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Presentation

Steven L. Spinner
Chairman & CEO

Good morning from Providence, Road Island, and thank you for joining us today. It is my pleasure to welcome you to the UNFI 2021 Investor Day.

Today, we will be sharing our newly rolled out corporate strategy we call, fuel the future.

To get us started this morning, I want to take you on a journey through North America's food supply chain. Nearly everything we eat begins with the hard-working efforts of farmers, growers, ranchers, fishermen and other business owners who provide the staples of most everything we eat, the thousands of manufacturers whose ingenuity creates, produces and markets the packaged foods, all of us know and consume regularly are the next part of the chain. They dramatically expand the choices we all enjoy around assortment, health and wellness, packaging and availability. With over 7,000 food suppliers, manufacturers and over 36,000 supermarkets in North America, UNFI plays a critically important role in getting food from the farm and the factory to store shelves and into shopping carts.

Today, UNFI is North America's largest wholesaler. We employ 30,000 associates. We operate 58 distribution centers. We use nearly 2,000 trucks per day to deliver more than 275,000 SKUs to a customer base that includes the country's finest local, regional and national retailers. We have never been driven to be the biggest. We have always been driven to be a company with a rich culture of doing what's right, while delivering real value to our customers. When we are all successful, all of our constituents win, and the prize is greater scale and efficiency.

Fuel the future ensures that this highly successful business premise evolves into our next chapter of growth and value add to our customers and stakeholders alike.

When the COVID-19 pandemic began last spring, consumers relied more than ever on their local supermarkets to deliver a comprehensive product offering, convenience and a safe shopping experience. And UNFI's unmatched scale, infrastructure, product and service offerings, and forward-looking thinking proved invaluable to our customers during this challenging period.

We were able to anticipate and source the most sought-after items to better fulfill customer orders and procure the products necessary to keep customer stores open. All of this was the culmination of an initiative that was launched 10 years ago when we first introduced our Build out the Store strategy.

At that time, we recognized the changes taking place in how consumers shopped, and how retail food stores were evolving with those changes. Traditional, conventional supermarkets were selling more and more natural products, and natural stores were beginning to see the opportunity in offering an edited assortment of conventional items. As we looked around the corner, we came to the realization that UNFI could broaden its product offering beyond natural center store to include fresh products, private brands, specialty items, general merchandise and services. To activate our Build out the Store strategy, we acquired about a dozen companies between 2010 and 2017. These strategic transactions provided us a much wider product assortment, including additions for specialty, ethnic and gourmet items. It also expanded our geographic reach, or in many cases, both. Still, our customers were pushing us to do more, to be more aggressive in adding new products and services and to provide greater operating efficiencies across our network. With the 2018 SUPERVALU acquisition.

We truly transformed the company and the industry as we created North America's premier food wholesaler. The

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addition of SUPERVALU has enabled UNFI to serve the entire store. It expanded our market reach and scale and has diversified our customer base. We're approaching 3 years since the SUPERVALU acquisition. And the integration has gone very well. We delivered more than the originally anticipated $185 million in cost synergies. We see a path to delivering a cumulative $1 billion in cross-selling revenue by the end of our fiscal 2022 as we gain traction with larger wins. We've expanded our market reach, and we've created a single corporate culture built on our rich history of always doing what's right. As we look ahead, based on rapid change taking place all around us, now is the perfect time to introduce our new strategic plan, fuel the future.

Fuel the future is our blueprint for our next phase of growth. It's about building off our strong foundation and our incredible momentum and elevating the key areas of our business to deliver even more for our customers and help make them even stronger. Our vision here at UNFI is about impact. We want to transform the future of food. We don't want to just participate, we want to be a true leader in the food industry. And our mission is about every single one of us helping our customers to thrive and succeed. It's about the integral role UNFI plays in the food supply chain, and it's about pioneering what's next.

As one UNFI team, our mission is to make our customers stronger, our supply chain better and our food solutions more inspired. Our new strategic plan is squarely aimed at delivering upon our mission and vision through our corresponding values in an even bigger way for us and our customers, and I'm excited for our leadership team to take you through it.

To set it all up, let me introduce our 6 strategic pillars, which drive our fuel the future strategy: Pillar 1 is fulfill power in scale. It's always been true scale wins in this business. The size and breadth of our distribution network and our upcoming strategic investments in technology and automation will fuel our competitive advantage and ability to make our customers stronger and our supply chain better.

Pillar 2 is unlocking the customer experience. This pillar is about transforming partnerships with our customers. We're proud to serve some of this country's most progressive and innovative food retailers.

Pillar 3 is taste the future, which is all about innovation. From our industry-leading private brands business to our portfolio of professional services to e-commerce and fresh, these inspired food solutions are all aimed at making our customers more competitive as we collectively transform the future of food.

Pillar 4 is UNFI pride. Our associates bring thoughts, backgrounds and skills to work every day. And those differences are what truly inspire us. We have announced pioneering 2030 environmental, social and governance commitments, and we take pride in the impact we can make for our people and our planet and most importantly, safety remains at the forefront of everything we do.

Pillar 5 is retail optimized. This pillar is about recognizing the value our retail team and stores provide to our communities and our shareholders. Our retail stores have contributed nearly $100 million in adjusted EBITDA during the last 4 quarters, and we are truly inspired by their community contributions. We have a strong, experienced retail team that will continue to invest in and operate these stores with tremendous pride.

And finally, Pillar 6 is earn results. We've grown both sales and adjusted EBITDA significantly over the past 2.5 years. And we expect to reduce outstanding net debt by about $1 billion by the end of this fiscal year. We're excited about the future, and we feel energized about the momentum pushing us towards years of continued success. Our goal is very simple. We want to leave you with a very clear understanding of the drivers and initiatives that will move our business forward and deliver the growth and financial targets we'll outline for you today. We have a compelling shareholder value story, and we're excited to share the next chapter of the UNFI story, how we will fuel the future.

With that backdrop, let's begin with Pillar 1, fulfill power in scale. Eric Dorne, our Chief Operating Officer, is here to tell you more about why scale is so important and the opportunities it presents to UNFI. Eric?

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Eric A. Dorne
Chief Operating Officer

Thanks, Steve. It's my pleasure to provide details regarding our first strategic pillar, fulfill power in scale. Let's start with some quick facts about our distribution network. As Steve stated, UNFI is the largest grocery wholesaler in North America based on estimated annual revenue. Beyond delivering to customers throughout the United States and Canada, we also service customers in the Caribbean and portions of Asia. We ship product to this expansive customer base from 58 strategically located distribution centers. And later this fall, we'll open our newest facility in Allentown, Pennsylvania, a 1.3 million square foot multi-building campus that accelerates our growth in Metro New York. To deliver 275,000 unique products to our customers, we make approximately 5,000 deliveries each day, made of approximately 3 million cases. That equates to over 1.3 billion cases of product delivered annually.

So what is scale? Scale is more than simply being the biggest or operating the most facilities. Scale means being strategically located closest to our customers, which in our case, is literally coast to coast. Scale means having in place the network capacity to support future sales growth. Chris will discuss these exciting opportunities later in our presentation. Scale also allows us to procure product in the most efficient manner, and scale provides us with the flexibility when the need arises to ship volume amongst distribution centers. Volume spikes, unique customer needs, temporary inbound fill rate challenges and weather-related events can add complexity to fulfilling orders.

In cases like this, we can choose to ship product from alternative distribution centers, something that would not be possible without the vast footprint and scale of UNFI. Steve referenced UNFI's acquisitions over the past decade, which have created this powerful network. We've made tremendous progress, but we still have an incredible opportunity ahead to simplify our business, optimize our network, improve the associate experience and stay at the forefront of the industry, all with an eye of helping our customers compete in today's dynamic retail marketplace.

Under the fulfill power in scale pillar of our fuel the future strategic plan, this is what we intend to do. Let's start with what we're doing to simplify our business, which falls under our initiative called One UNFI. This is all about how we do business, the tools we use safely to accomplish work, how we interact with our customers, how we engage with our suppliers and how we enable our associates to deliver exceptional service every day. When complete, this transformation will benefit our customers by allowing them to use 1 ordering system for all their purchases in all the categories we offer. Their orders will come on a single truck. They will receive a single invoice, 1 order, 1 truck, 1 invoice that is One UNFI.

As we fulfill power in scale, we are also focused on optimizing our distribution center network. This means maximizing the capacity and throughput of our existing assets by proactively changing how our distribution centers interact with one another and how they collectively service our customers. We have consolidated facilities in both the Pacific Northwest and in Southern California. These efforts have reduced the number of distribution centers we operate on the West Coast from 10 to 6 over the past 2 years, which has made our operations simpler and more efficient.

We are optimizing how we procure inventory to maximize our service to our customers while reducing both product and distribution costs. We will continue transitioning to a multitiered approach, which segregates inventory into fast turning and slow turning facilities. We will further leverage our current automated regional DCs that are strategically located across the country that focus on slower moving items that get selected on an each or a unit basis. This model is expected to improve customer access for these slow-moving SKUs, improve order accuracy and allows us to distribute these products more efficiently. This configuration will also simplify and improve efficiency around inbound deliveries, improve capacity through better space utilization and ultimately reduce our operating expense.

Let's move to what we call operational excellence. The collective efforts of our dedicated associates ensure product gets received, selected, loaded and delivered to our customers in a safe, timely and professional manner every day. We have many associate focused programs in place geared towards providing a higher quality associate experience with the goal

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of UNFI being an employer of choice. These programs include innovative training, advanced distribution tools, shift sharing, daily pay, part-time work programs, performance sharing and transparent daily feedback on the customer experience they provide.

