"Covid-19 crisis – Impact on European Bakery Markets"

Anne Fremaux, 2nd December 2020

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Major topics covered

Who is Gira?

A food & drink industry specialist, from before the farm to consumption

Founded in 1970, Gira has provided strategic market consultancy and forecasting at every level of the food supply chain

- We are a team of 28 consultants and researchers based throughout Europe and around the world
- The team comprises economists, strategists, agronomists, business analysts, scientists…
- Professional expertise & vast food chain experience

The expertise and experience you need

- *4 core divisions: Dairy Meat & Livestock Bakery Foodservice*
- Knowing the industry drivers, Detecting and Relativizing the key trends, Knowing how the main actors in the sector are going to react.

Targeted | Forward looking | Overall approach | Knowing actors

1. Introduction, Objectives and Scenarios

Objective of the Report
Provide scenarios for bakery in this new and evolving crisis

The objective of this report is to provide clear insight into the impact of the global COVID-19 crisis on the European bakery markets

In order to achieve this, the report lays out:

- **The evolving situation in Europe:** the impact of COVID-19 crisis at each level of the bakery chain
  - Consumer purchasing behaviour and shopping habit changes
  - Foodservice downturn impact on bakery products consumption
  - Switch in supply method strategies for fresh bakery products
  - And the consequences of all of these changes for the fresh, packaged and bake-off bakery markets.

- **Implications for the future:**
  - Given a recovery process, what will the consequences be for bakery products' consumption, distribution and production
  - **Scenario analysis** have been conducted to provide alternative development paths with downside and upside cases modelled.

Scenarios used for the Reports
Downside scenario more likely to materialise; upside challenging to see

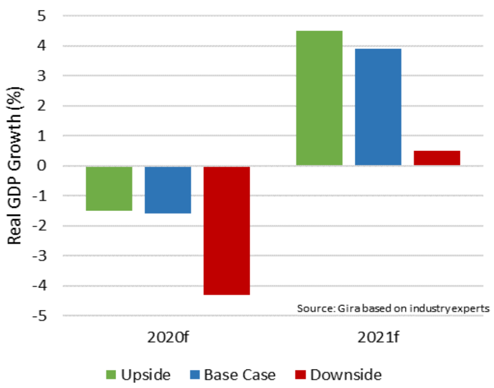
Three scenarios have been modelled in this analysis.

Base case:
- Good control of the epidemic during coming months, no second wave and thus no new lockdown period.

Downside case scenario:
- The main hypothesis of this scenario is the resurgence of the epidemic during the summer or autumn, involving a new lockdown period.

Upside case scenario:
- EU and US get the virus under control by end 3Q20, economies will be reopened relatively quickly and there will be no second wave.

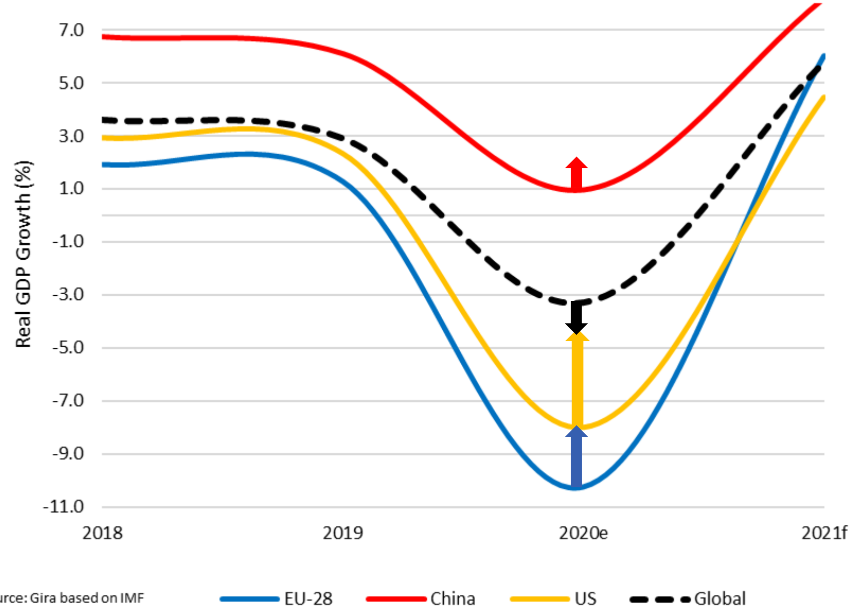
Global GDP Growth Scenarios, 2020f v 2021f



Economic Outlook

Global economic collapse; the food demand impact is tempered

Global GDP Growth, 2018-2021f



Source: Gira based on IMF

- COVID-19 will have significant global **macro-economics impacts:**
  - Great depth of contraction in 2020.
- EU-28 is one the most impacted market in the world.
  - Forecasting a global contraction of -10.2%. *-7.6% (IMF 10/2020)*
  - Against -8% for the USA and +1% for China. *-4.3% (IMF 10/2020)* *+1.9% (IMF 10/2020)*

Disruptors

The only thing guaranteed is uncertainty!

