Bake'nJoy

Market Assessment

August 2018

About This Data

- Data in this report is derived from multiple industry sources including syndicated research firms like Nielsen and IRI, as well as industry articles and baking associations.
- Sources are cited for each point of data

In-Store Bakery

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Bakery Department Category Performance

Source: IRI, 52 wks. ending 5/20/18

- **Muffin sales jumped 12.1 percent to $901.7 million** during the period.

- Other bakery categories that saw gains include:

Cookies	3.1 percent
Cakes	2.4 percent
Pies	2.1 percent
Rolls/Buns	1.5 percent
Fresh bread	.7 percent
Donuts	.5 percent

In-Store Bakery Category Overview

Nielsen (52 weeks ending 6/2/18)

Product	Dollars	% Chg vs. YAGO
Bakery	$6,689,623,865	2.00%
Cakes	$1,737,011,490	1.40%
Breads	$939,391,537	0.80%
Rolls	$246,191,164	-2.90%

Muffins

- Muffins rank 4th among the most popular items in bakery according to 22.7% respondents (Bakery Managers), which is a marked increase from the previous year.
- The shift in Muffins comes at the expense of Cakes/Tortes and Breads which declined.

Cookies

- 45.5 percent state Cookies are the top-selling bakery item, rising up from the third spot on the top-selling list last year.

Top-Selling Bakery Items

Source: *Progressive Grocer* market research, 2018

	Current	Year Ago
Cookies	45.5%	39.1 %
Breads	40.9	60.9
Doughnuts	40.9	30.4
Cakes/Tortes	29.5	65.2
Muffins	22.7	4.3
Special Occasion Cakes	18.2	N/A
Rolls	18.2	8.7
Artisan Breads	15.9	17.4
Cupcakes	13.6	17.4
Danish/Sweet Rolls	11.4	4.3
Bagels	4.5	13.0
Hispanic Items	4.5	N/A
Pies	2.3	30.4
Scones	2.3	0.0
Other	9.1	4.3

Bakery Department Category Performance

Nielsen Total US, 52 wks. ending 4/28/18

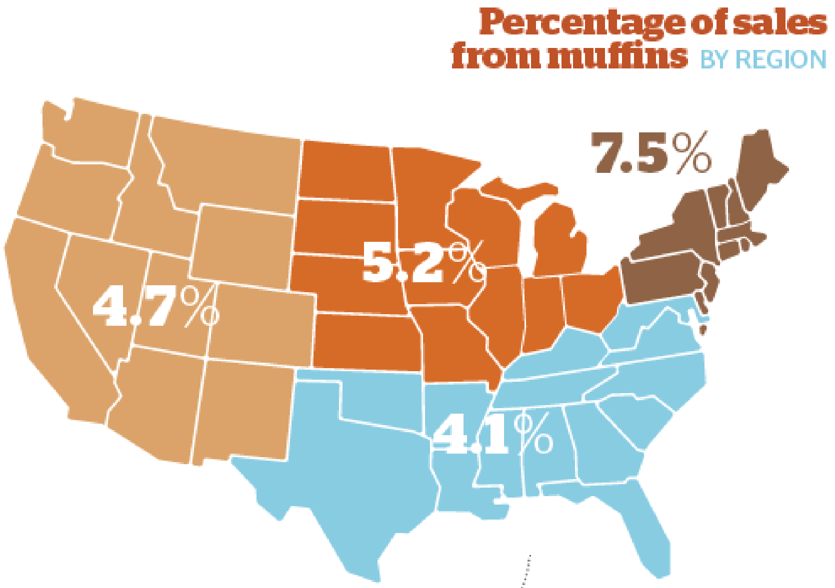
- Muffin sales continue to show strong increases, up significantly through April, +5.6%, which is .5% above Q3 2017.
- However, the leading growth indicator, unit movement is flat.
- Price change vs. year ago is up 3.5%, indicating growth is attributable to price increases.

