



Millennial Munching

How will share-of-stomach shift with the next generation?

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Millennial Munching

Big, but uneven growth

Millennials are the largest US generation and will account for the vast majority of food industry growth over the next decade (both for food at home and food away from home consumption). Capturing this growth is a big opportunity, but some are better positioned than others. We see the following key drivers of their behavior:

- 1. Millennials are growing up.** While slower than prior generations to begin, household formation is under way as Millennials begin to take root and form families of their own. This means their overall food consumption will rise.
- 2. Millennials exhibit unique behavioral tendencies compared to prior generations.** What they feed their families will be similar in some ways but unique in others.
 - **Health redefined.** Millennials favor natural and organic offerings, suggesting avoidance of ingredients perceived to be artificial or unnatural and are more apt to seek out information on the products. We expect this behavior to only rise as female heads of household enter motherhood.
 - **More than just health for themselves.** They have a broader societal conscience and sustainability matters.
 - **Changing taste palates – more variety, adventure, and ethnic foods; less sugar.** The combination of being a more diverse generation and growing up in a world where options are plentiful is leading to fragmentation of food choices and more adventurous appetites. Refined sugar is increasingly avoided.
 - **Convenience still matters.**
- 3. As a result, growth will be uneven.**
 - **Food at home potentially the largest winner.** Forming families leads to higher food at home consumption, which may only accelerate with Millennials given the food-consciousness of Millennial parents.
 - **Smaller brands have an advantage...** They better address real food, social consciousness, and adventure.
 - **...and private label is maturing and becoming more mainstream...** Increased value consciousness and growing up in an era when private label was more than a “cheap” generic option is leading to higher propensity to buy store brands.
 - **...But, big brands do not have to be dead.** Millennials may trust big brands less but some are still buying their brands. Legacy leaders can stay leaders if they evolve appropriately.

Implications across the food chain

Is it the grocers' time to shine?

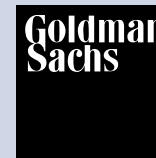


Established incumbents in the Packaged Food and Restaurant verticals will in general face challenges evolving to meet the needs of the Millennial generation, though a few exceptions stand out. Grocers, on the contrary, stand out as potential winners of family formation induced growth and private label acceptance.

1. It is easier to find worst-positioned than better-positioned Food Manufacturers. Legacy brands have a sizeable installed base, but the analysis suggests they may need to invest both margin and cash to stay on trend.
 - Cost without price in the core. Food quality upgrades are required while private label affinity & offerings cap pricing.
 - Rebalance beyond the core. Innovation and/or M&A is required by many to improve the relevance of their portfolios. We see negative margin and earnings dilution implications down this path as well.
 - Embrace the growth. Manufacturers need to prioritize areas of strength (which is typically not where they are scaled). Notable advantaged areas include infant/child products, wholesome snacks, natural and organic, and private label.
2. Marrying “real food” with convenience is the recipe for success in Restaurants. Advantage tilts for well-funded, rapidly growing new entrants over established incumbents.
 - Share gains for independent Fast Casual are likely to continue as the environment remains ripe for nimble entrepreneurs.
 - Incumbents face challenges in addressing quality of ingredients and balancing assortment with efficiency. Embracing technology to address convenience and customization can help, but share losses seem likely for most.
3. For Food Retailing, Millennial preferences mean traditional retail food models must be turned on their heads.
 - Millennial customer preferences including favoring the perimeter over center-store, private label over brands, total transparency over artificial flavors, and digital connections over circulars, has left the entire supermarket space looking for a piece of the Millennial action.
 - Four key trends emerging across food retail: value (price becomes more relevant which drives a willingness to try private brands), fresh/wellness (greater emphasis on quality drives a preference for specialty grocers), transparency (demanding greater information on product quality and ingredients), and convenience (increased importance of digital).

Stock call-outs

The best positioned



1. MJN stands out in Food and GIS proves better placed than expected:

- **MJN (Buy)** stands to benefit as infant formula grows on a multi-year improvement in births.
- **GIS (Neutral, from Sell)** benefits from better category exposure (e.g., yogurt, wholesome snacks) and better brand equity in those categories (e.g., Cheerios) than peers, though some headwinds exist (e.g., soup).
- **TSN (CL - Buy)** stands to benefit from its protein-centric portfolio and poultry demand tailwinds with recently acquired brand management expertise a potential enabler of better marketing and innovation than industry peers.
- Private companies, such as **Amy's Kitchen and Clif Bar**, have built established, on-trend businesses with Millennials and could benefit from sustained growth or strategic interest from those seeking access to growth.
- **MNST (CL - Buy)** benefits from comparative outperformance in an attractive category as Millennials identify with MNST's brands and energy drinks over-index to the younger demographic.
- **WWAV (Neutral)** is a key beneficiary of the health and wellness trend, and its Horizon organic milk brand is likely to show as credible to Millennials as it expands into center-store food categories (Mac & cheese and crackers).

2. In Restaurants SBUX serves potential beyond coffee and CMG has it wrapped up:

- The **SBUX (CL-Buy)** brand resonates and we see potential for a combination of “real food” cues, technology leadership, and menu expansion to drive a multi-year growth ramp for it in food, with lunch a particularly ripe day part for it.
- **CMG (Buy)** has potential to marry technology (boosting speed/convenience) with its established “real food”, quality and social conscience equity to carry momentum with the Millennial mom.

3. In Food Retailing, KR carries momentum, COST over-indexes in fresh, and TGT resonates with Millennials

- **KR (Neutral)** continues to benefit as the “most improved” grocer in terms of transforming its appeal to Millennials through a strong value offering and a significantly ramped up fresh/wellness selection while making strides across digital and convenience.
- **COST's (Neutral)** preeminent value proposition, focus on fresh foods, and strong private label presence resonate well with Millennials' priorities; its price edge tends to be more pronounced across natural/organic offerings.
- **TGT (Neutral)** carries strong affinity with Millennials, it is repositioning its food assortment to highlight natural/organic, and explicitly zoning in on the Millennial demographic. '

Stock call-outs

The worst positioned



1. In Packaged Food...

- **CPB (Sell)** suffers from a generation less enthralled with the concept of eating from a can.
- **K (Sell)** lags, not as much because of its categories, but more from its brands. Its brands lag the category average by a material margin in both cereal and crackers, suggesting risk of share losses in coming years.
- **HSY (Neutral)** faces headwinds from a fading sweet tooth among Millennials. Its strategic shift to snacks more broadly looks defensive rather than offensive in this light.

2. In Restaurants MCD is served up a Sad-Meal and YUM may prove less yummy:

- **YUM (Sell)** seems likely to remain a share loser given lack of “real food” cues and proprietary survey work shows eroding quality perception among Millennials for its core TB and KFC concepts.
- **MCD (Neutral)** is likely to suffer from Millennial relevancy issues with management’s action plan likely proving a protracted and uncertain fix as it attempts to improve perceived quality, experience, and technology.

3. In Food Retailing TFM is left behind:

- **TFM (Sell)** while focused on “fresh” TFM has the least built out private label offering, scores poorly on value, and has the weakest digital presence among specialty grocers. Furthermore, the company faces incremental competition from better positioned specialty peers targeting core Southeast markets over the next few years.

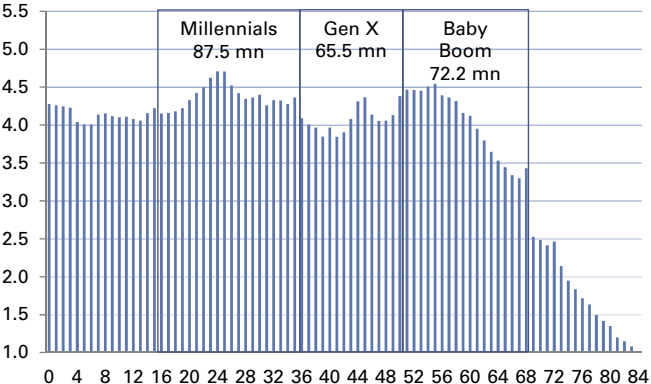
Millennials are growing up
And their appetite for food will rise in kind

Meet the Millennial

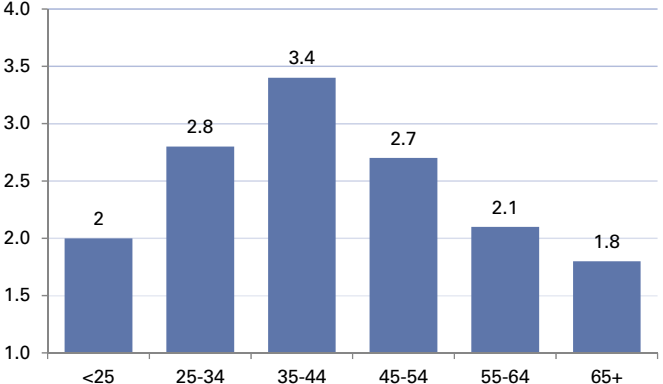
The next decade's driver of food consumption growth

Millennials are growing up and, given the sheer size of the generation and pending life-stage graduation as they enter household formation years, they are poised to drive the vast majority of food industry growth; far greater than baby boomers who, while large, are apt to spend less per capita as they age.

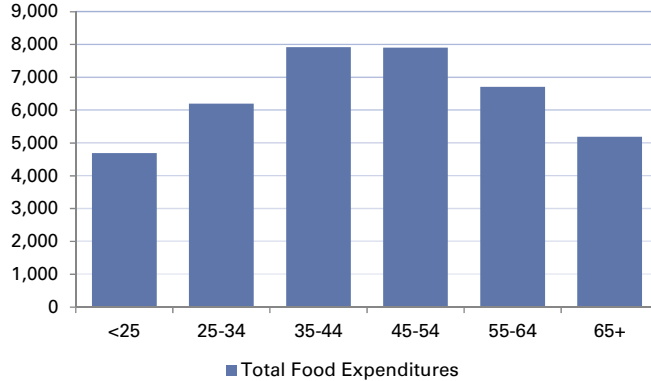
Millennials are the largest generation in the US



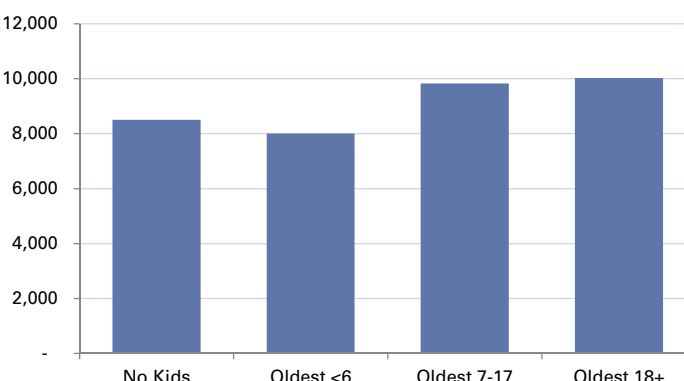
As Millennials age their HH size should grow...



... and their HH food expenditures should rise in kind...



...and continue to grow as their oldest child ages



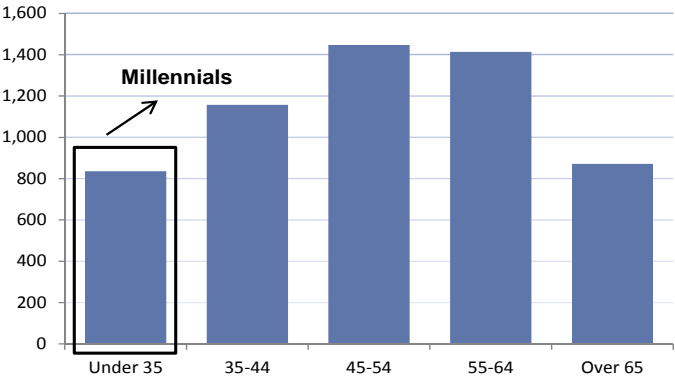
Sources: Census Bureau; BLS

Millennial through 2025

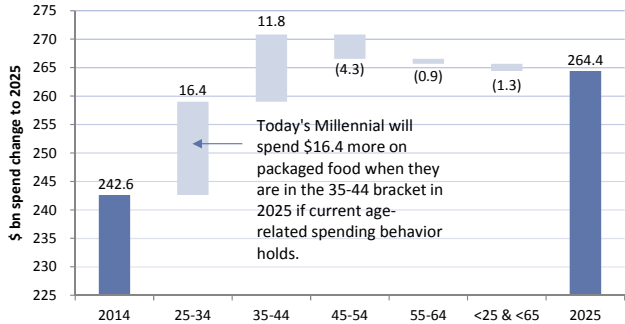
75%+ of packaged food sales growth from this generation

If current packaged food consumption behavior by age group holds steady then Millennials will account for \$16.4 bn of projected constant-price packaged food industry growth of \$21.8 bn through 2025 (75%) and incremental analysis suggests their portion of industry growth could be even higher given behavioral shifts.

Nielsen shows age dist. for packaged food, if it holds...



...Millennials to = \$16.4 bn of \$21.8 bn growth through 2025



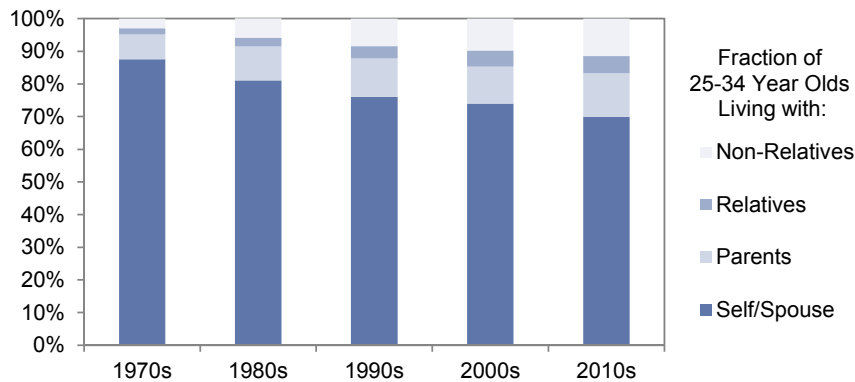
Sources: The Nielsen Company; Euromonitor

Wither HH formation?

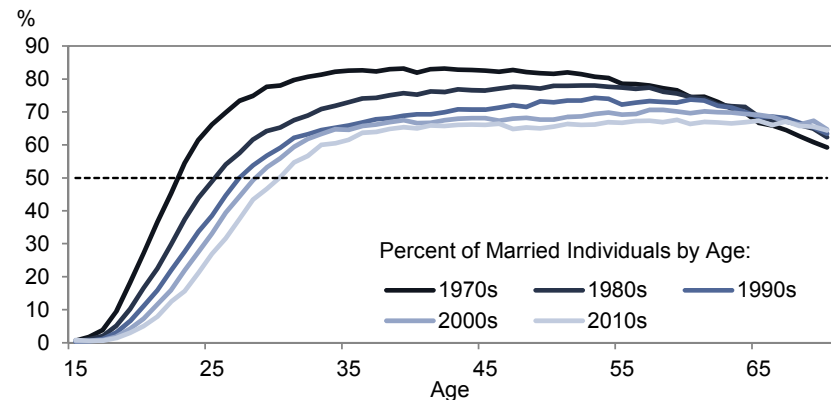
It is coming, just later than with prior generations

Graduation to a different life-stage and formation of independent households is a key driver of our anticipated growth in Millennial Food consumption. HH formation, however, has disappointed to date, as Millennial consumers are making transition decisions later than prior generations.

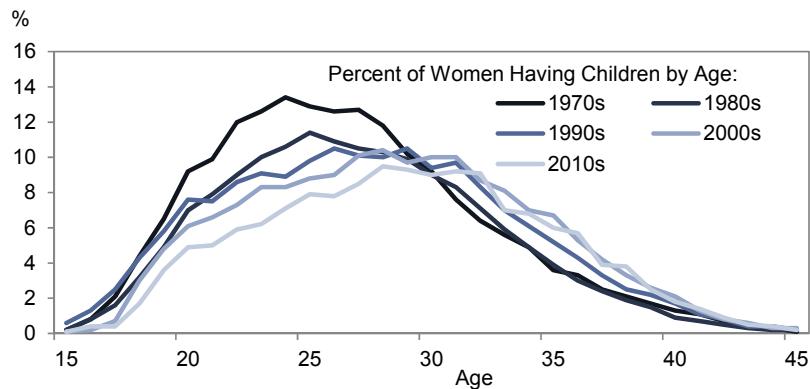
Millennials have been slower to move out...



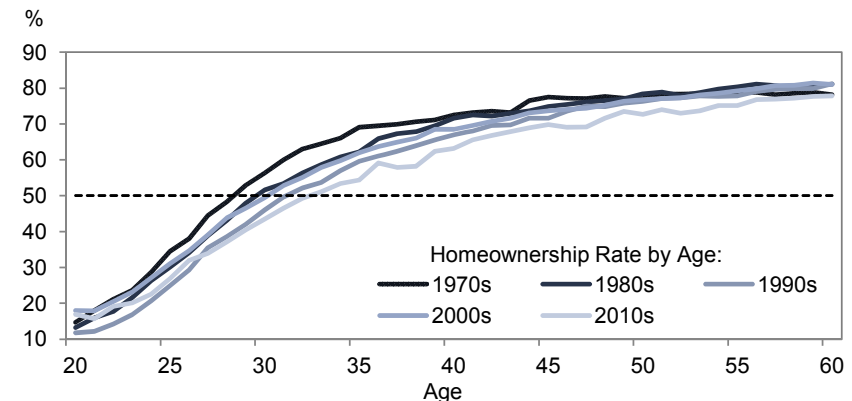
...and slower to marry...



...and slower to have children ...



...and slower to buy a house.



Sources: IPUMS-CPS

Wither HH formation?

It is coming, just later than with prior generations

We believe the transition to independent households is a question of when, not if. Millennials demonstrate a desire to get married, buy a house, etc. And while conscious choice is likely one reason for postponement, cyclical factors have also likely played a role.