COVID-19 issues:

- 2^{nd} wave of infection
- Medical treatment
- Vaccine
- Further movement restrictions.

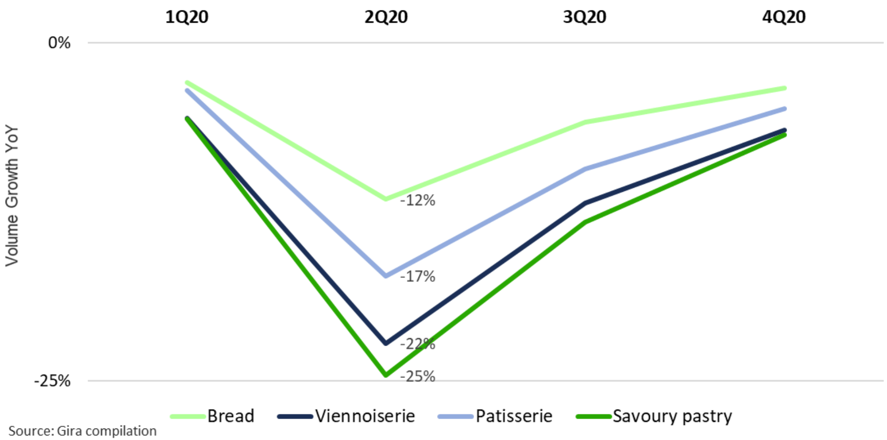
Economics:

- Variations to GDP outlook
- Unemployment levels
- International travel recovery.

2. Bakery Product Consumption Outlook

Consumption overview: quarterly change in 2020
Abrupt demand shocks from COVID-19 restrictions in 2Q20

Quarterly bakery consumption change by product & by technology, EU14, 2020



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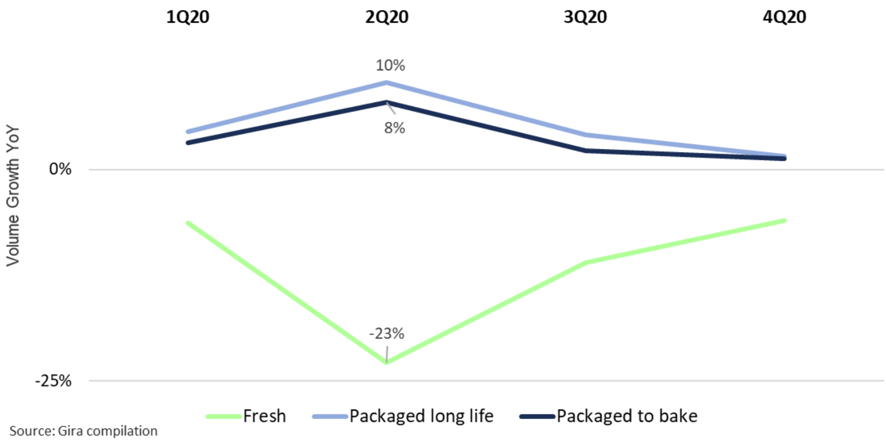

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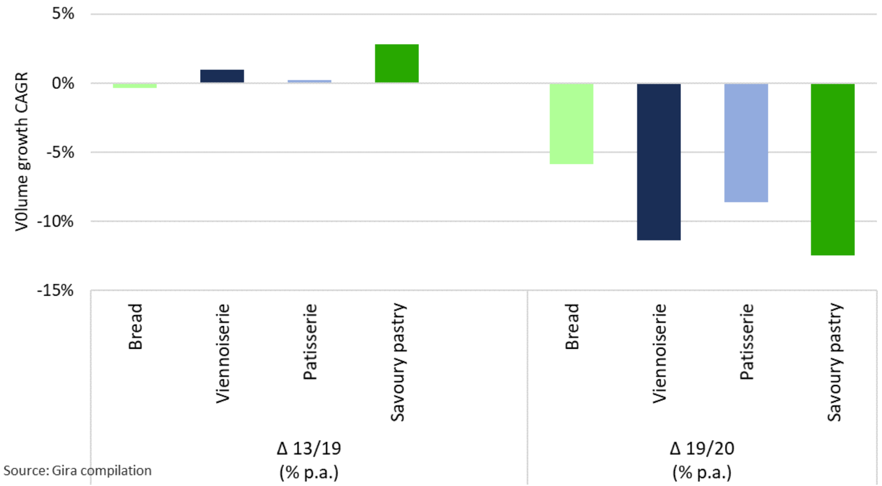
Consumption overview: change in 2020