Segment	Dollars per Store/Week	Dollars per Store/Week Percent Change vs Year Ago	Units Percent Change	Units Percent on Promotion	Volume Percent Promotion Change vs. Year Ago	Average Unit Price	Average Unit Percent Change vs. Year Ago
BAKERY	$5,033	-2.40%	2%	22.8%	-0.3	$2.74	-1.0%
Cakes	1,571	0.2	9.3	25.6	0.9	6.52	-8.30%
Bread	1,028	-1.0%	2.00%	23.10%	-0.6	$2.16	-0.3
Cookies & Crackers	807	-0.5	3.1	28 .1	-0.2	3.62	-0.5
Rolls & Bund	789	1.8	1.3	17.6	-2.3	1.43	-1.8
Donuts	622	5.7	0.7	17.1	0.3	1.47	1
Pies	566	1.8	8.5	34.3	1.5	2.66	-6.9
Sweet Goods	548	-4.4	-3	25.9	-1.8	2.74	1.9
Muffins	493	5.6	0.9	22.2	-1.2	2.95	3.5
Cupcakes	442	1	-0.8	30.9	0.4	4.91	0.5
Bagels	220	-4.6	-2.5	13 .1	0.4	0.93	1.9
Grab-n-Go	199	3.3	2.6	12	0.6	3.09	3.3
Brownies	171	13.3	2.1	25.7	2.1	4.44	3.4
Dessert Party Platters	124	0.2	5	19	-0.4	6 .88	-2.4
Specialty Desserts	110	3.9	-1.6	21.9	-3.4	4 .54	4.8

Muffins (Q3 2017)

Source: Nielsen Perishables Group.

- The muffin category saw an increase across the country over the last 52 weeks ending Sept, 2017.
- Total contribution of muffins to bakery department sales across the U.S. rose from 4.8 to 5.1 percent.
- Each region saw increases in both contribution to bakery department sales and average weekly sales per store.
- The Central and East regions both saw .4 percent increases in contribution to bakery sales.
- The East’s average weekly sales per store increased from $1,062 to $1,146.
- Four-count muffins comprised more than half (51 percent) of total US share by sub-category.
- Mini muffins were at 16 percent and one-count/bulk muffins were at 15 percent.
- Like last year, muffin sales were fairly even throughout the year, with small spikes in October and May, and a dip in early January.



Food transparency drives growth in fresh depts.

Source: Supermarket News, IRI, FMI, May 2018

- Top Trends in Fresh Foods: Categories that saw both dollar growth and volume growth in 2017—were produce, *bakery* and deli meat.

- Promoting In-Store Success:
    - Communicate Product Benefits e.g. Clean Label.
    - Highlight the integrity of your fresh offerings.
    - Own your connection with customers - because consumers look to retailers to educate them about what’s important and what’s in their food.
    - Make sure bakery is taking credit for their efforts by messaging product attributes, sourcing relationships, food waste prevention efforts, etc.

What Retailers are Saying

Source: Grocery Insights Proprietary Research, 2018

- Top 3 Trends in Muffins
  1. **Fresh vs. Prepacked**
     - ✓ Grocery Insights found mixed reviews as to what style of muffins are having more success from retailers.
     - ✓ Some mentioned that their finished, pre-packaged, and grab-n-go muffins do better than the freshly baked muffin, while others saw the opposite to be true.
     - ✓ A lot of this depends on what type of customers shop at the retailer.
     - ✓ The retailers that push the value priced products tended to have more success in the prepacked muffins.
     - ✓ Retailers that market themselves as higher-quality gravitated their successful efforts towards fresh baked muffins in their pastry cases.

What Retailers are Saying

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- Top 3 Trends in Muffins

2. Traditional Flavors vs. On-Trend

- ✓ Muffins are somewhat unique as customers tend to stick with what they know.
- ✓ Many retailer's top selling muffins are the traditional flavors, such as blueberry and chocolate chip.
- ✓ However, this hasn't kept retailers from trying out new flavors.
- ✓ Successful niches are found in gourmet and seasonal flavored offering, such as pumpkin and cranberry and other promotional in-out flavors like strawberry and key lime.
- ✓ There has also been a stronger emergence of marketing the benefits of muffins as a healthful breakfast option.
- ✓ This includes displaying healthful attributes like clean label, whole grain, wild fruits, etc. in larger fonts.