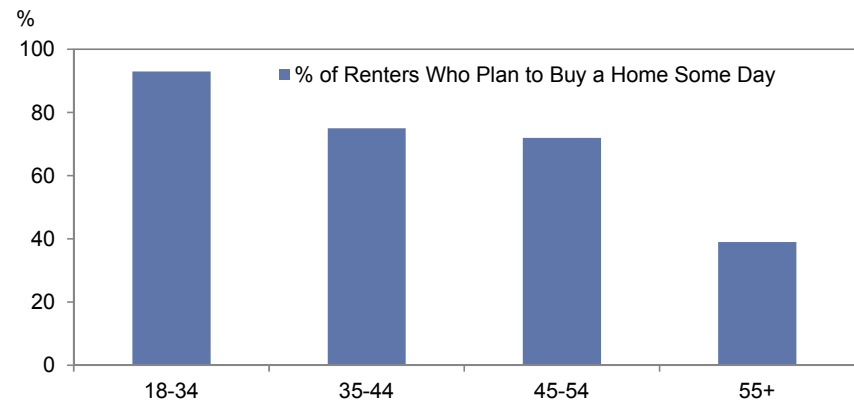
Most Millennials want to get married

Millennials view on marriage/children	Want	Not Sure	Don't Want
Do you want to get married?	70%	25%	5%
Do you want to have children?	74%	19%	7%

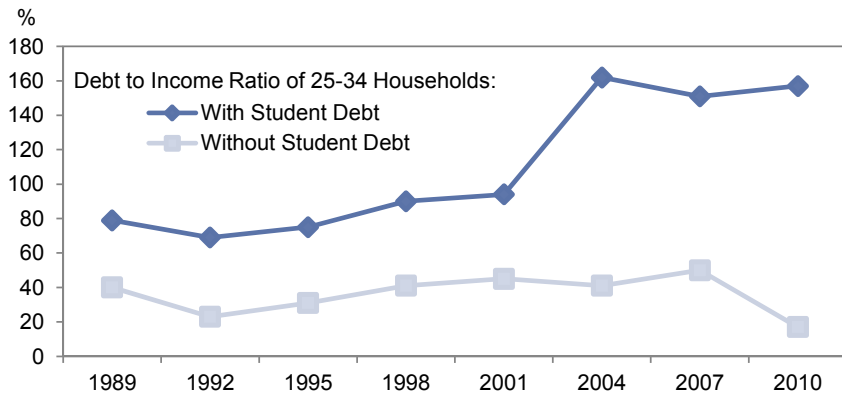
How different generations view marriage and family structure	Millennial	Gen X	Boomer	65+
Marriage is becoming obsolete	44	43	35	32
The growing variety in family arrangements is a good thing	46	37	28	24

Does a child need both a father and a mother to grow up happily	Millennial	Gen X	Boomer	65+
Agree	53	57	61	75
Disagree	44	40	34	21

And while many rent, they eventually want to buy a home

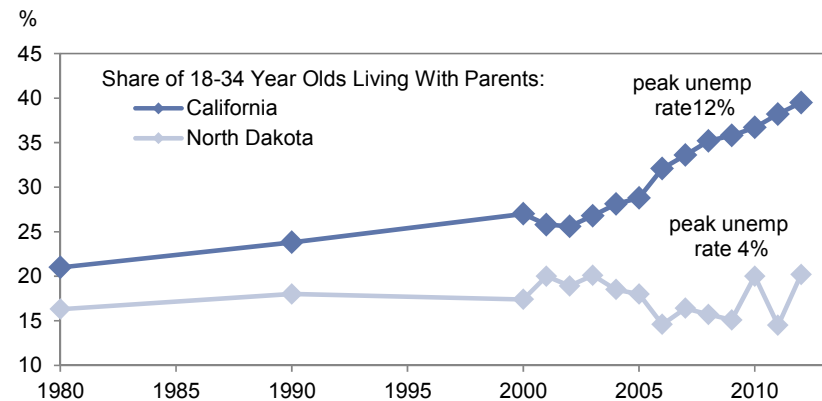


But many are burdened with student debt



Sources: Pew Research Center; Trulia; IPUMS-USA

And regional disparities suggest economy played a role

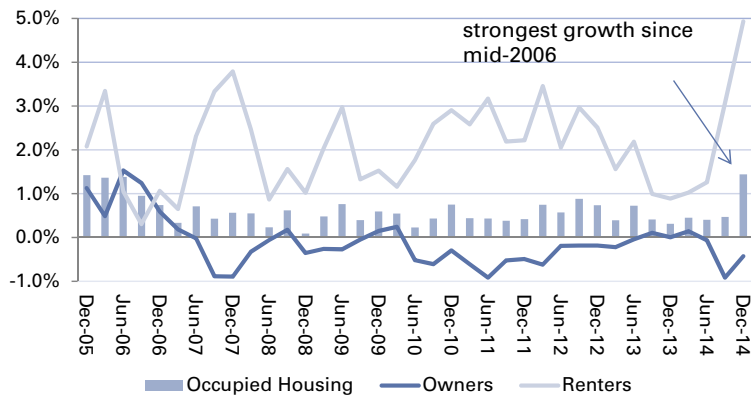


Wither HH formation?

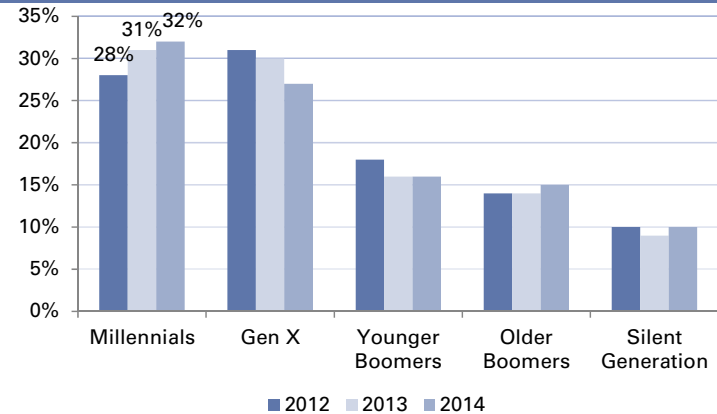
It is coming, just later than with prior generations

Already we are seeing evidence that Millennials are graduating to the next life stage. Household formation is on the rise and Millennials have now accounted for the majority of home purchases for two consecutive years

Household formation has accelerated w/ more renters



And Millennials now are majority of home purchasers



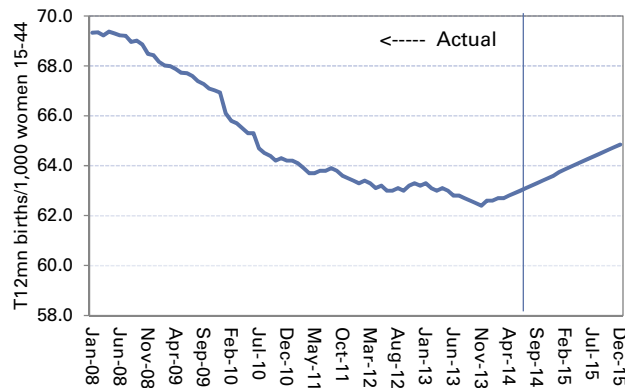
Sources: Haver; National Association of Realtors

Where are the children?

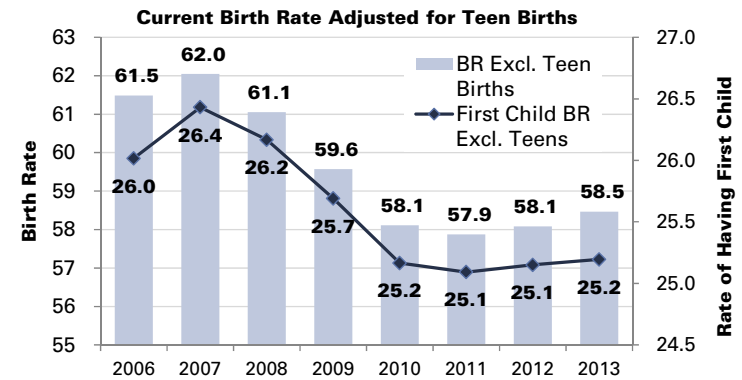
It is coming, just later than with prior generations

The birth rate has inflected, although an adjusted birth rate excluding babies born to 14-19 year olds (which is in secular decline) actually troughed in 2011. Some of this is cyclical, but women choosing to delay having children would also first cause a birth rate decline, but now more of those women are entering peak years.

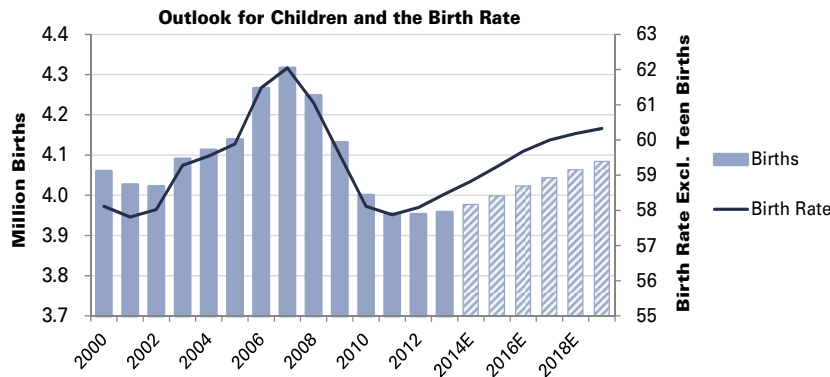
US birth rate inflected in 1H14; expect continued growth



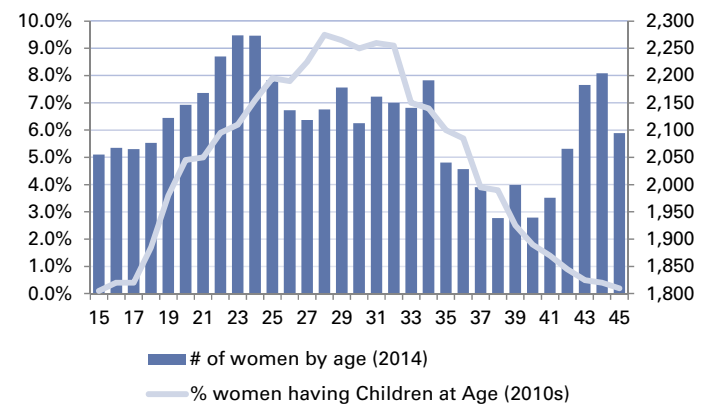
An adjusted birth rate actually troughed much earlier



Women delaying children would first cause a drop...



...but those women are nearing peak child birthing years



Sources: CDC; Euromonitor

Millennials have unique behaviors

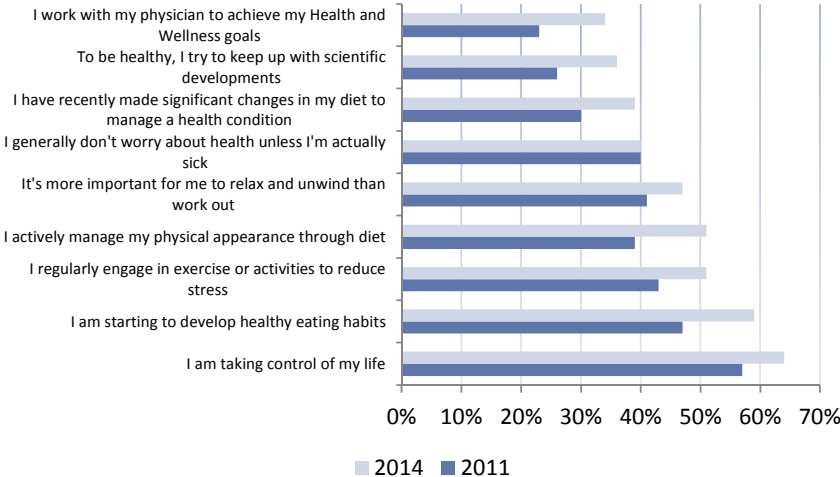
What they feed their families will differ from prior generations

Health with New Meaning

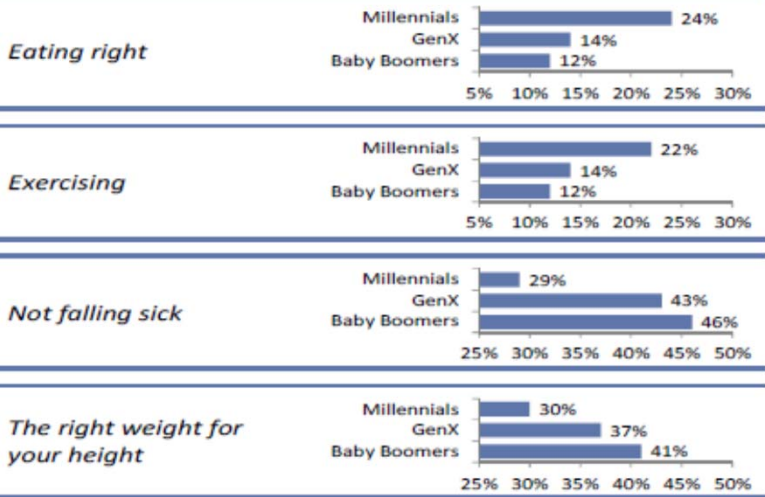
Food's evolving role in health

Millennials are increasingly becoming health conscious as they enter household formation years and “eating right” is an important part of that. Unlike 20 years ago, however, eating right is increasingly becoming a lifestyle choice rather than a “dieting” choice.

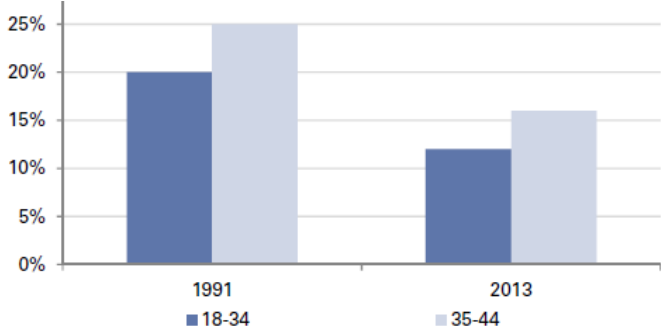
More health conscious as they age...



...but health means something different



Eating right decreasingly means “dieting,” for both Millennials and Gen X.



Sources: The Hartman Group, Outlook on the Millennial Consumer 2014; The What's Your Healthy Survey, Aetna; NPDP

Health with New Meaning

Less processed, more “real” food in demand

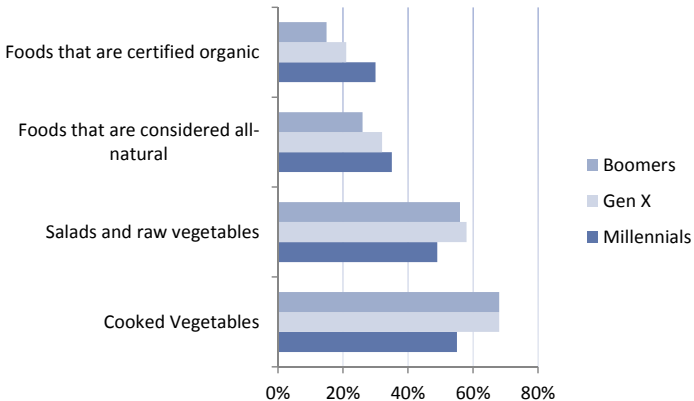
Less processed, more “real” food in demand. Millennials favor fresh, natural and organic offerings, suggesting avoidance of ingredients perceived to be artificial or unnatural. We expect this behavior to rise as female heads of household enter motherhood.

2013: Millennials planned to eat more Fresh, Nat & Org.

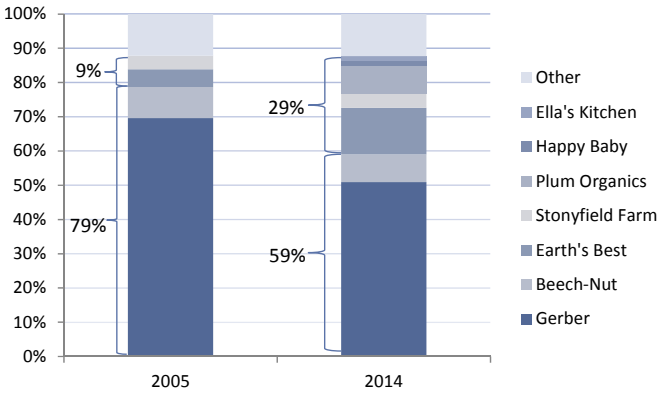
Q: For each of the following categories, please indicate if you think you will increase, decrease or not change your spending over the next 12 months?

Category	Increase	Decrease
Fresh fruits and veggies	37%	8%
Organic food	25%	9%
Natural products	23%	10%
Env. Friendly home-cleaning items	20%	10%
Fresh meat	19%	10%
Soda	7%	27%
Apps	8%	30%
Handbags	6%	29%
Luxury brands	9%	34%
Restaurants	9%	42%

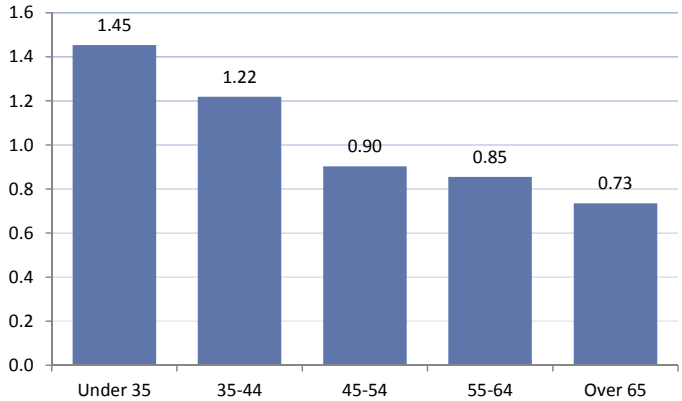
Fresh may be growing up; Nat & Org is more in demand



Millennial moms favor Nat & Org baby food



Share of Nat & Org. purchases 45% higher for Millennial



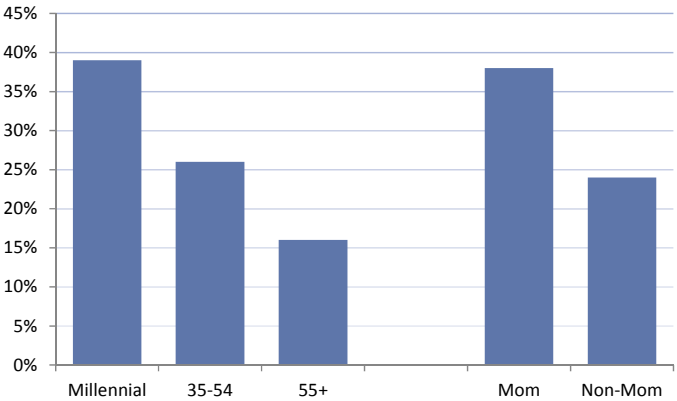
Sources: Boston Consulting Group; Technomic; Euromonitor; The Nielsen Company

Health with New Meaning

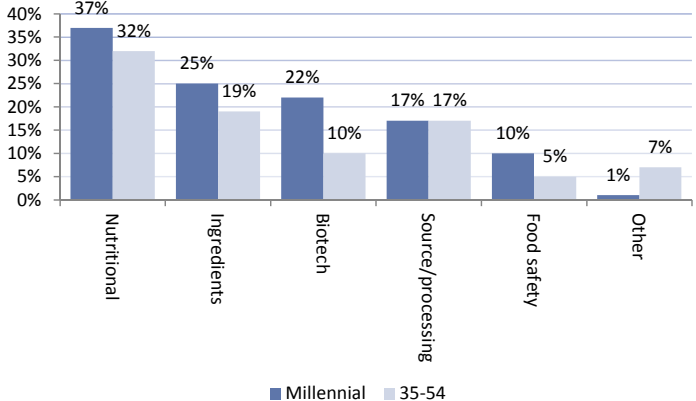
In a world with information abundance and social ethos

Transparency is important for this generation and they want to know what is in their food. The outcry for greater labeling disclosure (e.g., GMO, sugar daily value, etc.) is likely to grow louder.

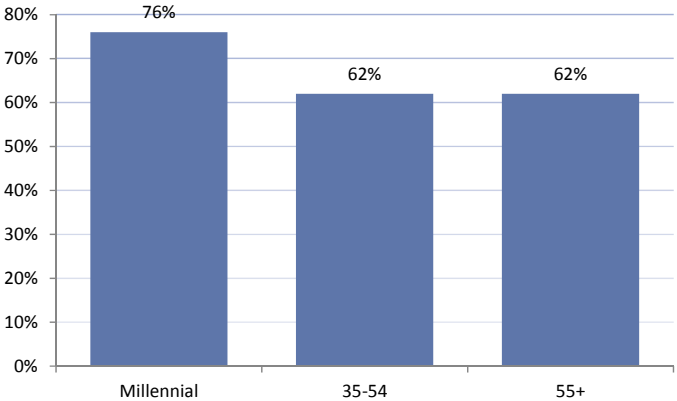
Millennials want more info on food labels



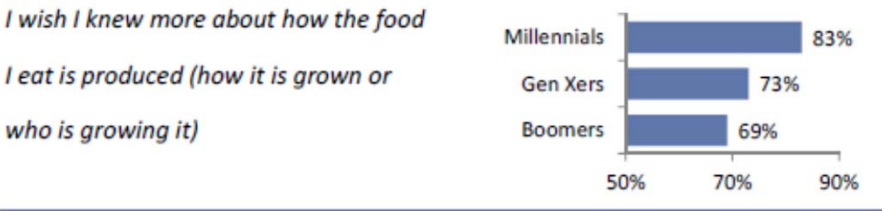
They want more on nutritionals, ingredients & GMOs



Millennials believe sustainability is more important...



