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## List of abbreviations

ABS	Advanced Business Strategies LLC
Kirkland Signature	Costco's private-label brand
COGS	Costs of goods sold
L13W	Last 13 weeks
L26W	Last 26 weeks
L52W	Last 52 weeks
10b5-1 plan	Predetermined plan so insiders can sell shares.
PL	Private label
US MULO+C	Scanner data from multi outlets and convenience stores
TAM	Total addressable market
Verlinvest	Verlinvest Beverages SA, pre-IPO investor
PWR Lift	Vita Coco's energy drink brand
Runa	Vita Coco's energy drink brand (Acquired in 2018 but discontinued)
Ever&Ever	Vita Coco's water brand (discontinued)

## List of references

All citations, references, and sources are publicly available. Annual reports and other company documents were obtained through the respective issuer's website, regulatory filings, and commercial registries. Documents are cited as follows:

< company name / author > < year of publication / business year >, < document title >, < page >

Some documents, articles and SEC filings were retrieved through direct URLs, and those are quoted directly.

The phrase "company data" indicates that we aggregated the specific metrics from one or several respective regulatory filings.

## List of figures

If not stated otherwise, all figures are obtained through the quoted references in the footnotes and can be found in the respective source.

## Vita Coco – Structural Issues Amid Stalling Sales and Costco Contract Loss

We are short the Vita Coco Company (NASDAQ: COCO), because, in our opinion, Vita Coco is nothing more than a one-trick pony grazing in a niche TAM. The stock is hyped as a unique growth story in the 'Better for you' beverage segment, but in 2024 sales just grew 4.5% YoY (vs. category at 15.4%) and its market share has been falling since early 2023. Compounding the problem, we uncovered that Costco, Vita Coco's largest private label customer, will ultimately terminate its contract with the company, despite having renewed their partnership in 2023. This decision will result in an estimated \$90 million revenue shortfall for Vita Coco by the end of 2025 and position Costco as its strongest competitor. Vita Coco is suffering from structural internal deficiencies, such as undisclosed related-party transactions and supply chain mismanagement. We believe the company focuses on misleading the markets while insiders offload stock.

In our opinion:

- **Vita Coco is an operational basket case (see pg. 6 for more)**

In its IR materials, the company talks up the competitive advantage afforded by its supposedly inimitable supply chain. In actual fact, Vita Coco has been suffering inventory shortages of its own making in 2024 so severe that retail partnerships have suffered – as have sales.

Vita Coco's CEO has said that retailers are "upset" (his words) about how they handled the supply chain for the branded and private-label products. The summer and fall seasons lacked inventory.

Walmart has already moved Vita Coco's branded products to a less frequented aisle and has materially reduced SKUs, resulting in a double-digit decline across all Walmart stores.

- **Vita Coco's private-label story doesn't stack up (see pg. 8 for more)**

Bullish investors think that some small private-label customers will terminate some specific regions in 2025. However, we discovered that it's Costco, Vita Coco's largest private-label customer. The retailer is terminating its private label partnership. Costco accounts for around 25% of net sales.

In our opinion, disgruntled Costco will terminate once and for all in 2025 after Vita Coco failed to deliver reliably last year. Costco will go from being a steadfast customer to a fierce competitor this year.

The company had already terminated the agreement once but then retained it only as a stop-gap while it built an alternative supply chain. Through import records, we have uncovered that Costco is moving to source Kirkland Coconut Water from a Vita Coco competitor.

The contract termination will trigger a cascading financial crisis for Vita Coco, losing \$90 million in private-label revenue and destroying a sophisticated cost-sharing logistics model that supported Vita Coco's gross margins.

In light of declining consumer confidence and Vita Coco's planned price increases on its branded products for 2025, Costco and other private label competitors will capture substantial market share from Vita Coco.

- **Vita Coco misled investors about market share, growth, and performance (see pg. 11 for more)**

In past years, any statement touting market domination had to be retracted: With new statistics showing that previous claims of 51% market share were incorrect, Vita Coco has been forced to concede that its US market share is lower than estimated.

In the last two years, Vita Coco's market share has fallen steadily, from 45% in 2023 to just 41% in 4Q24.

The same applies to US MULO+C numbers: the company's US MULO+C growth has been falling since 2022 and most recently, Vita Coco ceased disclosing benchmark figures which raises questions if the company tries to conceal that it's underperforming the overall coconut water category.

Through sell-side data, we can estimate that overall category growth at the end of 4Q24 was 21.8% for L13W, 17.8% for L26W, and 15.4% for L52W and was therefore considerably higher than Vita Coco's self-reported growth of 9.3% for L13W, 5.5% for L26W and 8.2% for L52W.

- **Vita Coco's dodgy diversification attempts have failed (see pg. 14 for more)**

Vita Coco has failed to diversify from its core product coconut water. The company slashed 60% of its product portfolio since its IPO in October 2021.

Neither coconut-related nor other products have gained traction: its Diageo collaboration 'Vita Coco Spiked' *"has not been incredibly successful"* (chairman's words), its fitness drink 'PWR LIFT' was pulled from the shelves, 'Runa' was axed in 2023, and its 'Ever&Ever' water has been paused indefinitely.

- **Vita Coco misled investors about its 2018 acquisition of energy drink 'Runa' (see pg. 16 for more)**

Vita Coco's IPO prospectus failed to disclose that then-CEO and now-Chairman Mike Kirban personally invested in Runa in 2014. We believe Kirban significantly profited when Vita Coco bought Runa in 2018. This was an undisclosed related-party transaction.

The Runa acquisition has since proved disastrous, yet on its balance sheet, Vita Coco refuses to acknowledge that \$7.7 million of goodwill related to Runa must be written off. Vita Coco would not have exceeded investors' EBITDA expectations if the company had correctly written off the goodwill.

The company hid the consequences of this disastrous M&A transaction by removing disclosures and specific language from its SEC filings. This is an excellent example of how Vita Coco is playing games with investors.

- **Vita Coco's markets-focused short-termism has run its course (see pg. 18 for more)**

Since 2023, Vita Coco has repeatedly changed growth stories, switching from branded sales to private-label business and then to international markets as its growth driver. In our opinion, while Vita Coco succeeds in influencing Wall Street's perception of the company each quarter, it lacks a consistent strategy to achieve its long-term goals.

As a look at the data shows, in fact, Vita Coco has failed to meet its target of MDD+ growth for its branded products in the last five of six quarters.

After prolonged single-digit growth, the revenue surge in 4Q24 does not reflect actual consumer demand, but rather the aggressive restocking of inventories by distributors and wholesale customers.

- **Vita Coco’s executives cash in on illogical company valuation (see pg. 20 for more)**

Looking at the valuation, all of Vita Coco’s peers are more diversified, growing at similar rates, and trading at lower multiples.

Considering that Vita Coco doesn’t have a diversified product portfolio like its peers, we applied a ‘One-Trick Pony’ multiple to reflect that fact, resulting in around 49% downside for the stock.

Its CEO swiftly liquidated \$20.6 million in stock after Vita Coco raised its revenue guidance. Other Vita Coco insiders followed suit and in total, insiders have sold more than \$58 million in stock.

Talking a good game, Vita Coco likes to give the impression that it has a growth plan based on an unbeatable supply chain advantage and a stable of strong products able to win races in a variety of markets. In our opinion, however, **Vita Coco is a one-trick pony – one that now can’t even perform its trademark crowd-pleaser.**

## 1. Bulls Chase Dubious Growth Claims and Questionable Moat

Before we debunk it, the public needs to understand the bull case for Vita Coco, which operates in the United States and international markets (predominantly Europe) selling coconut water and related items. The bullish stance hinges on the **growth of the ‘better for you’ product segment**, exemplified by coconut water, sales of which have been outpacing those in the broader beverage industry.