And downside scenario

Bakery product consumption trends by product & by technology, EU14, 2013/2019 & 2020



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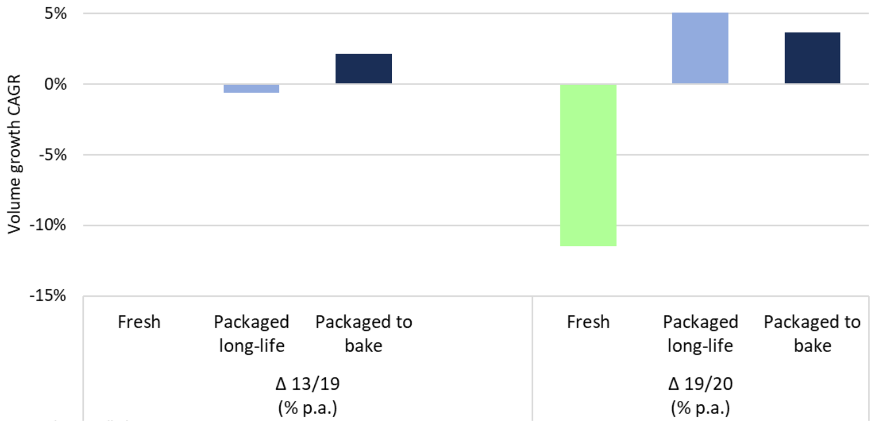

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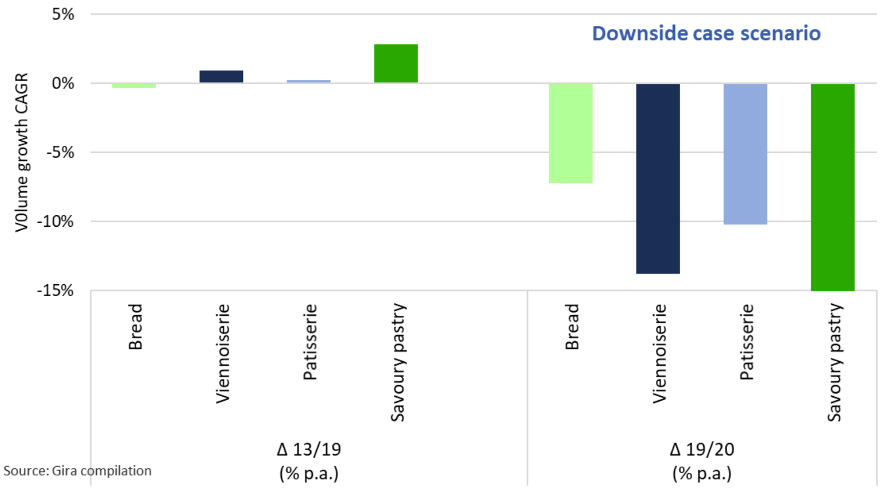

