

Ritual Superfoods Inc.

Healthcare

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Overview

Ritual Superfoods Inc. (RSF-CSE) is an award-winning functional mushroom and adaptogenic superfood company that underwent an initial public offering (IPO) in December 2020. More than a functional food company, Ritual is a Superfood Platform. The company's platform specializes in the formulation and distribution of plant-based products that offer consumers the health benefits of adaptogens (herbal pharmaceuticals), superfoods, and functional mushroom-enriched food and beverages. The Ritual platform aims to continue securing premium retail shelf space while constantly innovating to provide consumers with an advanced pipeline of products. The platform also aims to educate consumers on the benefits of the company's products through informational material available online and in store. The Ritual platform provides a world of like-minded health and wellness experts aiming to provide consumers with an award-winning lineup of superfood products.

Inception of Ritual Superfoods Inc.

Ritual Superfoods is composed of a group of like-minded executives with an extensive combined history in the health and wellness industry. The company is led by CEO David Kerbel, who brings over 30 years of senior experience in retail, brokerage, and consumer packaged goods (CPG). Before joining Ritual, Mr. Kerbel served as an executive with Crossmark, one of the world's largest CPG brokerages. Through Mr. Kerbel's history with Crossmark, Ritual was able to establish a relationship with the company to help build Ritual's retail presence and brand awareness. Mr. Kerbel also has international experience in the UK with Franklin Farms, where he led sales, operations, and the development of new products.

Mr. Kerbel believes there is an opportunity for Ritual to establish itself as a leading brand in the functional food space, where there is currently no one dominant force. With a board of executives that has over 100+ years of combined experience in the health and wellness industry, Ritual believes it is well positioned to establish itself at the forefront of the space with industry-leading products.

By the end of this year, Mr. Kerbel expects that, with the help of partnerships, the company's products will be available in over 2,400 stores, noting that Ritual has already exceeded 10,000 points of distribution, more than any other player in the space.

Management aims to become a dominant brand in the functional food market

While there are several players in the space, Ritual Superfoods believes it is well positioned to become a dominant force in the \$275 billion functional food market. With product and innovation that meets consumer demand, along with Ritual's current partnerships, the company believes it can successfully compete with competitors in the industry such as Larid Superfood and Four Sigmatic. The global functional mushroom market is valued at \$50 billion, with recent data showing there has been up to an 800% increase in consumer demand for key mushroom varieties today (Grandview Research, Figure 2)

As the industry grows, the company believes there is an opportunity for a premium brand to establish itself while there remains a white space in the market. As Ritual builds its market awareness and continues brand development and innovation, the company is aware that larger wellness players are beginning to take notice and are potentially prepared to make acquisitions.

Key Metrics

Price	C\$0.57	CEO	David Kerbel
Market Cap (M)	C\$34.18	CFO	Robert Payment
Shares Out (M)	62.06	COO	Warren Spence
		CIO	Stacie Gillespie