After the IPO, Vita Coco's stock performance was closely linked to its **net sales expansion**.<sup>1 2</sup> This growth, supposedly superior to that of its peers, was attributed to the company's robust branding and exclusive supplier arrangements.<sup>3</sup> The story sell-side analysts were conveying to investors was that Coca-Cola withdrew from the coconut water sector in 2021 due to Vita Coco's **alleged near-monopoly on the supply chain**; they also asserted that other contenders had struggled to secure a comparable volume of coconut water, giving Vita Coco the edge – a point repeated by investors arguing in favor of paying a premium for Vita Coco’s shares. The company even referenced competition with Pepsi and Coca-Cola in its IPO prospectus, dubbing it ‘The Coconut Waters Wars’<sup>4</sup> – and claiming victory.<sup>5</sup>

In addition, Wall Street’s bull argument is that the coconut water segment has the same **market potential and future household penetration** as cranberry juice.<sup>6</sup> The high growth outlook for “better-for-you” products combined with **low household penetration in households is the main argument put forward** by optimistic sell-side analysts. Furthermore, with PepsiCo having walked away from acquiring Vita Coco in 2017 and Coca-Cola having exited the segment in 2020<sup>7 8</sup>, the sell-side sees a compelling argument for Vita Coco in which the company expands its market share into this void – and, indeed, based on US

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<sup>1</sup> PiperSandler Company (2023), Attractive Top-Line, Margin Momentum, pg. 1

<sup>2</sup> Goldman Sachs & Co. LLC (2023), The Vita Coco Co. Inc. (COCO): A strong Q1 beat & raise with a significant GM recovery story - Reiterate Buy, pg. 1

<sup>3</sup> Craig-Hallum Capital Group LLC (2023), Cornering The Coconut Water Category. Despite A Strong Run We See Room For COCO To Double In The Coming Years, pg. 1

<sup>4</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000119312521284306/d197386ds1.htm>, pg. iii

<sup>5</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000119312521284306/d197386ds1.htm>, pg. iii

<sup>6</sup> Craig-Hallum Capital Group LLC (2023), Cornering The Coconut Water Category. Despite A Strong Run We See Room For COCO To Double In The Coming Years, pg. 8

<sup>7</sup> <https://www.reuters.com/article/us-allmarket-m-a-pepsico-idUSKBN18M2JJ>

<sup>8</sup> It was rumored in 2017/2018 that PepsiCo will be buying Vita Coco and Coca-Cola exited the market at the end of 2020 by selling Zico in January 2021.

MULO+C data, this is exactly what Vita Coco did in 2022 and 2023.<sup>9</sup> However, in 2024, the US MULO+C data slumped.

Furthermore, following Vita Coco's initial public offering, **improvements to gross and operating margins** formed a critical component in the bullish outlook.<sup>10</sup> Having experienced material compression due to elevated shipping and freight expenses in 2021 and 2022, Vita Coco saw its margins rebound as freight rates returned to normal over 2023; then, margins rose to new highs in the first quarter of 2024.<sup>11</sup>

Nevertheless, the bulls are still making a case for Vita Coco based on strong net sales growth and margin expansion, flanking it with the **alleged potential for growth in the company's private label segment**. Most recently, the company has pivoted to a **narrative of international expansion after scoring success in Germany in 2024**.<sup>12</sup>

In the following, we will document precisely why this **bullish case is wrong**, revealing overlooked aspects of the Vita Coco story and providing documentation for our assertions.

## 2. Angering Retailers by Mismanaging the Supply Chain

Supplying tropical-fruit-based beverages to US and European markets means a total dependency on imports, primarily from Vietnam, China, Thailand, Philippines, and Brazil, where coconuts are harvested and water produced.<sup>13</sup> As such, Vita Coco company prides itself on a **supposedly superior supply chain**, stating that it *"provides us competitive advantage [sic] in sourcing and growth."*<sup>14</sup> Our analysis of import records reveals that **Vita Coco sources 26% of its product from Brazil**, 25% from the Philippines, 15% from China, and 5% collectively from Thailand, Sri Lanka, and Malaysia. The company itself said that most of its supply comes from Brazil and the Philippines.<sup>15</sup> **Vita Coco's reliance on these markets may become a liability if trade tensions escalate**, potentially impacting its supply chain and costs.

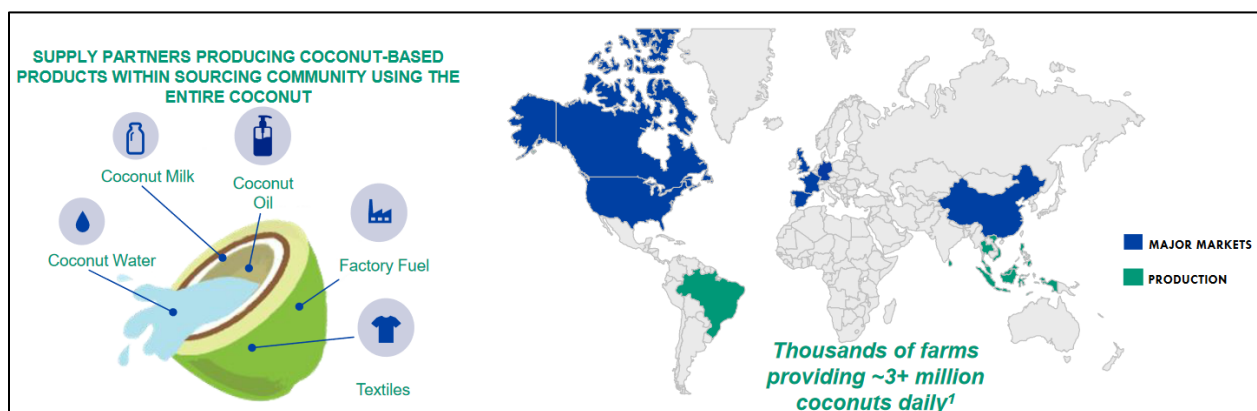


Figure 1 Vita Coco sourcing strategy, source: company filings

<sup>9</sup> <https://investors.thevitacococompany.com/static-files/2f3f85a5-1785-4ffb-89a9-045ece66bbfc>, pg. 8

<sup>10</sup> Goldman Sachs & Co. LLC (2023), Global Staples Forum: Americas — Key Takeaways, pg. 3

<sup>11</sup> <https://investors.thevitacococompany.com/static-files/c2c14132-051b-45bb-b6dc-5533d7d3c5fe>, pg. 10

<sup>12</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>

<sup>13</sup> <https://investors.thevitacococompany.com/static-files/3b10ce70-b439-4b98-8e2b-c595e5c7063a>, pg. 11

<sup>14</sup> <https://investors.thevitacococompany.com/static-files/3b10ce70-b439-4b98-8e2b-c595e5c7063a>, pg. 11

<sup>15</sup> <https://capedge.com/transcript/1482981/2024Q4/COCO>

Yet the complexity of this global supply chain has led to operational problems in recent years. Admittedly, Vita Coco has been open about the fact that, since the Covid-19 pandemic, **shipping costs have represented a substantial part of COGS**.<sup>16</sup> Prior to 2020, Vita Coco used to enter into long-term contracts, but has since moved towards buying capacity at spot rates – and as prices skyrocketed in 2021, Vita Coco’s gross margin was materially and negatively affected, resulting in a 1200(!) basis point decrease in gross margins for 1Q22 (there is a lag between the freight rates and how the expense flows through COGS).<sup>17</sup> In response, sell-side modeled its case in favor of Vita Coco around the fact that shipping rates would come down – which they later did. And indeed as shipping costs eased, a year on in early 2023, the company’s share price jumped two-fold.

It would appear, however, that Vita Coco hasn’t learned from its mistakes: **in early 2024, freight rates doubled within weeks and have remained at a high level ever since: around three times higher than the 2023 average and pre-Covid levels**.<sup>18 19</sup> As of March 20, 2025, prices for Vita Coco’s main route (Shanghai to Los Angeles) now stand at \$2,658 dollars per 40ft container.<sup>20</sup> And despite the roller-coaster ride of recent years, Vita Coco is still reliant on capacity at spot rates, actively avoiding locking in any long-term contracts.<sup>21</sup>

So far, so regrettable. Investors sighed and assumed that the heightened freight costs would hit margins. Yet as if this failure to secure long-term freight capacity weren’t serious enough, this time, **Vita Coco has compounded the error** – in the second half of 2024, **Vita Coco now didn’t have enough product in stock because it had been mismanaging its supply chain for the last twelve months**. Yes, that’s right: the very same supply chain that Vita Coco claims provides it with *“[a] competitive advantage in sourcing and growth.”*<sup>22</sup>

What happened? In our opinion, Vita Coco stopped shipping to save cash and so didn’t get enough product onto supermarket shelves. In a damning confession during the 3Q24 earnings call, CEO Martin Roper admitted that *“[t]here are still SKUs we don’t have inventory for. **There are still customers who are... I use the word ‘upset’ with us, but they understand the situation, right, but we are still not fully meeting customer demand and, therefore, consumer demand.**”*<sup>23</sup> Yes, you read that right: Vita Coco’s supply constraints are affecting not only the private-label business but also retail of its core branded products.

