

A glimpse at two high growth areas ...

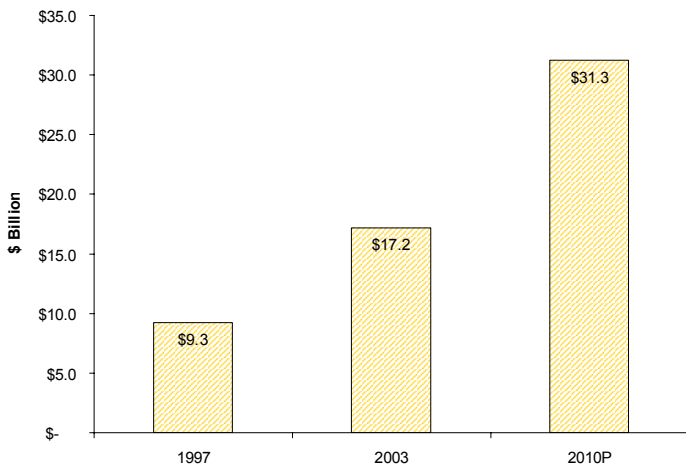
## Natural Products and Ethnic Food/Beverage

### 1. Consumer Trends Fuel Growth ...

#### Natural Products

- Consumers having been voting with their wallets when making purchases
  - Natural/organic foods sales have roughly doubled since 1997
  - Projected to double again by 2010
- Penetration extends broadly into mainstream America (e.g. Whole Foods annual same store sales +9.5% over past 5 years – driven by new shoppers as well as increased basket size)

Growth of Organic & Natural Foods

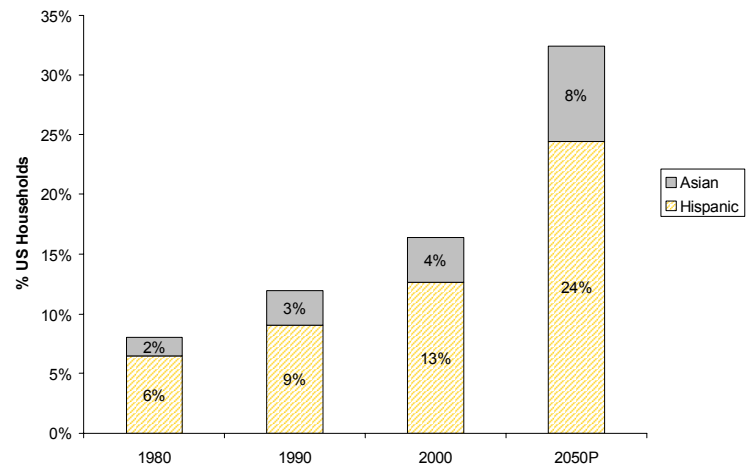


Source: Nutrition Business Journal

#### Ethnic Food & Beverage

- Hispanic and Asian population growth is far outpacing total population growth while driving ethnic product sales
  - Grown to represent over 17% population
  - Projected to be over 30% by 2050
- Restaurant presence also driving exposure among total population
  - According to NPD, 36,000 Asian restaurants 2x number of locations of McDonald's (13,000) and Starbucks (5,000) combined!

Growth of Ethnic Population Base



Source: US Census

### 2. Show Notes ...

The following pages represent observations and notes from 5 industry trade shows over the last 4 weeks ...



**Expo Comida Latina**  
 THE HISPANIC FOOD & BEVERAGE SHOW



## The Prologue ...

Several large multi-national consumer products companies had impressive showings by bringing the most authentic parts of their portfolios to these booming markets. Dean Foods (*Horizon, Silk*), Kraft (*Boca, Balance, Back to Nature*), and General Mills (*Cascadian Farms, Muir Glen*) looked very strong in the Natural space. However, most impressive was Frito Lay at the LA Hispanic show where they aggressively brought products from Frito/Sabritas unit in Mexico and the worldwide senior management team attended the show. Similarly, General Mills and their distributor partner made a major push in bringing authentic versions of Pillsbury breads/doughs, including a quite yummy version of its Naan and other authentic Indian flatbreads. Kudos!



## Natural Products



**A Geyser of Calcium Waters.** Two relatively new businesses entered the fortified water category, but in a way not seen before. In both cases, the difference is that the water emerges from the ground naturally containing calcium so the “chalky” taste normally associated with adding calcium is significantly reduced. High in calcium, *Cole Water* is a natural spring (still) water from Peru, Indiana and *Sanfaustino* is carbonated water from Umbria, Italy. Given needs for calcium particularly in women, drinking it as part of our love for bottled water seems like a natural (no puns intended).

**Alexia.** Alex Dzeduszycki, chef and founder of both *Terra Chips* and now *Alexia Foods* has done it again. First revolutionizing chips with *Terra* and now frozen potatoes with *Alexia*, he and his team have developed delicious all-natural, super-premium, and trans fat free entries into the frozen appetizer and snacks categories. Personal favorite – roasted garlic & olive oil mushroom bites. Mmmm.



**Anti-Pest-O.** One of the most interesting non-food products exhibiting was an all-natural insect repellent. Why add harmful chemicals to your garden while simultaneously buying organic foods for your family? Sure to create quite the buzzzzz with this product.

## Hispanic Food & Beverage

**Rosa's Horchata.** If you're not aware of this authentic rice-based drink, it is fantastic. Two Chicago entrepreneurs are just getting real traction on a great little venture that's sure to do well since the authenticity is there for Hispanics and the broader appeal high too. Look for *Rosa's* at your local grocery store or even at Target.



