UK Sweet Snacking - Foodservice

Nigel Taylor - Mademoiselle Desserts

Agenda

- Mademoiselle Desserts & Handmade Cake
- UK Cake Overview
- Understanding Foodservice
- Coffee Shop Focus
- Challenges
- Opportunities

Mademoiselle Desserts

mademoiselle DESSERTS

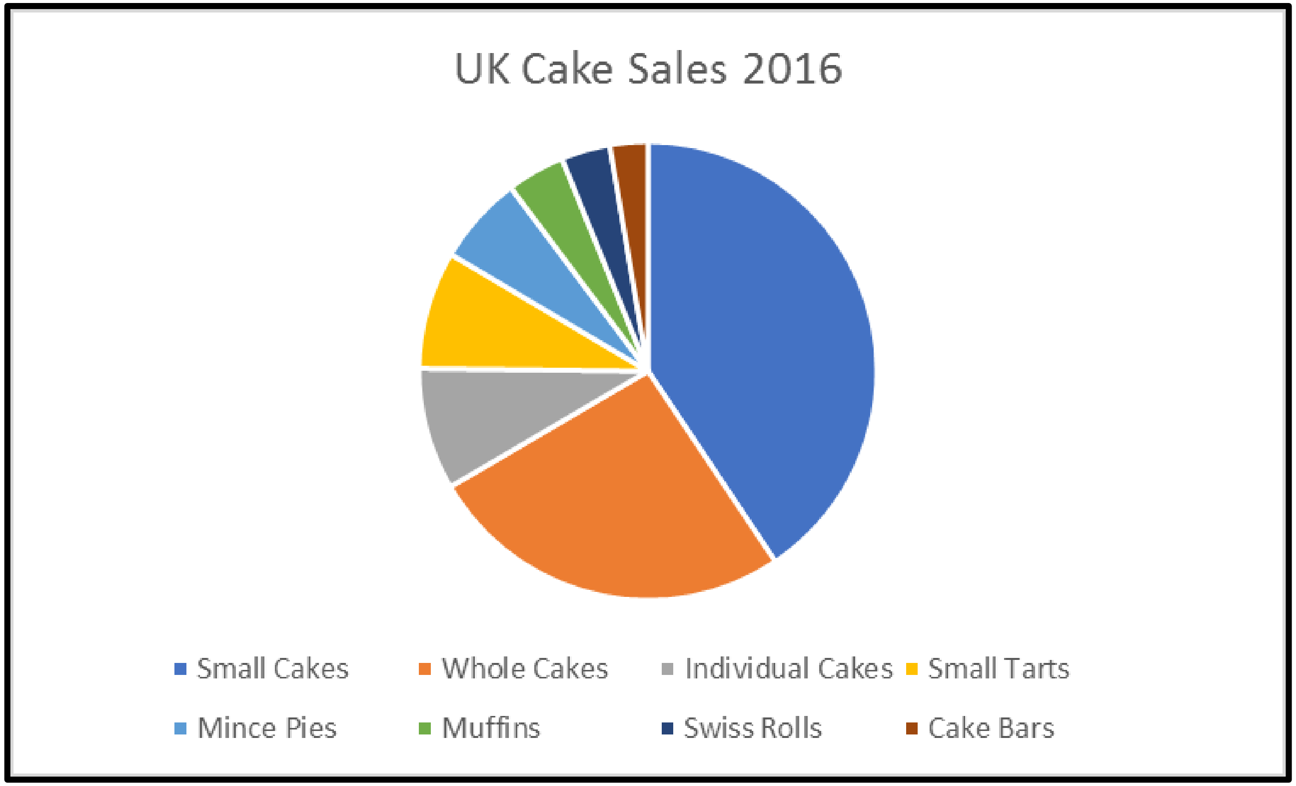
The Handmade Cake Company

- Artisan Baker producing high quality cakes since 1983
- All products made from scratch – no mixes
- Proudly have 39 Great Taste Awards