And as Steve said, we're continually monitoring our compensation levels to make sure they're competitive. We've proactively increased wage scales in many of our markets, and we're prepared to make further investments as needed to ensure UNFI has the workforce to meet the needs of our customers. As part of this effort, we have launched a program that includes operational excellence walls and performance dialogue boards. These large colorful interactive tools are a focal point within each distribution center that detail that facility's operating metrics. They are a backdrop to daily huddles and provide a place for supervisors to update teams on how the DC is operating against key performance metrics.

We believe when associates know what's expected, when they have the tools to accomplish their work and when they understand exactly what their role means to UNFI, we will deliver amazing customer experience and results. A key component of operational excellence is the continued focus on safety, which is a core value at UNFI. At UNFI, we believe every moment matters to keep our associates safe at work and for our associates to enjoy life outside of work; 0 injuries remains our goal, and we're working towards it with ambitious initiatives and industry-leading tools. You'll hear more details about our safety programs from Guillaume Bagal as part of the UNFI pride pillar.

To summarize, under our fuel the future strategy, we are continuing our journey to fulfill the power of our scale by simplifying how we do business, optimizing our distribution center network and empowering our associates to get the job done. We can meaningfully improve the economics of our business while delivering an exceptional consumer experience. As a result of this important work, we believe we can improve our operating cost by 10 basis points per year through the programs I've outlined. We've done a great job of leveraging higher sales volume to expand margins over the past year, and our entire team is focused on delivering the value and objectives around fulfilling our power in scale.

And now back to you, Steve.

Steven L. Spinner
Chairman & CEO

Thanks, Eric. The next pillar is unlocking the customer experience. At the core of our success is the success of our customers. We're truly in this together, and UNFI is working hard to evolve and tailor our partnership model so that we can do more to help our customers succeed. Here's our President, Chris Testa, to tell you more.

Christopher P. Testa
President

Good morning, everyone. It's great to be with you and tell you more about our second strategic pillar, unlocking the customer experience. This pillar is about strengthening the competitiveness of our customers in 2 key areas: first, delivering a comprehensive portfolio of products, brands and services; and second, tapping into consumer and retail trends to provide tailored data-driven solutions that are customized to meet each retailer's individual needs.

Before digging in, let me start by talking about the amazing diverse group of customers that UNFI serves today. They include nearly every food retail channel in the market, ranging from your local independent store to regional and national chains, including our largest customer, Whole Foods. Our business covers food service operators, e-commerce businesses, military commissaries, export customers as well as value formats in stores with unique ethnic offerings.

In fact, products distributed by UNFI are sold in nearly 40% of food store locations across North America. Despite being North America's largest food wholesaler, we genuinely believe we're just getting started. Grocery wholesaling is a huge industry, representing annual revenues of nearly $1 trillion. Of that total, we estimate UNFI's total addressable market to

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be about $140 billion. We have narrowed down the playing field to reflect only the volume we believe UNFI can realistically obtain, which is still 5x our existing size. I want to walk through our opportunity and the steps we're taking, first with our existing UNFI customers and then with new customers. We estimate there's an additional $38 billion addressable market with just our current customers, which means UNFI can more than double its revenue without adding a single new customer, simply by increasing our share of wallet.

This is a compelling growth opportunity for UNFI, but also a straightforward solution for simplifying a customer's business through aggregating purchases. Where is the increased business opportunity with existing customers coming from? And how are we working to capture it? The answer is from several places, including retailers with captive distribution networks. Given the size of our network and our large purchasing scale, we can help these customers enjoy better economics by purchasing slower moving items through UNFI. We presently do a meaningful amount of business in this manner with large chains and we believe we can add more volume with these types of customers in the future.

Another area of opportunity for us is with retailers who supplement their purchases from UNFI by also using smaller local or regional distributors. Given the competitive nature of food retailing, we continue to add new business every week from customers that are trading their historic relationships with local wholesalers to consolidate their purchases with us. And finally, we're using our category insights and specialists to expand our shelf space by providing customers targeted opportunities that add fast-moving UNFI SKUs to their shelves.

Let's turn now to new customers that we're currently not servicing. This group represents an even larger addressable market opportunity of over $70 billion. Under our fuel the future strategy, we're ramping up our focus on new customers and working to deliver UNFI's unique benefits to solve their needs. And given the highly fragmented nature of the U.S. food wholesale market, these new customer wins will be sourced across multiple competitors and captive distribution opportunities, which UNFI is uniquely positioned to serve.

So why do new customers choose UNFI? This can best be shown with the reasons we were selected by Key Food to be their primary grocery wholesaler in a 10-year estimated $10 billion agreement that displaced their long-standing legacy distributor. You've seen a version of this chart in the past, but it really drives home the point how food retailers can aggregate a significantly higher portion of their purchases with UNFI and capture the benefits and savings I touched on earlier. UNFI offered Key Food a competitive advantage, including the broadest assortment of high-growth natural organic items, a robust private brand program that includes 5,000 category-leading SKUs and a distribution footprint that allowed us to begin servicing Key Food Florida locations immediately while we complete our flagship Allentown, Pennsylvania facility to service Key Food in the Northeast.

To learn a bit more why Key Food selected UNFI, let's hear directly from them.

[Presentation]

Christopher P. Testa
President

Customers like Key Food are realizing the unmatched product and service offerings UNFI provides, gives them a competitive advantage and is the reason we'll continue to win more new customers. And why we don't talk about each new win? All incremental additions contribute, in their aggregate, to our historical and expected sales growth. Today, we're midstream on many new customer conversations and our sales pipeline has never been stronger. This pipeline, combined with the Key Food win and the Whole Food supply agreement extension gives us confidence in our strategy and future. So whether they're existing or new, we're enacting additional plans that are essential to unlocking the customer experience.

First, our incredible sales force and merchandising teams have been reorganized to quickly respond to the individual

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needs of our diverse customer base. The regional team structure we put into place last year, made our sales teams accountable for all sales in a region agnostic to the category. This allows for the group to provide better clarity and improve connectivity with all of our customers regardless of their size. For customers that have multiple legacy relationships with UNFI, we offer a single point of contact responsible for the entire account. The sales professional access the account quarterback who taps into hundreds of UNFI's full-time product experts and me in produce and bakery, deli, general merchandise, services and wellness who will use their knowledge to connect to buyers on the customer side and help us build out the store.

Second, we're focused on customizing our support to fit individual customer needs. We have an incredible toolbox of solutions that we can offer, but we know that not all offerings are necessarily right for our customers. Our goal is to find the sweet spot and use the data-driven insights to help our customers benefit from the resources and people expertise at UNFI. These solutions could range from the most effective promotional tactics to product assortment customized by trade area to helping them with their physical store layout or pointing them to one of our services to lower their costs.

For additional color, let's hear from another customer of ours, Nugget Market based in Sacramento, California.

[Presentation]

Christopher P. Testa
President

Next, we're proactively communicating and collaborating with our customers in new ways. One great example is the 3 new tools we've launched, a monthly podcast, an e-mail blast and a customer facing blog, all of which help our customers learn from our subject matter experts on ways to drive their business through the insights we have as an industry leader. And finally, as a $27 billion company, we have vast amounts of data available, created through millions of grocery transactions that can improve decision-making and unlock valuable insights. Our sales team is trained to help customers benefit from comparative information to make more informed merchandising, pricing and promotional decisions. We see this as a large opportunity for which we're only beginning to scratch the surface in terms of bringing value out of information.

So I hope I've given you a clear picture of the opportunity size and all the ways we're working to deliver even greater value to our many diverse partners. We know that a critical part of fueling our future is fueling the future of our customers and helping them continue to succeed. Taking new steps to further unlock the customer experience will undoubtedly make our customers stronger and create value for UNFI and our shareholders. These tactics are expected to help us grow faster than the industry and continue to gain market share, which is why I believe that UNFI's best days lie ahead. We're excited to move ahead with all the customers we have and those [Technical Difficulty] Thanks, everyone.

Steven L. Spinner
Chairman & CEO

Thanks, Chris. As you heard, there was a lot going on in terms of our efforts to be the strongest partner we can be with our customers. We're intently focusing on helping them. We're also acutely aware that the food industry doesn't stand still and under our fuel the future strategy, we're pioneering new sources of growth and working to get the most out of our current programs. It's my pleasure to introduce our Chief Marketing Officer, Amanda Helming, to tell you more.

Amanda G. Helming
Chief Marketing Officer

Hi, everyone. I feel fortunate to talk about our new taste the future strategic pillar. This pillar at its core is about building upon UNFI's culture of innovation. It's about having a forward-looking mindset and courageously embracing what's next.

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It's about shining a light on our existing growth platforms, owned brands, services, e-com and fresh, while also developing new secondary sources of revenue that further complement our core wholesale business. Taste the Future will lead us to innovative business models, products and partnerships that truly make our customers stronger, our supply chain better and our food solutions more inspired.

Now how do we make this a reality? Well, we're already off to the races. Today, you will see how UNFI is so much more than a grocery wholesaler. We have transformational assets in each of our key growth platforms. We've invested in talent, technology and insights to understand the consumer of tomorrow and how to better meet their needs. We have built long-term plans for each platform to keep current with consumer trends and to ultimately grow UNFI's bottom line faster than the top line.

