
New Hope Network



WALTER **Robb**
Stonewall Robb



KATLIN **Smith**
Simple Mills



PHIL **Taylor**
Mad Ag



LARA **Dickinson**
OSC2



NICK **McCoy**
Whipstitch

The State (and Future) of Natural & Organic

Natural Products Expo West 2019

Carlotta Mast
Senior Vice President of Content
and Market Leader
New Hope Network | Informa H&N
cmast@newhope.com
@carlottamast



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NETWORK.

Data Presenters & Context Setters



Carlotta Mast
SVP and Market Leader
New Hope Network
Informa H&N



Nick McCoy
Managing Director,
Co-Founder
Whipstitch Capital

Imagining the Future Panelists



Walter Robb
Principal
Stonewall Robb Advisors



Lara Dickinson
Executive Director
OSC2



Katlin Smith
Founder & CEO
Simple Mills



Philip Taylor
Founder
Mad Agriculture

A large, crowded indoor exhibition hall with various booths and attendees. In the foreground, a semi-transparent white circle contains text. The background shows a busy event space with people walking, talking, and browsing. Booths for 'Lilly's Organic Salsa', 'California Farms', 'VeggieZips', and 'blue Experts in...' are visible. Attendees are carrying bags and wearing lanyards.

Expo West 2019!

- 39th Annual
- 88,000+ attendees
- 3,600+ Exhibitors
- 700+ First-Time Exhibitors
- 700+ International Exhibitors
- 588,000+ sq ft of exhibition space
(including new North Hall, Hilton Ballroom)
- #StepUpToOrganic

#ExpoWest

#ExpoWestTrends

#StepUpToOrganic



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In partnership with **INSPO**

The FAB 5 Influencer Team at Expo West



weelicious

**THE ORGANIC
ADVOCATE**



Feel Good
FOODIE
EAT GOOD X FEEL GOOD

**THE GLOBAL
GURU**



DANIELLE WALKER'S
against the grain

**THE WORLD-
CHANGING WOMAN**



 **Edgarrau**

**THE PLANT
REVOLUTIONIST**



 **nom nom paleo**

**THE MODERN
CONSUMER**

Sponsored by



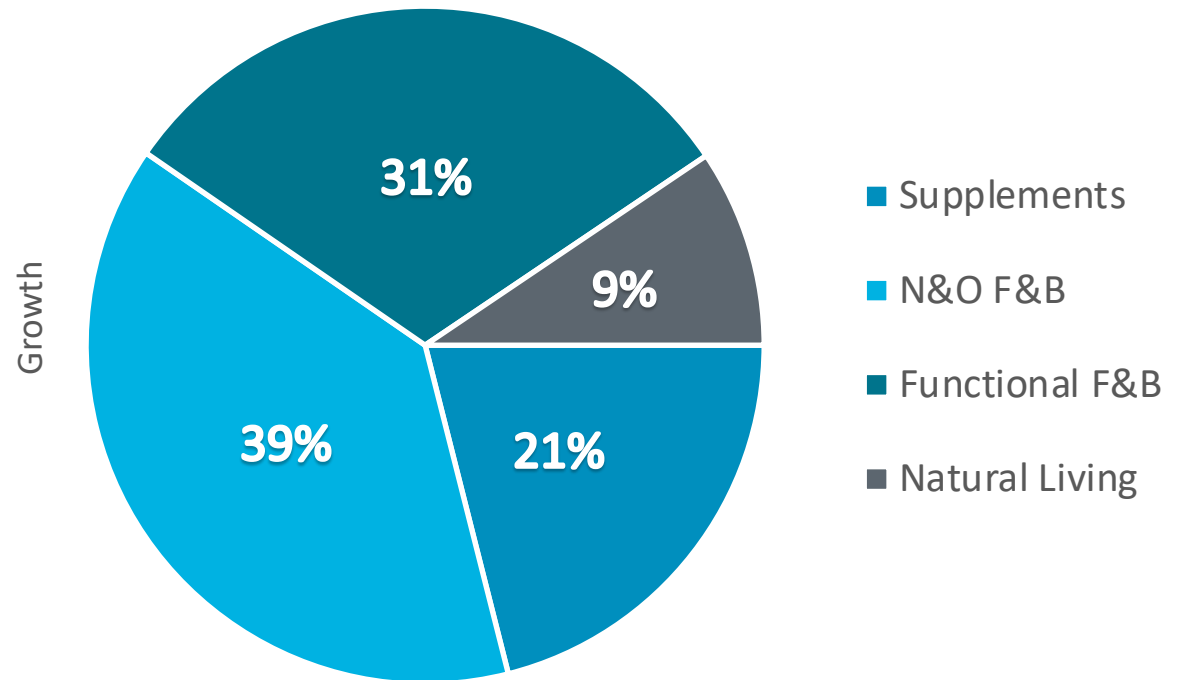
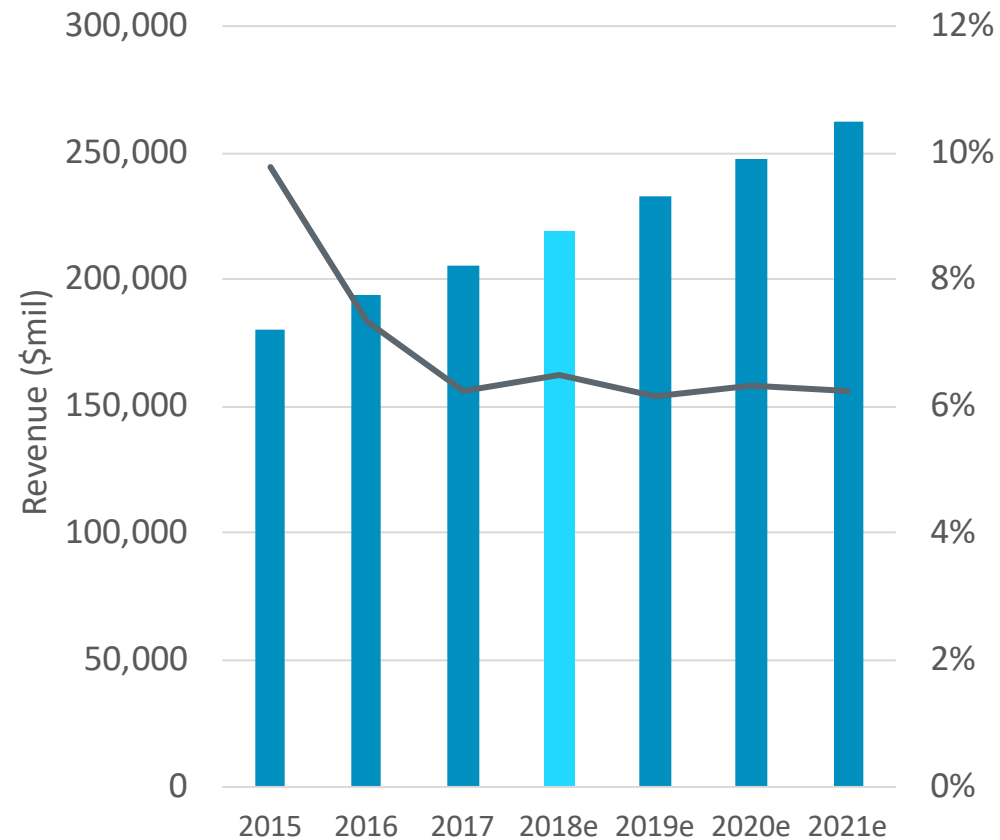
2018 U.S. Sales & Growth



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U.S. natural & organic industry hits \$219B in '18

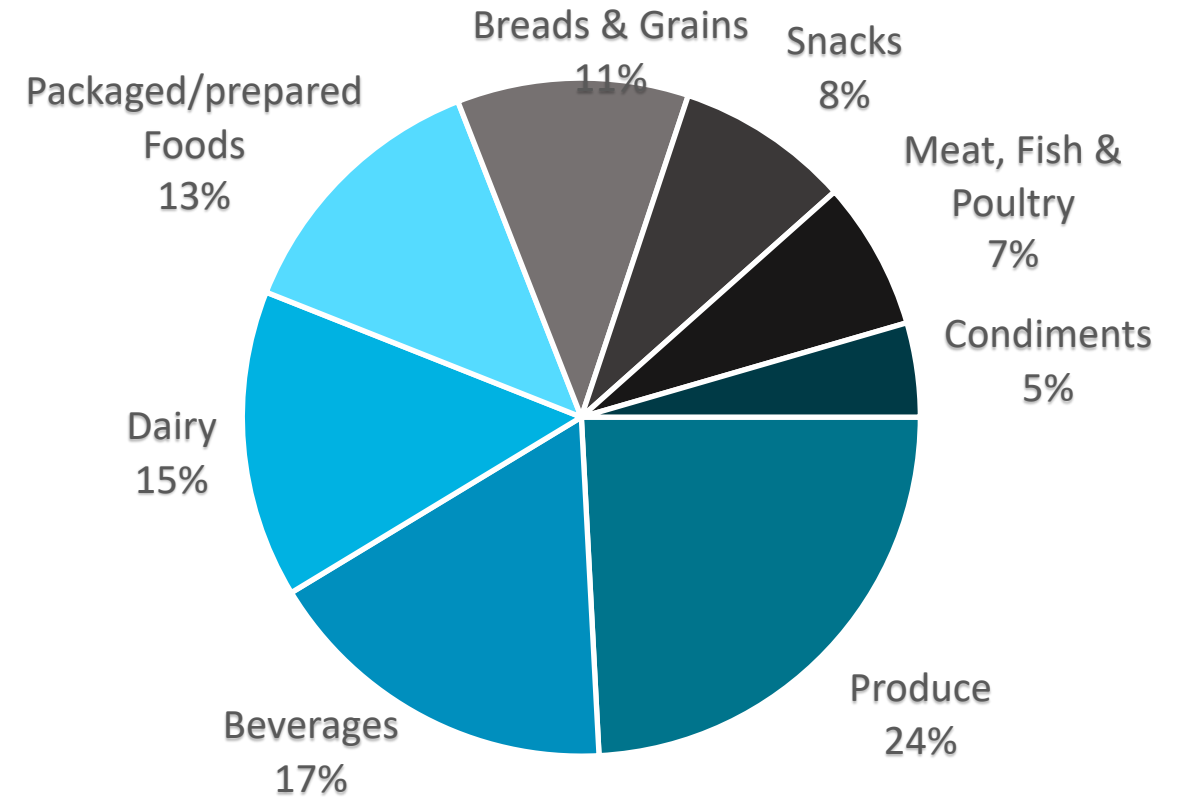
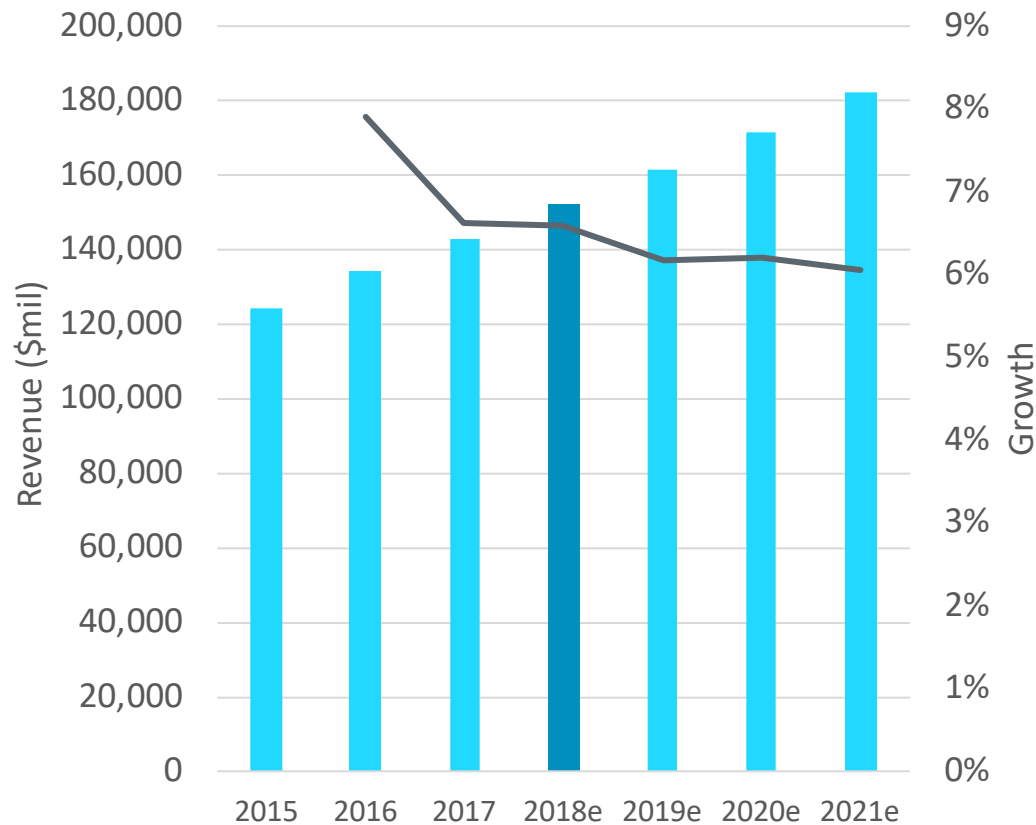
2018 growth up slightly to 6.9%, F&B drives 70% of total sales



Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS

Total food and beverage sales hit \$152B

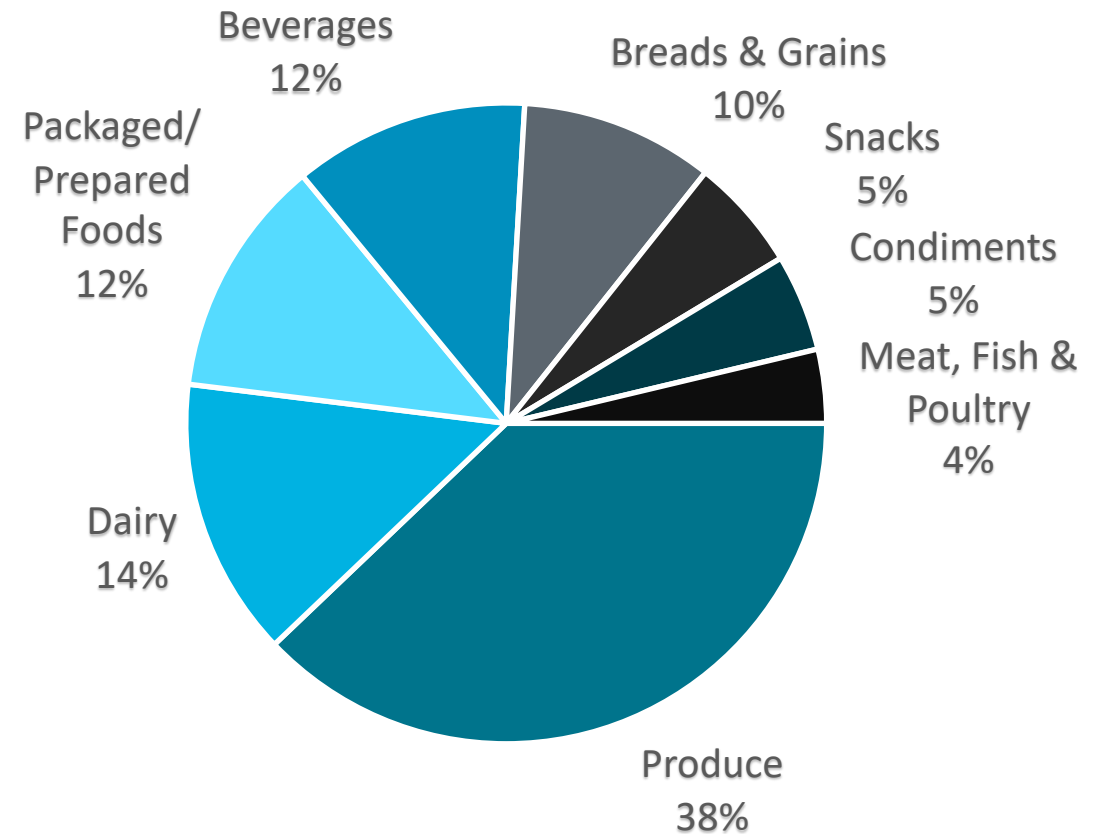
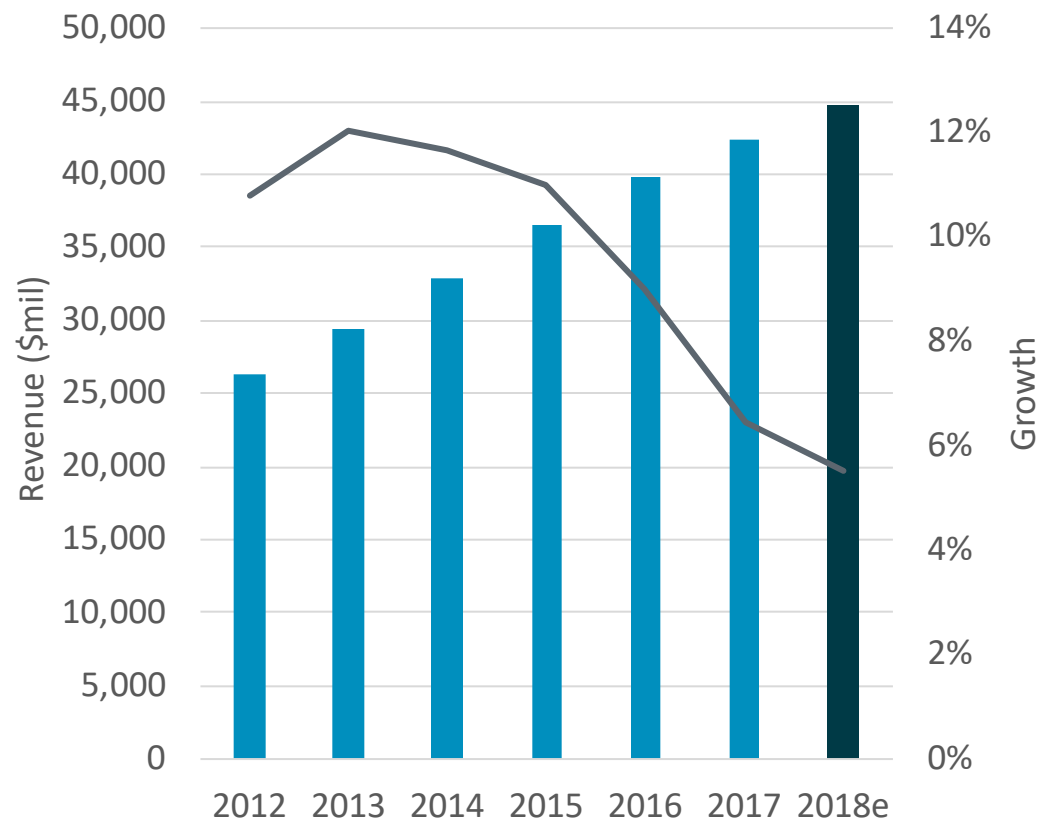
Natural, organic & functional F&B grew 6.6% in 2018; produce largest category



Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS

Organic food & bev now \$45B category in U.S.

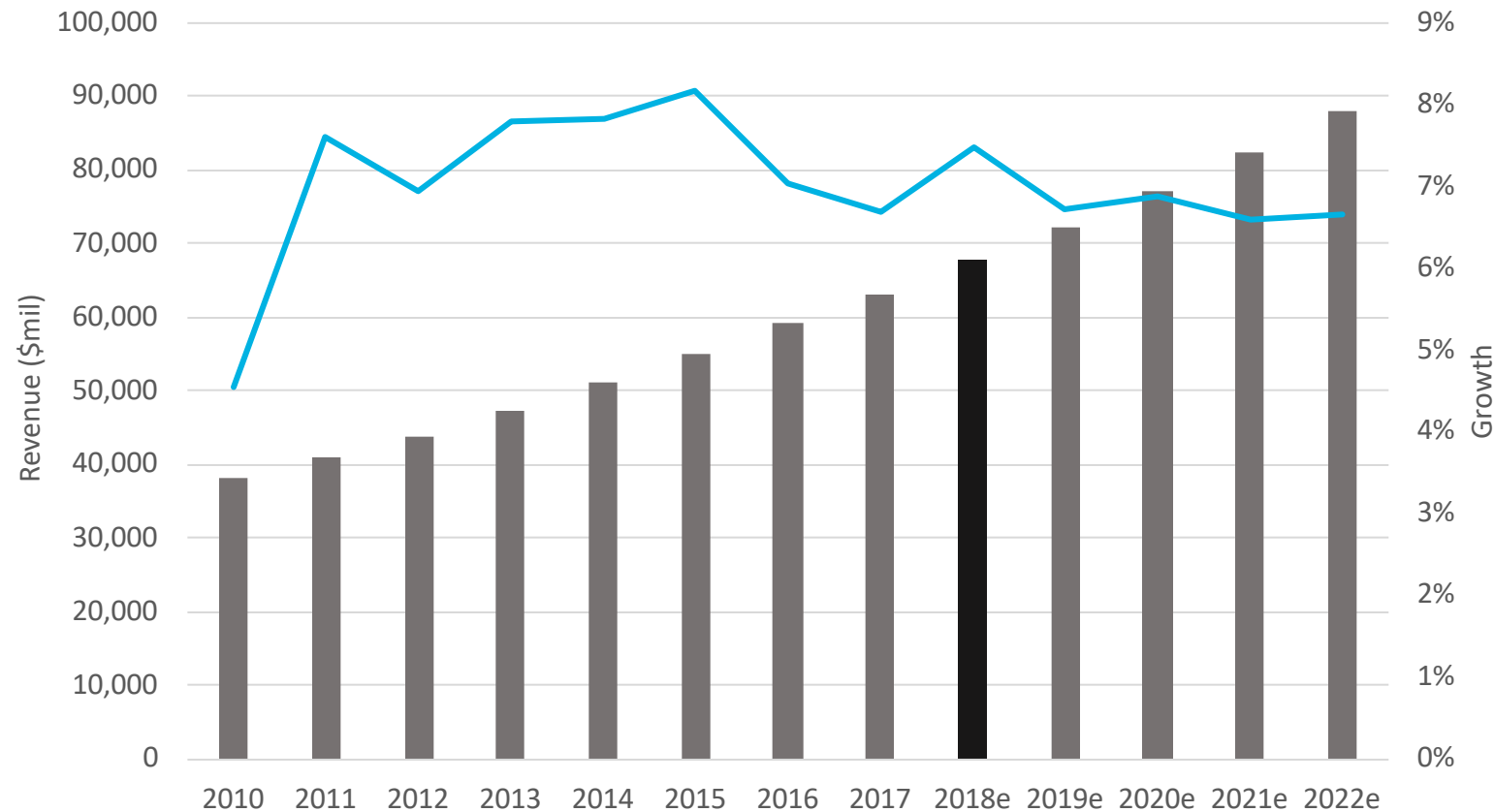
Category grew 5.6% in 2018; Organic dairy continues to face challenges



Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS

Functional food & beverage sales surge

Functional food & beverage sales grew 7.5% to \$68B in '18



Highest growth categories:

Beverages

Snacks

Hot functional ingredients:

