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Vita Coco – Boilerplate Response, Major Supplier Bankruptcy and More Issues

Vita Coco promptly responded to our research report approximately 90 minutes before market close yesterday, dismissing our conclusions as containing "mischaracterizations" while reaffirming its financial guidance and "Long-Term Growth Algorithm" (see Figure 1 below).¹

The Vita Coco Company Issues Statement Regarding NINGI Research Report
Reaffirms Fiscal Year 2025 Outlook and Long-Term Growth Algorithm

NEW YORK, March 26, 2025 (GLOBE NEWSWIRE) -- The Vita Coco Company, Inc. (NASDAQ: COCO) ("Vita Coco" or the "Company"), a leading high-growth platform of better-for-you beverage brands, today provided the following response to the recent short seller report issued by NINGI Research, who subsequently disclosed a short position in The Vita Coco Company stock.

After reviewing the claims outlined in NINGI Research's report, the Company has found that the report contains numerous inaccuracies and mischaracterizations. Contrary to this report, the Company has consistently and transparently addressed the matters discussed in the report through appropriate public disclosures.

The Company stated on the Fourth Quarter and Fiscal-Year 2024 Earnings Call held on Wednesday, February 26, 2025:

"As we've previously highlighted, last year, we experienced significant inventory constraints which led to unacceptable private label service levels that were below our standards. As a result of these challenges, we currently expect to lose some regions with certain private label retailers during 2025. Assuming this occurs, this will initially appear on our second quarter shipments with deeper impact in subsequent quarters. These assumptions are built into our current forecast for full year net sales."

There have been no material changes since this statement was made. The Vita Coco Company is confident in its governance, financial reporting and business practices, and reaffirms the disclosures and guidance that it provided during its most recent earnings release.

Figure 1 Vita Coco's response to our research report, source: company filings

Vita Coco's statement notably quoted a section from their earnings call to demonstrate the company's transparency regarding Costco's decision to end their contract.

"As we've previously highlighted, last year, we experienced significant inventory constraints which led to unacceptable private label service levels that were below our standards. As a result of these challenges, we currently expect to lose some regions with certain private label retailers during 2025. Assuming this occurs, this will initially appear on our second quarter shipments with deeper impact in subsequent quarters. These assumptions are built into our current forecast for full year net sales."

The statement does not explicitly identify "certain private label retailers" as Costco, Vita Coco's largest private label customer.

1. Sell-side analysts lead investors astray

This lack of clarity led to Morgan Stanley analysts, stating in a research note to their clients that there will be "some regional customer losses in its private label business."² Our report demonstrates that a reasonable investor would connect the dots from the Risk Factors section that the referenced private label

¹ <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000067/pressreleasemarch262025.htm>

² Morgan Stanley & Co. LLC (2025), Vita Coco Company Inc - EW: Robust Category and Vita Coco Brand Growth Already Reflected in Stock Price, pg. 1

customer is Vita Coco's largest.³ **The key question is whether burying this information in a block of text (see Figure 2) satisfies Vita Coco's investors' standard of transparency.**⁴

In addition, sell-side research clients may wonder why the analysts did not specifically name Costco in the research notes provided to them if the analysts are now pretending that they knew this was the client Vita Coco was referring to.

a major retailer, could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, in 2023, we started the discontinuation of the private label coconut water and coconut oil supply relationship **with one of our significant customers** as the terms required to retain the business were contrary to our long term margin targets. While we continued the supply relationship for a significant portion of their private label coconut water needs in 2024 at the customer's request, **we are expecting the loss of further regions that we serviced for this customer during 2024.** We will continue to service their needs if we are asked and it aligns with our long-term margin targets. Generally, private label business is rebid regularly, and adjustments are often made to the regional areas serviced, **or a complete transfer of the business to another supplier. These changes can be abrupt and difficult to predict.**

Figure 2 Vita Coco disclosing in the Risk Factors that Costco will terminate the contract, source: company filings

Further, Figure 2 also clearly shows why Piper Sandler's argumentation in their 'Hot Comment' note on our report is nonsensical. Piper Sandler's statement was:⁵

"COCO has an advantaged supply chain, giving a competitive advantage. COCO has exclusivity on a significant portion of its supply and fixed-cost contracts, which provides predictability on input costs and protects margins. It has a long-standing relationship with thousands of small coconut procurers, making it difficult for new entrants to scale in the category, as the supply chain is not easily replicable, making us skeptical a competitor could quickly supply COST any more effectively than COCO has."