Finally, we have plenty of runway with existing customers, and we have the ability to go beyond our $140 billion addressable market with these platforms, extending these solutions to nontraditional alternative retailers in the future. Let me dive a bit deeper into each of these key growth platforms, starting with one of our highest margin businesses, our owned brands portfolio. Today, more than 1/3 of consumers say private brands comprise most of their grocery basket. That's up 11% in just 2 years. Across the food retail landscape, private brands have evolved from a pure profit play to a destination driver. Consumers are increasingly recognizing the quality of these products and are actively using these brands to decide where to shop.

At UNFI, we're uniquely positioned to capitalize on this trend. Today, our owned brands portfolio generates over $1 billion in wholesale sales, and we have an ambitious plan to double that over the next 5 years. To deliver on this, we're leaning into 3 key areas of growth: number one, core or penetration with our existing customers; number two, partnership with new customers and channels; and number three, innovation, new products to meet ever-evolving consumer needs.

First, let's talk about core. Today, we have 5,000-plus SKUs across 250 categories, 15-plus consumer-facing brands found in pantries and freezers around the world, spend a little time on our Instagram feeds for Tumaro's or Mt Vikos, and you'll feel the love and cult-like following for our brands. In fact, ranked by Nielsen Retail sales, we are a little known top 50 food and beverage CPG company. With the power and data of UNFI, the leading grocery distribution company is behind us. Across many of our brands, we play in that sweet spot of equal or better quality for less money, and our customers and their shoppers recognize that value. Existing customer penetration opportunities for brands like Essential Everyday, a $800 million powerhouse brand that spans almost every aisle or Wild Harvest are free from and organic brand loved by families, babies and spur babies alike. UNFI has $0.5 billion in potential penetration growth alone over the next 5 years.

Secondly, new customers and channels. We're embarking on new partnerships with alternative channels to extend our own brands beyond traditional grocery whether that's club, convenience or private brand solution for alternative or traditional channel partners, we will explore new customers and business models in the year ahead with real and meaningful upside.

Number three, Innovation. Shifting brands plus from imitator to innovator, we plan to introduce approximately 200 products year with new focus on data, insights and white space innovation, leveraging our talented team and robust supply chain. We are leaning into new and exciting items under our Woodstock branding including plant-powered plates, non-GMO, no sugar added hot sauces, the ghost pepper is no joke, and frozen organic diced avocado for all those work-from-home breakfast smoothies to come. We are also aiming to grow produce and PET as part of our overall design refresh for the Wild Harvest brand.

[Presentation]

Amanda G. Helming

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Chief Marketing Officer

To recap. Through existing customer penetration, new customer and channel growth opportunities as well as innovation, we believe we can double our brands plus top line over the next 5 years. And today, our owned brands enjoy up to 50% more gross margin than national brands. Our second taste the future growth platform and another competitive advantage we bring to customers is our services business. The 150-plus services we offer save our customers millions of dollars in operational costs each year. With high-margin services like shelf management, consumer marketing, e-com delivery, credit card processing, store design and retail technology, just to name a few, we provide a myriad of solutions to help retail partners of all sizes compete and grow more efficiently. Today, our conventional customers subscribe to an average of 5 to 6 service offerings from UNFI. Among our natural customers, penetration is less than 10%. So we have considerable room to grow.

Next, let's talk about our third growth platform, e-com. E-commerce growth has accelerated at an unprecedented rate over the past 15 months. If $1 in every $5 spent on groceries by 2025 is online, the good news is that UNFI has multiple ways to win in e-com. In addition to our base wholesale business, which supplies the leading dot-com providers, UNFI has innovative business-to-business e-com platforms to service a broader group of alternative customers and suppliers. Our Honest Green and UNFI Easy Options businesses appeal to customers who want access to our unique and vast product assortment, but also want the flexibility of paying with credit card or just-in-time delivery.

Our recently launched community marketplace connects emerging suppliers with our customer base to generate trial of new trending local offerings while also providing suppliers a proving ground to grow into a more broad distribution across our DC network. Additionally, we're aggressively pursuing new customer segments for our e-com platform. Currently, our e-com assortment is largely limited to natural, ambient temperature items. But as we broaden the offerings, we'll be better positioned to capture business from C-stores, certain hospitality players, buying clubs and resellers such as Amazon. We know that digital will play an increasing part of the future of food, and we're really excited to be a part of it. We plan to triple our shipped e-commerce business or UNFI as a seller over the next several years. Collectively, we expect these innovation platforms to deliver a significant portion of total company EBITDA by fiscal 2024.

While fresh has long been a differentiated part of the wholesale business for UNFI, we still see tremendous growth potential ahead. Fresh sales typically sold around the perimeter aisles are growing at a faster rate than center store sales and consumers' definition of health and wellness continues to evolve. Fresh presents a significant growth opportunity for UNFI and is a meaningful part of the addressable market Chris spoke about earlier.

Here's a bit more about our fresh plan. It starts with our people. We've added talent at all levels, including regional experts to work with local customers on their specific merchandising market, product assortment needs. Second is quality. We are working directly with suppliers to remove days in the supply chain, and we're making systematic improvements in our DCs for better receiving, handling and load acceptance standards. Finally, we will be expanding our assortment through alternative sourcing, value-added prepared foods and by growing our private brand offerings in fresh and produce. These initiatives are expected to lead to increased penetration as our assortment improves, products turn faster, shelf life gets extended and shrink expense decreases.

In short, our goal is to give more days of freshness to our customers, along with unbeatable prices. As you've hopefully heard loud and clear, we're leaning into challenge and change with confidence. We will be bold, curious and innovative as both a business and as a brand, from owned brands to services to e-com to fresh, along with other transformational offerings to come, our goal is to further complement our core wholesale business with an unflinching focus on making our customers stronger, our supply chain better and our food solutions more inspired.

As I said before, our company is so much more than meets the eye, and I can't wait to help our customers, associates and stakeholders all taste the future together with UNFI.

Steven L. Spinner

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Chairman & CEO

Thanks, Amanda. You've now heard about our supply chain, what we're doing to make our customers even stronger, and how we're working to lead the industry in the next decade. All of these efforts come from inspired associates, who choose to work for a company with strong values and a commitment to more than simply making money, helping one another and nourishing our planning, our core to UNFI. Here are Alisha Real, Director of Sustainability and Social Impact; and Guillaume Bagal, Vice President of Diversity and Inclusion, to tell you more.

Alisha Real

Good morning, everyone. A critical part of fueling the future at UNFI is raising the bar on the many great things we're doing to inspire, engage and build an even stronger culture within UNFI and beyond. All that we're doing on this front comes under our UNFI pride pillar. And my colleague, Guillaume and I are excited to share the details with you. As many of you know, UNFI has a long-standing commitment to doing what's right for people and the planet. We see ourselves as a force for positive change in our industry and beyond, and are leading by example because we know that better food can only come from a healthy planet and that a brighter future for all means clean air and water and it means a safe and nutritious food supply.

Better for all, in addition to being one of our company's core values, is the name of our environmental, social and governance, or ESG agenda that we launched earlier this year. It's our commitment to taking action on important issues like climate change, food and security and injustice. This 10-year plan is aligned to 3 areas: building better for our world, our communities and our people. When it comes to bettering our world, we've set ambitious goals for ourselves and are working toward things like cutting food waste in our distribution centers in half by 2025, achieving 0 waste to landfill by 2030 and reducing our greenhouse gas emissions in line with climate science. Already, we're making significant progress toward these goals.

Recently, we announced the addition of 53 solar-powered all-electric refrigerated trailers to our California fleet. With an eye to an emerging technology like this, UNFI is taking meaningful steps to reduce greenhouse gas emissions in keeping with our commitment to set and execute against a science-based target. We're also investing in renewable energy through our sponsorship of 1 square mile of new solar capacity in North Carolina, while also pursuing opportunities to substantially expand our use of clean energy, both on and off site.

In the fall, we plan to launch the UNFI Climate Action Hub, a project to spur bold action within our industry and across our value chain. In partnership with the climate collaborative, this project will provide tools and resources to help our suppliers and customers, while also showcasing the incredible focus and accomplishments of others in helping to reverse climate change.

Equally important to us is strengthening our communities. We believe that food justice is a fundamental human right and that everyone deserves access to fresh, healthy, affordable and delicious food. To that end, we are committed to providing over 200 million meals to those in need by 2030. Through the UNFI Foundation, we also support nonprofit organizations in their quest to build better food systems and nurture everyday health, awarding over $1 million each year to advance this important work across the U.S.

Proud and excited by all we're doing. And now here's Guillaume Bagal, Vice President of Diversity and Inclusion to highlight how we're advancing our commitments to our people. Guillaume?

Guillaume Bagal

Thanks, Alisha. And great to be with everyone. I'm excited to talk about the many things we're doing to support our 30,000 associates working in our distribution centers, retail stores and administrative offices. I'm especially proud of how we're constantly looking for new ways to evolve and deliver a better experience for them underneath the better for all

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mantra.

Let me start with a new program that is a true game changer for us, that we call flex shift. As an alternative to full-time employment, flex shift prioritizes work schedule flexibility and offers warehouse selector candidates, an option that better balances their work-life needs. We're very pleased with the initial responses from the first group of associates hired under this program. Not surprisingly, the most common feedback we received has been the ability to balance work and family commitments to select shifts that allow flexibility and to work for a company that appreciates and values them for their contributions. That is the very purpose of this program, and it seems to be hitting in its mark.