Headquarters

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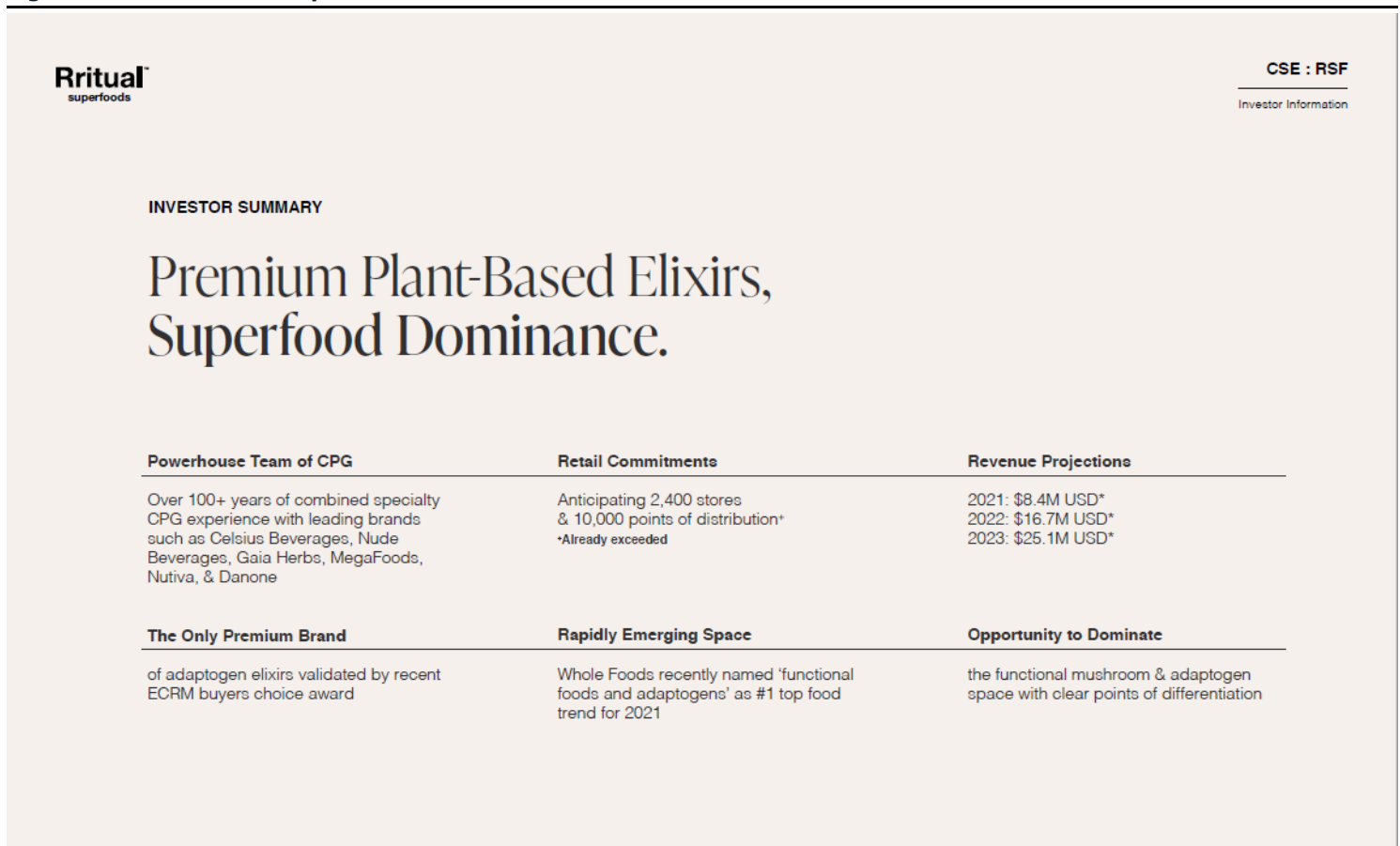
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Company overview

Founded in 2019, Ritual Superfoods is a natural wellness company that focuses on plant-based product innovation using functional mushroom and adaptogenic herbs as the active ingredients. Adaptogens are natural healing blends of medicinal mushrooms, super herbs, roots, and fruit powders. First documented in the 1950s, these substances are believed to produce resistance to stress in animals and humans. Since then, further research has suggested that adaptogens can help strengthen and boost immune systems, as well as optimize mental, cognitive, and digestive health. Ritual's lineup of products includes food, beverages, and powdered elixirs intended to provide beneficial superfood nutrients.