What Retailers are Saying

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- Top 3 Trends in Muffins

  3. **Innovation Gap**

     - ✓ A surprising aspect of the category that retailers are facing is lack of innovation.
     - ✓ Muffins haven't been disruptive over the years, and according to many retailers are having success as a passenger as the overall bakery department is improving its growth.
     - ✓ It will be interesting to see if more options become readily available for retailers to purchase outside of batter and pre-deposited pucks in the future.

Top 4 Retail Bakery Trends

Source: Grocery Business, July 2018

1. **Seasonal Specialties ***
2. DIY Bakery – Decorate It Yourself
3. **Affordable Premiumization (e.g. scratch donuts)***
4. Flatbreads and Wraps

Better-For-You Bakery Trend

Source: Fooddive.com, January 2018

- Clean Label: According to New Hope Network, in-store bakeries are adding better-for-you baked goods for consumers who demand fresh products with *cleaner labels and healthier ingredients.*

- Smaller Sizes: In-store bakeries also offer mini sizes. Half loaves, packages of two buns and four-packs of cookies to keep the all-natural products from spoiling since they don't contain preservatives. That also means smaller portions and less waste — which many of today's consumers prefer.

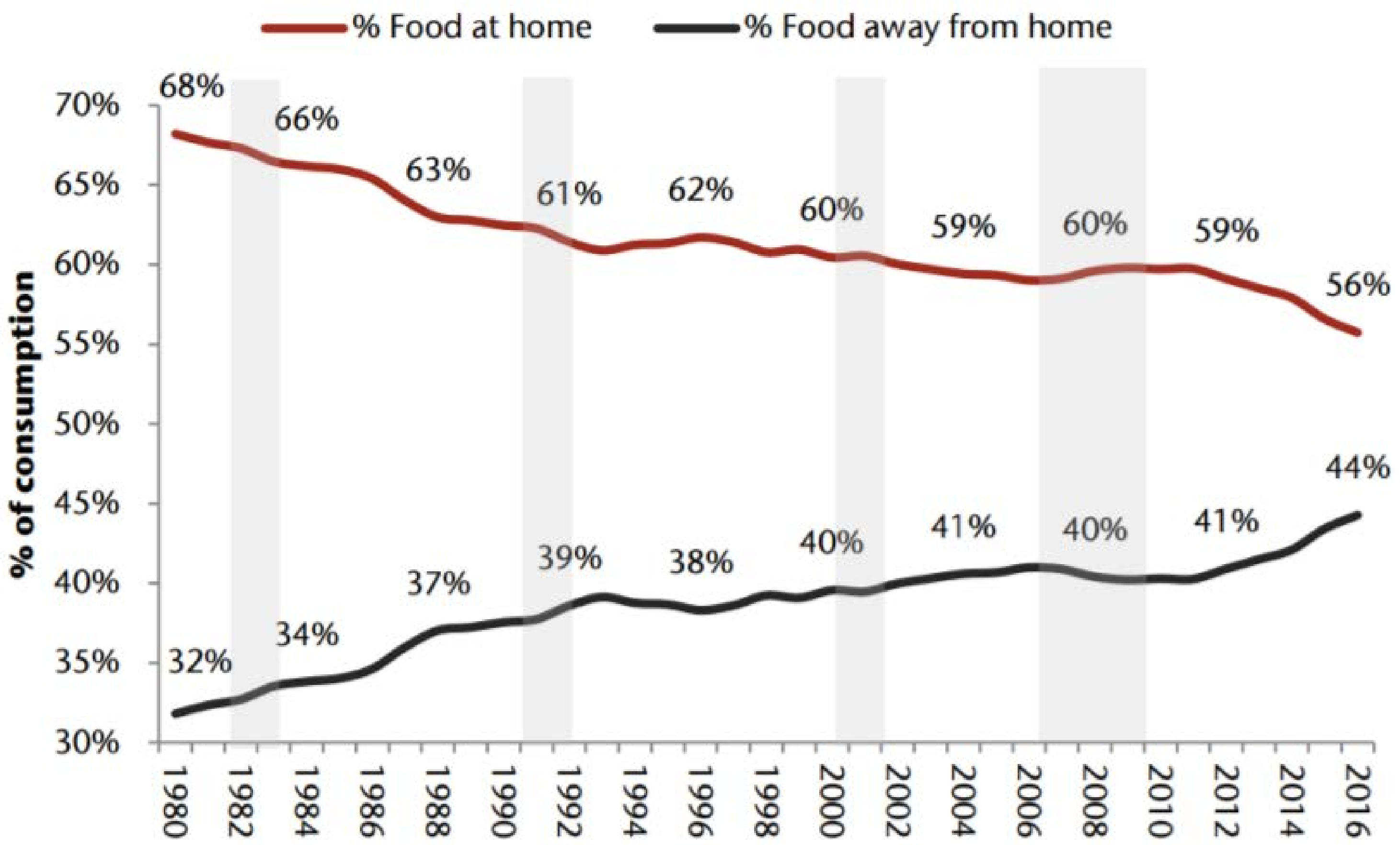
Food transparency drives growth in fresh depts.

