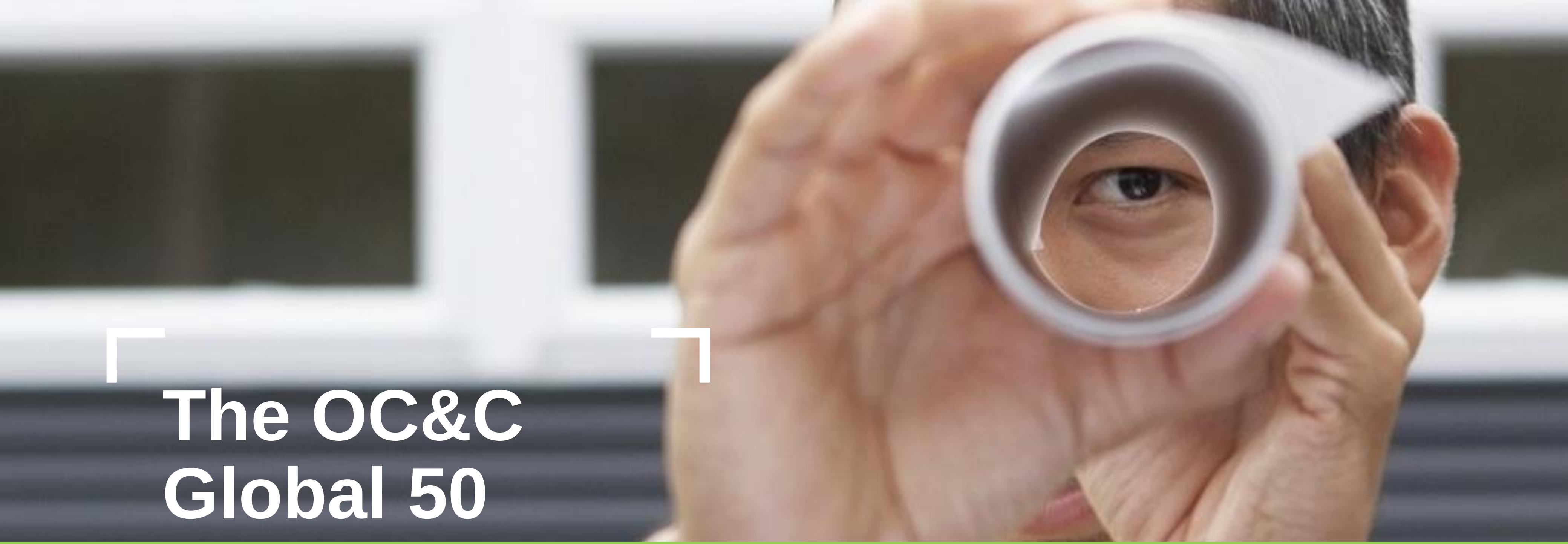


The OC&C Global 50

Summary Report

OC&C Annual IP

2024

OC&C Strategy consultants

uncommon sense™

Back to the future: after years of turbulence the Global 50 are returning to the old question of how to drive sustained growth, but need new answers

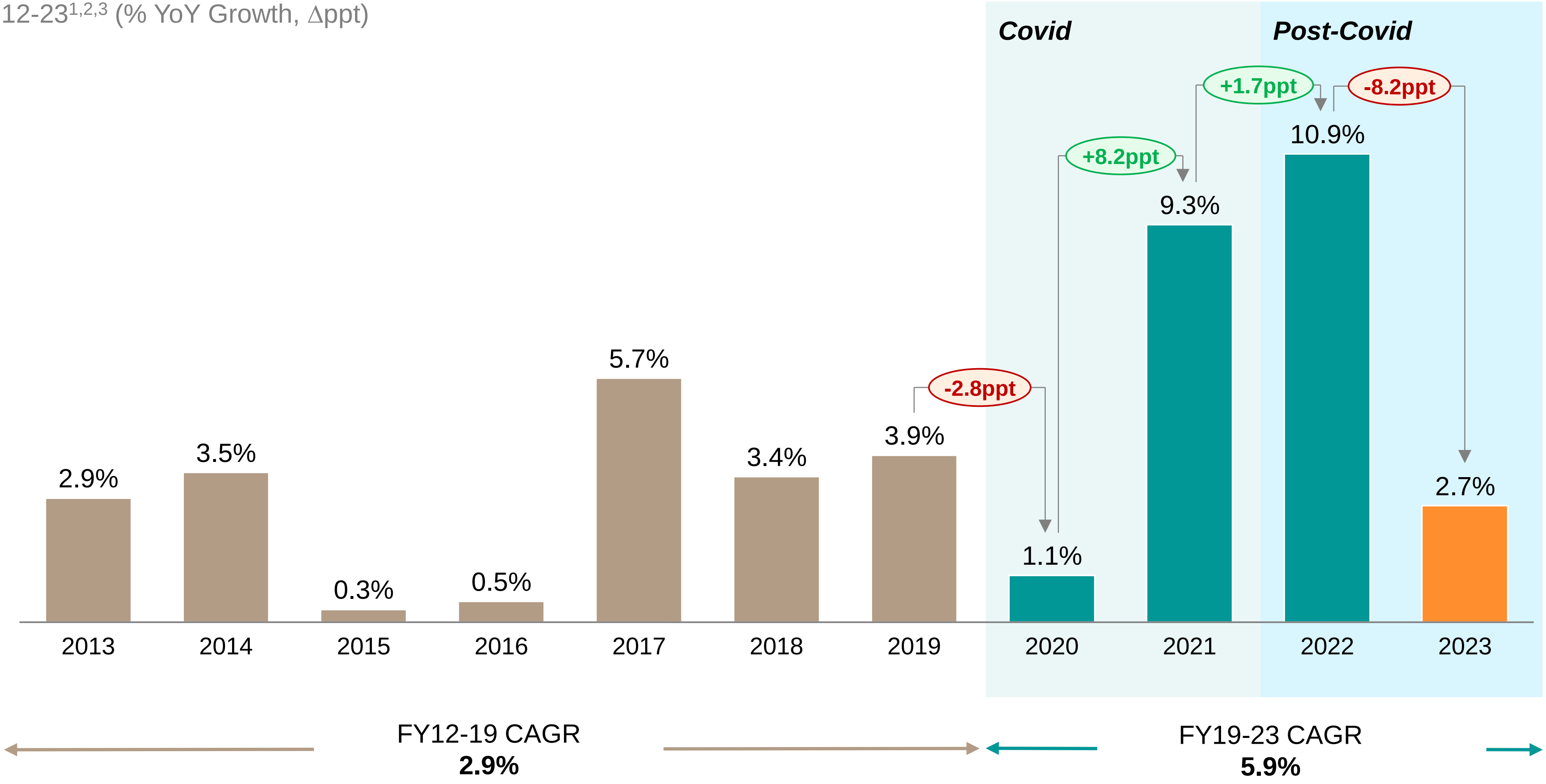
- After 4 years of extreme turbulence through Covid and inflation spikes the Global 50 are starting to see a stabler macro environment…
- …with subsiding inflation putting back into focus the question of how to drive sustained real growth again
  - 2023 saw a sharp decline in headline growth by Global 50 down to 2.7%, with organic volumes declining 0.9% (the first decline in a decade) and the final stages of inflation driven price growth being largely offset by currency devaluations
  - M&A was also a net negative as Global 50 divested non-core assets as they navigated the turbulence
  - Overall M&A remained at a low level, with $22bn of transactions, matching 2022's subdued levels
- Global 50 players need new answers to drive future growth, with consumer disposable incomes still under pressure and the big historic growth driver of China stuck in a low growth cycle post-Covid
  - Consumers need very compelling reasons to trade up, making premiumization harder to deliver
  - Companies putting greater focus on other emerging market regions (LatAm, India, SE Asia) as the seek to find new growth markets to offset the China slowdown
- Profit margins remained stable but below pre-Covid levels, with stabilizing ingredient inflation helping gross margins but a rise in marketing costs and the tail end of inflation passing through overheads offsetting the gross margin gains
- AI-fuelled productivity gains will be needed to streamline overheads as player seek to restore historic margin levels

There are signs that the shift towards unlocking future growth is starting to bear fruit, at least for some

- The recent blockbuster announcement of Mars acquisition of Kellanova signals a return to more confident large scale deal making (if it is passed by anti-trust authorities who have become more interventionist in recent years)
  - Will this be the trigger to encourage others who need to make M&A moves to access new growth that now is the time to act?
- The top performers showed that even in a subdued environment there are different paths to drive growth
  - Saputo delivering 20%+ growth by investing in their brands and sustaining volume as price increases were passed through
  - Mondelez saw 14% growth in major regions with strong focus behind core brands supplemented by acquisitions of fast growth brands in recent years. Now deploying AI to better focus R&D efforts to fuel future growth
  - Molson Coors grew at 9% with strong marketing to drive premium beer growth

Global 50 grocery revenue growth slowed dramatically after the inflationary surge

Grocery Revenue Growth of Global 50
2012-23[1,2,3] (% YoY Growth, Δppt)