Mushrooms

Hemp and CBD

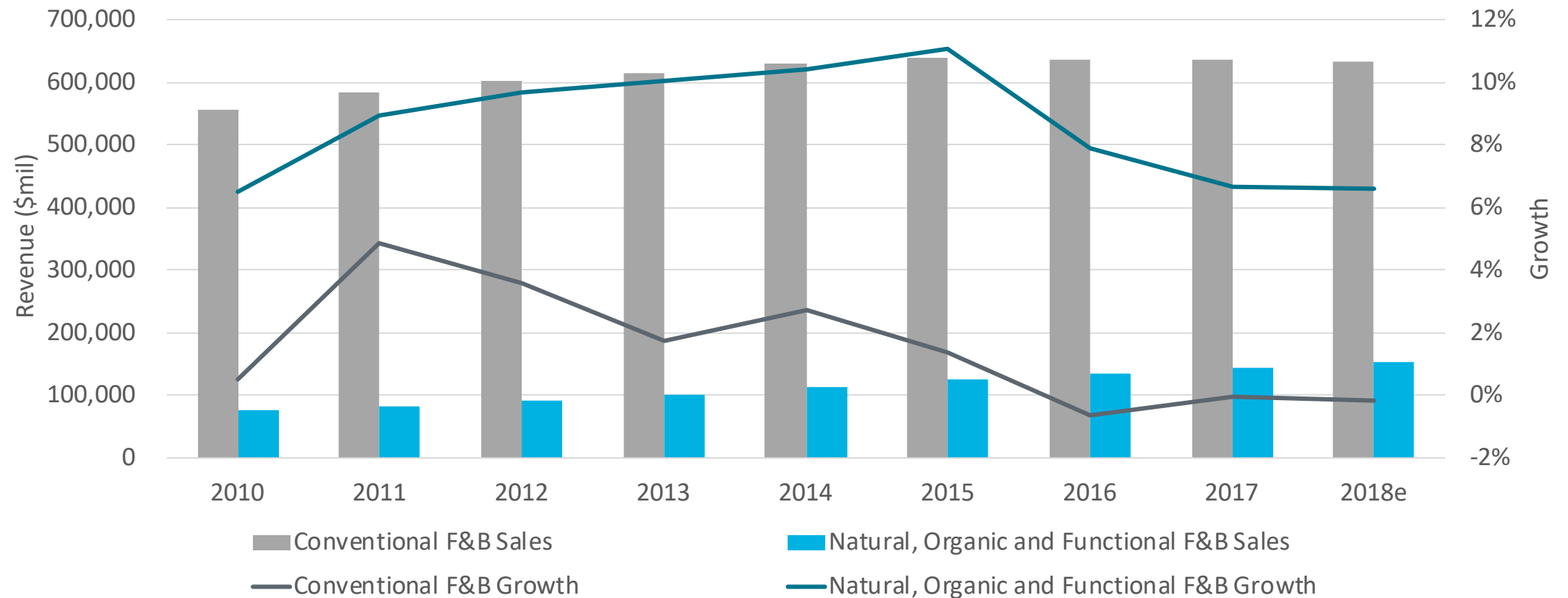
Ashwagandha

Probiotics

Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS

N&O expanding while conventional declines

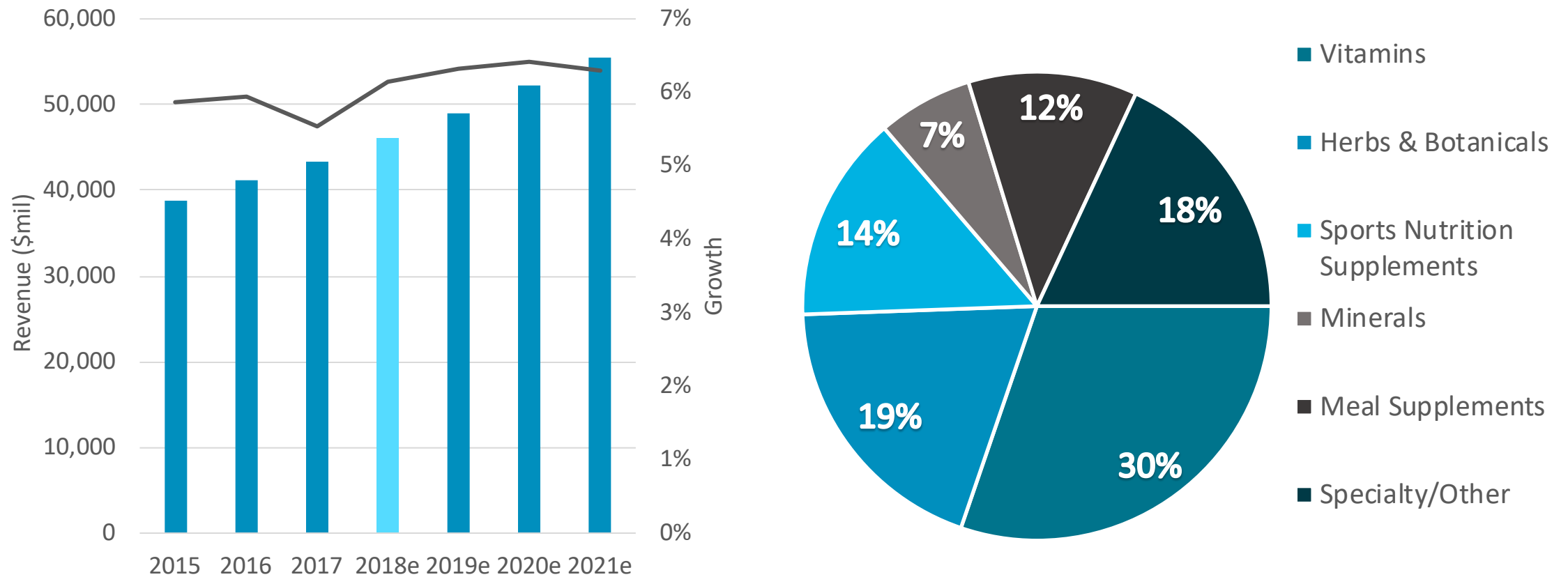
Natural, organic & functional F&B grows 6.6% while conventional drops 0.2%



Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS

Supplement growth rebounds slightly to 6.1%

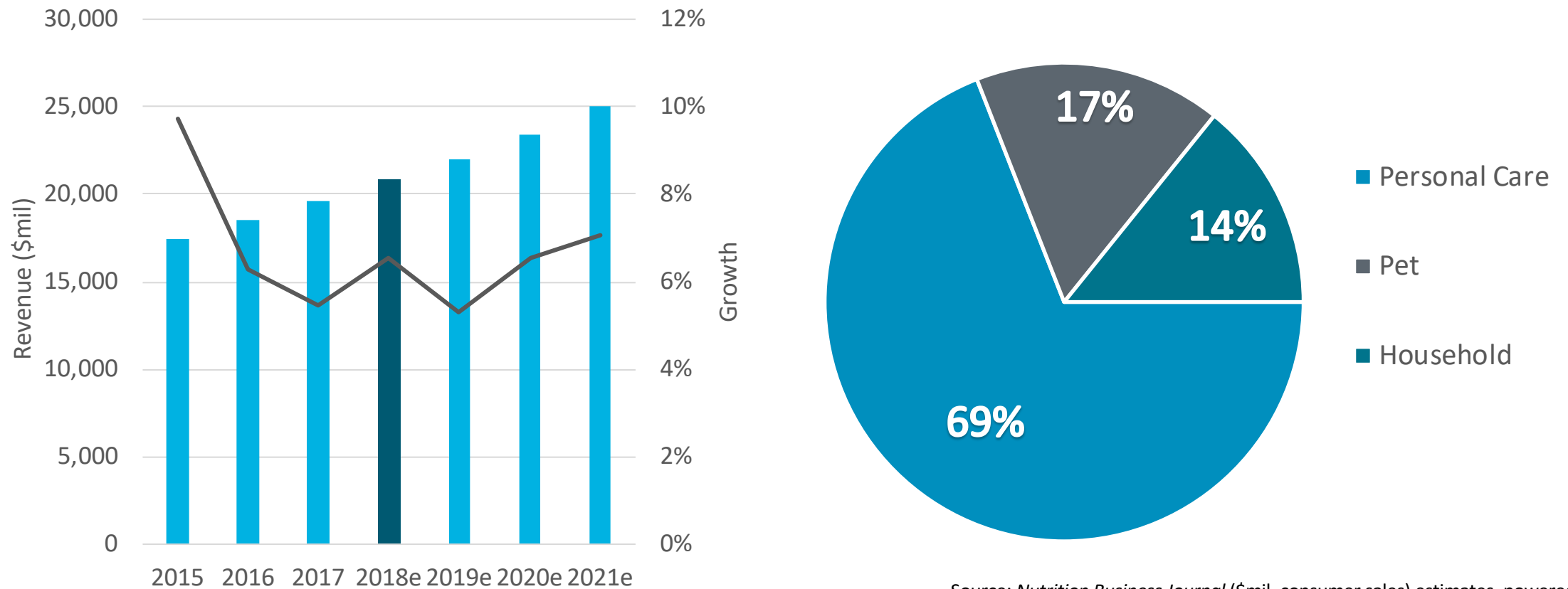
Sales up 6.1% to \$46B in 2018; CBD, adaptogens, collagen help fuel growth



Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS

Natural Living approaching \$21B in sales

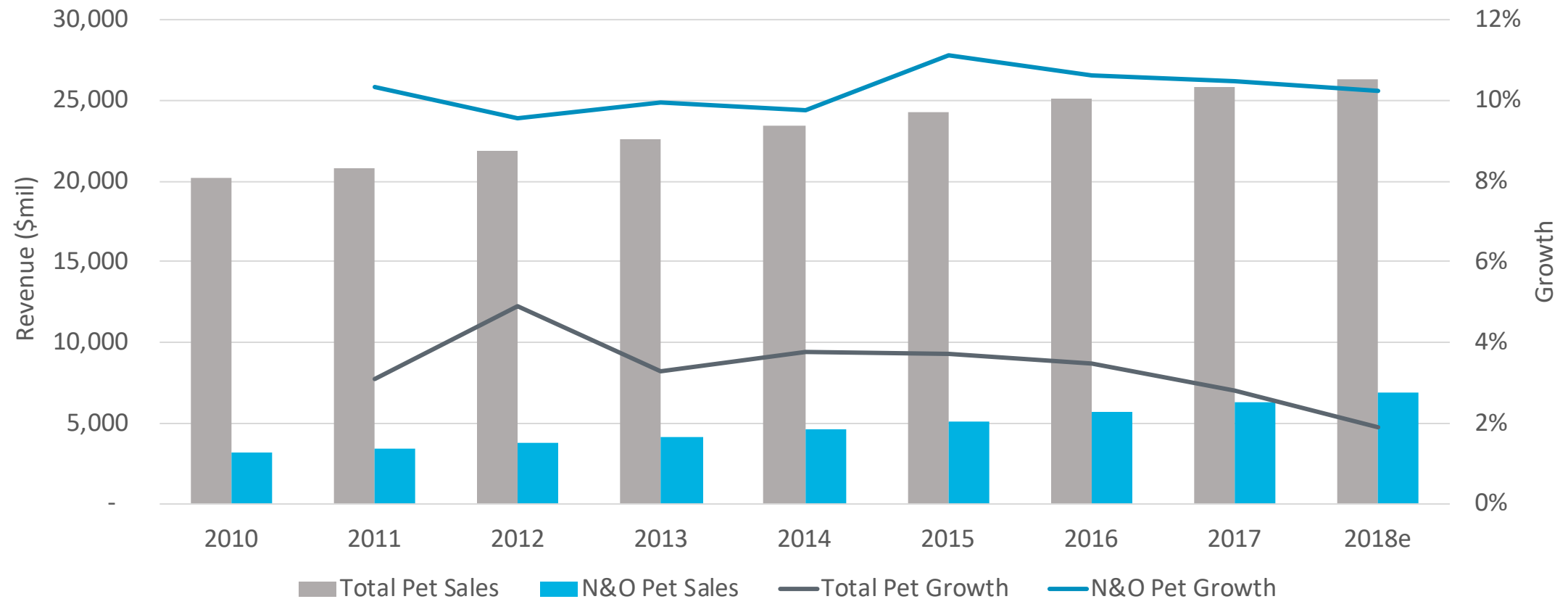
Personal care, household and pet sales grew 6.5% to \$20.8B in 2018



Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS

N&O Pet Products far outpace conventional

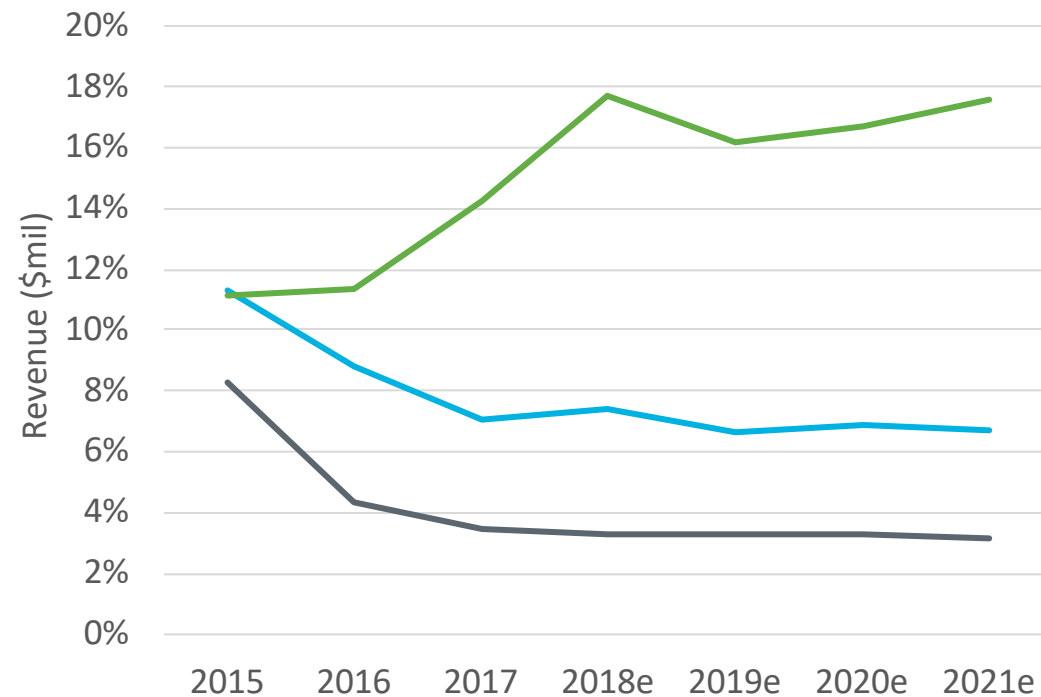
N&O pet product sales up 10.2% to \$7B compared to 1.9% growth in conventional



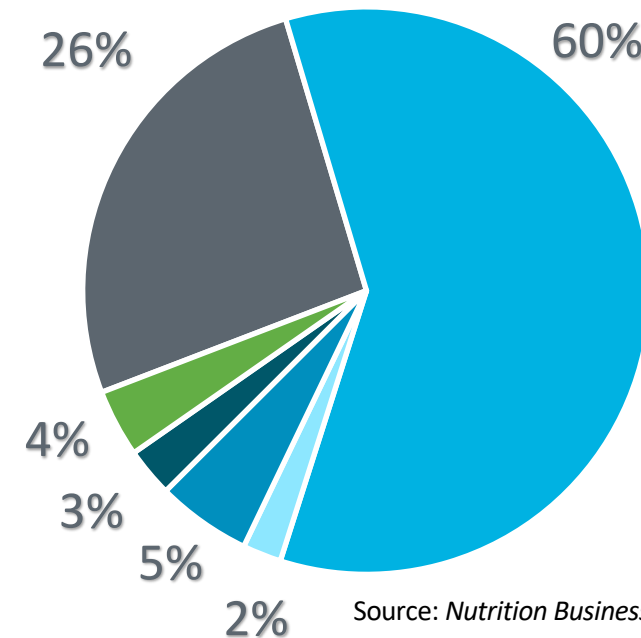
Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS

E-commerce growth outpaces brick & mortar; but 86% of sales rung up in natural and mass market

U.S. natural & organic product industry:
growth by channel



U.S. natural & organic product industry:
market share by channel



Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS

Mass Market

Natural and Specialty

MLM/Network

Practitioner

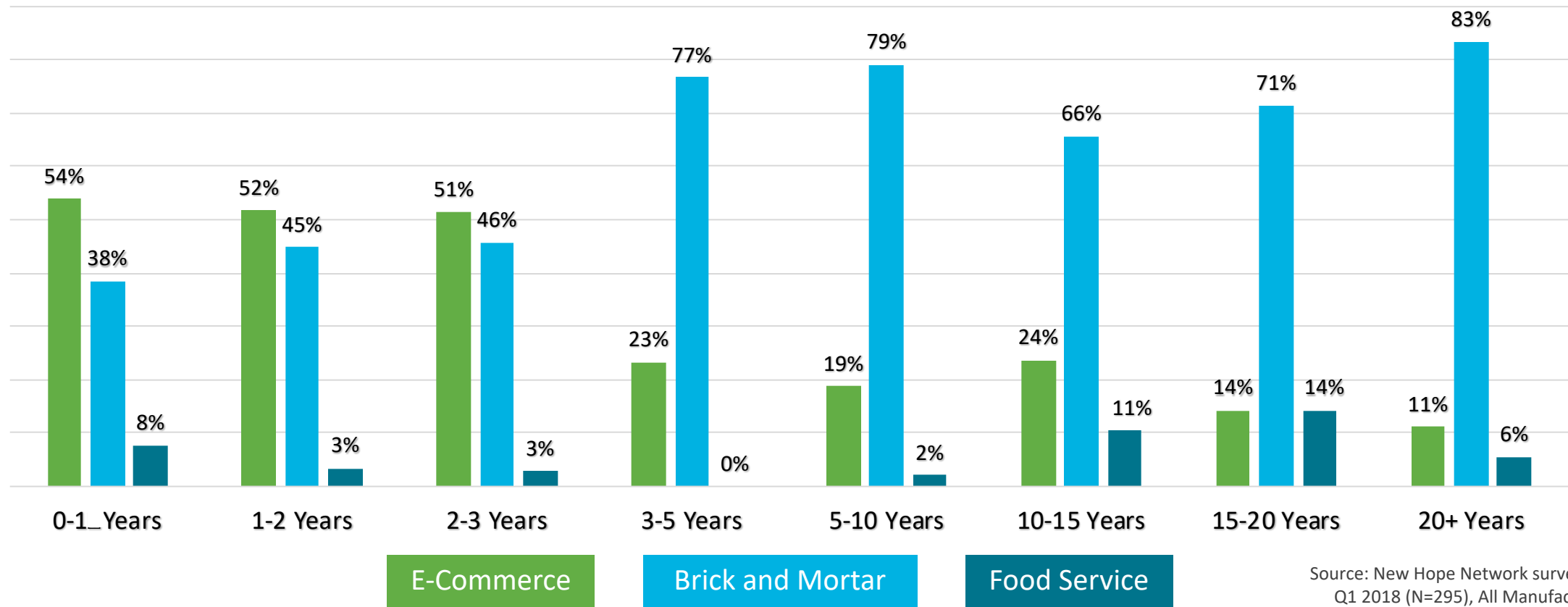
Mail Order, DRTV, Radio

E-Com

Brand survey: E-commerce now most popular channel for natural & organic product launches

More than half of 0-3 year-old companies launch products first online

Q: Through which channel(s) did your company's product(s) launch?



Source: New Hope Network survey conducted Q1 2018 (N=295), All Manufacturer Results

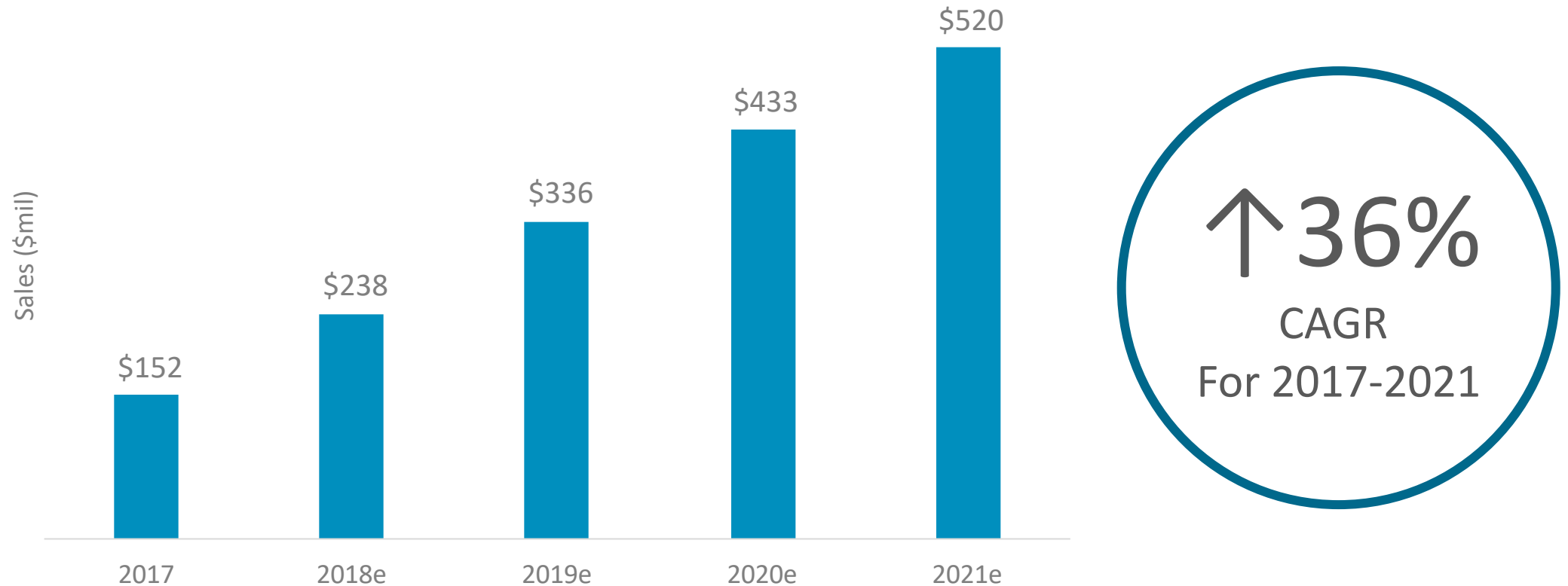
Hemp and CBD



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Hemp-based CBD supplements growing fast