This is all a far cry from the first year of the pandemic when Vita Coco took a short-term hit on increased freight costs in order to continue delivering to its distributors and maintain good relations.<sup>24</sup> In our opinion, in a complete reversal, **Vita Coco was failing to deliver the goods in favor of maintaining its margin**. Retailers are exasperated at a supplier which literally couldn’t get the product on shelves.<sup>25 26</sup>

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<sup>16</sup> <https://capedge.com/transcript/1482981/2022Q1/COCO>

<sup>17</sup> <https://capedge.com/transcript/1482981/2022Q1/COCO>

<sup>18</sup> <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

<sup>19</sup> [https://x.com/Ole\\_S\\_Hansen/status/1651519034985152517](https://x.com/Ole_S_Hansen/status/1651519034985152517)

<sup>20</sup> <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

<sup>21</sup> <https://capedge.com/transcript/1482981/2024Q4/COCO>

<sup>22</sup> <https://investors.thevitacocompany.com/static-files/3b10ce70-b439-4b98-8e2b-c595e5c7063a>, pg. 11

<sup>23</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>

<sup>24</sup> <https://capedge.com/transcript/1482981/2021Q4/COCO>

<sup>25</sup> <https://capedge.com/transcript/1482981/2023Q4/COCO>

<sup>26</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>



**CEO Martin Roper knows that distributors and retailers were “upset”** – and must also be aware that a broken business relationship is much more damaging than short-term losses or low margins.<sup>27</sup> Retailers need security of supply, and Vita Coco has shown that its willingness to provide this has cost limits.

In our opinion, one of Vita Coco’s biggest retailers, Walmart, has drawn consequences from this. The Company announced in the earnings call that Walmart has moved Vita Coco’s products into a different aisle and significantly reduced the SKUs and space, resulting in a double-digit decline in all Walmart stores for Vita Coco.<sup>28</sup> **One-trick pony Vita Coco had one job: getting coconut water to stores. In our opinion, it is now failing to perform its signature trick and large customers take appropriate actions as a result.**

### 3. Costco Departure Costs \$90M+ in Private-Label Revenue

This supply chain mismanagement has also had a damning effect on Vita Coco’s private label business – the very business that the company wants to expand.<sup>29 30</sup> Then again, this part of the company’s activities has already been quite the saga.

It all began in the 3Q23 earnings call when executives suddenly started speaking about further expanding the private-label business.<sup>31</sup> This confused analysts and investors inasmuch as, until that point, the company’s story had posited growth coming primarily through its own product range.<sup>32</sup> The rationale was that the margin profile in this branded segment was better because, to paraphrase management statements, private-label (PL) deals are just COGS plus a fixed single-digit percentage margin.<sup>33</sup> Accordingly, Vita Coco stated its *“desire to reduce our reliance on our private label business [...]”* In view of this line of argument, the full U-turn on prior strategy in 3Q23 raised eyebrows both among investors and sell-side analysts, as exemplified by Bonnie Herzog from Goldman Sachs, who sounded confused, and skeptical even, as did her Wells Fargo counterpart.<sup>34</sup>

This change in strategy sounded all the odder because, in the 2Q23 earnings call three months earlier, Vita Coco had stated that its largest PL deal with Costco was due for termination on the grounds that *“in recent negotiations [...] the proposed terms [...] were contrary to our margin targets [...]”*<sup>35 36</sup> Now, just one quarter later, Vita Coco was keen to announce in the 3Q23 earnings call that Costco had come back on board and there is a *“[...] change in plans for the transition [...]”*<sup>37</sup> In 2023, Vita Coco lost the supply contract for Costco’s coconut oil but continued to supply the retailer’s coconut water.<sup>38</sup>

**In the end, we believe the arrangement was a fixed-term solution for Costco.** We think Costco has bought itself some time while Vita Coco promoted the extension in 2023 as if it had retained the contract on its own terms. In our opinion, by mismanaging its inventory in most of 2024, Vita Coco added fuel to the fire. We think **Costco is now pulling its whole supply chain away from Vita Coco in 2025.** The company

<sup>27</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>

<sup>28</sup> <https://capedge.com/transcript/1482981/2024Q4/COCO>

<sup>29</sup> <https://capedge.com/transcript/1482981/2023Q2/COCO>

<sup>30</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>

<sup>31</sup> <https://capedge.com/transcript/1482981/2023Q3/COCO>

<sup>32</sup> <https://capedge.com/transcript/1482981/2022Q4/COCO>

<sup>33</sup> <https://capedge.com/transcript/1482981/2022Q4/COCO>

<sup>34</sup> <https://capedge.com/transcript/1482981/2023Q3/COCO>

<sup>35</sup> <https://capedge.com/transcript/1482981/2023Q2/COCO>

<sup>36</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000081/coco-20230630.htm>, pg. 23

<sup>37</sup> <https://capedge.com/transcript/1482981/2023Q3/COCO>

<sup>38</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000106/coco-20230930.htm>, pg. 15



disclosed in its 10-K filing that the same customer that terminated in 2023, will now further terminate regions and a complete transfer is possible, see Figure 2 below.<sup>39</sup>

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

We believe that this wording is just a light approach to announce a complete termination of the Costco contract in the near future.

It should therefore come as no surprise that U.S. Customs and Border Protection import records show that Costco started sourcing Kirkland Signature Coconut Water from a competing private-label manufacturer called Advanced Business Strategies LLC ("ABS"), see Figure 3 below.<sup>40 41</sup>

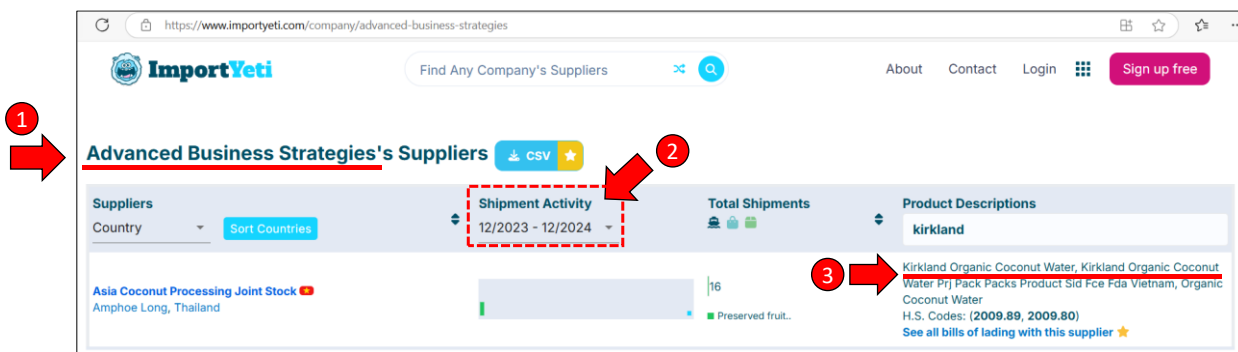


Figure 3 ABS (1) importing Kirkland Coconut Water (3) in 2024 (2), source: ImportYeti

ABS manufactures its coconut water in over fifteen production facilities worldwide, equating to a similar supply chain infrastructure to Vita Coco.<sup>42</sup> **It seems that the moat around Vita Coco's supply chain is not so big after all.** According to bills of lading, the company also provides private-label manufacturing for Aldi and Amazon.<sup>43</sup> In our opinion, Costco and ABS have applied to U.S. Customs and Border Protection for what is called "Electronic Vessel Manifest Confidentiality" to keep their partnership's import data secret. Hence, we believe most data on Costco/ABS imports are not publicly available. However, sometimes import data is still made public because the name of the consignee or shipper does not exactly match the name on the granted confidentiality request.<sup>44</sup> **In late 2023 and 2024, Costco received countless shipments of Kirkland Signature Coconut Water from ABS, originating from Vietnam.**<sup>45 46</sup> That's how we can get a glimpse into Costco's restructuring of its supply chain.

