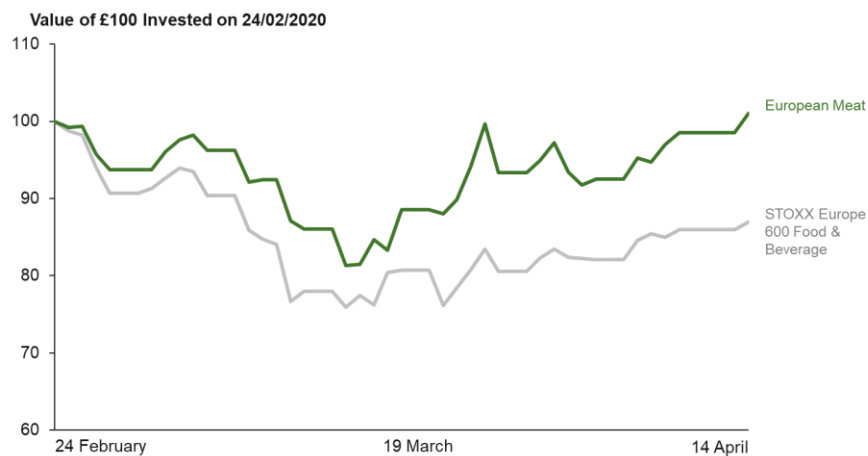


The Here and Now Opportunity for European Meat Industry CEOs



Whilst European meat industry players have been facing immediate challenges in light of Covid-19, they are proving relatively resilient vs. the broader food and beverage industry. Listed European food manufacturers across all categories experienced a 13% drop in shareholder returns between 24th February and 14th April, whilst listed European meat manufacturers' shareholder returns rose 1%.

Exhibit 1: Covid-19 Total Shareholder Return, Meat vs. Food & Beverage



The Here and Now Opportunity for Meat Industry Chief Executives

Marakon Perspective

April 2020

Yet, despite short-term resilience and advantage vs. the broader peer-set, the longer-term outlook within core meat categories remains uncertain, and the range of possible scenarios post Covid-19 is even broader than what might have been expected before the pandemic.

Before the emergence of the virus, consumer concerns about the ecological impact of animal rearing and about the health implications of red meat and processed meat consumption threatened to diminish demand. In other words, meat players faced declining market economics. Many peers were focused on optimising their core business for profitability, while considering investments into non-meat or other adjacent categories / channels with more favourable tail winds.

Covid-19 creates a much broader range of market outcomes, and potentially some significant opportunities. These major uncertainties, as we see them, include

1. The magnitude and duration of any reduction in consumer confidence, and the implications for both overall meat consumption and carcass balance
2. The robustness or fragility of meat supply chains (local vs. global, meat vs plant-based), and the resulting changes in public and regulatory perception and stance
3. The extent of substantial changes to food consumption habits, and their implications upon channel, category, and geographic profitability

In light of the unusual combination of short-term resilience and broader and more fundamental longer-term uncertainty, we recommend that Meat Industry Chief Executives should consider being pro-active on a number of fronts to take advantage of the planning window that has been created, including:

- A. **Revisit corporate assumptions about the shape of future demand and the economics of European meat markets.** Use scenario planning as a mechanism to test the implications of different post Covid-19 market outcomes on the shape of the business and to embed strategic agility in the leadership team
- B. **Identify opportunities, either alone or in partnership with industry groups, to shape a more attractive future for the meat industry now.** Lean into the narrative on post-Covid “sustainability” in food – what it means, how it should be interpreted, and how the meat industry might be able to lead
- C. **Reconsider the category, channel, and geographic portfolio in light of both long-term structural changes and short-term M&A opportunities that are likely to arise**

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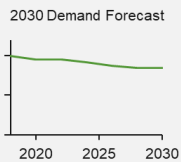
As a “starter for ten”, we have illustrated some example scenarios to consider:

Exhibit 3: Example Market Development Scenarios

Traditional Future

Scenario

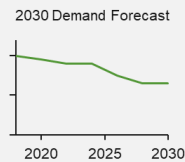
It is 2030 and the industry has echoes of the past. Meat remains a significant component of the European diet, and a new generation of meat eaters with larger wallets has replaced those lost to vegetarianism. Grocers have recaptured their profitability, as their differentiated delivery networks serve consumers who commute infrequently



Industry Reset

Scenario

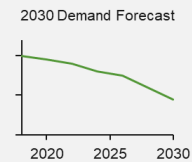
It is 2030 and the industry is smaller, but remains vibrant. Red meat is seen as a luxury – consumers ration intake on health grounds and the introduction of net carbon neutral beef drove up prices. Consumers now eat most meals on the go, and seek local production given memories of global supply failures in the wake of Covid-19 and 25



Market Under Siege

Scenario

It is 2030 and the industry continues to have a torrid existence. It navigated demand shocks due to Covid-19, new regulation due to Covid supply failures, both green and health taxes, and then customer failures. As farmers now protest against the launch of lab grown meat, many wonder if there is a future for the industry at all



To learn more about how to take advantage of this opportunity, please do make contact. We would be happy to follow up with a short call or a brainstorming session to debate the implications for your company.