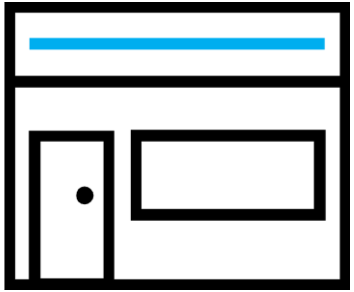
“Health is not simply the absence of sickness.”

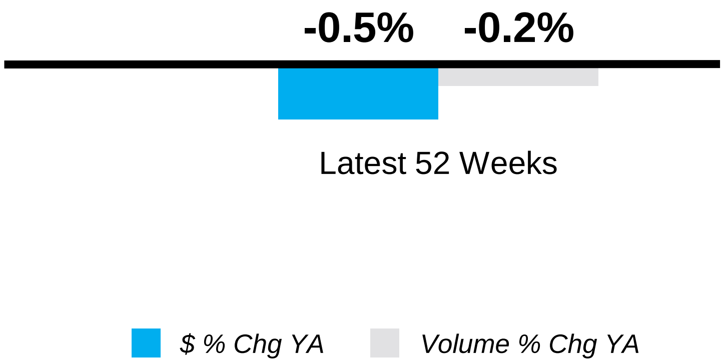
HANNAH GREEN (author)

Andrew Mandzy
Director, Strategic Insights, H&W
Nielsen
“Capitalizing on H&W Trends”

RETAIL GROWTH IS STAGNANT………

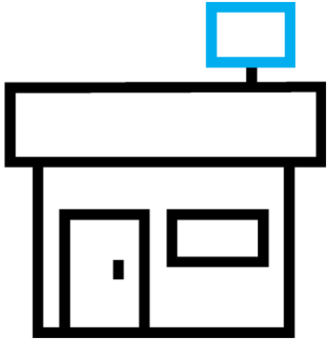


Total Store Dollar and Volume Growth



Source: Nielsen Answers On Demand Core including UPC and non-UPC, xAOC, Data Ending 04/01/17

...AND THERE ARE MORE OPTIONS THAN EVER



RESTAURANTS

2x

Millennials twice as likely to eat out once per week

ONLINE GROCERY

72%

Projected HH penetration of online grocery by 2025, up from 23% today

MEAL KITS

1 in 4

Purchased a meal kit in the past 12 months, 70% still active

AMERICANS ARE MORE FOCUSED ON H&W

U.S. consumers:

49%
are consciously eating more fruits and vegetables

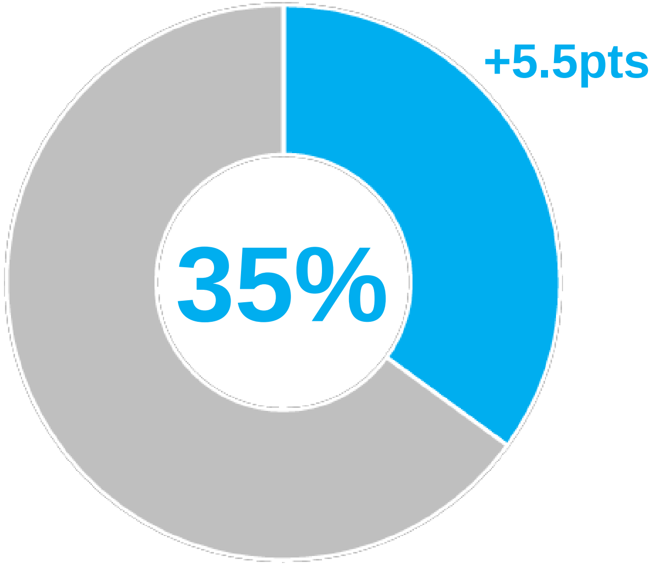
85%
have seen a doctor at least once

63%
are trying to eat healthier

3x
a week is the average amount of exercise

SOURCE: Strategic Health Perspectives 2016

MORE AMERICAN HOUSEHOLDS FOLLOWED A DIET IN 2016 THAN 2015



of American HHs said that they followed a diet in 2016

VEGAN
LOW CARB
VEGETARIAN
HIGH PROTEIN
PALEO
MEDITERRANEAN

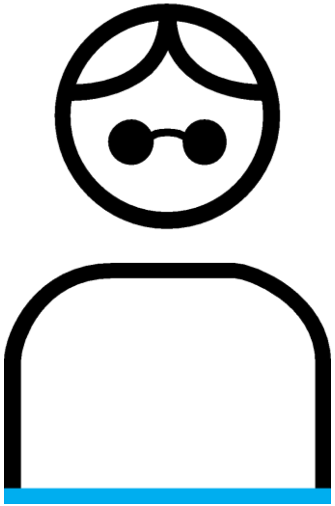
LOW CALORIE
LOW FAT

Source: Nielsen Homescan Shopper 2017 Health Survey Panel, Data 52 Weeks Ending 2016