Another recent initiative we've introduced that I'm very proud of is the rollout of our belonging and innovation groups. What we refer to as BIGS. BIGS are voluntary and social-led groups focused on common interest, backgrounds and demographics with the core purpose of fostering a sense of belonging. They are supported by the company's diversity council, and all associates are welcome to join any of our current groups, which currently include black UNFI leaders of today, BUILT BIG; women's integrated network, WIN BIG and military services. We've had great participant and executive sponsor feedback, and we plan to add more groups in the coming months. We've also introduced Real Talk, a series of virtual discussions focusing on the intersection of diversity and inclusion with career, wellness and leadership development.

Last month, I hosted a session on my journey from Cameroon to the United States and how my career path went from health care policy to diversity, equity and inclusion. Other sessions focus on women in the workplace and raise issues in these difficult times. These forms are an important way for people to share their experiences while embracing our unique differences and have genuinely resonated with associates who participated. As the saying goes, people don't care how much you know until they know how much you care. These programs and others under consideration reflect how much UNFI cares about its associates. We know they're the ones truly fueling our future.

Finally, let me spend a moment on another critical topic at UNFI, Safety. Safety, as Eric stated, is a top value of the company. Safety is at the forefront of everything we do. And we have several important initiatives underway to improve our safety performance. First, we have developed and implemented a safety brand in pledge that will enable us further evolve to a caring culture where everyone looks out for themselves and each other. Part of how we'll be doing this is by engaging associates directly in maintaining safe operating procedures. This daily connection with associates create a greater investment for working safely.

We know that a caring culture serves as a strong motivator to drive behavior, and we're optimistic that continuing to put the focus on meaningful engagement for associates will strengthen safety across our operations. We're also working to improve safety by investing in enhanced training programs that are more interactive and informative and have demonstrated success in preparing associates for safely meeting the demands of their work and helping the coworkers do the same, who will also hold ourselves accountable to meeting our safety and operational standards through enhanced safety auditing programs.

When it comes to accidents, 0 is possible and 0 injuries is our goal. Creating and maintaining the safest workplace environment for our people is UNFI's most important value and business imperative. So that's a look at UNFI pride and how we're bringing it to life through our better for all plan to continuously do more for our world, our communities and our people. The steps we take over the next decade across all these areas truly are critical to helping us fuel the future. And I encourage you to visit betterforall.unfi.com for more information about our ESG plans, goals and progress. Thanks, everyone.

Steven L. Spinner
Chairman & CEO

Thanks, Guillaume. As you know, UNFI is more than a wholesale. We also successfully operate retail stores in 2 markets, and are proud of how we serve customers with our Cub and Shoppers banners. Here is Cub CEO, Mike

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Stigers, to share more about our plans for retail.

Michael C. Stigers
Executive Vice President of Wholesale

Hello, everyone. I'm excited to share how we're fueling the future at UNFI through the many great things we are doing to advance and optimize our retail business. Before I do, let me give you a brief overview of our retail operations. Cub is the long-time market leader here in Minneapolis, St. Paul and throughout Minnesota. We own and operate 53 corporate stores and support another 25 stores operated by UNFI customers through franchise and LOC arrangements. There are also an additional 27 Cub wine and spirit and Cub liquor stores with several more under construction, including the 22 Shoppers Food Warehouse stores in the Washington, D.C. market, we operate over 100 stores today.

Over the last 4 quarters, we've generated $2.4 billion of retail sales and nearly $100 million in adjusted EBITDA, both representing meaningful contributions to total company financial performance. One of the many keys to running successful retail stores is ensuring they are well maintained and offer their products and solutions today Shoppers want. We've continued to remodel and upgrade our stores to keep them fresh and appealing. These projects have routinely included configuration changes to best accommodate new and emerging features such as e-commerce, grab-and-go meals and sushi bars. The continued investment in our business has allowed us to keep growing as we responded to the needs of our neighbors and communities this past year.

Along those lines, I'm especially proud of the work the entire team has done to ensure neighborhood food access and subsequently reopen the 2 stores damaged in last summer civil unrest. Within 60 days, we opened 2 small footprint temporary stores to meet the needs of the impacted communities. And we also ran shuttle buses for those looking to shop at other nearby Cub stores. Our Northside store, where I'm proud to be coming to you from today, now includes a community room, which continues the strong partnership we've developed over the years with the surrounding neighborhood while offering a new, safe place for residents, groups and organizations together.

As part of our plan, Cub is investing in technology and upgrading its systems. Currently, we're investing in our e-commerce and digital platform, point-of-sale system and data network to name just a few, all with a focus on keeping our stores current, relevant and able to meet consumers where and how they choose to shop. In addition, we'll look to drive growth with continued investment in store upgrades, new merchandising fixtures and other needed infrastructure spending. We're also actively looking for new store sites to grow our business.

As you've heard on our recent earnings call, e-commerce growth at Cub has been very strong. In our most recent quarter, store pickup and delivery sales increased 27%. As a result of this sudden and dramatic acceleration in digital shopping, we're rapidly looking at ways to improve the customer experience and lower our fulfillment costs associated with these orders. Cub team members are now handling the order selection, and we're exploring how we can best leverage customer data and unique vendor promotions to improve and extend promotional reach for our digital shoppers.

Additionally, we know our stores will only be as good as our people. And to that end, we've invested in our most valuable resource. One initiative we've joined is participation in an 18-month program through the University of Southern California that is designed to advance the leadership skills of our store managers and functional leads. Through programs like this, the average tenure of our associates exceeds the industry average, which contributes to the appeal of these banners and stores.

Retail has always been a competitive business. And we're working hard to ensure our stores evolution continues to attract and retain customers as it has for over 50 years. From our buildings to the products we offer and how they're merchandised and promoted, and to our people and everything Cub and Shoppers represent in our communities. We're intently committed to meeting our customers' needs every time they interact with us.

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And thank you to our wholesale team for your ongoing support. We truly couldn't accomplish what we have without your strong partnership. We look forward to continuing our work together as we drive our retail optimized plan and achieve our goal of moving more products and sales through our stores. When that happens, we all win. Thank you very much, everyone.

Steven L. Spinner
Chairman & CEO

Thanks, Mike. We strongly believe that the plans we've outlined for you today will enable UNFI to deliver consistent top and bottom line growth over time, creating value for our shareholders. John Howard, our Chief Financial Officer, is here to say more on our longer-term financial outlook. John?

John W. Howard
Chief Financial Officer

Thanks, Steve, and welcome, everyone, to our final strategy pillar, Earn Results. Thank you for joining us and for your interest in our company. Let's start with a brief review of what you've heard today, the key drivers of our Fuel the Future strategy designed to contribute to our growth and expand our operating margin. The primary building blocks for sales growth are increasing our share of wallet with our existing customers through SKU expansion, category expansion and cross-selling. You heard this alone as a $38 billion opportunity; second, our ability to gain new customers. our unique and clearly differentiated business model is expected to attract more new customers who will turn to us for all the reasons you've heard today; next is the opportunities we have to grow owned brands and our services UNFI has the best, most comprehensive private brand portfolio amongst wholesalers, and we're committed to doubling its size.

Similarly, nobody in the wholesale space can provide the services that we can, and we're focused on helping our customers succeed through the insights we are uniquely able to provide. And finally, e-commerce. We believe our digital solutions provide distinct advantages for our customers and will be a source of continued growth. In addition, you've heard some of the specific plans to lower our costs and run the business more efficiently. The sales growth initiatives we've outlined will leverage the fixed elements of our cost structure. DC optimization, the strategic use of automation and technology and the overall simplification of how work gets done are also expected to remove expense.

Part of our simplification efforts are included in the ValuePath program we introduced earlier this year. ValuePath's expected $100 million annual gross benefit cuts across a wide swath of the business, covering margin, operations and our SG&A functions. We put in place specific initiatives dedicated to expanding margins through various activities such as sourcing, inbound logistics and delivery frequency. One of the largest opportunities within ValuePath is the operations work stream focused on improving our distribution center productivity, with an emphasis on facility layout, product slotting and overall workload forecasting.

Another work stream is focused on reducing our SG&A spend, including a deep dive into our organization structure to bring out our top talent, optimize roles, rightsize spans of control and make greater use of technology. In terms of the timing of the ValuePath benefits, we're expected to generate $60 million to $80 million in cumulative gross benefits by the end of the next fiscal year, our fiscal 2022, which we believe will grow to the $70 million to $100 million annual range by fiscal 2023, as we previously communicated. We expect to reinvest a portion of these benefits back into the business to drive market share gains, accelerate innovation, invest in automation, and maintain appropriate wage scales for our frontline workers, as Eric discussed.

The balance of the savings will go toward expanding our operating margin. So what does this mean to our financials? One of our primary goals is to increase adjusted EBITDA faster than sales and increase EPS faster than adjusted EBITDA. Over the next 3 years, we expect to increase sales at a compound annual growth rate higher than the overall market and deliver market share growth.

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Over the next 3 years, we are expecting the market to increase on average 1% to 2% per year. This includes a modest 1% annual level of inflation with higher levels likely in fiscal 2022. For UNFI, we expect to deliver average annual sales increases in the 3% to 5% range through fiscal 2024. We expect adjusted EBITDA to increase by 6% to 10% on average annually through fiscal 2024. This would result in a 30 basis point expansion in our adjusted EBITDA margin rate in fiscal 2024 relative to fiscal 2021. And we expect lower interest expense and other items below EBITDA to grow at a rate less than adjusted EBITDA, which will lead to average annual EPS growth of 12% to 18% through fiscal 2024. These estimates assume what I'll call a relatively normal business environment that we continue to operate retail and exclude any M&A or divestiture activity. Using our fiscal 2021 guidance as the base, we expect to deliver in fiscal 2024, sales over $30 billion, adjusted EBITDA of over $900 million and EPS of over $5.25 per share.