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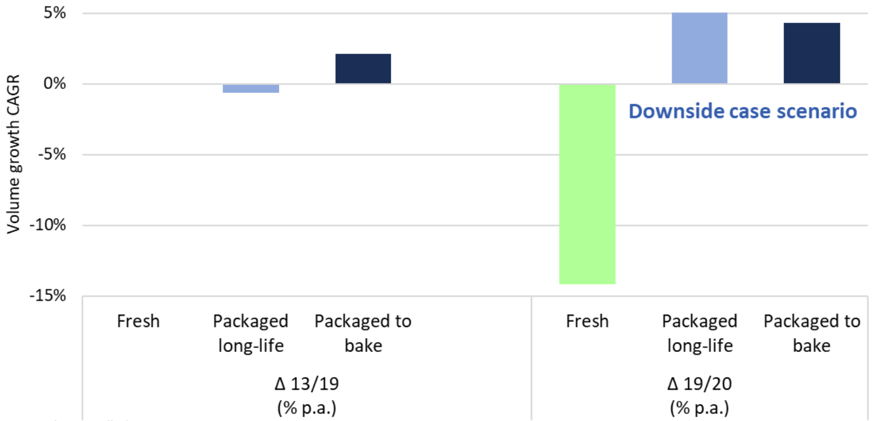
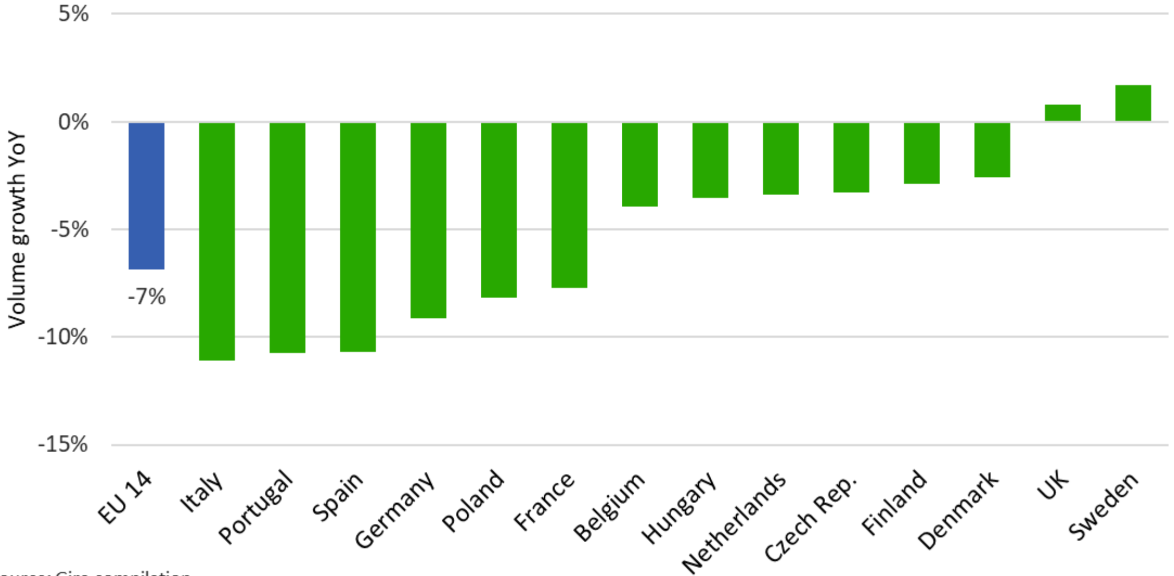