Since the company's inception, Ritual has been focused on developing its online sales platform, building up its supply chain infrastructure, and establishing an experienced consumer goods team, as well as on the research, innovation, and branding of its mushroom adaptogen formulations. The company's initial products, powder elixirs, fall under the \$250+ billion nutraceutical market that is expected to grow at a compound annual growth rate (CAGR) of 7.9% by 2025, according to Grandview Research. Ready to drink (RTD) powdered elixirs fall in the health and wellness beverage industry, which was valued as a \$41 billion global market in 2015 and poised for steady growth. The objective of Ritual Superfoods is to grow the company's product awareness and become a leader in mental fitness through the creation of great-tasting and easy-to-use supplements. Ritual's products can be purchased in North America through various e-commerce outlets and retail sales channels.

Figure 1: Investor summary



Source: Company presentation

Industry overview

The functional food market is expected to grow at a CAGR of 7.9% over 2020-2025 (source: Grandview Research; Figure 2). Functional mushrooms and adaptogens are used for a variety of applications in healthcare and pharmaceutical products, including food, drink, supplements, and beauty supplies. As the demand for functional mushroom ingredients continues to grow, the addressable market is expanding accordingly. The company cites various studies on the benefits of functional mushrooms that have confirmed the ability of organic mushrooms and adaptogenic herbs to help support a healthy response to stress and optimize mental, cognitive, digestive, and immune health.

The global functional mushroom market is represented by product type, application, and geography. By product, there are six dominant types: Reishi, Cordyceps, Lion's Mane, Turkey Tail, Shiitake, and Chaga. By application, there are food and beverage, dietary supplements, personal care, and pharmaceutical products. By geography, the market is segmented into North America, Europe, Asia-Pacific, and the rest of the world.

The functional food market has seen a rise in popularity over the last two decades. People are far more aware of diseases thought to be related to the consumption of certain food and beverage products than they have been in the past. As a result, consumers are shifting toward functional foods and beverages that promote benefits beyond basic nutrition. The recent buzz behind the superfood market has led to a higher demand for functional mushrooms, which is shown by the consistent growth and awareness of the space in the last few years.

Figure 2: Industry overview



Source: Company presentation

Product overview

Ritual Superfoods has four products in the functional food market. Functional foods and “superfoods” offer a high level of nutritional value due to their density of vitamins, minerals, antioxidants, and other compounds thought to boost immunity and improve brain function. The company offers consumers three functional mushroom adaptogen formulations: Chaga, Reishi and Lion’s Mane, all USDA-certified organic and caffeine-free.

Chaga Immune: Immune Booster – Chaga has been widely used in Eastern and Western herbalism to support healthy immune function and well-being. High in bioactive polysaccharides, Ritual’s chaga blend combines Chaga mushroom with Eluthero Root for optimal immune system benefits.

Lion’s Mane Focus: Brain Booster –A Mushroom long believed in Eastern Herbalism to support brain health, Lion’s Mane has recently been recognized as nootropic, which means it help activates and clear the mind for optimal cognitive performance. This blend of Lion’s Mane mushroom and Rhodiola root is intended to support cognitive function and brain health, while also maintaining the body’s ability to manage stress.

Reishi Relax (2020 Buyers Choice Award Winner): Stress support – known as “the mushroom of immortality” in traditional Eastern herbalism, Reishi is popular around the world today for its ability to help the body adapt to stress. Rich in triterpenes, polysaccharides, fatty acids, and amino acids. Ritual’s Reishi blend includes ashwagandha root to help support body and mind, and combat anxiety. Long-term use may also help maintain quality of sleep for restless minds.

Figure 3: Product overview



Source: Company presentation

Figure 4: Product overview



Source: Company presentation

Figure 5: Product overview



Source: Company presentation


The three formulations are offered in two packaging options: Container Mixes and Elixir Stix. The Container Mix includes the same formulation as the Elixir Stix but comes in a 180-gram container, providing an efficient way to consume Ritual’s product. The Elixir Stix are individually packed in 3-gram packets, 14 packets per box for a quick mixing solution added to any beverage. The boxes are sold individually through the company’s e-commerce channels as well as to wholesalers in a larger package of 12 boxes per order. Ritual believes its proprietary Immune-Synergy Six Mushroom Blend is the only functional health product on the market that contains a daily prebiotic blend that nourishes a healthy gut microbiome and facilitates balanced digestive function.