U.S. hemp-based CBD supplement sales & growth, 2017-2021e

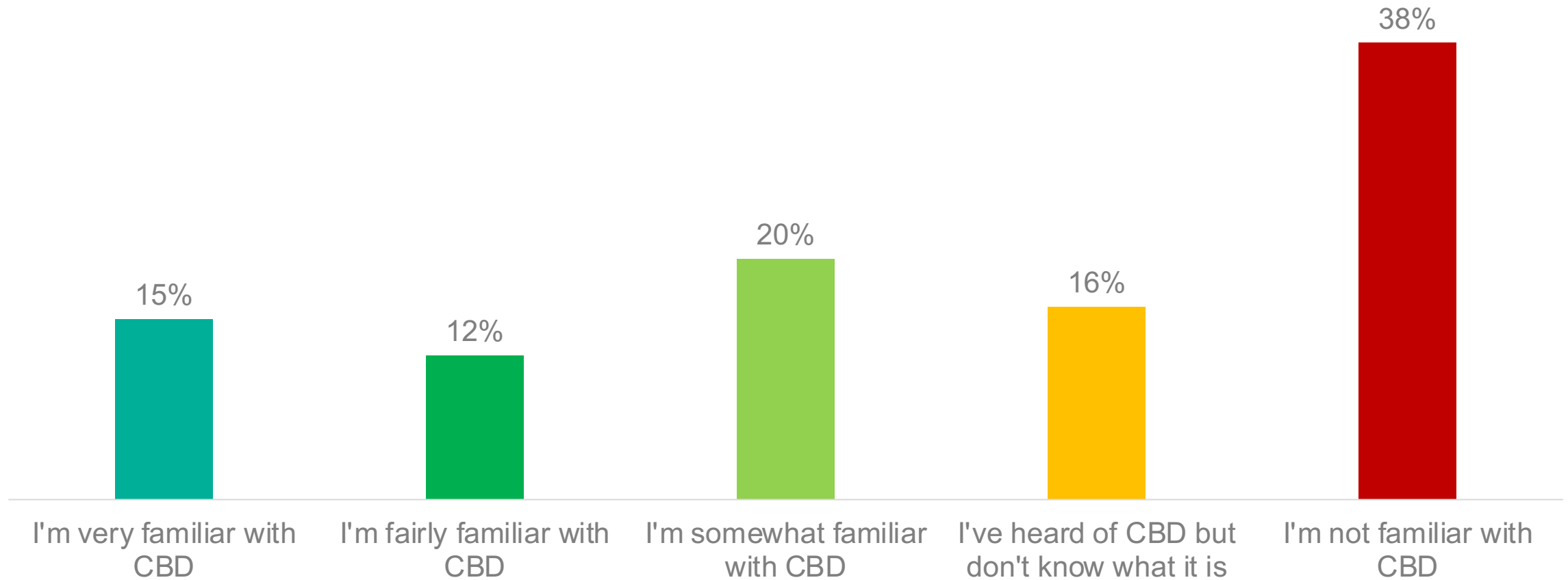


Nutrition Business Journal estimates (\$mil, consumer sales)

Source: *Nutrition Business Journal* (\$mil, consumer sales) estimates, powered by SPINS, 2018 NBJ Hemp and CBD Guide

47% of U.S. consumers familiar with CBD

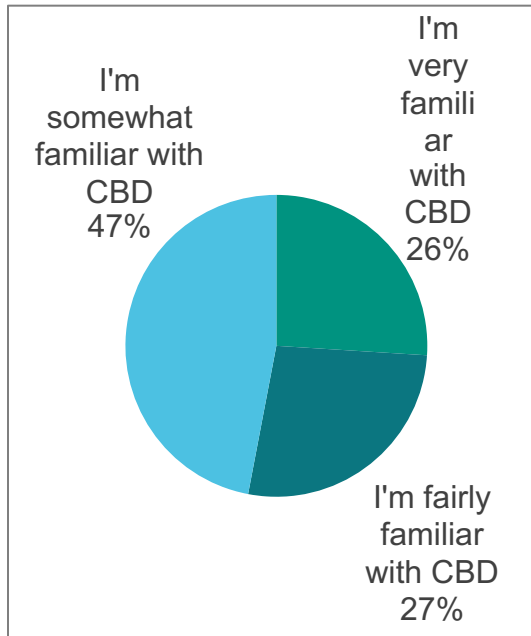
NEW HOPE CONSUMER SURVEY: LEVEL OF FAMILIARITY WITH



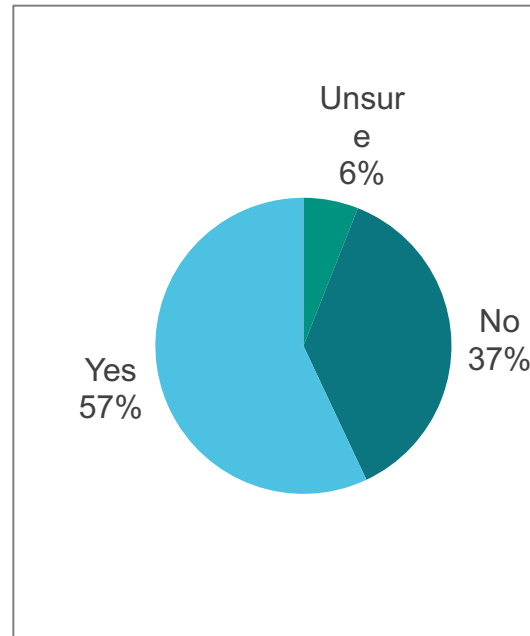
Source: *Nutrition Business Journal* Hemp and CBD Guide, consumer survey conducted Q4 2018 (n=2,739)

30% of familiar consumers have purchased

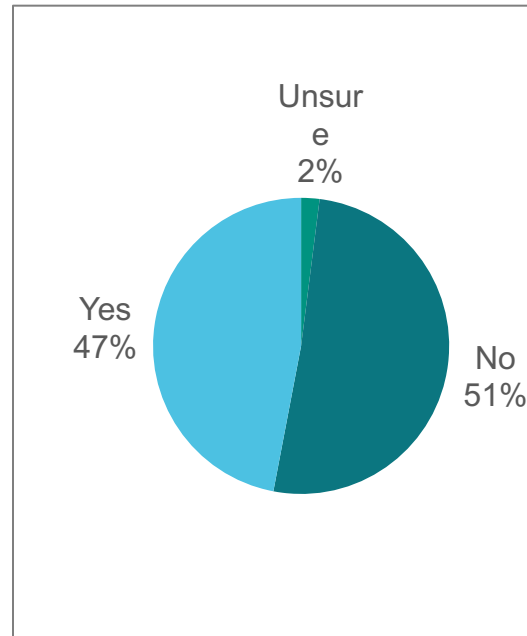
LEVEL OF FAMILIARITY WITH CBD



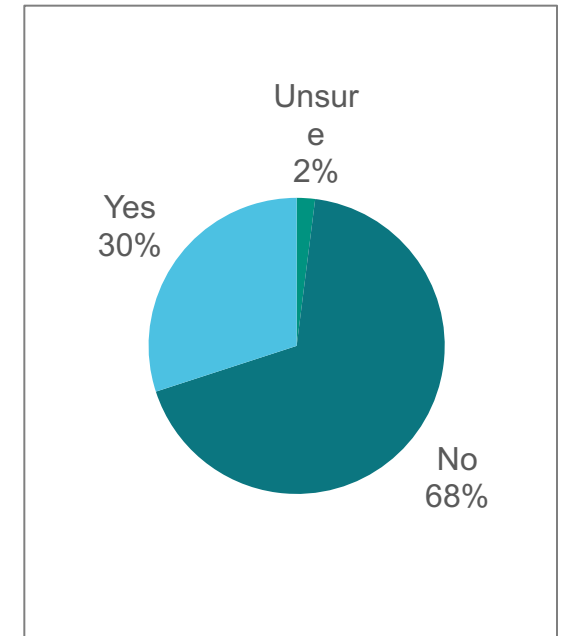
CONSIDERED PURCHASE OF CBD



ACTIVELY RESEARCHED CBD OR PRODUCTS



ACTUALLY PURCHASED CBD

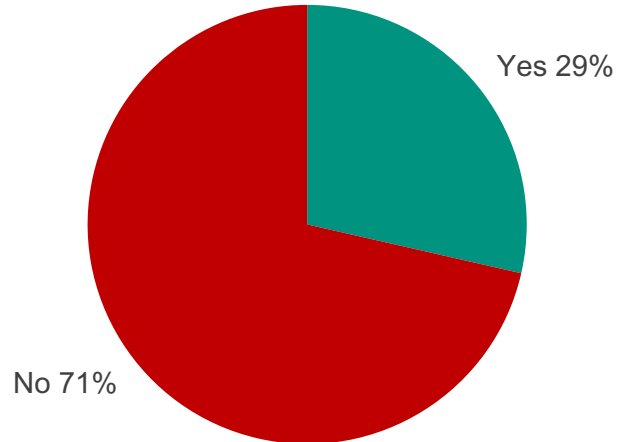


Source: *Nutrition Business Journal* Hemp and CBD Guide, consumer survey conducted Q4 2018 (n=2,739)

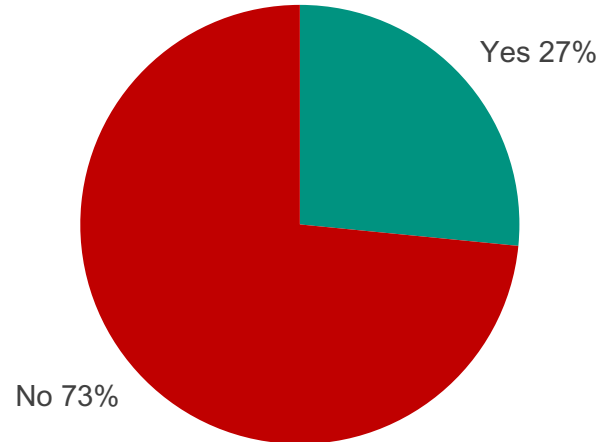
Many brands expect to launch CBD product

NEW HOPE BRAND SURVEY: HEMP AND CBD PRODUCT

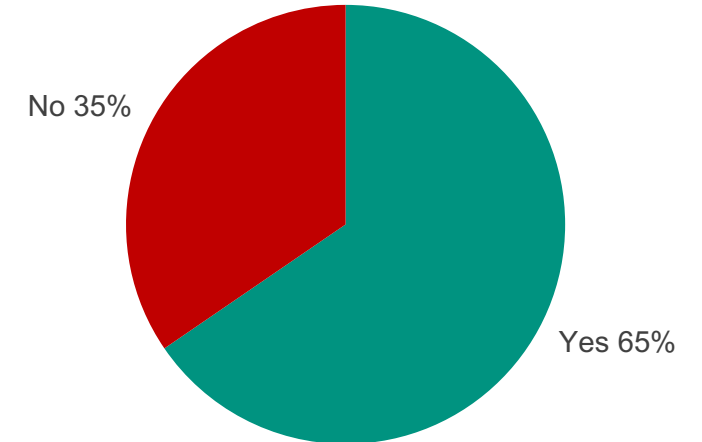
DOES YOUR COMPANY
CURRENTLY
SELL ANY CBD/HEMP
EXTRACT PRODUCTS?



WAS YOUR COMPANY FOUNDED
SOLELY TO MARKET AND SELL
CBD/HEMP PRODUCTS?



DO YOU PLAN TO LAUNCH
ANY CBD/HEMP PRODUCTS IN
THE NEXT 1-2 YEARS?



Source: *Nutrition Business Journal* Hemp and CBD Guide, 2019 manufacturer survey (n=232)

Macro Forces & Trends



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Plant Wisdom

Social, environmental, animal welfare, and health concerns have dogged animal-based agriculture and natural brands are meeting consumer demand for alternative ways of replacing or reducing consumption of meat and dairy with plants.

LeGrand



Booth: 5354

Trend: Eat More Plants
Innovation: Hidden Veggies

Lavva



Booth: H502

Trend: Eat More Plants
Innovation: Plant-based Dairy

Elmhurst Milked



Booth: 849

Trend: Plant-based Ethics
Innovation: Animal Welfare

Blue Evolution



Booth: N940

Trend: Plant-based Ethics
Innovation: Algae is Water Wise

The World is Fat

Brands are finding creative ways to respond to changing consumer perceptions around nutrition, including the growing appreciation for healthy fats and understanding that sugar isn't at all sweet when it comes to health.

Kiss My Keto



Booth: 8019

Trend: Healthy Fats
Innovation: MCT Oil + Keto Tribe

Mount Mayon



Booth: H921

Trend: Healthy Fats
Innovation: Pili Nuts with Omega-9s

NOOMA



Booth: 9204

Trend: Sugar Vilified
Innovation: No Sugar Added

True Made Foods



Booth: H100

Trend: Sugar Vilified
Innovation: Naturally Sweetened

A Life of Vitality

The pressure of modern life means we are feeling bogged down and our full selves are suppressed as we grapple with life's demands. Consumers seek diets to help stave off and prevent disease, treat conditions, and optimize how they feel today and every day.