The Bakery

- 160 Employees
- Dedicated Gluten Free Bakery
- Factory is BRC Grade A

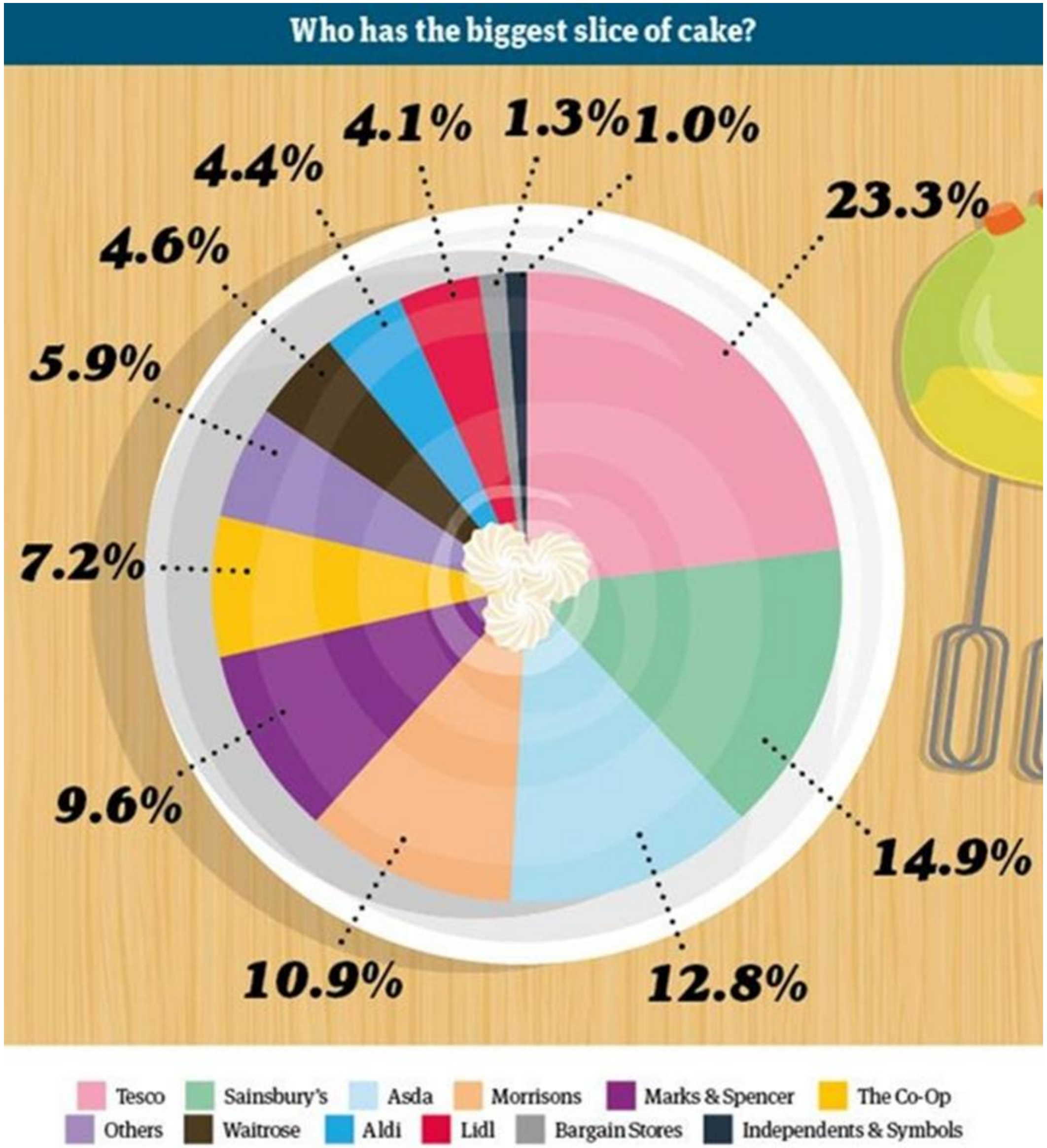
UK Total Cake Sales



- UK Sales £1.9bn
- +2.3% vs 2015
- Growth of £43m through small cakes
- NPD driving growth

