Convenience Channel Deep Dive

May 2025

Colin Guheen, CFA
Group Lead
Food & Beverage
Investment Research

Mike Blommer
Vice President
Food & Beverage Lending

Agenda

Consumer Macroeconomic Backdrop

Phase 1:
Money Illusion Winds Up

Nominal Dollar Decisions Cloud Reality

2020
Black Swan
COVID-19

2021-1H22
Inflation
Spending Ramp Up

Phase 2:
The Unwind

Phase 3:
Real Growth

Return to Real Dollars and Real Growth

2H22-2024
Disinflation
Supply Chain Catches Up

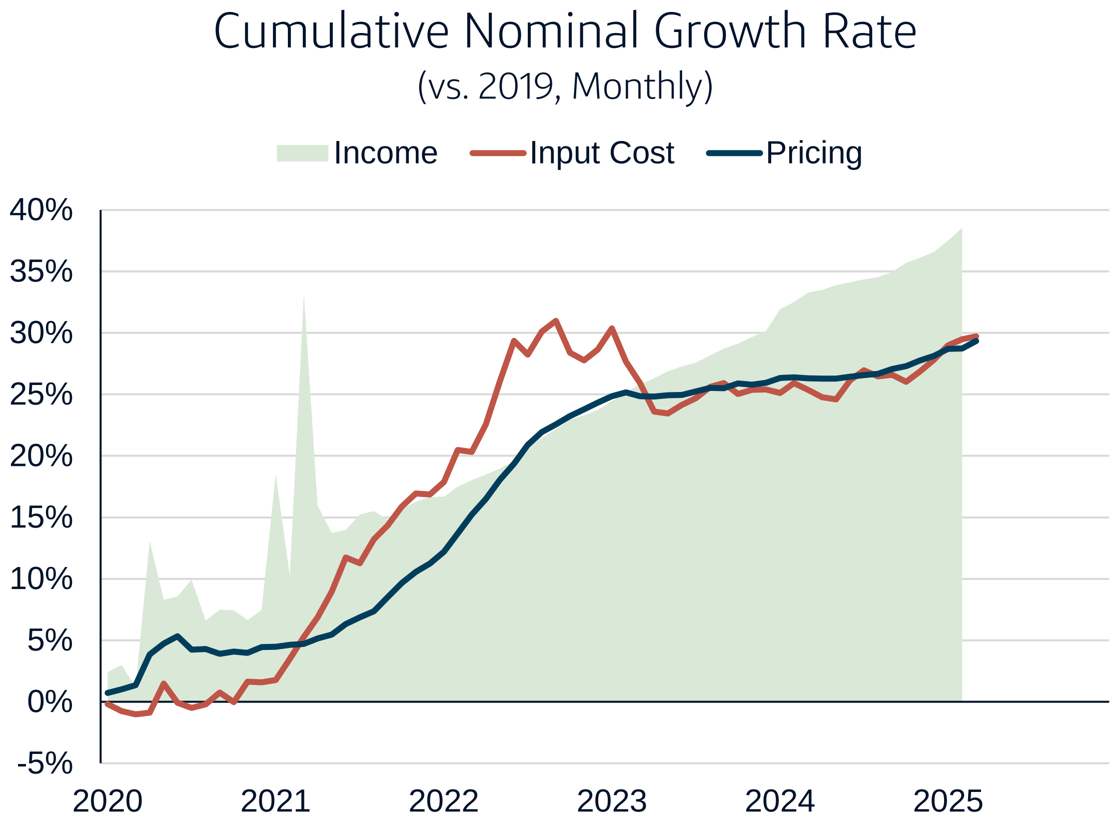
2H22-1H25
Soft Consumer
"Recession-like" Spending

2025
Can We Land It?
Return to Real Growth in '25

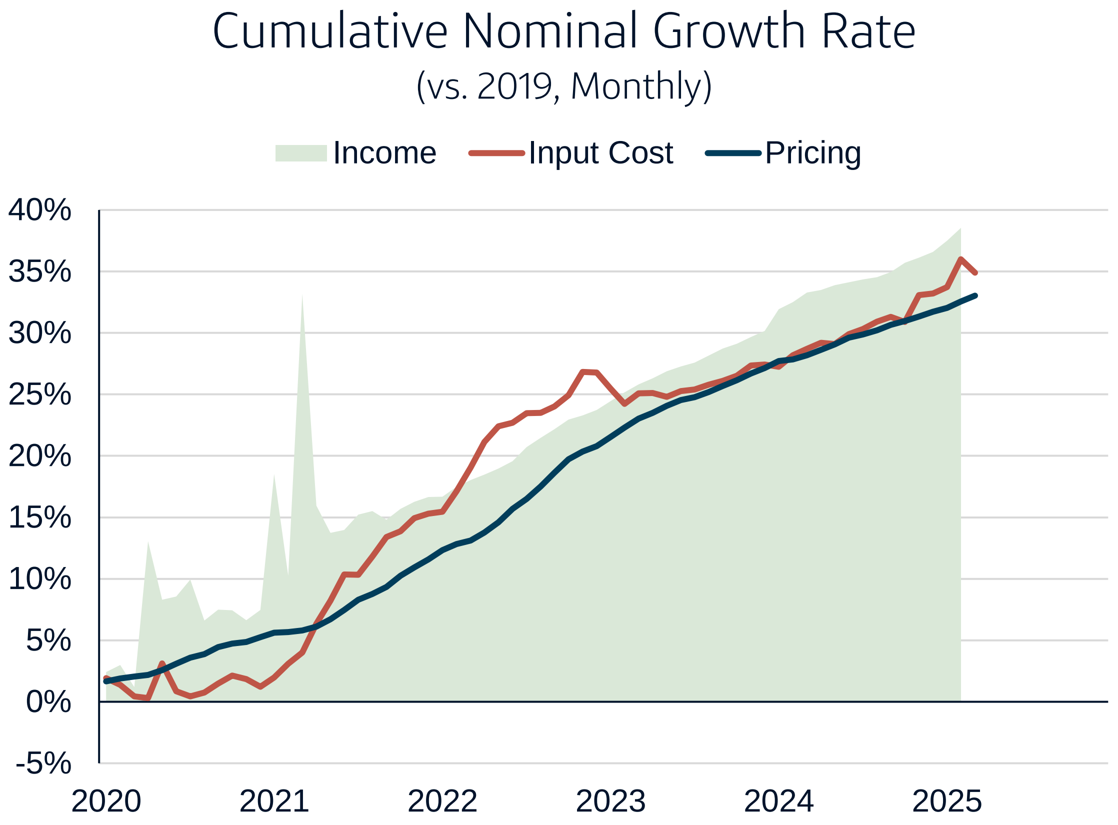
Consumer Income Growth Outpacing Food Industry Pricing