Source: Gira compilation

2020 bakery consumption forecast by country

-7% for bakery, down to -11% for fresh bakery products

Bakery product consumption trends by country, EU14, 2019/2020



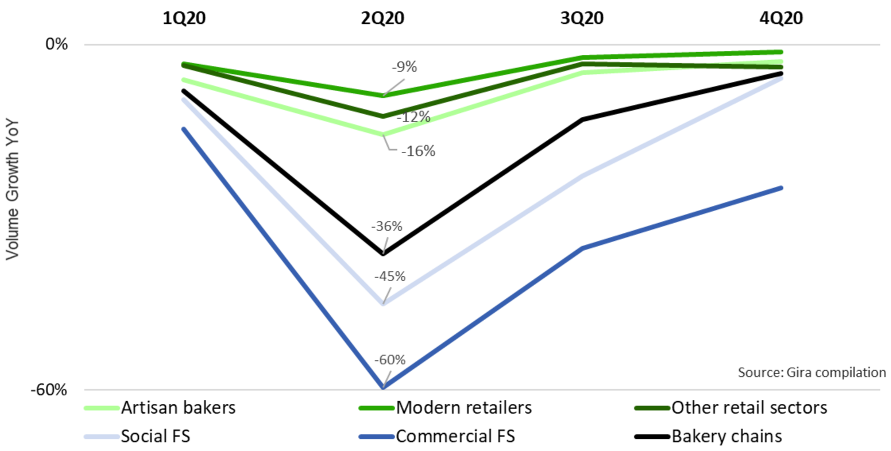
Source: Gira compilation

3. Fresh Bakery Product Distribution Outlook

Distribution overview: quarterly change in 2020

Retail sectors held up well

Quarterly fresh bakery distribution change, EU14, 2020

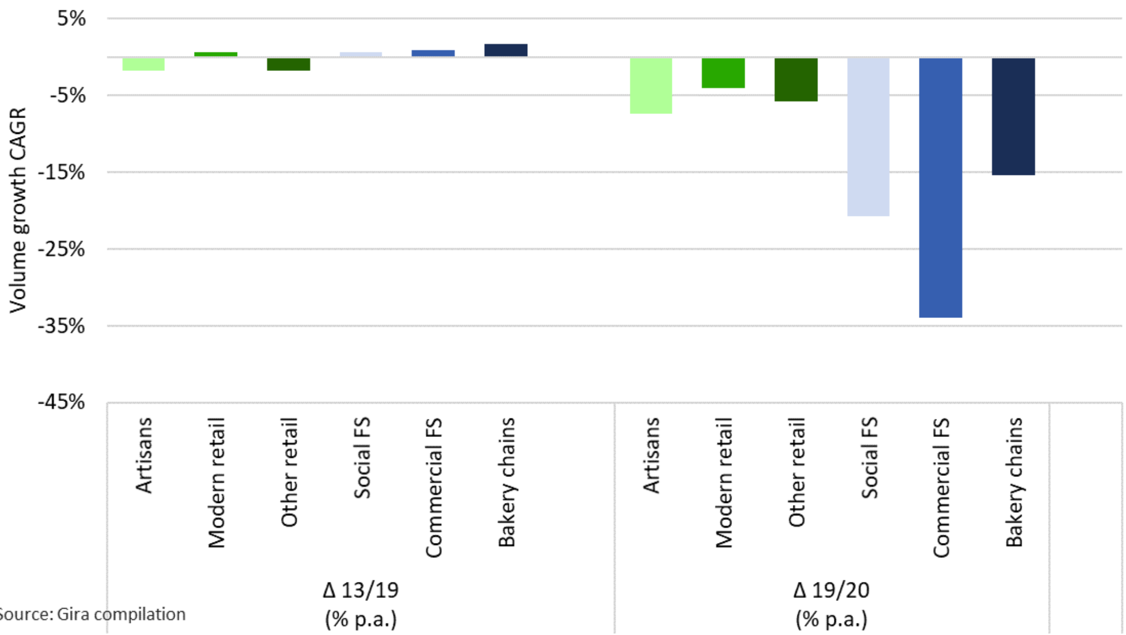


- **Retail** stores have been the least severely affected
- Success of **proximity** stores
- Development of **takeaway** offer, **click & collect** and home **deliveries**.

Sales channel evolution in 2020

Foodservice decrease: -25% in 2020 (-30% downside scenario)

Fresh bakery product distribution trends, EU14, 2013/2019 & 2020



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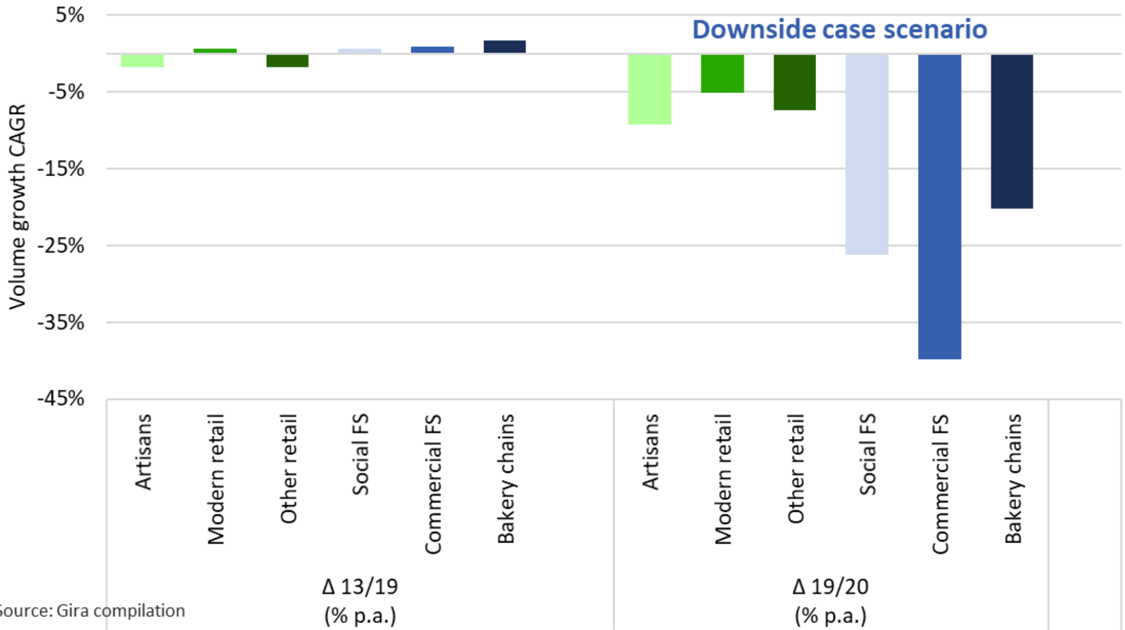


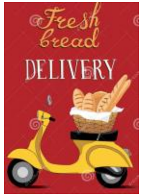
Source: Gira compilation

4. Fresh Bakery Product Supply Strategies

Impact of the crisis on fresh bakery product supply strategies
Any change during lockdown?