Source: Supermarket News, IRI, FMI, May 2018

- Top Trends in Fresh Foods: Categories that saw both dollar growth and volume growth in 2017—were produce, *bakery* and deli meat.
- Promoting In-Store Success: Communicate Product Benefits e.g. Clean Label! *
  - Highlight the integrity of your fresh offerings.
  - Own your connection with customers - because consumers look to retailers to educate them about what's important and what's in their food.
  - Make sure bakery is taking credit for their efforts by messaging product attributes, sourcing relationships, food waste prevention efforts, etc.

Foodservice

Gap Closing Between Eating out and Staying Home

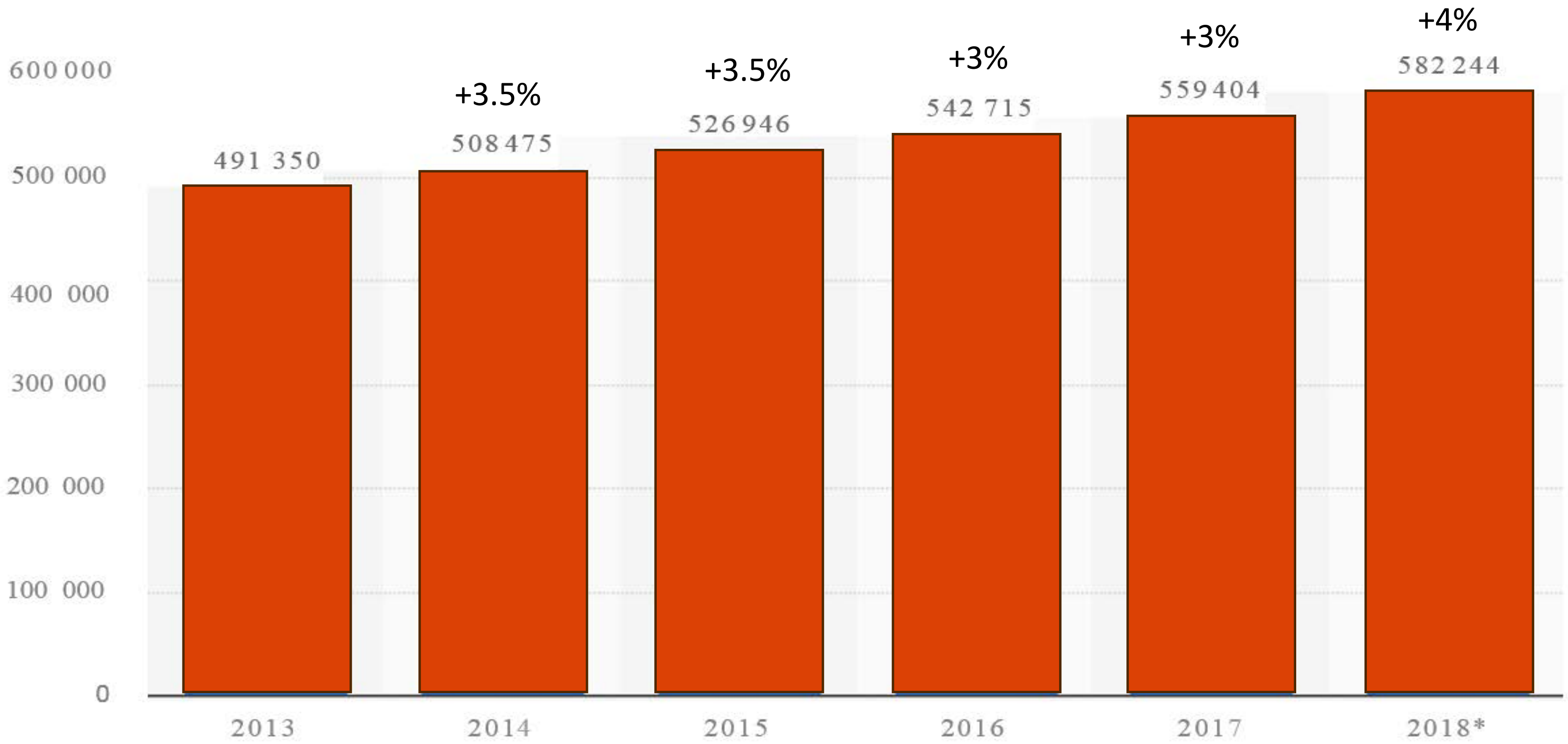


Source: Bureau of Economic Analysis

Unity is Strength

US Market value of consumer foodservice 2013 to 2018 (in million U.S. dollars)*

- This statistic depicts the total retail value of the consumer foodservice market in the United States from 2013 to 2018.
- In 2017, the U.S. market for consumer foodservices reached around 560 billion U.S. dollars.
- This is expected to increase in by just over 20 billion U.S. dollars in 2018 to 582 billion.



Source Euromonitor

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Foodservice Distributors

Quarterly Case Volume, Y/Y Change

Distributor	2017			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Sysco Corporation	1.8%	-0.1%	1.8%	0.2%
US Foods Holding Corp.	4.3%	3.6%	2.0%	1.9%
