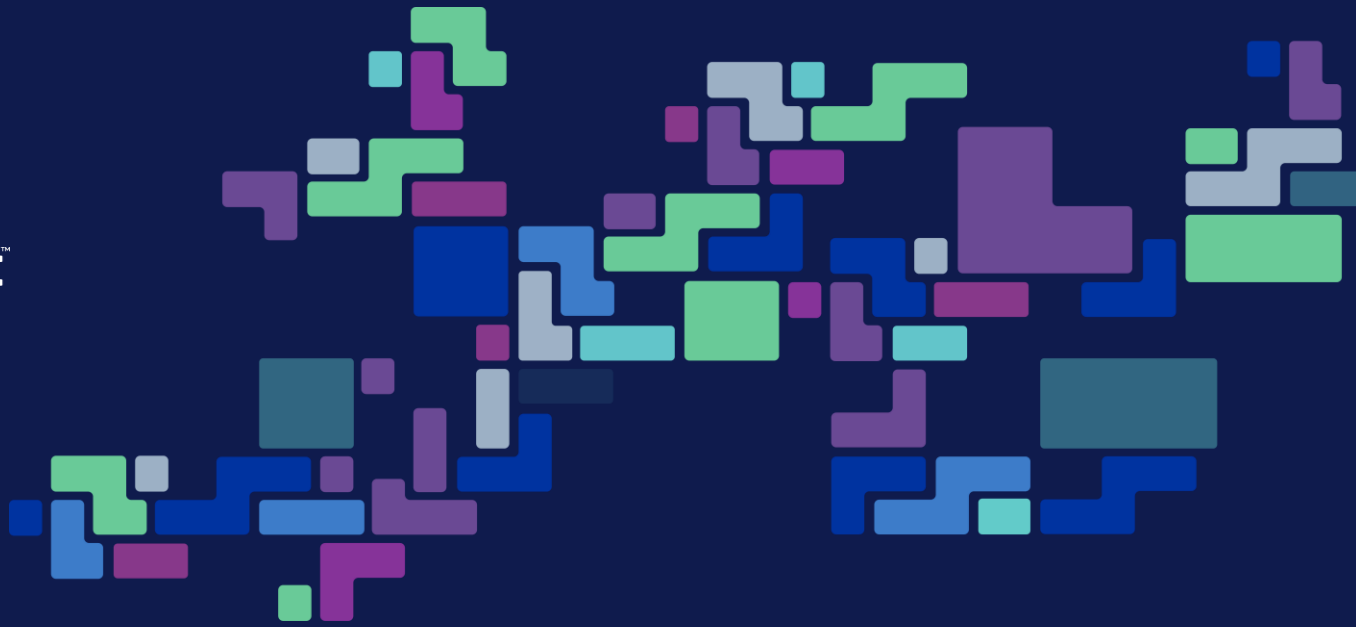
retailstat™



The Ever Evolving Grocery Landscape

Grocery Landscape: My Background

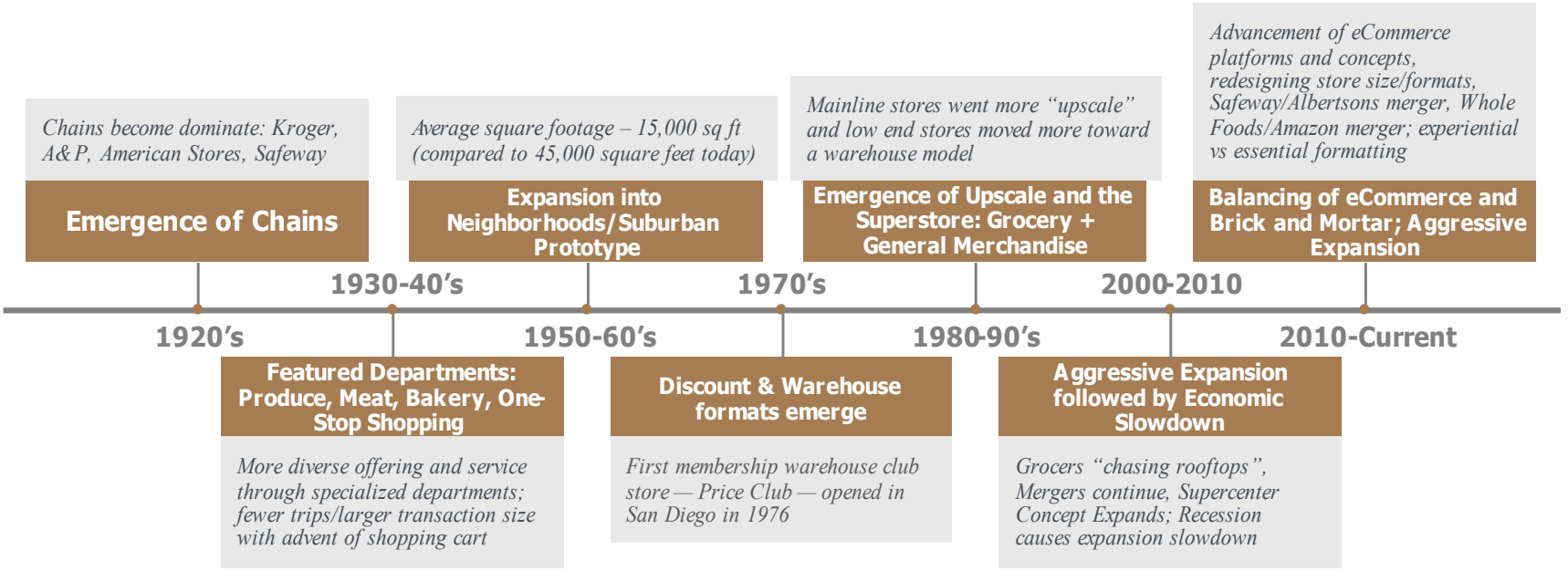
- 37 years in the Industry
  - 9 years in Operations (Produce Manager)
  - 28 years in Real Estate Analytics/Analysis
- 8 years on the Tenant-side (Kroger/Ahold USA)
- 2 years on the Development/Landlord-side
- Founded MTN Retail Advisors – 2004
  - Assisted both Grocery Tenants, Landlords, Investors, Municipalities
  - Primary Data Collection (130+ Variables)
  - Visited/Analyzed over 34,000 stores
  - Have Assisted Grocers and Developers with Real Estate Strategy
- Visited over 18,000 Grocery Stores in 49 States
- Company Acquired in 2022 – Now Retailstat
  - Mobile-Data Analysis
  - Financial Analysis