Figure 6: Ritual's award-winning product


Ritual
superfoods

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Our Products




IMMUNE BOOSTER
chaga immune
Bursting with bioactive polysaccharides, Ritual's Chaga blend combines Chaga mushroom with Eleuthero Root for optimal immune system benefits.




BRAIN BOOSTER
lion's mane focus
This unique blend of Lion's Mane mushroom and Rhodiola root supports cognitive function and brain health, while also maintaining your body's ability to manage stress.



STRESS SUPPORT
reishi relax
Rich in triterpenes, polysaccharides, fatty acids and amino acids, Ritual's Reishi blend includes Ashwagandha root to help support body and mind combat anxiety. Long term use can also maintain quality of sleep for restless minds.



IMMUNE, BRAIN, STRESS SUPPORT
variety pack
All three of our blends in one convenient pack.



2020 Buyer's
Choice Award
Winner

Source: Company presentation

Product pipeline


Expanding product SKUs

Ritual is continuing to develop new products aimed at meeting and exceeding consumers' needs. The company will be introducing two new superfood products in the fall of 2021 that aim to provide consumers with "skin-deep beauty".

The new latte powder mixes aim to boost energy and cognitive performance. The new superfood latte blend will offer a Blushing Rose Chai flavor that boasts a hot mushroom powder mix formulated with tremella or snow mushroom extract, reishi, and an array of botanicals and berries that the company claims will help promote healthy and hydrated skin, nails and hair, all while being more sustainable and animal-friendly.

Tremella fuciformis is an antioxidant-rich mushroom the company markets to help maintain healthy levels of collagen, helping keep skin hydrated, toned and youthful.

Figure 7: What's next for Ritual






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What's Next for Ritual

Innovation and quality are at the core of everything we do. We continue to develop our offering to meet and exceed our customer's needs.

Product Innovation Pipeline Preview:

Vegan Chai Rose Latte Collagen Booster

Collagen-Booster Rose Chai Latte Powder Made with tremella, reishi, aloe vera and other beautifying superfoods in a skin-hydrating & vegan cream base.

Mood & Energy Ube Matcha Latte Powder

Made with Cordyoepts, lion's mane, matcha & purple/blue hue super foods (ube purple sweet pea powder, purple pea flower, blue spirulina) broad-spectrum of prebiotic superfoods of purple sweet potato powder, lucuma, and inulin which combined support a healthy microbiome so you can trust your gut again.

Superfood Vegan Creamer

Made with vegan cream base and proprietary immune-synergy blend with key adaptogenic botanicals.

Source: Company presentation

Licensing, operations, and distribution

US and Canada: Licensing and operations

Canada

In Canada, mushroom products can be placed in two categories: (1) food and beverage products and (2) natural health products (NHPs). Ritual's formulations fall under the NHP (powdered elixirs) category, while it continues working to develop innovative products for the food and beverage market. For now, in the company's operating category, any facility in which NHPs are manufactured, imported, labelled and distributed or stored must have a site license from Health Canada. All NHPs are required to have a natural product number (NPN), which is a license issued by Health Canada and must appear on each product's label before it can be sold in Canada.

United States

In the United States, Ritual Superfoods markets its mushroom products as dietary supplements. The company's operations, including the formulation, manufacturing, importation, labelling and distribution, and sale of its products, are all activities that are subject to regulations from the FDA, the FTC, and other governmental agencies.

As Ritual Superfoods continues to grow the brand, the company continues to follow its 3-stage global distribution plan (Figure 8).