...and they want to know where their food came from



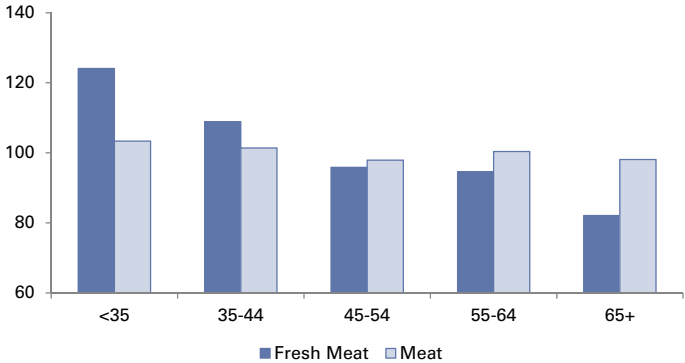
Sources: International Food Information Council; JWT

Not your parents' palate

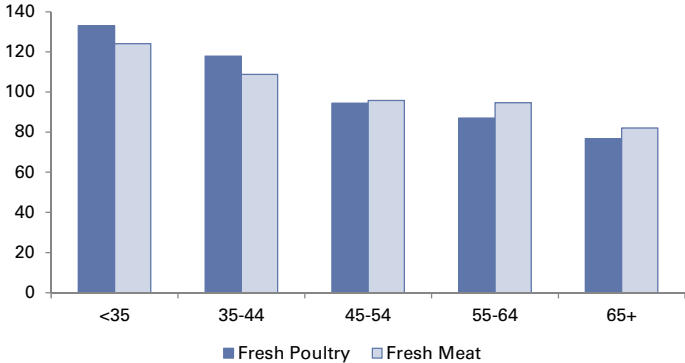
Millennials eat more fresh meat, with a clear preference for poultry

While their parents grew up eating steaks and hamburgers, Millennials were primarily raised on poultry. A greater focus on health has also driven a shift towards less processed fresh meat.

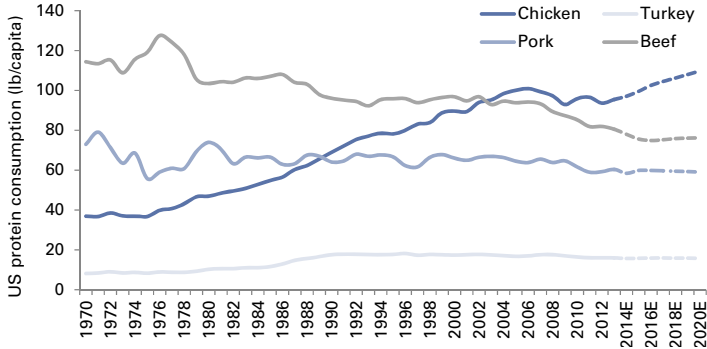
Millennials prefer non-processed fresh meat



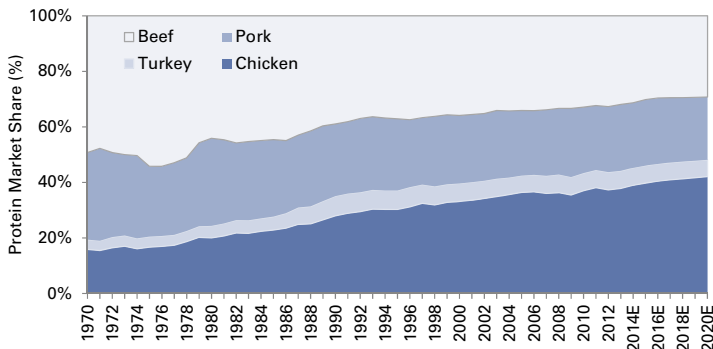
With a preference for poultry, given beef health concerns



Chicken consumption should grow as Millennials age



And continue to take share from beef & pork



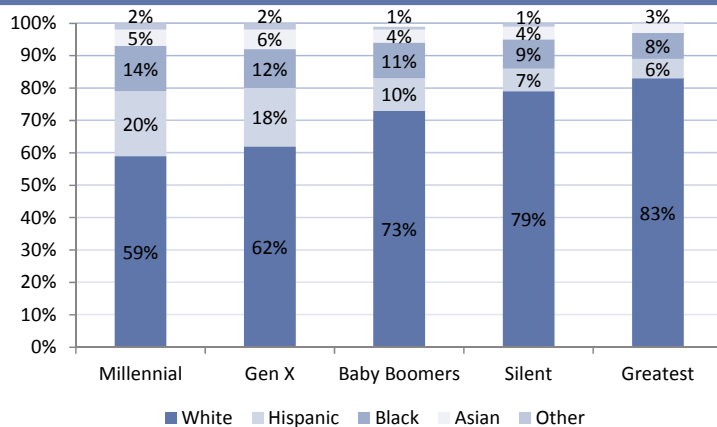
Sources: USDA; Nielsen Company

Variety is in with ethnic in vogue

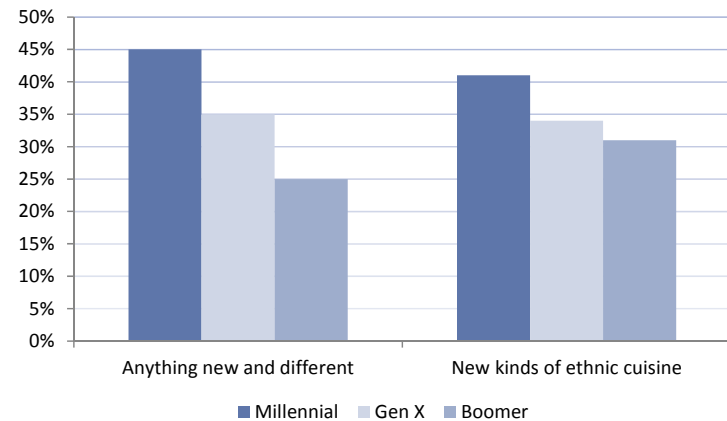
Millennials like to try new things and experiment with flavor

They are a diverse generation and one that has grown up with more easily accessible variety, translating into a broader willingness to experiment with new food choices and pursue ethnic variety.

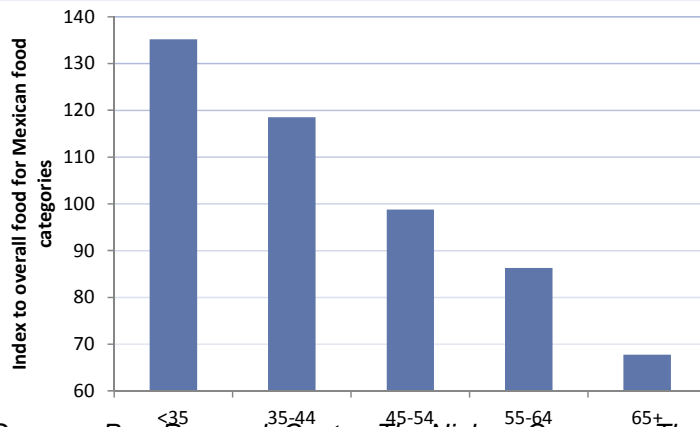
Millennials are more diverse than generations prior



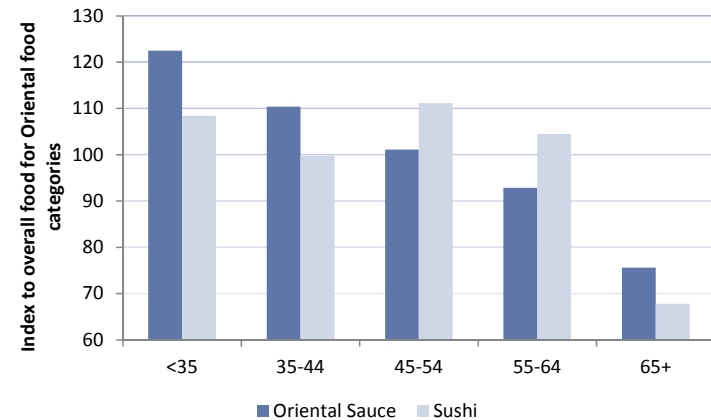
And are more willing to try new flavors and types of cuisine



Millennials over-index on Mexican foods



And Oriental foods



Sources: Pew Research Center; The Nielsen Company; The Hartman Group

Growth will be uneven

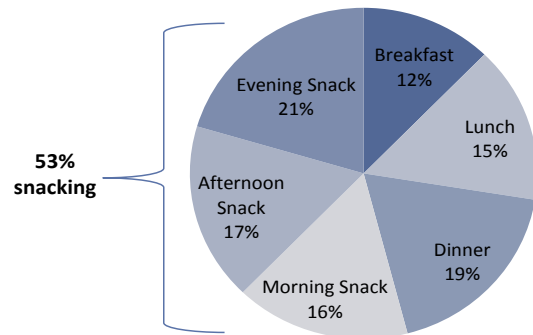
Key trends to reshape food consumption as Millennials rise

A Less Sweet Tooth

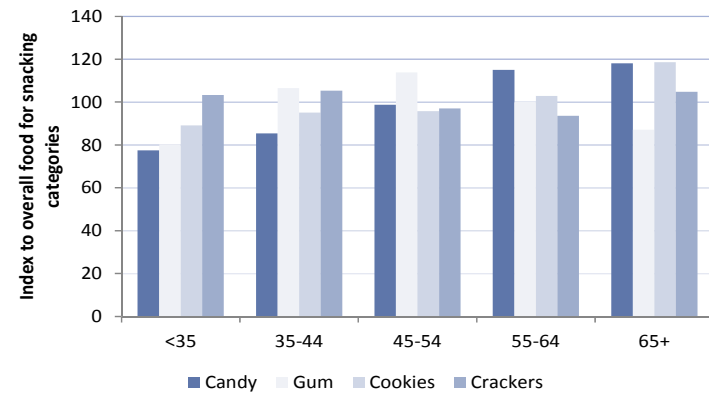
Millennials may spread meals out, but sweet snacks still suffer

Millennial snacking habits are likely to perpetuate the longer term trend of meal fragmentation in the US, but food preferences in snack occasions appear poised to shift away from sweet/sugary solutions. This could relate to negative perceptions of refined sugar as not a “real food.”

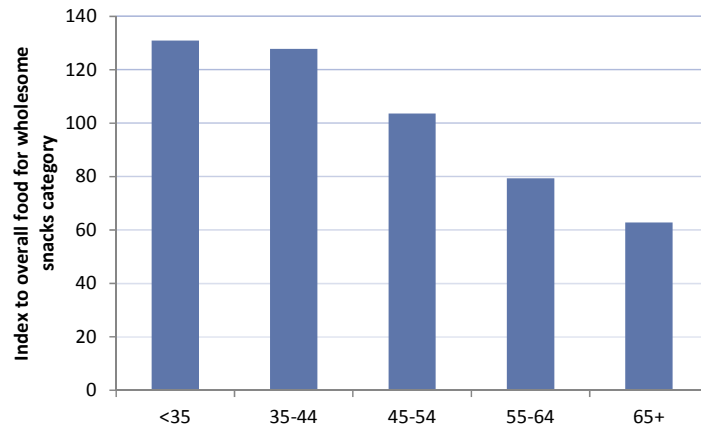
Millennials eat around the clock



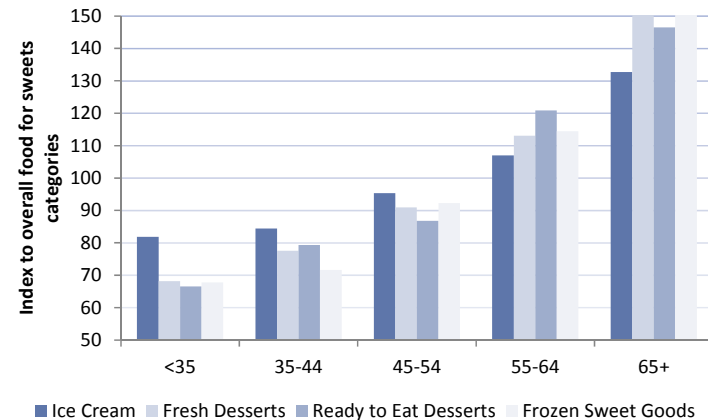
But sweet snacks still under-index with them



As they prefer to snack healthier, like wholesome snacks



And also less likely to indulge in desserts



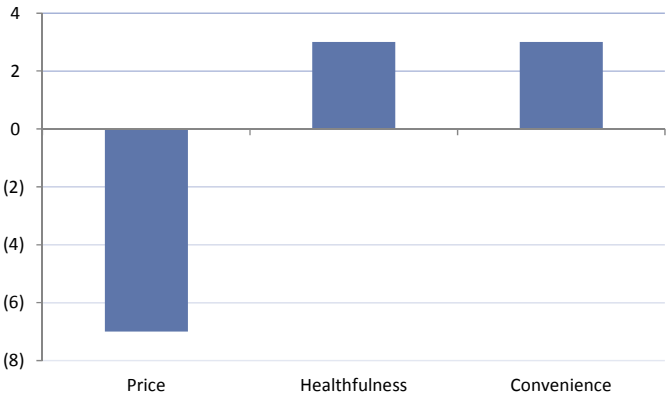
Sources: Institute of Food Technologies; Nielsen Company

Convenience Still Resonates

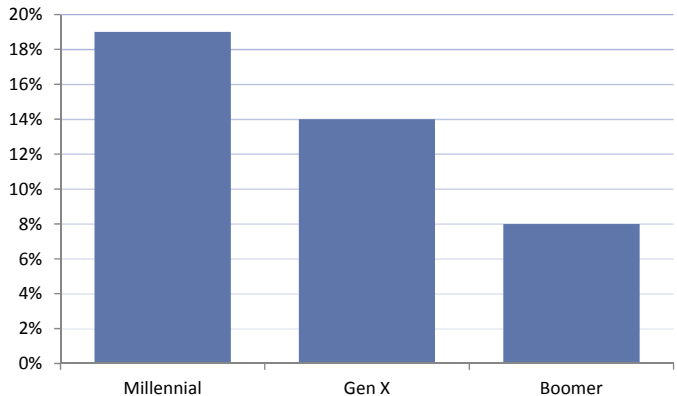
Quick and easy dominates

While health and freshness dominate Millennial focused food headlines, convenience still resonates, suggesting opportunity for retailers, restaurants and manufacturers who can find the right recipe.

Healthfulness and convenience rising in purchase decision



More Millennials take-out from store/rest. for at home meal



In Restaurants, concepts leveraging technology to enhance convenience score higher with Millennials

	Mobile			Online		In-store		Survey	
	Review	Ordering	Pay	Ordering	Delivery	Kiosks	Tablets	Millennial	vs Overall
SBUX	4.0	Rolling out	Yes	No	Testing	-	-	7.7	0.8
DPZ	4.5	Yes	Yes	Yes	Yes	Yes*	-	7.3	(0.2)
PNRA	2.0	Yes	Yes	Yes	Yes*	Yes*	Yes*	7.1	(0.1)
PH	4.0	Yes	Yes	Yes	Yes	-	-	6.9	(0.1)
CMG	4.0	Yes	Yes	Yes	-	-	-	6.9	0.0
PBPB	3.5	Yes	Yes	Yes	No	-	-	6.4	(0.5)
DNKN	4.1	-	Yes	-	-	-	-	6.3	(0.3)
TB	4.0	Yes	Yes	-	-	-	-	6.0	(0.1)
BK	3.5	-	Yes*	Yes*	Yes*	-	-	6.0	(0.1)
WEN	3.5	Testing	Yes	-	-	-	-	5.8	(0.2)
MCD	3.0	-	-	-	-	Testing	-	5.8	(0.2)
KFC	n/a	n/a	n/a	-	-	-	-	5.1	(0.4)

*Participating locations

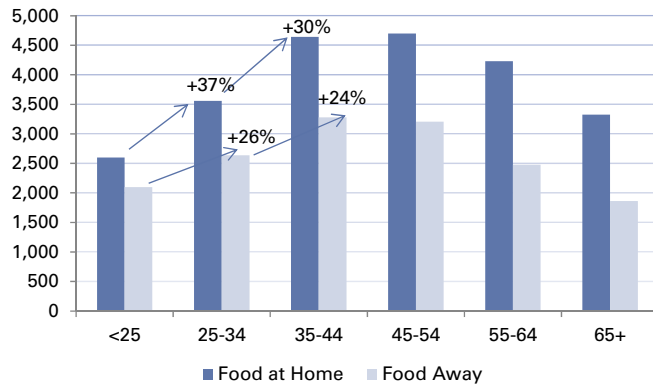
Sources: The Hartman Group; IFIC; Company data, Google Play, Survey of 2,000 consumers

Millennial through 2025

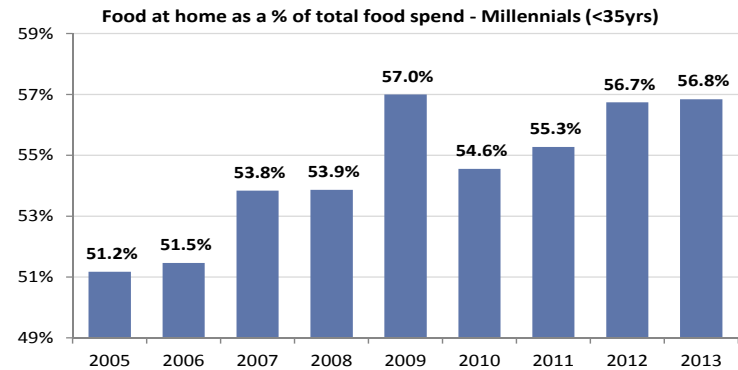
75%+ of packaged food sales growth from this generation

If current food-at vs food-away by age groups hold, food at home would account for 60% of the growth in Millennial food consumption. Even before that, Millennials started mixing towards food at home. Some of this is cyclical, but food at home is still a greater portion of their spending than income levels would suggest.

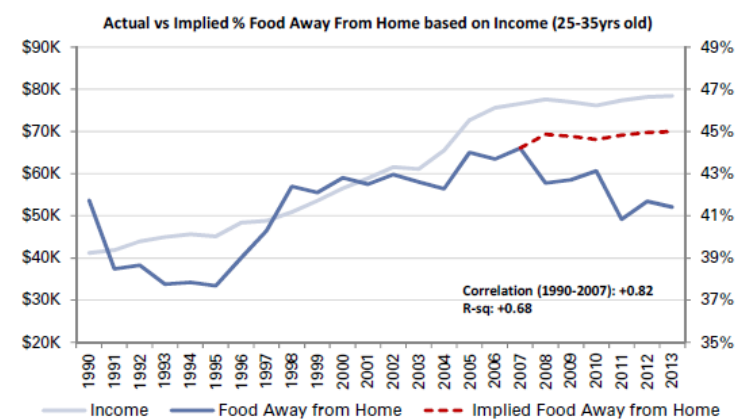
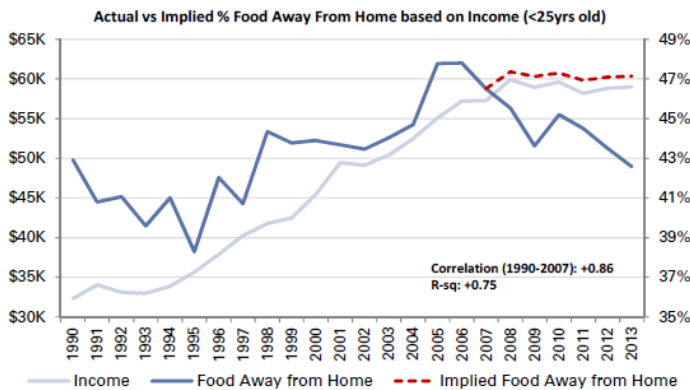
Today's spending by age suggests mix towards at-home...



...but Millennials already started within their age brackets



Some is cyclical, but food-at-home remains a larger portion of <25 and 25-34 year old spend than incomes would suggest



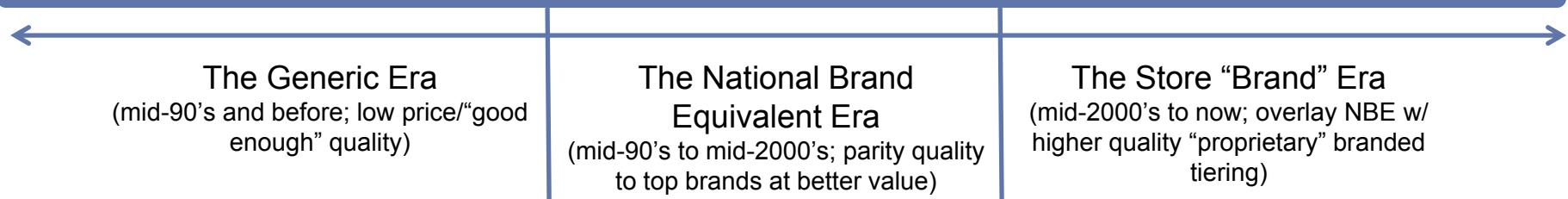
Sources: BLS; CES

What private label stigma?