Source - Kantar 12 months to July 16

UK Retail Cake Sales



- Estimated split between retail and foodservice 2:1
- Estimated sales of £1.3bn
- Biggest player Tesco
- Highest growth % Aldi and Lidl

Source: The Grocer Oct 16

UK Foodservice Channels

Wholesale & Foodservice	Daytime Snacking	Casual Dining	Travel & Leisure
- National Wholesale - Regional Wholesale - Cash & Carry - Contract Caterer's	- Coffee Shops - Sandwich Shops - Department Stores - Garden Centres	- Pubs - Restaurants - Hotels - QSR	- Motorway Services - Airlines - Ferries/ Cruise Liners - Leisure Parks

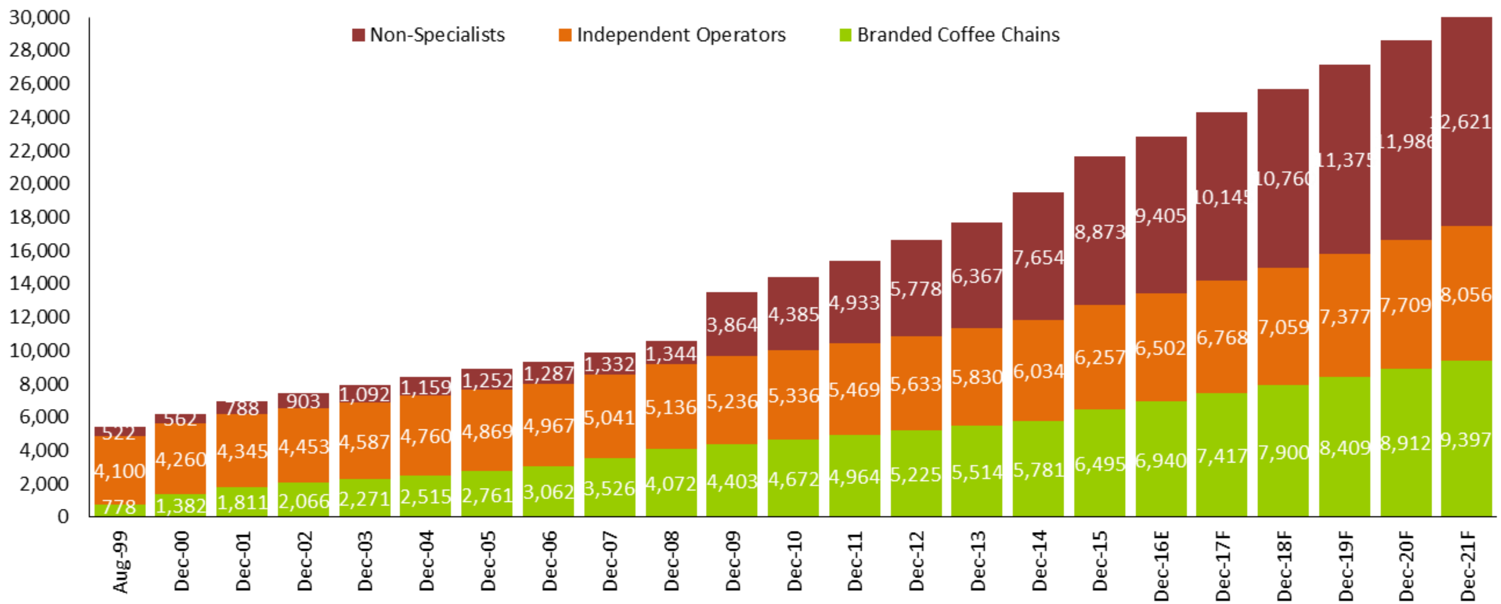
Key Category Opportunity:

Cake Lead
Dessert Lead
Both

Coffee Market Size by Outlet

Allegra estimates that the total UK coffee shop market, including branded coffee chains, independents and non-specialist operators, reached 22,845 outlets in December 2016. This represents annual growth of 6%. Market growth was driven by both branded coffee chains and non-specialists Non-specialists added net 530 stores, primarily driven by the pub sector focus on improved coffee offers. Branded chains added 445 outlets. Following compound annual growth of 8% between 2010 and 2016, Allegra predicts total market growth will continue at a more measured 6% per annum to reach 30,000 outlets by 2021, driven by the branded chains and non-specialist segment. Allegra estimates that the total coffee shop market will exceed 32,000 outlets by 2025.