HEALTH & WELLNESS DRIVERS

- AGING POPULATION
- INCREASE IN CHRONIC DISEASES
- RISING HEALTHCARE COSTS
- DEMAND FOR TRANSPARENCY
- TECHNOLOGY ACCESS

HEALTH & WELLNESS DRIVERS



AGING POPULATION

THE AGING SHOPPER PRESENTS AN OPPORTUNITY FOR CPG AND RETAIL

KEY INGREDIENTS

BOOMERS SEEKING MORE:

- **FIBER**
- **HEART HEALTHY**
- **VITAMINS / MINERALS**
- **ANTIOXIDANTS**

INNOVATION

Functional beverages

Easier to open packaging

Easier to read labels

Age specific formulations

Senior focused healthcare services

Source: Nielsen Homescan Panel, NMI

HEALTH & WELLNESS DRIVERS

AGING POPULATION

INCREASE IN CHRONIC DISEASES

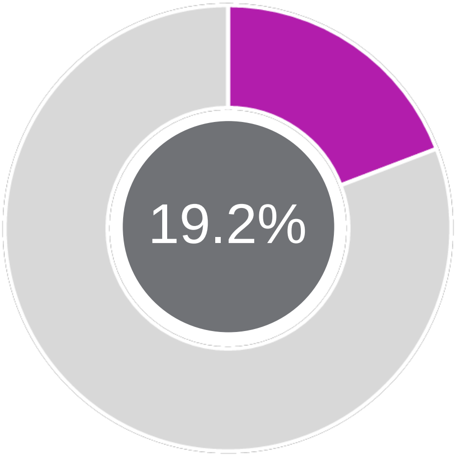
AILMENT SHOPPERS REPRESENT SIGNIFICANT RETAIL SPEND

	DIABETIC	GLUTEN NEGATIVE	LACTOSE INTOLERANT	OBESITY
NUMBER OF HH's	24.8M	3.9M	10.3M	34.2M
ANNUAL $ SPENDING	$154.1B	$26.1B	$63.5B	$208.6B

Diabetics represent 20% of US Households

Source: Nielsen Homescan Shopper Ailment Panel and TSV Panel, Data 52 Weeks Ending 06/11/2016

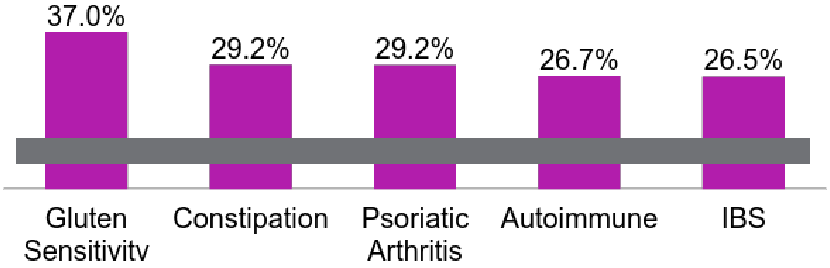
DIGESTIVE HEALTH IS ALSO A FOCUS FOR CONSUMERS



of all households say that Probiotics are important to them

shoppers with ailments were more likely to say that probiotics were important

% of ailment shoppers that said probiotics are important



% of HHs	2.6%	6.7%	1.2%	2.5%	7.3%

Source: Nielsen Homescan Shopper Ailment Panel and TSV Panel, Data 52 Weeks Ending 06/11/2016

PROBIOTIC CLAIMS ARE MAKING THEIR WAY ACROSS THE STORE

Probiotic claims are also outpacing the total category in some key areas

	Probiotic claims % sales growth	Share of category $ sales
VITAMINS & SUPPLEMENTS	+26%	12%
YOGURT	+3%	22%
REFRIGERATED TEAS	+80%	5%

Source: Nielsen xAOC 52 weeks ending 8/27/16

HEALTH & WELLNESS DRIVERS

	AGING POPULATION
	INCREASE IN CHRONIC DISEASES
	RISING HEALTHCARE COSTS

INCREASING HEALTHCARE COSTS AND FEWER DOCTORS...

The solution?

SELF-CARE

Consumers taking a more proactive interest in their own health & wellness

HEALTHCARE PROFESSIONALS

Telemedicine & Changing outcomes by prescribing lifestyle change

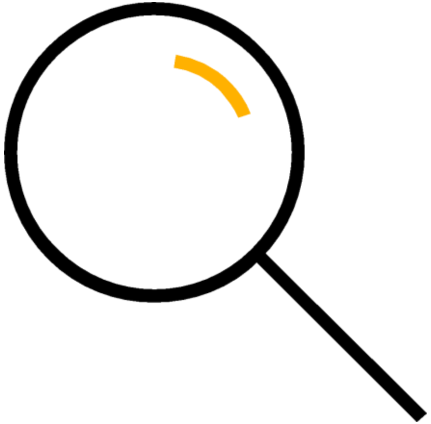
RETAILERS

Retailers providing a path to Health & Wellness

RETAILERS ACROSS ALL CHANNELS ARE USING H&W AS A GROWTH STRATEGY

- Prioritizing healthy foods and better-for-you brands in center store
- Emphasizing fresh and perishable foods around the perimeter of the store
- Training associates and using dieticians to be more knowledgeable on healthy products
- Developing more H&W focused Private Label products
- Banning specific ingredients from products within stores
- Increasing healthcare related services like retail clinics and pharmacies