<sup>39</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000032/coco-20241231.htm>, pg. 13

<sup>40</sup> Bill of Lading: CHSL475643568HCM, CHSL474415221HCM, CHSL474415223HCM, CHSL474415226HCM, FLXT00002577809A and FLXT00002575783A

<sup>41</sup> <https://www.importyeti.com/company/advanced-business-strategies>

<sup>42</sup> <https://adbizstrategies.com/>

<sup>43</sup> Bill of Lading: FLXT00002787868A, CHSL487288189HCM

<sup>44</sup> <https://www.cbp.gov/trade/automated/electronic-vessel-manifest-confidentiality>

<sup>45</sup> Bill of Lading: TCNU6915495, ONEU0116194, KKFU7750535, FCIU9768197, TCNU6375946, TEMU8229180, TLLU5525132, TRHU7673337, BEAU5436571, ONEU0010258, BEAU5430130, KKFU7864121, TCLU6498265, BEAU4428400, TCNU4892960, NYKU4822864, ONEU0063664, TEMU7505514, TCLU1640905, TCLU8730277, TCNU5019391, TCNU9880448, KKFU7916971, TCNU4116247, and NYKU4159962

<sup>46</sup> Bill of Lading: CHSL475643568HCM, CHSL474415221HCM, CHSL474415223HCM, CHSL474415226HCM, FLXT00002577809A and FLXT00002575783A

To us, this looks like Costco transfers its Kirkland Signature sourcing away from Vita Coco.

And this move is already clearly evident in the company's fundamentals. Vita Coco's figures clearly show that Costco was behind a 13.5% drop in total sales in 3Q24 and a 12.9% drop in 4Q24 (see Figure 4 below).<sup>47</sup> Though until the end of 2023, Costco sales increased steadily before, first, dropping gradually – and then plummeting (see Figure 4).

In our opinion, the reasons for this were twofold. Firstly, **Costco began sourcing its private-label coconut water elsewhere.** Secondly, Vita Coco did not have enough inventory of its branded products, which in turn meant that Costco started pushing Vita Coco competitors' products like C2O. We think the latter is even more likely as **Costco was probably also experiencing shortages of its private-label coconut water – due to Vita Coco's supply chain mismanagement** – that the retailer could only partially offset by sourcing coconut water from a different supplier. In 2024, **Costco customers complained that Kirkland Signature was constantly out of stock.**<sup>48 49</sup>

% of net sales, YTD	4Q24	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23
Costco	25.0%	25.0%	27.0%	25.0%	30.0%	29.0%	30.0%
Keuring Dr Pepper	23.0%	23.0%	22.0%	22.0%	23.0%	22.0%	23.0%
<b>Total</b>	<b>48.0%</b>	<b>48.0%</b>	<b>49.0%</b>	<b>47.0%</b>	<b>53.0%</b>	<b>51.0%</b>	<b>53.0%</b>

Est. net sales, YTD	4Q24	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23
Costco	129,003	97,180	69,070	27,925	148,084	112,366	74,821
Keuring Dr Pepper	118,683	89,406	56,279	24,574	113,531	85,243	57,363
<b>Total</b>	<b>247,686</b>	<b>186,586</b>	<b>125,349</b>	<b>52,498</b>	<b>261,614</b>	<b>197,609</b>	<b>132,184</b>

YoY Growth, YTD	4Q24	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23
Costco	<b>-12.88%</b>	<b>-13.51%</b>	<b>-7.69%</b>	<b>-2.15%</b>	15.39%	7.94%	13.98%
Keuring Dr Pepper	4.54%	4.88%	-1.89%	-6.71%	10.58%	5.77%	17.78%
<b>Total</b>	<b>-5.32%</b>	<b>-5.58%</b>	<b>-5.17%</b>	<b>-4.34%</b>	<b>13.25%</b>	<b>7.00%</b>	<b>15.60%</b>

Figure 4 Customer concentration and estimated net sales (in thousand USD) and YoY growth numbers, source: NINGI Research, company data

We believe that most, if not all, private label revenue in the US comes from the Costco contract.<sup>50 51</sup> **When Costco finally terminates the contract again** due to the supply issues caused by Vita Coco's mismanagement in recent quarters, we estimate **the lost revenue at \$90 to \$100 million per year, which corresponds to around 20% of Vita Coco's total sales.**

As soon as the Costco contract runs out, this will not only have direct effects on Vita Coco's revenue but also have **material indirect effects on Vita Coco's overall gross margin**, even though the Costco agreement is COGS plus a fixed margin. We analyzed hundreds of Bill of Lading documents and we think that Vita Coco's strategy of mixing its own branded products with Costco's Kirkland private label in shared

<sup>47</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>

<sup>48</sup> <https://www.costco.com/product.100643804.html>

<sup>49</sup> <https://www.costco.com/product.100841513.html>

<sup>50</sup> The contract with grocery chain Lidl still seems to be in its infancy, as it started at the beginning of October 2024, and the grocery chain only has a small network of less than 200 stores.

<sup>51</sup> We checked other private label brands and found that Amazon (Happy Belly Coconut Water), Aldi (Nature's Nectar), and Walmart are produced by ABS or directly sourced from foreign manufacturers.

containers allows Vita Coco to effectively split transportation costs between its branded and private-label offerings. **The arrangement is particularly beneficial due to the cost-plus model used for Kirkland products, which enables Vita Coco to pass higher transportation costs directly to Costco.** In our opinion, by allocating a portion of the private-label products, the company cleverly reduces the COGS for its own branded items: an expansive container would have a higher share of Kirkland products in it and a cheaper container has a lower share of private-label products in it. This indirectly shielded Vita Coco's branded products from the full brunt of escalating freight costs, as a significant portion is absorbed within the private-label agreement. **Ultimately, we believe the loss of Costco will not only have a negative impact on top-line sales but also on Vita Coco's bottom line.**

In our opinion, the loss of the contract and the associated higher shipping costs for its own products are the reason why Vita Coco is planning a price increase for its branded products.<sup>52</sup> This will protect Vita Coco's gross margin, which was previously shouldered by the shared shipping costs with Costco.

In the short term, gross margins for its branded products will be steady at a steadily growing sales pace.

However, the price increases will only protect its gross margin but with consumer confidence and economic outlook declining in the last few months, households will switch from Vita Coco's product to more affordable private label alternatives. In the end, Vita Coco's price increases will affect the company's topline.

**In light of declining consumer confidence and Vita Coco's planned price increases on its branded products, we believe that Costco will become a powerful competitor to Vita Coco and capture additional market share. Ultimately, Vita Coco's competition will be racing away.**

#### 4. Misrepresenting Growth, Market Share, and Category Performance

A \$7.7-million loss lurking in the balance sheets could be seen as an unfortunate, if grave, one-off error; but it would seem that Vita Coco is prone to making this kind of false claims.

In a 2014 TetraPak case study, for instance, Vita Coco reported that the US Coconut Water market was valued at \$796 million and the company's market share stood at 44%, which would translate to \$350 million in revenue.<sup>53</sup> However, **back in 2017, Vita Coco predicted net sales of \$1 billion(!) the following year, but SEC filings disclose that Vita Coco only generated \$283 million in 2019. In 2024, the company's revenue is merely half of its One-Billion-Dollar figure from 2017.**<sup>54</sup>

Another example: the company claims to be expanding its market share – based, as it turns out, on data that was incomplete!<sup>55</sup> Yes, in 3Q24, **Vita Coco revealed that its figures to date had only covered 60% of the overall US coconut water market,**<sup>56</sup> with new statistics from Circana showing that previous claims were incorrect – and that any gains had already been lost again as its share fell from 45% in 2023 to 41.0%

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<sup>52</sup> <https://capedge.com/transcript/1482981/2024Q4/COCO>

<sup>53</sup> <https://www.tetrapak.com/en-no/insights/cases-articles/vita-coco-coconut-water>

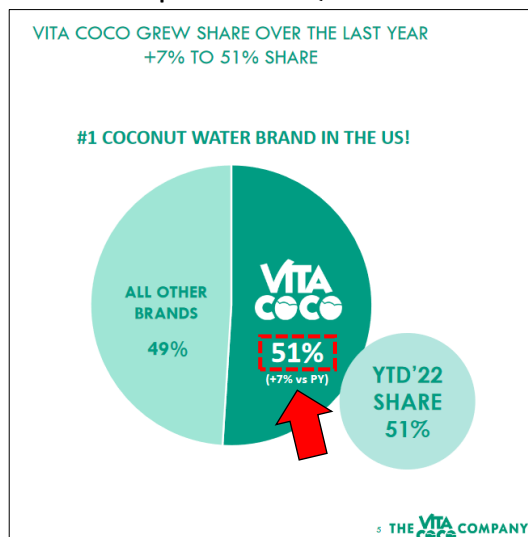
<sup>54</sup> <https://www.bloomberg.com/news/articles/2017-02-14/vita-coco-to-near-1-billion-in-sales-as-potential-buyers-circle>