FIGURE 2.1.1 – TOTAL NUMBER OF UK COFFEE SHOP OUTLETS, BY TYPE, AUG 1999-DEC 2021F
No. of Outlets



Compound Annual Outlet Growth

Dec 16-Dec 21F

Total Market 5.7%

Non-Specialists 6.1%

Independents 4.4%

Branded chains 6.3%

5,400	6,204	6,944	7,422	7,950	8,434	8,882	9,316	9,899	10,552	13,503	14,393	15,366	16,636	17,711	19,469	21,625	22,847	24,330	25,719	27,161	28,607	30,074	TOTAL
4.6%	14.9%	11.9%	6.9%	7.1%	6.1%	5.3%	4.9%	6.3%	6.6%	28.0%	6.6%	6.8%	3.7%	6.5%	9.9%	11.1%	5.6%	6.5%	5.7%	5.6%	5.3%	5.1%	YOY Growth

Notes: i.Non-specialist segment includes department stores, supermarkets, retail, pubs & hotels, quick service restaurants and motorway & forecourts and excludes branded chains coffee shops included in the branded segment but includes those with foodservice concepts such as Costa Proud to Serve or Starbucks We Proudly Serve; ii. Figures restated to account for revised end of year store numbers from operators. Source: Allegra World Coffee Portal Research and Analysis, 2016

Market Share of Coffee Focused Chains

TABLE 2.1.2 – MARKET SHARE BY STORE NUMBERS AND TURNOVER – COFFEE-FOCUSED CHAINS, DEC 2015-2016
No. of Outlets

Operator	Store Numbers					Turnover	
	London	Regional	Total	Coffee-Focused Market Shares by No. of Stores 2016	PP Change in Share, Dec-15 - Dec-16	Coffee-Focused Market Shares by Turnover at Dec-16	PP Change in Share, Dec-15 -Dec-16
Costa Coffee	418	1,703	2,121	44.1%	0.0%	39.2%	-0.5%
Starbucks	239	659	898	18.7%	-0.1%	24.4%	-0.1%
Caffè Nero	205	445	650	13.5%	-0.2%	11.7%	-0.2%
Cafe2U	8	72	80	1.7%	0.0%	0.3%	0.0%
Coffee#1	0	72	72	1.5%	0.2%	1.3%	0.3%
Muffin Break	2	60	62	1.3%	0.0%	1.1%	0.1%
Puccino's	18	22	40	0.8%	0.1%	0.3%	0.0%
Harris + Hoole	10	26	36	0.7%	-0.3%	0.5%	-0.1%
Soho Coffee Company	3	33	36	0.7%	0.0%	1.5%	0.0%
Ritazza	10	26	36	0.7%	0.1%	0.3%	0.0%
AMT Coffee	13	19	32	0.7%	0.0%	0.6%	-0.1%
Coffee Republic	17	15	32	0.7%	-0.2%	0.4%	0.0%
Love Coffee	7	22	29	0.6%	0.0%	0.4%	0.0%
Esquires	5	23	28	0.6%	0.0%	0.6%	0.0%
Café Thorntons	1	22	23	0.5%	-0.1%	0.3%	0.0%
Joe & The Juice	12	8	20	0.4%	0.1%	0.4%	0.1%
Boston Tea Party	0	19	19	0.4%	0.0%	0.6%	0.0%
Ground Espresso Bars	0	18	18	0.4%	0.1%	0.1%	0.0%
Boswells	0	16	16	0.3%	0.0%	0.3%	0.0%