retailstat™

Grocery Landscape: A Dynamic Industry

History of Change

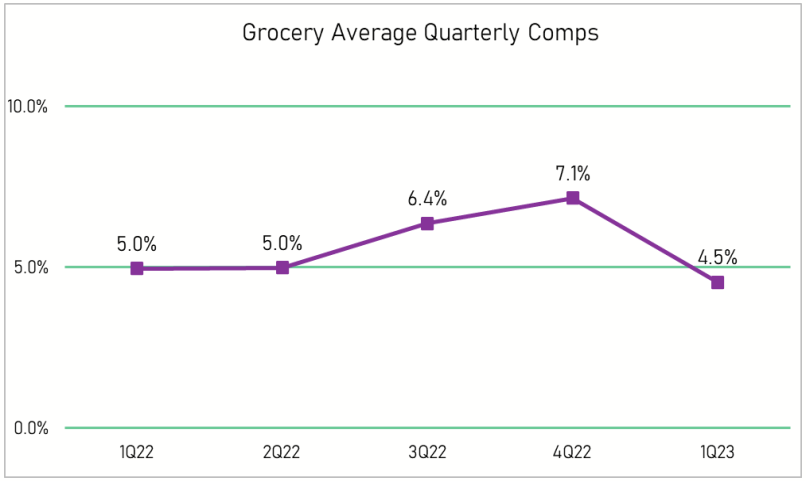
Grocery Changing Landscape by Decade



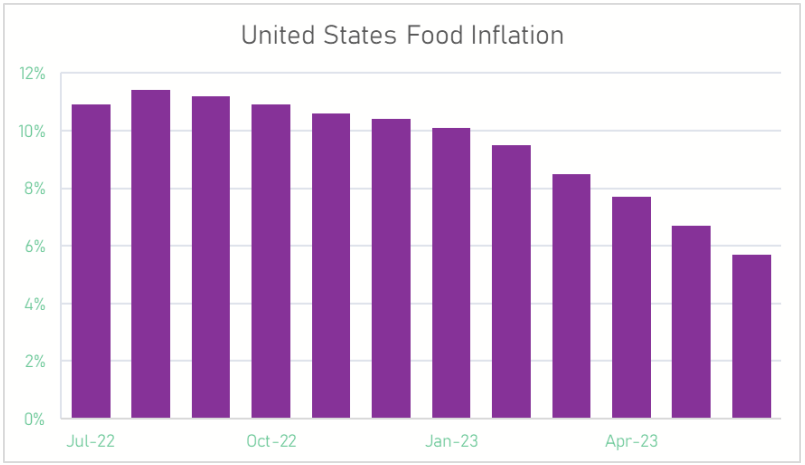
retailstat™

Retail Grocery-Themes / Recent Performance

- Still performing well. One of strongest sectors in retail but slowing
- Elevated inflation continues to boost grocery sales
- Comps tracking 1-2% lower than inflation showing a bit of a pullback / trade-down, return of promotions.