Pricing matching industry input costs; cumulative consumer income well ahead of pricing vs. 2019

Food at Home



Food Away from Home

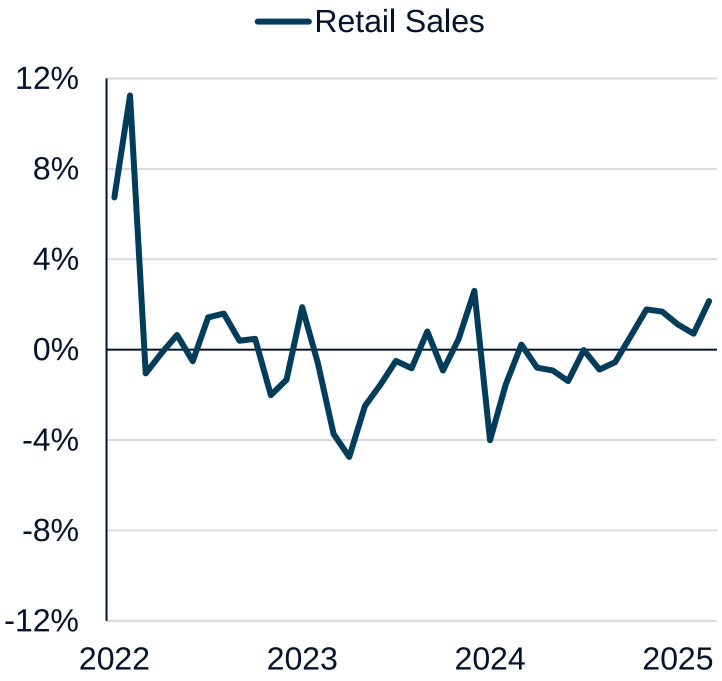


Source: Bureau of Labor Statistics: PPI, CPI, CES

Sales Softness Shown Across Data Sets; Recent Evidence of Growth

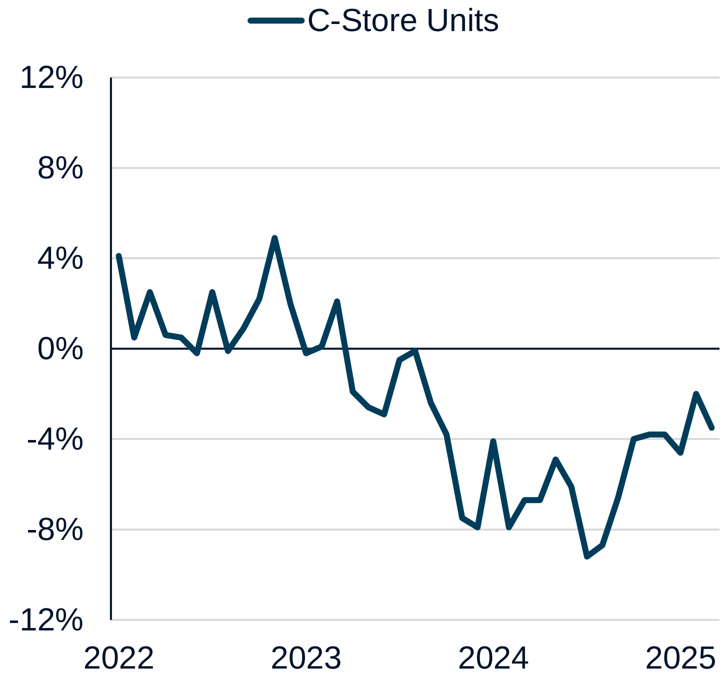
Overall Consumer Economy

Real Growth Rate
(Monthly, CPI All Deflator)



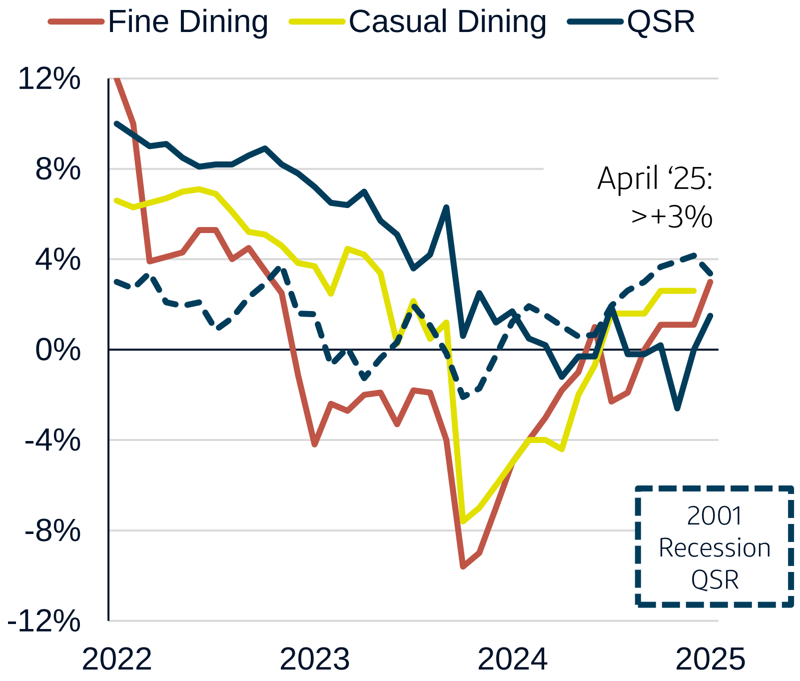
Food at Home: Convenience

Unit Growth Rate
(Monthly)