Vita Coco stated that a complete transfer to another supplier can be abrupt.⁶ Piper Sandler's analysis appears to disregard key details from its SEC filings and about Costco's supply chain restructuring since April 2024, which we've uncovered. Their claim that Vita Coco's supply chain is difficult to replicate is contradicted **by Advanced Business Strategies LLC (ABS), Costco's new supplier, which operates 15 facilities globally** and already supplies private-label coconut water to major retailers like Amazon and Aldi.⁷ ⁸ Despite Piper Sandler's mention of "thousands of small coconut procurers," they fail to acknowledge that **Vita Coco's coconut water is processed in fourteen factories.** This means ABS has at least a comparable processing capacity to Vita Coco, undermining the analyst's assertion of Vita Coco's "advantaged supply chain." **Piper Sandler's analysis presented a selective set of facts,** potentially reflecting the analyst's cognitive dissonance. In our opinion, it's not just the one-trick pony trying to lead investors astray, but now **even the race commentator is actively steering them off course.**

The Piper Sandler analyst's claim that private label brands can't compete with Vita Coco in 2025 due to pre-placed summer orders seems questionable, especially considering Costco's scale and established 40-year retail presence.⁹

³ <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000032/coco-20241231.htm>, pg. 13

⁴ <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000032/coco-20241231.htm>, pg. 13

⁵ Piper Sandler & Co. (2025), Checking In With COCO: Nothing Has Changed Except Its Share Price, pg. 1

⁶ <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000032/coco-20241231.htm>, pg. 13

⁷ <https://adbizstrategies.com/>

⁸ <https://www.seair.co.in/us-import/product-coconut/i-advanced-business-strategies-llc.aspx>

⁹ Piper Sandler & Co. (2025), Checking In With COCO: Nothing Has Changed Except Its Share Price, pg. 1

“Even if retailers wanted to restore lost private label distribution, it would take about four months to rebuild adequate supply, so the business mix for 2025 is already pretty well set at this point.”

Is it plausible that Costco would terminate a contract without securing an immediate alternative, especially after renewing the contract in 2023 as a stop-gap measure? Our initial report addressed this point, and in our opinion, **Piper Sandler's analysts may have never read our report, leading to what we believe are flawed conclusions.**

2. Large Brazilian supplier filed for bankruptcy protection

Following our report on Vita Coco, investors alerted us to **Ducoco's recent bankruptcy protection filing in Brazil, citing \$118 million in debt.**^{10 11}

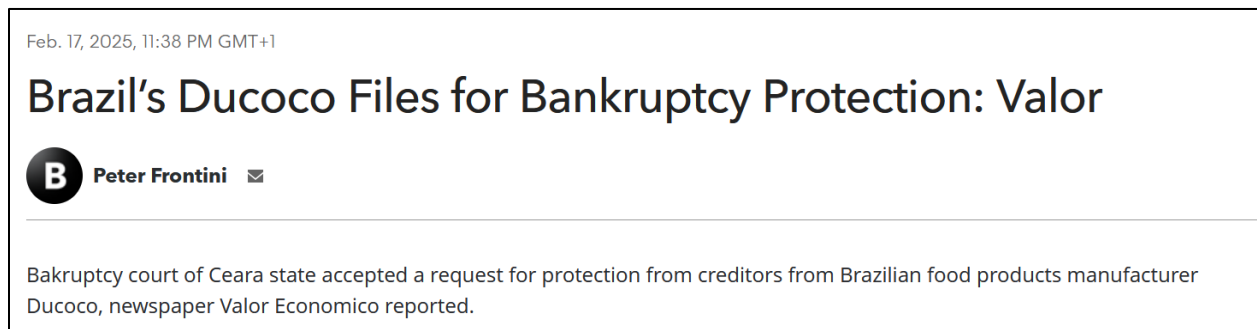


Figure 3 Ducoco filed for bankruptcy protection, source: Bloomberg LP

This is important because **Ducoco is a major supplier of Vita Coco.**¹² Our analysis of import documents indicates that approximately 26% of **Vita Coco's products originate from Brazil, with 8.5% specifically sourced from Ducoco, making them a major supplier.** This situation challenges Piper Sandler's claim of an "advantaged supply chain" and highlights potential supply chain mismanagement by Vita Coco, given Ducoco's known payment difficulties since 2021.

Our 8.5% estimate is based on data up to 2023, **suggesting that Vita Coco could face a loss of 1/12 of its available resources or significant delays.** While Ducoco has a two-week window to present a restructuring plan, liquidation would leave Vita Coco with reduced inventory for the summer season, reminiscent of last year's inventory shortages.