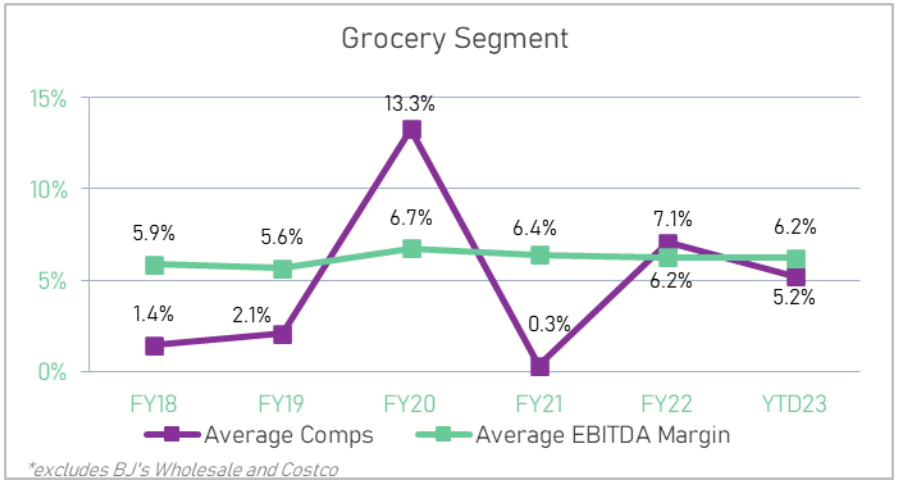
	Comps	Sales (millions)	YoY Sales % Change	E-Comm % Growth	E-Comm % of Sales	Quarter-End Date
U.S.						
Ahold Delhaize*	6.2%	$14,460.0	5.7%	12%	8%	4/2/23
Albertsons	5.6%	$18,265.1	5.1%	16%	N/A	2/25/23
BJ's Wholesale Club	5.7%	$4,723.1	5.0%	19%	9%	4/29/23
Costco	3.5%	$53,648.0	2.0%	-9%	N/A	5/7/23
Grocery Outlet	12.1%	$965.5	16.1%	N/A	N/A	4/1/23
Ingles Markets	3.4%	$1,380.6	0.3%	N/A	N/A	3/25/23
Kroger	3.5%	$45,165.0	1.3%	15%	N/A	5/20/23
Natural Grocers	2.7%	$283.2	4.2%	N/A	N/A	3/31/23
Publix Super Markets	6.4%	$14,332.0	8.2%	N/A	N/A	4/1/23
SpartanNash (Retail)	5.4%	$821.7	5.2%	N/A	N/A	4/22/23
Sprouts	3.1%	$1,733.3	5.6%	12%	12%	4/2/23
Village Super Markets	3.4%	$529.3	5.4%	N/A	N/A	4/29/23
Weis Markets	3.6%	$1,145.0	3.7%	N/A	N/A	4/1/23
Average	5.1%		5.2%			

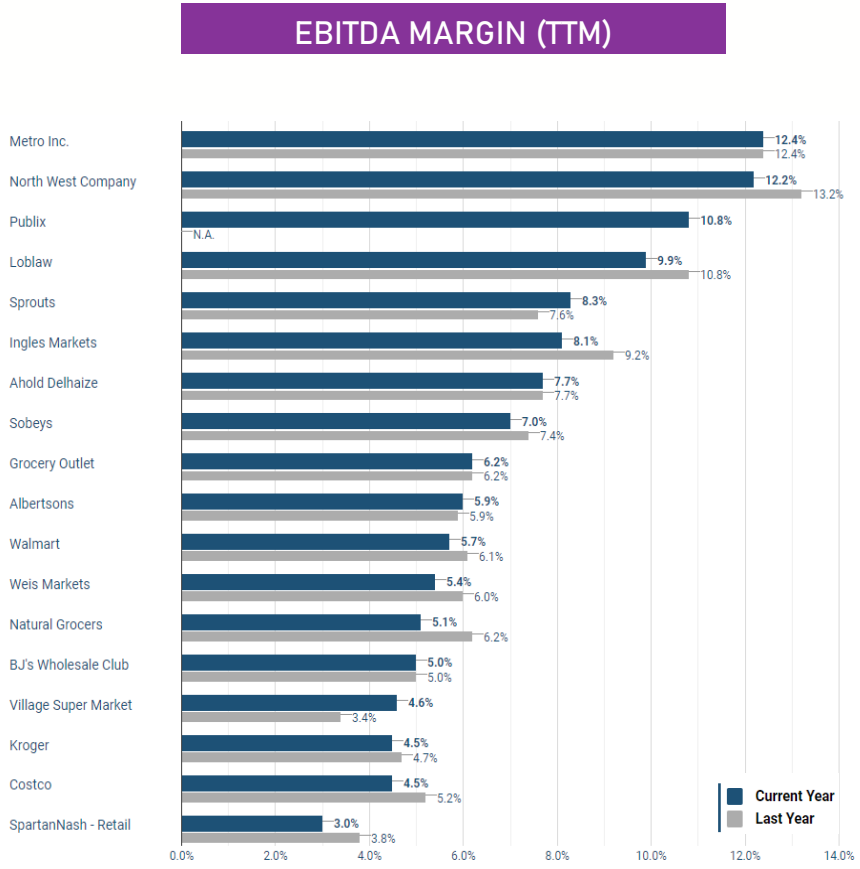


retailstat™

Retail Grocery Performance

- Profit margins still above historical norms though mixed YOY
- Product margin headwinds and promotions returning offset by elevated efficiency