Figure 8: Global distribution



Source: Company presentation

Partnerships

Crossmark

Ritual has announced a partnership agreement with Crossmark, a leading national sales and marketing agency in North America with over 100 years of experience, extensive relationships and a team of 25,000+ experienced employees. Crossmark has a portfolio of clients including the likes of Hershey's, Kraft Heinz, Johnson & Johnson, and more. Ritual hopes Crossmark will help it deliver on the 3-year plan to exceed 40,000 points of distribution in the USA in 1.5 years. Ritual expects this collaboration will increase the company's retail store presence and brand awareness.

Figure 9: Crossmark's brands



Source: Crossmark's website (www.crossmark.com)

Amazon

Ritual has announced that the company is now partnered with Orca Pacific, an agency of Amazon. This partnership allows Orca to begin the creation, development and optimization of Ritual's Amazon store. Orca will also lead the company's digital marketing strategy. Ritual believes its corporate mission to supply product within "an arm's length" for customers will be significantly increased by this partnership.

The Good Trends

Ritual has listed its products with The Good Trends, a leader in the B2B wholesale marketplace, providing neighborhood and independently owned retailers access to brands like Ritual Superfoods through its technology platform.

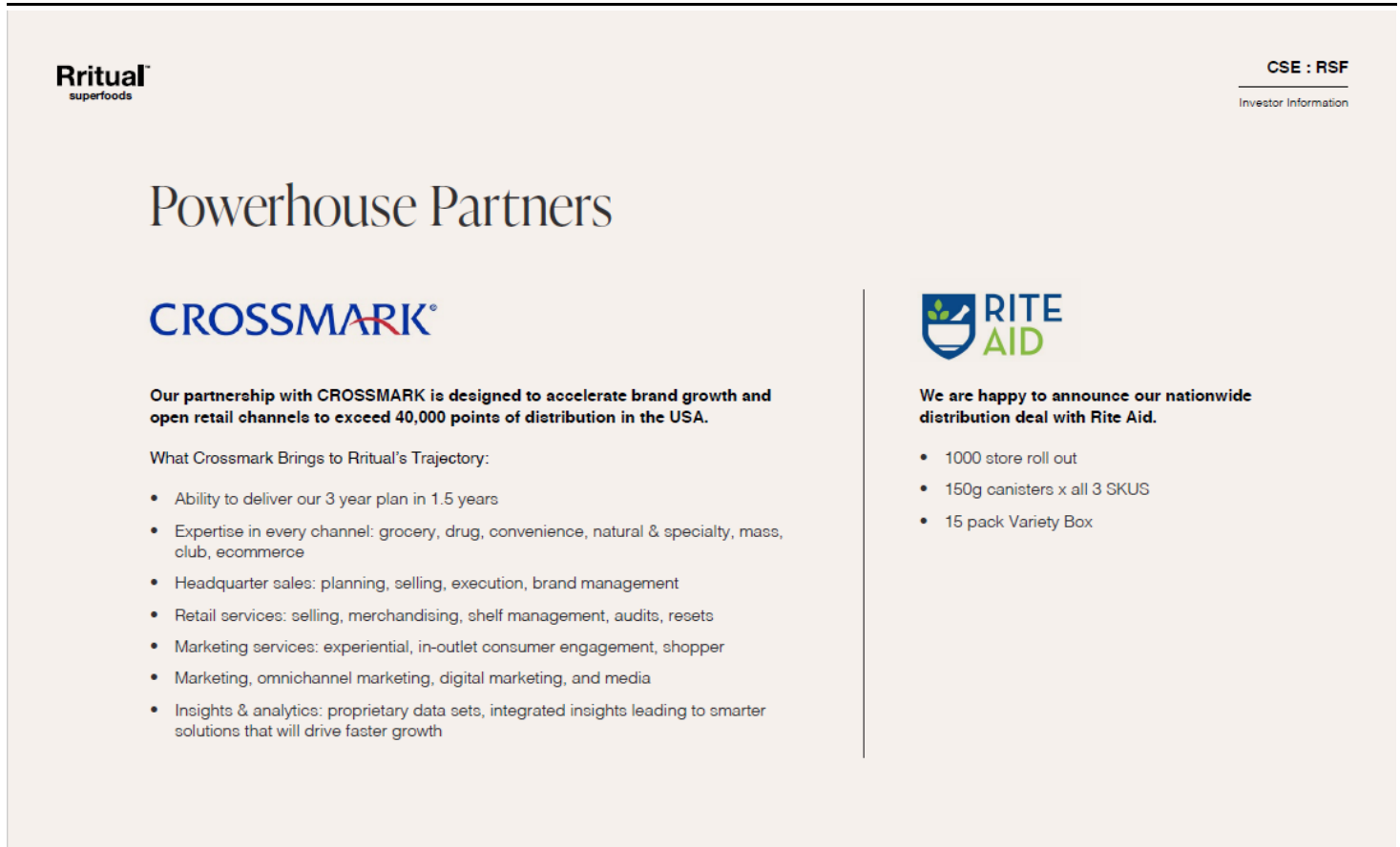
CVS

Ritual has announced that the company's product will launch in CVS stores across the USA. In 2020, CVS opened 650 HealthHub locations and plans to have 1,500 locations opened by the end of 2021. CVS HealthHub locations offer online streams of wellness and nutrition content. The store will carry Ritual's full individual product line including Chaga Immune, Lion's Mane and Reishi Relax. Ritual will work to develop an in-store education program for CVS-trained professionals to best serve consumers. Ritual will educate these professionals about the company's USDA-Certified organic, caffeine-free options that can be mixed with other beverages or enjoyed on their own.

Rite Aid

Ritual Superfood's also has established a partnership with Rite Aid to accelerate and improve the outreach of in-store sales to consumers. The agreement puts Ritual's three current SKU's – Chaga, Lion's Mane, and Reishi – as well as a mixed pack, in 1,000 stores nationwide.

