



Natural Products Expo West 2024

This month, D.A. Davidson’s food & beverage team was in Anaheim for the annual “Super Bowl of Natural Products”, Expo West. While three non-stop days of navigating seemingly endless halls packed with 3,000+ exhibitors and 65,000+ attendees left our legs weary and stomachs full, the renewed energy and optimism from the brands and investors we met with excited us about where the industry is heading in 2024 and beyond.

Key Takeaways from the Show

2023 WAS A “RESET” YEAR...

As we walked the halls, the general sentiment was that many of the brands were more eager to highlight their recent, or clear path to profitability rather than talking about top line growth or showing off innovative new product launches. After surviving a difficult fundraising environment and inflationary headwinds over the past year, many of the brands still standing used 2023 to “reset”, focusing more on operational efficiency and margins than topline growth. That’s not to say that all innovation was lost; some new products we’re looking forward to seeing on shelves soon are Simply Gum’s new Peanut Butter Crispies, and Every Body Eat’s new cookie bites.

...BUT BRANDS ARE OPTIMISTIC FOR 2024

With input prices stabilizing and gross margins reset, many brands are looking forward to re-investing in marketing (biased towards on-shelf promotional spend vs. “top of funnel” brand-building campaigns) to drive topline growth in 2024. Assuming inflation continues to subside and consumer spending remains strong, we look for accelerating unit growth, increased profitability and ultimately, more meaningful investments in new product development.

CLEAN INGREDIENTS, NATURAL SWEETENERS

Although not necessarily a new trend, there continued to be a significant focus on clean, simple ingredient labels – both in terms of the number of ingredients and the underlying ingredients themselves. Many brands featured packaging that highlighted key ingredients on the front of the labels and were key components of the brands’ value propositions.

In addition, the number of brands and products that feature truly natural sweeteners such as dates, honey, agave and organic cane sugar keeps growing. Other natural, but more “technical” sweeteners such as stevia and allulose were still definitely present, but were not highlighted or talked about.

BRAIN AND GUT HEALTH

As with any Expo West, there was no shortage of interesting products with functional claims, but the two that stood out the most to us were brain health/cognitive functionality and gut health. For cognitive-focused products, there were a range of specific claims including brain development for babies and toddlers like Cerebelly bars and Brainiac's new fruit snacks, focus and mental clarity, mood enhancement, and longer-term, anti-dementia focused products. As for gut health, pre- and pro-biotics took center stage, from new age sodas like Olipop, Poppi and Culture Pop to yogurts and skyr (Icelandic yogurt). Similarly, there was an increase in sprouted and fermented products like Gut Nuts, highlighted by their benefits to the gut microbiome.

HIGH PROTEIN SNACKING IN MULTIPLE FORMATS

Animal protein was on full display and in just about every shape you can imagine. We saw all kinds of varieties of meat snacks – beef and turkey for sure, but also chicken (Mighty Spark) and even ahi tuna (Pescavore). We're fans of the Wilde protein chips and were happy to find a few other notable variations of protein chips including Flock Chicken Skin Crisps and plant-based protein chips from Natural Endurance. We also came across several variations of peanut-free spreads and snacks as an alternate way to get your protein with standouts such as a creamy seed butter from Voyage and a delicious new chocolate covered seed and nut butter bars from NuttZo.

DEAL MARKET CONTINUES TO IMPROVE

The fundraising and M&A markets have begun to see more activity and we heard from many strategic acquirers and investors that the average quality of companies in market has also increased. Larger transactions in the F&B space such as J.M Smucker acquiring Hostess for \$5.6B and Liquid Death completing an equity raise at a \$1.4B valuation continue to build confidence in the overall deal making environment. Although things have not yet come roaring back to 2021/2022 levels, we are seeing these positive trends trickle down into the middle market and earlier stage rounds as well.

As mentioned above, we expect an increase in deal activity across the food & beverage sector over the next several months. Please reach out to our food & beverage team to discuss the latest trends, transactions and industry gossip! Also, to receive our quarterly food & beverage industry updates, please reach out to one of the bankers below.



D.A. DAVIDSON CONSUMER GROUP

Food & Beverage Team
consumer@ib.dadco.com

dadavidson.com

D.A. Davidson & Co. Member SIPC