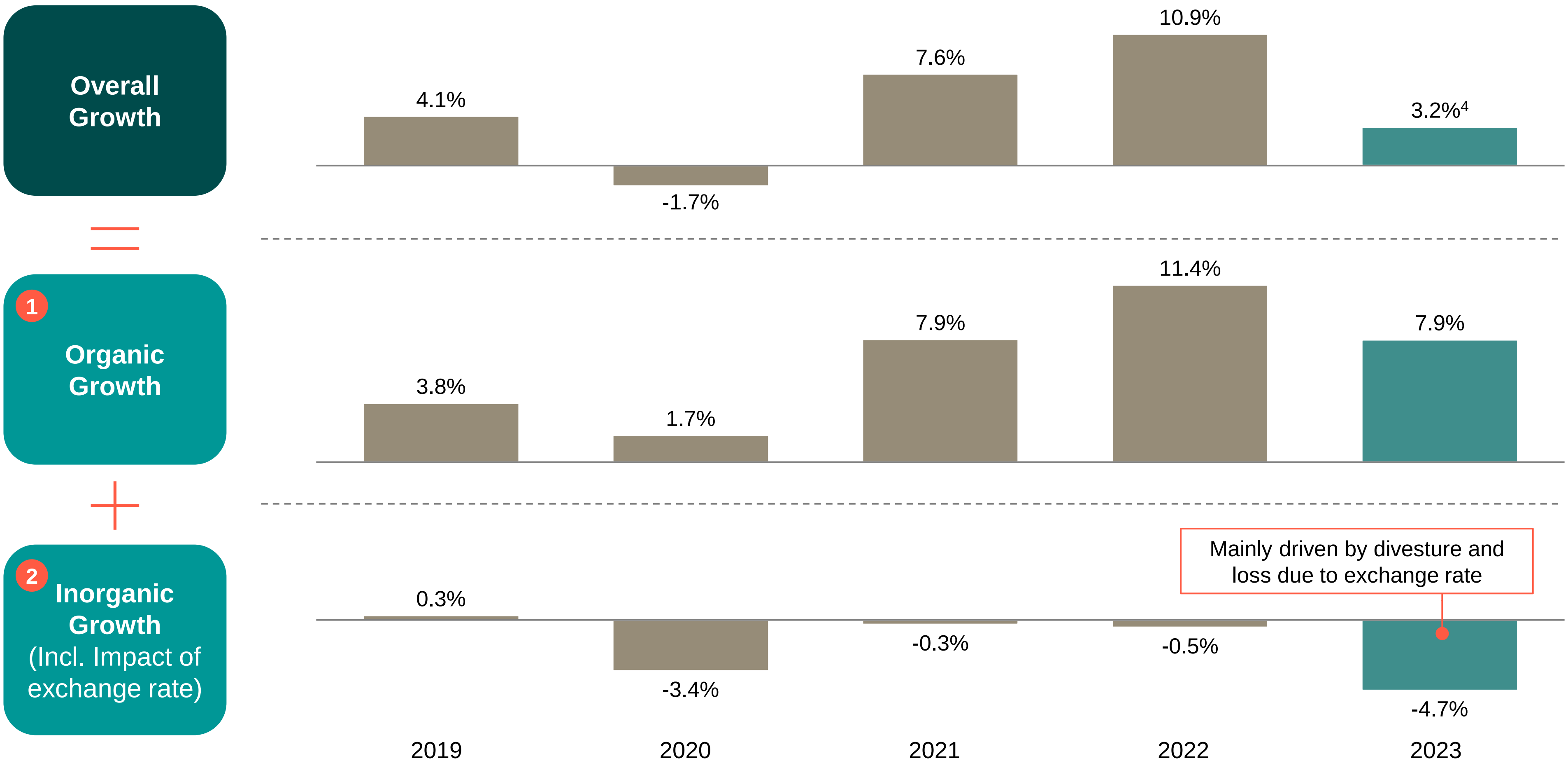
1. Growth of grocery sales excluding excise tax in Local Currency weighted by grocery sales excluding excise in $
2. Based on global 50 company list of each year
3. Based on company fiscal year data, where some of the companies' fiscal year end is not end of December

Source: Annual reports; 10K; OC&C analysis

The decline was driven by both organic and inorganic growth drivers

Growth – In Local Currency[1,3]
2019-23 (%)

Includes Companies Reporting Organic Growth Only[2]



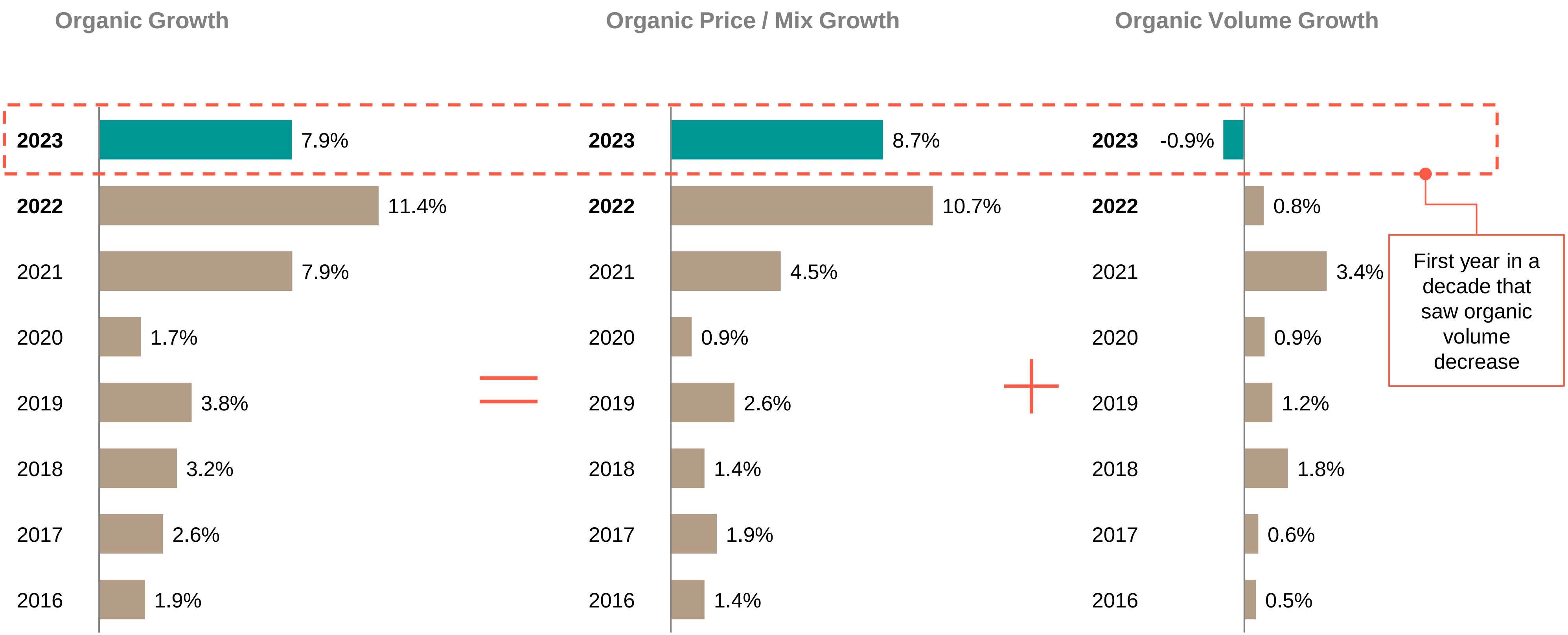
1. Organic Growth rate refers to the growth rate of a company's revenue or sales that is generated internally, excluding the impact of any acquisitions, divestitures, or changes in exchange rates
2. For each year, different set of companies have available data and breakdown of organic growth
3. The growth rate is weighted by the total grocery sales (in $) of the reporting year, excluding excise tax
4. Based on the 27 companies with disclosed organic and inorganic growth

Source: Annual reports; 10K; OC&C analysis

Organic volume saw its first decline over in a decade

Organic Growth Breakdown[1]
2016-23 (%)

25 Companies Reporting Organic Growth Breakdown[2]



1. Excludes inorganic factors, e.g., Acquisitions/Divestments and exchange rate effects
2. 25 of the 50 companies report available time series data and breakdown of organic growth, representing 65% of total revenue. They are Nestle AG, PepsiCo, P&G, Unilever, AB InBev, Coca-Cola Company, L'Oreal, Mondelez, Heineken, Phillip Morris, British American Tobacco, Danone, Kraft Heinz, General Mills, Diageo, Colgate Palmolive, Kimberley Clark, Kenvue, Dr Pepper Snapple, Haleon, Essity, Pernod Ricard, Henkel, Hersheys, and Carlsberg

Source: Annual reports; 10K; OC&C analysis

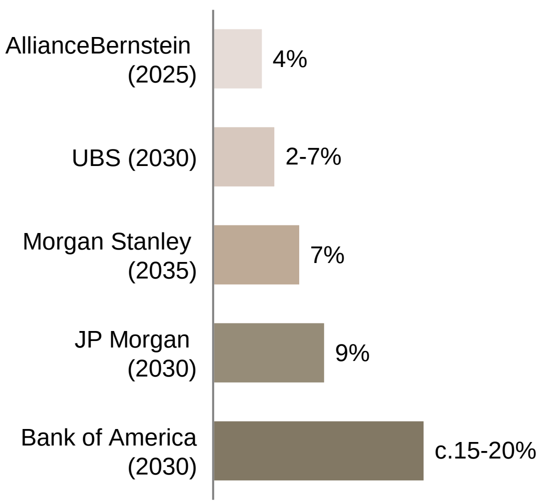
Going forward, there is a potential concern that usage of GLP-1s could further reduce food consumption, particularly for snack categories

Future Impact of GLP-1s

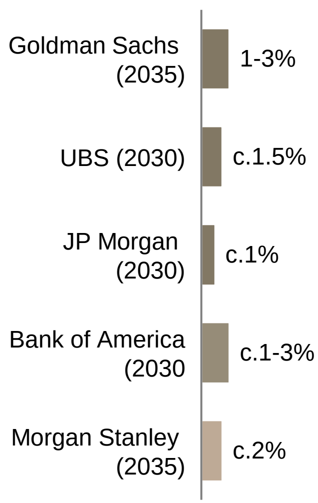
US Market As Example

Taking US as an example, forecasts imply a c.2% overall volume impact over the next 6-10 years…

% of US Population Prescribed GLP-1s



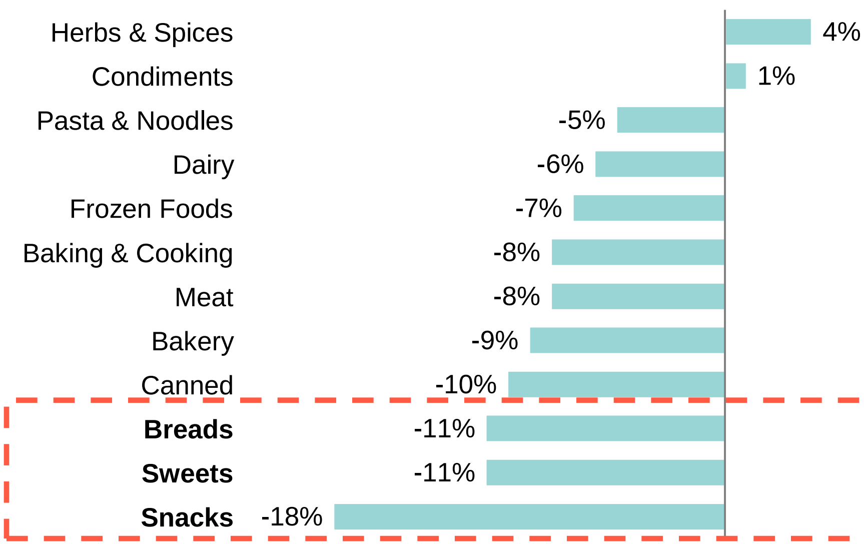
Expected Total Impact on US Food Consumption



Accessibility is expected to increase as more pharmaceutical companies are producing the drugs driving down the price, but **the consumption of GLP-1 is expected to see commonly cycling-on and off** (limiting the overall impact on food consumption

