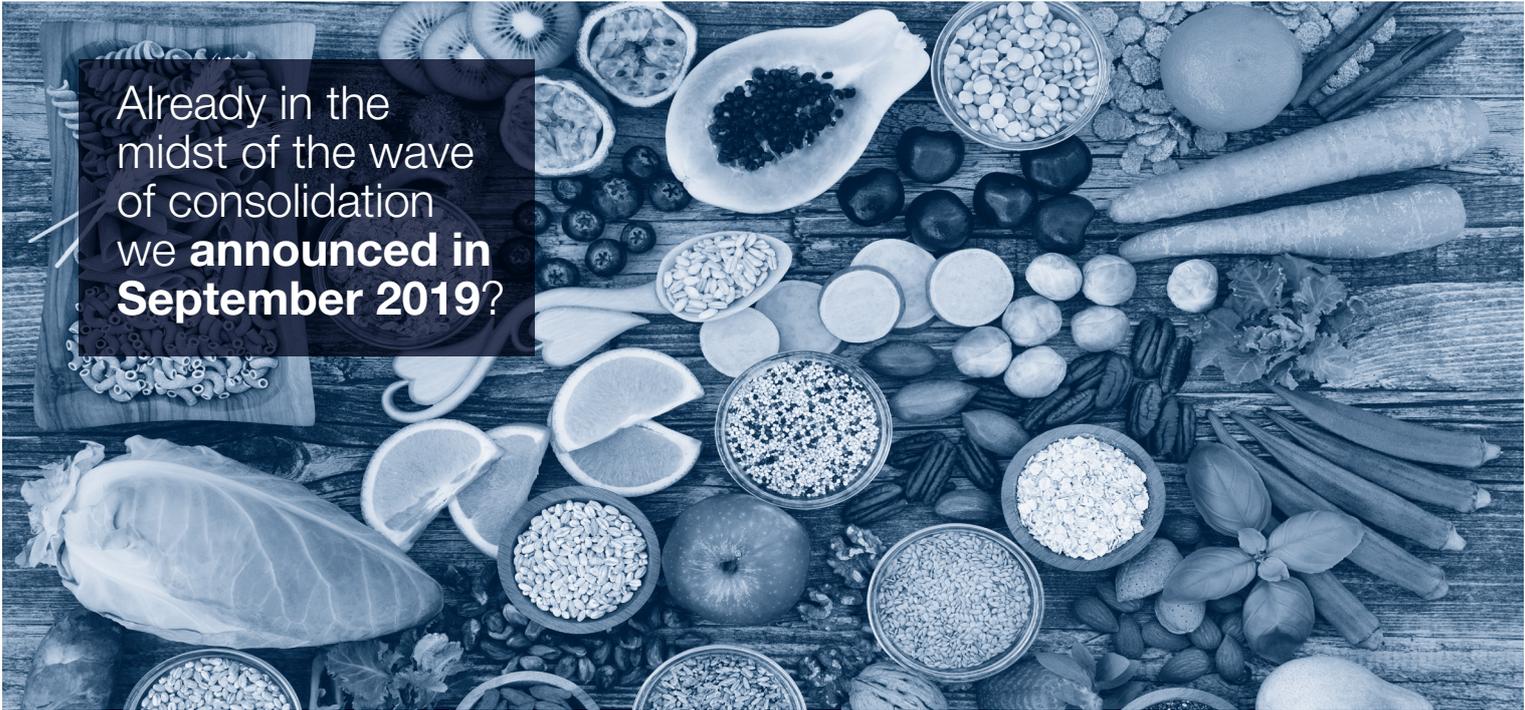




BRYAN, GARNIER & CO

The consolidation wave in organic retail has begun



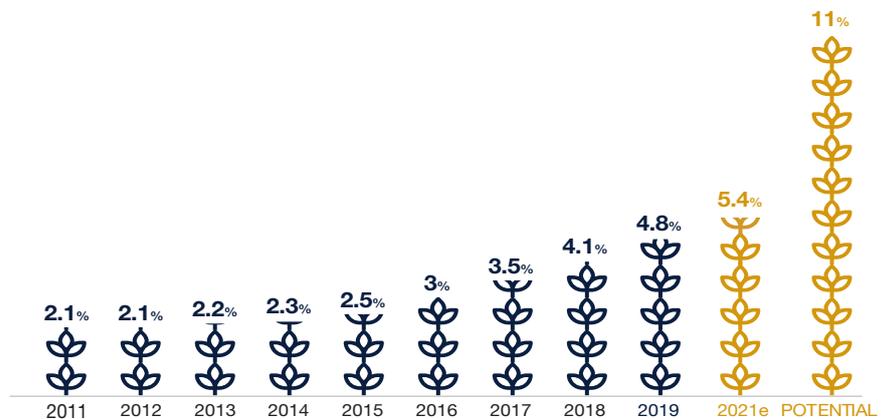
Already in the midst of the wave of consolidation we announced in September 2019?

Growth prospects remain appealing in a market that's going mainstream

Since our September 2019 deep dive into the French organic market, the attractiveness of the market has remained intact. We are still seeing double-digit growth, with YTD market share reaching 5.4% at end September 2020 (up from 4.8% at end 2019), and the potential to reach 11% penetration in France, according to Nielsen¹.

2019 was the third consecutive that general retailers outperformed specialists in organic sales in France, with growth of 18% vs. 7% for specialists (23% vs. 8% in 2018 and 22% vs. 14% in 2017). **We believe this trend will continue in 2020 as the organic market goes mainstream.**