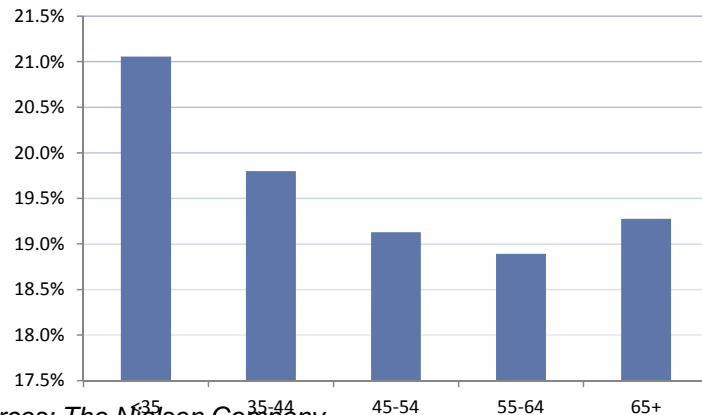
Elevated private label propensity among Millennials

Millennials grew up in an era of high private label quality and, as a result, think more highly of “store brands” than prior generations. This translates into higher share of spend on private label and is likely to translate into higher private label share as their spending importance rises .

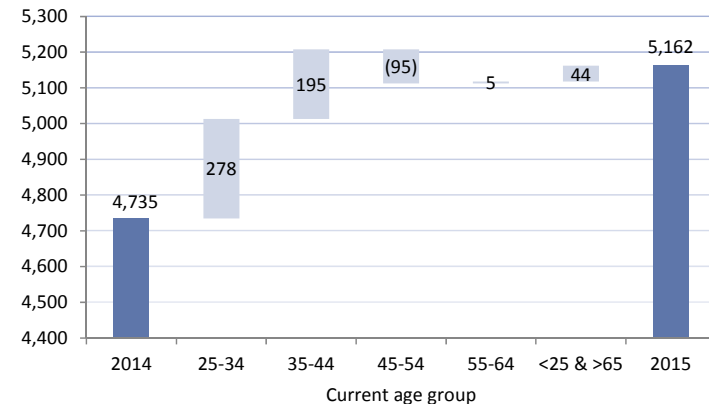
Unlike prior generations, Millennials grew up in a world where private label meant more than just cheap



As share of spend, Millennials spend 11% more than the broader population on private label.



If share of spend holds, PL will grow at 1.1% (vs. 0.8% for the industry in constant prices) as Millennials mix higher



Sources: The Nielsen Company

Implications for Food Manufacturers

Big opportunity, but some are better positioned than others

Millennial Munching

Big, but uneven growth



With Millennials poised to drive 75%+ of industry growth over the next decade, feeding them successfully can translate into sizeable upside for packaged food manufacturers. Deeper analysis, however, suggest preferences will vary from prior generations and some are better or worse positioned to capture the growth.

- **Ride the wave of Millennial household formation:**
 - Infant care a near-term winner on rising baby population; toddler and child care a lagging follow-on.
 - At home food consumption in general to rise with the household formation tide.
- **Brace for uneven growth based on differing generational behavioral tendencies:**
 - Private label is advantaged based on generational acceptance and current consumption patterns.
 - Natural, organic, sustainability and information/label disclosure all have legs to continue rising in importance.
 - Variety seeking and food adventure will grow, requiring a greater amount of portfolio assortment from manufacturers.
 - Authenticity + variety/adventure + word-of-mouth connectivity = opportunity for new brands to emerge.
- **Legacy brands are not dead. They have a sizeable installed base but need to invest to stay on trend.**
 - **Cost without price in the core.** Food quality upgrades required (e.g., simplified ingredient lists, natural ingredient substitution, GMOs, relabeling, etc.) while greater affinity for store brands (many with on-trend products) caps pricing.
 - **Portfolio rebalancing beyond the core:**
 - **Innovate down margin tiers.** Innovation efforts to remain focused on chasing growth into new segments or categories that are on trend, nearly all of which have proven lower margin than legacy flagship offerings (e.g., perimeter fresh categories, wholesome snacking, natural and organic).
 - **Acquire growth.** Many small and medium sized companies have built on-trend brands/portfolios and we expect them to remain M&A targets (at likely high multiples). Many private companies have strong businesses with Millennials (e.g., Amy's Kitchen, Clif Bar) as do some public companies (e.g., HAIN, WWAV, LWAY).
 - **Cut dead wood.** The Food industry is bifurcating between those manufactures prioritizing growth and those prioritizing efficiency. Divestment of poorly positioned assets by those seeking growth could accelerate portfolio rebalancing needs while offering synergy potential to those focused on efficiency.

Millennial Munching

Picking the better positioned harder than finding the worst positioned

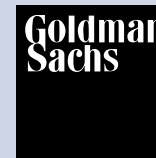


With Millennials poised to drive 75%+ of industry growth over the next decade, feeding them successfully can translate into sizeable upside for packaged food manufacturers. Deeper analysis, however, suggests preferences will vary from prior generations and some are better or worse positioned to capture the growth.

- **Margin rebasing effect of portfolio rebalancing warrants a guarded view for most:**
 - **HSY (Neutral)** rises to the top as victim of a fading sweet tooth. Its recent reframing of its strategy toward snacks more broadly and expansion into adjacencies (e.g., meat snacks) appears more defensive than offensive in this context.
 - **SJM (Neutral)** is likely to see persistent headwinds as Millennials both consume less coffee and favor its brands (e.g., Folgers) less. We see this fundamental risk balanced by its expansion into pet, which may benefit from HH formation.
 - **CPB (Sell)** may suffer ongoing challenges of eroding relevance of the canned soup category, off-trend shelf-stable juice brands and cookie headwinds (less relevant category and poor brand alignment). Its Goldfish brand is well positioned, but we fail to see how that offsets its higher-margin core. More dilutive acquisitions may be pursued to rebalance.
 - **K (Sell)** has a portfolio of brands that under-index their category average meaningfully in cereal and crackers and has meaningful exposure to the fading relevance of cookies. We see strength in Salty Snacks, but not enough.
 - **CAG (Neutral)** has a long tail of off-trend exposures that drive it down the Millennial league table and its brand portfolio in its largest category (frozen entrées) is not resonating. A potential silver lining is private label and its generational tailwind.
- **Some are further along the portfolio rebalancing journey than we expected:**
 - **GIS (up to Neutral, from Sell, in a separate report)** should benefit from improving cereal category trends (a less irrelevant category to this generation than most likely believe) where it has an advantaged brand position, ongoing yogurt momentum (where it also has a strong brand position) and momentum in wholesome snacks.
- **Only a few are spot-on:**
 - **MJN (Buy)** stands to benefit from Millennials entering motherhood as the recent birthrate inflection sustains. We see this supportive of a sustained turn-around in its core US market.
 - **TSN (CL-Buy)** has a protein-centric portfolio that stands to benefit from Millennials' preference for poultry and fresh meat. Recently acquired HSH provides additional brand management expertise that should further improve marketing and innovation versus peers, with particular opportunities to value-add existing commodity production.

Ranking the companies with Millennials

MJN & GIS rise while HSY, SJM & CAG fall



When indexing consumption patterns across age groups it is not surprising to see baby oriented (e.g., MJN) firms rise to the top along with natural and organic companies. The relative strength of GIS, and relative weakness of HSY, however, does surprise.

	<35	35-44	45-54	55-64	65+
MJN	336	165	24	34	22
Clif bar	162	132	114	56	45
HAIN	139	114	85	90	86
Nature's Path	139	110	90	88	86
Amy's Kitchen	120	112	93	100	77
GIS	119	115	97	88	85
WWAV	118	106	95	96	90
Lifeway Foods	118	93	71	94	147
BDBD	113	108	87	91	113
Danone	111	100	95	95	105
K	110	116	105	85	85
Chobani	109	99	103	98	90
TSN	108	106	100	97	89
KRFT	105	104	98	98	98
CPB	105	100	96	95	109
MKC	104	98	98	101	99
HRL	102	102	99	97	101
HNZ	101	102	104	100	91
Ferrero	101	126	106	79	88
PF	98	92	96	103	114
PEP	98	107	108	98	84
MDLZ	98	105	101	98	98
POST	97	95	102	97	110
KO	96	97	106	104	92
BGS	94	96	95	104	114
Kind	92	104	116	103	71
CAG	90	92	99	103	115
SJM	88	84	93	110	127
Del Monte	88	91	91	107	128
Newman's Own	88	89	86	126	110
FLO	85	90	96	107	121
Nestle	84	85	101	112	115
HSY	81	87	101	112	115
Snyder-Lance	75	87	104	112	114
Lindt	73	86	101	117	115
Mars	73	81	103	120	113
GMCR	69	77	91	123	138
THS	69	81	100	112	135
Tootsie Roll	69	84	99	127	111
Gloria Jean's	61	81	100	116	136
Russell Stover	51	59	83	126	185

Sources: The Nielsen Company

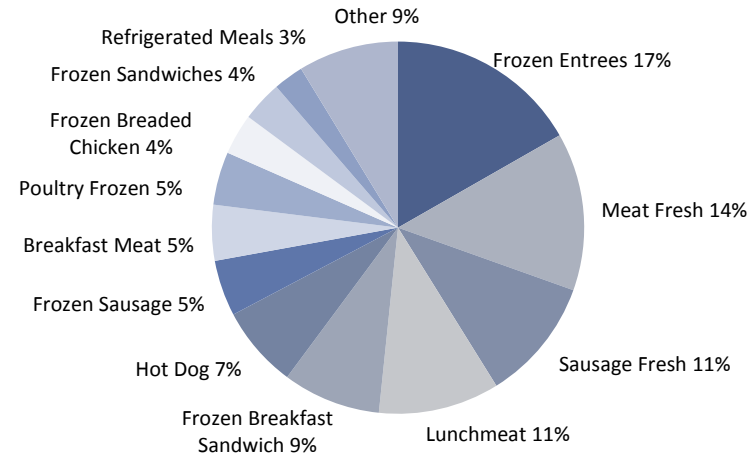
Tyson Foods

TSN's portfolio is well-positioned in Millennial categories



TSN's (CL-Buy) protein-centric portfolio is a key beneficiary of Millennial's preference for fresh and frozen meat. While the company already meaningfully over-indexes to Millennials, we see room for TSN to further grow its category presence as it leverages brand management expertise from recently-acquired HSH, which should allow the firm to further value-add captive protein production and differentiate its fresh meat offerings versus the industry. Further, Tyson can leverage its upstream supply chain to increasingly source natural/organic offerings broadly preferred by Millennial consumers.

TSN's portfolio is dominated by fresh meats



Which resonates well with Millennials

	category index by age group				
	<35	35-44	45-54	55-64	65+
Frozen Entrees	93	96	103	102	104
Meat Fresh	124	109	96	95	82
Sausage Fresh	93	97	99	106	103
Lunchmeat	100	103	101	99	96
Frozen Breakfast Sandwich	96	98	105	98	103
Hot Dog	108	103	95	99	98
Frozen Sausage	88	96	100	105	108
Breakfast Meat	93	93	98	104	112
Poultry Frozen	127	119	101	87	71
Frozen Breaded Chicken	181	149	86	61	46
Frozen Sandwiches	121	127	106	80	69
Refrigerated Meals	87	92	102	108	106
Total	108	107	101	97	86

And TSN performs mostly in line with categories

	TSN +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Frozen Entrees	12%	27%	17%	-16%	-42%	87	17%
Meat Fresh	8%	-1%	0%	2%	-14%	71	14%
Sausage Fresh	3%	4%	-1%	-4%	0%	55	11%
Lunchmeat	-3%	0%	1%	1%	0%	54	11%
Frozen Breakfast Sandwich	-10%	4%	3%	2%	-2%	44	9%
Hot Dog	0%	-4%	-3%	4%	4%	37	7%
Frozen Sausage	-3%	-6%	-4%	7%	4%	25	5%
Breakfast Meat	-1%	-9%	-1%	9%	-2%	25	5%
Poultry Frozen	-6%	1%	2%	2%	0%	24	5%
Frozen Breaded Chicken	7%	-6%	0%	4%	-12%	18	4%
Frozen Sandwiches	18%	1%	-6%	-4%	-9%	18	4%
Refrigerated Meals	71%	18%	-8%	-17%	-35%	14	3%
Total						472	91%

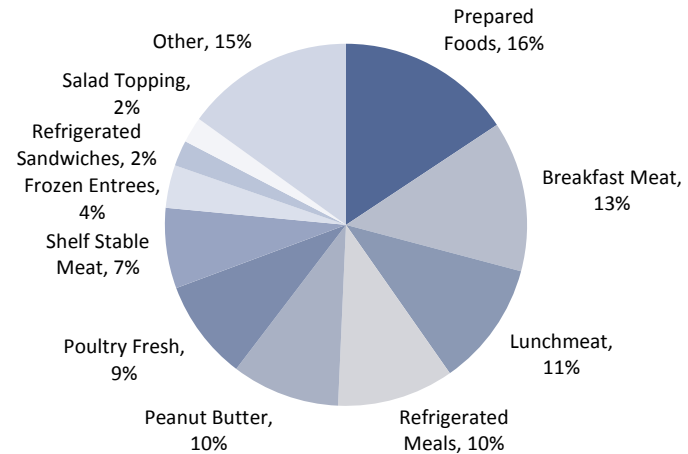
Sources: The Nielsen Company

Hormel Foods

Turkey a bright-spot, but shelf-stable meat could see headwinds

HRL (Neutral) is likely to see tailwinds as Millennials both consume more turkey and increasingly favor its brands (e.g., Jennie-O). Despite strength in fresh meat, legacy shelf-stable offerings (Chili, Spam, & Compleats) could pose headwinds to the portfolio, as they do not resonate well with Millennial consumers. Improved international distribution could help offset this pressure, given limited penetration and strong product recognition in Asia. We would not be surprised if Hormel pursued more acquisitions in natural/organic fresh meat.

HRL's portfolio is dominated by meats



Which perform well, but processed meats lag

	category index by age group				
	<35	35-44	45-54	55-64	65+
Prepared Foods	113	105	100	94	92
Breakfast Meat	93	93	98	104	112
Lunchmeat	100	103	101	99	96
Refrigerated Meals	87	92	102	108	106
Peanut Butter	107	102	98	95	102
Poultry Fresh	133	118	94	87	77
Shelf Stable Meat	84	88	102	109	112
Frozen Entrees	93	96	103	102	104
Refrigerated Sandwiches	98	100	111	99	85
Salad Topping	97	102	109	100	84
Total	102	102	100	98	99

HRL's brands resonate with Millennials

	HRL +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Prepared Foods	-28%	-23%	2%	23%	26%	42.8	16%
Breakfast Meat	12%	5%	-2%	-6%	-3%	36.7	13%
Lunchmeat	38%	22%	-4%	-20%	-27%	30.5	11%
Refrigerated Meals	-9%	-7%	-3%	-1%	21%	28.4	10%
Peanut Butter	-20%	-1%	6%	6%	3%	26.4	10%
Poultry Fresh	7%	14%	2%	-14%	-21%	24.5	9%
Shelf Stable Meat	-17%	-10%	0%	3%	16%	19.6	7%
Frozen Entrees	31%	23%	-1%	-19%	-22%	10.5	4%
Refrigerated Sandwiches	22%	24%	6%	-24%	-29%	6.3	2%
Salad Topping	-12%	-4%	-5%	18%	-1%	6.3	2%
Total						231.9	85%

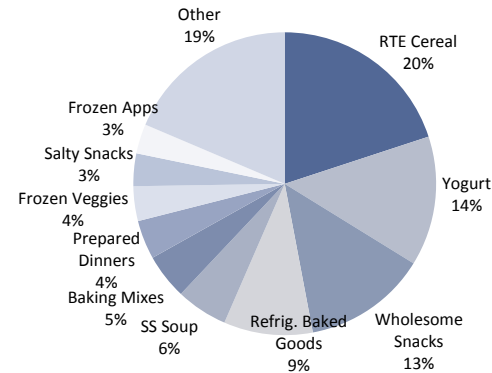
Sources: The Nielsen Company

General Mills

GIS' portfolio is well-positioned in Millennial categories

Analysis suggests GIS' portfolio is better positioned to capture growth than we expected to find. It should benefit from improving cereal category trends (a less irrelevant category to this generation than most believe) where it has an advantaged brand position. Yogurt momentum should sustain (where it also has a strong brand position) as should momentum in wholesome snacks. It has problems in soup (off-trend category and less relevant brand) and frozen vegetables (under-indexed brand), but still ranks as the best positioned large multi-category company we cover.

GIS' portfolio is almost half cereal, yogurt, and snacks



GIS' category exposure generally over-index <35 age

Within these categories, GIS performs even better

	category index by age group				
	<35	35-44	45-54	55-64	65+
RTE Cereal	121	117	98	83	89
Yogurt	118	108	94	92	95
Wholesome Snacks	131	128	103	79	63
Refrig. Baked Goods	121	111	100	87	87
SS Soup	89	89	96	104	124
Baking Mixes	100	101	95	97	111
Prepared Dinners	142	124	100	80	63
Frozen Veggies	104	95	96	101	107
Salty Snacks	95	104	106	100	90
Frozen Apps	121	127	109	80	63

	GIS +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
RTE Cereal	8%	3%	-4%	-1%	-6%	195	20%
Yogurt	10%	14%	-4%	-9%	-11%	135	14%
Wholesome Snacks	-7%	0%	0%	6%	5%	129	13%
Refrig. Baked Goods	1%	2%	1%	-1%	-4%	93	10%
SS Soup	-21%	-10%	3%	9%	8%	54	6%
Baking Mixes	-1%	10%	2%	-5%	-6%	47	5%
Prepared Dinners	14%	0%	-7%	-2%	-9%	41	4%
Frozen Veggies	-9%	-3%	3%	6%	-1%	36	4%
Salty Snacks	1%	-4%	3%	1%	-2%	34	3%
Frozen Apps	10%	23%	2%	-21%	-40%	31	3%
Total						795	81%

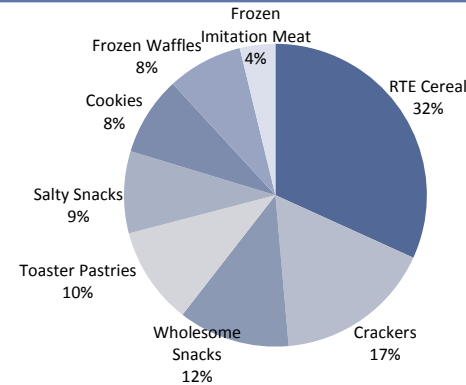
Sources: The Nielsen Company

Kellogg

K on the other hand performs poorly in decent categories

*K's snacking portfolio is somewhat disadvantaged by a large cookie business – a category that appears off-trend with the fading sweet tooth – but its overall category footprint is more aligned with Millennial consumption patterns than most of its peers. **Its challenge stems more from the equity of its brands** in these categories. Its portfolio meaningfully under-indexes the category average in both cereal and crackers (roughly half of its US portfolio. Its only pocket of relative brand strength is in salty snacks – a category that is relatively small for it (9%) and modestly disadvantaged from a Millennial consumption perspective.*

The majority of K's portfolio comes from RTE cereal and crackers



Which typically do fairly well with Millennials

	category index by age group				
	<35	35-44	45-54	55-64	65+
RTE Cereal	121	117	98	83	89
Crackers	103	105	97	94	105
Wholesome Snacks	131	128	103	79	63
Toaster Pastries	143	142	114	61	44
Salty Snacks	95	104	106	100	90
Cookies	89	95	96	103	119
Frozen Waffles	135	141	94	64	81
Frozen Imitation Mea	125	110	101	86	85
Total					

Within these categories, K performs poorly

	K +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
RTE Cereal	-11.3%	-1.0%	5.9%	3.4%	0.3%	180	30%
Crackers	-9.9%	-3.1%	6.9%	-0.6%	3.0%	95	16%
Wholesome Snacks	-2.1%	-2.9%	3.1%	1.4%	0.5%	67	11%
Toaster Pastries	-2.5%	0.6%	2.0%	0.9%	-4.6%	59	10%
Salty Snacks	12.5%	15.3%	0.5%	-13.3%	-12.5%	50	8%
Cookies	4.7%	-1.1%	3.0%	-2.2%	-3.3%	48	8%
Frozen Waffles	-0.5%	4.3%	5.3%	-7.0%	-10.2%	46	8%
Frozen Imitation Mea	-3.5%	-9.7%	2.2%	7.6%	4.5%	21	4%
Total						566	94%

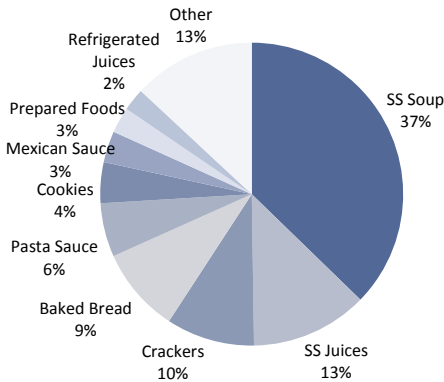
Sources: The Nielsen Company

Campbell Soup

CPB's focus on soup hurts the company

Shelf-stable soup is a cold category for Millennials and we expect CPB to suffer ongoing challenges of the categories eroding relevance. In its second largest measured category – shelf stable juices – Millennial moms have not abandoned the category, but CPB's brands (i.e., V8) meaningfully under-index. Crackers are a source of strength for the company behind its Goldfish equity, but we expect Pepperidge Farm to face generational headwinds in its cookie and bread portfolios (collectively larger than Goldfish). We would not be surprised if CPB pursued more dilutive acquisitions to accelerate their portfolio rebalancing efforts.