Restaurants: SSS

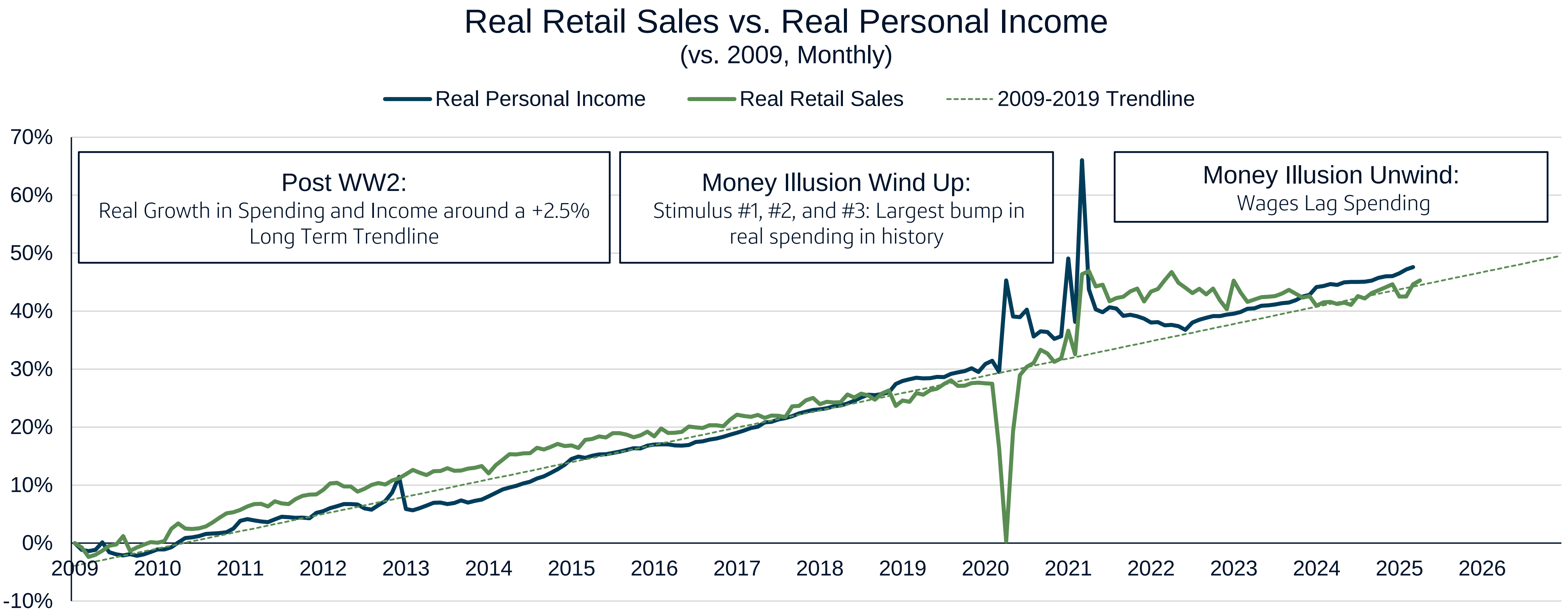
SSS Growth Rate
(Monthly)



Source: US Census Bureau: Advance Retail Sales; Bureau of Labor Statistics: CPI; Knaptrak, NPD, NielsenIQ RMS | Total US xAOC
Note: Nielsen Nov + Dec 2024 unit growth rates are averaged due to calendar shift

Retail Sales Returned to Long Term Trend Line in Early 2024

Stimulus lead income increase created largest single month retail sales increase of all time; normalization to return to trendline growth

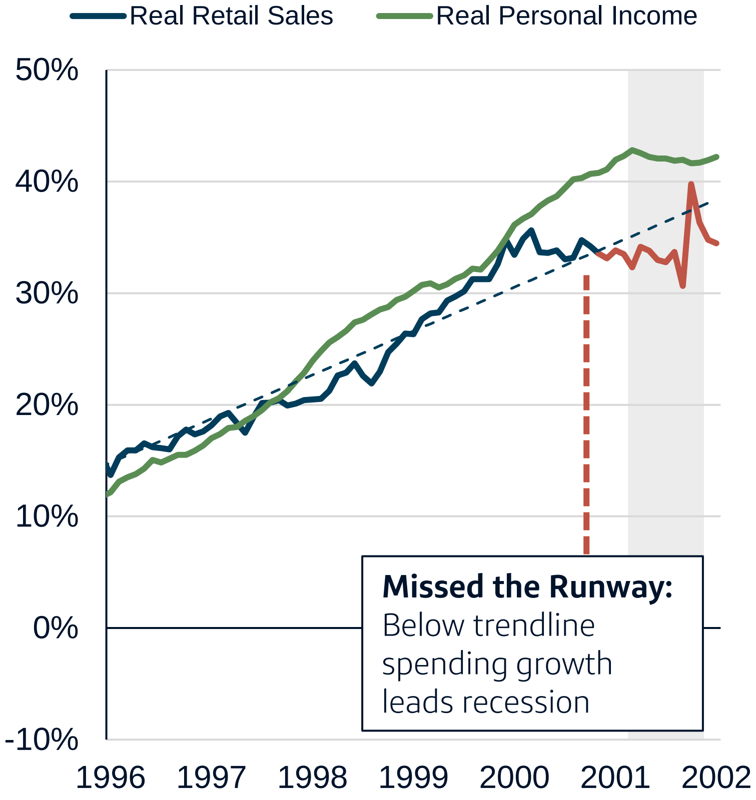


Source: US Census Bureau: Advanced Retail Sales, Bureau of Labor Statistics: CPI; Bureau of Economic Research: Personal Income and Outlays

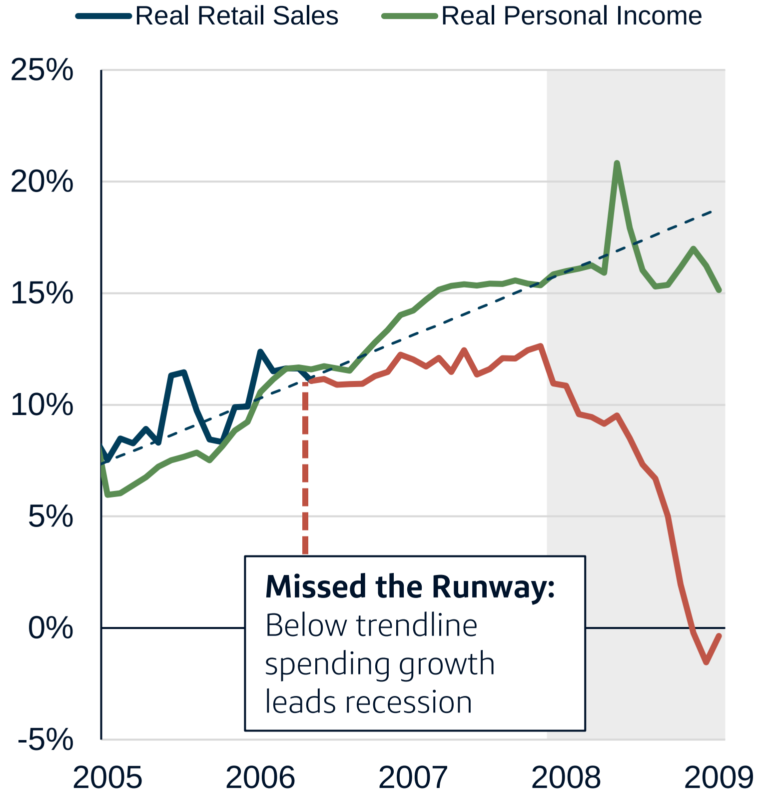
We are Closely Monitoring Retail Sales to Stay on Long Term Trendline