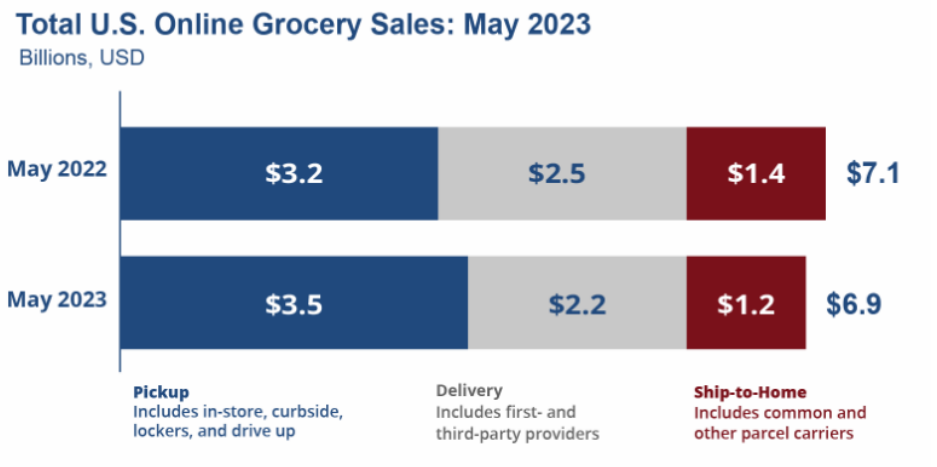




retailstat™

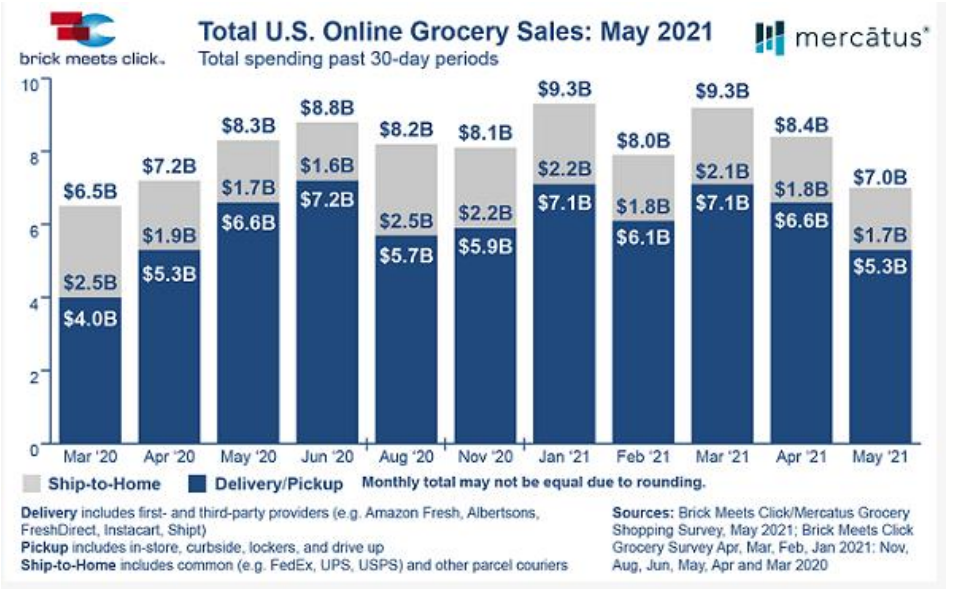
E-Commerce

- Mixed story: Active customer decreasing and trailing off for most of sector despite inflation. Advancing for a select few making significant investments (Walmart, Kroger, Sprouts).
- Market estimated at about 10% of total grocery. Still expected to approach 14% - 15% by 2027?
- Challenged value proposition; Pickup becoming the dominant mode; partially due to delivery charges being passed through



Ocado/Kroger

*This map shows the locations of the specific CFC sites currently announced. Further CFCs across these states and regions have also been announced including the West Regions, and the Northeast that are not specified here. Specific location details will be announced shortly