CPB's portfolio is dominated by soup



Soup does not resonate with Millennials

	category index by age group				
	<35	35-44	45-54	55-64	65+
SS Soup	89	89	96	104	124
SS Juices	124	111	94	88	93
Crackers	103	105	97	94	105
Baked Bread	94	96	97	101	114
Pasta Sauce	130	116	99	85	77
Cookies	89	95	96	103	119
Mexican Sauce	125	110	100	92	78
Prepared Foods	113	105	100	94	92
Refrigerated Juices	106	104	97	94	104

And in SS Juices which Millennials buy, CPB suffers

	CPB +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
SS Soup	0.7%	2.1%	0.2%	-2.0%	-0.2%	157	37%
SS Juices	-33.9%	-25.2%	2.8%	14.1%	53.4%	53	12%
Crackers	53.4%	46.1%	5.5%	-41.6%	-57.5%	40	9%
Baked Bread	-19.5%	-16.4%	-6.5%	12.6%	23.7%	38	9%
Pasta Sauce	1.2%	0.5%	0.5%	2.5%	-7.7%	24	6%
Cookies	-20.2%	-9.5%	-0.3%	5.8%	15.9%	18	4%
Mexican Sauce	0.0%	-8.2%	-8.1%	11.3%	11.7%	14	3%
Prepared Foods	55.0%	21.3%	0.2%	-32.6%	-42.3%	12	3%
Refrigerated Juices	57.6%	18.8%	-6.3%	-17.5%	-43.3%	10	2%
Total						367	87%

Total
Sources: The Nielsen Company

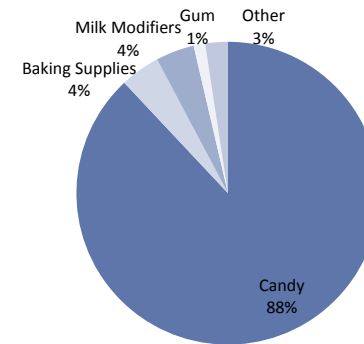
Hershey

HSY moves to snacking as Millennials have less of a sweet tooth



HSY (Neutral) rises to the top as victim of a fading sweet tooth. Its recent reframing of its portfolio strategy toward snacks more broadly and expansion into adjacencies (e.g., meat snacks) instead of just confection alone suggest management may realize this. It remains to be seen how HSY fares with this portfolio realignment. The move seems to be more defensive than offensive, however, in this context. Margin consequences of shift away from core confection may prove material. HSY will also need to focus on simpler ingredients and labeling in its core portfolio, leading to a significant gross margin rebase.

HSY is primarily a candy company



Which Millennials tend to not eat

	category index by age group				
	<35	35-44	45-54	55-64	65+
Candy	77	85	99	115	118
Milk Modifiers	130	115	104	81	76
Baking Supplies	115	101	97	96	97
Gum	80	106	114	100	87

Which does not bode well for HSY, mostly in line with category

	HSY +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Candy	0.20%	0.54%	2.45%	-1.93%	-1.26%	274	88%
Milk Modifiers	-10.80%	-6.33%	-3.36%	11.54%	18.01%	13	4%
Baking Supplies	12.10%	-3.44%	-6.70%	3.79%	-3.24%	13	4%
Gum	-7.01%	7.78%	-4.86%	-1.64%	7.58%	4	1%
Total						304	98%

Sources: The Nielsen Company

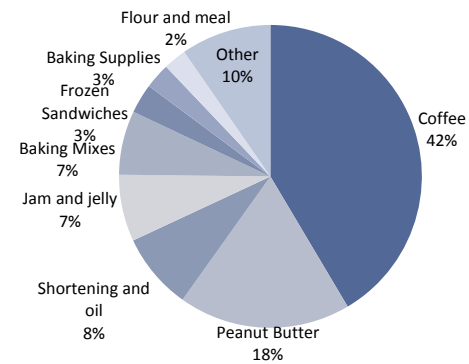
Smucker

Coffee skews old, and SJM's brands are favored less



*SJM (Neutral) is likely to see persistent headwinds as Millennials both **consume less coffee and favor its brands (e.g., Folgers) less**. Coffee consumption skews old and data raises questions about the category's forward trajectory. The data justifies a guarded view on SJM's core business, but we see this risk balanced by its expansion into pet, which may benefit from improving household formation. Across many of SJM's other core categories, its brands under-index with Millennials leading to weak market positioning. Only baking mixes and supplies and frozen sandwiches do well for SJM, and these categories represent only 13% of the portfolio.*

SJM's portfolio is heavily coffee



Coffee is not as highly purchased by Millennials

	category index by age group				
	<35	35-44	45-54	55-64	65+
Coffee	70	73	92	124	138
Peanut Butter	107	102	98	95	102
Shortening and oil	97	92	96	104	113
Jam and jelly	100	94	85	97	135
Baking Mixes	100	101	95	97	111
Frozen Sandwiches	121	127	106	80	69
Baking Supplies	115	101	97	96	97
Flour and meal	111	90	89	100	120

And SJM performs mostly in-line with category

	SJM +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Coffee	-0.2%	-3.2%	-3.3%	1.6%	3.5%	117	41%
Peanut Butter	-4.3%	-7.5%	3.4%	1.3%	6.0%	52	18%
Shortening and oil	-23.6%	-17.0%	-0.9%	11.5%	21.0%	23	8%
Jam and jelly	-5.8%	-4.7%	0.0%	-0.1%	7.8%	20	7%
Baking Mixes	13.7%	4.0%	-0.1%	-3.9%	-10.4%	19	7%
Frozen Sandwiches	44.1%	19.4%	16.5%	-54.9%	-61.4%	9	3%
Baking Supplies	8.9%	13.8%	-1.1%	-6.5%	-15.5%	8	3%
Flour and meal	-34.1%	-36.4%	-2.9%	26.4%	32.8%	7	2%
Total						255	90%

Sources: The Nielsen Company

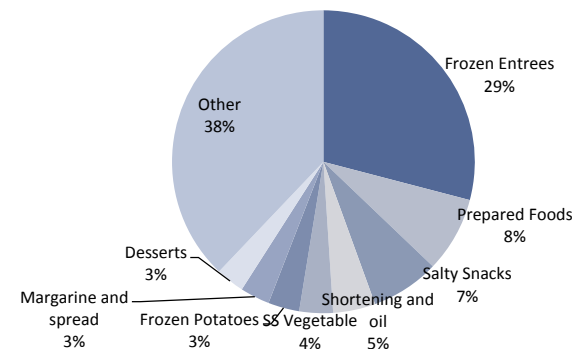
ConAgra

Private label will prove key for CAG turnaround



*CAG (Neutral) has a long tail of off-trend exposures that drive it down the Millennial league table and its brand portfolio in its largest category (frozen entrées) is not resonating (15.1% below frozen entrée category overall index). **A potential silver lining is private label and its generational tailwind, as Millennials are more willing to try and trust private label products.** A turnaround in the operation of CAG's private label business is necessary, with competitive pressures driving margins to unsustainably low levels in recent years. It remains to be seen how new CEO Sean Connolly will address CAG's strategic issues.*

CAG is more diverse, but a lot of frozen entrées



Which Millennials tend to not eat

	category index by age group				
	<35	35-44	45-54	55-64	65+
Frozen Entrées	93	96	103	102	104
Prepared Foods	113	105	100	94	92
Salty Snacks	95	104	106	100	90
Shortening and oil	97	92	96	104	113
SS Vegetable	96	88	94	106	120
Frozen Potatoes	116	109	104	93	78
Margarine and spread	85	82	92	105	142
Desserts	88	92	91	101	134

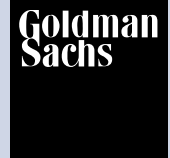
And CAG frozen entrée brands do not resonate

	CAG +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Frozen Entrées	-15.1%	-11.8%	-3.6%	5.6%	23.0%	175	29%
Prepared Foods	16.3%	19.1%	-1.0%	-18.6%	-14.7%	48	8%
Salty Snacks	-2.8%	-3.7%	-1.2%	0.4%	9.4%	44	7%
Shortening and oil	-13.0%	-11.2%	7.1%	2.6%	7.7%	27	5%
SS Vegetable	2.8%	0.4%	3.9%	0.7%	-8.3%	22	4%
Frozen Potatoes	2.1%	1.1%	-3.3%	1.5%	0.1%	20	3%
Margarine and spread	-9.0%	-7.7%	8.9%	6.3%	-6.0%	19	3%
Desserts	9.0%	21.1%	11.5%	-14.6%	-19.5%	18	3%
Total						373	62%

Sources: The Nielsen Company

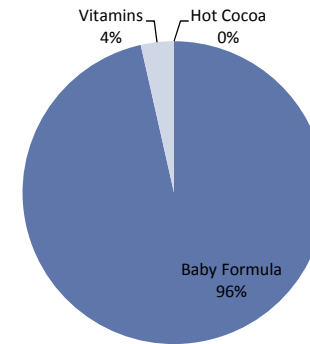
Mead Johnson

Millennial moms on the rise as entering peak child bearing years



MJN (Buy) stands to benefit as infant formula grows on a multi-year improvement in births. Infant formula clearly highly over-indexes with those under the age of 35. Despite Millennials getting married and having children later, which originally caused a decline in the birthing rate, the adjusted birth rate troughed in 2011. These Millennial women are now entering peak birthing years, and we expect the birth rate to continue to grow. Although MJN stands below the baby formula category as a whole, the growth overall for the category should benefit all players as Millennials age and have children.

MJN plays in the baby formula market



Which Millennials buy as they are in child-rearing years

	category index by age group				
	<35	35-44	45-54	55-64	65+
Baby Formula	349	140	33	37	27

But MJN surprisingly does not do as well as category

	MJN +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Baby Formula	-3.0%	18.8%	-25.0%	-6.2%	-18.3%	26	96%
Total						26	96%

Sources: The Nielsen Company

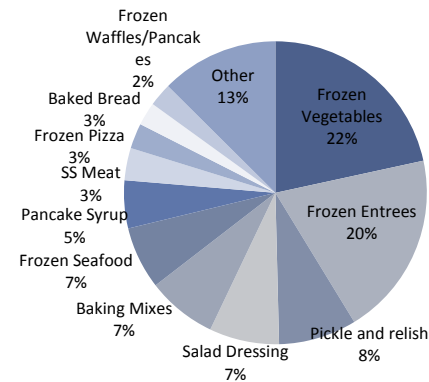
Pinnacle Foods

Diverse portfolio has varied relevance to Millennials



PF's (Neutral) varied portfolio is just as diverse in terms of its relevance to the Millennial consumer. While categories like frozen vegetables, pancake syrup, and frozen pizza do well with the younger age group, frozen entrées and pickles resonate less. PF's brands are well positioned, though, with its top three categories, representing 50% of the portfolio, performing better than the category overall with consumers under 35.

PF focuses on frozen entrées and vegetables



Which are tougher to sell to Millennials

	category index by age group				
	<35	35-44	45-54	55-64	65+
Frozen Vegetables	104	95	96	101	107
Frozen Entrées	93	96	103	102	104
Pickle and relish	91	89	93	105	126
Salad Dressing	99	94	100	103	104
Baking Mixes	100	101	95	97	111
Frozen Seafood	89	92	100	103	115
Pancake Syrup	116	103	94	91	104
SS Meat	84	88	102	109	112
Frozen Pizza	128	117	104	82	74
Baked Bread	94	96	97	101	114
Frozen Waffles/Panc:	135	141	94	64	81

But PF's brands do better than CAG

	PF +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Frozen Vegetables	7.8%	1.0%	-3.4%	-2.3%	0.2%	46	22%
Frozen Entrées	9.0%	-3.0%	-11.4%	3.7%	9.0%	42	20%
Pickle and relish	12.0%	7.7%	-1.2%	-1.8%	-10.9%	18	8%
Salad Dressing	-9.3%	-4.3%	1.3%	1.6%	8.4%	16	7%
Baking Mixes	-14.4%	-13.6%	1.6%	10.5%	11.0%	16	7%
Frozen Seafood	15.7%	-4.3%	-2.8%	-3.6%	1.8%	14	7%
Pancake Syrup	-13.8%	8.2%	8.4%	-0.9%	-7.0%	11	5%
SS Meat	-13.5%	-4.6%	-6.0%	5.3%	14.8%	7	3%
Frozen Pizza	-13.2%	-4.5%	1.3%	-3.9%	33.1%	6	3%
Baked Bread	35.8%	20.3%	2.2%	-17.3%	-28.1%	5	2%
Frozen Waffles/Panc:	-9.8%	-28.4%	0.3%	19.5%	51.5%	5	2%
Total						187	87%

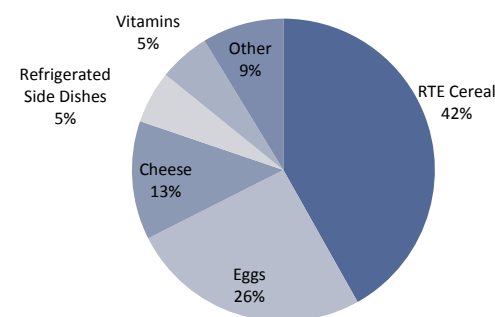
Sources: The Nielsen Company

Post Holdings

RTE Cereal chosen by kids, MOM acquisition to help

Despite being a generally declining category, children tend to be the largest consumers of cereal, helping the category to over-index fairly heavily with the under 35 age group. 42% of POST's (Buy) current portfolio is RTE cereal, poised to grow to a larger percentage pending closing of its acquisition of MOM brands. **While POST's brands do not seem to resonate as well with Millennials (7% below overall category index), MOM has typically focused on the kid-friendly market and as such does well with Millennials.**

POST is primarily a cereal and eggs company



Which Millennials do eat, primarily to feed kids

	category index by age group				
	<35	35-44	45-54	55-64	65+
RTE Cereal	121	117	98	83	89
Eggs	98	93	94	102	117
Cheese	113	104	100	96	90
Refrigerated Side Dis	77	81	95	115	130

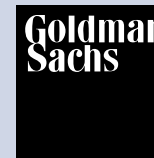
While POST brands do not do as well, MOM acq. will help

	POST +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
RTE Cereal	-7.0%	-9.7%	2.1%	0.9%	19.0%	56	41.8%
Eggs	-12.4%	-4.0%	0.4%	2.2%	9.9%	35	25.7%
Cheese	-2.0%	-11.4%	14.1%	-2.2%	-3.9%	17	12.7%
Refrigerated Side Dis	-25.6%	-10.3%	14.3%	-2.6%	7.7%	8	5.6%
Total						115	85.8%

Sources: The Nielsen Company

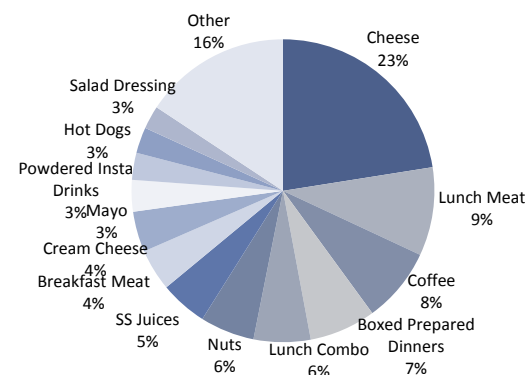
Kraft Foods

Perimeter categories perform with Millennials



KRFT's (Buy) portfolio is fairly well positioned in terms of its categories, however surprisingly its brands do not resonate as well with Millennials, likely due to their processed and "big food" nature. While the cheese and lunch meat categories (38% of KRFT's portfolio) do well with Millennials, KRFT cheese and lunch meat brands perform under their respective categories. The coffee category also is an issue for KRFT, as coffee skews old and the data shows the Maxwell House brand also does not perform well.

KRFT's portfolio is made of meat, cheese, and coffee



Meat and cheese over-index with Millennials

	category index by age group				
	<35	35-44	45-54	55-64	65+
Cheese	113	104	100	96	90
Lunch Meat	100	103	101	99	96
Coffee	70	73	92	124	138
Boxed Prepared Dinn	142	124	100	80	63
Lunch Combo	189	171	85	49	33
Nuts	61	72	97	123	141
SS Juices	124	111	94	88	93
Breakfast Meat	93	93	98	104	112
Cream Cheese	107	98	99	92	109
Mayo	82	85	95	113	126
Powdered Insta Drink	98	109	103	98	90
Hot Dogs	108	103	95	99	98
Salad Dressing	99	94	100	103	104

However KRFT does not do as well in these categories

	KRFT +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Cheese	-5.6%	-2.1%	-0.6%	4.0%	4.4%	254	23%
Lunch Meat	-1.6%	-1.0%	0.3%	-1.9%	5.2%	107	9%
Coffee	-9.8%	-17.5%	1.0%	5.8%	6.8%	90	8%
Boxed Prepared Dinn	5.6%	9.4%	-1.1%	-9.3%	-13.6%	80	7%
Lunch Combo	0.9%	2.8%	1.0%	-5.3%	-14.2%	69	6%
Nuts	-5.5%	-1.3%	-0.3%	3.7%	-1.5%	65	6%
SS Juices	25.5%	38.3%	3.2%	-28.1%	-52.6%	57	5%
Breakfast Meat	-7.5%	1.8%	5.4%	-1.5%	-2.0%	50	4%
Cream Cheese	-9.6%	-6.6%	1.7%	4.2%	8.2%	49	4%
Mayo	-0.3%	-5.3%	-2.0%	4.1%	1.5%	38	3%
Powdered Insta Drink	6.9%	7.5%	2.6%	-9.2%	-8.0%	33	3%
Hot Dogs	8.0%	7.1%	3.5%	-10.5%	-7.1%	31	3%
Salad Dressing	-3.9%	-4.4%	-0.5%	3.7%	3.6%	28	2%
Total						952	84%

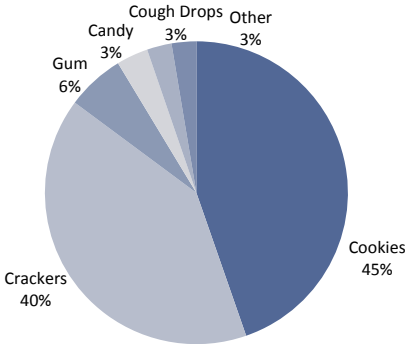
Sources: The Nielsen Company

Mondelez

Snacking shifts away from sweets

Despite Millennials' behavioral tendency to snack throughout the day and spread meals out, wholesome and healthier snacks are favored more than typical unhealthy and sweet snacks like cookies and candy. Crackers still do fairly well, even further suggesting this theme away from sweet. Further, MDLZ's brands are well placed, and MDLZ performs well in its biggest categories representing almost 95% of its portfolio. Unfortunately, the category that does the best with Millennials, crackers, MDLZ is more in-line overall, while the other categories MDLZ outperforms.