Penetration of organic among the FMCG-fresh products in France

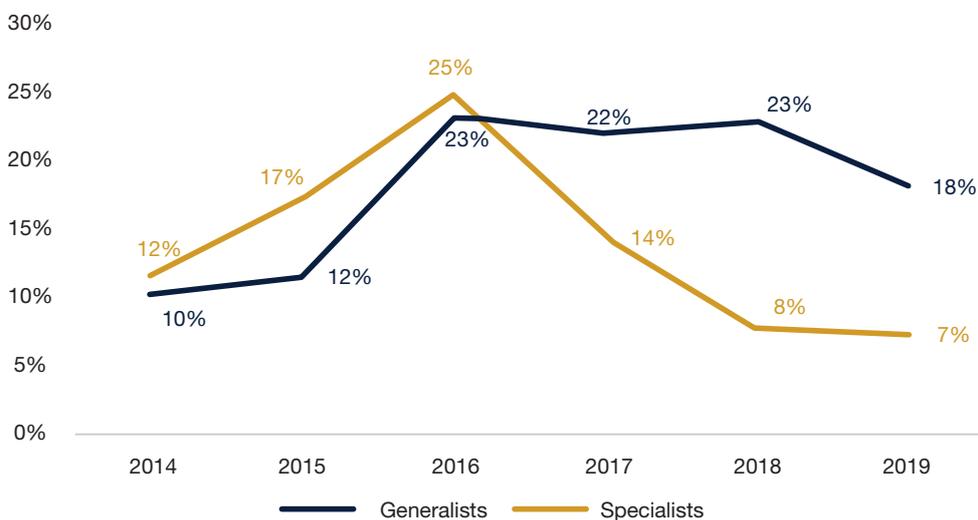


Source: Nielsen France; Agence Bio; LSA

¹ En route vers 11% de part de marché pour le bio | Nielsen France | June 2018



Sales growth in the organic segment in France



Source: Nielsen France; Agence Bio; LSA

Organic specialist retailers are finally opening up to “drive-through” and click & collect

Keen to maintain their “traditional” image compared with generalist retailers, specialist retailers have always been the most reluctant to go online. **The first lockdown spurred specialist organic retailers to finally open up to “drive-through” and click & collect**, in response to the 70-75% growth surge seen by generalists in drive services and the success of e-commerce specialists Greenweez, Aurore Market and La Fourche.