Gutzy



Booth: 2589

Trend: Healthy Microbiome
Innovation: Gut Health / Prebiotics

Hu Kitchen



Booth: 8904

Trend: Optimized Diets
Innovation: Paleo, Vegan

Winged



Booth: N141

Trend: Quest for Rest
Innovation: CBD line for women

RE Botanicals



Booth: 2019

Trend: Endocannabinoid System
Innovation: CBD

Modern Pantry

The brands that fit in today's modern pantry are designed to connect with a more diverse consumer base, have real stories behind them and are meeting a changing array of consumer needs, desires and beliefs.

Noble Made



Booth: N909

Trend: Updating Stale Categories
Innovation: Bone broth-infused condiments

Skinny Souping



Booth: H230

Trend: Nutrition Meets Convenience
Innovation: Functional Consumption On-The-Go

Peekaboo



Booth: H1009

Trend: Permissible Indulgence
Innovation: Hidden Veggies

Vital Farms



Booth: 5478

Trend: "Deep" Brands
Innovation: Pasture raised

The Power of Science

The Power of Science is fueling exciting innovation within the food and CPG industry and providing brands with an opportunity to connect with consumers looking for science-backed products and values-driven innovations that have the potential to change the world for the better.

Counter Culture



Booth: H1214

Trend: Science First
Innovation: Probiotic-based cleaner – “good” bacteria breaks down dirt, grease, and odors

customized.organic



Booth: 3062

Trend: Personalization
Innovation: Personalized hair care based on info about your hair

Sensible Foods



Booth: 5044

Trend: Purposeful Tech
Innovation: Proprietary crunch dry method retains more nutritional value

Perfect Day



Booth: Not on market yet

Trend: Purposeful Tech
Innovation: Animal-free milk

Material Optimization

Brands are incorporating “reduce, reuse and recycle” principles into their business models, resulting in crafty solutions to eke out the most value from ingredients and materials.

Wildscape



Booth: 1616

Trend: Responsible Packaging
Innovation: Reusable Packaging

PATHWATER



Booth: N638

Trend: Waste Reduction
Innovation: Wide mouth reusable bottle

Loving Earth



Booth: N1737

Trend: Responsible Packaging
Innovation: Compostable Packaging

PATCH



Booth: H1215

Trend: Efficient Materials
Innovation: Bamboo

Inventive Business Models

Responding to the call for greater purpose and business responsibility, the natural products industry is pioneering creative flows of capital, unique partnerships, ownership models and sourcing practices.

Pete and Gerry's Organic Eggs



Booth: 2513

Trend: Mission-Driven Commerce
Innovation: Expanding Organic acreage

Maple Hill



Booth: 1213

Trend: Mission-Driven Commerce
Innovation: Regenerative Organic Certification

Applegate



Booth: 549

Trend: Collaboration Economy
Innovation: Collaborating to Support Regenerative Ag

Hands on Herbs



Booth: 7501

Trend: Responsible Sourcing
Innovation: Hand-Harvesting

Thank you

Carlotta Mast
Senior Vice President of Content
and Market Leader
New Hope Network | Informa H&N
cmast@newhope.com
[@carlottamast](https://www.linkedin.com/in/carlottamast)



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EXPO WEST®

Natural Products Expo West
March 2019

Michael Burgmaier
Managing Director
mike@wstitch.com

Nicolas McCoy
Managing Director
nick@wstitch.com



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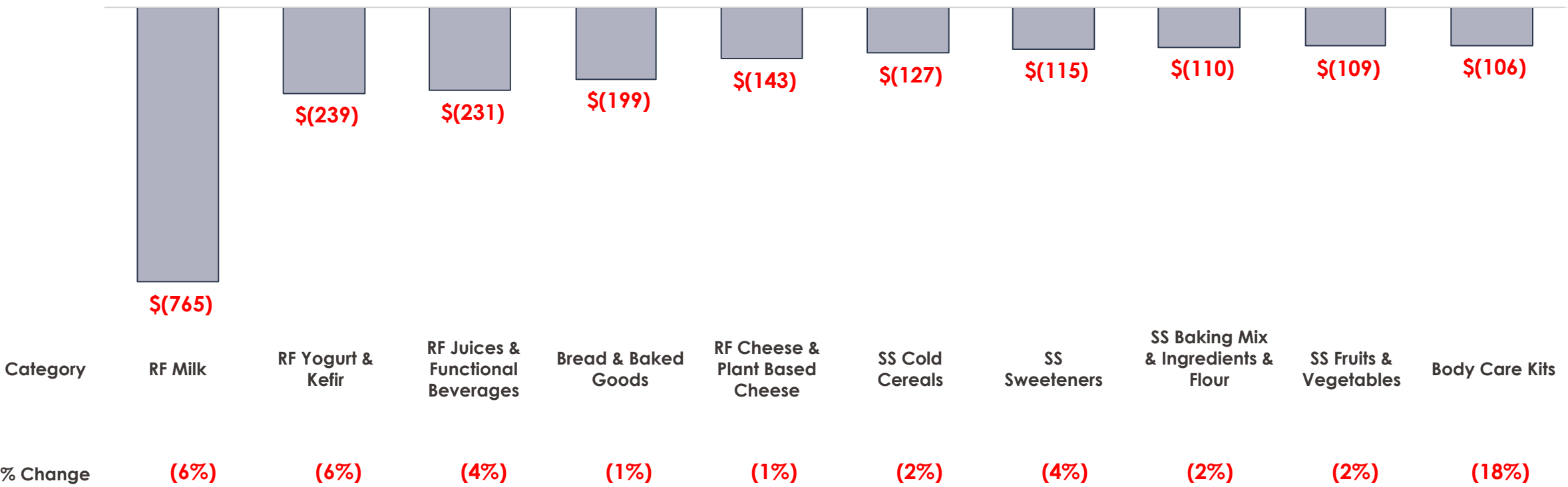
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Conventional Grocery Products – Most Notable Declining Categories

Year-Over-Year \$ Sales Growth of Top 10 Declining Categories⁽¹⁾

\$MM, TPL - HWI, 52 WE 12/30/18

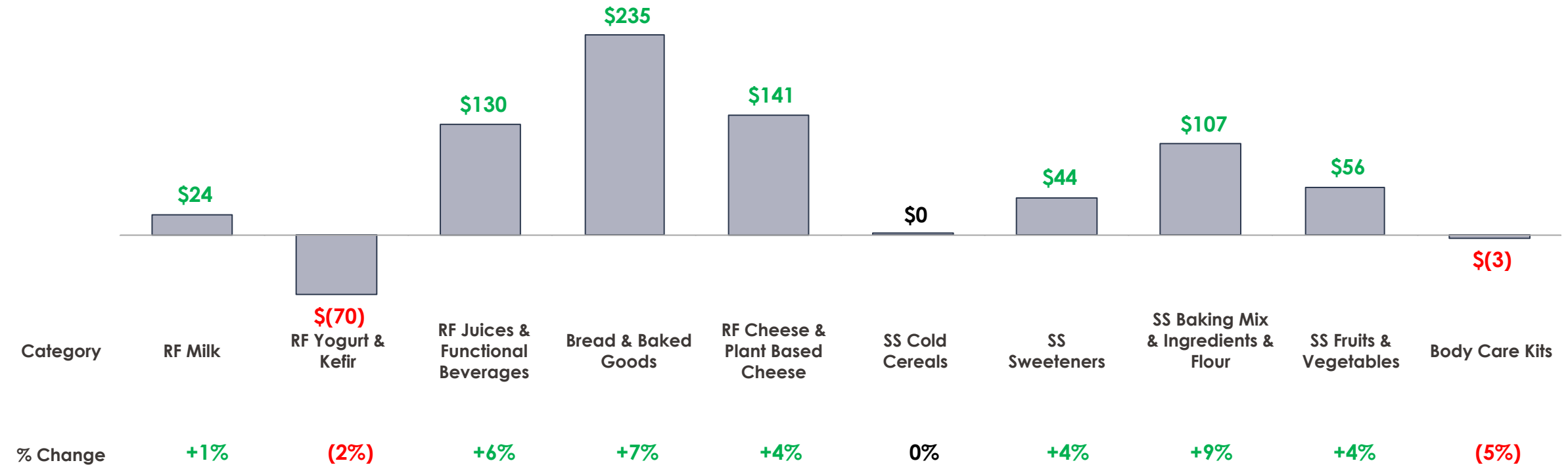


(1) SPINS, All Categories, TPL-HWI; excludes all alcohol related categories

Same Categories, Different Story – Many Categories Facing Declines Among Conventional Products Experiencing Strong Growth Among Natural Products