Previous recession showed flattening and below trendline retail sales for 6-18 months prior; March '25 data growing back on trendline

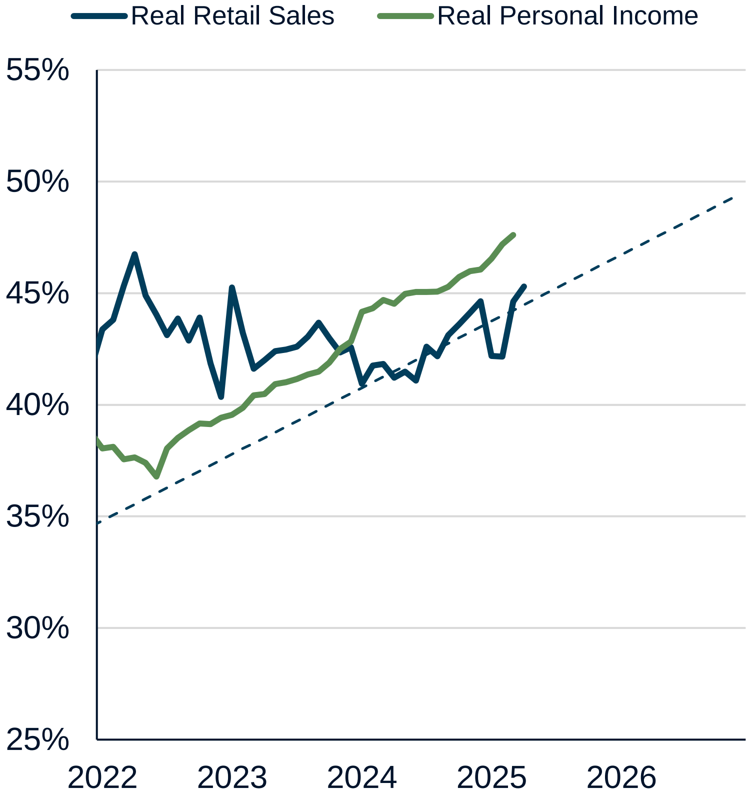
2001 Recession Lead In
(vs. 1992, Monthly, 92-00 Trendline)