<sup>55</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>

<sup>56</sup> <https://investors.thevitacococompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 10

in the fourth quarter of 2024.<sup>57</sup> In fact, **Vita Coco's market share in 2022 was only 43.3%** than the 51% Vita Coco was so fond of citing in its IR materials (see Figure 5 below).<sup>58 59 60</sup>

Vita Coco's IR presentation 2Q22:



Vita Coco's IR presentation 4Q24:

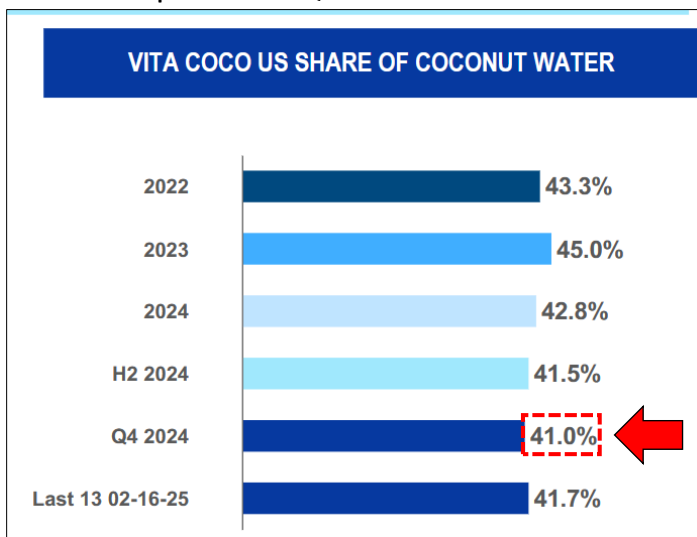


Figure 5 Vita Coco's market share disclosed to investors: source: NINGI Research, company filings

In the UK, Vita Coco's market share has actually fallen from 90% in 2014 to 80% in 2024, and in Japan, Vita Coco's social media accounts haven't posted anything since late 2016.<sup>61 62 63 64 65</sup>

Moreover, Vita Coco's previously reported US MULO+C data didn't even include its private-label customer Costco – and, as it turns out, **private label has a far bigger market share than previously estimated** (see Figure 6).<sup>66</sup> It stood at 18.7% for the last 52 weeks, but as Vita Coco's share has dropped further in 4Q24, we assume that the PL share is now closer to 20%.<sup>67</sup>

<sup>57</sup> <https://investors.thevitacococompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 10

<sup>58</sup> <https://investors.thevitacococompany.com/static-files/fb807d18-d2be-49db-b052-a5775d108b72>, pg. 6

<sup>59</sup> <https://investors.thevitacococompany.com/static-files/5535f473-80dc-4d2e-a57f-e9d3738dd3b6>, pg. 5

<sup>60</sup> <https://investors.thevitacococompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 10

<sup>61</sup> <https://www.beveragedaily.com/Article/2014/05/28/Brands-that-rubbish-other-brands-I-don-t-get-it!-Vita-Coco-UK-CEO>

<sup>62</sup> <https://capedge.com/transcript/1482981/2023Q4/COCO>

<sup>63</sup> <https://find-and-update.company-information.service.gov.uk/company/07088143>

<sup>64</sup> <https://x.com/vitacocoip>

<sup>65</sup> <https://www.instagram.com/vitacocojapan>

<sup>66</sup> <https://investors.thevitacococompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 8

<sup>67</sup> <https://investors.thevitacococompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 8

US MULO+ expanded coverage includes: Costco, Amazon 1P, Other Minor Retailers		
OLD: MULO-C	MEASURES	NEW: MULO+ w/Conv
~60% <sup>1</sup>	% of Our Tracked USA Branded Volume (CE)	~80% <sup>1</sup>
\$0.8B	Category Size (\$B)	\$1.1B
48.7%	Vita Coco Share of Category (L52W)	43.8%
<u>7.8%</u>	<u>Private Label Share of Category (L52W)</u>	<u>18.7%</u> ←
9.5%	Harmless Harvest Share of Category (L52W)	10.8%
10.3%	Goya Share of Category (L52W)	7.4%

Figure 6 Extract from Vita Coco's Third Quarter 2024 investor presentation, source: NINGI Research, company filings

Unsurprisingly, Vita Coco's MULO+C growth hit an all-time low in 3Q24 and was down more than 70% against the overall coconut water market (see Figure 7 below).<sup>68</sup> For years, Vita Coco consistently benchmarked its MULO+C (Multi-Outlet and Convenience stores) performance against the broader category. However, in the fourth quarter of 2024, **Vita Coco abruptly ceased disclosing overall category growth figures**, instead highlighting only its own 9.3% rebound.<sup>69</sup> In our opinion, **when a company suddenly refrains from providing category-wide comparisons, it fears the benchmark as it would show that the peers are outperforming**. And Vita Coco has a history of dropping unflattering truths from their IR materials, as the company did with its household penetration metrics; later admitted at an investor conference.<sup>70</sup>

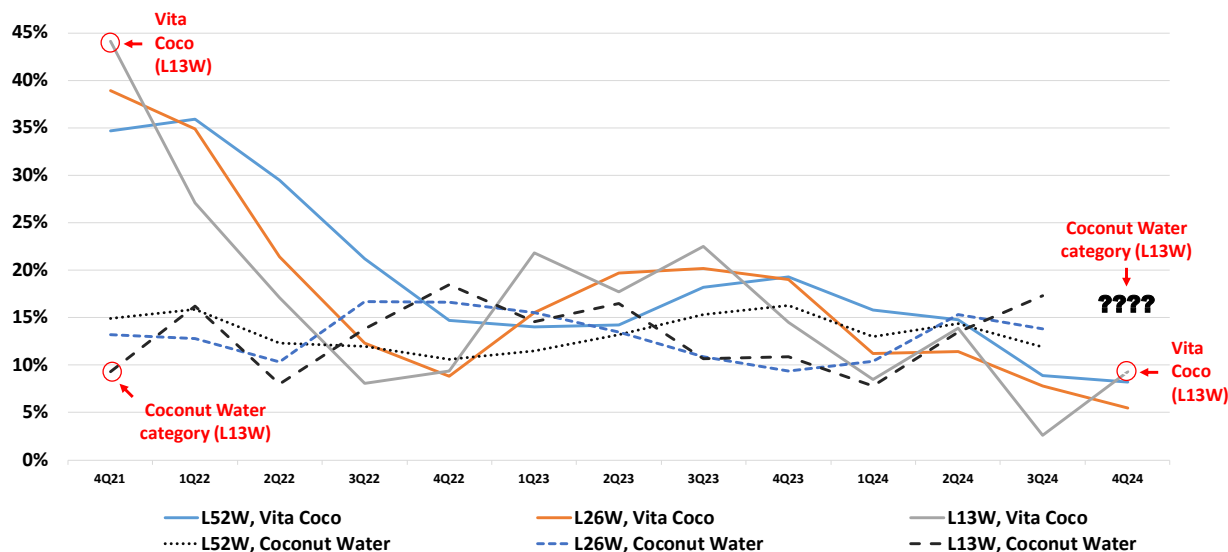


Figure 7 US MULO+C data published by Vita Coco, source: NINGI Research, company data

<sup>68</sup> <https://investors.thevitacococompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 10

<sup>69</sup> <https://investors.thevitacococompany.com/static-files/6d40009b-3d53-4e63-8dc2-97fb9ec80dae>, pg. 8

<sup>70</sup> Comment by Martin Roper, CEO at 4th Annual Evercore ISI Consumer and Retail Conference on June 12, 2024.