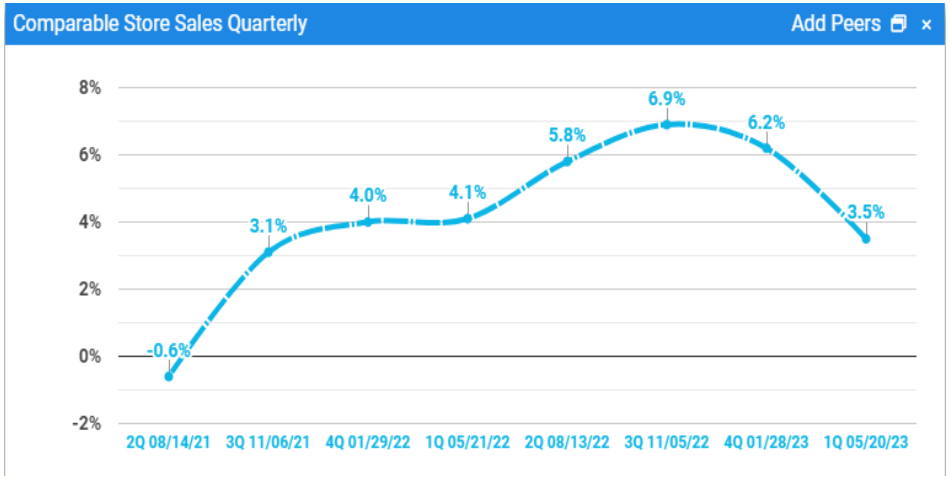
retailstat

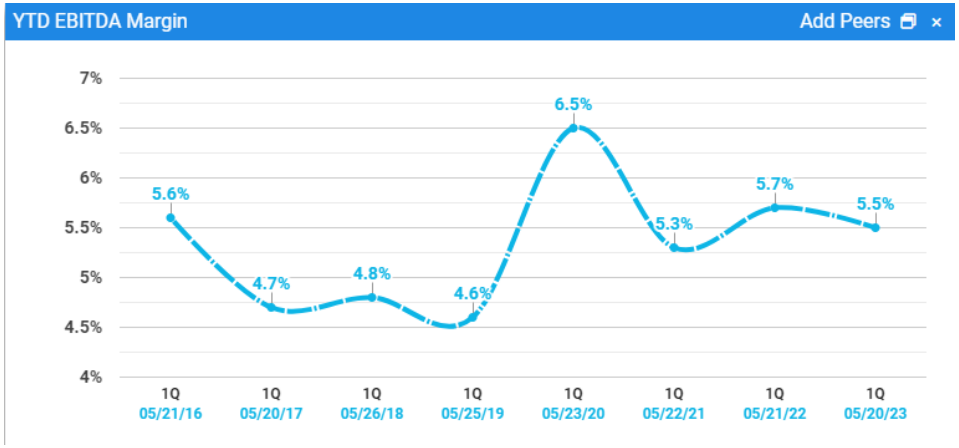
Kroger/Albertsons Merger

- Oct 2022 – Kroger (KR) agrees to acquire Albertsons (ACI) for $24.60B (including $4.70B of debt); to be reduced by ACI dividend and any store divestitures
- 4,990 stores in 48 states, over $226B combined revenue
- $600 million breakup fee to ACI, $318M to KR
- No store or facility closures, and no layoffs for front-line workers (stores & facilities)
- $500M investment in pricing, $1.30B investment in Albertsons stores, & $1B in labor
- $1B in cost synergies within 4 years; 50% within 2 years
- Scale (supplier leverage), leveraging technology investments, optimizing manufacturing & DCs, G&A efficiencies
- Revenue synergies not quantified - private label, alternative revenue (media), data, loyalty
- Argument: better compete against non-unionized competitors, e.g. Amazon and Walmart
- Lengthy approval process – stiff opposition from unions, consumer groups & politicians; early 2024?
- At June annual shareholders meeting, Kroger CEO Rodney McMullen said there were no new developments

Kroger 1Q23 Results

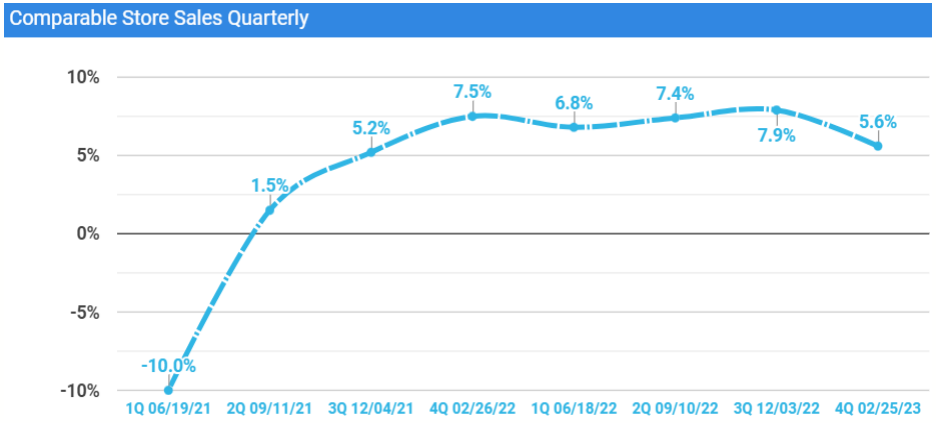
- 1Q23 & 4Q22 comps increased 3.5% and 6.2%, respectively on higher prices
- Private labels saw outsized growth
- Store count fell by four
- 1Q23 EBITDA margin slipped 10 bps to 5.6%
- Gross margin improved 80 bps primarily on a decline in fuel sales (which have a lower margin rate), increased private label sales, effective management of product cost inflation and lower transportation costs partially offset by higher shrink and increased promotional price investments
- FY23 guidance assumes comps up 1% to 2%, flattish operating profit and $2.60B free cash flow (midpoint)