HEALTH & WELLNESS DRIVERS



- AGING POPULATION
- INCREASE IN CHRONIC DISEASES
- RISING HEALTHCARE COSTS
- DEMAND FOR TRANSPARENCY

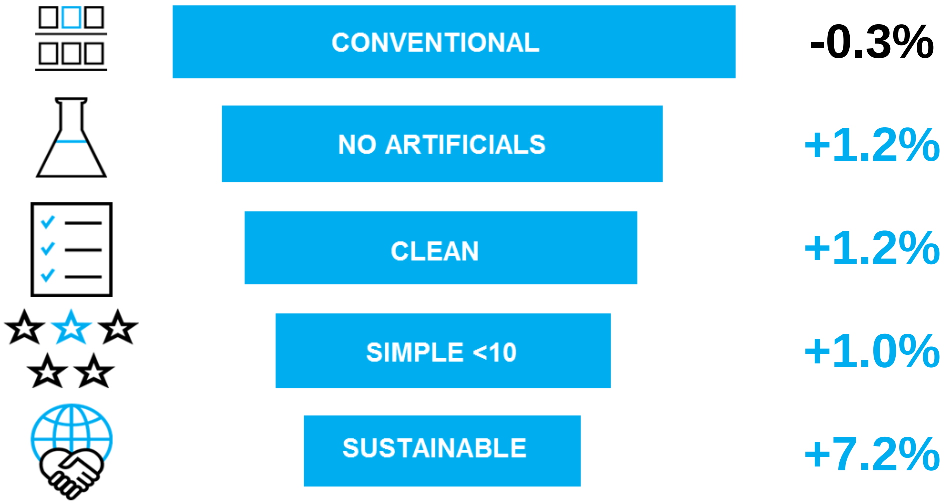
CONVENTIONAL PRODUCTS ARE LOSING SHARE

44%

say they trust

industrially prepared foods

Levels of Clean Label and Food & Beverage Sales Growth vs YA



Source: Nielsen Global Ingredients Study, 2016
Nielsen Product Insider, powered by Label Insight, 52 weeks ending 04/29/2017

MANUFACTURERS ARE RE-CALIBRATING

FOCUS ON PRODUCT TRANSPARENCY AND MAKING CHANGES TO THEIR PRODUCT PORTFOLIO

- Reducing sugar and removed artificial colors/flavors from brands
- Removing undesirable ingredients like artificial preservatives and chemicals
- Using simple, easy to read ingredients and sustainable ingredient sourcing
- Creating organic and natural options to existing brands
- Starting Venture Capital Funds to identify up and coming brands
- Acquiring disruptive health & wellness brands

TRANSPARENCY IS NOT A PASSING FAD

% OF AMERICAN HOUSEHOLDS THAT SAID THE BELOW CLAIMS ARE IMPORTANT (GROWTH)

51%	**51%**	**50%**	**38%**
+1.2pts	+1.0pts	+1.8pts	+1.7pts
NATURAL	**FREE FROM HIGH FRUCTOSE CORN SYRUP**	**FREE FROM ARTIFICIAL INGREDIENTS**	**NON-GMO**

Source: Nielsen Homescan Shopper 2017 Health Survey Panel, Data 52 Weeks Ending 2016

SHOPPERS ARE WILLING TO SPEND MORE FOR TRANSPARENCY

39%

WOULD SWITCH TO A MORE TRANSPARENT BRAND

73%

FEEL POSITIVELY ABOUT COMPANIES THAT ARE TRANSPARENT ABOUT WHERE AND HOW THEIR PRODUCTS ARE MADE, GROWN, OR RAISED

68%

WILLING TO PAY MORE FOR FOODS AND DRINKS THAT DO NOT CONTAIN UNDESIRABLE INGREDIENTS

Source: Label Insight,Nielsen Global Ingredients Study, 2016

CONSUMERS AVOIDING PERCEIVED BAD INGREDIENTS

53%

say **the absence of undesirable** ingredients is more important than the **inclusion of beneficial** ones