…while the volumes declines are mainly impacted to certain food categories

YoY % Volume Decline from GLP-1 Users



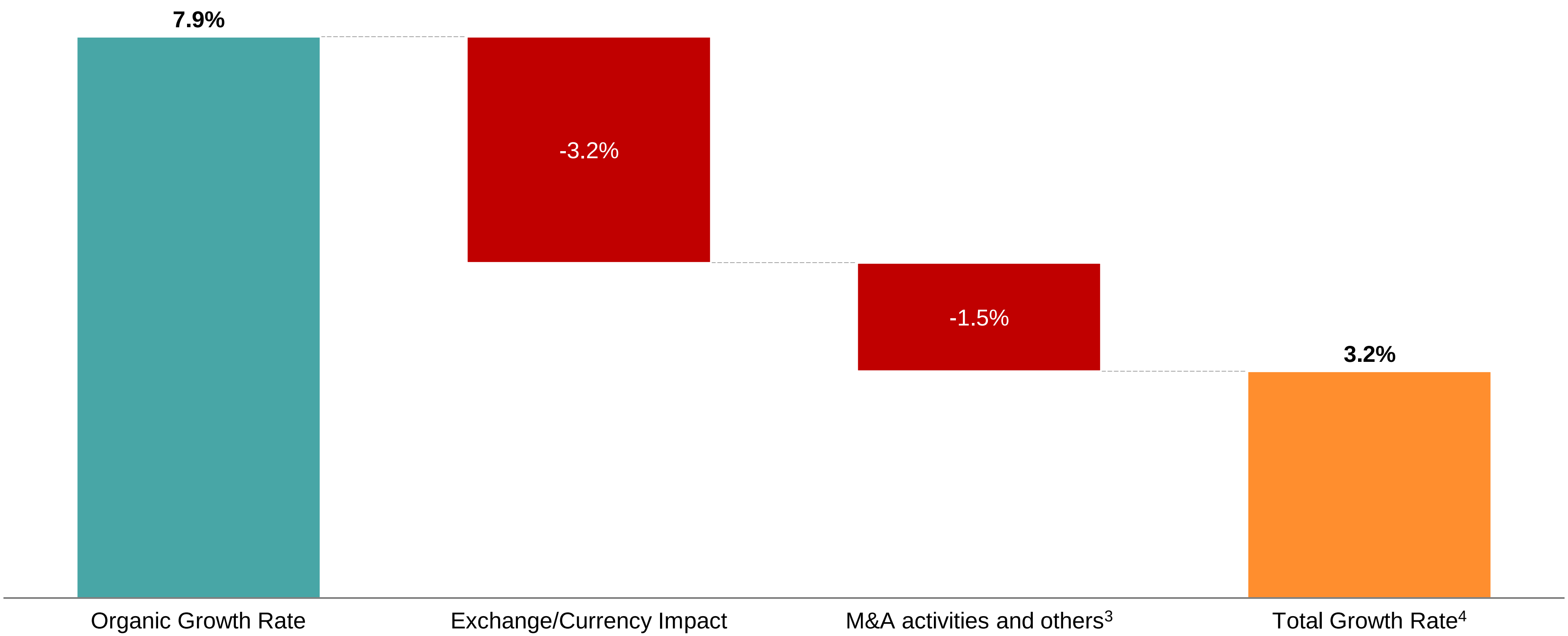
Largest declines likely to be focused on **high-calorie, high-fat and sugary foods**, in particular food for snacking occasions (high-calorie food for meal occasions like fries are less likely to be impacted as well)

Source: Analyst Reports, Annual Reports, Desk Research, Numerator, OC&C analysis

Currency devaluations and divestments reduced headline growth significantly

Growth Driver Breakdown of Selected Companies[1,2]
2023 (YoY %)

27 Companies Reporting Organic Growth



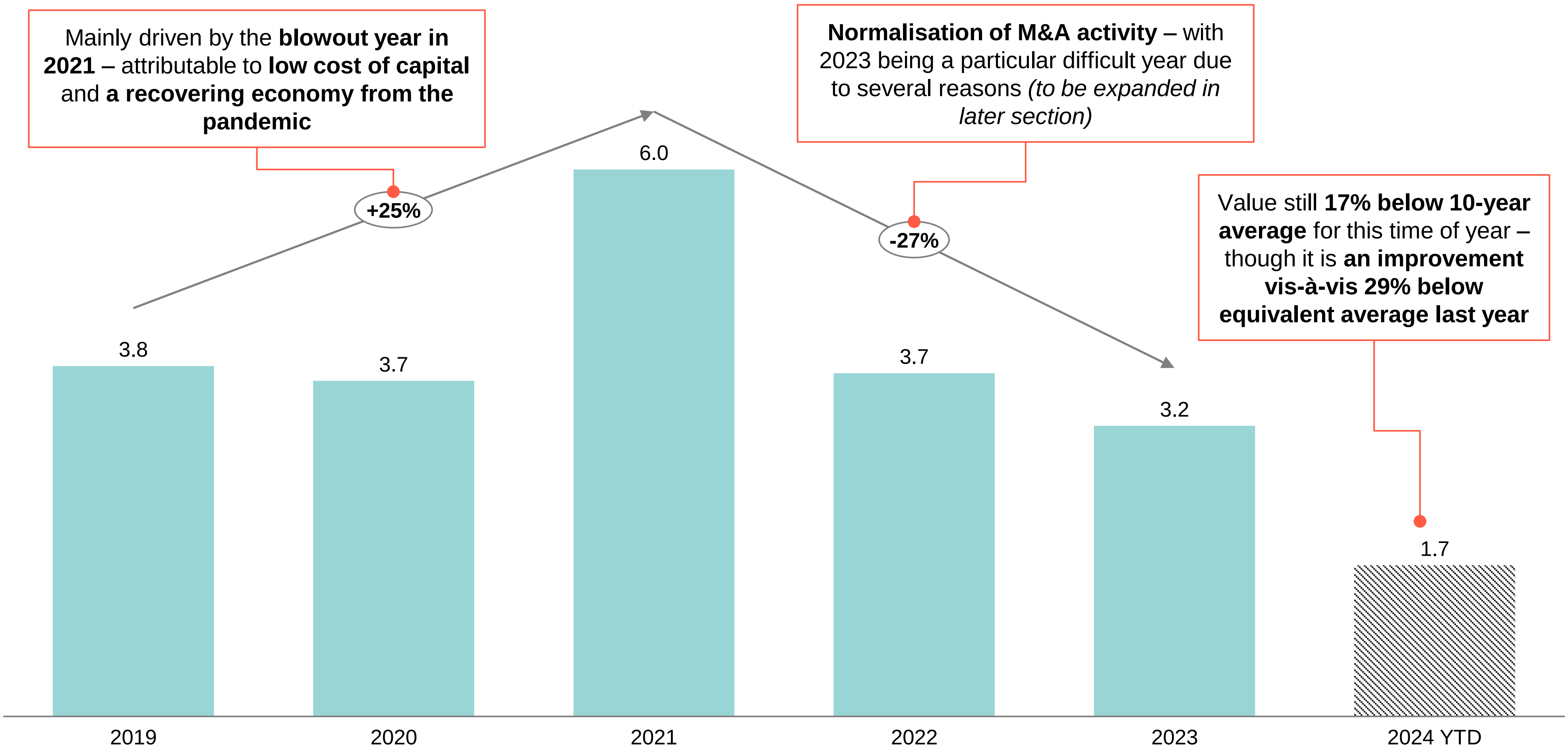
1. Growth rate in LC weighted by Grocery Sales excluding excise in $.
2. 27 of the 50 companies report available time series data and breakdown of organic growth, representing 65% of total revenue. They are Nestle AG, PepsiCo, P&G, Unilever, AB InBev, Coca-Cola Company, L'Oreal, Mondelez, Heineken, Phillip Morris, British American Tobacco, Danone, Kraft Heinz, General Mills, Diageo, Colgate Palmolive, Kimberley Clark, Kenvue, Dr Pepper Snapple, Haleon, Essity, Pernod Ricard, Henkel, Hersheys, Carlsberg, LVMH and Kellogg
3. I.e., Hyperinflation, residual, etc.
4. Based on the 27 companies with disclosed organic and inorganic growth

Source: Annual reports, 10K, OC&C analysis

2023 was a particularly difficult year for M&A activities as normalization kicks in since the record-smashing year 2021

Global M&A Deal Value
USD trn, 2019-2024 YTD

Includes All Industry Sectors

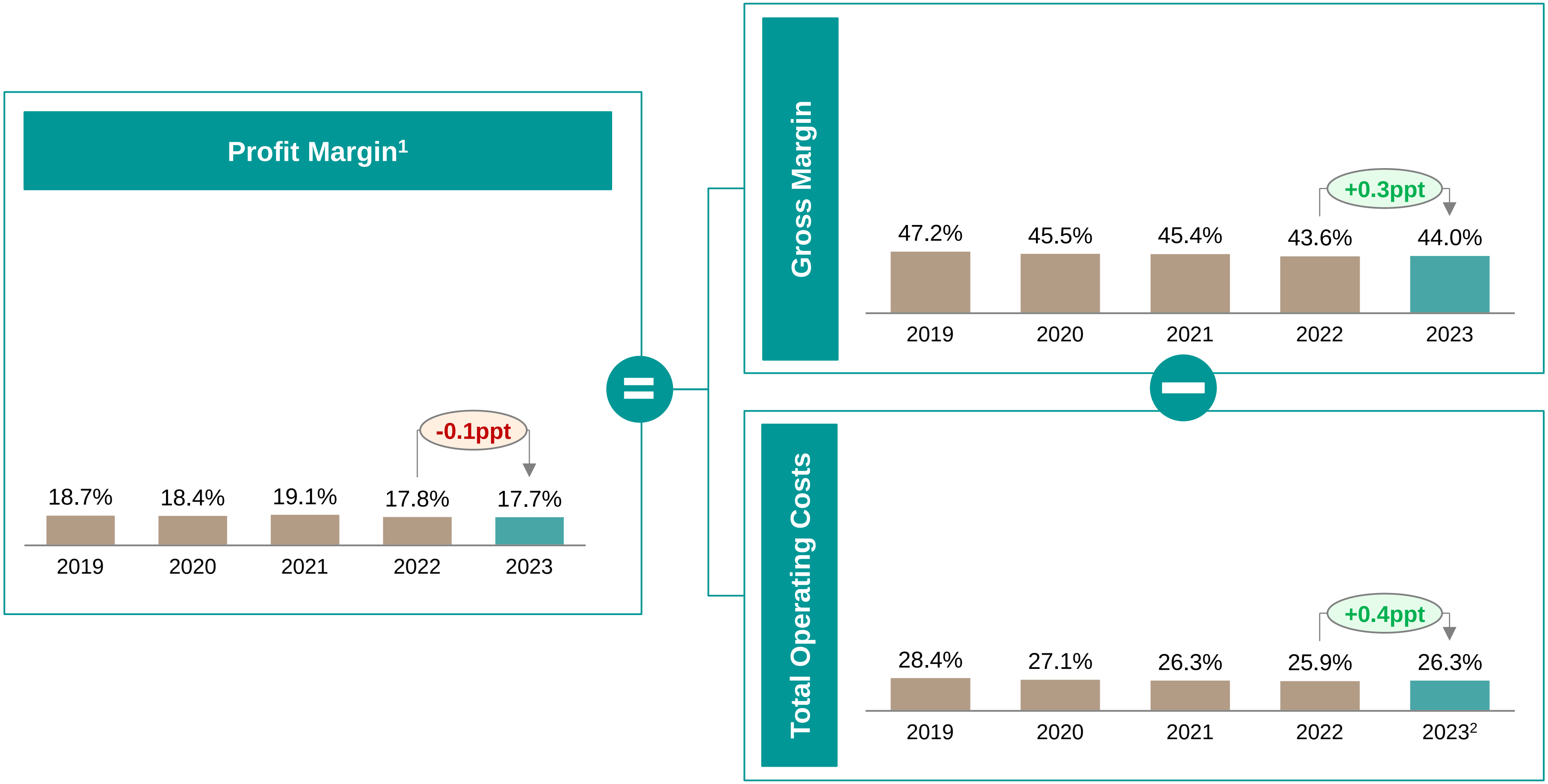


Source: White & Case M&A Explorer, Mergermarket, Dealogic, OC&C analysis

Profit margins remained below pre-Covid levels, as slight recovery in gross margins was offset by increasing operating costs