MDLZ is a heavy snacking company



While Millennials snack, it is less with sweet foods

	category index by age group				
	<35	35-44	45-54	55-64	65+
Cookies	89	95	96	103	119
Crackers	103	105	97	94	105
Gum	80	106	114	100	87
Candy	77	85	99	115	118

But MDLZ's brands resonate

	MDLZ +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Cookies	11.6%	12.8%	7.6%	-6.7%	-21.9%	157	45%
Crackers	0.3%	-2.2%	-2.4%	4.9%	-0.4%	142	40%
Gum	3.1%	7.0%	2.7%	-4.0%	-11.8%	22	6%
Candy	43.3%	39.5%	21.2%	-26.9%	-50.8%	12	3%
Total						333	95%

Sources: The Nielsen Company

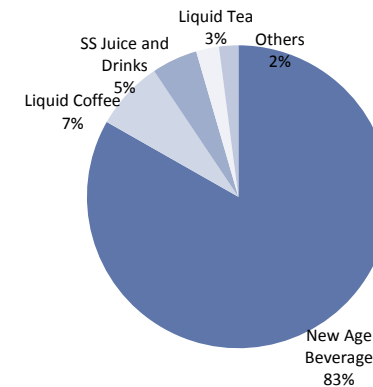
Monster

Energy drinks have strong position with Millennials



We find MNST (CL-Buy) to be favorably positioned within the broader Millennials framework, as most of its product categories skew toward the younger age demographic (new age beverage, liquid coffee, and shelf stable juices and drinks), with a sharp drop off in the consumption index with those over 55. Within its core category (new age beverages), MNST further outperforms its peers with the under 35 age group and the 35-44 age group. **We view MNST's energy drink portfolio as strongly positioned to Millennials given targeted advertising and lower price point vs. Red Bull.**

MNST skews toward energy drinks



Product categories are over-indexed to Millennials

	category index by age group				
	<35	35-44	45-54	55-64	65+
New Age Beverage	116	104	105	97	78
Liquid Coffee	132	92	108	92	78
SS Juice and Drinks	124	111	94	88	93
Liquid Tea	85	95	112	112	82

MNST's brands outperform in its categories

	MNST +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
New Age Beverage	62%	18%	-8%	-19%	-61%	28	83%
Liquid Coffee	-30%	-25%	7%	79%	-73%	2	7%
SS Juice and Drinks	18%	15%	-5%	-3%	-32%	2	5%
Liquid Tea	26%	24%	-1%	-16%	-25%	1	2%
Total						32	98%

Sources: The Nielsen Company

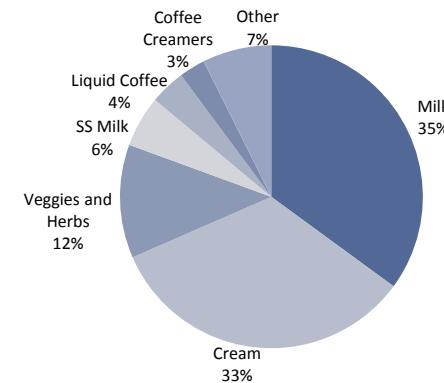
White Wave Foods

Playing the health and wellness trend



WWAV (Neutral) is a key beneficiary of the health and wellness trend, given its portfolio exposure to plant-based beverages, plant-based foods, organic milk, and organic salads/greens. On a category basis (tracked by Nielsen), we find mixed category positioning with Millennials as milk, shelf stable milk, and liquid coffee index strongly with Millennials, while cream, vegetables, and coffee creamers index more strongly with the >44 age demographic. However, we do find that WWAV over-indexes to Millennials relative to each of its categories.

WWAV's portfolio skews toward health and wellness



Milk, shelf stable milk, and liquid coffee screen well

	category index by age group				
	<35	35-44	45-54	55-64	65+
Milk	114	104	98	91	100
Cream	90	90	98	109	110
Veggies and Herbs	96	92	99	105	108
SS Milk	102	110	93	91	111
Liquid Coffee	132	92	108	92	78
Coffee Creamers	59	76	102	130	120

WWAV's brands over-index to Millennials

	WWAV +/- to category index by age group					\$ sales	% of sales
	<35	35-44	45-54	55-64	65+		
Milk	22%	6%	-14%	0%	-8%	60	35%
Cream	2%	0%	7%	-3%	-7%	57	33%
Veggies and Herbs	17%	21%	-1%	-6%	-27%	21	12%
SS Milk	22%	63%	11%	-38%	-64%	9	5%
Liquid Coffee	2%	-8%	-5%	12%	-2%	6	4%
Coffee Creamers	27%	-5%	-10%	4%	-1%	5	3%
Total						159	93%

Sources: The Nielsen Company

Implications for Restaurants

Trends do not favor the incumbents

Millennial Munching @ Restaurants

Trends do not favor the incumbents



Restaurants that are addressing Millennials need for real food with convenience are best positioned for success. This disadvantages incumbents versus well-funded, rapidly growing, new entrants that are addressing these trends better.

- **Independent Fast Casual taking share**
 - Non-public fast casual concepts have consistently grown units MSD over the past 5 years
 - Smaller non-public chains (e.g., Sweetgreen) that receive stronger customer reviews versus large incumbents have laid out aggressive growth plans
- **Incumbents need to evolve towards “Real Food” + Social Consciousness**
 - Nearly every restaurant is discussing this, but restaurants face challenges in improving the quality of ingredients
 - Supply chains are a limited factor – MCD cannot sufficiently source chicken to abide by a CMG standard of antibiotic free chicken (and cage free eggs in the UK, a much smaller market were a multi-year effort). CMG has faced ongoing Pork supply issues on the back of rapid growth.
 - Unlike grocers, who can do a mix of SKUs (organic vs non-organic), restaurants’ are constrained by more of a “all or nothing” approach
 - Wage / employee benefits are a particular challenge for franchised chains (see our note “The Cost of Doing Business” published March 26, 2015)
- **Technology an advantage for addressing convenience and customization**
 - Mobile order/pay and kiosks can address both of these, while also offering the opportunity for labor savings
- **Millennial moms at the intersection of “real food” and convenience**
 - Millennial moms tend to be one of the most food conscious consumers
 - With the demand for “real food” + convenience largely unaddressed, we believe chains that can exploit this growing need stand to succeed

Millennial Munching @ Restaurants

Picking the better positioned



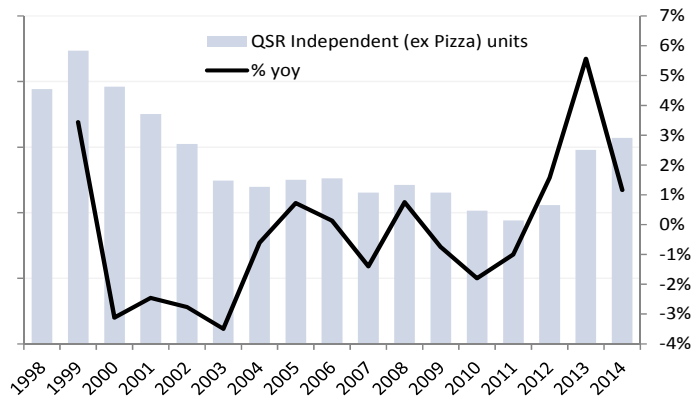
- **Best positioned – hitting on “real food” cues and technology leadership:**
 - **SBUX (CL-Buy)** is best positioned to benefit from these secular trends, given a combination of “real food” cues and technology leadership. In our view, the continued rollout of its food menu should provide a multi-year opportunity, with lunch growing in importance (where our propriety survey shows a 50% improvement in consumer acceptance). Mobile ordering and delivery (set to roll out later this year) should also help investors gain confidence in the comp growth algorithm going forward.
 - **CMG (Buy)** serves as a leader in the industry, with its commitment to responsibly-raised meats and GMO-free ingredients at a reasonable average check. We see low-hanging fruit on the technology side, where the evolution of its mobile app could add speed/convenience – a key criteria for Millennial moms.
 - **SHAK (Neutral)** should benefit as a number of its brand attributes resonate well with Millennials, which, along with reasonable entry-level pricing, means a significant Millennial wallet share opportunity, in our opinion. Beyond its menu offering (100% natural meats and local sourcing), SHAK’s brand halo also benefits from its “Stand for Something Good” culture.
- **Worst positioned – Millennial relevancy issues not an easy fix:**
 - **MCD (Neutral)** is likely to continue to suffer from Millennial relevancy issues, as customers move away from the brand in terms of expectations of quality, experience and technology. Although management has laid out menu initiatives to address these issues, we believe these will likely be longer-term fixes, given the sheer size of MCD’s system.
 - **YUM (Sell)** could continue to lose ground to newer concepts that better address Millennial preferences (its brands do not hit on any “real food” cues). Per our consumer survey, TB and KFC now rank among the lowest in Millennial quality perception.
- **Names to watch – laying the groundwork:**
 - **WEN (Neutral)** could stand to benefit as our proprietary survey data show that better creative, premium LTOs and remodels have driven a significant improvement in quality/value perceptions and traffic among Millennial consumers. On-going investments in its mobile app and POS system could support increased momentum going forward.

Independent Fast Casual taking share

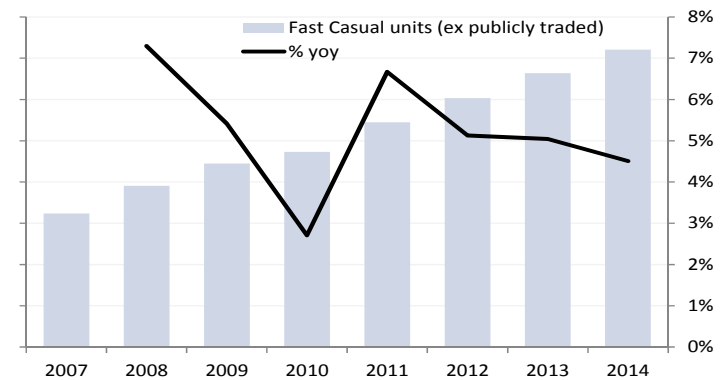
Liquid PE markets + High valuations = Perfect storm

Independent players have been crowding the restaurant landscape, growing units consistently since the crisis. Liquid PE markets and high restaurant valuation is providing firepower to small fast casual independents (which people prefer to other big players) to expand units aggressively.

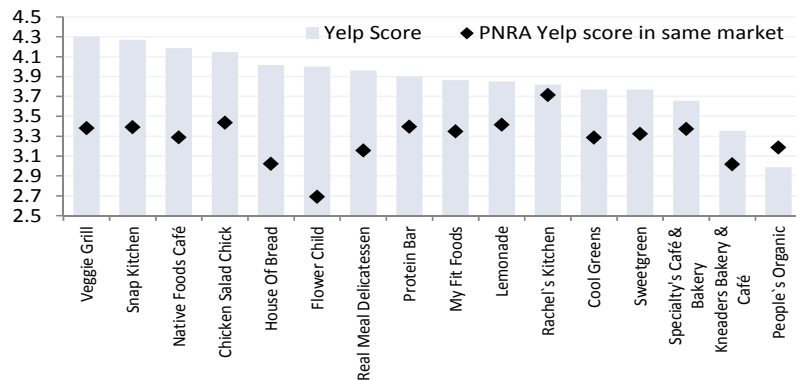
Independent QSRs continue to add units



Non-publicly traded Fast Casuals have grown MSD...



...and are better liked vs some prominent big players...



...with PE providing the required firepower for expansion

Concept	Unit Growth Target	PE Involved	Amount Invested (\$, mn)
Snap Kitchen	2x in Dallas by 2015	Catterton Partners	\$13
Native Foods Café	200 within 5 years	Huntington Capital Fund III, LP	\$15
Veggie Grill	2x by 2015	Brentwood Associates	\$20
Protein Bar	n/a	Catterton Partners	\$22
Sweetgreen	2 units coming soon	Revolution Growth	\$22
Specialty's Café & Bakery	50-100 additional stores	GE Capital	\$37.5
Lemonade	5 units coming soon	KKR	n/a
My Fit Foods	n/a	TSG Consumer Partners LLC	n/a

Sources: NPDI; National Restaurant News, Company Websites

Evolving to address “Real Food”

“Real food” and social consciousness has its own challenges

Concepts are quickly evolving to address “real food” and social consciousness. However, these initiatives come with their own challenges. CMG is a rare concept that is able to address consumer preferences while also offering a compelling value proposition.

Concepts are increasingly focused on “real food” cues as a way to differentiate themselves and win Millennial share of stomach

	Antibiotic-free chicken	Hormone-Free Milk	GMO-Free	Cage-Free Eggs	Other Natural Protein	Average Check	vs sector avg
BK						\$ 6.30	(8.0%)
CMG	✓	✓	✓		✓	\$ 9.00	(0.1%)
DNKN				✓*		\$ 4.70	(31.4%)
DPZ						n/a	n/a
KFC						\$ 11.00	60.6%
MCD	✓*	✓*				\$ 5.60	(18.2%)
PBPB						\$ 7.30	(19.0%)
PH						n/a	n/a
PNRA	✓			✓*	✓	\$ 9.75	8.2%
SBUX		✓***		✓		\$ 4.50	(50.1%)
SHAK	✓	✓	✓**	✓	✓	\$ 14.50	60.9%
TB						\$ 6.85	-
WEN						\$ 6.65	(2.9%)
Total Average						\$ 7.83	
QSR Average						\$ 6.85	
FC Average						\$ 9.01	

← CMG is a rare concept that hits real food cues while also presenting a compelling value proposition

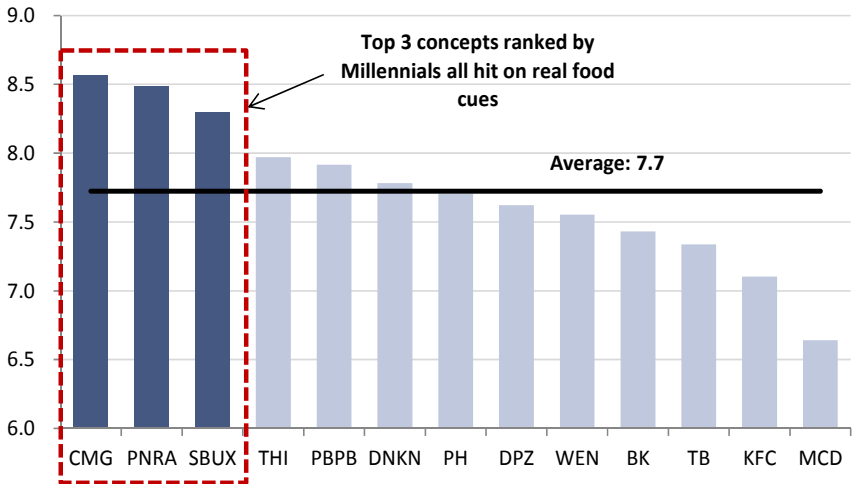
* MCD: Announced plans to serve chicken w/o human hormones within 2 yrs; milk from cows that are not treated with rbST;
 DNKN: Announced plans to have 10\$ of eggs sourced cage free by next year, 100% by 2022; PNRA: 18% of the 70mn eggs served in 2014 were cage free
 ** GMO free burger and hot-dog buns
 *** Sumatra Coconut Milk is GMO free, \$0.60 upcharge

“Real food” translates to quality perception

Millennials rank concepts with “real food” cues higher on quality

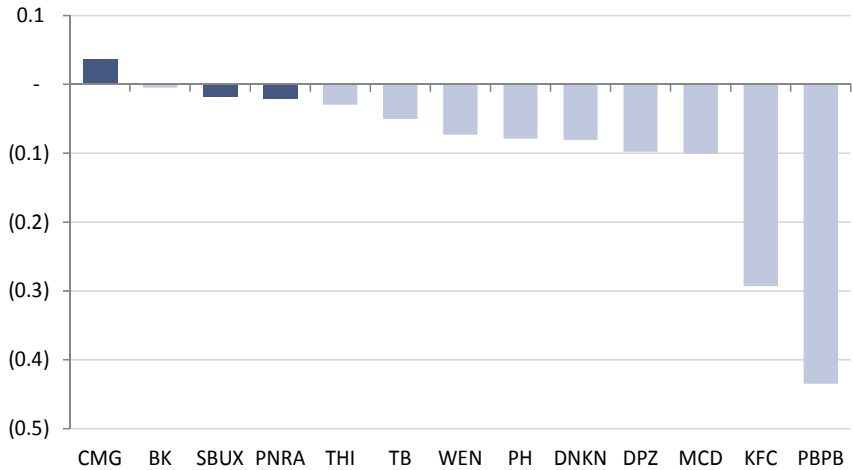
Hitting on “real food” cues is increasingly becoming a necessity for brands to compete. Our survey shows a direct relationship between “real food” cues and quality perception.

Millennial quality scores – by concept



Per our consumer survey, concepts that hit on “real food” cues scored ranked higher in quality perception among Millennials.

Quality scores by concept – Millennial vs overall consumer



Millennials tend to focus on “real food” more than their older cohorts. Brands that promote “real food” ranked in-line or higher on quality versus the overall consumer. Brands that are perceived as unhealthy ranked much lower amongst Millennials.

Sources: Survey of 2,000 consumers

Convenience matters for Millennials

Chains better adapting technology have an edge

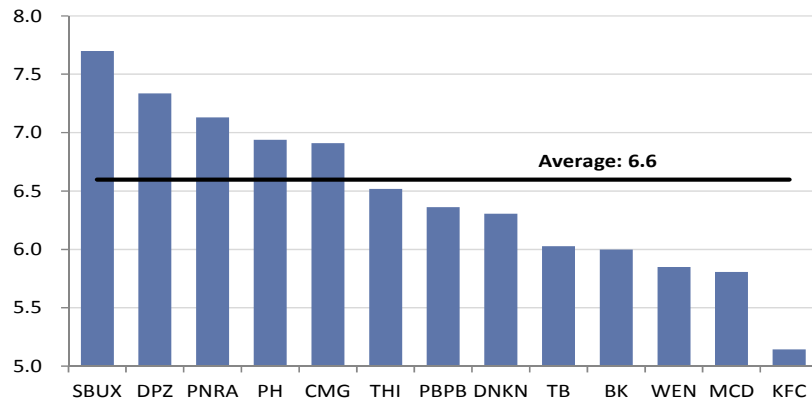
Millennials are increasingly focused on speed and convenience when choosing where to eat. Technology provides an edge to those concepts that have invested in their consumer and employee-facing capabilities.