Figure 10: Powerhouse partnerships



Source: Company Presentation

Competitors

Laird

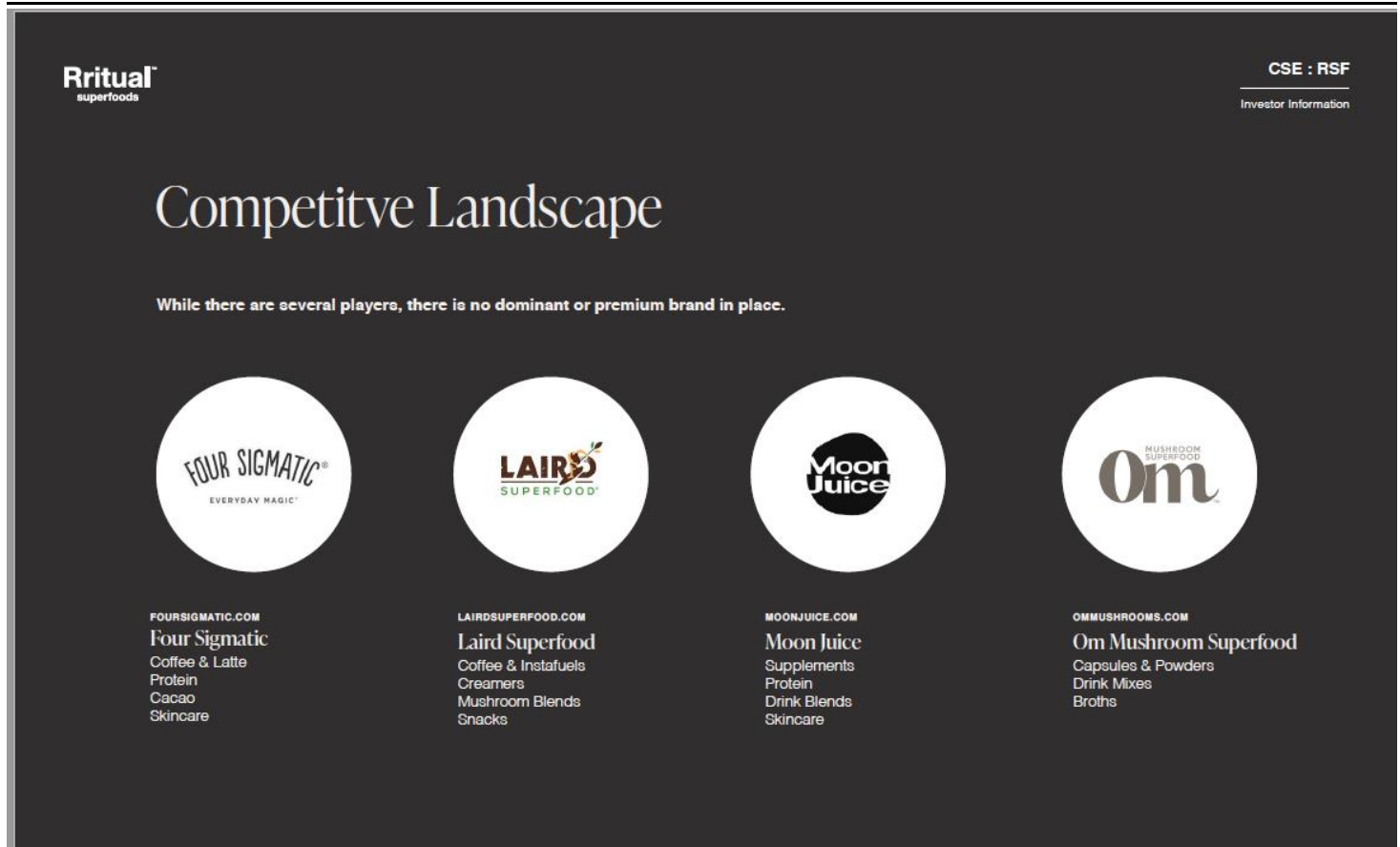
Laird Superfood is engaged in manufacturing and marketing highly differentiated plant-based and functional foods. The product portfolio includes organic mushrooms, coconut water, coconut sugar, mushroom coffee, and other related products. The company was founded in 2015 and has 150 employees. Last year, the company's fourth-quarter net sales increased 75% year over year, to 7.3 million. Online sales contributed 61% of net sales with sales growing 170% year over year and subscribers growing by 184%. The company has 20,000 points of distribution to date, and wholesale sales contributed 37% of net sales, increasing by 45% year over year as retail door expansion reached approx. 7,100 locations.

Four Sigmatic

Four Sigmatic is a Finnish-American company that combines mushroom products with traditional Finnish coffee replacements. The company was founded in 2012 in Finland, starting with medicinal mushroom products that include drinks, extracts and elixirs. After a relaunch in 2015 to enter the health product space, Four Sigmatic relocated to Los Angeles where it is now headquartered. The company aims to source the world's best mushroom ingredients to combine coffee replacements and health beneficial drinks. The formulas vary from morning routine coffee and latte blends to an evening routine beverage of mushroom cacao with Reishi, intended to help the consumer relax in the evening for a better start in the morning. The company also offers a plant-based protein which includes superfoods,

to make immune-supporting smoothies, protein shakes, and pancakes. With adaptogens being the center of attention, Four Sigmatic products are intended to offer health benefits across the entire product line.

Figure 11: Ritual's Competitors



Source: Company Presentation

Management team

David Kerbel - Chief Executive Officer and Director

Mr. Kerbel has over 30 years of senior level executive experience in the retail, brokerage and consumer products industries. He served as a senior executive with Crossmark, one of the world's largest CPG brokerages, running the Northeast division, and has international sales experience with the company's UK efforts at Franklin Farms where he led sales, operations and new product development. Mr. Kerbel will be responsible for the day-to-day affairs of the company. Mr. Kerbel holds a Bachelor of Science in business from Suffolk University.