In total, since Vita Coco went public, its US MULO+C growth metrics have been falling while the segment as a whole pegged steady growth in the mid-teens (see Figure 7 above).<sup>71 72</sup> Based on data from sell-side research, we can estimate with confidence **that overall category growth at the end of 4Q24 was 21.8% for L13W, 17.8% for L26W, and 15.4% for L52W and was therefore considerably higher than Vita Coco's growth of 9.3% for L13W, 5.5% for L26W and 8.2% for L52W.**

Vita Coco, however, is supposed to be a growth company storming down the track – and is now falling back, posting below-category net sales growth alongside a loss of market share.<sup>73 74</sup>

Perhaps Vita Coco made a genuine mistake in using statistics that only covered 60% of the overall market to calculate its share or removing statistics that helped to assess its performance? Or perhaps it was a deliberate error in a misguided attempt at investor relations boosterism? Either way, we believe **the unavoidable conclusion is that one-trick pony Vita Coco was either on the wrong track – or deliberately trying to lead analysts and investors astray.** It wouldn't be the first time.

## 5. Living Life as a One-Trick Pony, As Product Innovations Constantly Fail

It's an inconvenient truth about Vita Coco's business, but for all the talk of coconut water being a growth segment, **Vita Coco's total addressable market ("TAM") is capped.** For a start, in large markets such as South America and Asia, where there is a natural abundance of coconuts, consumers don't need packaged coconut water. That would be like selling ice in Iceland.

In addition to this significant hurdle, we believe that in North America and Europe, **coconut water is proving to be a decidedly niche market**, with no demographic changes in those regions large enough to generate real growth in the category. So contrary to what Vita Coco's executives have been telling investors, there is no "cranberry-juice moment" for coconut water – and Vita Coco knows as much, quietly dropping the "inflection point" narrative it touted for years when the data didn't support the claims.<sup>75 76</sup> A confession made by Vita Coco's CEO at an investment conference in June 2024.<sup>77</sup>

One way to counter these limitations would be to diversify the company's offering, building up a stable of coconut water-related products and then expanding the brand to cover other 'Better for you' segments. Yet **Vita Coco has consistently failed to introduce new products able to gain traction**, with a raft of branded releases like coconut oil, sparkling water, kids drinks, and hydration water powder listed in the company's IPO prospectus since scaled back or discontinued entirely.<sup>78 79</sup>

In total, 60% of Vita Coco's product portfolio highlighted in its IPO prospectus has been discontinued (see Figure 8 below). In our opinion, investors should be asking why **Vita Coco has, since its inception, stayed a one-trick pony.**

<sup>71</sup> <https://investors.thevitacococompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 10

<sup>72</sup> <https://investors.thevitacococompany.com/static-files/fb807d18-d2be-49db-b052-a5775d108b72>, pg. 6

<sup>73</sup> <https://investors.thevitacococompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 8

<sup>74</sup> <https://investors.thevitacococompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 10

<sup>75</sup> Comment by Martin Roper, CEO at 4th Annual Evercore ISI Consumer and Retail Conference on June 12, 2024.

<sup>76</sup> <https://capedge.com/transcript/1482981/2023Q1/COCO>

<sup>77</sup> <https://investors.thevitacococompany.com/events/event-details/4th-annual-evercore-isi-consumer-and-retail-conference>

<sup>78</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000119312521284306/d197386ds1.htm>, pg. 22

<sup>79</sup> <https://strollerinthecity.com/introducing-vita-coco-kids-giveaway/>





Figure 8 Several products displayed in Coco’s IPO prospectus have been canned (pun intended), source: NINGI Research, company filings

The most recent entry in this record of failure in product diversification came in the form of ‘Vita Coco Spiked’, a cooperation with beverage conglomerate Diageo mixing coconut water with rum launched in 2023.<sup>80</sup> Despite alcohol not sitting particularly well with the ‘Better for you’ narrative, the idea itself was cogent enough: pushing coconut water as a cocktail ingredient – and marketing spend did actually lead to increased use of coconut water in the drinks sector.<sup>81</sup>

Yet recently, chairman Mike Kirban stated that this new product line *“has not been incredibly successful.”*<sup>82</sup> In our opinion, the Vita Coco one-trick pony has, once again, stumbled out of the starting blocks.

In addition to the coconut-related product variations, Vita Coco has also attempted to diversify its product portfolio by offering a sparkling water product called ‘Ever & Ever’, an isotonic/protein sports drink called ‘PWR LIFT’, and an energy drink called ‘Runa’.<sup>83</sup> Sales are reported in ‘Other products’ and, according to the SEC filings, proceeds have been declining since 2019, dropping from 6.5% of total net sales to 2.9% of net sales in 4Q24.<sup>84 85 86</sup> However, we believe that most of that 2.9% is from Vita Coco’s deal with Diageo (license fees) and merch. **The products that should help diversify Vita Coco’s product portfolio are either discontinued, paused, or have a “nice healthy online business.”** So, Vita Coco has no non-coconut-related in any stores at the moment.

<sup>80</sup> <https://investors.thevitacocompany.com/news-releases/news-release-details/new-vita-coco-spiked-captain-morgan-giving-summer-vibes>

<sup>81</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>

<sup>82</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>

<sup>83</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000017/coco-20221231.htm>, pg. 41

<sup>84</sup> [https://www.sec.gov/Archives/edgar/data/1482981/00014829812521299742/d197386ds1a.htm#fin197386\\_7](https://www.sec.gov/Archives/edgar/data/1482981/00014829812521299742/d197386ds1a.htm#fin197386_7), F-19

<sup>85</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000017/coco-20221231.htm>, pg. 74

<sup>86</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000032/coco-20241231.htm>, pg. 46



In the latest earnings call, Vita Coco’s management revealed that PWR Lift struggled to develop a “pull” and it was too expensive to keep on the shelves.<sup>87</sup> The company stated that it had a “healthy online business,” but we think that is just a platitude to cover up the failure.<sup>88</sup> In our opinion, PWR Lift failed.

Moreover, the two other products, Ever&Ever and Runa, were not discussed on any recent earnings calls and Vita Coco does not disclose individual sales figures for these products.<sup>89</sup> Vita disclosed that the company paused production of Ever&Ever in 2024 and evaluating its discontinuation.<sup>90</sup> Vita Coco’s energy drink Runa has been discontinued in 2023.

In our opinion, **you can’t teach an old dog pony new tricks.**

## 6. Turning an Undisclosed Related-Party Transaction Into a Million-Dollar Loss

Vita Coco’s energy drink ‘Runa’ has been already axed, with operations ceasing at the end of 2023. However, this came as no surprise to attentive readers of Vita Coco's IPO prospectus, in which the company already admitted that Runa Energy would not achieve the growth targets forecasted by Chairman Mike Kirban three years earlier.<sup>91 92</sup> In our opinion, this is **a testament to Vita Coco’s strategic failings because the Runa energy drink was not internally developed, but purchased at a significant premium in June 2018.**<sup>93</sup>

We estimate that Vita Coco paid between \$25 and \$30 million – in a transaction that was ill-advised because **Mike Kirban, Vita Coco’s current chairman and then-CEO, had a personal stake in Runa.**<sup>94 95</sup> Worse: despite the company stating that all related-party transactions after January 1, 2018, had been disclosed, the Runa connection was not disclosed to investors in Vita Coco’s S-1 filing.<sup>96 97</sup> Indeed, this involvement only came to light when Runa’s founder, Tyler Gage, stated that Mike Kirban had invested in the company (in a now-deleted but saved article via WebArchive.org):<sup>98 99</sup>

**“Mike Kirban** has been a valued mentor for me since he **personally invested in Runa in 2014.** [...]”

As of today, we believe **Mr. Kirban realized significant gains from his Runa investment. In contrast, Vita Coco has already incurred severe losses – and is still carrying further unrealized losses.**<sup>100</sup> Specifically, Vita Coco already wrote off all intangible assets related to Runa worth almost \$7 million, and the Runa

<sup>87</sup> <https://capedge.com/transcript/1482981/2024Q4/COCO>

<sup>88</sup> <https://capedge.com/transcript/1482981/2024Q4/COCO>

<sup>89</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000017/coco-20221231.htm>, pg. 41

<sup>90</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000032/coco-20241231.htm>, pg. 10

<sup>91</sup> <https://www.fooddive.com/news/vita-cocos-parent-company-acquires-natural-energy-drink-run-a/526328/>

<sup>92</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000119312521284306/d197386ds1.htm>, pg. 96

<sup>93</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000119312521284306/d197386ds1.htm>, pg. 23

<sup>94</sup> <https://www.foodbev.com/news/vita-coco-owner-all-market-inc-acquires-energy-drink-brand-run-a/>