Concepts are relying more heavily on technology to provide an edge in speed and convenience

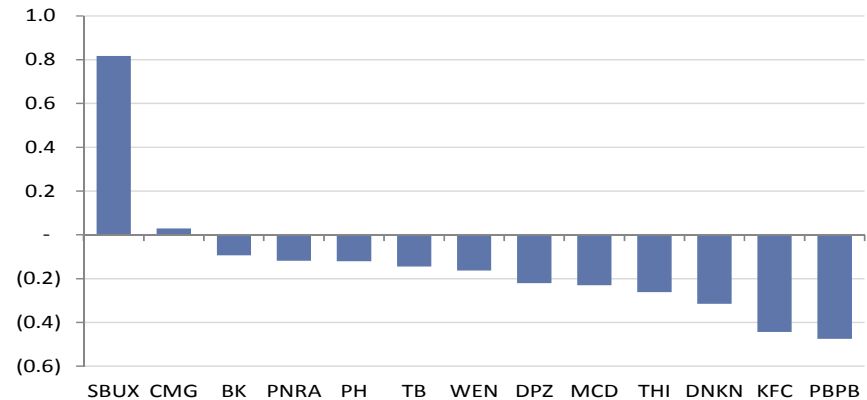
	Mobile			Online		In-store		Survey	
	Review	Ordering	Pay	Ordering	Delivery	Kiosks	Tablets	Millennial	vs Overall
SBUX	4.0	Rolling out	Yes	No	Testing	-	-	7.7	0.8
DPZ	4.5	Yes	Yes	Yes	Yes	Yes*	-	7.3	(0.2)
PNRA	2.0	Yes	Yes	Yes	Yes*	Yes*	Yes*	7.1	(0.1)
PH	4.0	Yes	Yes	Yes	Yes	-	-	6.9	(0.1)
CMG	4.0	Yes	Yes	Yes	-	-	-	6.9	0.0
PBPB	3.5	Yes	Yes	Yes	No	-	-	6.4	(0.5)
DNKN	4.1	-	Yes	-	-	-	-	6.3	(0.3)
TB	4.0	Yes	Yes	-	-	-	-	6.0	(0.1)
BK	3.5	-	Yes*	Yes*	Yes*	-	-	6.0	(0.1)
WEN	3.5	Testing	Yes	-	-	-	-	5.8	(0.2)
MCD	3.0	-	-	-	-	Testing	-	5.8	(0.2)
KFC	n/a	n/a	n/a	-	-	-	-	5.1	(0.4)

*Participating locations

Integration of technology - Millennials

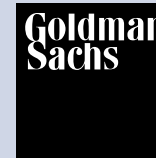


Integration of technology – Millennials vs overall consumer

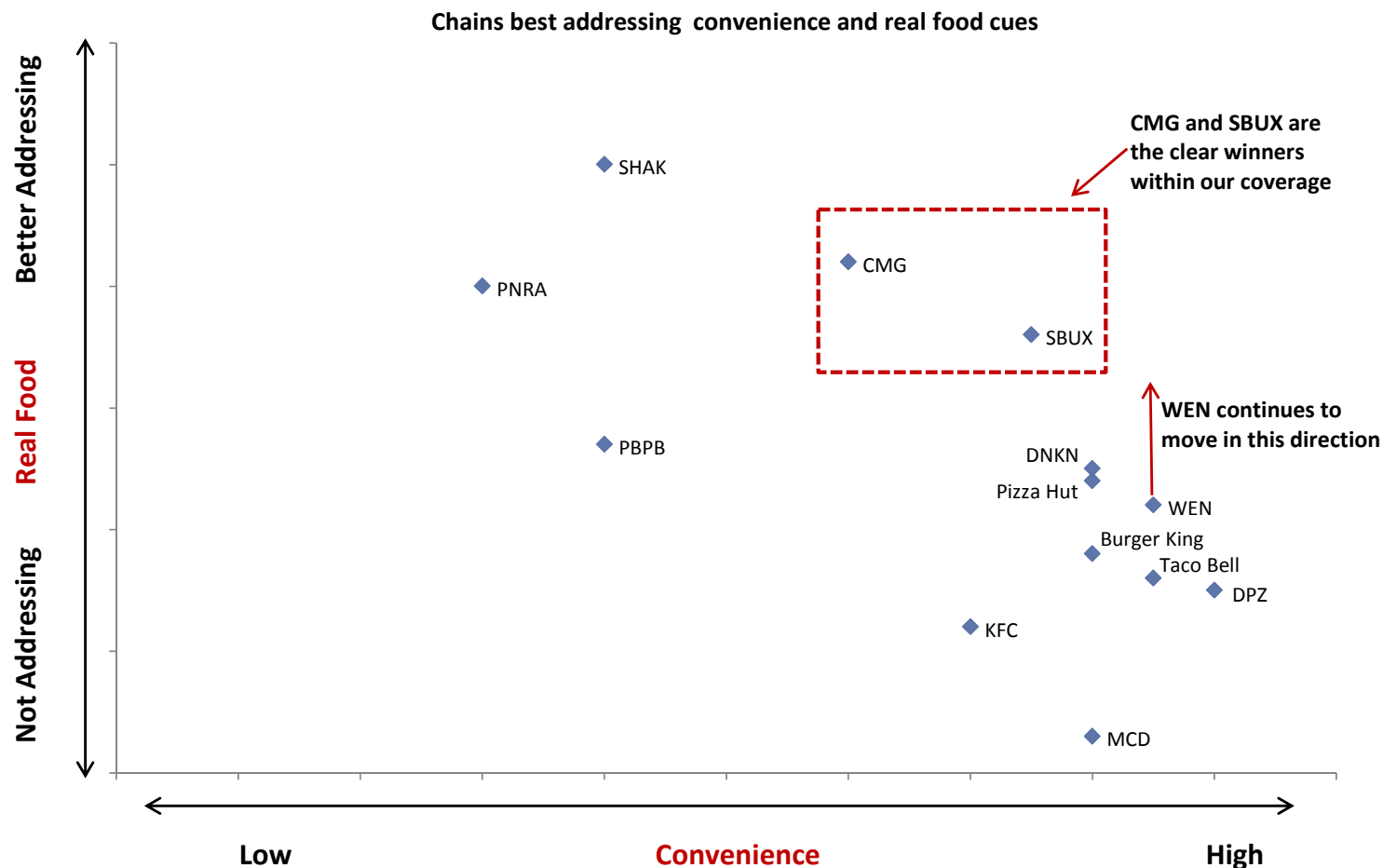


Sources: Company data, Google Play, Survey of 2,000 consumers

Millennial moms at the intersection of real food and convenience



Millennial moms tend to be one of the most food conscious consumers. Chains that can exploit this largely unaddressed need for food quality and convenience are well positioned for success.



Sources: Goldman Sachs Global Investment Research

Implications for Food Retailers

Millennial mass appeal elevating competition

Playing the Millennial Supermarket Sweep

Everyone is looking for a piece of the action



Millennial preferences mean traditional retail food models must be turned on their heads: perimeter over center-store; private label over brands; total transparency over artificial flavors; digital connections over circulars.

- **Value:** Economic situation makes price more relevant and increases willingness to try private brands
- **Fresh/Wellness:** Greater emphasis on quality drives stronger preference for specialty grocers
- **Transparency:** Demanding greater information and transparency on product quality and ingredients
- **Convenience:** In a digital world, convenience increasingly important in addition to price/quality

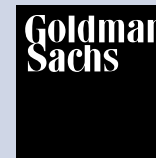
Who over- and under-indexes? Millennials favor specialty grocers, but incumbents regaining lost ground with a vengeance

- **Over-index:** **WFM** checks Millennial boxes across fresh/wellness (produce), transparency (GMO) and convenience (Instacart and prepared offering) but is trying to become more relevant on value (price cuts). **SFM** offers value along with fresh/wellness and is working to increase its digital relevance. **COST** offers value, a focus on fresh, a strong private label offering and is addressing convenience via Instacart.
- **Under-index:** **SVU** lags on price and fresh/wellness offering but is trying to improve each. **DG/FDO** lag on fresh/wellness offerings but are competitive on price and offer convenience.
- **Most improved:** **KR** offers strong value, has increased its fresh/wellness offering significantly and made strides across digital and convenience.

Sources: Goldman Sachs Global Investment Research.

How to play Millennial shifts in food retail

Focusing on relative positioning



Best positioned – KR (most improved), SFM & COST (value + wellness)

- **KR (Neutral):** We are raising our 12-month price target to \$80 from \$74, based on 8X pension-adjusted F24-month EV/EBITDA, as we apply a higher EV/EBITDA multiple (8X vs. prior 7.5X) to reflect our confidence in the longer-term growth potential.
- **SFM (Neutral) :** Sits at the intersection of wellness and value with its inverted supermarket model that drives traffic with low cost produce in center store while private label dry grocery stays at the perimeter. The model supports share gains as the company grows from 191 stores today to 1,200+ long-term.
- **COST (Neutral):** Its preeminent value proposition, focus on fresh goods, and strong private label presence resonate well with Millennials' priorities; its price edge tends to be more pronounced across natural/organic offerings. Millennial membership is growing quickly despite a lack of convenience, which COST is addressing through a partnership with Instacart and eCommerce investments.

Worst positioned – Sell TFM

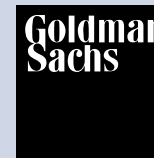
- **TFM (Sell):** While focused on “fresh”, TFM has the least built out private label, scores poorly on value and has the weakest digital presence among specialty grocers. Furthermore, the company faces incremental competition from better positioned specialty peers targeting core Southeast markets over the next few years.

Worth keeping an eye on – SVU / UNFI / TGT

- **SVU (Neutral):** New management is taking the right steps to improve fresh and reinvigorate its hard-discount private label. We raise our 12-month price target to \$11 from \$10 to reflect our greater confidence in management's improvements (EV/EBITDA multiple of 7X vs. 6.5X and mark SOTP multiples to market). Based on 85% 7X EV/EBITDA and DCF and 15% M&A valuation (SOTP).
- **UNFI (Neutral):** Although UNFI is positioned uniquely as a distributor of products catering to Millennials, the shift to mass may lead to greater products shipping direct, capping top- and bottom-line. 12-month price target to \$70 from \$74 on lower sales/multiple (10.5X vs. 11X) based on a 50/50 combination of 10.5X EV/EBITDA (\$68/share) and DCF (\$73/share)
- **TGT (Neutral):** The Target brand carries strong affinity with Millennials across the store, and the company is repositioning its food effort to refocus on a narrower assortment, highlighting natural/organic, and explicitly zoning in on the Millennial demographic.

Sources: Goldman Sachs Global Investment Research.

What Millennials prefer and how that is changing



Millennials vs. Generation X – overall spending similar...

	When Same Age		
	Millennials	Gen X	Var
Channel (% total spend)			
Food	12.9%	13.2%	-0.3%
Food at home	7.4%	7.3%	0.1%
Food away from home	5.5%	5.8%	-0.3%
Demographics (Pew)			
Married	28.0%	38.0%	-10.0%
Metropolitan	86.0%	83.0%	3.0%
Income	\$61,003	\$63,365	-3.7%

Demographics may vary but spending on food not as much.

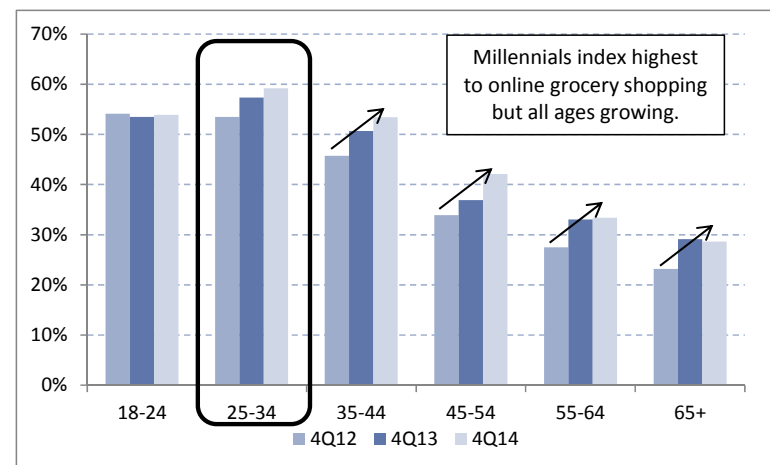
... but Millennials over-index to fresh & prepared...

	When Same Age		
	Millennials	Gen X	Var
Food at Home Breakdown			
Cereals & bakery	13.1%	15.2%	(203)
Meats, poultry, fish, & eggs	21.8%	25.2%	(347)
Dairy products	10.8%	11.2%	(39)
Fruits & vegetables	19.4%	16.2%	318
Frozen, Prepared, Vitamins	18.3%	15.6%	272
Other food at home	16.6%	16.6%	(1)

... as well as transparency and value...

	Millennials	Gen X	Boomers	Silent
Value/Private Label				
% Store Brand Users (Mintel-IRI)	63%	55%	49%	41%
% Store Brand Users (Acosta)	42%	41%	36%	26%
Transparency				
% Wish knew more about food eaten	83%	73%	69%	N/A
% Food brands do not disclose enough	83%	63%	68%	N/A

... and digital, which likely impacts all of the above



Sources: Pew, JWT, GS Survey of 2,000 Consumers, BLS, Acosta, Mintel-IRI.

How retailers are adjusting and what that means for our coverage

Greater mix of fresh and private label favors specialty...

	Perishables % food sales	Rank	Private label % dry grocery	Rank	Combined Rank
SWY	46%	4	28%	2	1
COST	32%	5	≈25%	4	2
TFM	66%	2	20%	7	2
WFM	67%	1	18%	9	4
KR	27%	7	26%	3	4
FDO	NM	10	29%	1	6
SFM	51%	3	12%	10	7
SVU	32%	6	19%	8	8
TGT	16%	9	21%	6	9
DG	NM	10	24%	5	9

Values estimated where not provided

...but mass has adapted, capturing lions share of growth...

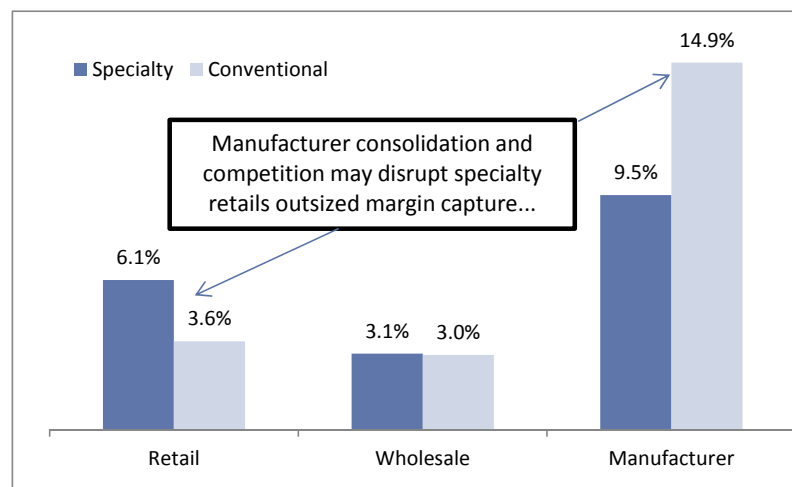
\$ mn's	2011	2013	YoY	\$ Change
Retail - Mass	\$12,100	\$13,600	12.4%	\$1,500
Retail - Specialty	\$11,600	\$13,000	12.1%	\$1,400
Internet	\$900	\$1,000	11.1%	\$100
Other	\$1,700	\$1,800	5.9%	\$100

...driven in part by private brand refreshes

	2010			2014		
	< 35	35-44	45-54	< 35	35-44	45-54
SIMPLE TRUTH	NM	NM	NM	23%	23%	22%
SIMPLY BALANCED	NM	NM	NM	33%	27%	21%
WILD OATS	NM	NM	NM	28%	21%	25%
ANNIE'S HOMEGROWN	42%	30%	18%	34%	35%	17%
KASHI	26%	18%	26%	17%	19%	28%
STONYFIELD	42%	20%	21%	31%	27%	18%
LARABAR	41%	18%	21%	27%	25%	21%
EARTH BALANCE	30%	22%	22%	25%	22%	22%
CLIF	34%	28%	24%	26%	26%	30%
AMY'S	34%	21%	20%	18%	22%	25%
Average	35%	22%	22%	26%	25%	23%

KR, WMT and TGT all introduced natural/organic private brands. Overall adoption has spread from Millennials to older generations.

Incremental competition likely re-sets margin profiles



Sources: The Nielsen Company, Goldman Sachs Global Investment Research, Company data, NBJ.

Risks table



Ticker	Rating	Price: 4/16/2015	Risks
CAG	Neutral	\$37.07	More or less competitive pricing pressure; weak US food volume
CMG	Buy	\$675.54	Marketing spend increases reversed, survey data or traffic showed a delayed reaction to price
COST	Neutral	\$144.75	Upside: sales/traffic beats, depreciation in US\$, incremental profits from new credit card deal with Citi/Visa. Downside: valuation, rising gas prices
CPB	Sell	\$46.15	More favorable costs, innovation success, or value creating M&A
DNKN	Buy	\$47.89	Loyalty program not driving traffic growth, weaker than- expected K-cup sales in grocery, additional comp deceleration, and weakening unit economics in new markets
GIS	Neutral	\$55.93	More or less competition, inflation, accretive M&A
HRL	Neutral	\$56.28	Volume growth, feed prices, protein supply, and M&A
HSY	Neutral	\$101.04	Better category growth, innovation success, worsening input cost trends
K	Sell	\$64.43	Competition, foreign exchange, input cost inflation
KR	Neutral	\$72.16	Upside: Better SSS from share gains/macro, consolidation, or better flow-through, Gross margin pressure from competitive environment, muted inflation & weaker Rx
KRFT	Buy	\$86.93	Lower productivity, higher cost inflation, lower volume growth
MCD	Neutral	\$94.95	Upside risks include stronger US comps, a global macro reacceleration and/or a weaker USD. Downside risks include weaker US comps and FX.
MDLZ	Buy	\$36.83	Execution in EMs, weakness in core categories like gum, innovation success, cost volatility
MJN	Buy	\$100.24	China market share losses, further declines in the US birth rate, rising dairy prices
MNST	Buy*	\$136.91	Lower than expected sales growth, higher than expected input cost inflation
PF	Neutral	\$41.02	M&A; higher/lower productivity
PNRA	Sell	\$182.31	More broadly positive consumer feedback on PNRA 2.0, data showing 2.0 sales lifts in the double-digit range or higher, and/or falling commodity prices, particularly wheat and butter
POST	Buy	\$47.48	Less successful M&A, productivity, or sales delivery
SBUX	Buy*	\$47.66	Risk if there was evidence that evolutions of the business model (mobile ordering, delivery) are negatively impacting throughput, coffee or dairy start re-inflating.
SFM	Neutral	\$33.06	Upside: Faster new store growth, higher gross margin from initiatives, and SG&A leverage; Downside: Sourcing problem in new markets, gross margin volatility, incremental competition
SHAK	Neutral	\$60.71	Downside: weak acceptance in new markets, negative AUV mix shift and concentrated commodity basket. Upside: unlocking L/T comp drivers (e.g. breakfast) and add'l non-traditional US units
SJM	Neutral	\$117.72	More or less accretive M&A; intense competition; material innovation
SVU	Neutral	\$11.02	Upside: Macro induced SSS upside, greater cost cuts, less price investments, higher unit growth; Downside: Weaker SSS, higher interest rates, fewer cost cuts, TSA reductions
TFM	Sell	\$38.02	Macro-induced SSS upside, better new store productivity, margin expansion
TGT	Neutral	\$81.16	Upside: impact of new CEO. Downside: competition from online/small store competitors; expense pressure associated with investments.
TSN	Buy*	\$39.17	Commodity price volatility, protein supply, and M&A integration
UNFI	Neutral	\$71.29	Upside: Greater share gains or SG&A leverage; Downside: Macro or competition-related sales shortfalls, greater gross margin pressure
WEN	Neutral	\$10.44	Upside/(downside) risks include greater/(lower) than expected franchising proceeds, above/(below)-consensus comps
WWAV	Neutral	\$46.19	Faster/slower sales growth, cost inflation, margin compression
YUM	Sell	\$79.32	Faster-than-expected recovery in China, and the potential for strategic changes meant to monetize specific assets

Appendix

Indexing by company and category

RTE Cereal



	<35	35-44	45-54	55-64	65+	size	%	Cum
RTE Cereal	121	117	98	83	88	590		
GIS	131	120	94	82	84	195	33%	33.1%
K	107	116	103	86	89	180	30%	63.5%
POST	112	106	100	84	105	56	10%	73.1%
MOM	147	140	88	73	67	41	7%	80.0%
PEP	133	125	111	75	59	38	6%	86.4%
WMT	101	99	85	91	138	11	2%	88.3%
Aldi	92	133	86	83	114	11	2%	90.1%
KR	127	117	81	81	113	9	2%	91.7%
Nature's Path	128	110	92	91	90	8	1%	93.1%
Svu	81	104	87	101	133	4	1%	93.8%
SWY	130	105	85	87	110	2	0%	94.2%
Delhaize	109	97	103	98	93	2	0%	94.5%
Bright Food	197	142	69	57	75	2	0%	94.8%
H E Butt	139	129	93	76	76	2	0%	95.1%