Global 50 Key Financial Index Comparison
2019-23[1] (%)

Excludes exceptional items
Global 50 Company List Varied across Years



1. Profit Margin refers to adjusted EBIT margin, adjusted EBIT excludes the impact of exceptional items that are one-off and do not occur on a regular basis, e.g. gain/loss on sales of property and substantial non-cash impairment
2. Excluded the impairment loss of British American Tobacco as it was not a reoccurring loss

Source: Annual reports, 10K, OC&C analysis

Ongoing Burden

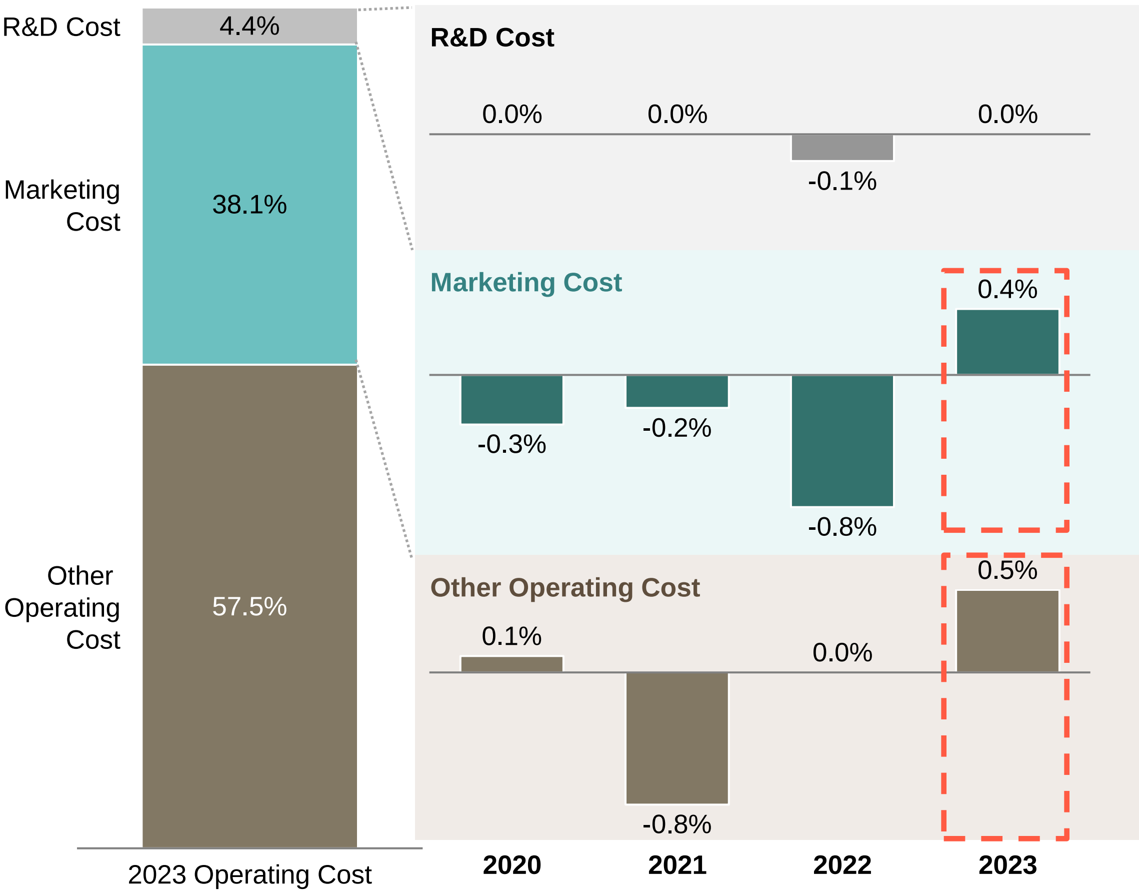
Operating cost increases were driven by increasing labour costs and marketing investment

Operating Cost Breakdown

2023

27 Companies in 2023 Global 50 with Operating Cost Details[2,3]

Delta[1] of % of Total Revenue



Key Drivers of Operating Cost Increase

Increased Investment in Marketing

- Despite slower growth of revenue in 2023, companies invested more in marketing to **stay relevant and drive consumer demand**
- Companies also **invested in marketing to capture the market share** of competitors during economic downturn

Surging Labour Cost

- Given the surging inflation in the past 2 years, workers are **demanding higher wages to keep up with high living costs**
- Many countries (particularly US and EU) are also facing **labour market shortages** for skilled labour, which also fuels the increase of labour cost

1. Different years have different sets of companies given the data availability of reported breakdown of operating cost – the delta comparation is based on same set of companies vs. last year
2. Include all operating items apart from Marketing and R&D, Excludes exceptional items (e.g., gain/loss on acquisition/divestiture, non-recurring expense), and weights used are grocery sales excluding excise in $
3. Weights used are grocery sales excluding excise in $; Based on 27 of the Global 50 that report marketing spend: Nestle, PepsiCo, Tyson Foods, Mondelez, Danone, General Mills, Yili Group, Kellogg Company, Dr Pepper Snapple Group, Conagra, Mengniu Dairy, Royal FrieslandCampina, Hormel, P&G, L'Oréal, Kimberley Clark, Estee Lauder, Essity, Henkel, Diageo, AB Inbev, Kweichow Moutai, Philip Morris, Japan Tobacco, Unilever, Reckitt Benckiser, Suntory

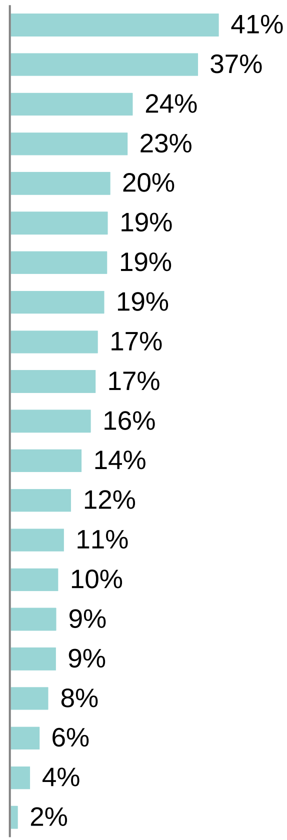
Source: OC&C analysis

Companies increased or maintained high marketing investment to maintain competitiveness, despite declining topline

Committed Strong Investment in Marketing

Marketing Spend Growth – G50 with Absolute Increase

%, 2023 vs 2022



Company	Marketing Spend Growth (%, 2023 vs 2022)	Marketing % of Revenue Delta PPT
KWEICHOW MOUTAI	41%	+0.6pts
MENGNIU DAIRY	37%	+1.7pts
PHILLIP MORIS INTERNATIONAL	24%	+0.3pts
MONDELEZ	23%	+0.4pts
TYSON FOODS	20%	+0.1pts
KIMBERLY CLARK	19%	+0.8pts
DR PEPPER SNAPPLE GROUP	19%	+0.5pts
CONAGRA	19%	+0.2pts
GENERAL MILLS	17%	+0.4pts
JAPAN TOBACCO	17%	+0.5pts
COCA-COLA COMPANY (THE)	16%	+0.9pts
PERNOD RICARD SA	14%	+0.1pts
DIAGEO	12%	+0.2pts
L'OREAL	11%	+0.9pts
PEPSICO	10%	+0.2pts
UNILEVER	9%	+1.3pts
ARLA FOODS A.M.B.A	9%	+0.2pts
RECKITT BENCKISER	8%	+1.6pts
AB INBEV	6%	+0.4pts
NESTLE AG	4%	+1.0pts
HORMEL FOODS	2%	+0.9pts

Key Reasons to Increasing Marketing

To Drive Consumer Demand

Stimulate consumer demand under a depressed economic environment

*"We are putting more investments into marketing – a **key driver to topline growth** as consumers are **reacting positively to it**"*

CFO, Pepsico

*"Our key marketing initiatives include extending our sponsorship with FIFA World Cup – **deepening brand connections with consumers**"*

CEO, Mengniu Dairy

Ease of Gross Margin

- Inflation has cooled down, allowing **better gross margins for companies** and **extra leeway for companies to increase budget on marketing**

*"We made significant progress against our strategy of accelerating growth…and increased A&C investment, **helping to keep our brand top of mind for both consumers and customers**"*

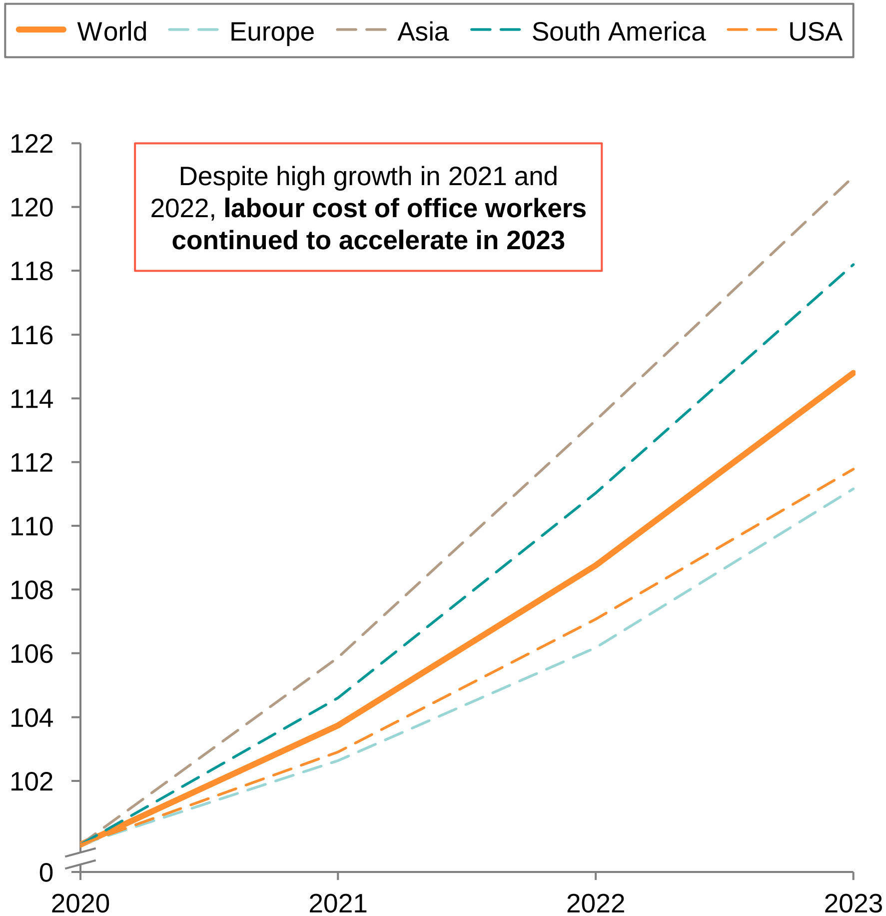
CEO, Mondelez

Source: Annual Reports, Desk research, OC&C analysis

Ongoing Burden

Increasing labour costs, driven by labour action and shortages, have also become a primarily concern