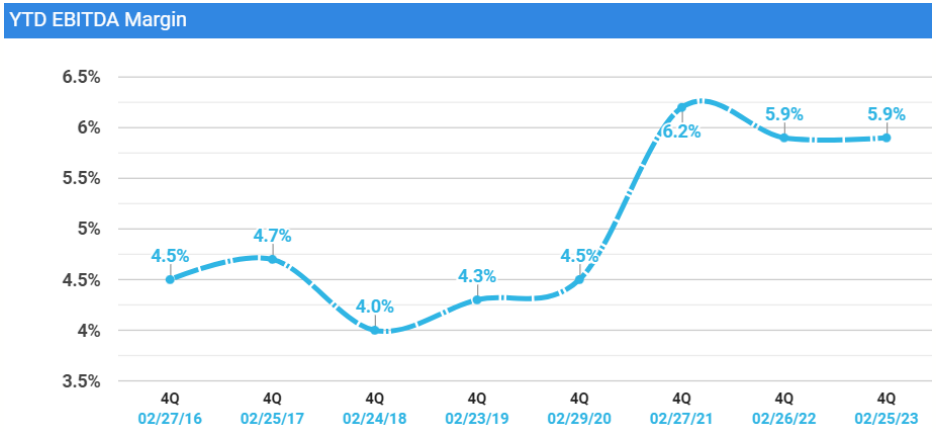




Albertsons FY22 Results

- 4Q22 & FY22 comps increased 5.6% and 6.9%, respectively on higher prices & digital growth
- Store count fell by five
- FY22 EBITDA margin flat at 5.9%
- Gross margin down 60 bps on COVID headwinds, shrink, marketing and fulfillment costs, mostly offset by cost cutting despite higher labor costs
- No official FY23 guidance
- “Economic backdrop is uncertain…more challenging. We have prepared our business for a more difficult consumer environment and are expecting significant labor investments and inflationary cost increases.”





Other Big Stories

- Amazon Fresh
- Peaked at 44 stores in U.S. and 19 in U.K
- On Pause since late 2022
- Stores not drawing enough traffic; unexciting / differentiated
- Abandoned certain markets (sublease) but overall appears will restart under “version 2.0”. Expect 2024

- Ethnic Consolidation / Expansion
- Hispanic - Two large operators (Cardenas & El Super) and a handful of smaller / single market (Sedanos, Northgate, Vallarta)
- Asian – Two main operators, H-Mart and Tawa. Both adding 3-5 stores per year.
- Expect further expansion / consolidation especially from well backed Cardenas and Chedraui