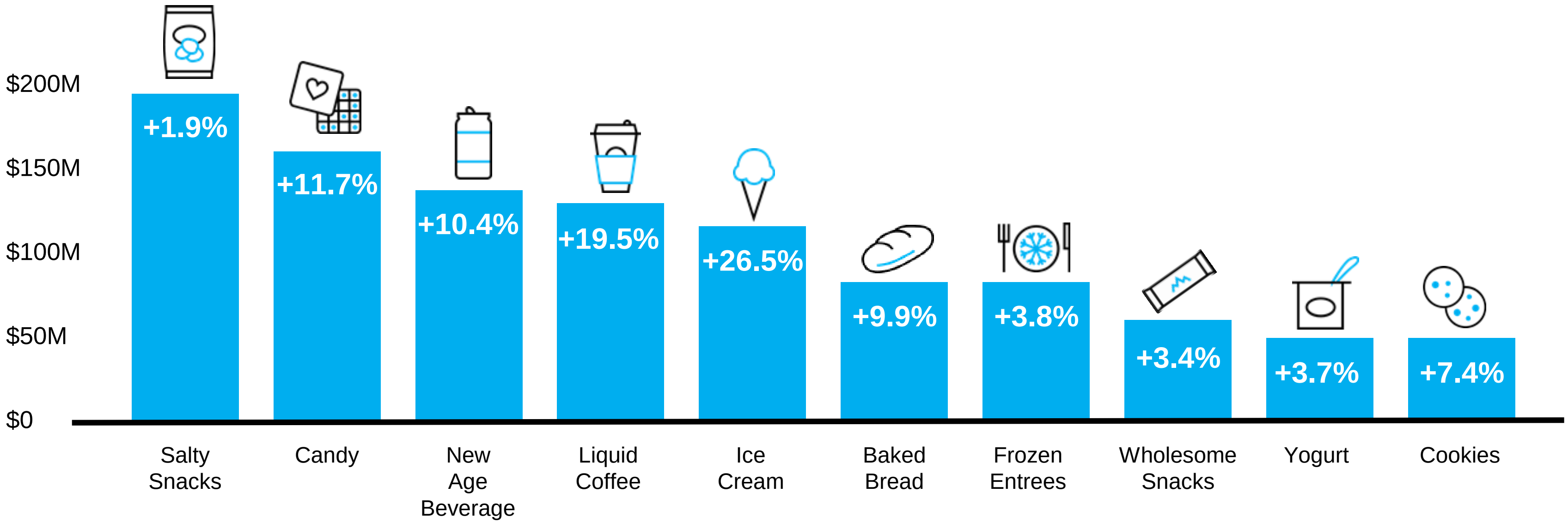
All Beverages

1.9%	+3.3%	-3.1%
$ GROWTH WITH **ANTIOXIDANTS INGREDIENTS**	$ GROWTH WITH **ANTIOXIDANTS + FREE FROM ARTIFICIAL SWEETENERS**	$ GROWTH WITH **ANTIOXIDANTS + CALORIE FREE**

Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ending 02/25/2017
Nielsen Global Ingredients Study 2016

CLEAN LABEL IS WINNING, AND NOT JUST IN HEALTH FOCUSED PRODUCTS

Top categories where clean label is driving the highest absolute dollar growth (% growth)



*Includes products that are rated Clean Label or above
Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ending 01/28/2017

PRODUCTS WITH SUSTAINABLE CLAIMS ARE OUTPACING THE MARKET

Sustainability in Food And Beverage Products - Growth VS 1 Year Ago

Packaging Material	Sustainable Fishing	Animal Welfare	Production Methods	Business Practices	Sustainable Farming
2.5%	3.2%	3.9%	4.2%	10.8%	11.4%

