



THE FRESH MARKET

The Fresh Market opened its first store in 1982 with the goal of providing a highly differentiated consumer experience focused on a quality assortment of fresh, premium perishables and other specialty food items. The store was designed to replicate the neighborhood grocer feel for customers looking for natural, organic and conventional food offerings inside a smaller store format relative to other traditional grocery stores. The company is well positioned to take advantage of food industry macro-trends around a shift toward health and wellness, a greater preference for locally grown foods and transparent farming methods, convenience, and digital interaction.

Sustainability within the Fresh Market supply chain has always been a priority. The company initially went to a fully sustainably sourced seafood offering in 2012, fully cage-free eggs in 2019 and has recently increased its offering of 100% grass-fed dairy products. All poultry products offered by Fresh Market are American Humane Certified as well as certified by the Non-GMO Project, certifying the poultry has been fed a non-GMO diet. As consumers continue to emphasize transparency in the food supply chain, the sustainability and traceability of Fresh Market's supply chain is a significant competitive advantage.

The focus on sustainability also extends to store operations. The company has retrofit its stores and warehouses with LED light bulbs and enacted an aggressive shrink reduction program to ensure lower amounts of food waste. The company also recycles or repurposes cardboard containers received within its supply chain, which amounts to 1,000 tons of cardboard monthly. These efforts have an environmental impact of reducing GHG emissions but also help drive profitability.

The company's pre-packaged meals provide an excellent example of Fresh Market's desire to reduce waste, meet customer demand and improve results. In 2018, Fresh Market recognized that its customers want to enjoy fresh and healthy meals at home but don't have the time to shop for the ingredients or have an interest in cooking. The company responded with the launch of its fresh-prepared, in-store Market Meal Kits, which are pre-portioned, easy-to-cook meals that reduced the amount of food or ingredient waste. This offering has been a meaningful driver of growth and profitability. The company posted a 1.2% improvement in EBITDA margins and a 13% increase in EBITDA during fiscal 2019. This foundation was even more beneficial during fiscal 2020 as The Fresh Market and the broader grocery industry saw significant demand due to the COVID-19 pandemic.

The strong reputation earned for its quality has allowed the company to spend less on marketing relative to its competition given the strong "word-of-mouth" advertising provided by its existing customer base. This reputation was validated when Newsweek recognized The Fresh Market with their Best Customer Service Award for 2021. The focus on service extends to the larger community. In partnership with Feeding America, Fresh Market engaged its store base to raise \$250,000 by the end of April 2020, which was matched by the company to provide 5 million meals in their local communities. The focus on quality, service and sustainability has enabled The Fresh Market to maintain higher EBITDA margins relative to its larger grocery peers such as Sprouts, Kroger, Albertsons, and Publix.



Zeo Capital Advisors

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