CARDENAS

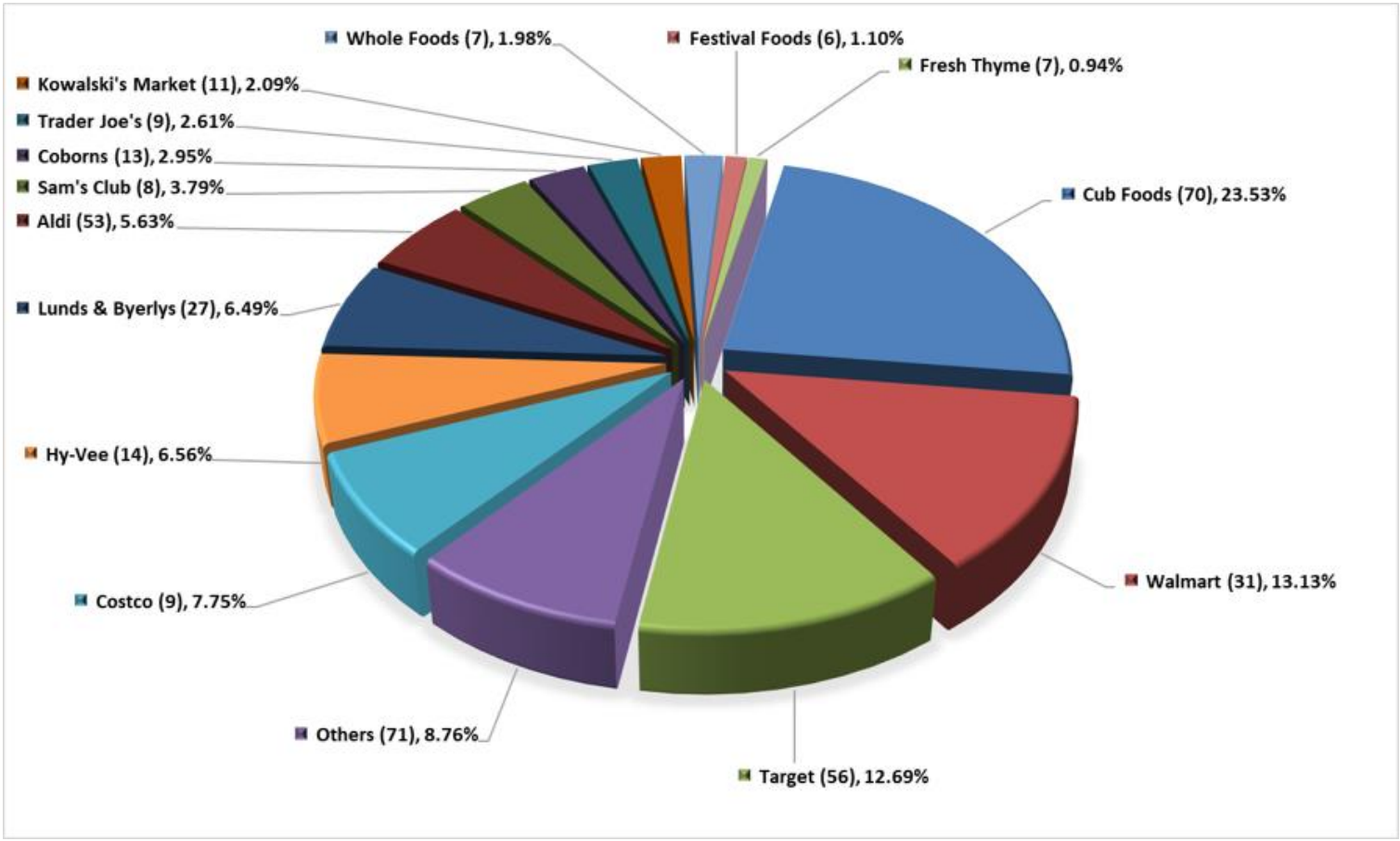
- Owned by Apollo since 2022
- Merged with Mi-Pueblo, Bought Los Altos Ranch Markets, Rio Ranch, El Rancho Supermercado
- Operates ~115 stores

CHEDRAUI USA

- Subsidiary of Grupo Commercial Chedraui (B1)
- 376 stores in U.S; 253 Smart & Final, 64 El Super, 59 Fiesta Mart. Grupo Chedraui operates Another 404 stores in Mexico

retailstat

The Grocery Landscape – Minneapolis Metro Area



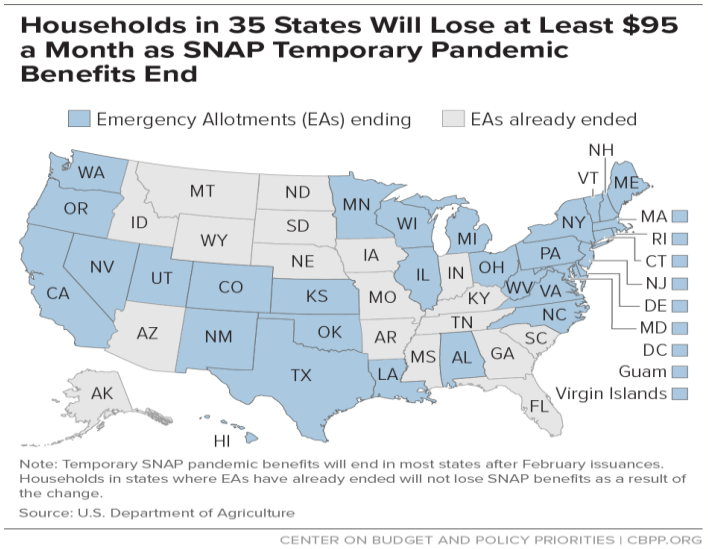
- Minneapolis has a storied grocery history: SuperValu, Target
- Strong Regional Operators: L&B, Kowalski
- Has Proven to be difficult for new entry: Amazon