- Top 3 chains have 76% of stores & turnover

Market Share of Food Focused Chains

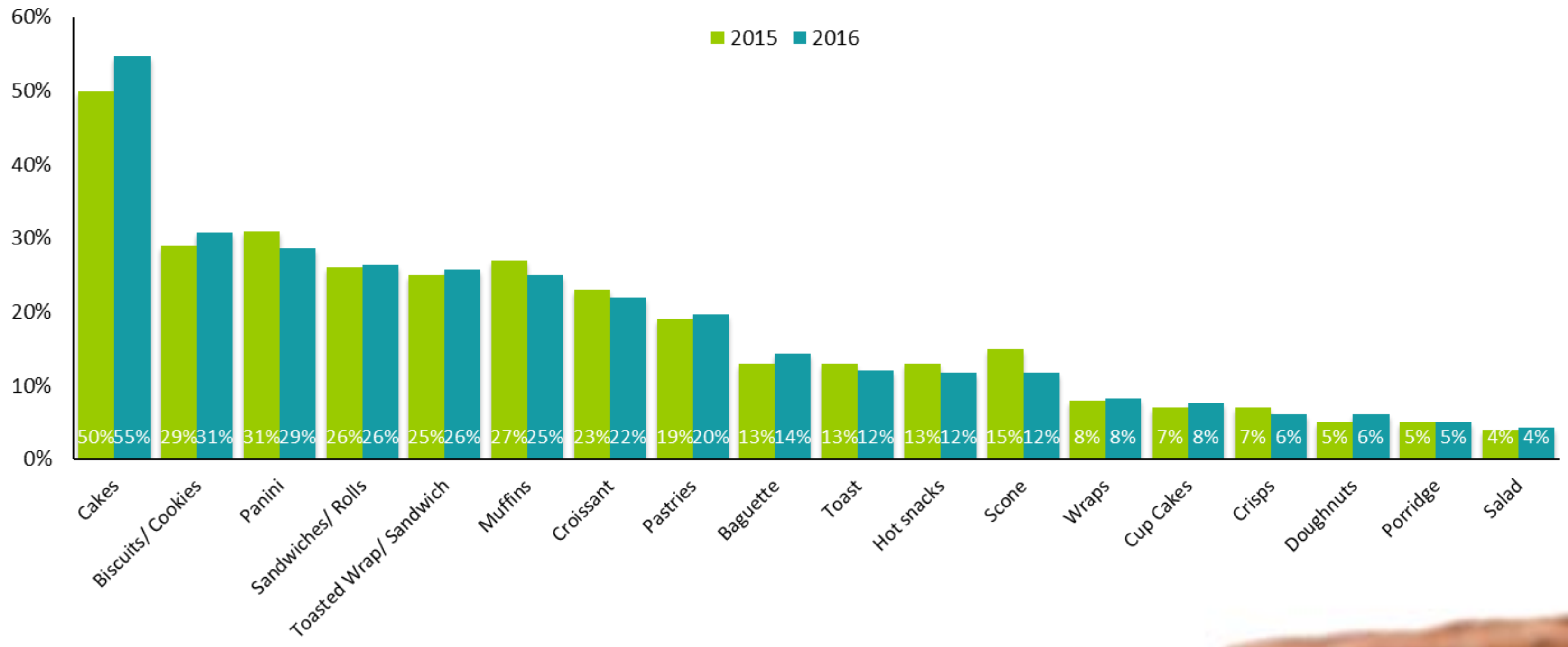
TABLE 2.1.3 – MARKET SHARE BY STORE NUMBERS – FOOD-FOCUSED CHAINS, DEC 2015-2016
No. of Outlets