Notably, import documents since 2024 have omitted the names of Brazilian suppliers, including Ducoco, which we believe is a deliberate attempt to conceal the origin of the coconut water. Despite this omission, shipments continue to originate from the same port in Ceará, where Ducoco's factories and cultivation fields are exclusively located. Furthermore, in October 2023, a Substack article alleged that **Ducoco cultivates coconuts on land acquired from indigenous peoples through "notary fraud."**¹³

¹⁰ <https://oglobo.globo.com/economia/negocios/noticia/2025/02/18/ducoco-de-leite-e-agua-de-coco-entra-em-recuperacao-judicial.ghtml>

¹¹ <https://www.metropoles.com/negocios/ducoco-entra-em-recuperacao-judicial-com-dividas-de-r-670-milhoes>

¹² <https://importkey.com/i/ducoco-alimentos-sa>

¹³ <https://researchragnarok.substack.com/p/vita-coco-a-weak-and-unethical-supply>

We believe that Vita Coco, as a 'Certified B-Corp' committed to social responsibility, has a motive to conceal its ties to a supplier accused of unethical land acquisition practices.

The link between Ducoco and Vita Coco is further substantiated by ongoing court proceedings, where a **Ducoco creditor attempted to seize Ducoco's outstanding claims against Vita Coco in early February 2025**, just before the bankruptcy filing.

3. „Believe me, there's more. Keep digging”

Vita Coco's recent press release touted transparency, but a **former executive's claims suggest otherwise**. Under our thread on X, the individual, identified as 'Teflon Vaughn,' implied **that undisclosed issues remain**.¹⁴

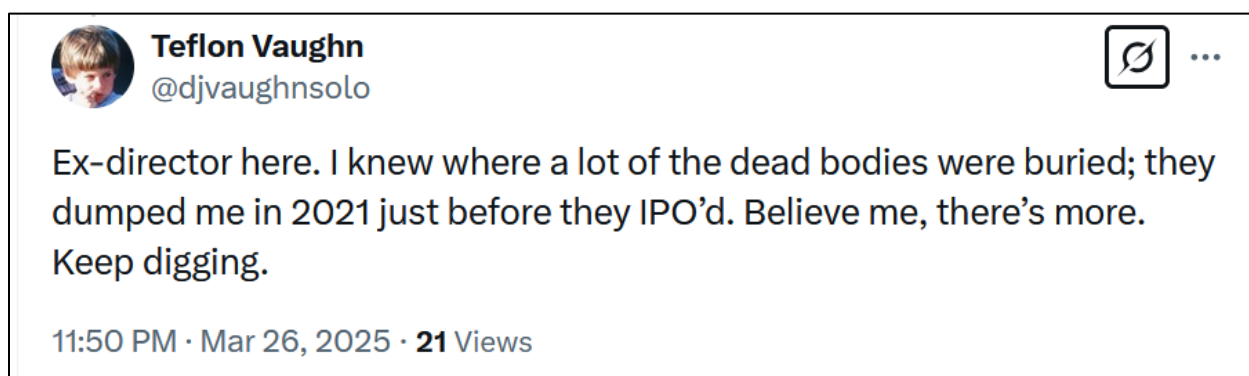


Figure 4 Screenshot of a former executive's allegations, source: x.com/djvaughnsolo

We are confident that 'Teflon Vaughn' is indeed a former Vita Coco executive. Our analysis of his social media presence matched a former executive whose background aligns with statements made by 'Teflon Vaughn' across various platforms. This individual's LinkedIn profile confirms a nine-year tenure as a director at Vita Coco until 2021, further substantiating the connection.

According to Vita Coco's response, "[T]he Company has consistently and transparently addressed the matters discussed in the report through appropriate public disclosures."¹⁵ If this is true, Vita Coco should be able to answer:

- Can Vita Coco identify the SEC filing that discloses Michael Kirban's equity ownership in Runa and the related-party transaction?
- Can Vita Coco specify the page in its most recent 10-K where it states that all goodwill is tied to its discontinued Runa brand?
- Can Vita Coco direct investors to publicly available US MULO+C data for the entire coconut water category?
- Why did Vita Coco not disclose the financial difficulties of one of its main suppliers?

¹⁴ <https://x.com/djvaughnsolo/status/1905029735006216459>

¹⁵ <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000067/pressreleasemarch262025.htm>