Source: Nielsen Product Insider, powered by Label Insight, data ended 4/16/2017

RTD COFFEE WITH ADDED BENEFITS ARE DRIVING GROWTH

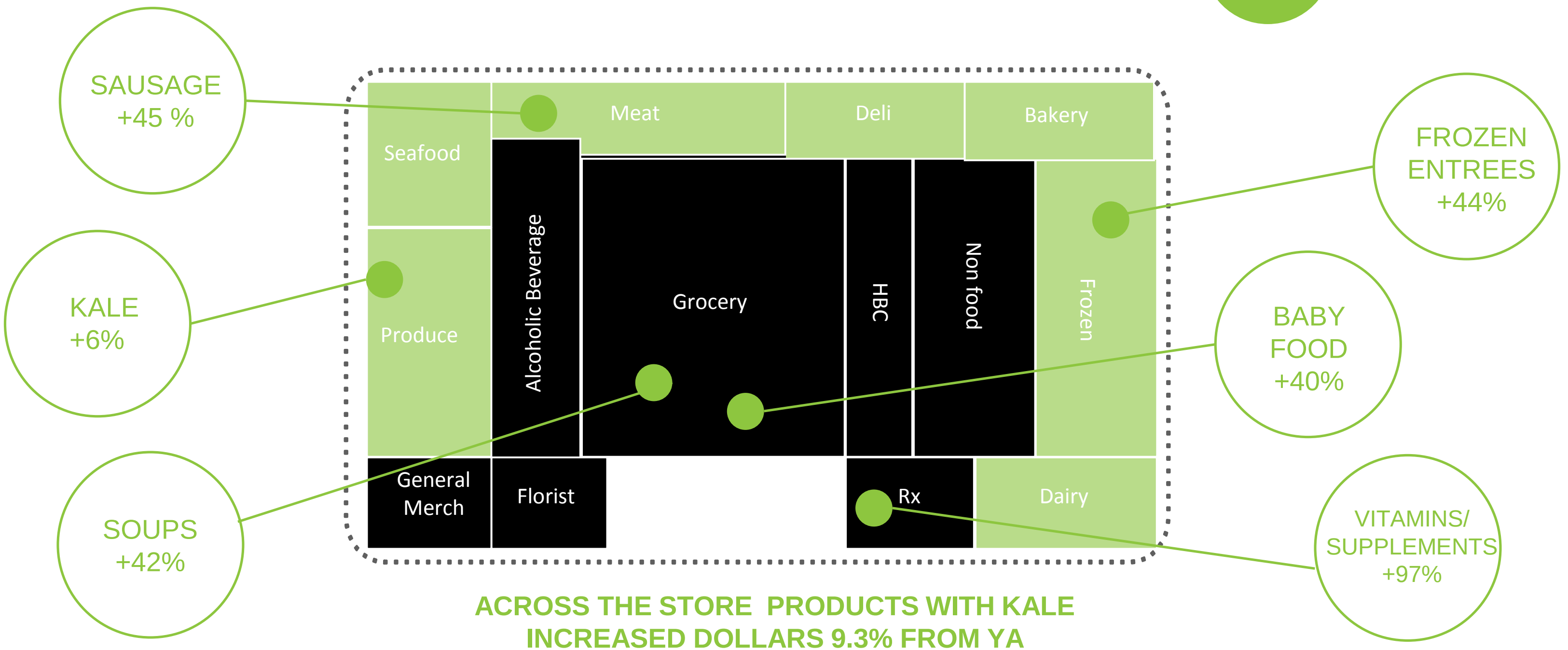
	TOTAL RTD COFFEE	FREE FROM ARTIFICIAL SWEETENERS	EXCELLENT SOURCE OF CALCIUM	ORGANIC CERTIFIED
		89% OF RTD COFFEE DOLLARS	18% OF RTD COFFEE DOLLARS	1% OF RTD COFFEE DOLLARS
DOLLAR GROWTH	21%	25%	58%	144%
ARP PRICE INDEX	100	100	76	146

Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ending 04/29/2017

THE HEALTHY "HALO" OF KALE CAN BE SEEN ACROSS THE STORE

CATEGORIES WITH KALE INGREDIENTS: DOLLAR GROWTH VS YAGO

66 different consumable categories have Kale across the store

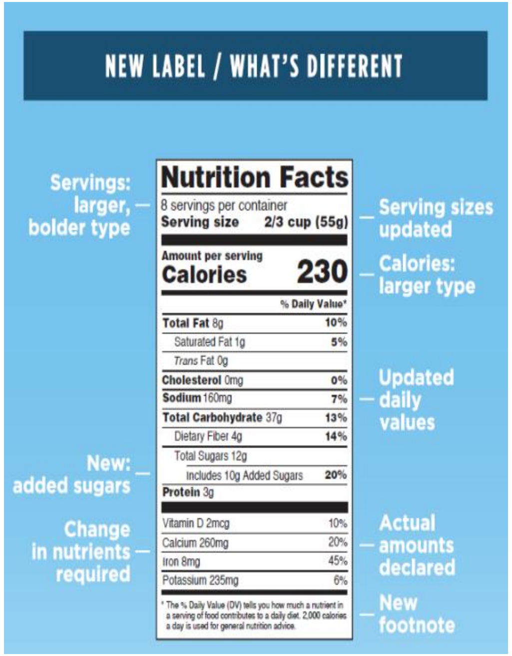


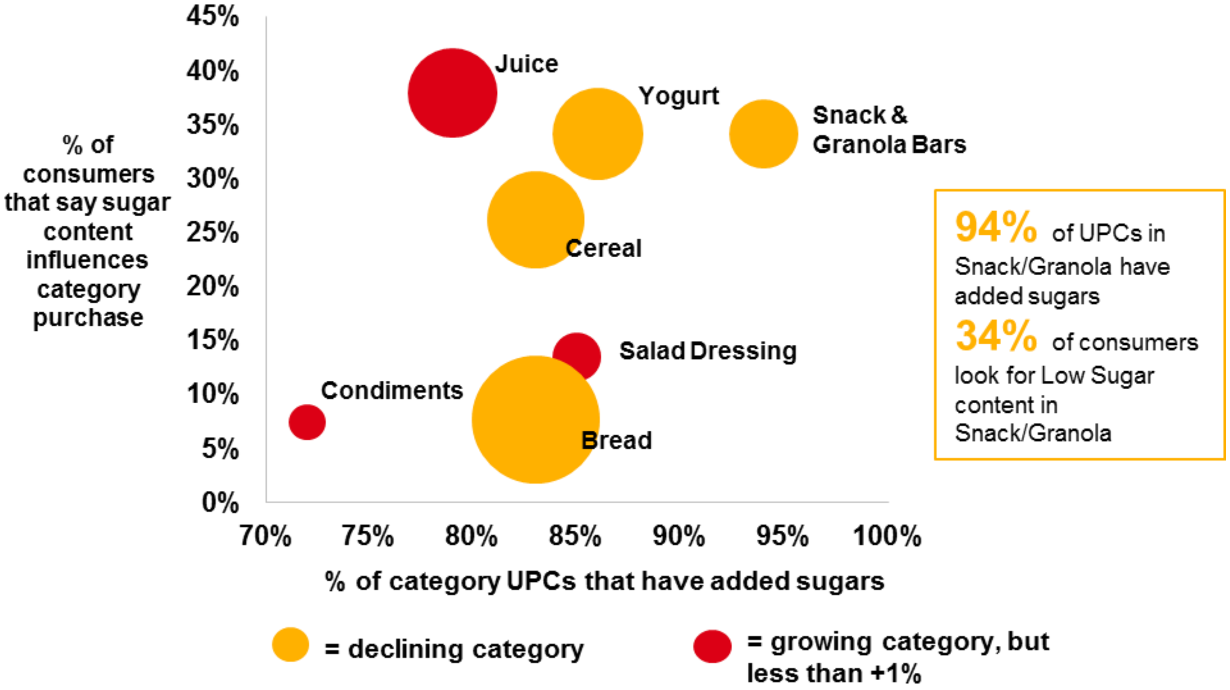
ACROSS THE STORE PRODUCTS WITH KALE INCREASED DOLLARS 9.3% FROM YA

Source: Nielsen Product Insider, powered by Label Insight, 52 weeks ending 01/28/2017

REGULATIONS WILL ALSO IMPACT SHOPPERS

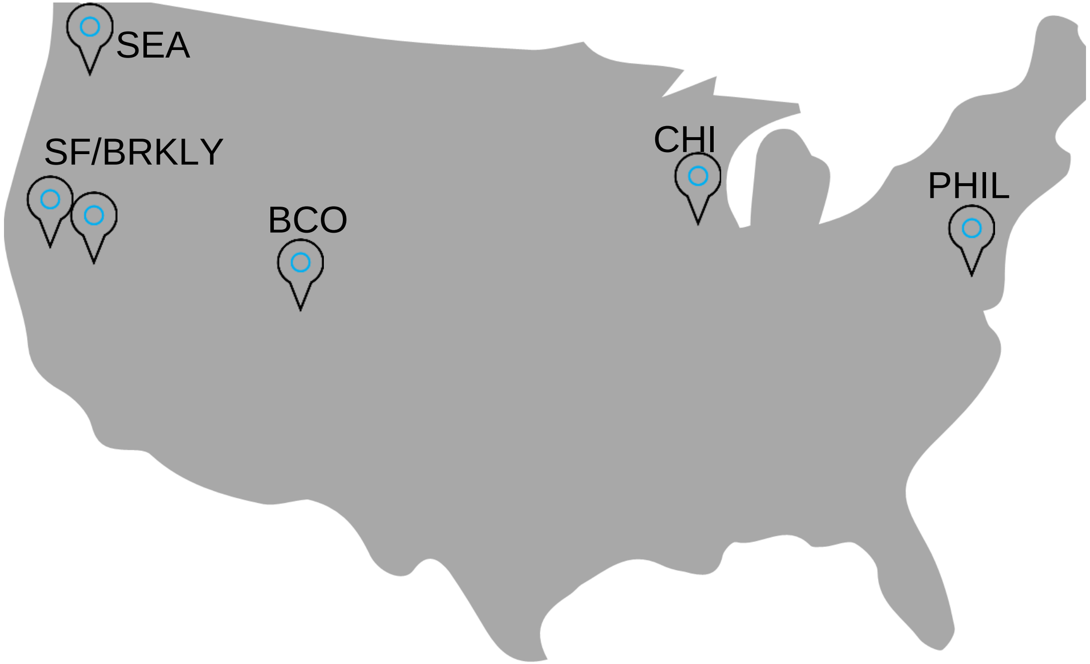
Categories where consumers are already focusing on sugar content could be impacted by label changes





Source: Label Insight
Category Shopper Fundamentals 2016
Nielsen xAOC + Conv 52 weeks ending 11/26/16, size of bubble is the $ sales of category