Among the many initiatives in this area, the following are worthy of note:

- **Biocoop, Satoriz, NaturéO, La Vie Saine, Les Comptoirs de la Bio and Les nouveaux Robinson** launched click & collect in some of their stores for the first time or considerably accelerated the roll-out of this feature. **Biocoop, Les Comptoirs de la Bio and Les nouveaux Robinson** aim to roll it out throughout

their store networks by the end of 2020.

- **Les Comptoirs de la Bio and Les nouveaux Robinson** also launched e-commerce platforms to offer home delivery.

Will click & collect be enough to stop the flight of customers from specialty stores to supermarkets and hypermarkets? Our analysis remains unchanged. We believe specialists still need to go beyond just selling organic products and improve/differentiate their offer compared with generalists. They therefore need to rethink their model beyond their nascent click & collect offers, for example, by completing their digital catch-up, deploying new concepts in stores to promote a more committed and differentiated offer vs. generalists, and by enhancing their private-label assortments.



Organic specialist retailers are finally opening up to “drive-through” and click & collect

Providing more e-commerce – including a wider assortment in click & collect, greater delivery flexibility and subscription programmes – and transparency, especially in traceability through the use of big data, will require significant digital investment. Smaller specialists will not be able to afford it. In a still fragmented competitive landscape, we identified around 30 specialist organic chains in France, of which only 7 ran more than 100 stores.

Back in September 2019, we announced an upcoming wave of consolidation in the French organic retail landscape. We are already in the middle of this wave as:

- **Bio & Sens** (<10 stores) entered receivership in late 2019
- The members of **Le Marché de Léopold** (18 stores) are to join the cooperative association of **Les Comptoirs de la Bio** (>140 stores) and this change their banner in 2020
- **Bioazur** (5 stores) was acquired by Carrefour in October 2020
- **Bio c’Bon** (>100 stores) entered receivership in September 2020 and was being acquired by Carrefour in early Nov 2020

The case of Bio c’Bon is remodelling the competitive landscape. Having gone into receivership after several months of cash issues, the result of an expansion model financed by private individuals and an indebted holding company (Bio c’Bon debt reached EUR200m according to press reports), the asset is still very attractive. It has a strong brand image and more than 100 stores in France, in attractive urban locations. Bio c’Bon posted sales of EUR150m in 2018 and is profitable.

These elements explained the large number of bidders, which included Carrefour, Biocoop, Naturalia, Auchan and the Zouari family. Carrefour succeeded, with a EUR60m offer for the Bio c’Bon brand and 107 stores and commitment to an EUR15-25m investment plan to replenish stocks in stores, remodel some stores and develop e-commerce. Carrefour will not take over Bio c’Bon’s debts.

Carrefour and Auchan as the natural consolidators

We see Carrefour and more recently Auchan as natural consolidators in the organic retail market.

With its transformation plan on track and a strengthened balance sheet, Carrefour has the human and financial resources and the willingness to handle M&A. Bio c'Bon gave it an organic banner with a strong reputation for targeting the most conservative organic customers and attracting renowned organic brands and producers. It is therefore logical to see Carrefour gradually converting its Carrefour Bio (36 stores), So.bio (24 stores) and bioazur stores (5 locations) to Bio c'Bon in the future. With around 170 specialized stores in France, Carrefour could still be interested

in other organic banners to build its store network in some French regions and abroad while unlocking new organic brands and producers.

Auchan recently sold its remaining 36% stake in the Chinese business Sun Art to Alibaba for EUR3bn. If a major share of the proceeds is used to reduce Auchan's debt and fuel its restructuring in Europe, we also believe the retailer will be keen to keep cash ready to seize any bolt-on M&A opportunities, such as in organic, where the group is lagging behind.





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