2008 Recession Lead In
(vs. 2002, Monthly, '02-'06 Trendline)

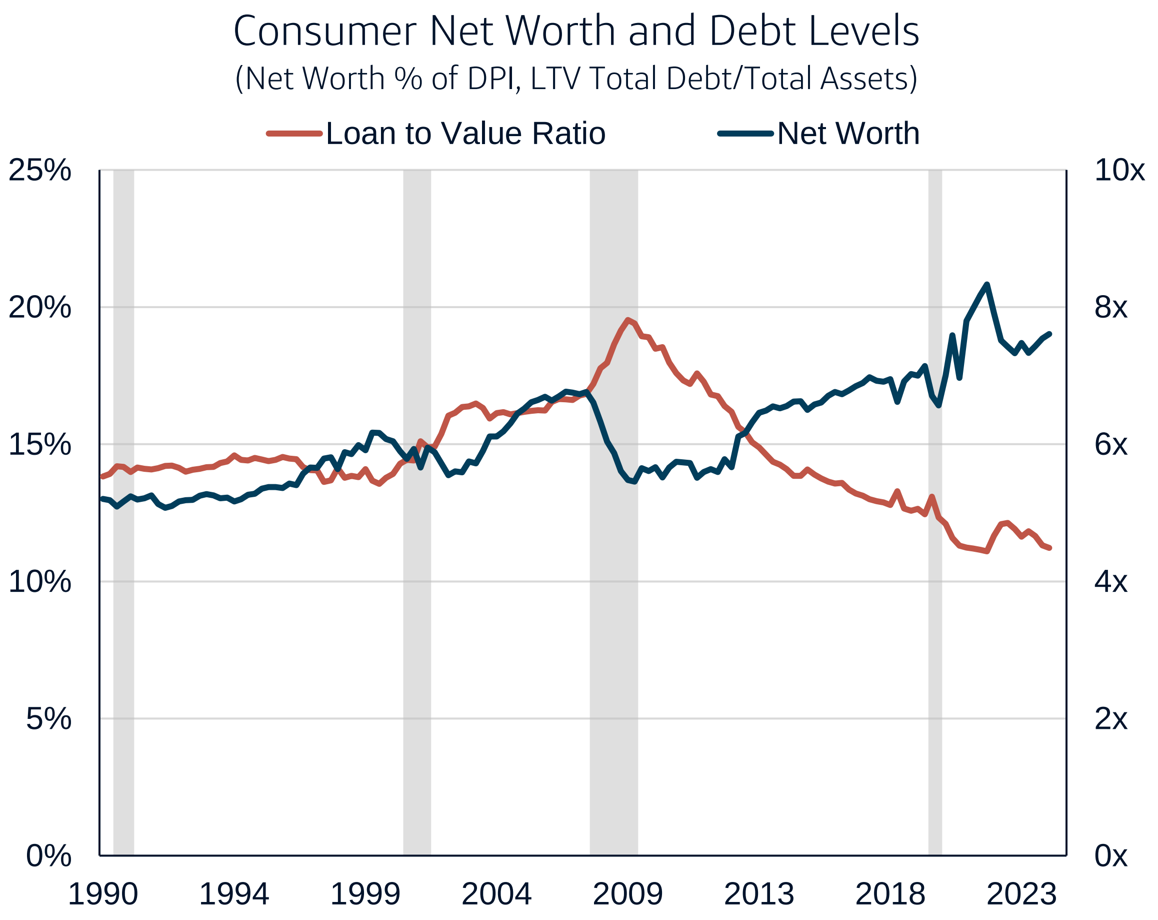


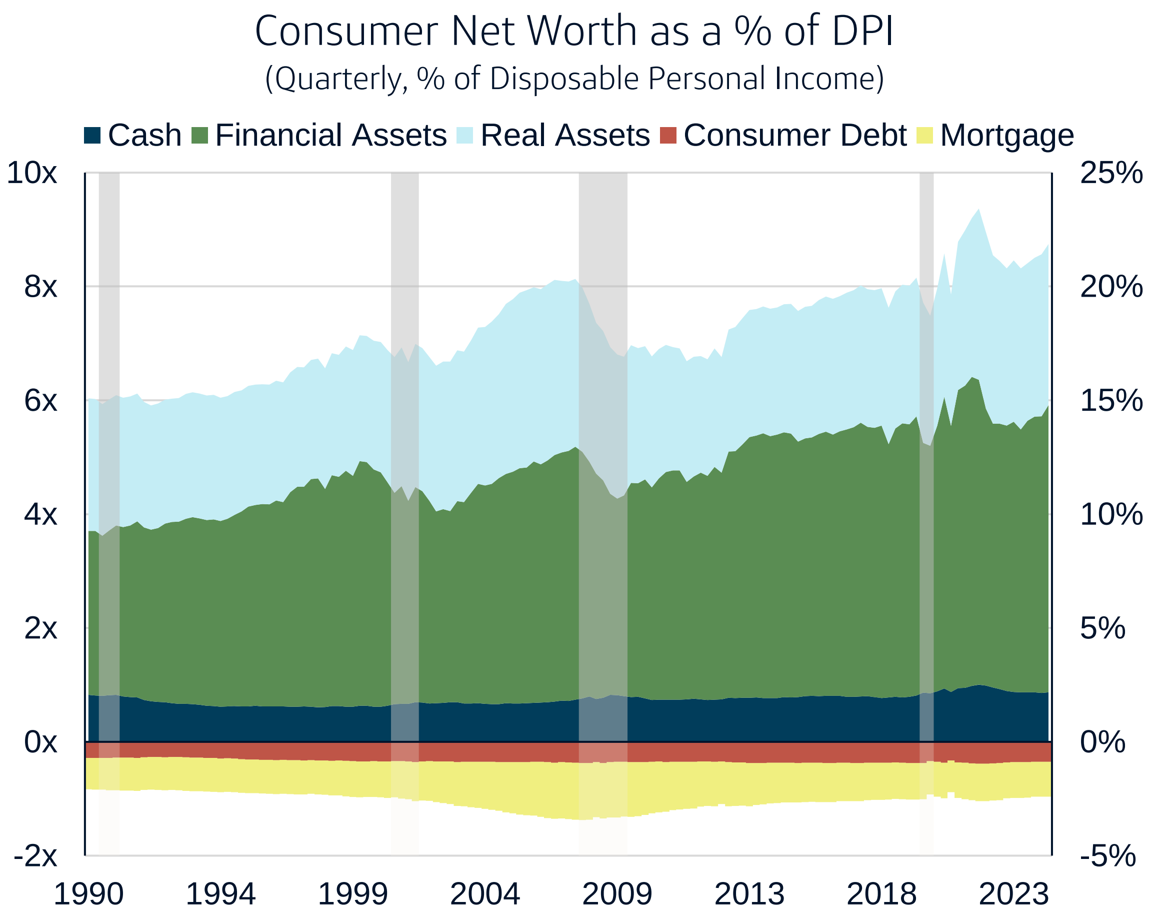
Current Setup
(vs. 2009, Monthly, '09-'19 Trendline)



Source: US Census Bureau: Advanced Retail Sales, Bureau of Labor Statistics: CPI; Bureau of Economic Research: Personal Income and Outlays

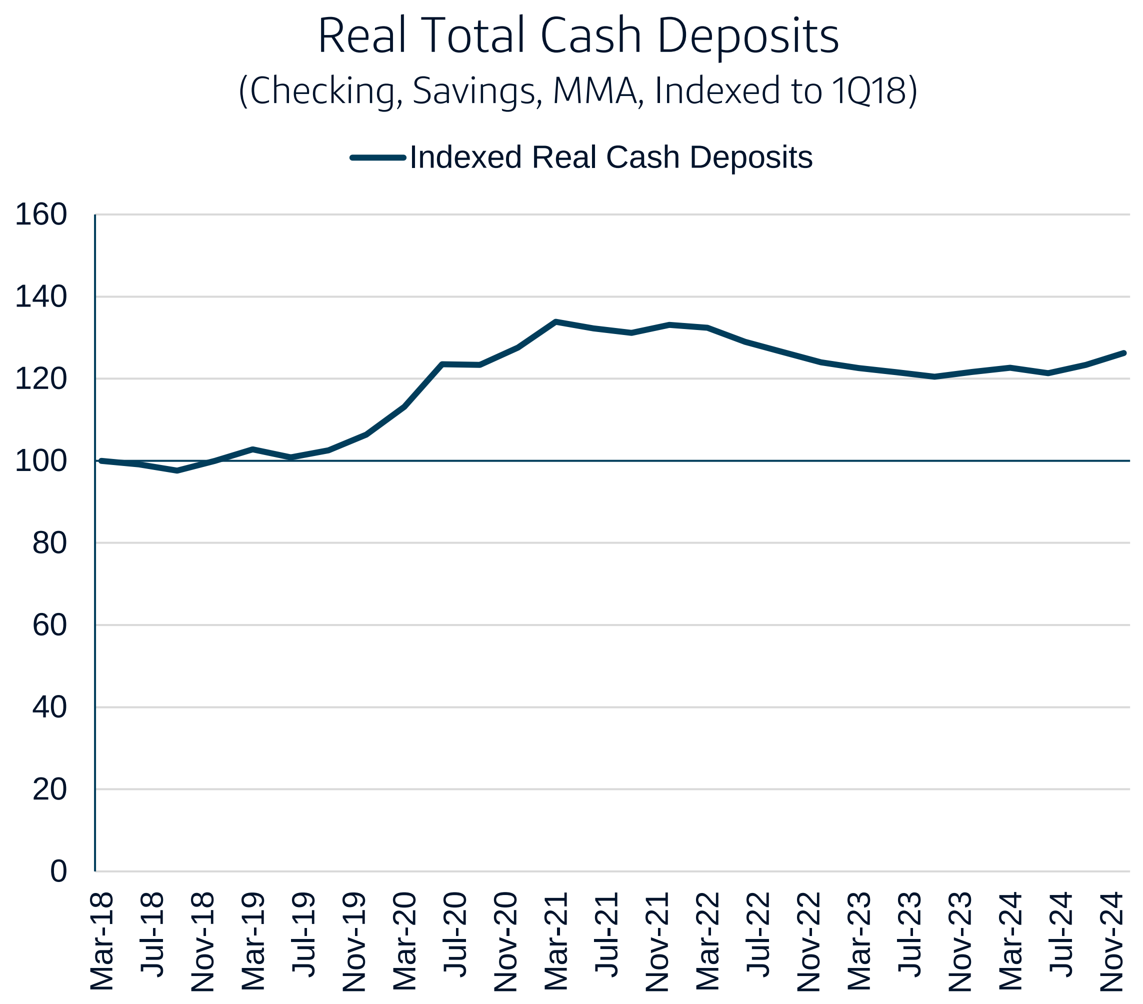
Consumer Net Worth at All Time High With Low Leverage Levels

