



## COVID-19 business impact and implications

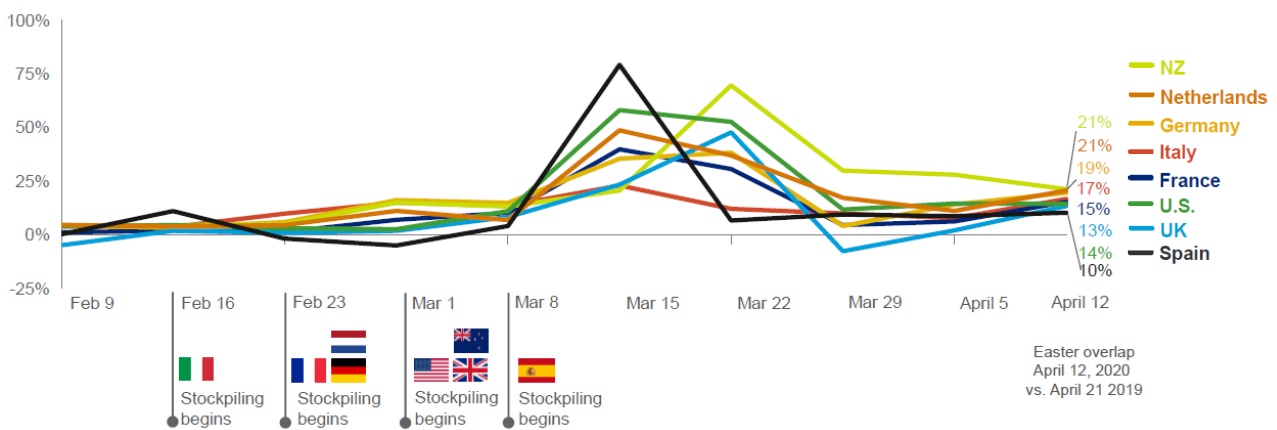
Across global markets COVID-19 continues to impact businesses, households, lifestyles, and the economy in unprecedented ways. Chiquita has put forth the resources necessary to stay informed on the impact this virus continues to have on our retailers and the industry. Understanding the supply chain challenges and adjusting to emerging consumer behavior, Chiquita has been able to adapt and meet the needs of our grocery partners and consumers.

The retail industry is seeing changes like never before as CPGs and retailers navigate through these uncertain times. Data providers are tracking these effects across all categories in all markets to help provide assistance, and Chiquita is using this wealth of information to better partner with these companies. As we dig deeper into the insights we have gathered, below are 10 key observations that stand out:

1. Excluding China, Italy and France are estimated to be 2 weeks ahead of other countries in terms of the onset of COVID-19 and the associated consumer sales trends
2. Stockpiling drove total store growth in the month of March; Bananas in the US saw double digit growth vs YA during this time
3. While non-edible categories led initial store growth, these categories have begun to return to pre-COVID levels as edible categories maintain elevated demand
4. Larger format retailers are seeing the most growth as consumers limit trips outside the home
5. Shopping trips are down, but the basket size is increasing
6. More grocery spend has shifted from weekends to weekdays
7. E-commerce delivery and click-and-collect channels have seen significant growth in all markets
8. Bananas remain essential in the shopper's basket (+6% YTD) as fresh foods continue to grow in nearly all markets
9. As economic concerns continue to heighten, value brands and private label are seeing growth
10. As countries begin to ease COVID-19 related restrictions, food and beverage channels should expect to see continued elevated levels of demand



**The situation:** The pandemic, originating in China in late 2019, has worked its way across the globe rapidly, affecting some countries quicker than others. Just as the onset of the virus varied between nations, the retail impact among them was staggered as well. Correlating directly with the onset of the virus, total store sales trends indicated Italy and France are approximately 2 weeks ahead of the US, UK, and other countries. Analyzing the trends from these early impacted areas has been vital as they set an example for what other markets can expect. Primarily in the months of February and March as consumers realized the severity of the virus and had some foresight of the local restrictions that may follow, a stockpiling trend emerged as people prepared to hunker down in their homes. The below chart illustrates the total store sales impact among various markets following the initial stockpiling.