- In most countries, **increased use of bake-off during lockdown**:
  - Scratch baking faced problems of labour shortage and sanitary measures
  - Buying fresh faced problems of logistic (daily deliveries needs)

- **Modern retailers:**
  - Many **in-store scratch baking** operations have been closed or reduced during lockdown
  - Increase of **bake-off**
  - In some countries, temporary **switch to industrial fresh supplies**
  - The main problem has been consumers' **fear of unpacked products**



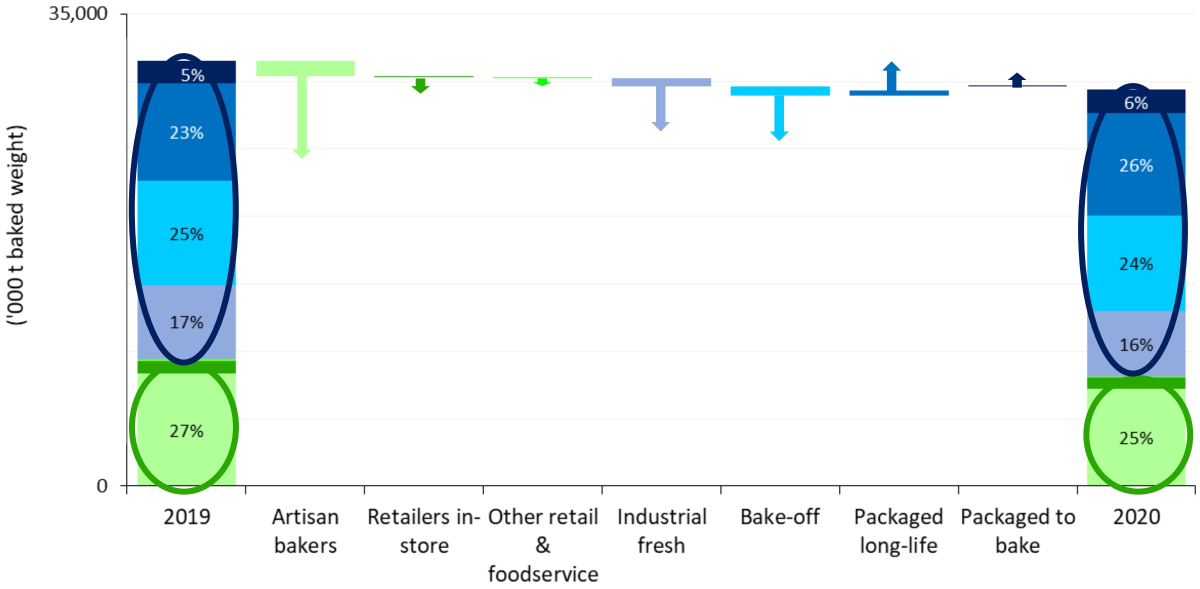
- **Foodservice sectors:**
  - Buying more from industrials, due to labour shortage and sanitary measures.
  - Or buying more bake-off for longer conservation, hygiene of frozen products, less waste.

- **Bakery chains:**
  - Increase of bake-off as fresh daily deliveries were difficult during lockdown.

TOTAL bakery products supply structure

Packaged products to take share from fresh

Total bakery product supply structure, EU14, 2019/2020



Source: Gira compilation

Fundamental industry shifts

Several existing and new themes to be accelerated by COVID-19

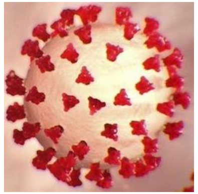
- **Trend away from international supplies**

- **Potential development of retailers' central baking plants**

- **Sustainability**: environmental impact along the supply chain and on consumer behaviour

- **Channel and product strategies:**
  - Channel shift: decreasing the level of exposure to a specific channel will be key
  - Develop the ability to **switch between different technologies**

- **Development of packaged products: B2B, B2C or D2C products (branded)**



Thank you very much for your attention!

Should you require more information, please contact:

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