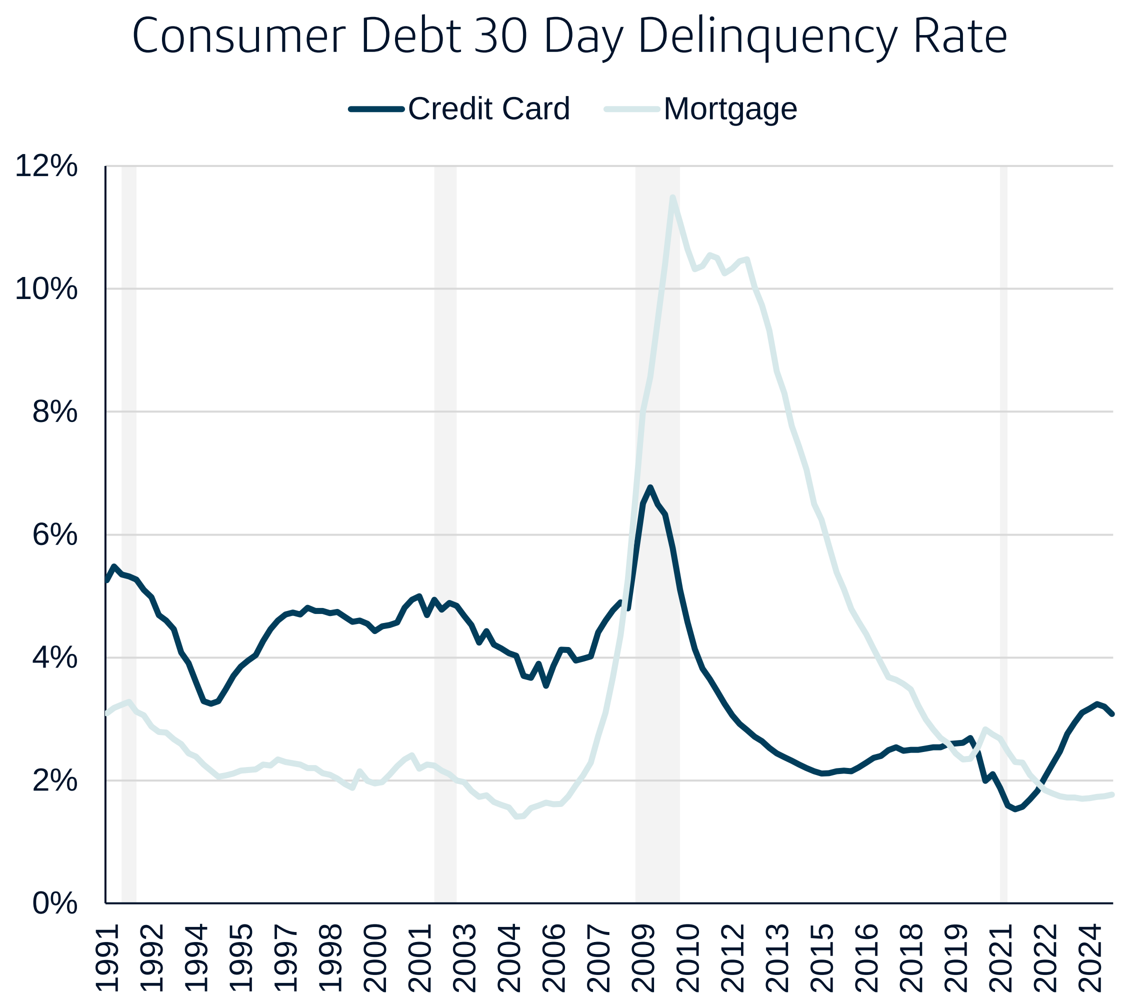




Source: Federal Reserve Board of Governors

Consumers Credit Profile is Improving

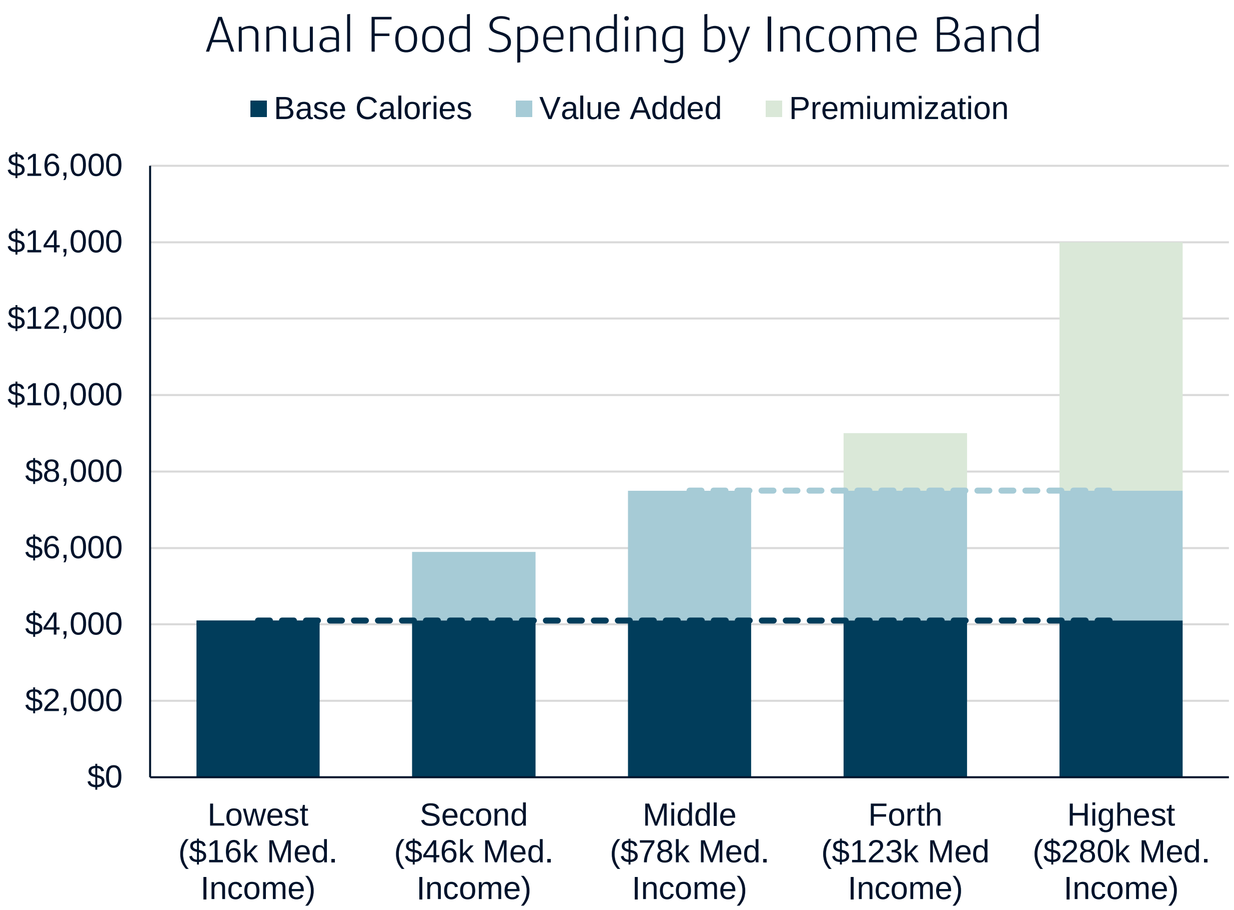


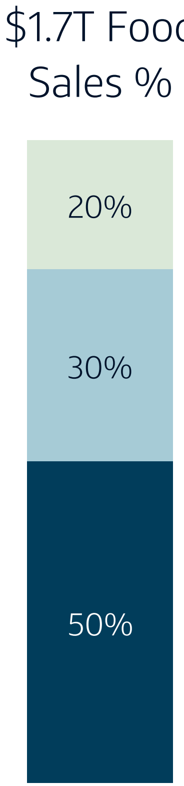


Source: Federal Reserve Board of Governors

Value Added Nature of Food Industry

Food Industry grows calories alongside population growth, but core real growth is driven by selling value added and premium offerings





Mix: Premium
Quality to Price

Mix: Value Add
Outsource Prep