EXCISE TAXES ON BEVERAGES ARE BEING IMPLEMENTED IN SEVERAL REGIONS



BEVERAGE SALES IN PHILLY ARE DECLINING

BEVERAGE $ PERFORMANCE YTD VS PRIOR

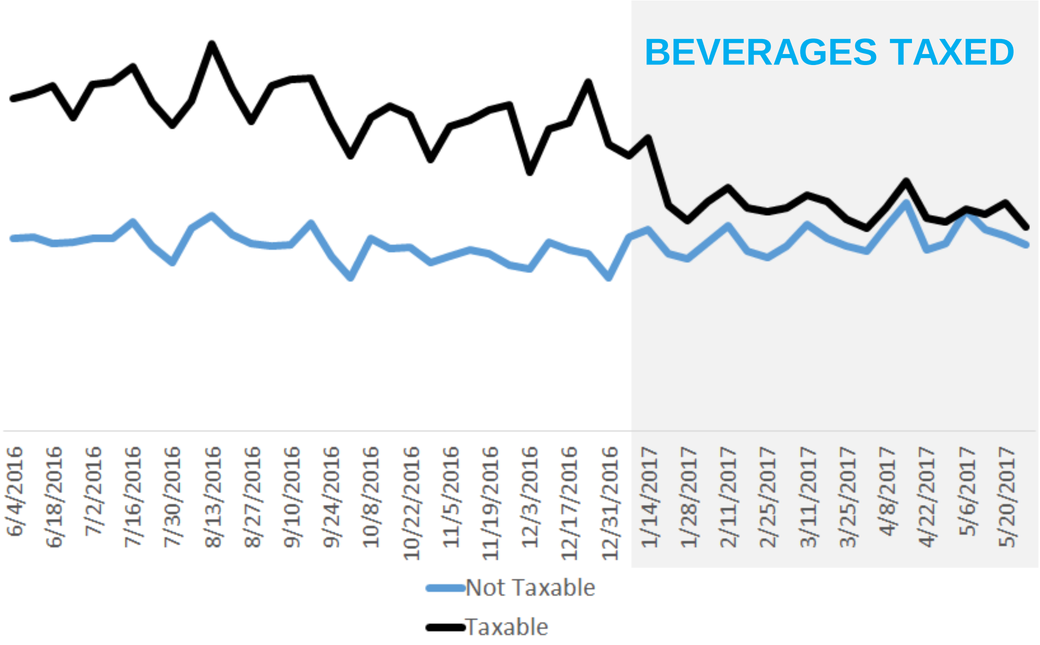
UNITED STATES xAOC

+2%

PHILADELPHIA

-14%

BEVERAGE DOLLAR SALES IN PHILADELPHIA



Source: Nielsen Product Insider, powered by Label Insight, , YTD Weeks Ending 05/27/2017 vs YA

NON-TAXED ITEMS ARE OUTPACING THOSE THAT ARE TAXABLE

TAXABLE BEVERAGE PERFORMANCE IN PHILADELPHIA

	WATER	SOFT DRINK	SHELF STABLE JUICE	LIQUID COFFEE	REFRIG. TEA
Taxable	-20%	-35%	-28%	-4%	-14%
Non-taxable	+12%	+3%	+3%	+179%	+34%