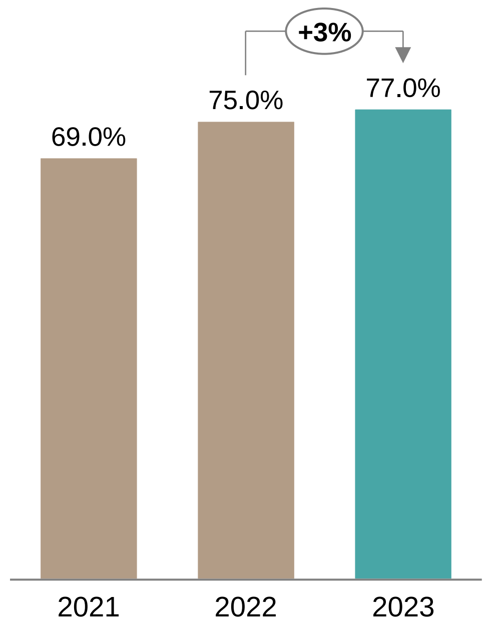
Salary Budget for Office Workers[1]
2021-2023, 2020 Indexed to 100



Based on 3rd Party Data

The increase in labour cost is mainly driven by increase in labour shortage and strike events

% of Companies with Labour Shortage
2021-2023



*"Some region, e.g., **Japan(85%) Germany(82%), UK(80%), France(80%)** have more severe labour shortage"*

Korn Ferry

*"About **58% of HR departments attribute talent shortages to a lack of qualified candidates**, ranking this as their greatest challenge in acquiring talent in 2023"*

ManpowerGroup

Major strike activities have also increased by **280% in 2023 worldwide**

1. Refers to a surveyed company budget for non-blue-collar workers – e.g., management, officers/executives

Source: Worldatwork, Manpowergroup, Korn Ferry, OC&C analysis

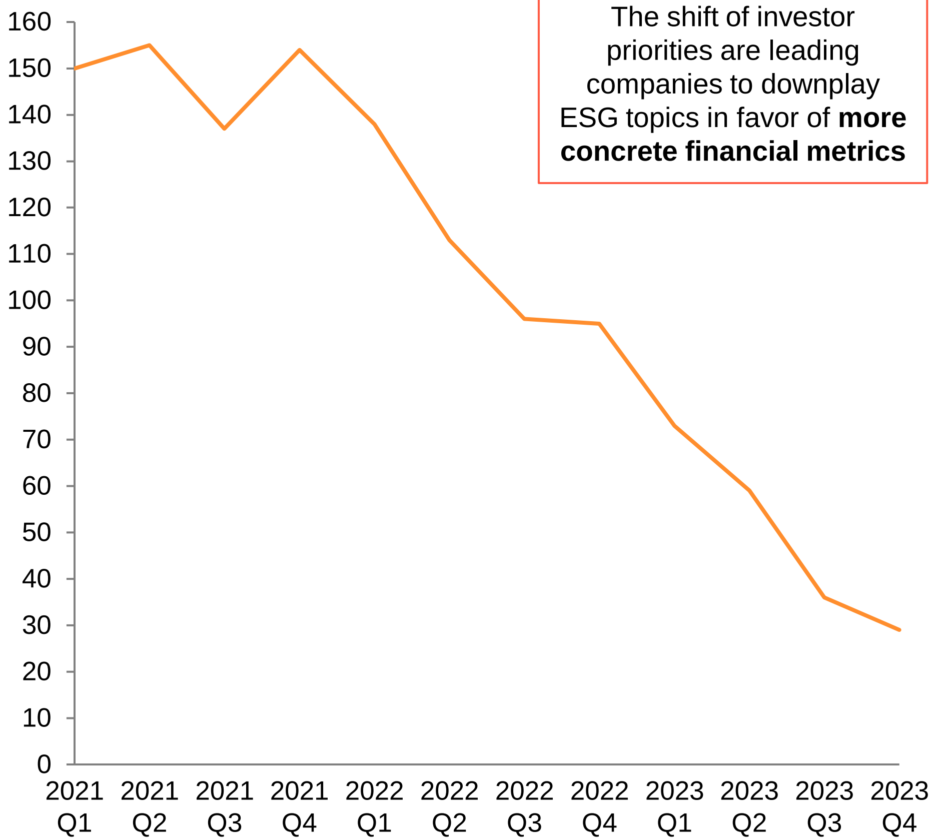
Ongoing Burden

As profitability was compressed, companies were more hesitant about investing in ESG – prioritizing short term financial outcomes

Change of Companies' Attitude towards ESG

Based on 3rd Party Data

# of S&P 500 Mentions ESG on Earning Calls
2021-23



The shift of investor priorities are leading companies to downplay ESG topics in favor of **more concrete financial metrics**

59% Business leaders see ESG taking a **backburner due to soaring inflation and a shrinking economy**

25% Only 25% CEOs think that **prioritizing ESG strategies** will become "extremely important" by 2032

8% CEOs are **ramping down some of their ESG-related** programs

Source: Teneo, OC&C analysis

Despite the challenging environment, some companies delivered strong growth with a variety of strategies

Star Performers in 2023[1]

Company	Winning Formula	Comments on Performance
1 Saputo	Strong organic growth with an expanding margin through **pricing initiatives and enhancing core brands,** whilst continued **investments in key geos**	• **+20% sales growth** mainly driven by **raising price for core markets** without volume loss • Enhancing brand awareness through **marketing campaigns for core brands** • **Propelling growth momentum in the USA and Argentina** through enhancement of manufacturing capabilities
2 Mondelēz International	Strong inorganic growth obtained by **acquisition of fast-growing and leading brands in different regions,** coupled with the **adoption of AI in strengthening R&D**	• **+14% sales growth** across **major regions (NA, EU and LatAm)** driven by **higher pricing**, **incremental net revenues from active acquisition** of leading and **high growth brands**, and favourable volume / mix • **Leveraging AI for historical data analysis** to help formulate products matching with consumer preferences
3 Molson Coors beverage company	Solid growth benefited from **focusing on premium segment** with **strong marketing investment**	• **+9% growth** mainly driven by the continuous investment in **premium beer segment** with big, frequent and creative **marketing initiatives**, matching with consumer trend

1. Star companies reported over-indexed grocery turnover growth and adjusted EBIT ppt growth compares to the companies in the same industry in Global 50; All turnover growth is Grocery Turnover Growth in local currency

Source: Desktop research; Annual reports; OC&C analysis

We have seen 3 key themes across growth leading companies

Key Themes of Actions of Global 50

Portfolio Optimization	Leading global companies are actively refining their portfolios – pursuing **strategic acquisitions to enhance their core operations**, with a particular emphasis on **high-growth niche markets to drive future growth,** while **divesting non-core assets**
Geographical Refocus	Companies are strategically expanding their operations into **emerging economies** such as **Latin America**, **India**, and **Southeast Asia,** with an aim to tap into **new growth opportunities** and **diversify market risks**
AI-Enabled Operation Enhancement	Major FMCG firms are utilizing AI to **optimize supply chains**, **inform marketing decision**, **drive product innovation**, and **extract insights** – Companies should assess its implementation by **balancing potential benefits with associated risks**, and **actively prepare for future disruption**

Source: OC&C analysis

The Global 50 were active in adjusting their portfolios to focus on their core

Top Management Verbatim on Active Portfolio Adjustments

Based on Company Annual Reports

Divestment of Non-Core Assets

HALEON

*"We continue to be active in managing our portfolio – specifically **exploring opportunities in divesting non-core parts of the business**"*

CEO, Haleon

reckitt

*"We will be primarily **focusing on our 'Powerbrands'** by sharpening our portfolio through **selling the lower priority ones**"*

Chief Executive, Reckitt

DANONE

*"We have been **actively managing our portfolio in the past 2 years** – e.g. exiting brands that did not fit our strategy"*

CEO, Danone

Henkel

*"The company is very targeted to **optimize and rationalize portfolio** to strengthen its core – such as **disposing non-core assets**"*

Management Board, Henkel

Strengthening Core & Investing in High-Growth

Mondelēz International

*"We are supporting a more **focused portfolio of brands – the core ones that drive growth**, and the strategy is clearly winning"*

Chief Marketing Officer, Mondelez International

DIAGEO

*"Our long-term commitment in **sharpening our portfolio** has positioned us advantageously in the market – specifically looking to **strengthen high-growth segments** like super-premium"*

Chief Executive, Diageo

Keurig Dr Pepper

*"We are continuing our efforts of expanding our portfolio to **push presence in the higher growth categories**"*

CEO, Keurig Dr Pepper

MOLSON COORS beverage company

*"Portfolio transformation actively happening within our company as we target to **push our offerings beyond beer**"*

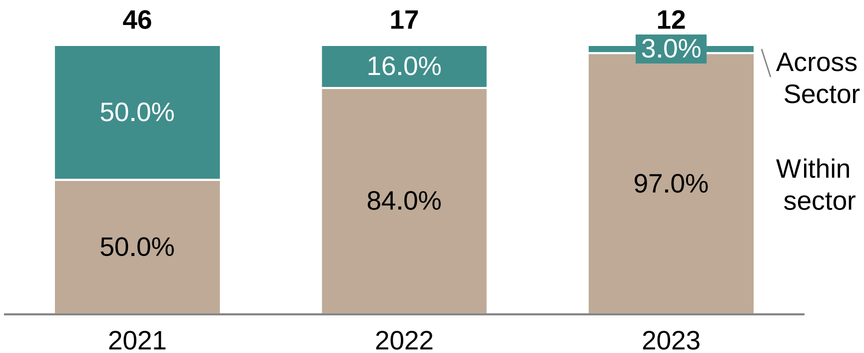
CEO, Molson Coors

Source: Annual Reports, Desk research, OC&C analysis

This resulted in significant divestment of non-core businesses, and focus on strengthening the core

Sector Distribution of Acquisitions of the Global 50[1]

2019-23[2] (Bn USD)



Examples

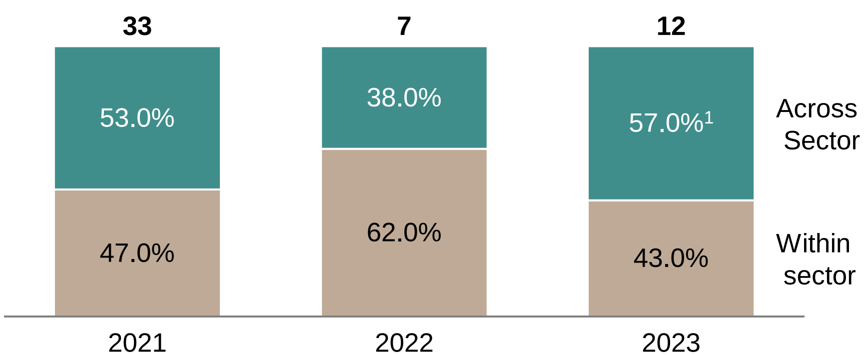
Nestlé: *Acquisition of premium chocolate company Grupo CRM – **strengthening its confectionary presence***