Traffic/Volume:
Base calories (1% with pop growth)
Core calories at best value

Source: US Department of Agriculture Economic Research Service; National Bureau of Economic Research

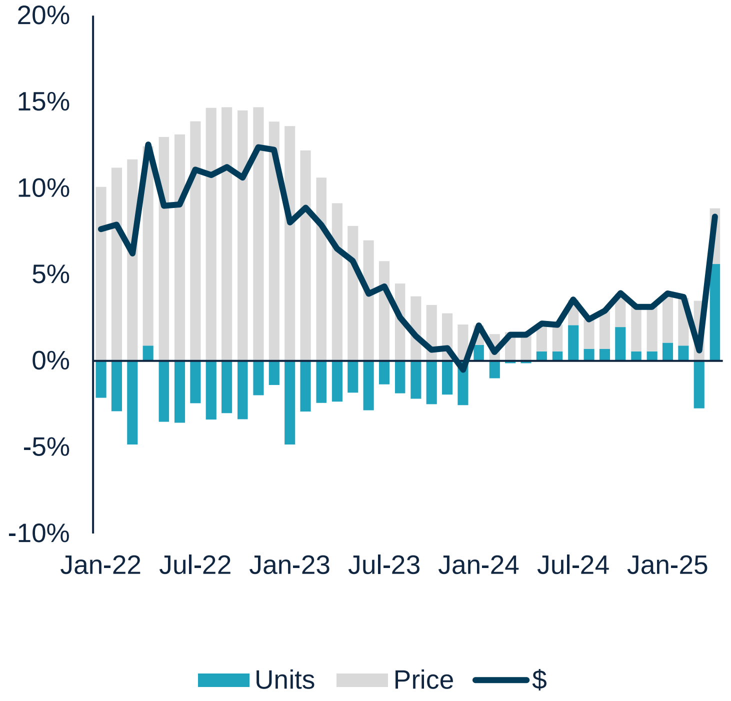
Agenda

01 **Consumer Overview**

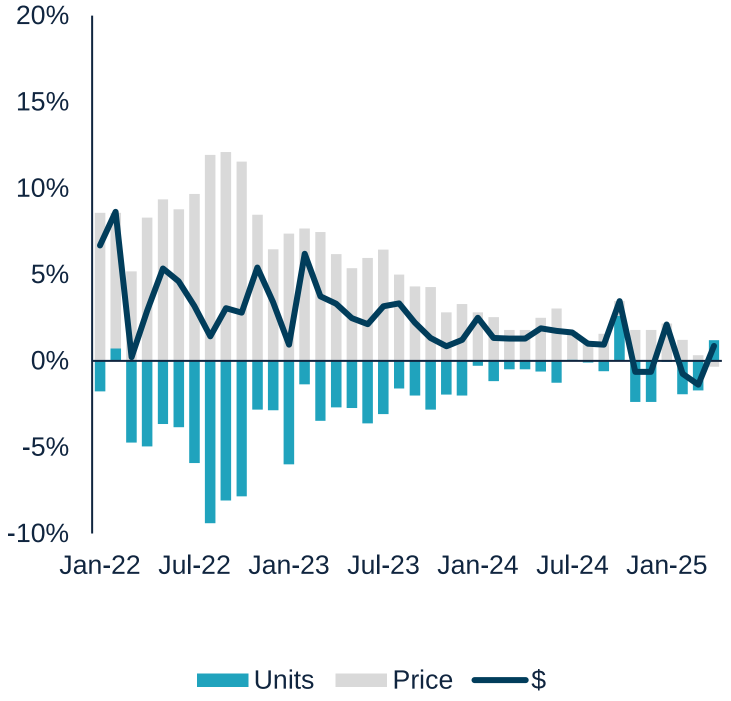
02 **Nielsen Category Deep Dive**

Nielsen Channel Coverage: Overall Growth C-Stores vs. Grocery/Mass/Club

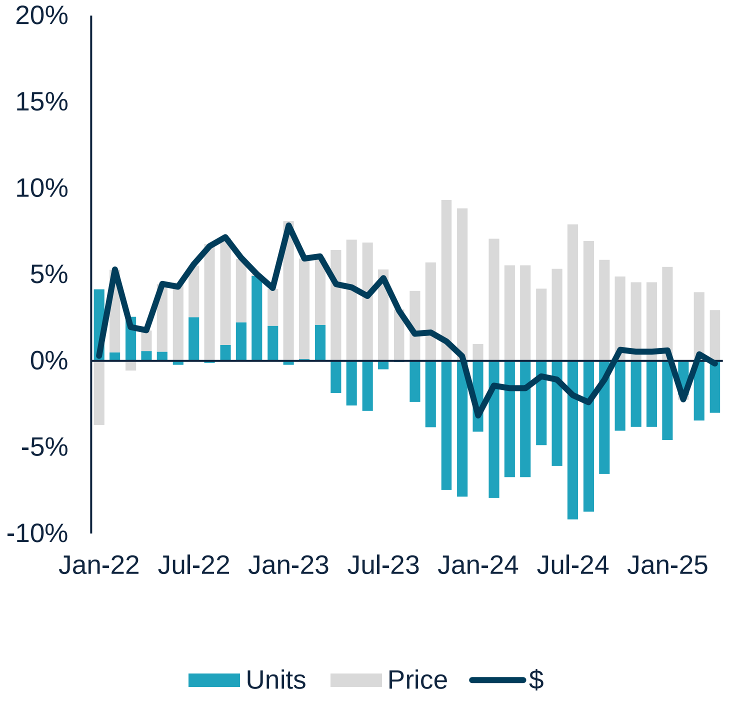
xAOC – Food
(Monthly, YoY)



xAOC – Non-Food
(Monthly, YoY)