Let's move on to capital allocation and our use of free cash flow. When we acquired SUPERVALU nearly 3 years ago, we had total outstanding net debt of close to $3.5 billion. Our net debt to adjusted EBITDA leverage ratio was well over 5x. By the end of this fiscal year, we'll have reduced that net debt figure by around $1 billion and we expect our leverage ratio to be approximately 3.3x. Before the end of fiscal 2024, we expect to achieve our targeted leverage ratio of 2 to 2.5x adjusted EBITDA through a combination of increased adjusted EBITDA and continued debt reduction. We remain very focused on continuing to reduce our debt and feel this closely aligns with the interest of our shareholders.

Leverage below 3x adjusted EBITDA will also remove certain restrictions on our ability to return capital to shareholders via share buybacks and dividends. Continuing with our capital structure, we purposefully staggered the maturities of our debt to minimize refinancing risk. This structure provides UNFI with a high level of flexibility, allowing us to make strategic operating investments as necessary. Our next maturity isn't until over October 2023, more than 2 years from now, when our current ABL comes due. In terms of capital investment, we expect to average 90 to 100 basis points as a percent of sales on capital expenditures with some modest annual variability driven by the timing of larger spends, such as Allentown and technology.

Let me finish with some perspective on retail. Although multiple factors have resulted in our continuing to operate this part of our business, we now believe continuing to optimize retail is in the best interest of our shareholders and provides greater value. Retail generates significant free cash flow. And as Mike alluded to, provides us real-time information on a number of initiatives that can be shared with our wholesale customers to strengthen their businesses.

In closing, I want to stress how excited we all are to embark on our fuel to future strategy and our next phase of growth. We're looking forward to delivering an even bigger way for our customers, our business and our shareholders. Thanks, everyone.

Steven L. Spinner
Chairman & CEO

Thanks, John. I hope that you found these presentations helpful in understanding how UNFI will continue to fuel the future of food in the next few years. You've seen and heard about our updated mission, vision and values and our 6 new strategic pillars for growth. Our leaders have talked about the key metrics we hold ourselves accountable to, aimed at making our customers stronger, our supply chain better and our food solutions more inspired.

To summarize, these are the KPIs for fuel the future: First, holding ourselves accountable to meeting the needs of our customers is what drives everything forward. We will deliver an improved customer experience. Compared to a benchmark, we will establish in fiscal 2022 based upon a quantifiable objective satisfaction score. Through winning new business, cross-selling and bringing tailored solutions to our customers, we aim to increase our share of our $140 billion addressable market to 20% or more. We plan to grow our innovation platforms and higher-margin businesses such as own brands, services and e-commerce. That, combined with new secondary sources of revenue, will collectively contribute up to 25% of our adjusted EBITDA by fiscal 2024.

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Next, our power and scale and DC network optimization work streams Eric outlined is expected to drive a 10 basis point annual reduction in DC operating expense as a percent of net sales. We intend to strengthen our associate engagement by 5 points through our work around associate flexibility and benefits, safety, diversity and inclusion, and by pushing an innovation culture that should reflect in our engagement metrics. We will make substantial progress against our ESG commitments and our Better for All campaign with tangible targets like putting more electric vehicles on the road, food access and justice and by setting and tracking against science-based targets. With strong leadership and continued investment, we will own and earn our financial results that include average annual net sales growth of 3% to 5%, average annual adjusted EBITDA growth of 6% to 10%, and average EPS growth of 12% to 18%.

You may be asking, why are we doing this Investor Day now, given the CEO succession is not yet final? To that, I would say I'm extremely confident the next CEO will be fully aligned to UNFI's culture. We'll do everything possible to push this foundational strategy forward and we'll embrace the great leadership team that is place. The Board and I are engaged in a robust succession planning process, and I feel confident we will have a successor named by late summer or early fall.

The time is now, the time is right. We have strong momentum. Fiscal 2020 was a record year for us in terms of revenue and adjusted EBITDA. This year, fiscal 2021, will be another record year. And next year, fiscal '22, is expected to be even better. That trend positions us very well to achieve our fiscal 2024 target. We've never been more confident in our ability to fuel the future.
Let me now introduce Bob Houghton, our Senior Vice President of Finance, who will facilitate the session.

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Question and Answer

Robert Houghton
Senior Vice President of Finance

Thank you, Steve, and good morning, everyone. We will be conducting our Q&A session virtually this morning.

[Operator Instructions] We've had several questions come in during the course of our presentation this morning. So let's get started.

Steve, the first question is for you. With vaccination rates increasing and most of the country seemingly in reopening mode, that would seem to work against food retailers and distributors. What makes you believe you can grow sales against that backdrop?

Steven L. Spinner
Chairman & CEO

Thanks, Bob, and welcome everyone. Thank you for joining us today. This is a historic moment and we're so pleased and proud to be here. This is a great time to be at UNFI. We've accomplished so much over the last couple of years. And I am so incredibly proud of the over 30,000 associates who work for the company, both in the United States and in Canada. The work that we did through COVID, the work that we continue to do, making sure that food is available throughout the thousands of retailers and hundreds of millions of consumers throughout our network has just been incredible. And as we tried to communicate to you via the presentation, we feel incredibly good about moving the company towards $900 million of EBITDA and over $30 billion of sales by 2024.

Now there's a couple of things driving that: First, some near-term tailwinds. We know that we're going to be in an inflationary environment, inflation always works well for us; two, we think service level is going to continue to improve. In other words, the product that we need the most is going to become more available. There's also considerable tailwinds in categories like e-commerce, bakery, deli, foodservice and so much more that are going to continue to drive our results forward. And by the way, some of those categories are growing in the mid-double digits we think we'll continue to do that.

Also, we talked about this $140 billion addressable market, and that is a huge opportunity for us. We're taking share every single day, and we feel really confident that UNFI is going to play a major role in attacking that $140 billion. We've also talked about the fact that we've already won, on an annualized basis, $1.5 billion, and that's going to start rolling into our numbers throughout fiscal '22 and probably fiscal '23. So there's just so much positive momentum behind us that it makes us feel really comfortable with the numbers that we provided today, and certainly look forward to seeing the company have terrific success as we move towards $30 billion of revenue and $900 million of EBITDA.

As I just said in my closing remarks, we had year in '20, we're going to have a record year in '21, and we will have a record year in '22. So just fabulous. I can't tell you how proud I am of this team.

Robert Houghton
Senior Vice President of Finance

Great. Thanks, Steve. Chris, next question is for you. On the last earnings call, you $500 million of incremental new business in fiscal '22. Can you provide more context?

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Christopher P. Testa
President

Sure. Yes. So look, we're winning business every week. We're winning business from small local produce suppliers, small fresh meat distributors, also national players. And we're also winning business from retailers that have captive distribution network. So that's -- those are retailers that do self-distribution. And they use UNFI instead of building out their own infrastructure because we can do it as efficiently, if not more efficiently than themselves. So the $500 million win came from our largest customer. We're dramatically expanding the categories that we sell to them.

And as Steve mentioned, it will be coming on throughout fiscal '22, we won't realize the full benefit until this time next year. And I think it's a testament to the partnership that we have with them and the trust they have with us. But it's also exactly what we said in the presentation, we're building out the store, right? We're aggregating our purchases on 1 truck, and we're delivering more to them, which is efficient for them and also efficient for us.

Robert Houghton
Senior Vice President of Finance

Great. Thank you, Chris. John, next question is for you. Can you provide some color on potential for margin expansion, growing EBITDA at a significantly faster pace than revenue in fiscal '22?

John W. Howard
Chief Financial Officer

Sure. Absolutely. So this is an example of where that scale wins and what UNFI brings to the table. So we're going to get that margin expansion through a couple of different ways. One is the ValuePath initiative that we've talked about previously and getting that $70 million to $100 million of gross value by the end of FY '23. As I mentioned in the presentation, we'll reinvest a portion of that to support additional growth. We're also going to the benefit of the innovative programs that we have in place are going to come in at a higher gross margin level. We're going to get the OpEx 10 bps per year savings. And all that's going to translate down through the -- the leverage through our P&L translate to that $900 million of EBITDA and that 30 bp margin expansion that we're expecting for FY '24.

Steven L. Spinner
Chairman & CEO

Yes. I would just add that we have resourced our Brands+ business, which I know, Amanda, you talked about in a second. We've resourced services business, which has been so incredibly important to our consumers throughout the pandemic, and that's going to continue over the next few years as we add more services to the program. We know in the near term, as I said earlier, as we get into a more inflationary environment, that is a real contributor to gross margin for us. So I think all those things put together make us feel very comfortable about where we're going from a margin perspective.

Robert Houghton
Senior Vice President of Finance

Great. And Steve, next question is just going to build on a comment you said a minute ago. And Amanda, this one's for you, why are owned brands so important to UNFI?