Year-Over-Year \$ Sales Growth of Top 10 Declining Categories⁽¹⁾

\$MM, HWI, 52 WE 12/30/18

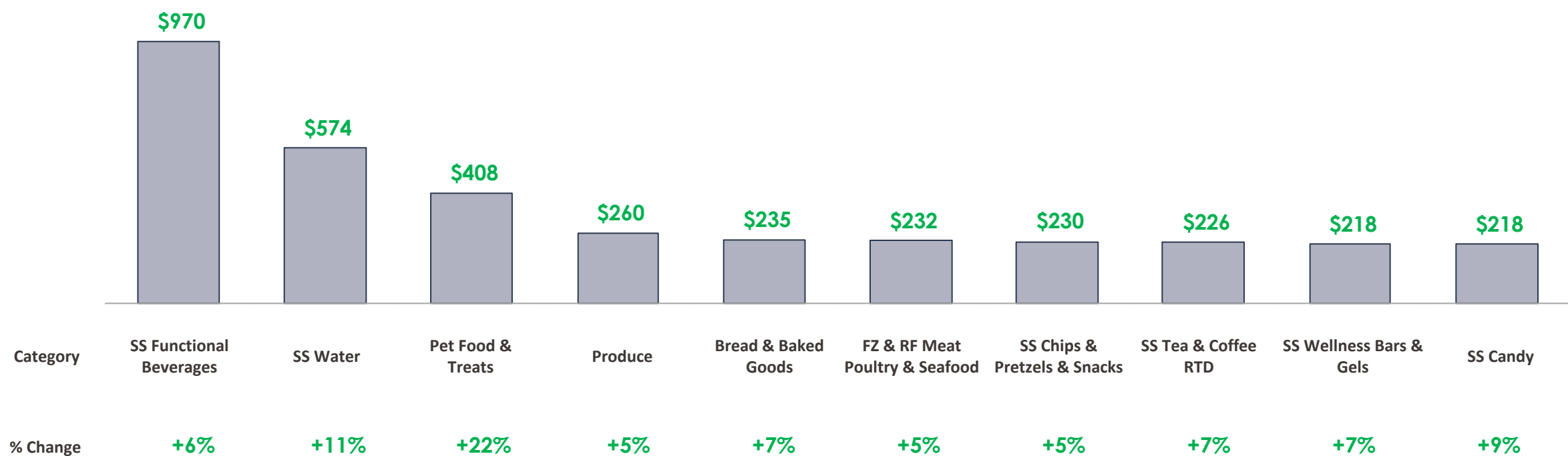


(1) SPINS, All Categories, HWI; excludes all alcohol related categories

Natural Products – Fastest Growing Categories

Year-Over-Year \$ Sales Growth of Top 10 Categories⁽¹⁾

\$MM, HWI, 52 WE 12/30/18

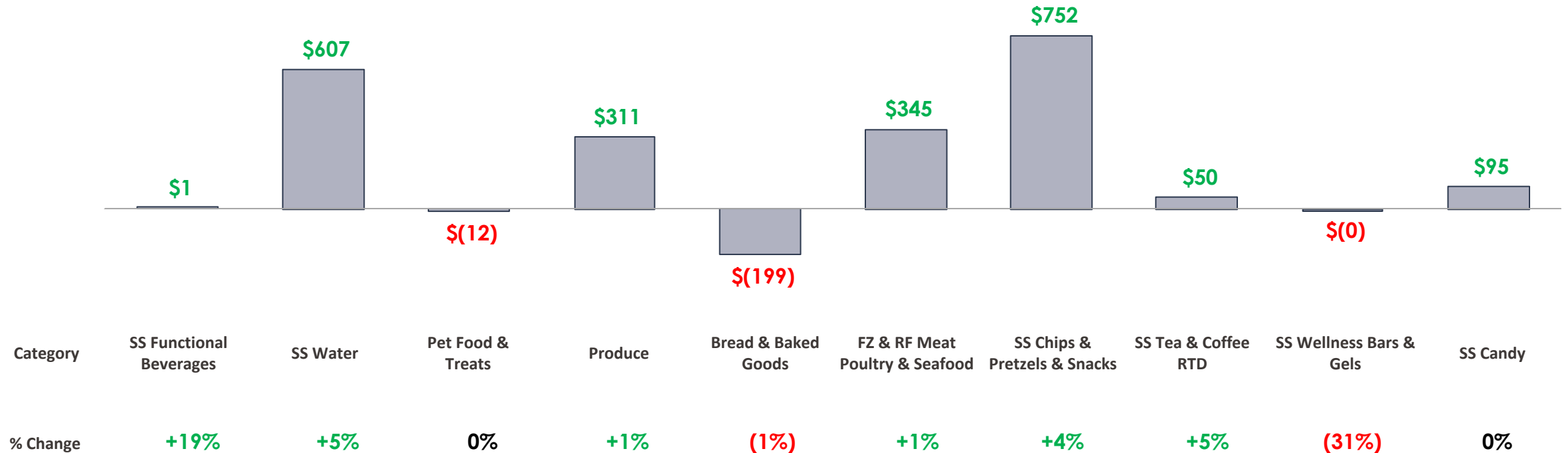


(1) SPINS, All Categories, HWI; excludes all alcohol related categories

Same Categories, Different Story – Many of the Fastest Growing Categories in Natural Growing Much Slower or Declining in Conventional

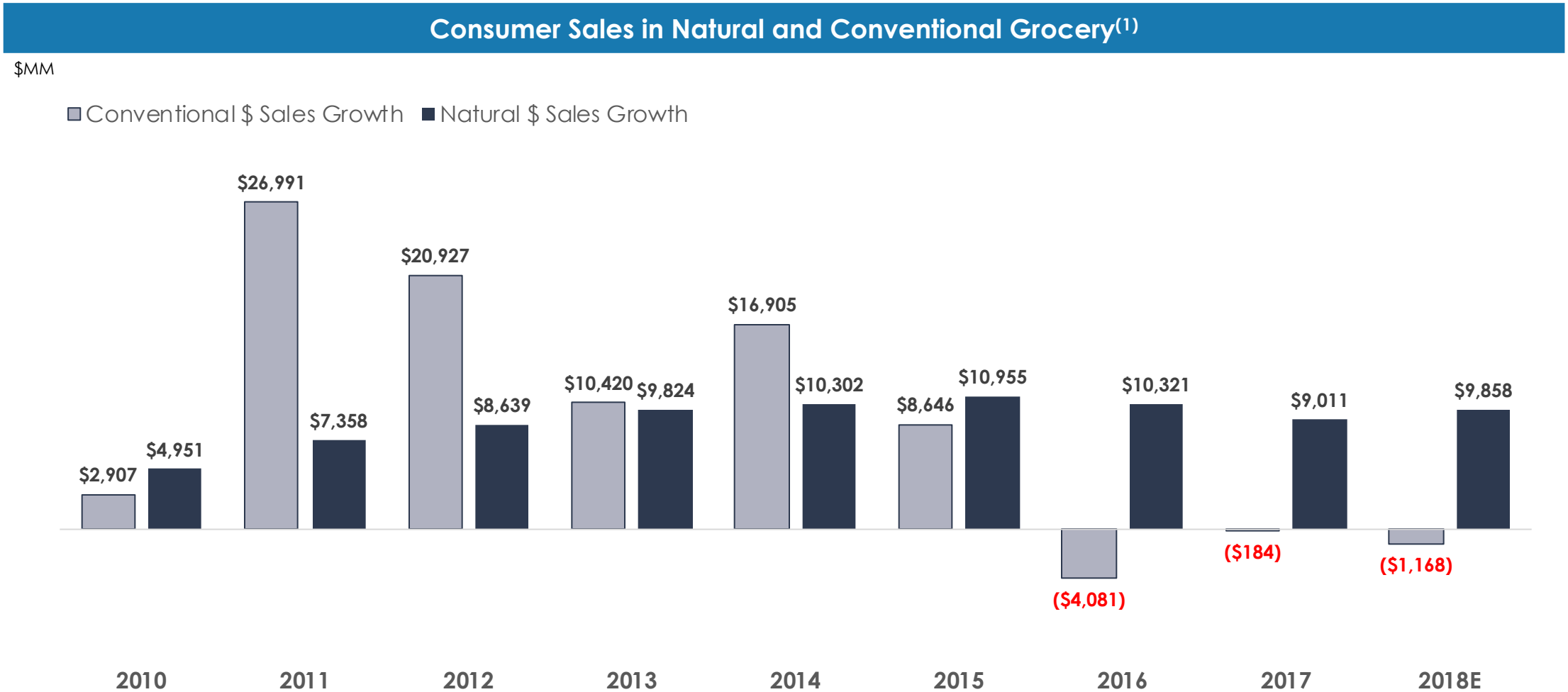
Year-Over-Year \$ Sales Growth of Top 10 Categories⁽¹⁾

\$MM, TPL - HWI, 52 WE 12/30/18



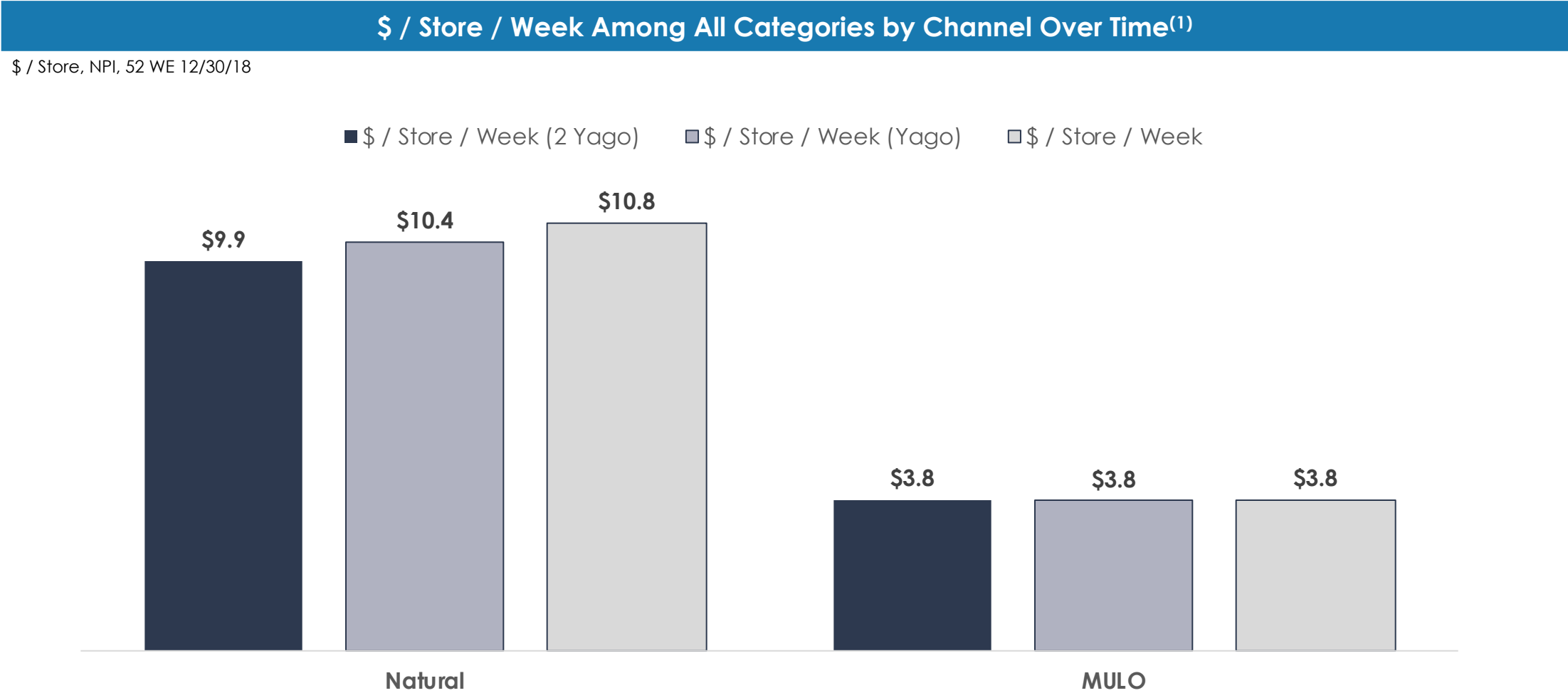
(1) SPINS, All Categories, TPL - HWI; excludes all alcohol related categories

Natural Contributed All of the Growth in Grocery the Past Three Years



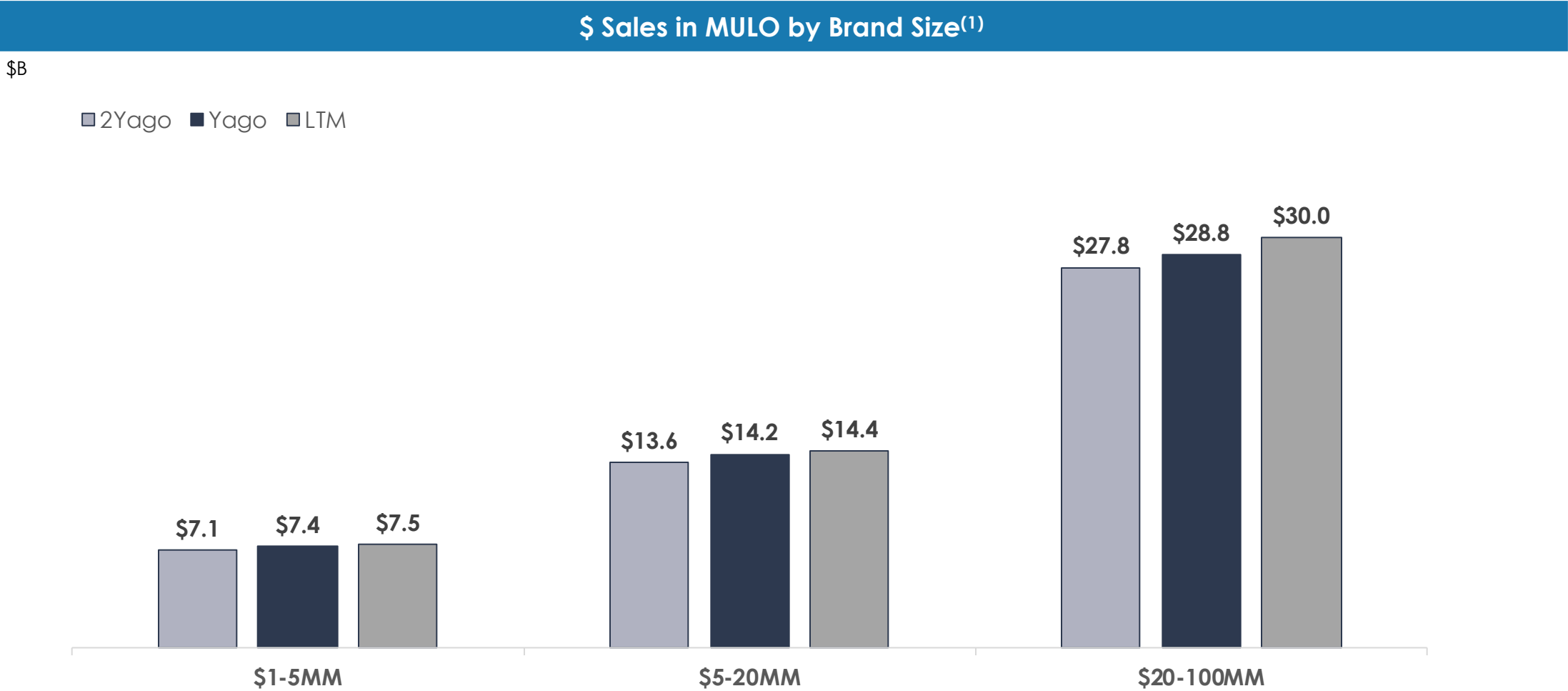
(1) Nutrition business Journal (2019) (2018 preliminary estimates; \$MM, consumer sales)