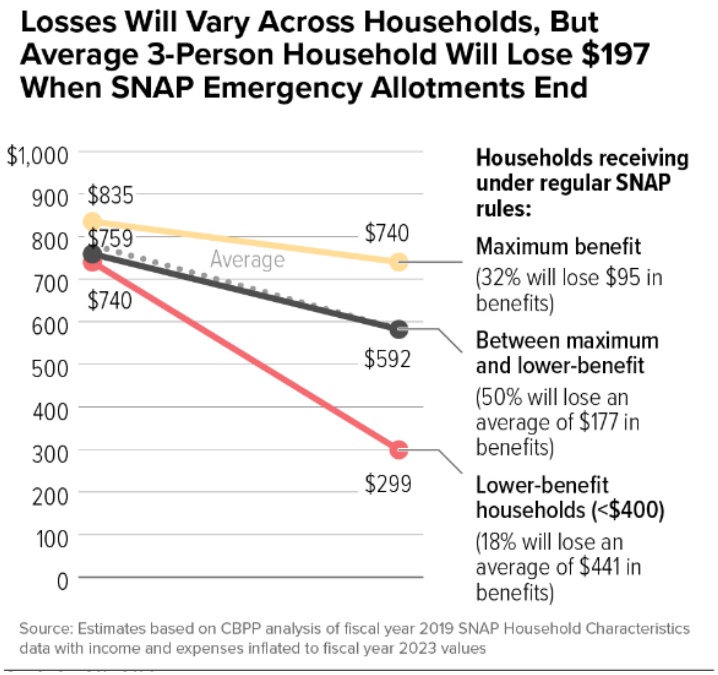
retailstat

Retail Grocery- Outlook

The Good:

- Elevated inflation pushing value seeking; eating at home relatively cheap
- Inflation still elevated but cooling as lapping large global food supply chain challenges
  - Ukraine, weather, Bird flu… also, Other input costs; labor, packaging, transportation





The not so Good:

- Emergency SNAP benefits just ended in 35 states
- Inflation curbing demand, promotions returned

Ultimately:

- Still a strong market but returning to earth. SNAP changes to challenge comparisons in future quarters
- Cautious on many low-investment regionals that lack scale
- E-Com slowdown may lead to e-com rationalization.
- M&A to ramp up. Need for scale. Still hottest retail sector

retailstat™

The Grocery Landscape – Consumer Trends

Consumer Behavior Patterns and Shifts:

- The current economic landscape is creating a more "value-driven" consumer (very typical in this type of high-inflation)
- The Pandemic has had a lasting effect on how consumers shop:
  - Less frequent visits BUT higher transaction/basket sizes
  - This means the overall shopping center visit is more strategic
- In spite of the "gains" in eCommerce efficiencies, overall, consumers still want a "brick and mortar" experience
  - Grocery stores that provide an "experience" seem to be weathering the consumer economic challenges: Hy-Vee, Lunds & Byerlys, Whole Foods
  - Wine Bars, Beer Gardens & Cooking Classes are becoming more prevalent as the consumer is trying to make the shopping experience more social – even as they're visiting less frequent

Trends to Watch:

- The pendulum seems to be moving back to "suburban life"
- We continue to track the more densely populated markets as there's a slow movement back to "in office"

retailstat™

The Grocery Landscape – Format Initiatives

Three Format Categories that will thrive:

1. **Value & Price Proposition (Trusted Private Label, Treasure Hunt)** –
   - Aldi
   - Cub Foods
   - Costco
   - Trader Joe's
2. **Unique & Elevated Experience (Keep Customer in Store, Local Products, Promotions, Food Service)** -
   - Lunds & Byerlys
   - Hy-Vee
   - Kowalski's
3. **Convenience & Technology (Balancing Frictionless vs Experience while still making the costumer feel engaged)** -
   - Walmart (would not have said this 3+ years ago)
   - Target
   - Amazon* (good idea….poor execution)

Other Differentiating Factors:

- Consistency in Execution
- Format and Size Flexibility – Hy-Vee
- Realistic/Methodical Growth Strategy (Evolve/Grow or Die)

retailstat™

The Grocery Landscape – Real Estate Considerations

Important to Recognize that Grocery Remains a Coveted Retail Category:

- ❑ ***THE*** Daily Traffic Driver
  - 1.5 trips/week
- ❑ The Type (Format, Size, Offering) sets the tone for the entire center
  - Provides a more clear definition of Tenant Mix
- ❑ **As The Grocer Goes, So Goes the Center**
  - Evidenced by Centers that have lost a Grocery Operator

FOR THE GROCERY TENANT, THESE REMAIN CRITICAL SITE COMPONENTS TO SUCCESS:

- Visibility
- Defined Parking Field/Parking Ratio
- Access/Ingress/Egress
- Position within the Center – Most Grocers prefer Endcaps
  - This became critical during the pandemic as grocers implemented a more seamless “pickup” strategy
- Co-Tenancy: beyond restrictions, Grocers want tenants that are complementary
- Site Plan input

retailstat™

The Grocery Landscape: Additional Topics/Q&A

- **Crime/Security**
- **Labor Shortage**
- **Dollar Store Impact**
- **Hispanic/Ethnic Operator Growth**
- **Malls as Opportunities for Grocers**
- **The Future of Analytics**

retailstat™