

## Customer & Market Due Diligence Of Leading Brand Of Refrigerated Plant-Based Proteins: Rapidly Establishing Growth Prospects For Check-In Bid

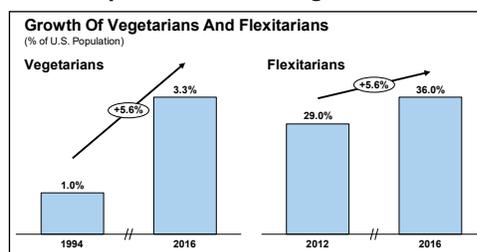
**The Challenge:** One of our long-time PE clients was preparing for a check-in bid in the auction of a leading branded refrigerated plant-based protein manufacturer. The target had a long history in the plant-based protein market, originally introducing branded tempeh to the market and later expanding into a broad assortment of refrigerated meat alternatives. The target's management team believed that a growing vegetarian population and increasing flexitarian eating behaviors will continue to fuel growth in the grocery channel and create further growth opportunities in the foodservice channel. In preparation for its check-in bid, our client needed an early-stage, quick read on the target's organic growth opportunities in the retail and foodservice channels from both growing ACV within existing categories and moving into adjacent categories.

**1.5-Week Growth Opportunity Assessment:** To rapidly assess the target's growth opportunities, Gotham:

- Interviewed 30+ category buyers at leading retailers, distributors, foodservice buyers, and competitors to understand market dynamics, establish growth opportunities within retail categories, and assess opportunities in the foodservice channel
- Analyzed IRI and SPINS data by product type, brand, customer, and region to develop a detailed fact base on market growth drivers and compared identified opportunities with the target's product portfolio strengths
- Conducted a comprehensive secondary research effort to better understand the macro trends fueling growth in this market and established the likelihood of sustained growth.

### **Plant-Based Diets Becoming Increasingly Popular With Vegetarian And Flexitarian Populations, Growing At 5.6% CAGR**

Gotham's extensive research confirmed favorable macro trends for plant-based proteins establishing that ~40% of consumers are either vegan (1-2%), vegetarian (4-6%), or flexitarian (30-40%), with growth in this population expected to continue. Millennials will continue to drive this trend as they are more likely to identify as vegetarian/vegan; moreover, 96% of vegetarians/vegans continue to remain vegetarian/vegan after a 6-year span. Flexitarian diets are also expected to increase as consumers continue to reduce their meat consumption due to: health concerns, food safety concerns, ethical concerns, environmental concerns, weight loss goals, and celebrity influences such as Paul McCartney's Meat Free Mondays Foundation.



### **>10% CAGR Growth And Significant Increase In Shelf-Space Expected With Target Well Positioned To Capture Growth**

Gotham's detailed analysis by brand found that the large legacy players comprise over 70% of sales, delivering core category staples such as hot dogs, deli meats, and sausages while the remaining 30% comprise newer players offering new product innovations that are driving category growth. A deeper analysis by brand and by product type revealed that this is a young, immature category with each product type being dominated by 1 primary and 1 secondary brand. Through further retailer-specific analysis, Gotham was able to determine that the target typically performs better in mainstream channels due to price leadership and less competition from newer brands that are typically found in the natural channel. Finally, by digging deeper into the regional category sales, Gotham found that category performance is highly regional, with the coasts performing better than the middle of the country.

Gotham's interviews with retail category buyers confirmed that while this category started as a handful of very niche products serving mainly vegans, it is now typically a full assortment, occupying a 4-foot wide refrigerated case in the produce department. Category buyers expect growth to increase to 10+% CAGR in upcoming years and more than half of them said they are planning to increase shelf space considering expected category growth. The majority believe that the increase in plant-based diets is a sustainable trend and that there will continue to be more interest in this category going forward, with product innovation driving sales growth. As the demand for meat alternatives increases, new manufacturers have responded with innovations that improve the taste, texture, and look of the food to make it feel like the real meat experience while keeping it healthy and natural. Gotham's IRI/SPINS data analysis and interviews established that the target is well-positioned to capture this growth, with its leading market share in several core category staples, refreshed brand through packaging redesign, competitive pricing, and product innovation.

### **Frozen Retail Category Offers Significant Growth Opportunity But Foodservice Channel Does Not**

Frozen category buyers are excited about new plant-based proteins as they offer a longer shelf-life than refrigerated plant-based proteins and are fueling growth within the frozen category. Most retailers already have 2 frozen doors dedicated to plant-based proteins and are planning to increase shelf space as a greater assortment of better-for-you plant-based protein items continue to fuel growth in the declining frozen category. While there is already a lot of activity in this category, the interest shown by category buyers, particularly in the frozen plant-based meals, provides the target and its established brand a clear growth opportunity.

The foodservice channel does not, however, present an attractive growth opportunity for the target. Gotham investigated the menu offerings of foodservice chains to understand the current presence of plant-based proteins and found that options were limited. From our interviews with foodservice distributors, foodservice buyers, and plant-based protein competitors, Gotham identified 3 key challenges in this channel: lack of mainstream consumer familiarity with plant-based options in the high-volume QSR/LSR foodservice environment; difficulty educating consumers on meat alternatives in this environment; and the level of complexity plant-based proteins adds to the kitchen, diminishing the returns in the fast food model.

**The Outcome:** Gotham delivered a comprehensive assessment of the target's growth opportunities, including relevant macro trends, category growth drivers, and customer insights in just 1.5 weeks. Our fact-based view on the market opportunities and the target's brand positioning gave the client the confidence to deliver an aggressive bid.