**Havana Roadhouse Famous Cuban Sandwich.** If you've ever had a Cuban sandwich made with sliced pork, ham, swiss cheese & sliced pickles – your mouth is likely salivating. For those new to this experience, the ingredients are heat pressed between two pieces of Cuban bread until crisp, using a sandwich press known as a "plancha". *Havana Roadhouse* packages six mini sandwiches (each wrapped with a little Cuban cigar-style band around them) in a cigar-style box for purchase in your grocer's freezer section or soon at club stores near you. Please – expand quickly – we're hungry here in Chicago!



**La Vida Dulce Desserts.** If you like flan that starts only with real sweetened condensed and evaporated milks and pure sugar cane, then Eduardo Alonso had taken his Executive Chef background someplace where you'll want to follow. Available in single serve, family sized (although sure people could make short work of this) and a special foodservice version. Look for it. But don't look too long or someone else will eat it.

## Asian Food & Beverage

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**Ajinomoto.** Get ready to meet “Japan’s favorite food brand”. *Ajinomoto* is expanding rapidly after making major investments in people and plants in the US during the last 3 years. Look for their frozen food offerings, sauces, seasonings, and bountiful selections of sticky rices. Kampai!

**Ready-To-Eat Kimchi.** For anyone familiar with Korean foods, you know how kimchi makes the meal ... and how time consuming they are to make. Korea boasts more than two hundred types of kimchi, often served half a dozen at a time as accompaniments to entrées. Kimchi consists of various marinated or fermented cabbage, radish, other vegetables, and seafood, each rich in vitamins, minerals, and proteins. Early kimchi dishes were relatively mild, spiced with fermented anchovies, ginger, garlic, and green onions. Koreans still use these ingredients today, but the spice most closely associated with modern kimchi is red pepper powder. Since the preparation process takes many, many hours, the onslaught of ready-to-eat, refrigerated kimchis are a wow!

**Maya Kaimal.** This Brooklyn, NY chef has introduced three fresh sauces: Coconut Curry, Tikka Masala, and Vindaloo. For complex yet delicate Indian foods where the sauce *is* the key, these simmer sauces are sure to be a hit. These all-natural, authentic Indian curry sauces are made with only the best ingredients. They are rapidly expanding beyond their existing 300 locations. In the meantime, please pass the seconds.



## Extra, Extra ...

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**Just for good measure.** Co-located at the Javits Center with some of the other shows was KosherFest. Discovering *Ruthie and Gussie's* Traditional Potato Pancake (latke) Batter was a great experience. I hope I did not injure anyone when trying to get to the hot, freshly prepared samples. Last week Oprah was ooooooohing about them too. This “kvetch proof” line of ready-to-cook frozen products that include Matzo Ball Batter is not (yet) an everyday staple, but should be. Amazing!

Hope these thoughts are helpful. If I can add insights, please feel free to contact me at 312.337.9085 or [asw@2xManagement.com](mailto:asw@2xManagement.com). Notes from prior Natural Product shows, Ethnic food shows, and other consumer products industry shows are available under the News section at [www.2xManagement.com](http://www.2xManagement.com).

Two shows of note in early 2005 are the *Winter Fancy Food Show* (January 23-25 in San Francisco) and *Natural Products Expo West* (March 17-20 in Anaheim, CA). Please let me know if you'll be attending.

*Andy*

October 2004

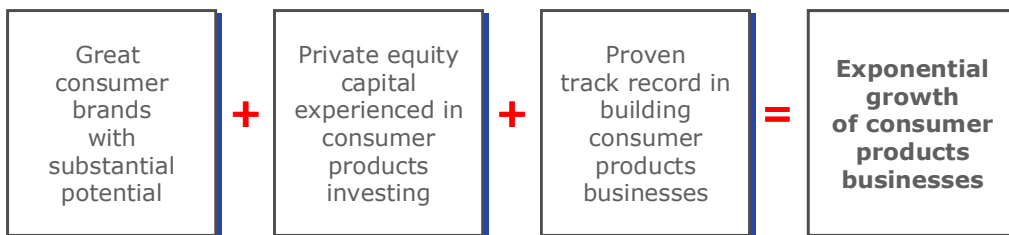
## Overview

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2x Management invests in consumer products businesses capable of growing exponentially via infusion of capital and management expertise. 2x Management brings proven leadership in building consumer products businesses.

## Formula for Success

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## Investment Profile

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Branded consumer products businesses with \$20–200 million in revenue. Focus areas include food and beverage, organic/natural and ethnic products, pet care, and other non-durable branded consumer products.

## Capital Availability

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2x Management provides capital in conjunction with Catterton Partners, the leading private equity firm with an exclusive focus on providing equity capital to growing middle market consumer companies in North America. Available investment capital totals over \$1 Billion.

## Management Resources

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2x Management brings extensive consumer products industry experience in building established businesses, transforming under-performing businesses, and creating new businesses. Seasoned consumer products leader is ready to help companies realize full potential. 2x Management can provide functional support or management team members depending on the needs of the business, including Operations, Finance, Marketing, Sales or others as appropriate (e.g. Strategy, IT, R&D).

## Contact Information

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**Andrew S. Whitman, Managing Partner**

Phone: 312.337.9085

[asw@2xManagement.com](mailto:asw@2xManagement.com)

Fax: 312.873.4509

[www.2xManagement.com](http://www.2xManagement.com)