Amanda G. Helming
Chief Marketing Officer

It's a good question. And hopefully, from our prepared remarks, you're able to understand that there is real passion behind the private and owned brands portfolio that we have, and there's purpose behind these growth platforms. And

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that all is really in service to our customers and making them stronger and more uniquely positioned in the market to win. And so there's that piece. And I think we have -- I've had the privilege of working for some fairly iconic brands in my career. And I would say we have a best-in-class portfolio of brands. And I'm really proud of that, I'm proud of the team that oversees that. And we've got a lot of solutions. And really, there is power and scale and there's power and choice for our customers, right, from value to sustainably sourced, to quality at really the right point national brand equivalents. We've got a really powerful portfolio for the customer.

The second reason is margin. As John and Steve just spoke to, there's real meaningful margin upside for UNFI and for our customers. And when that trickle down effect is in place, all boats rise with the tide. And then the third reason really is our total addressable market, it's sizable, and it's sizable with existing customers and existing portfolio brands, but we also have opportunity to expand that and to go beyond the total addressable market to all channel and nontraditional customers. So I think for those 3 reasons, it's going to continue to play an increasingly important role for both UNFI and to the customer.

Steven L. Spinner
Chairman & CEO

I would also add that our customers, a lot of whom are big regional operators and some smaller independent operators. They rely on UNFI for their private label, and those private labels end up being what are in our Brands+ business. And without having access to a scaled product line, it's very difficult for them to compete in their market with some of the bigger box stores that you're familiar with. So we've grown that business significantly. We're going to continue to resource it. We've got great leadership under Amanda. And today, our Brands+ business is one of the largest CPG companies in the United States.

Christopher P. Testa
President

I'll just add to that, that a lot of the acquisition that we get, it's because of our brand's portfolio. That's the lead reason why customers are coming to UNFI. They want those brands.

Robert Houghton
Senior Vice President of Finance

That's great. Thank you. Eric, the next question is for you. It's from Mushkin with R5 Capital. When will the company have the capability to have 1 ordering system, 1 truck and 1 invoice?

Eric A. Dorne
Chief Operating Officer

Great question. And we have been on this journey for several years, and it's not just a 1-system journey that we're on, and adding in the acquisition that we made in September of 2018 complicated the whole journey. So we have successfully transitioned and standardized several systems ahead of the core systems to include procurement, transportation, HR and payroll. And our core business system is complicated. We are migrating to a system that currently operates approximately 50% of our company and being in conventional. So we are making modifications, enhancements to that system, and we are targeting a summer of 2022 pilot, which organizationally, we're very much looking forward to. And we have a cross-functional team that's working very diligently putting all the pieces together around that. So summer 2022 is pilot, and we will take it from there.

Steven L. Spinner
Chairman & CEO

I would also add that, Scott, because we are the largest wholesaler in the U.S. and Canada, because we're the only

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wholesaler that has both conventional, natural specialty vitamins and supplements and so much more, we have the scale to economically give the customer what they need, and that is a very robust wholesome package that includes all of the products that I just talked about. We're the only one that has it, we're the only one that will have it, and we look forward to enhancing our customer experience to get us to the point where we can have 1 invoice. But it certainly has not behaved as a barrier as it relates to bringing new customers on board, both on the captive side or our customers that have their own network or the region or the independents and we've just done a job cross-selling across all the customers.

Robert Houghton
Senior Vice President of Finance

Great. Thank you. John, next question is for you. With your leverage ratio coming down, have you given thought to a stock buyback program within the next 12 months or so?

John W. Howard
Chief Financial Officer

Yes, good question. Within the next 12 months, let's talk a little bit about what we need to happen first. We do need to get that leverage below 3x in order to remove some of those bank restrictions so that we can at least start to consider returns to shareholders in the forms of buybacks or dividends. We haven't provided the time line to exactly when we're going to get there. But I think when we're getting to 3.3 is what we're guiding to approximately for FY '21, we just guided to 2 to 2.5 by FY '24. Certainly, with next 12 to 18 months, I think you'll be seeing that 3.0 leverage or better. That opens up the opportunity for us to consider those things. Then it becomes a discussion around what's the best investment for the shareholders. Is it a return through buybacks? Is it further investment in automation? What's the best return? And when we get close to that point, we will be certainly analyzing that to determine what the right approach is to best use of shareholders' cash.

Robert Houghton
Senior Vice President of Finance

Great. Thanks, John. Chris, this next question is for you, and it's from Kelly Bania with BMO. It sounds -- or excuse me, what is factored into your guidance regarding mix pressures from faster growth with lower-margin customers?

Christopher P. Testa
President

Yes. Good question. So when we looked at the 3-year model, it's a very detailed model. And we played out a lot of different scenarios to it. We do expect, certainly in the near term, our largest customers to outpace our smaller customers, given the new customer wins that I've talked about earlier, but we also have the benefit of an incredibly customer base. So where the consumer trends are going, it allows us to get the benefit of that volume where those trends are. For example, Steve mentioned we're seeing huge growth right now in our bakery/deli and our food service customers. That's great because those are coming back year-over-year. So we've looked at the 3-year model. We put projections in there by channel, and we feel really comfortable about the shifts coming in the near term and where it could go, depending on where the consumer lands to deliver that $30 billion number that John mentioned.

Steven L. Spinner
Chairman & CEO

Yes. I think, Kelly, it's also really important to remember how important the growth of Brands+ services and e-commerce are to us. They represent large businesses today that have a higher margin profile than our core wholesale business. And both Brands+, e-commerce and services are very much in demand, very fast growing at a much higher gross margin, and that just gives us much more confidence in our ability to enhance our margin.

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Christopher P. Testa
President

Yes. We have multiple ways to win.

Robert Houghton
Senior Vice President of Finance

Great. Thanks, everybody. Steve, the next question is for you from Eric Larson. It sounds like retail is really becoming a core business for UNFI. How do your other distribution customers feel about that?

Steven L. Spinner
Chairman & CEO

Yes. So this is a question that we've certainly spent a lot of time thinking about. And when we went into the pandemic, we felt morally obligated to the communities in which we trade, which is mid-Atlantic under Shoppers, and Minnesota, primarily in Cub, that we wouldn't put those communities through an ownership change because the stores are just so important to those communities.

Now we've made a lot of enhancements to retail. We have an incredible leadership team led by Mike Stigers, who you saw in our presentation, and they've just delivered phenomenal results of over $100 million of EBITDA. So we're not selling retail today. But on the other hand, we're not looking to expand into markets that we don't already play. We're a big part of the communities that we're in. We're comfortable with the role that we play. And I think our customers are comfortable with the role that we play in those communities. So we're not looking to expand it, but we are looking to run and be successful, both in Cub in Minnesota, and Shoppers in the Mid-Atlantic states.

Christopher P. Testa
President

I would just add that, look, we have a target to grow to 20% of market share in our total addressable market. We can't do that without the customers that we have today, including those that are in the Minneapolis or Mid-Atlantic markets. So we need to grow with those customers. We've shown that. We have a great relationship with those customers that are in those markets, and we plan to continue to grow with them.

Steven L. Spinner
Chairman & CEO

Yes. And I would just close by saying nothing is forever. So we're a wholesaler first and a retailer a second. We're really proud of what we've accomplished in retail. We're really proud of the team. Will we own retail 5 years from now? I just don't know. But today, in this particular moment, we're really focused at being successful at the retailers that we own.

Amanda G. Helming
Chief Marketing Officer

The other thing I would actually add, Steve, is that one of the early observations I had, and I brought in a team and stood up a team under Brands+, but really under marketing and service to the broader organization, dedicated to insights, data, consumer intel market and competitive intel. And I would say, Mike and the team there have been instrumental to us as far as understanding the customer experience and the business. And it's even a testing ground, I think, right, for brands and for other growth platforms going forward, too. So I see it for now as a great opportunity for UNFI to really better understand the customer and to ultimately make them stronger across the board.

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Robert Houghton
Senior Vice President of Finance

Great. Thanks, everybody. John, next question is for you. It seems like gross margins across the broad food-at-home space are being pressured. What are your gross margin expectations over the next 12 months and the next 3 years?

John W. Howard
Chief Financial Officer

Sure. So we won't comment over the next 12 months. We'll provide our FY '22 guidance when we close our FY '21 year, as we would normally do. As far as the next 3 years, certainly, there is a lot of competitive pressure out there. You can see some of that happening, but what we believe is with our ValuePath initiatives, with the innovative ideas that we have, such as the brands, the pro services that we've talked about that provide higher margins, we know we got some tailwinds coming with some of the inflation that Steve mentioned. We know we have promo spend coming back, we've got some of these tailwinds coming back on the margin side. So we feel very comfortable with the margin piece of it. And like we talked about earlier, when you go down through the entire P&L, get the leverage on the OpEx, continue to drive the SG&A savings with some of the additional ValuePath initiatives, that's how we're going to continue to drive that EBITDA margin expansion as well.

Robert Houghton
Senior Vice President of Finance

Great. Thanks, John. Chris, next question for you from Jim Salera with North Coast Research. Can you give some more detail on the $38 billion worth of opportunities with existing customers? How much of that comes from service offerings, private label, new SKUs, et cetera?

Christopher P. Testa
President

So what we did to come up with that addressable market for the existing customers is we looked at our purchase concentration share, our share of wallet. So for those customers that we were fully saturated in, we don't have much growth in, but there's a lot of customers where there's categories that they're sourcing from someplace else. So we came up with that $38 billion by saying, okay, what is our purchase concentration ratio? What categories do we have? And what are we doing really well that could translate into those customers that we're currently servicing. So it's a math equation. It is primarily through our base business, our base wholesale business, but it does include brands. It does include services. As Steve mentioned earlier, these are margin accretive opportunities for us. So it's across the board, but it's led by our base business.