JBS: *Acquisition of a pork processing plant to **enhance domestic market supply***

Mengniu Dairy: *Acquired Greatview Aseptic Packaging to **strengthen its advantage in sterile packaging***

Sector Distribution of Divestments of the Global 50[1]

2019-23[2] (Bn USD)



Acquisition /Divestment Ratio	1.4	2.4	1.0

Examples

Molson Coors beverage company: *Offloaded Truss Beverage Co – **exiting the slow-growing cannabis drinks space** and pivot focus to other fast-growing segments*

Haleon: *Sold off Lamisil (a fungal infection treatment) business – **divesting non-core** to proactively manage portfolio*

Henkel: *Sold off Diadermine skin care brand – **optimizing brand portfolio and focusing on its core strength***

1. Excluded the 3,955 Mn USD divestment deal of Essity x Vinda, as this deal is aiming to improve financial stability of Essity group

Source: OC&C analysis

In particular, companies are eyeing targets in high-growth segments for acquisition within their core

Portfolio Optimization in High-Growth Segments

Several high-growth segments / categories have emerged in 2023…

"Premium"

- **Premiumisation becomes a buzz word in 2023** – the pool of high-end shoppers were less affected by the turbulence economy and have remained strong spenders
- Trend especially evident in categories like:
  - **Beauty:** Driven by more selective spending habit on high-quality products with greater efficacy
  - **Alcoholic Beverages:** Consumers becoming more sophisticated, especially the ones in emerging geos

"Niche Segments"

- Certain **emerging categories**, which are still in their early stages, have experienced **significant growth due to their increasing appeal among consumers**
- A few themes have contributed to the trend, in particular:
  - **Personalisation:** E.g. appeal for unique scent offerings in fragrance
  - **Health related:** E.g. plant-based / healthy snacks more demanded from consumers

…which in turn led to numerous global companies acquiring assets within the high-potential realm

Examples

DIAGEO

*Acquisition of 'Don Papa Rum, a **super-premium dark rum** from Philippines – riding on the early stages of premiumization in rum*

Keurig DrPepper

*Acquisition of 33% stake in US coffee roaster La Colombe – acting as a key enabler to tap into the **high-growth premium coffee** segment*

L'ORÉAL

*Acquisition of Aesop from Natura & Co – leveraging the premium and organic positioning of the distinctive **luxury personal care** brand*

Examples

Unilever

*Investing in Indonesian startup Esqa, first **vegan cosmetic brand** in Indonesia – given rising popularity of organic & natural beauty*

Coca-Cola

*Eyeing on the Japanese **'relaxation drink' market,** a heightening consumer trend in the geo – through acquiring local startup Endian*

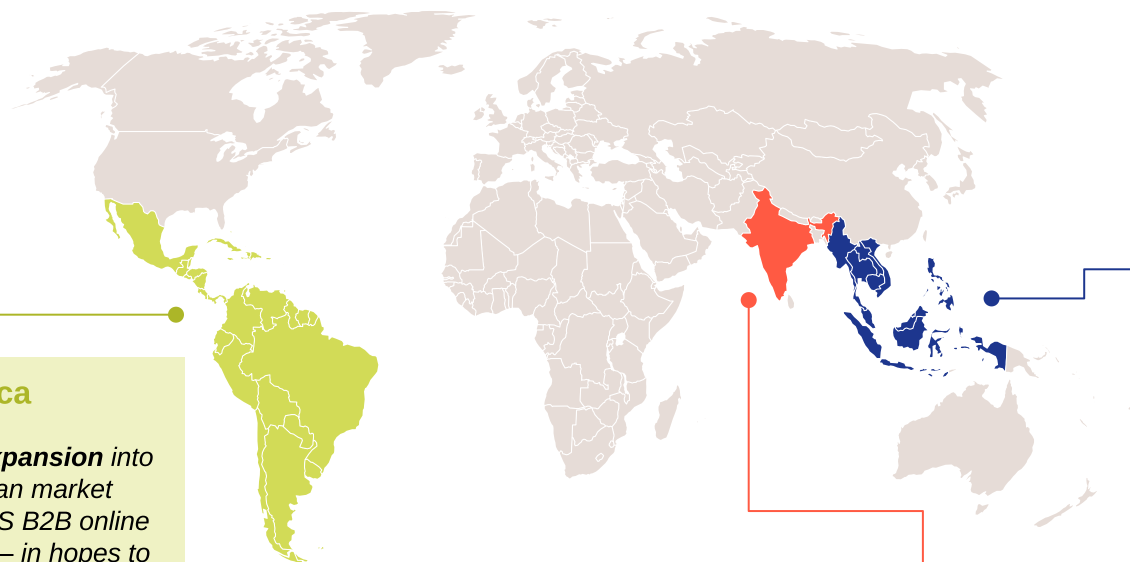
L'ORÉAL

*In talks to purchase minority stake in the **Omani niche brand Amouage** – to further diversify portfolio to high-growth fragrance space*

Source: Desk research, OC&C analysis

Companies have shifted their regional focus to seek growth

Geography Expansion of Global Companies



South East Asia

Asahi: ***Business expansion*** *into several countries in SEA – as a solution to sluggish Japan sales*

KraftHeinz: ***Manufacturing plant upgraded*** *in Indonesia – important milestone for long-term growth in the geo*

Latin America

KraftHeinz: ***Business expansion*** *into Latin American market through BEES B2B online marketplace – in hopes to reach 1m new POS*

Heineken: ***New brewing plant*** *investment of USD c.510m in Mexico – meeting growing Southeast demand*

PEPSICO: ***Snacking plant expansion*** *in Brazil – increasing production capacity by 30% for its Tordica brand of snacks*

India

P&G: ***Export hub set-up*** *in Gujarat – to manufacture company's global healthcare portfolio, helping P&G India to serve global consumers*

L'ORÉAL: ***Business expansion plans*** *to double India business in next couple years – with dermatological beauty division launched in the geo in 2023*

Nestlé: ***Manufacturing footprint expanded*** *– increasing existing production capabilities, as well as meeting growing demand in India*

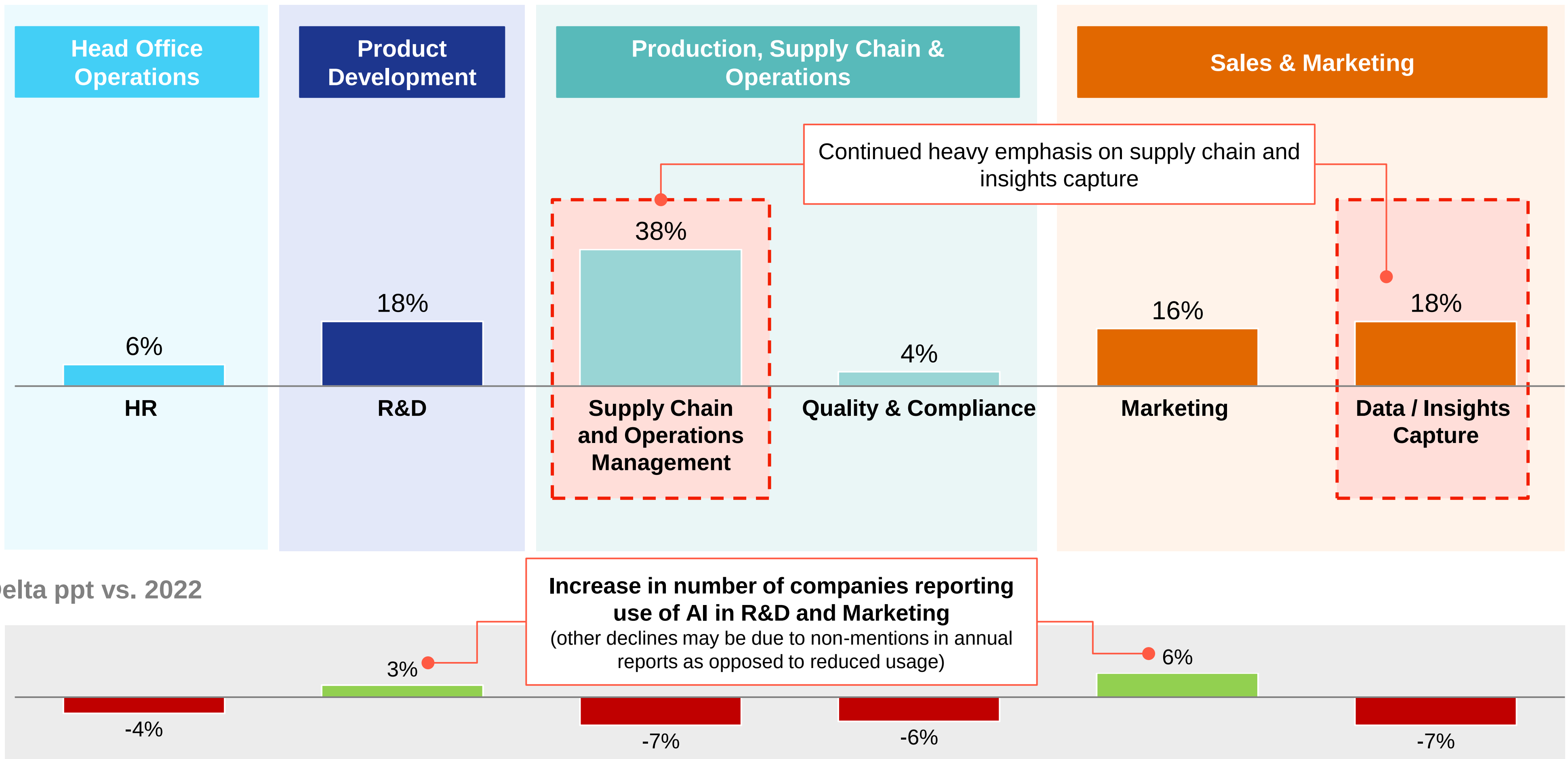
Source: Desk research, OC&C analysis

Global 50 are deploying AI to hunt for growth as well as efficiency

Reported Use of AI

% Of Global Top 50 Using AI by Use Case Specified in Annual Report

Usage Reported in 2023 Annual Reports Only



Source: Global50 Annual Reports, OC&C analysis

Pernod Ricard has piloted a new AI toolkit to deploy growth investments

Case Study: Pernod Ricard AI Adoption

Pernod Ricard

Maestria

VISTA REV-UP | matrix | D-STAR

Consumer Data Insights

- **Recommends promotion timings** based on AI-powered analysis – optimizing calendars to improve bottom-line growth