Performance Food Group Company	6.5%	5.6%	7.7%	-2.4%

Source: SEC Filings

Non-Commercial

2018 U.S. Foodservice Industry

	2018				
Segment	Retail Sales Equivalent ($B)	Operator Purchases	Potential Contacts	Nominal Change (%)	Real Change (%)
Business & Industry	16.402	8.867	10,070	2.5	0.5
Education	40.247	21.103	128,964	3.1	1.0
Healthcare	30.390	15.478	81,202	5.7	3.6
Refreshment Services	24.975	11.432	14,225	1.1	(1.4)
Military	4.122	2.305	402	2.5	0.5
Corrections	4.107	2.258	5,961	0.0	(2.0)

Note: Retail Sales Equivalent includes the sale of food, non-foods and beverages (nonalcohol only)

Source: Technomic Foodservice Wallchart (May 2018)

Education

2018 U.S. Foodservice Industry

	2018				
Segment	**Retail Sales Equivalent ($B)**	**Operator Purchases**	**Potential Contacts**	**Nominal Change (%)**	**Real Change (%)**
Primary/Secondary Schools	22.267	12.169	124,381	2.4	0.4
Colleges/Universities	17.980	8.934	4,583	3.9	1.9

Note: Retail Sales Equivalent includes the sale of food, non-foods and beverages (nonalcohol only)

Source: Technomic Foodservice Wallchart (May 2018)

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Healthcare

2018 U.S. Foodservice Industry

	2018				
Segment	**Retail Sales Equivalent ($B)**	**Operator Purchases**	**Potential Contacts**	**Nominal Change (%)**	**Real Change (%)**
Hospitals	14.317	6.593	5,534	5.1	3.0
Long-Term Care	7.813	4.205	51,564	3.7	1.7
Senior Living	8.260	4.680	24,104	8.8	6.7