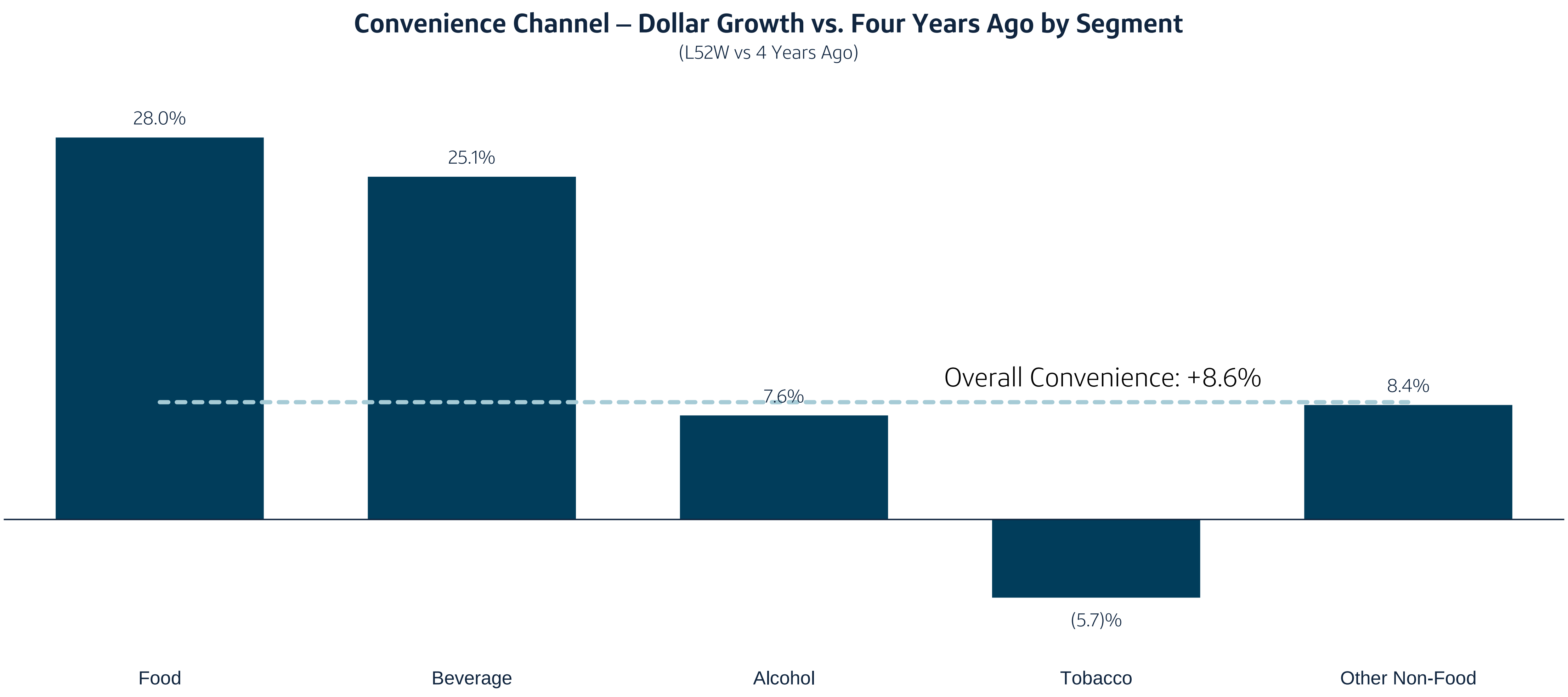


Convenience – Total Channel
(Monthly, YoY)



Source: NielsenIQ RMS | Total US xAOC
Notes: Total Food is comprised of dollar-weighted sum of departments

Convenience Channel: Department Level Sales Growth



Source: NielsenIQ RMS | Total US Conv

Disclaimer

This presentation has been prepared by Capital One®, N.A. and Capital One Securities, Inc. for informational purposes only. Although the information contained in this presentation has been obtained from sources which both Capital One, N.A. and Capital One Securities, Inc. believe to be reliable, it has not been independently verified and no representation or warranty, express or implied, is made and no responsibility is or will be accepted by either Capital One, N.A. or Capital One Securities, Inc. as to or in relation to the accuracy, reliability or completeness of any such information.

The information and opinions contained in this presentation are not intended to be the sole basis upon determinations as to the advisability of any transaction contemplated herein should be made. Accordingly, recipient(s) hereof should make their own judgment and assessment of the information contained in this presentation.

Any views expressed herein reflect the judgment of Capital One, N.A. or Capital One Securities, Inc. as of the date of this presentation and may be subject to change without notice if either Capital One, N.A. or Capital One Securities, Inc. becomes aware of any information, whether specific to a transaction or general (including changes in prevailing capital markets conditions), which may have a material impact on any such views. Capital One, N.A. or Capital One Securities will not be responsible for any consequences resulting from the use of this presentation or reliance upon any view or statement contained herein or for any omission.

This presentation is confidential and may not be reproduced (in whole or in part) or summarized or distributed without the prior written permission of Capital One, N.A. or Capital One Securities, Inc. This presentation is intended for institutional use only. Recipients of this report agree to keep its content strictly confidential and undertake not to disclose the information contained herein to any person other than those of their employees who need access to it for the purpose of the transaction.

Capital One, N.A., Capital One Securities, Inc., its parent company, Capital One Financial Corporation ("COF"), or any of COF's subsidiaries and its employees may, from time to time, have a position in securities or other obligations of entities mentioned in this presentation, or in derivative instruments based thereon, may solicit, perform or have performed investment banking or other services (including acting as adviser, manager or lender) for any company, institution or person referred to in this presentation and may previously have used the information herein contained, or the analysis upon which it is based.

Banking products and services are offered through Capital One, N.A., NMLS ID 453156, Equal Housing Lender and Member FDIC, a wholly-owned subsidiary of COF.

Securities and Investment Banking products and services are offered through Capital One Securities, Inc., a non-bank affiliate of Capital One, N.A., a wholly-owned subsidiary of COF and a member of FINRA and SIPC.

Securities and Investment Banking products and services are:

Not FDIC Insured	Not Bank Guaranteed	May Lose Value
Not a Deposit	Not Insured By Any Federal Government Agency	