Statistical Model

> *"Insights powered by the AI tool was able to help us **optimize promotion calendars of our core brands**…"*
>
> Senior Director Pricing, Pernod Ricard USA

Marketing Effectiveness

- **Predicts sales impacts of marketing actions** – optimizing marketing investments and improving cost-effectiveness

Investment Allocation by Brand

> *"We only invested in touchpoints recommended by Matrix – which **helped improve effectiveness by 30%**…"*
>
> Marketing Director, Pernod Ricard Deutschland

Sales Team Efficiency

- **Optimizes weekly sales representative route planning** and **sales actions** based on outlet potential

Route Planning

> *"D-Star helped us to **locate shops with potential to introduce new SKUs** – which resulted in impressive sales performance…"*
>
> Zonal Head West, Pernod Ricard India

Source: Annual Report, Desk research, OC&C analysis

Whilst Unilever embraced AI to optimize its supply chain from end to end, delivering higher efficiency and customer satisfaction

Case Study: Unilever AI Adoption

Research & Development

Product Development with AI

- The R&D team utilize AI to empower new material discovery, identify and forecast industry new trends
- The AI implementation in R&D can largely speed up process of product development and reduce waste in product testing process while also ensuring product safety

Vegan Lipstick Hourglass Red 0

"Red 0 leverage computational models to discover the vegan alternative of animal material"

Unilever Official Website

Production Tracing

Improvement of Production Traceability by AI

- Unilever leveraged AI to analyse satellite imagery, along with data storage and machine learning, to monitor mills, landscapes, and farms
- This allows prediction of areas most at risk for deforestation, enabling the brand to be more proactive in its decision-making and thereby installing preventative measures

AI-Powered Satellite Imagery analysis

"Monitoring the deforestation-free status of 42 million acres of palm concessions"

Customer Replenishment

AI-Powered Customer Replenishment Forecast Model

- Unilever's AI data model integrates forecast and actual sales data, synchronizing the moment the consumer purchases products to the source of material
- The capability of running more than 13 billion computations per day that are empowered by AI can largely improve accuracy of replenishment planning

Walmart
Save money. Live better.

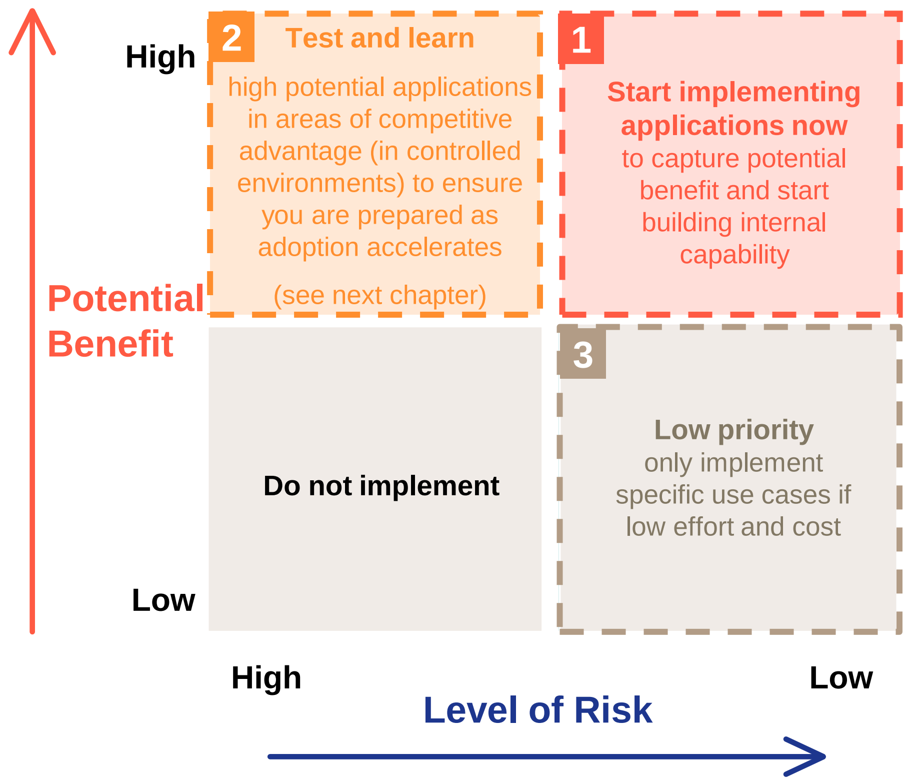
"Partnership with Walmart has delivered ***above 98% on-shelf availability*** *while growing 12% in less than a year and reducing inventory"*

Unilever Official Website

Source: Unilever Official Website, Desk research, OC&C analysis

Understanding where one should implement current GenAI applications requires an assessment of the potential benefits and likely risks

Assessing GenAI Applications



Potential benefit is likely highest where…

- …GenAI is able to automate processes that currently involve **significant human resource and therefore cost**
  - Generative AI (GenAI) effectively automates **content creation and research**, generating high-quality text and synthesizing information
  - It also excels in processing and analyzing large volumes of unstructured data, providing **actionable insights and enhancing efficiency**

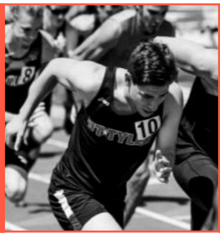
Risk is typically lowest where…

- … **GenAI is applied to internal process**; there is significant brand risk in deploying consumer facing applications before they are ready and without sufficient human-led checks and editing steps
- …GenAI is **used by humans to aid their own work-processes** (e.g. idea generation, first draft content creation) or helps to automate part of an internal with **suitable human involvement or ‘stage gates’ in any output or decision making**; there are few examples of where the technology is ready to create unchecked consumer facing content or fully replace human-led decision making
- …a GenAI model is **trained with non-sensitive data**; e.g. there are significant privacy and GDPR risk of training models with sensitive customer data

Source: Desk research, OC&C analysis

It's vital to consider implications of AI on your business model and sources of competitive advantage – invest where there is opportunity or threat

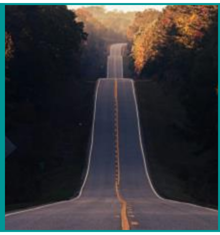
Approach to Future Proofing Against GenAI Developments

1 

Be clear what your sources of competitive advantage are; *it is here where the opportunity or threat is likely largest*

2 

Assess how GenAI could threaten or augment this; *and update this view regularly*

3 

Develop a road map to build defensive or offensive capabilities and test potential use cases *(in controlled environments)*

4 

Start building the enablers *to ensure you are prepared as adoption starts to accelerate*

Source: OC&C analysis

Understanding your sources of competitive advantage will be critical to assessing the potential long-term AI opportunities and threats

Examples of Potential Impact on Competitive Advantage

Indicative; Not Exhaustive

E.g. Sources of Competitive Advantage		Potential Opportunities	Potential Threats
Superior New Product Development …	…leveraging **deep insight and GTM execution** capability to scale product concepts that deliver against consumers' needs/wants	✓ Faster, less risky and cost-effective new product development… ✓ …AI-led design and testing of product concepts, supported by advantaged predictive models of consumer trends and product attributes/ingredients	✗ Democratisation of consumer insight and new product development capability meaning smaller, nimble, asset/capital-light players can potentially do this as well as you
Advantaged Brand Equity…	…underpinned by **deep emotional connection** built over many years of **significant investment**	✓ Deepen customer intimacy… ✓ …through personalised relationships and real-time comms based on consumer's unique circumstances	✗ AI shopping agents make purchase decisions more functional, eroding advantage of emotion-driven brand equity/marketing and disintermediating communication
Manufacturing and Supply Chain Scale and Efficiency…	…driving significant **cost advantage**	✓ …Advanced automation of manufacturing processes… ✓ …and high accuracy, real-time demand planning	✗ Cost advantage significantly eroded if scale competitors build AI capability here before you or replicate what gave you advantage and you struggle to make further gains

Source: OC&C analysis

Regardless of which direction you take, building the right enablers will be critical and will take time

Cultivate AI Capability	• AI capability will be a key (and likely relatively scarce) resource • Building (hiring, training and retaining) the right capability will be critical to accessing the technology’s potential
Foster Test and Learn Culture…	• Implementing processes, ways of working and decision rights to foster test and learn of AI applications… • …will help accelerate internal understanding of the technology and its potential applications
… and Ensure Learnings are Captured and Shared	• Mechanisms to capture AI learnings/ knowledge centrally and share them across the organisation will be vital… • … to creating a shared understanding across your organisation that all functions can build upon
Optimise Your Data Infrastructure	• AI is only as powerful as the data that feeds it • The technology will be more valuable to those that have access to large amounts of accurate, timely data • Ensuring your data infrastructure is robust will become increasingly important going forward
Put in Place The Right Governance	• There are risks in implementing GenAI (data, privacy, brand, operational) • Businesses will need to ensure they put the right governance in place to manage and mitigate these risks – and adapt to developments over time

2023 Global 50 (1 of 2)

Grocery Sales Only

Rank	Change 2023/22[3]		Company	Country	Grocery Sales	
					In million USD in 2023[1]	% Change in Local Currency Sales 2023 vs 2022[2]
1	→	0	NESTLE AG	Switzerland	103,446	-1.5%
2	→	0	PEPSICO	US	91,471	5.9%
3	→	0	PROCTER & GAMBLE	US	81,241	2.3%
4	→	0	JBS	Brazil	71,955	-3.0%
5	→	0	UNILEVER	UK	59,604	-0.8%
6	→	0	AB INBEV	Belgium	59,380	2.8%
7	→	0	TYSON FOODS	US	52,881	-0.8%
8	→	0	COCA-COLA COMPANY	US	45,754	6.4%
9	→	0	L'OREAL	France	44,570	7.6%
10	↑	3	MONDELEZ	US	36,016	14.4%
11	→	-	PHILIP MORRIS INTERNATIONAL	US	35,174	10.7%
12	↓	-2	BRITISH AMERICAN TOBACCO	UK	33,934	-1.3%
13	↑	1	HEINEKEN HOLDING	Netherlands	32,859	5.7%
14	↑	1	DANONE	France	29,891	-0.2%
15	↓	-3	WILMAR	Singapore	27,745	-12.0%
16	↑	2	MARFRIG GROUP	Brazil	27,330	4.5%
17	↓	-1	KRAFT HEINZ	US	26,640	0.6%
18	↓	-1	WH GROUP	China	24,333	-7.7%
19	↑	3	GRUPO BIMBO	Mexico	22,550	0.3%
20	↑	5	DIAGEO	UK	21,175	10.6%
21	↓	-1	SUNTORY	Japan	21,010	11.0%
22	↓	-3	ALTRIA GROUP	US	20,442	-1.0%
23	↓	-2	JAPAN TOBACCO	Japan	20,220	6.9%
24	→	0	GENERAL MILLS	US	20,094	5.8%
25	↓	-2	ASAHI BREWERIES	Japan	19,554	9.8%

1. Grocery sales excluding excise duty payments. Currency exchange rate is based on the average exchange rate in 2023
2. Percentage change excludes excise duty payment
3. Ranking changed as compared to the revised ranking in 2022 based on latest results reported in 2023