<sup>95</sup> <https://www.bevnet.com/news/2018/market-inc-acquires-run-a/>

<sup>96</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000119312521284306/d197386ds1.htm>, pg. 182

<sup>97</sup> <https://www.foodbev.com/news/vita-coco-owner-all-market-inc-acquires-energy-drink-brand-run-a/>

<sup>98</sup> <https://www.foodbev.com/news/vita-coco-owner-all-market-inc-acquires-energy-drink-brand-run-a/>

<sup>99</sup> <https://web.archive.org/web/20230205135226/https://www.foodbev.com/news/vita-coco-owner-all-market-inc-acquires-energy-drink-brand-run-a/>

<sup>100</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000081/coco-20230630.htm>, pg. 5

farm in Ecuador was put for sale, but no offers were made.<sup>101 102 103</sup> Ultimately, the company wrote off the farm in Ecuador.<sup>104</sup>

However, Vita Coco has not yet recognized the full financial catastrophe that this undisclosed related-party transaction has caused. **The company repeatedly removed previous disclosures to disguise the fact that the entire Vita Coco goodwill of \$7.7 million reported in the balance sheet was related solely to the Runa acquisition (see Figure 9 below).**<sup>105 106</sup>

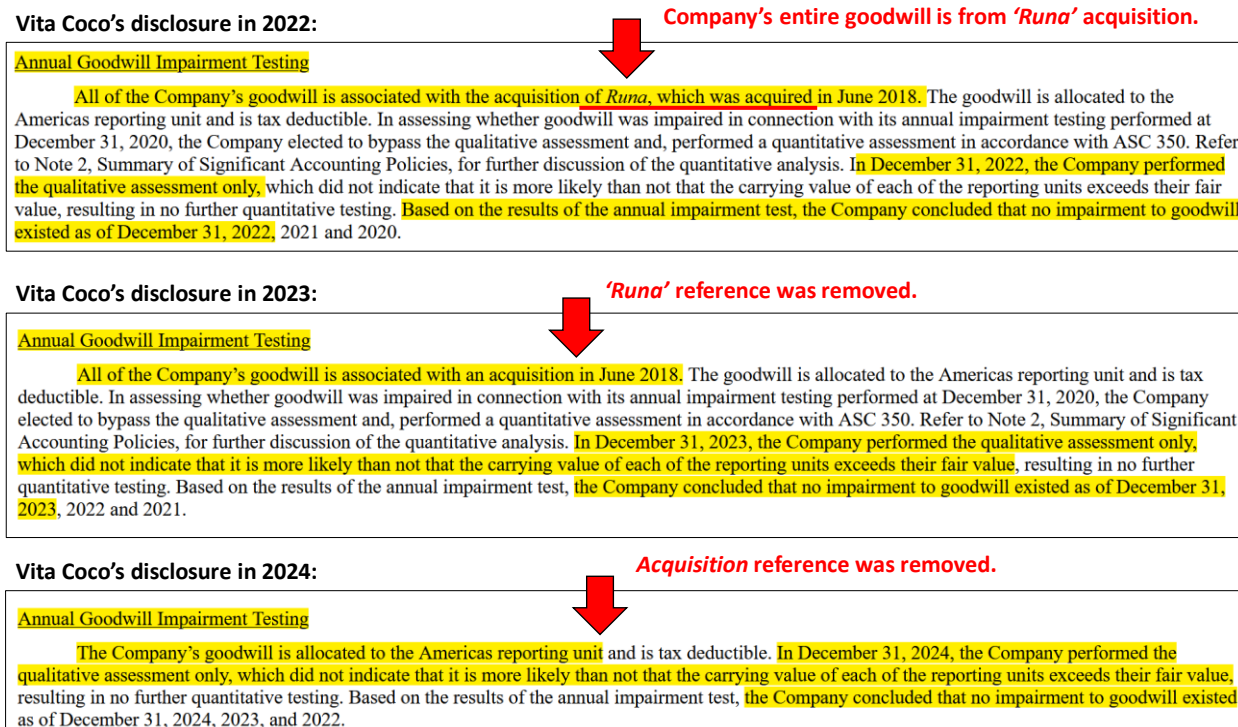


Figure 9 Vita Coco chose to bypass a proper goodwill assessment, source: NINGI Research, company filings

Further, the company continued to report no goodwill impairment. We think Vita Coco's management changed the impairment method as a face-saving measure.<sup>107</sup> Vita Coco assessed the value of the goodwill using a qualitative assessment – and only did so from 2021 on.<sup>108</sup> This is little more than a back-of-an-envelope estimate made by the company's management – and one which allows it to keep up the fiction that the goodwill is still worth something.<sup>109</sup>

**But it can't be. Runa has been officially discontinued, yet goodwill connected to Runa has not been impaired.**<sup>110 111</sup> Vita Coco, in fact, has yet to tell its investors the truth and completely write it off.

<sup>101</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000017/coco-20221231.htm>, pg. 65  
<sup>102</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000017/coco-20221231.htm>, pg. 77  
<sup>103</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000106/coco-20230930.htm>, pg. 23  
<sup>104</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000012/coco-20231231.htm>, pg. 91  
<sup>105</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000012/coco-20231231.htm>, pg. 73  
<sup>106</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000017/coco-20221231.htm>, pg. 77  
<sup>107</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000017/coco-20221231.htm>, pg. 77  
<sup>108</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000017/coco-20221231.htm>, pg. 77  
<sup>109</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000012/coco-20231231.htm>, pg. 52  
<sup>110</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000017/coco-20221231.htm>, pg. 77  
<sup>111</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000012/coco-20231231.htm>, pg. 68

## 7. Managing a Business – or Managing to Wall Street Expectations?

Mismanaged supply chains, self-contradictory strategies, failed diversification attempts, misstated IPO filings... In our opinion, **Vita Coco management is clueless, sat atop a one-trick pony they've mistaken for a mustang and wholly unable to ride it.** We believe with no clear strategy for winning the race and no understanding of how to even get their steed galloping, executives are reduced to talking horses. Yet to listen to Vita Coco's management, you'd think they are in the saddle, cracking the whip!

At IPO, this narrative seemed to have some basis in fact. Storming out of the blocks in 2021, Vita Coco grew faster than the category, a feat which management attributed to strong brand and execution – and projected into the future.<sup>112 113</sup> This story was picked up by sell-side analysts who have been running with it since. However, **the simple truth of the matter is that Vita Coco's execs got lucky:** Coca-Cola's coconut water brand ZICO was discontinued in late 2020, opening a gap retailers had to fill.<sup>114</sup>

When Vita Coco got unlucky in 2022, as revenue fell back and margins were compressed, management cited skyrocketing freight rates, folded their hands, and waited for an improvement in margins when prices came back down.<sup>115</sup> Which they did! Yet even after getting lucky again, we think that **clueless Vita Coco management failed to take action** and lock in that effect, leaving things down to chance. And so, in 2024, we believe Vita Coco predictably found itself forced to try and sit out a surge in freight rates to protect its margins.<sup>116 117</sup> As a result, growth slowed to single digits in the US while the category overall was posting mid-double-digit numbers – and while its private-label business was reporting the second consecutive revenue decline.<sup>118 119</sup>

In 2023, Vita Coco had talked about growing its branded segment due to low margins in its PL activities, with Chairman and Co-Founder Mike Kirban explaining how *“we've consistently talked about the goal of growing our branded business as our priority and our desire to reduce our reliance on our private label business, which is typically lower priced and lower margins.”*<sup>120</sup> Accordingly, the company and its largest PL customer, Costco, mutually terminated their contract.<sup>121</sup> However, just three months later, in 3Q23, **Vita Coco management switched its story**, telling investors that Costco requested to remain a customer for a large portion of its coconut water supply – and that Vita Coco would expand its private label business by seeking new opportunities.<sup>122</sup>

We believe, this clearly hasn't worked out as seen by declining sales in Vita Coco's PL segment (see Chapter 0). And so left **casting about for the next line to feed to investors, Vita Coco now apparently sees great opportunity in its international business** after branded sales grew 20.3% off the back of a distribution agreement with the German grocery-store chain Rewe Group.<sup>123</sup> Successful Internationalization? That's

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<sup>112</sup> <https://capedge.com/transcript/1482981/2021Q4/COCO>

<sup>113</sup> <https://investors.thevitacocompany.com/static-files/fb807d18-d2be-49db-b052-a5775d108b72>

<sup>114</sup> <https://www.foodnavigator-usa.com/Article/2020/10/05/Coca-Cola-to-discontinue-ZICO-Their-greatest-strength-is-also-their-greatest-weakness-says-founder>

<sup>115</sup> <https://capedge.com/transcript/1482981/2022Q3/COCO>

<sup>116</sup> <https://capedge.com/transcript/1482981/2024Q1/COCO>

<sup>117</sup> In the 3Q24 conference call, Vita Coco executives blamed a shortage of shipping containers, but that's simply a function of supply and demand. The market prices a good higher when it is in short supply and you have to pay more to get it.