Operator	Store Numbers					Turnover	
	London	Regional	Total	Food-Focused Market Shares by No. of Stores at Dec-16	PP Change in Share, Dec-15 - Dec-16	Food-Focused Market Shares by Turnover Dec-16	PP Change in Share, Dec-15 - Dec-16
Greggs	9	406	415	19.5%	3.3%	10.9%	5.3%
Pret A Manger	170	159	329	15.4%	0.2%	41.0%	-1.4%
Patisserie Valerie	34	92	126	5.9%	-0.1%	5.7%	-0.3%
EAT	95	16	111	5.2%	-0.5%	0.8%	-0.3%
Pumpkin	7	93	100	4.7%	-1.7%	7.6%	-1.2%
Krispy Kreme Coffee Bars	15	57	72	3.4%	0.8%	1.0%	0.1%
West Cornwall Co	9	43	52	2.4%	0.1%	1.4%	-0.2%
bb's bakers + baristas	0	43	43	2.0%	0.2%	1.3%	0.3%
Paul	32	3	35	1.6%	-0.1%	2.5%	-0.1%
Cornish Pasty Co.	0	35	35	1.6%	0.1%	0.9%	0.1%
Gails	32	2	34	1.6%	0.4%	1.9%	0.4%
Abokado	28	0	28	1.3%	0.0%	0.8%	-0.1%
Le Pain Quotidien	26	1	27	1.3%	0.1%	2.8%	-0.2%
Druckers	0	25	25	1.2%	-0.1%	0.8%	0.0%
POD	24	0	24	1.1%	0.0%	0.9%	-0.1%
Philpotts	0	21	21	1.0%	-0.2%	0.6%	-0.1%
Le Petit Four Francais	0	21	21	1.0%	-0.1%	0.5%	0.0%
Benugo	15	3	18	0.8%	0.0%	1.3%	0.0%
Others	235	379	614	28.8%	-2%	17.5%	-2.1%
Total	**731**	**1,399**	**2,130**				

- Greggs up 95 in store numbers yoy
- Pret's turnover per store significantly higher than everyone

Coffee Shop Purchasing Habits

Cakes, cookies and paninis are the most popular food items purchased alongside coffee, despite the prevailing health and wellness trend in the UK.



Source: Allegra World Coffee Portal Industry Interviews and Analysis, 2016

the handmade cake company

Coffee Shop Core Products

the handmade cake company

Fast Selling New Products

the handmade cake company

Coffee Shop Trends

TRENDS	RANK 2016	RANK 2015	RANK CHANGE
GLUTEN-FREE PRODUCTS	1	3	↑
IMPORTANCE OF PROVENANCE	2	5	↑
HEALTHIER EATING	3	5	↑
DEMAND FOR INFORMATIVE LABELLING	4	5	↑
VEGETARIAN PRODUCTS	4	N/A	N/A
MORE HOT FOOD	5	1	↓

OPPORTUNITIES	RANK 2016	RANK 2015	RANK CHANGE
HIGH QUALITY PRODUCTS	1	=2	↑
INNOVATION IN FOOD-TO-GO	2	1	↓
SPECIAL DIETARY REQUIREMENTS	3	N/A	N/A
HEALTHIER PRODUCTS	=4	=2	↓
VEGETARIAN PRODUCTS	=4	N/A	N/A
INCREASED RANGE OF BAKERY PRODUCTS	=6	=2	↓
SEASONAL PRODUCTS	=6	5	↓

Source: Allegra World Coffee Portal Industry Interviews and Analysis, 2016

Key Market Trends 2017

Vegan
Moving from fringe to mainstream.

Popularising the use of raw ingredients and grain alternatives

Seeds
Chia & quinoa increasing in popularity
Increased consumer interest in flavour, texture & health

Clean
Consumers are expecting product to be free from additives and preservatives and made with natural ingredients.
Big interest in where food has come from.

Free From
Free from market estimated at £740m In 2016 (Kantar).
Gluten free still growing, dairy free set to increase.
55% of those consuming free from food do not have a medical problem but do so from choice (Mintel)

Happy Health
Balance, moderation, indulgent heath.
Sugar reduction is key.
Increased fibre and protein starting to feature.