Warren Spence - Director

Mr. Spence has over 25 years in the Canadian food and beverage industry, beginning with Olivieri Pasta (Canada Bread). Following this, he spent six years with Yves Veggie Cuisine and 10 years with Red Bull Canada. He has spent the past four years helping start-up companies implement supply chain and operations systems. Mr. Spence was appointed Head of Supply Chain for Nude Beverages just over a year ago. Mr. Spence's responsibilities will be providing strategic oversight of the company's procurement and supply chain as well as mentoring logistics personnel. Mr. Spence attended Simon Fraser University from 1986 to 1988.

Stacey Gillespie – CCO & Chief Innovation officer

Ms. Gillespie brings 25+ years of experience in brand and product strategy for wellness companies such as Megafood, Aura Caica and Gaia Herbs. At Gaia Herbs, she led the company's brand strategy and worked on the product pipeline and product strategy. Ms. Gillespie was the centre of consumer and category expertise, leading all consumer, industry and market research initiatives. She holds a BSc in Human Nutrition from The University of British Columbia.

David Lubotta – Director

David Lubotta brings over 20 years of entrepreneurial, corporate finance, innovation, and leadership experience to his role as a director of Rritual. His experience and significant interests in wellness and innovation have led him to be an advisor to Delos Living LLC, and the founding partner Delos Ventures and Delos Canada. Mr. Lubotta is also an advisor to PYM, a consumer product company focused on mental wellness, in addition to being the Managing Partner of DML Ventures. He is a partner at Merida Capital Partners, a leading Cannabis private equity group, headquartered in New York City, with 46 companies in its portfolio. Mr. Lubotta's responsibilities will be to provide strategic oversight and direction for the company. He holds an MBA from Kellogg, School of Management (Northwestern University).

Scott Eldridge – Director

Scott Eldridge is experienced in the financial industry, focused on the resource sector. He is a co-founder, President and CEO of Euroscandic International Group Inc., a private company offering accounting and investment banking services to natural resource companies. During his time in the industry, Mr. Eldridge has been responsible for raising in excess of \$500 million in combined equity and debt financing for mining projects varying from exploration to construction financing around the globe. Mr. Eldridge's responsibilities will be to provide strategic oversight and direction for the company. He holds a B.B.A. from Capilano University and an M.B.A. from Central European University.

Sarton Molnar-Fenton – VP Sales, USA

Ms. Molnar-Fenton started her career working at Vitamin Water and has since worked for large companies such as Danone, Nestle, and FIJI Water. At Nestle as the National Sales Manager for Tibe Hummus, Ms. Molnar-Fenton managed a \$20 million territory and successfully drove accounts such as Shaws, Trader Joes, C&S and more to double-digit growth. Ms. Molnar-Fenton brings extensive sales experience in the food and beverage industry along with leadership experience. She holds a BSBA in Business from Northeastern University.

Jessica Malach – VP Corporate Development

With 15+ years leading growth strategies in the natural consumer packaged goods (CPG) sector in the US and Canada, Ms. Malach brings experience from senior roles with Vega, Pinto, and Social Nature. Jessica is a keynote speaker on consumer trends with CHFA and has been featured in publications such as Natural Foods Merchandiser, Whole Foods Magazine, and Food in Canada, to name a few. She holds a BBA in Marketing from Simon Fraser University.

Peter Palarchio – Director of Marketing

Mr. Palarchio is a highly regarded brand specialist with over 10 years of marketing management experience. His career has spanned two respected agencies, television, broadcast and global hospitality companies. He is a Partner at Nav43 with experience working at firms such as Navigate Group and Icon Legacy Hospitality. Mr. Palarchio holds an Economics degree from the University of Waterloo.

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Date and time of first dissemination: July 16, 2021, 09:59 ET

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Distribution of Ratings:

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	#	%	%
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Hold	157	16.17%	21.66%
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Speculative Buy	152	15.65%	67.11%
	971*	100.0%	

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