Source: Annual reports, 10K, OC&C analysis

Overall Ranking

2023 Global 50 (2 of 2)

Grocery Sales Only

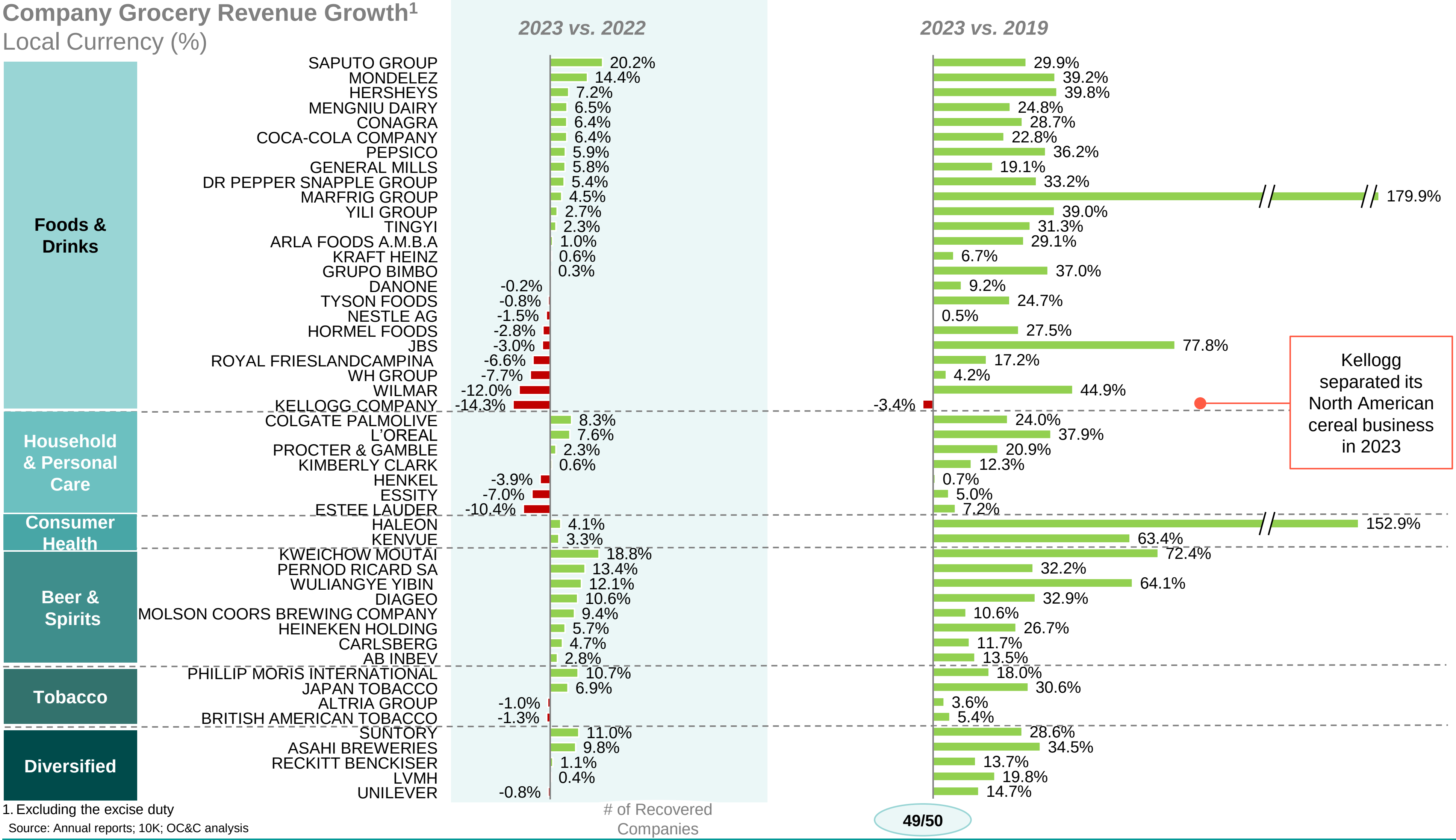
Rank	Change 2023/22[3]		Company	Country	Grocery Sales	
					In million USD in 2023[1]	% Change in Local Currency Sales 2023 vs 2022[2]
26	↑	1	COLGATE PALMOLIVE	US	19,457	8.3%
27	↑	4	KWEICHOW MOUTAI	China	18,384	18.8%
28	→	0	RECKITT BENCKISER	UK	18,168	1.1%
29	↓	-3	YILI GROUP	China	17,592	2.7%
30	→	0	KIMBERLY CLARK	US	17,027	0.6%
31	↓	-2	ESTEE LAUDER COMPANIES	US	15,856	-10.4%
32	↑	2	KENVUE	US	15,444	3.3%
33	↓	-1	LVMH	France	14,873	0.4%
34	↑	2	DR PEPPER SNAPPLE GROUP	US	14,814	5.4%
35	↑	3	HALEON	UK	14,057	4.1%
36	↑	1	MENGNIU DAIRY	China	13,940	6.5%
37	↑	8	PERNOD RICARD SA	France	13,135	13.4%
38	↓	-5	KELLOGG COMPANY (KELLANOVA)	US	13,122	-14.3%
39	↓	-4	ESSITY	Sweden	12,766	-7.0%
40	↑	1	ARLA FOODS A.M.B.A	Denmark	12,357	1.0%
41	↑	3	CONAGRA	US	12,277	6.4%
42	↓	-2	HORMEL FOODS	US	12,110	-2.8%
43	↓	-4	ROYAL FRIESLANDCAMPINA	Netherlands	12,074	-6.6%
44	↑	2	MOLSON COORS BREWING COMPANY	US	11,702	9.4%
45	↓	-3	HENKEL	Germany	11,606	-3.9%
46	↓	-3	TINGYI	China	11,270	2.3%
47	→	0	HERSHEYS	US	11,165	7.2%
48	↑	2	SAPUTO GROUP	Canada	10,718	20.2%
49	↓	-1	CARLSBERG	Denmark	10,680	4.7%
50	↓	-1	WULIANGYE YIBIN	China	10,346	12.1%

1. Grocery sales excluding excise duty payments. Currency exchange rate is based on the average exchange rate in 2023
2. Percentage change excludes excise duty payment
3. Ranking changed as compared to the revised ranking in 2022 based on latest results reported in 2023

Source: Annual reports, 10K, OC&C analysis

Some of the G50 companies saw negative growth vs last year, though most have recovered to above pre-covid levels after 3 years' recovery

Company Grocery Revenue Growth[1]
Local Currency (%)



1. Excluding the excise duty

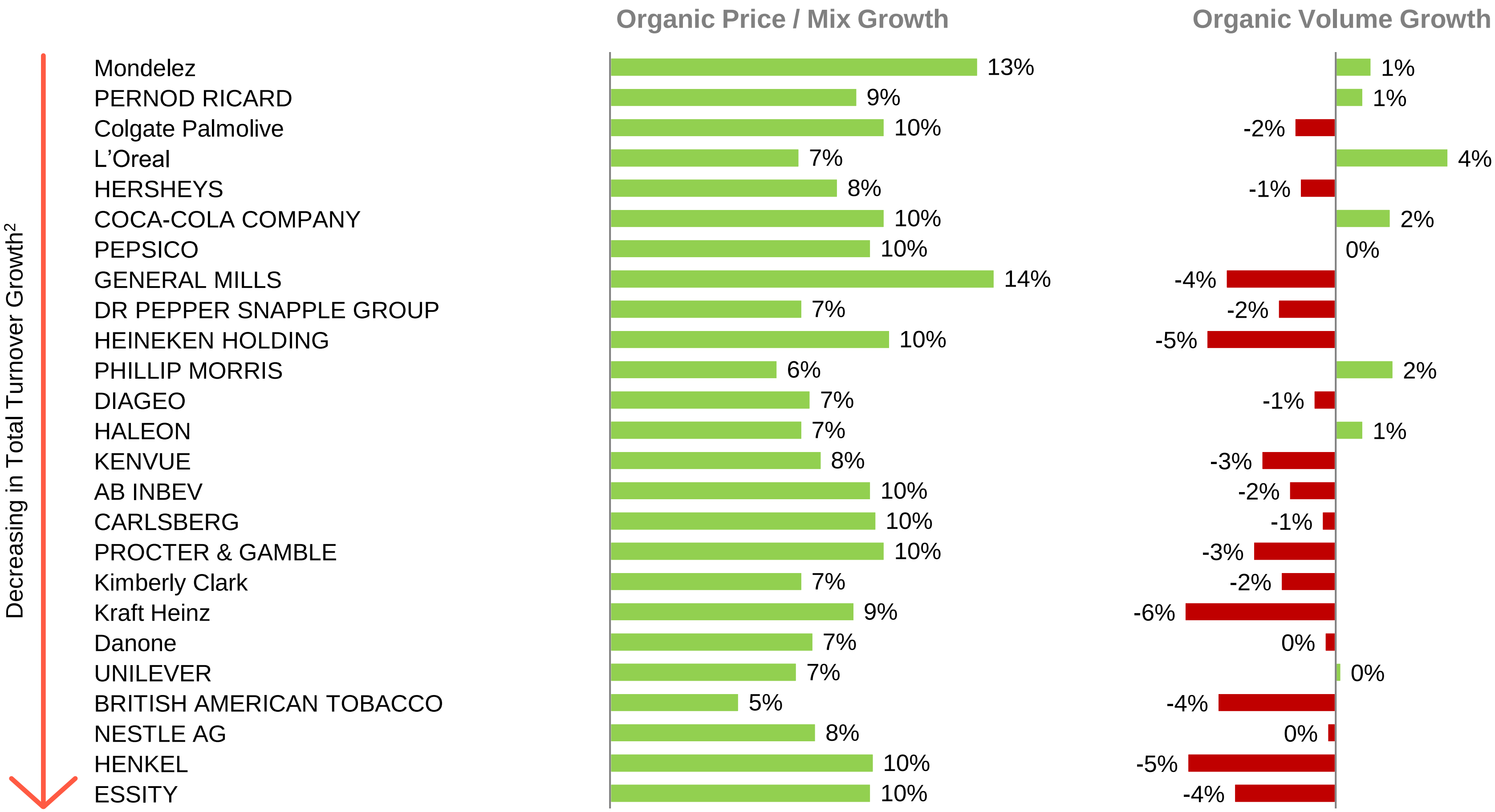
Source: Annual reports; 10K; OC&C analysis

Grocery Revenue Growth - By Company

Few companies achieved volume growth in 2023

Company Organic Growth Contribution Breakdown
2023 (%)

25 Companies Reporting Organic Growth Breakdown[1,2,3]



1. Growth rate as % change of grocery sales in local currency
2. Sum of organic Growth and Inorganic Growth will equal to growth of total turnover. Inorganic Growth include the impact from exchange rate, M&A activities and others
3. Exclude LVMH and Kellogg Company as they didn't break down its organic growth into Price / Volume in Annual Report

Source: Annual reports, 10K, OC&C analysis