Robert Houghton
Senior Vice President of Finance

Great. Chris, let's stay on that topic. Another question is related to new business. How many key food size or larger new business opportunities are there in the market?

Christopher P. Testa
President

So those are -- like I said earlier, we have wins every week that we don't talk about. We only talk about the ones that are significant. So those are few and far between. There's not a lot of those to get to the over $1 billion a year growth, which is a massive number, right? To do that, it's a lot of little wins. And it's a customer, existing customer with a new category. It's a new customer that we might start as a secondary that we grow to primary. It's as Steve mentioned earlier, it's displacing captive distribution with retailers that distribute themselves. So they're being sourced from all over the place, and one of the unique things about UNFI is we don't have a single competitor, right? We are sourcing volume from

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captive distribution from local suppliers, from national wholesalers, even folks that are buying things from Cub stores now want us to service them. So we have an incredible opportunity. But the big ones, those are few and far between. It's really going to be a lot of the small and medium ones to build up to that number.

Steven L. Spinner
Chairman & CEO

Yes. I would also add that when you think about our growth rate and what it translates to, it's $1 billion a year in growth, which is a spectacular number that we certainly feel comfortable with. But when you think about that $1 billion growth rate relative to the wholesalers that exist in the space, there's only a handful that do more than $1 billion a year, and we're growing $1 billion a year, which means our services are in demand, our brands are in demand, our wholesale services are in demand, and we expect that to continue. And if you certainly take a look at where we've been over the last 2 years with a record year in '20, we cycled through COVID really this year, but it's going to be a record year this year. And we're saying and we feel comfortable that we're going to have a record year in '22, it puts us in a really unique situation. And we really believe passionately that we're transforming the food and the way it's available and the way it finds its way from the point of production or manufacturer or growth ultimately into the consumer.

Robert Houghton
Senior Vice President of Finance

Yes. That's great. John, next question for you. Can you please expand on how inflation works in favor of UNFI's businesses?

John W. Howard
Chief Financial Officer

Sure. So inflation, as we think about that, certainly, in the model that we presented, like I mentioned in the presentation, we've assumed a 1% inflation rate. And as we've talked about on previous calls, inflation is actually a tailwind for us. So as those prices go up, our sales go up, certainly, our costs go up. But most of our contracts that are based on a cost-plus approach, there's that spread in there. And when you have the scale that we provide, that spread becomes a tailwind for our EBITDA and our cash flow. So it's -- having the inflation go up as we're expecting in '22 and as we're expecting broadly over the next 3 years, that's just another tailwind for us going into the LRP cycle.

Steven L. Spinner
Chairman & CEO

Yes. We capture it 2 ways. We capture in the cost of goods, but we also have a long history of being really good at buying into rising markets.

Christopher P. Testa
President

Well, I would add a third, and that's fuel. So fuel is a big driver of inflation. Most of our agreements allow that fuel increase to be passed through in our outbound delivery as well.

Robert Houghton
Senior Vice President of Finance

Great. Thanks, everybody. Eric, next question for you. How do you think about UNFI's capacity and available labor to support your growth?

Eric A. Dorne

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Chief Operating Officer

Well, Bob, that's a great question. And as Chris talked about all the sales wins, I mean, it comes down to service and service wins that enables the growth. And 2020 had a lot of ups and downs and learnings for us all, and I can tell you from a UNFI perspective, we learned how to handle more volume through our network. And we are taking advantage of that to really fuel our future as we just described. We've also made significant investments in several distribution centers from the Pacific Northwest to SoCal. Texas, we're expanding. We're obviously coming out of the ground with our facility in Allentown, Pennsylvania, which is 1.3 million square feet, multibuilding, multi-temp, really state-of-the-art facility that we're really proud of.

And so from a capacity perspective, we feel really good. From a workforce perspective to keep up with the demand, we've been doing a lot of things culturally at UNFI, as we showed in the presentation. So we become the of choice and stay the employer of choice. We leverage third-party labor when necessary, strategically in certain geographies, and that coincides with our investment in automation really tapping into a different level of the worker workforce pool that's available to us.

So all in all, we feel very confident that we're aligned capacity-wise, workforce-wise to maintain the demand. And as I say to Chris all the time, you go out and win the business and we'll ship it. So you win it, we ship it, and we provide the excellent customer experience.

Steven L. Spinner
Chairman & CEO

We've been really fortunate in that UNFI has always been very strong from a cultural perspective. And I think in the last 2 years, in particular, we've rethought our cultural positioning. And we, I think, have spent a lot of time thinking about the people that we're attracting to our distribution centers today, how it's different today than it was 3, 4, 5 years ago and how it's going to be different over the next 3 to 5 years. And the folks that we are attracting and will continue to attract, they want to feel engaged.

They want to feel that the company that they're working for is doing good. They want to feel like the company that they're working for has a terrific plan around diversity and inclusion, which we do. They want to feel like they're working for a company who cares about their safety and well-being, and we do in a program called Every Moment Matters. They want to care about ESG, and we have phenomenal program in ESG, which you saw in the presentation with Alisha and Guillaume. So all those things as well as more flexible staffing, shift sharing and so many other things that we're starting to deploy, we think, really put UNFI ahead of the game in terms of identifying, recruiting and keeping our workforce for the future.

Robert Houghton
Senior Vice President of Finance

Great. Thank you. Eric, another question for you. This one is from Scott Mushkin with R5 Capital. Can you provide more granularity specific drivers regarding the 10 basis points of operating expense improvement per year?

Eric A. Dorne
Chief Operating Officer

Sure. Scott, great question. And we've obviously outlined in the presentation a lot of things that we're doing from a supply chain distribution center activities, maintaining the workforce and getting tenure in the workforce is critical, and that drives productivity and quality, which all translates down into the 10 bps improvement per year in OpEx. And it's also about leveraging our capacity. And we've proven through 2020 that we can get more on the trucks, get more going to a single delivery, and that obviously throws off benefits. And again, volume increase, it also plays well against fixed and leveraging those fixed expenses, which all plays into that 10 bp improvement.

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Robert Houghton
Senior Vice President of Finance

Great. Thanks, Eric. Chris, next question for you from John Heinbockel with Guggenheim. You said that e-commerce growth platforms would account for 25% of EBITDA. Where does that sit now? How would profitability compare to the base business? Where are the biggest buckets of sales growth?

Christopher P. Testa
President

Okay. Yes. So the 25% of EBITDA contribution is coming from the entire innovation platforms. It's not specific to e-com. So it includes services, it includes brands, it includes e-com and it includes platforms to come. So as Amanda talked about earlier, these are margin-accretive businesses. So when we get a sale there, it's worth more than a sale in our base business, albeit our base business is also growing, but these are called growth platforms for a reason, and that's because the growth is outpacing our base business to the tune of about 2x.

So it's going to -- we can hit that 25% just with what we have today. That's the unique thing about UNFI is we have these really strong secondary businesses that I don't think people really know a lot about. But as Steve mentioned, we're a top 50 food and beverage company with our brands business. We have a massive services business. We have an emerging e-commerce business. And look, we're looking at getting into other businesses that are tangential to what we do.

We will always be a grocery wholesaler, that's our base business. We have a lot of reasons why we're going to grow as unlocking the customer experience and the scale that we have and fill the power and scale, but we're going to continue to grow these secondary businesses for some things that we don't know yet, right? Some things that are emerging, and we have appointed a Chief Strategy and Innovation Officer and an innovation clearinghouse to help us vet out which concepts we're going to get into.

Robert Houghton
Senior Vice President of Finance

Great. Thanks, Chris. Eric, back to you. Next question is from Kelly Bania with BMO. Can you share more specifics regarding your plans for continued DC optimization and share more details regarding the savings that you've achieved with the 2 DC optimization so far.

Eric A. Dorne
Chief Operating Officer

Well, I probably, Kelly, won't get into the specifics on the results in the Pacific Northwest in SoCal. But I can tell you that we're actively looking at leveraging our regional piece pick automated facilities across the country. That is next on our plan. They're 4 strategically fully automated, located across the U.S. and also we're looking at bringing in parts of Canada to leverage the technology, the workforce that's there and getting more throughput. That also allows us to take space out of our existing DCs and reallocate that to existing capacity going out the building.

Robert Houghton
Senior Vice President of Finance

Great. Thanks, Eric. So next question, Steve, this one's for you. If solar-powered electric trucks meet expectations, how quickly would the fleet be expanded? And what's the ROI and eventual bottom line cost savings contribution?

Steven L. Spinner

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Chairman & CEO

Yes. So these types of investments are really important to us. They're part of our 2030 climate goals. And so we look at them in 2 ways. One is, how do we hit our climate targets; and two, how do we provide a reasonable ROI, which are, in many cases, equally important. In the case of the trucks, it accomplished both. We've got a significant ROI in a variety of ways, but it also put us in a position where we could deploy over 50 solar-powered trucks. But that's just 1 component. There's so many other things that we do from a food waste perspective, from a solar perspective on our buildings. I think, yesterday, we announced a significant investment in a solar farm that has the potential to power a lot -- thousands and thousands of homes.

And that's a great example of it's an investment that meets our internal ESG requirements, but it's also an investment that has a significant amount of return. And if we didn't have the 2, we wouldn't do it. So it's solar, it's process, it's people. We have a lot of people engaged in it. We're committed to these 2030 science-based targets and have no doubt that we'll hit them.