Note: Retail Sales Equivalent includes the sale of food, non-foods and beverages (nonalcohol only)

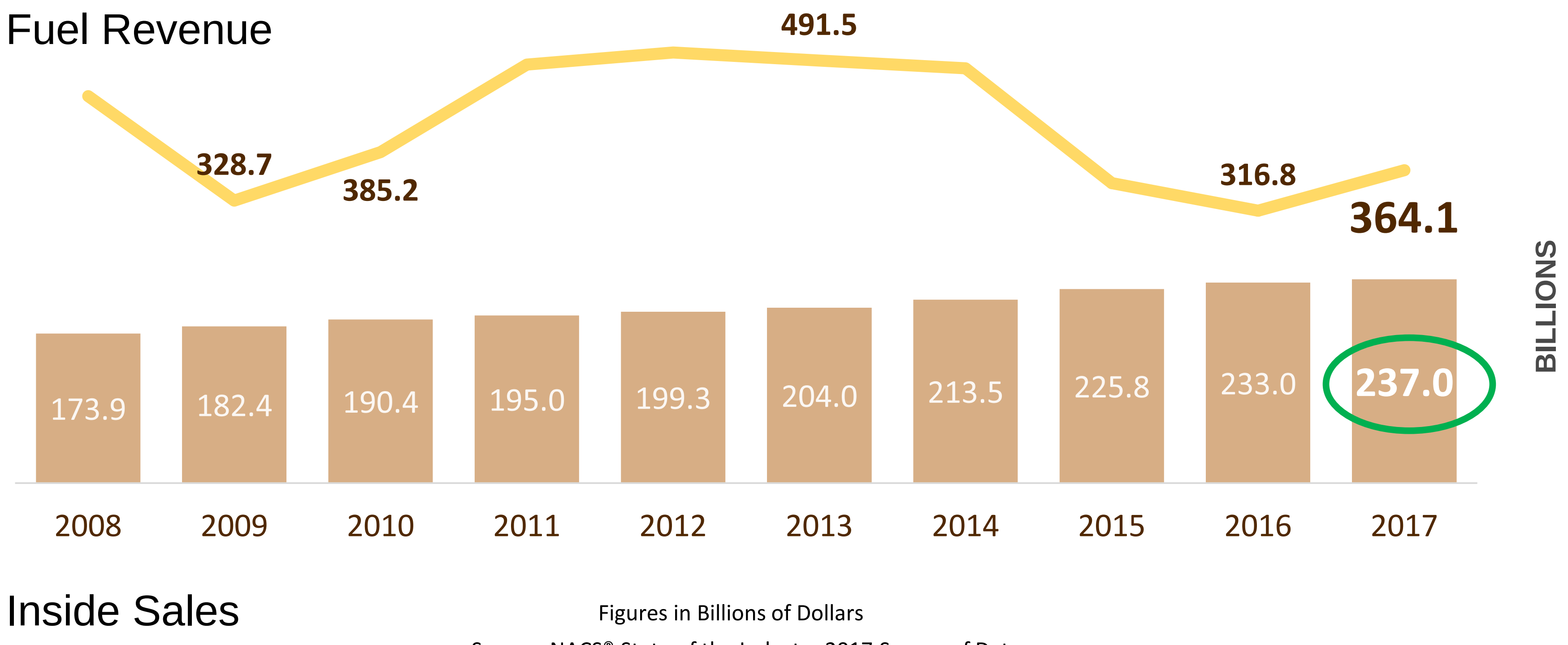
Source: Technomic Foodservice Wallchart (May 2018)

Unity is Strength

C-Store

C-store Inside Sales

- Steady growth continues – Sales not affected by fuel fluctuations
- Focus on foodservice continues to be a primary growth strategy



Figures in Billions of Dollars

Source: NACS® State of the Industry 2017 Survey of Data

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