Natural Channel Velocity Higher than Conventional and Growing



(1) SPINS, All Categories, NPI
Note: Natural does not include Whole Foods Market data; MULO includes Drug channel

Dollar Volume of Emerging Brands is Growing at All Sizes in MULO

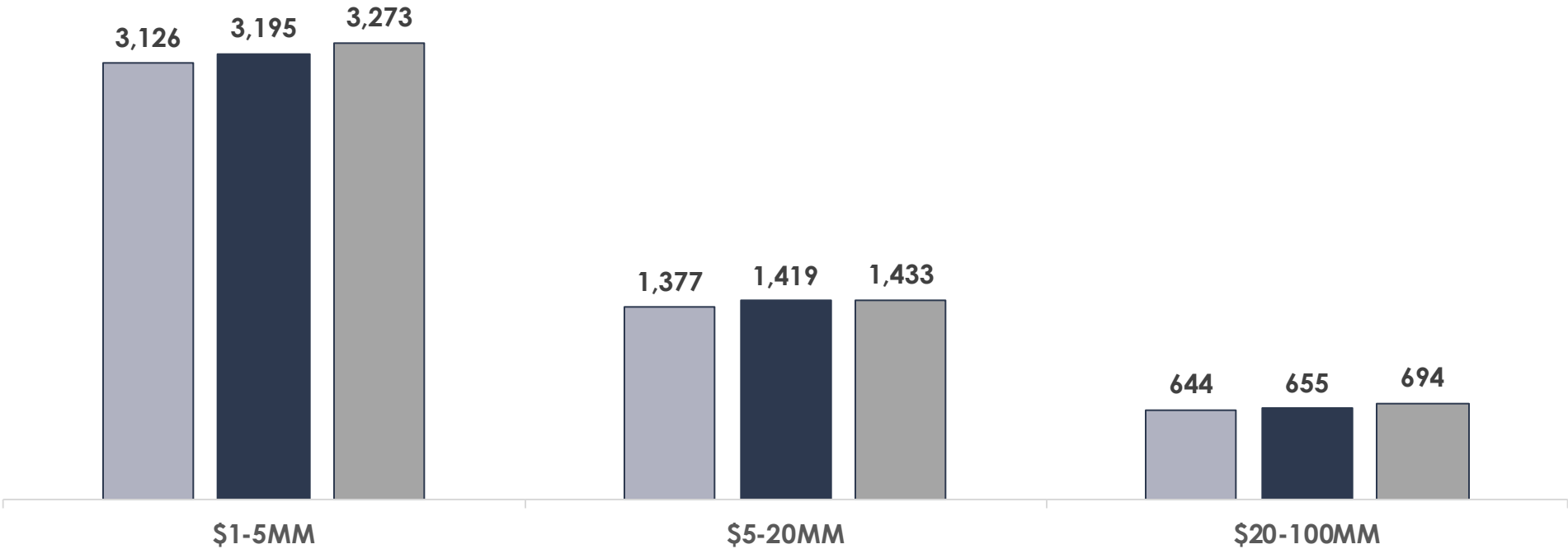


(1) SPINS HWI, All Categories, MULO, 52 WE 1/27/19

Conventional Retailers Increasing Number of Emerging Natural Brands

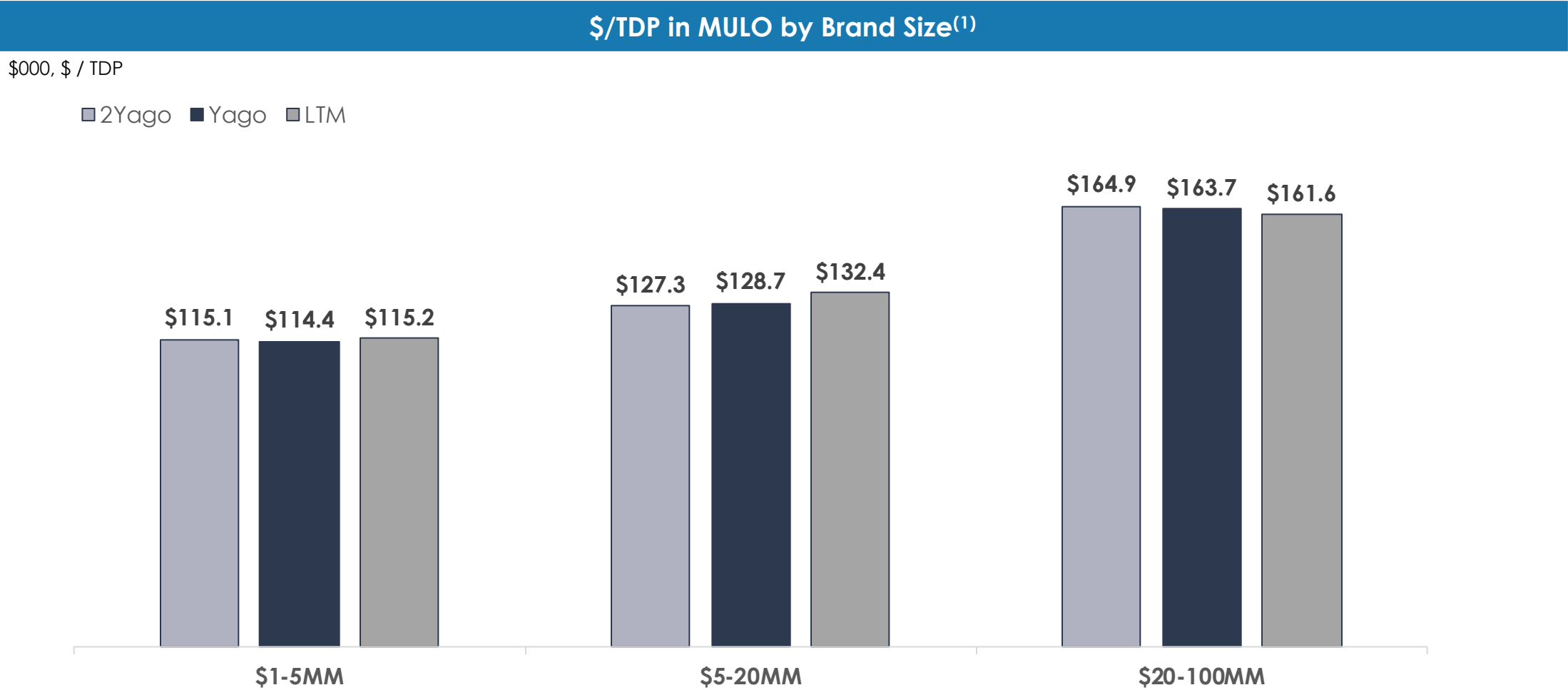
Number of Brands in MULO by Brand Size⁽¹⁾

2Yago Yago LTM



(1) SPINS HWI, All Categories, MULO, 52 WE 1/27/19

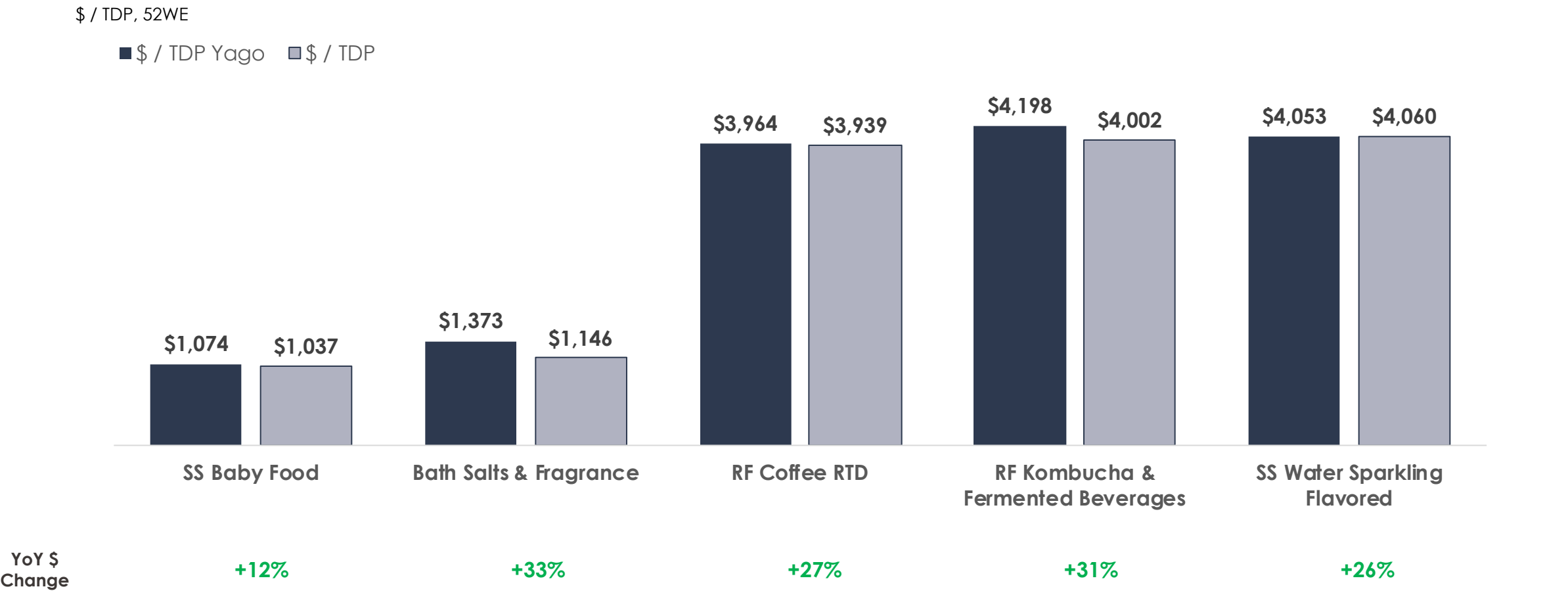
Velocity Increases Significantly As Brands Grow in Conventional Retail



(1) SPINS HWI, All Categories, MULO, 52 WE 1/27/19

Retailers Expanding Distribution for Breakout Categories Faster Than Growth

\$/TDP/Week Over Time in Breakout Subcategories⁽¹⁾



(1) SPINS TPL, All subcategories, 52 WE 1/27/19
Note: Breakout Subcategories classified as between, or close to, \$300-\$1,000MM in \$ Sales and minimum 25% \$ Sales growth over the past two years

Please Contact the Whipstitch Capital Team for More Information



Michael Burgmaier
Managing Director
207-232-2480
mike@wstitch.com



Nicolas McCoy
Managing Director
508-954-4931
nick@wstitch.com

Imagining the Future Panelists



Walter Robb
Principal
Stonewall Robb Advisors



Lara Dickinson
Executive Director
OSC2



Katlin Smith
Founder & CEO
Simple Mills



Philip Taylor
Founder
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