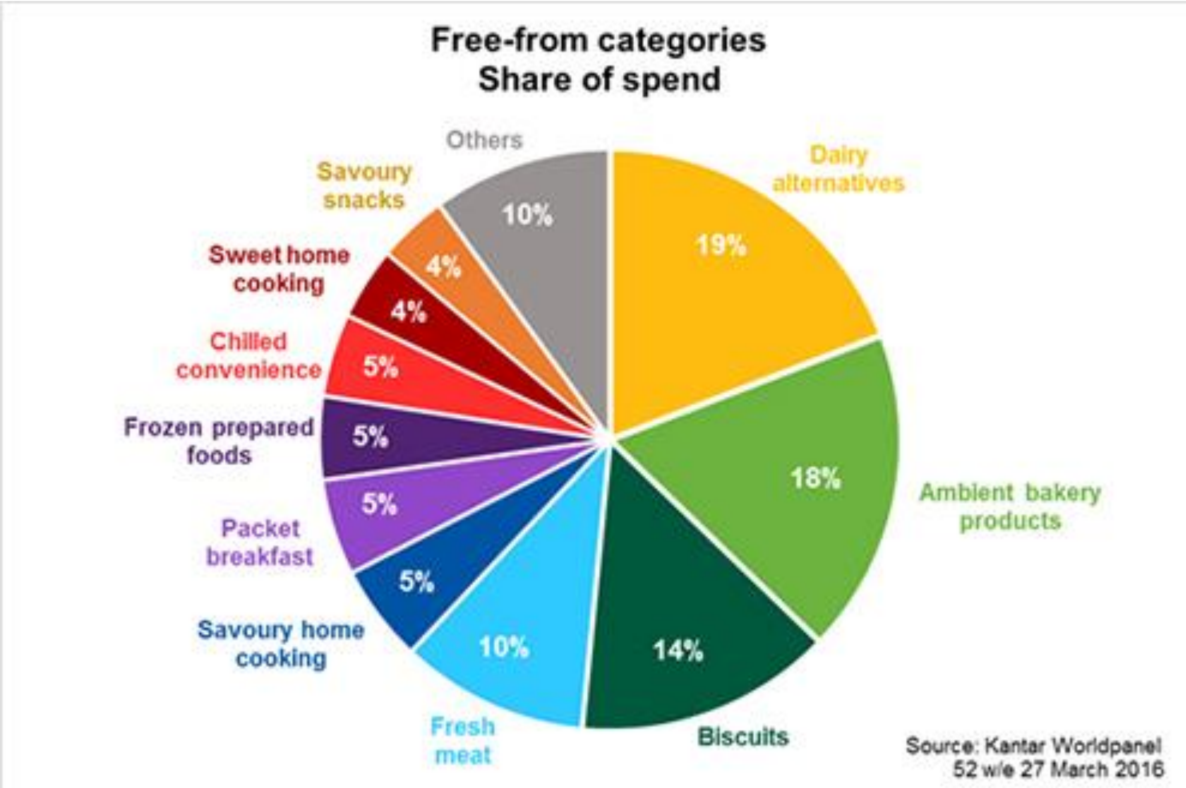
Flavour
Home baking, bake off.
Salted Carmel continues to grow (23% YOY growth)
Superfoods grown by 74% since LY (Blueberries, Chia Seeds, quinoa featuring)
Traditional flavors are still a big thing with hybrids and nostalgic/traditional flavours

Key Challenges:

Key Opportunities:

- Free From
- GF
- Health
- Category Fusion
- Quality NPD

Free From



- £740m in 2016 up 27% on 2015 (Kantar)
- GF makes up 60% of this
- Vegan sales flying with 500,000 people in the UK following a vegan diet
- Dairy free – rice, oat, soya, coconut replacement

Gluten Free

- GF Market in the UK was £438m increasing by 36% on 2015 (Kantar)
- HMC GF Sales:
  - Approaching 20% of total sales
  - CTG & Traybakes biggest category
- Growth continues through ‘lifestylers’ not coeliacs
- Continued complicated legislation making life difficult for shops & restaurants