Sources: The Nielsen Company

SS Soup



	<35	35-44	45-54	55-64	65+	size	%	Cum
SS Soup	89	90	96	104	123	299		
CPB	90	91	96	102	123	157	53%	52.7%
GIS	71	81	98	113	133	54	18%	70.8%
Aldi	74	94	89	106	141	9	3%	73.8%
WMT	127	103	91	91	99	9	3%	76.7%
KR	147	104	81	92	95	7	2%	79.0%
Pacific Foods	118	112	84	106	88	5	2%	80.7%
Del Monte	62	74	106	114	134	5	2%	82.3%
CAG	55	86	90	104	168	5	2%	83.9%
SVU	95	92	99	102	114	4	1%	85.1%
Southeastern Mills	104	100	88	111	100	3	1%	86.1%
HAIN	147	96	92	95	81	3	1%	87.1%
Kitchen Basics	79	72	100	128	113	3	1%	88.0%
Amy's Kitchen	126	100	84	109	90	3	1%	88.9%
COST	56	96	117	104	112	3	1%	89.8%
Topco	109	65	108	96	127	2	1%	90.4%
SWY	113	103	110	91	82	2	1%	91.0%
H E Butt	171	107	76	78	97	2	1%	91.6%
Juanita's Foods	117	121	74	74	138	1	0%	92.0%
Delhaize	89	63	120	124	87	1	0%	92.4%
Unilever	76	71	104	115	129	1	0%	92.8%
HY Vee Food	127	105	86	79	123	1	0%	93.1%
Meijer	166	113	74	73	106	1	0%	93.5%
KKR	58	62	110	117	144	1	0%	93.8%
TGT	203	153	79	56	40	1	0%	94.2%
Protenergy	36	56	88	131	186	1	0%	94.5%
Ahold	94	83	108	104	107	1	0%	94.7%
Wakefern	68	82	134	87	114	1	0%	94.9%
Colavita	53	85	114	137	83	1	0%	95.1%

Sources: The Nielsen Company

Yogurt

	<35	35-44	45-54	55-64	65+	size	%	Cum
Yogurt	118	108	94	92	95	487		
Danone	112	101	95	94	104	156	32%	32.1%
GIS	129	123	91	84	85	135	28%	59.9%
Chobani	110	100	103	97	89	61	12%	72.4%
Fage Dairy	116	97	99	102	89	17	3%	75.8%
WMT	126	100	93	91	102	15	3%	78.9%
Muller Quaker Dairy	130	122	101	86	65	12	2%	81.4%
KR	102	102	81	116	102	11	2%	83.6%
Aldi	124	104	81	96	110	8	2%	85.2%
HAIN	114	123	87	95	88	7	1%	86.5%
Lifeway Foods	120	95	70	93	147	5	1%	87.6%
Johanna Foods	59	115	96	102	123	4	1%	88.4%
SWY	139	96	104	80	91	4	1%	89.1%
Advent	136	110	99	78	89	4	1%	89.9%
Tillamook	164	96	89	93	75	3	1%	90.5%
Publix	85	58	92	117	153	3	1%	91.1%
WWAV	174	126	87	76	58	3	1%	91.7%
COST	124	80	89	107	109	2	1%	92.2%
Wegman's	145	113	115	66	67	2	0%	92.6%
Delhaize	50	60	96	164	107	2	0%	93.0%
SVU	100	82	80	108	142	2	0%	93.3%
Grup Lala	85	189	108	55	58	2	0%	93.7%
H E Butt	127	149	85	68	88	2	0%	94.1%
Instawhip	154	134	64	95	77	2	0%	94.4%
Wakefern	83	126	75	115	103	1	0%	94.7%
Ahold	102	67	114	124	80	1	0%	94.9%
Sun Valley	71	142	87	100	96	1	0%	95.2%

Sources: The Nielsen Company

Candy



	<35	35-44	45-54	55-64	65+	size	%	Cum
Candy	78	85	99	115	118	906		
HSY	78	86	101	113	117	274	30%	30.3%
Mars	81	87	102	114	111	190	21%	51.3%
Nestle	82	89	104	113	105	51	6%	56.9%
Russell Stover	52	60	83	125	183	36	4%	60.8%
Lindt	67	84	101	120	120	35	4%	64.6%
Catterton	71	83	99	120	121	26	3%	67.5%
Tootsie Roll	68	81	98	126	116	22	2%	69.9%
Just Born	76	102	101	109	104	14	2%	71.5%
COST	69	73	98	130	121	13	1%	72.9%
MDLZ	111	119	120	84	58	12	1%	74.2%
Ferrero	81	94	100	102	122	11	1%	75.5%
August Storck	47	54	84	131	184	10	1%	76.6%
Yildiz	82	93	104	110	103	10	1%	77.8%
R.M. Palmer	88	88	93	117	111	8	1%	78.6%
Roark	55	56	96	131	156	6	1%	79.3%
WMT	54	55	94	152	129	5	1%	79.9%
Aldi	63	84	77	124	156	5	1%	80.5%
Perfetti Van Melle	113	116	97	89	90	5	1%	81.0%
WAG	54	65	72	135	179	5	1%	81.5%
Frankford Candy	160	114	91	91	57	5	1%	82.1%
Jelly Belly	80	89	90	129	105	4	0%	82.6%
American Licorice	85	95	97	134	75	4	0%	83.0%
CVS	55	98	95	113	133	4	0%	83.5%
Haribo	113	128	105	92	57	4	0%	83.9%
Greenbrier	57	66	80	127	173	4	0%	84.3%
Zachary Confections	50	54	87	130	178	4	0%	84.7%
New England Confectionary	57	68	91	138	135	3	0%	85.1%

Sources: The Nielsen Company

Cookies



	<35	35-44	45-54	55-64	65+	size	%	Cum
Cookies	89	95	96	103	119	390		
MDLZ	99	107	103	96	93	157	40%	40.3%
K	93	94	98	101	115	48	12%	52.5%
CPB	71	86	95	109	138	18	5%	57.3%
WMT	83	80	93	109	136	14	4%	60.8%
Wind Point	55	57	88	121	181	10	3%	63.3%
Aldi	72	84	83	114	153	9	2%	65.6%
KR	105	88	88	97	135	9	2%	67.8%
GIS	121	131	86	86	86	8	2%	70.0%
Snyder's Lance	55	69	89	129	154	7	2%	71.7%
CAG	96	102	95	100	108	6	2%	73.4%
Meiji Seika Kaisha	133	106	86	99	87	6	2%	75.0%
COST	57	97	79	123	143	5	1%	76.4%
Vootman Cookies	39	45	68	127	233	5	1%	77.7%
PEP	100	106	100	100	91	3	1%	78.5%
SVU	49	62	101	118	163	3	1%	79.3%
Grup Nacional De Chocolates	48	62	71	119	213	3	1%	80.1%
TGT	168	121	102	69	54	3	1%	80.7%
Kelsen	85	87	91	102	141	2	1%	81.3%
KKR	66	58	97	115	165	2	1%	81.8%
Brynwood	90	125	82	114	88	2	0%	82.3%
WAG	160	57	51	119	151	2	0%	82.7%
Lotus Bakeries	78	67	84	108	174	2	0%	83.2%
FDO	31	56	105	124	171	2	0%	83.6%
De Beukelaer	61	53	88	107	202	1	0%	83.9%
FLO	48	108	87	110	144	1	0%	84.3%
Topco	66	71	78	131	158	1	0%	84.6%
Mijer	70	73	91	98	178	1	0%	85.0%

Sources: The Nielsen Company

Crackers



	<35	35-44	45-54	55-64	65+	size	%	Cum
Crackers	103	105	97	94	105	379		
MDLZ	104	103	95	98	105	142	38%	37.6%
K	93	102	104	93	108	95	25%	62.6%
CPB	158	154	102	55	45	40	11%	73.2%
Snyder's Lance	76	82	99	110	130	17	5%	77.7%
Aldi	87	104	82	98	138	11	3%	80.5%
WMT	117	89	88	101	117	9	2%	82.9%
KR	115	105	85	100	105	7	2%	84.7%
Mitsubishi	54	78	97	117	150	5	1%	86.0%
Blue Diamond Growers	100	71	87	120	127	3	1%	86.8%
SVU	64	70	76	131	163	3	1%	87.5%
PEP	89	86	105	103	114	3	1%	88.1%
GIS	158	156	83	71	51	2	1%	88.8%
Ferrero	78	156	134	69	42	2	1%	89.3%
SWY	91	86	85	92	161	2	0%	89.8%
TGT	166	155	88	68	40	1	0%	90.2%
KKR	67	67	102	109	152	1	0%	90.6%

Sources: The Nielsen Company

Coffee



	<35	35-44	45-54	55-64	65+	size	%	Cum
Coffee	70	73	92	124	137	557		
SJM	70	71	89	126	142	117	21%	21.0%
KRFT	63	60	93	132	147	90	16%	37.2%
GMCR	64	75	94	120	143	87	16%	52.9%
SBUX	101	94	94	115	92	54	10%	62.6%
Tata	69	66	79	135	153	21	4%	66.4%
WMT	65	65	100	121	143	17	3%	69.4%
Segafredo Zanetti	42	76	89	125	163	16	3%	72.2%
COST	39	66	92	144	146	13	2%	74.5%
JAB	79	92	88	132	102	12	2%	76.6%
Nestle	63	82	91	106	160	12	2%	78.7%
KRFT	77	84	84	127	127	9	2%	80.3%
Newman's Own	61	57	81	150	146	9	2%	81.9%
Community Coffee	68	88	96	102	146	8	1%	83.2%
WM B Reily	71	88	91	115	133	6	1%	84.3%
Rogers Family	73	72	107	125	110	6	1%	85.4%
Gloria Jean's	62	82	100	115	134	5	1%	86.4%
TGT	145	92	105	89	77	5	1%	87.2%
Aldi	53	87	77	112	179	5	1%	88.0%
F Gavina	73	63	66	126	186	3	1%	88.6%
THS	54	86	99	119	132	3	1%	89.2%
DEMB	34	57	121	145	112	3	1%	89.8%
SWY	55	80	95	145	107	3	0%	90.2%

Sources: The Nielsen Company

Frozen Entrées



	<35	35-44	45-54	55-64	65+	size	%	Cum
Frozen Entrees	93	96	103	102	104	824		
CAG	79	84	99	108	128	175	21%	21.2%
Nestle	74	78	97	114	134	140	17%	38.2%
TSN	106	122	119	84	61	87	10%	48.7%
PF	101	93	91	106	114	42	5%	53.7%
HNZ	81	84	100	116	113	38	5%	58.3%
Bellisio	90	83	103	110	109	31	4%	62.0%
WMT	142	124	98	80	65	26	3%	65.2%
Oaktree	93	84	109	100	110	16	2%	67.1%
Perdue Farms	113	137	113	83	48	13	2%	68.6%
Windsor	100	96	103	109	87	12	1%	70.1%
Aldi	102	104	109	90	92	12	1%	71.5%
Amy's Kitchen	124	96	99	104	79	11	1%	72.8%
Foster Poultry	96	104	101	103	92	11	1%	74.1%
HRL	124	118	101	81	83	10	1%	75.4%
KR	117	119	109	77	82	10	1%	76.6%
Osi	105	127	101	85	82	8	1%	77.6%
GIS	123	98	88	107	90	8	1%	78.6%
Ajinmoto	86	80	117	111	93	7	1%	79.5%
Michael Angelo's	52	101	118	102	110	7	1%	80.3%
Ruis	119	128	107	79	68	7	1%	81.2%
SWY	98	84	103	101	115	6	1%	81.9%
Roark	79	71	121	113	100	6	1%	82.7%
H E Butt	141	106	115	75	67	6	1%	83.4%
Innovasion	112	95	119	97	69	6	1%	84.1%
TGT	201	169	71	51	45	5	1%	84.7%
Rich	67	108	126	100	78	5	1%	85.3%

Sources: The Nielsen Company

Wholesome Snacks



	<35	35-44	45-54	55-64	65+	size	%	Cum
Wholesome Snacks	131	128	104	79	63	324		
GIS	121	127	104	84	66	129	40%	39.9%
K	128	124	107	80	63	67	21%	60.8%
PEP	150	140	108	63	48	33	10%	70.9%
Kind	90	105	115	105	70	13	4%	74.8%
Promotion in Motion	116	115	107	94	65	10	3%	78.0%
WMT	171	127	93	76	49	9	3%	80.7%
Mckee	160	112	101	75	65	8	2%	83.2%
Aldi	126	135	103	70	73	7	2%	85.5%
Clif Bar	210	176	85	33	30	6	2%	87.4%
KR	179	129	83	67	70	4	1%	88.7%
TGT	215	173	79	41	27	4	1%	89.9%
Catterton	140	129	107	66	67	2	1%	90.6%
COST	122	181	88	62	58	2	1%	91.2%
SBD Foods	83	81	111	99	121	2	1%	91.7%
Roark	22	74	117	117	150	2	1%	92.2%
Nature's Path	148	133	84	90	58	1	0%	92.7%
Nature's Bakery	161	91	65	105	107	1	0%	93.1%
SVU	116	127	130	60	63	1	0%	93.5%
H E Butt	248	148	87	30	31	1	0%	93.8%
KO	160	75	100	130	32	1	0%	94.1%
Ahold	187	143	86	60	50	1	0%	94.3%
BGS	61	132	81	100	127	1	0%	94.6%
SWY	84	182	96	70	67	1	0%	94.8%
ABT	188	127	128	28	47	1	0%	95.0%

Sources: The Nielsen Company

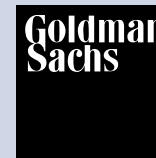
Boxed Prepared Dinners



	<35	35-44	45-54	55-64	65+	size	%	Cum
Boxed Prepared Dinners	142	124	100	80	63	222		
KRFT	150	136	99	73	54	80	36%	36.1%
GIS	162	125	93	79	57	41	18%	54.4%
PEP	121	110	106	93	70	25	11%	65.9%
Unilever	129	114	100	87	75	24	11%	76.8%
MKC	99	124	115	84	71	8	3%	80.3%
Aldi	133	112	100	78	87	4	2%	82.2%
WMT	186	132	90	68	45	3	1%	83.6%
Mars	98	94	118	97	84	3	1%	84.9%
SVU	135	114	96	89	73	2	1%	86.0%
KRFT	164	133	96	72	49	2	1%	86.9%
Erbo	120	125	98	96	62	2	1%	87.8%
Goya	104	142	102	83	68	2	1%	88.5%
Vigo	111	94	104	92	102	1	1%	89.2%
WWAV	248	196	46	36	33	1	1%	89.7%
BGS	185	99	87	74	83	1	1%	90.2%
CPB	148	127	95	86	52	1	0%	90.7%

Sources: The Nielsen Company

Rating and pricing information

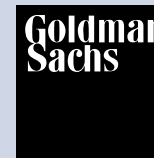


Campbell Soup Co. (S/N, \$46.19), Chipotle Mexican Grill Inc. (B/N, \$683.95), ConAgra Inc. (N/N, \$37.30), Costco Wholesale (N/N, \$144.57), Dunkin' Brands Group (B/N, \$48.00), Fresh Market Inc. (S/N, \$37.92), General Mills Inc. (S/N, \$56.09), Hershey Co. (N/N, \$100.27), Hormel Foods Corp. (N/N, \$56.35), J. M. Smucker Co. (N/N, \$117.42), Kellogg Co. (S/N, \$64.39), Kraft Foods Group (B/N, \$86.73), Kroger Co. (N/N, \$71.84), McDonald's Corp. (N/N, \$94.88), Mead Johnson Nutrition Co. (B/N, \$100.16), Mondelez International Inc. (B/N, \$36.97), Monster Beverage Corp. (B/N, \$136.91), Panera Bread Co. (S/N, \$182.77), Pinnacle Foods Inc. (N/N, \$40.97), Post Holdings (B/N, \$47.72), Shake Shack Inc. (N/N, \$61.67), Sprouts Farmers Market Inc. (N/N, \$33.04), Starbucks Corp. (B/N, \$47.62), SUPERVALU Inc. (N/N, \$11.10), Target Corp. (N/N, \$80.02), The Wendy's Co. (N/N, \$10.40), Tyson Foods Inc. (B/N, \$39.03), United Natural Foods Inc. (N/N, \$70.31), WhiteWave Foods Co. (N/N, \$45.98) and Yum! Brands Inc. (S/N, \$79.75)

Disclosure Appendix

April 17, 2015

Disclosure Appendix



Reg AC

We, Stephen Grambling, CFA, Matthew J. Fassler, Jason English, Karen Holthouse, and Adam Samuelson, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Coverage group(s) of stocks by primary analyst(s)

Jason English: America-Food: Packaged & Manufacturing, America-Household Products/Personal Care. Matthew J. Fassler: America-Retail: Specialty Hardlines. Stephen Grambling, CFA: America- Off-the-Mall Broadline Retailers, America-On-the-Mall Broadlines Retail, America-Retail Supermarkets. Karen Holthouse: America-Restaurants. Adam Samuelson: America-Ag Processors, America-Fertilizers, America-Protein.

America- Off-the-Mall Broadline Retailers: Burlington Stores Inc., Dollar General Corp., Dollar Tree Stores Inc., Family Dollar Stores Inc., Five Below Inc., Kohl's Corp., Ross Stores Inc., TJX Cos..

America-Ag Processors: Archer-Daniels-Midland, Bunge, Darling Ingredients Inc., Green Plains Inc., Ingredion Inc..

America-Fertilizers: Agrium Inc., CF Industries Holdings, CVR Partners, Intrepid Potash Inc., Mosaic Co., Potash Corp. of Saskatchewan Inc., Potash Corporation of Saskatchewan Inc..

America-Food: Packaged & Manufacturing: Campbell Soup Co., ConAgra Inc., General Mills Inc., Hershey Co., J. M. Smucker Co., Kellogg Co., Kraft Foods Group, Mead Johnson Nutrition Co., Mondelez International Inc., Pinnacle Foods Inc., Post Holdings.

America-Household Products/Personal Care: Church & Dwight Co., Clorox Co., Colgate-Palmolive Co., Energizer Holdings, Estee Lauder Cos. Inc., Freshpet Inc., Kimberly-Clark Corp., Procter & Gamble Co..

America-On-the-Mall Broadlines Retail: J.C. Penney Co., Macy's Inc., Nordstrom Inc..

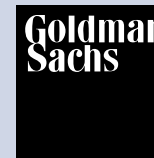
America-Protein: Hormel Foods Corp., Pilgrim's Pride Corp., Sanderson Farms Inc., Tyson Foods Inc..

America-Restaurants: Chipotle Mexican Grill Inc., Dunkin' Brands Group, Domino's Pizza Inc., McDonald's Corp., Panera Bread Co., Potbelly Corp., Restaurant Brands International Inc., Shake Shack Inc., Starbucks Corp., The Wendy's Co., Yum! Brands Inc..

America-Retail Supermarkets: Aramark Holdings, Casey's General Stores Inc., Fresh Market Inc., Kroger Co., Sprouts Farmers Market Inc., Sunoco LP, SUPERVALU Inc., United Natural Foods Inc., Whole Foods Market Inc..

America-Retail: Specialty Hardlines: Advance Auto Parts Inc., AutoZone Inc., Bed Bath & Beyond Inc., Best Buy Co., Cabela's Inc., CarMax Inc., Costco Wholesale, Dick's Sporting Goods, Genuine Parts Co., GNC Holdings, Hibbett Sports Inc., Home Depot Inc., KAR Auction Services Inc., Lowe's Cos., Lumber Liquidators Holdings, Michaels Cos., O'Reilly Automotive Inc., Office Depot, Restoration Hardware Holdings, Sportsman's Warehouse Holdings, Staples Inc., Target Corp., Tractor Supply Co., Ulta Salon Cosmetics & Fragrance Inc., Vitamin Shoppe Inc., Wal-Mart Stores Inc., Williams-Sonoma Inc..

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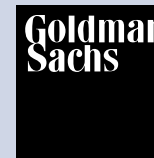
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	32%	54%	14%	46%	37%	32%

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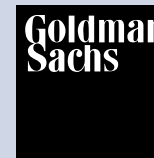
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