Amanda G. Helming
Chief Marketing Officer

I would expand on that, too, Steve. I think it's interesting because if you look at the trickle, right, of our supply chain and the role that we play in it, 65% of consumers today care about whether or not a brand is socially responsible or sustainably sourced. And so at the bottom of that, there is this triple bottom line trend. And it's not mutually exclusive with the story that you're telling about UNFI or the customers are telling about their retail operations and the choices that they're making on shelf. And so I get excited as a marketer because we have such a good story to tell. And it's not -- it's genuine. It's an authentic story where the leadership and the company has made some really smart choices over the years, and that's setting us up for success. And so that solar -- that electric truck is a great example because we were piloting it ahead of the curve. We learned from that, that there was a good return. We invest more, and I think we'll continue to see choices like that being made across the organization and as a brand.

Steven L. Spinner
Chairman & CEO

I think that the way we make decisions today is in a way that says, is this better for all?

Amanda G. Helming
Chief Marketing Officer

Yes.

Steven L. Spinner
Chairman & CEO

Is it better for all of the folks that are involved in the process? Is it all the constituents? Is it good for the company? Is it good for the associate? Is it good for the supplier? Is it good for the customer? This is how we have to think. And I think companies that are going to succeed from a labor perspective or a financial perspective over the next 5 years have to think about making decisions that are better for all. It's just that's the way it's going to work for us, and I'm incredibly proud of that.

Robert Houghton
Senior Vice President of Finance

Thank you. Chris, next question for you from Kelly Bania with BMO. Can you quantify the impact of the lack of vendor promo spend over the 12 to 18 months. How much below normal is that? And when do you expect that to come back?

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Christopher P. Testa
President

Yes. We don't disclose those numbers discretely, but it has definitely been a headwind over the last 16 months. And look, there was such high demand, suppliers got smart. They didn't have to spend on promos, especially for those categories. So as we see fill rate coming back, as we see more and more supply coming back, with that comes new products. That is a promotional pipe, promotional dollars. They want to get on the shelves with slotting, they got to promote it to get some trial. So new products are going to help fuel that. There's more competitiveness coming back, right? So it's not just a matter of being on the shelf. Now you're on the shelf with all the competitors. So CPG companies are increasing their promo spend at the retail level, which we get a percentage of, but also benefits our customers as well. So it's hard to put a number on it, but it is definitely a tailwind, at least in the near term, looking at fiscal '22.

Steven L. Spinner
Chairman & CEO

Yes. If you think about it this way, thousands of items were discontinued.

Christopher P. Testa
President

Yes, 4,000 or 5,000.

Steven L. Spinner
Chairman & CEO

At the beginning of the pandemic. And the promo spend was eliminated with it because manufacturers were just trying to keep up. Well, there is no way that the retailers are going to take cake mixes and canned soups back on the shelf without a significant amount of promotional activity.

Christopher P. Testa
President

That's right.

Steven L. Spinner
Chairman & CEO

There's no way that retailers are going to take all those items that were discontinued back onto the shelf without a lot of promotional activity. So it is a near-term tailwind that will probably be with us throughout mid-'22 and '23.

Christopher P. Testa
President

Yes.

Robert Houghton
Senior Vice President of Finance

Great. Thank you. Eric, next question is for you from Eric Larson with Seaport Global. How many regions of the country can you consolidate fast and slow-turning products into dedicated facilities? And any sense of the financial impact of opportunities?

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Eric A. Dorne
Chief Operating Officer

Well, the financial impact is obviously built into the presentation that we talked about earlier. And we are looking at all regions because we have our piece-pick operations that I just mentioned strategically located, and we feel we can consolidate those piece-picks faster and really leverage the additional capacity in the other buildings by dismantling some of the piece-pick operations that are not fully automated or are antiquated that we can reallocate the space. So we think we can go faster using these 4 regional automated facilities.

Christopher P. Testa
President

I would just add, it's not only a cost savings. It's an accuracy input. So with automation and the slow mover, fast mover model, we can get those slow-moving items picked more accurately and faster, which obviously translates into a cost savings, both on the credit side but also in the efficiency side.

Eric A. Dorne
Chief Operating Officer

And it really gives the customer more access to more items by doing it this way.

Robert Houghton
Senior Vice President of Finance

Great. Thank you. Steve, next question is for you. Your CEO search is still underway. What gives you confidence that the next CEO will support the strategies you've outlined today?

Steven L. Spinner
Chairman & CEO

Yes. So we've spent decades building the culture here. We've spent the last, I would say, 2 years, 1 year with a lot of work around the strategy that you see today. This is not something that came together over the last month or 2 months or 5 months or 12 months. This has been a work in progress. I think what we learned during COVID is that we know how to do this, and we know how to do it better than anybody else on the planet. We did it better our customers. We did it better for our associates, and we did it better for our shareholders. Just look at the performance that we've had.

Nine months ago, we started a search when I decided that I think it was time for somebody else to do it. And I think COVID set us back a little bit, but the Board is deeply engaged and has been deeply engaged. We've got a really wholesome succession committee that's working on finding a candidate. As I said in the presentation, I think we're going to have this process done late summer, early fall. And it's important that we're going to find a candidate that embraces first foremost the culture that we've worked so hard to create, and that's easy to check and verify. And we're going to find a candidate who's going to embrace the culture of the strategy that we've worked so hard to create that's now been introduced into the public market and into our own 30,000-team workforce, our customers and our suppliers. So I feel very comfortable that we're going to find the right candidate and move that person into being the next CEO of UNFI.

Robert Houghton
Senior Vice President of Finance

Great. Thanks, Steve. Chris, next question for you. Given store openings at Amazon Fresh and Whole Foods seemed to be accelerating, please discuss the obvious tailwinds these openings provide?

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Christopher P. Testa
President

Yes. So when we look at growing over $1 billion a year, there's new wins with existing customers, there's new wins with new customers, but there's also base growth, and that's what that is. So all of that is factored into the number that we provided. These are 2 very fast-growing customers. We sell them a lot. And it is factored into the addressable market that I talked about earlier in getting up to that 20% share.

Steven L. Spinner
Chairman & CEO

And there's also many other customers that are growing just as fast.

Christopher P. Testa
President

There are.

Robert Houghton
Senior Vice President of Finance

Great. Thank you. Chris, another question for you. Taking out the benefits of synergies and ValuePath, how is your core business performing?

Christopher P. Testa
President

So first off, I'd say that it's hard to snap that line, right? So synergies and ValuePath is so embedded in our core business, and it has been since day 1 of the acquisition. It just become part of what we are. I mean, we want -- run lean, we run efficient, we reinvest that into our customers and our base business. So the health of our base business is strong. We are, like I said earlier, a grocery wholesaler first, and we always will be. And everything that you saw in the presentation that you hear us talking about is about making our base business stronger.

Now ValuePath and synergies are part of that, you can't separate the 2, but we can't hit $900 million of EBITDA and over $30 billion of revenue without a really strong base business. And when you hear about unlocking the customer experience, when you hear about fulfilling the power and scale and the entire Fuel the Future strategy, it's about improving our base business. So the base business is strong, and we expect it to grow stronger.

Robert Houghton
Senior Vice President of Finance

Great. So our last question this morning is for you, Steve. What gives you confidence you can hit the FY '24 numbers you've outlined today?

Steven L. Spinner
Chairman & CEO

Well, I mean I think that we've demonstrated a great deal of success over the last 2 years. We put a lot of thought into what the business looks like in 2024 from a labor perspective, from an operations perspective, from a brands perspective and so much more. We've spent so much time thinking about the addressable market, $140 billion, and our ability to attack that addressable market.

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I also think about culture a lot and this better for all environment that we've worked so hard to create. All those things put together give me a great deal of confidence that the best years for UNFI are in front of us, not behind us. And we've had a spectacular 2 years. And I think we've said a couple of times during the presentation, we had a record '20, we're going to have a record '21, and we're going to have a record '22.

And I think what you see in the numbers that we presented today are numbers that we are really comfortable with. We know how to do this better than anybody. And like I said earlier, COVID has demonstrated that not only are we a great place to work, we took care of our workforce, our customers, our suppliers throughout the pandemic. We were able to gear up our business in order to support our retailers back in February and March and April of last year. COVID taught us quite a bit. It taught us what we have the capacity to achieve as a company. And now that we've cycled through it and we're still delivering record results, I feel a great deal of confidence that, like I said earlier, the best of UNFI is, in fact, in front of us.

Robert Houghton
Senior Vice President of Finance

Great. Thanks, Steve, and thanks to everybody for submitting questions this morning. I'm now going to turn the floor back to Steve for a few closing remarks.

Steven L. Spinner
Chairman & CEO Okay. Thanks, Bob. Thanks again for joining us. We've been on a journey, and it's been a transformational journey. Hope we succeed it. We're transforming the future of food. We're working better together. And we know that scale wins as we pursue this really large $140 billion addressable market. We've talked about it today, you've seen it in the presentation, $30 billion in sales by '24. $900 million in adjusted EBITDA in '24. And by the way, we didn't get a question about M&A, and there is no M&A projected in our numbers. But we do think that at some point, the time will be right for us to get back into acquiring those companies that make the most sense for us. We have a winning culture that embraces diversity and inclusion, and we have an incredible plan around ESG. We are excited to fuel the future. And we thank you so much for joining us today.

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