Health

- New formats
- Portion control
- Reduced sugar
- GF & Vegan

the handmade cake company

Category Fusion

Sketch Lecture Room – French/African

Established Restaurant Trend

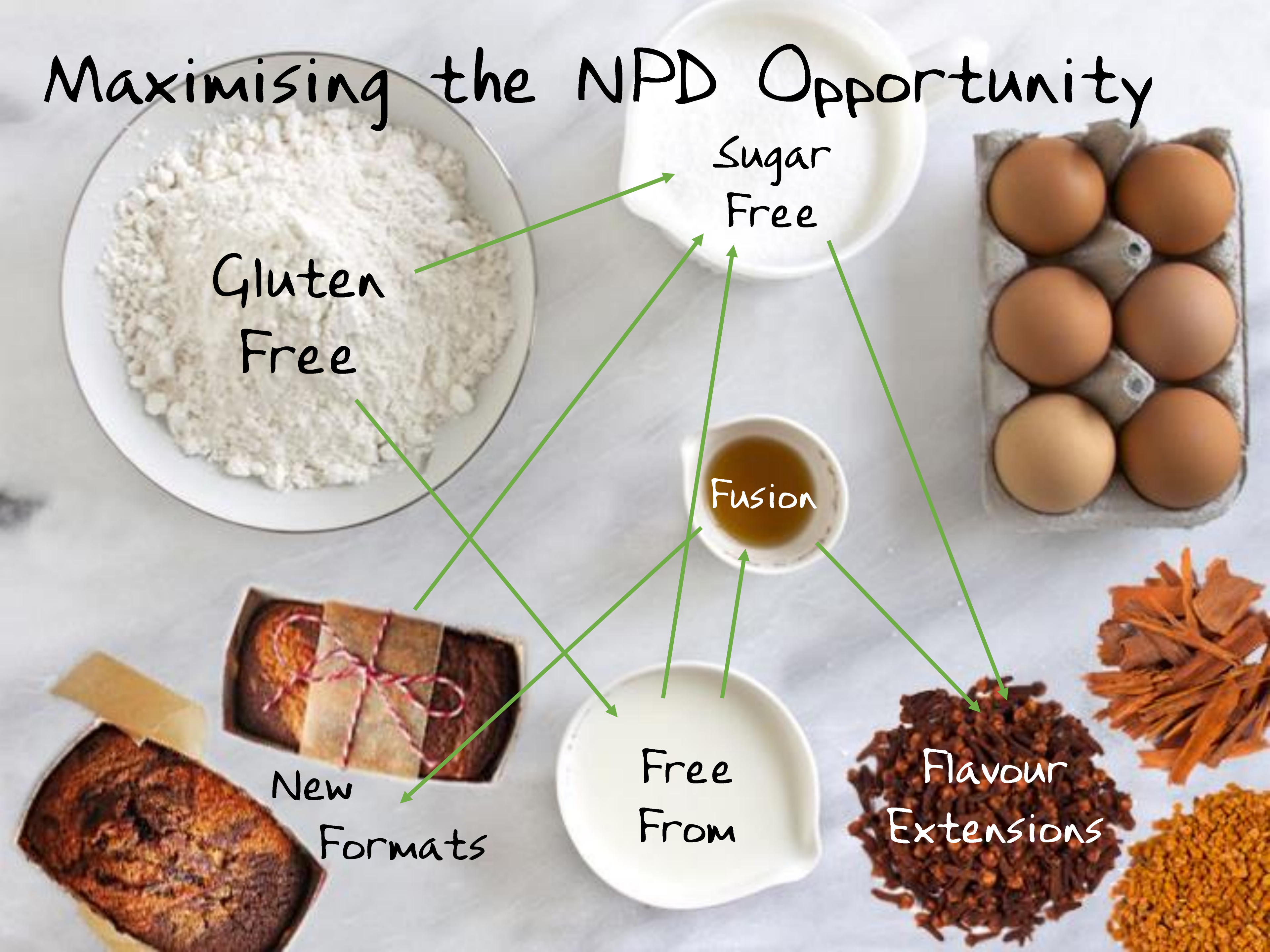
Sticky Mango – Thai Malaysian

Cinnamon Swirl

Cross Category & Channel Sales Opportunity

Cookie Dough Cheesecake

Maximising the NPD Opportunity




the handmade cake company
part of
Mademoiselle
DESSERTS