**Category evolution:** With restrictions on the operations of non-essential businesses, consumers converted their out of home eating dollars to purchase ingredients for in home cooking, elevating total store revenues. While nearly every category saw some impact, a few saw a more significant benefit than others. More than that, these benefits staggered as the duration of lockdown and stay at home orders endured. Initially, non-edible categories such as health and home care had the highest demand with a large amount of out of stocks in paper goods, sanitizing products, and healthcare items. Among the edible categories, shelf stable foods showed the highest popularity and growth in the beginning stages of the pandemic. As consumers adjusted to their new lifestyles, other categories gained higher demand including baking ingredients, indulgent snacks, alcohol, and other “feel good” foods. In most recent weeks, as some countries prepare to ease restrictions and stay at home orders, we observe higher demand for frozen and fresh foods to complement their meals and shelf stable ingredients. Nonedible categories are experiencing stabilization or declines as consumers are working through their stockpiled inventory. The below figure illustrates category performance across countries for the week ending April 12.



	Italy	France	Germany	Netherlands	NZ	UK	U.S.	Spain
TOTAL STORE	16.6%	15.1%	19.5%	20.5%	21.1%	13.2%	14.3%	10.1%
Total NONEDIBLE	-5.2%	6.2%	-2.3%	10.9%	-1.2%	-0.4%	-0.8%	-26.5%
Total EDIBLE	21.2%	16.7%	25.3%	21.7%	26.5%	17.1%	18.8%	19.8%

NONEDIBLE	Paper Products	8.0%	3.4%	-7.9%	-3.0%	-14.3%	5.1%	38.9%	0.7%
	Home Care	19.5%	18.6%	-0.2%	5.6%	11.6%	9.2%	10.9%	4.0%
	OTC Healthcare	27.7%	10.4%	-8.9%	-8.9%	-18.8%	-1.0%	-9.4%	-36.0%
	Personal Care	-4.2%	2.8%	-12.5%	25.9%	-10.6%	6.0%	-8.5%	-38.9%
	Pet Food + Care	3.3%	-2.4%	-5.8%	-9.6%	-6.8%	-10.9%	-8.5%	-7.1%
	Gen Merchandise	-37.7%	N/A	34.9%	27.1%	9.0%	-5.7%	2.6%	28.9%
	Cosmetics	7.2%	-43.4%	4.0%	37.2%	16.0%	-22.9%	-12.3%	-83.4%

EDIBLE	Beverage	11.8%	7.2%	10.9%	12.7%	13.5%	6.6%	-0.1%	6.2%
	Packaged Food	21.6%	20.8%	27.6%	17.5%	28.4%	27.0%	25.6%	21.2%
	Alcohol	30.0%	5.8%	24.8%	37.6%	36.7%	29.8%	26.6%	34.7%
	Baby Food + Care	-10.1%	-11.0%	-24.1%	-9.6%	-25.8%	-22.2%	-16.6%	-33.4%
	Dairy	32.0%	24.1%	26.0%	18.5%	24.0%	22.4%	31.9%	15.7%
	Frozen Foods	37.4%	41.7%	41.5%	55.2%	51.2%	32.7%	31.0%	-7.1%
	Fresh Foods	15.9%	13.2%	38.1%	-0.6%	14.7%	8.0%	15.7%	24.0%