NON-TAXABLE BEVERAGE PERFORMANCE IN PHILADELPHIA

Source: Nielsen Product Insider YTD Weeks Ending 05/27/2017 vs YA

FORCES ALIGNING ACROSS THE INDUSTRY TO DELIVER ON H&W DEMAND

RETAILERS

MANUFACTURERS

GOVERNMENT

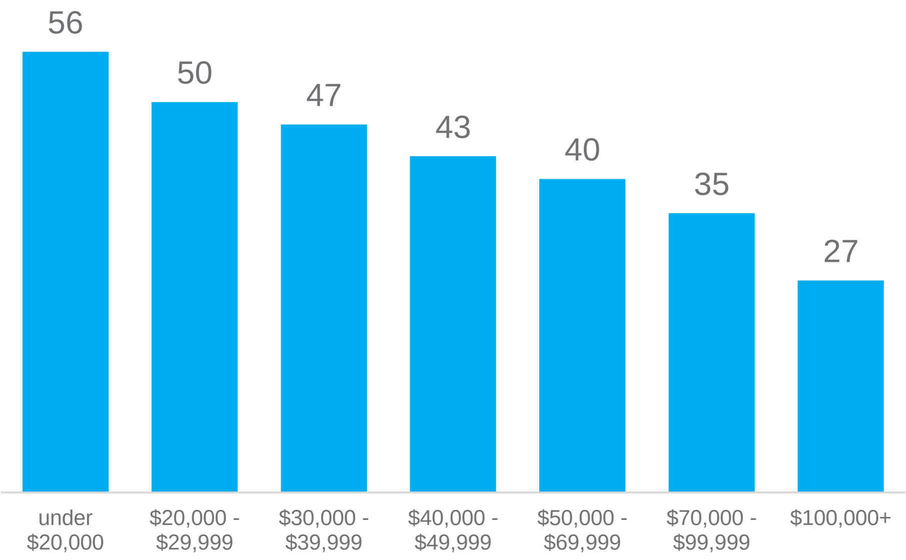
HEALTH & WELLNESS DEMAND

Source: Nielsen

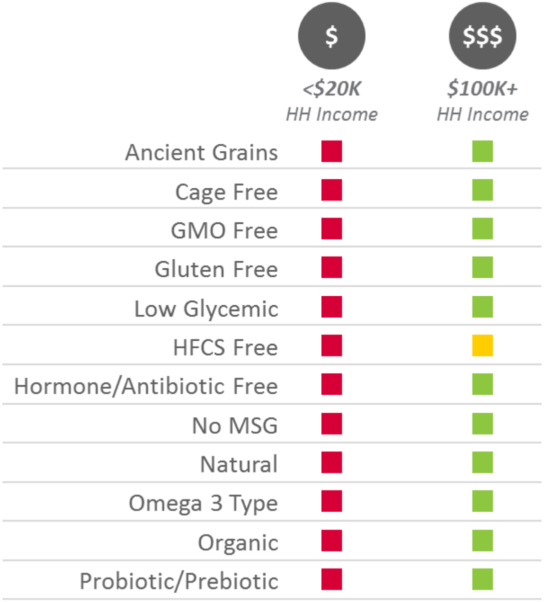
LOWER INCOME HOUSEHOLDS MORE IMPACTED BY COST PRESSURES TO EATING HEALTHY

Lower income households are more likely to state that the costs of healthcare and eating healthy are a barrier

% THAT SAY THAT COST OF HEALTHY FOODS IS A BARRIER TO H&W BY HH INCOME (%)



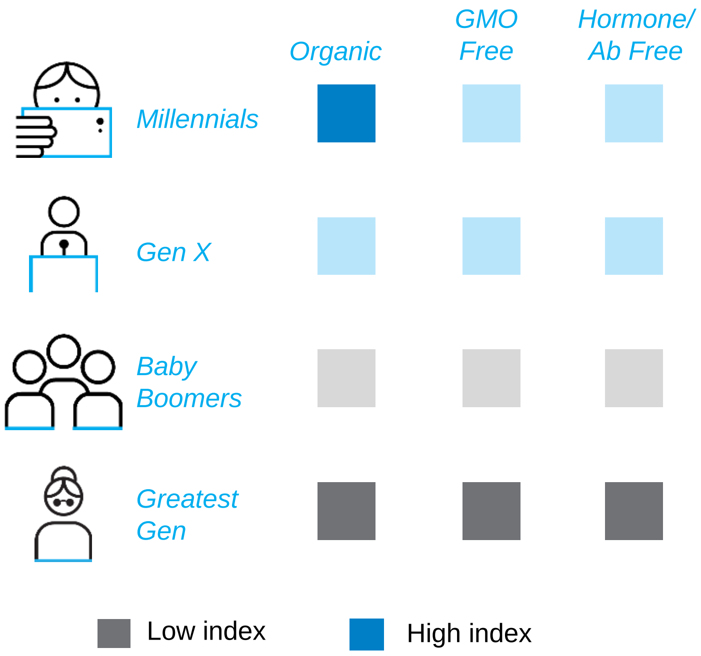
LOWER INCOME HH'S UNDER-INDEX AMONG TOP WELLNESS CLAIMS



Source: Nielsen Answers On-Demand Syndicated Panel, 52 weeks ending 12/26/2015
Q; Harris Poll December 2016, When you think about your personal health & wellness, what do you think are the biggest barriers to achieving success?

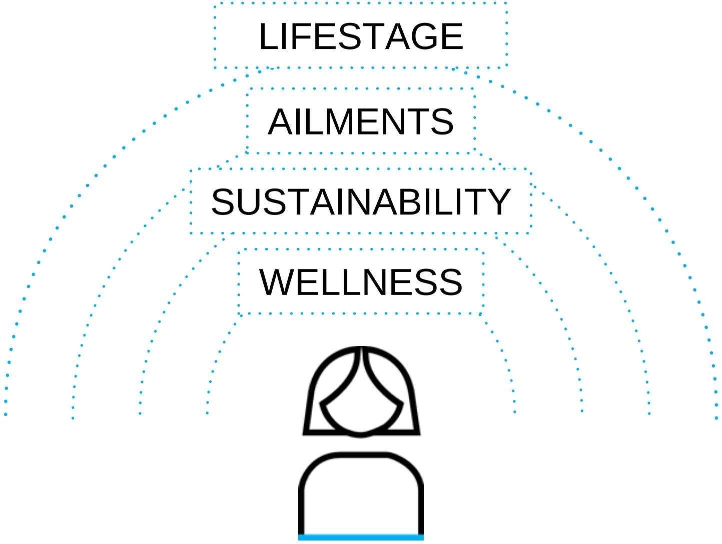
YOUNGER GENERATIONS MORE LIKELY TO PURCHASE TRANSPARENCY DRIVEN CLAIMS

Importance of Claim by Generation



Source: Nielsen Ailment Survey
Nielsen Product Insider, powered by Label Insight, 52 weeks ending 03/25/2017

THE PRODUCTS WE BUY ARE MORE THAN JUST FOOD AND GOODS



THE WHY BEHIND THE BUY

CALL TO ACTION

Don’t miss the opportunity. Transparency and H&W will continue to drive growth across all channels, and beverages are no exception.

Understand the trends. Identify the attributes and ingredients are driving growth in your business.

Transparency is not a one-size-fits-all. Understand the consumer need across cohorts.

THANK YOU!

Andrew Mandzy

Health & Wellness Growth and Strategy Leader