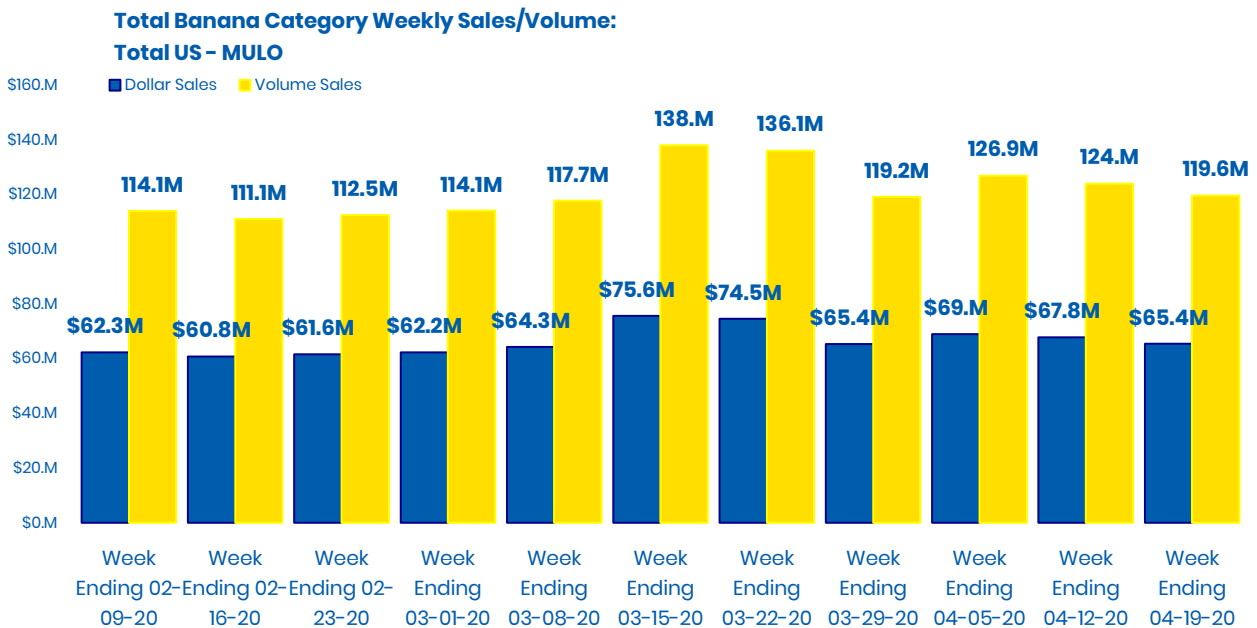
**Consumption trends:** Much of the above category impacts are driven by the changes in consumer behavior brought on by COVID-19. Across all countries, there seems to be an emergence of similar consumer habits that retailers are experiencing. Beyond food stockpiling for home consumption, we have seen huge growth in online channels, larger format retailers, and consumer basket size as shoppers are making less trips but buying more. In the beginning stages of the pandemic consumer fear sparked panic buying as most consumers appear to have stocked up on paper products, sanitation products, and pantry essentials. As out of home dining became restricted shoppers filled their carts with meal ingredients, frozen foods and meat items, driving perimeter sales. In a survey fielded in April 2020, 63% of consumers indicated they are eating at home more often vs. restaurants. As knowledge of the virus and how it spreads grew, retailers and governments implemented restrictions in accordance with social distancing. Consumers became educated in how to minimize contact with others. The number of consumer shopping trips decreased in latest weeks and basket size grew as studies indicated **70% of consumers were buying enough groceries their household needs for 2 weeks or more.** Larger format stores are seeing growth as consumers try and consolidate all of their shopping needs into one trip. Retailers are also not seeing the weekend sales spike they are used to as middle of the week shopping becomes more popular due to accessibility from the work at home lifestyle and attempt to avoid traditional weekend crowds.

**E-commerce:** Perhaps the most significant trends we have observed is the growth in digital and e-commerce channels. Italy has seen triple digit growth in e-commerce, click-and-collect, and home delivery since late February. France has experienced



+95.8% CPG growth in ecommerce week ending April 12 versus year ago while in-store showed only +9.8% growth. In Spain, consumers shopped in-store and online to load their pantries, but show more online growth after stockpiling with an +84.3% increase in e-commerce sales week ending April 12. In a U.S. survey, 13% of consumers indicated buying more groceries online for home delivery, and 14% indicated they are using click-and-collect more often. Nearly 1/3 of those ordering groceries for home delivery more often and 40% of those using click-and-collect plan to get half or more of their groceries this way. While universally all consumers recognize the convenience benefit from these channels, continued growth will ultimately rely on the cost of this convenience.

**Where does this leave bananas?** Amidst the chaos caused by the virus, Chiquita has reinforced bananas as an essential product in the basket. While the iconic Miss Chiquita has left the blue sticker temporarily to go home and practice social distancing, she has remained active on social media promoting various banana recipes, fitness, and nutritional values. Bananas, much like the rest of the store, saw double digit growth in the weeks of stockpiling in the U.S. In the weeks following, sales remained elevated as banana bread baking became an internet sensation. With in-home baking trending, the Easter holiday, and Banana Day in the month of April it is no surprise, in the U.S. market, **the banana category is up 6% year to date.** Relative to other fruits, Bananas are one of only five top 10 fruits in terms of total sales to experience growth versus year ago in the latest week ending April 19th showing an increase of +5.2%. Additionally, we are now seeing fresh foods growing in nearly all global markets. Because of the perishable nature of these items, growth is expected to remain in coming weeks as consumers replenish and complement shelf stable meals.





**What to expect post-COVID:** Navigating the “new normal” created by COVID-19 is at the forefront of everyone’s mind, retailers and CPGs alike. Chiquita is working together with our retail partners to address the consumer needs in this new retail landscape. Through past recessions and natural disasters, we have some indication what shopping habits will remain as restrictions are lifted and economies begin to rebuild. The main trends we expect to see continue into the post-COVID phase are: **growth in the digital/e-commerce channel, in-home eating experiences, and heavy focus on value.** Chiquita is poised and ready to assist our retail partners in leading not only the banana category but the entire store through and beyond this chaotic time in our industry.