<sup>118</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000127/coco-20240930.htm>, pg. 26

<sup>119</sup> <https://investors.thevitacocompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 10

<sup>120</sup> <https://capedge.com/transcript/1482981/2023Q2/COCO>

<sup>121</sup> <https://capedge.com/transcript/1482981/2023Q2/COCO>

<sup>122</sup> <https://capedge.com/transcript/1482981/2023Q3/COCO>

<sup>123</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000032/coco-20241231.htm>, pg. 46

one new deal with one retailer in one country three years after IPO – and, in our opinion, looks more like a one-off spurt for our desperate one-trick pony than the start of a consistent run.

This switcheroo like a gambler finding a new favorite horse to bet on can be even backed by data. Below in Figure 10, we illustrated how Vita Coco changed its strategic focus and narrative (through various public statements) relative to how the estimated sales for Vita Coco and its competitors changed: 1) when private-label business outpaced Vita Coco’s branded growth (dotted line) and 2) when private-label growth (purple line) reversed to the mean category growth in late March 2024.<sup>124</sup>

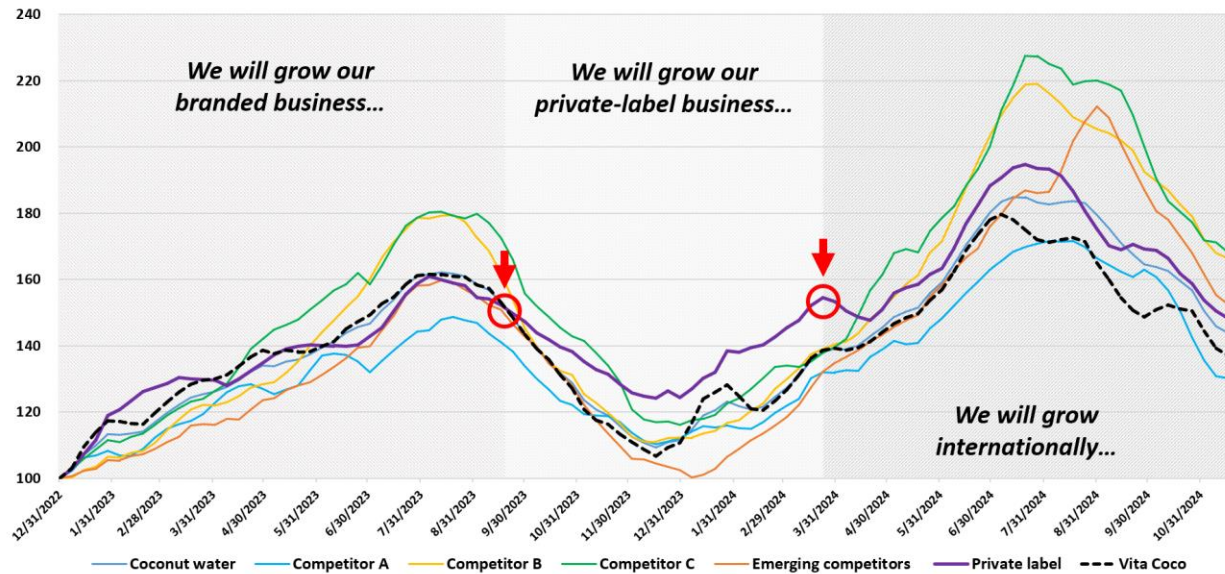


Figure 10 Illustrative narrative change in public statements<sup>125</sup> and sales growth (index = 100 on 12/31/2022) approximated from estimated POS data (time period: 12/31/2021 – 11/16/2024), source: NINGI Research

All of this paints a clear picture of a company which, in our opinion, **rather than executing a long-term strategy, has instead focused on exciting Wall Street expectations**, changing its capital-markets narrative as required to keep investors’ interest. We believe **it’s pure short-termism**, focusing on individual furlongs and forgetting the length of the course.

Indeed, where Vita Coco has stated clear long-term targets to investors, they don’t make it across the line. Aiming for mid-teens figures in its branded-product net sales growth, for instance, Vita Coco management has failed miserably: in the last five of six consecutive quarters, net sales for branded products have only grown in the single digits (see Figure 11 below).<sup>126 127 128 129</sup> This trend was only broken in 4Q24.

**However, how do investors ensure that the recent surge in Vita Coco’s revenue accurately reflects actual consumer demand rather than just increased shipments to distributors and wholesale customers?**

<sup>124</sup> Indexing on 12/31/2022 helps to combine both narrative changes in one chart (see Figure 10). However, the sales deceleration for private label products in April 2024 was even higher, and indexed at 12/31/2023, it showed that private label had an inflection point in Spring 2024 that led to consistent lower sales growth year-to-date.

<sup>125</sup> These are not actual statements by Vita Coco but conveys the change in its strategic focus the company told investors and analysts on various earnings calls and at investment conferences.

<sup>126</sup> <https://investors.thevitacocompany.com/news-releases/news-release-details/vita-coco-company-reports-third-quarter-2024-financial-results>

<sup>127</sup> <https://investors.thevitacocompany.com/news-releases/news-release-details/vita-coco-company-reports-second-quarter-2024-financial-results>

<sup>128</sup> <https://investors.thevitacocompany.com/news-releases/news-release-details/vita-coco-company-reports-first-quarter-2024-financial-results>

<sup>129</sup> <https://investors.thevitacocompany.com/news-releases/news-release-details/vita-coco-company-reports-fourth-quarter-and-full-year-2023>

In our opinion, it looks like a miracle that a precise 30.0% growth in 4Q24 led to Vita Coco beating the company’s full-year guidance by just one million dollars, closing the year at net sales of \$516 million.<sup>130 131</sup>

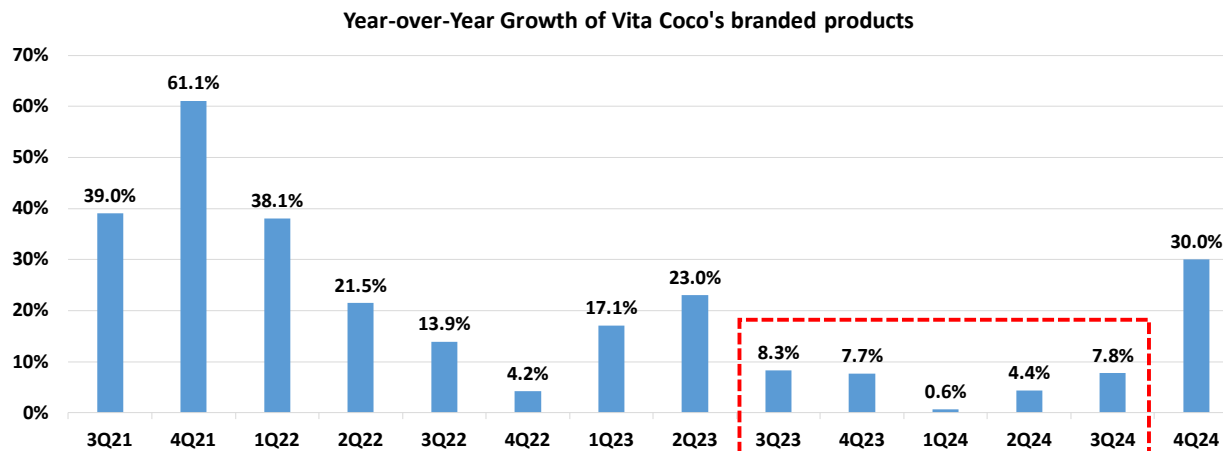


Figure 11 Five of six consecutive quarters of below-target growth, source: NINIG Research, company data

Uninspiring, for want of an actual strategy, Vita Coco executives are now spouting boilerplate about “increasing household penetration” and “growing in line with the coconut water category.”<sup>132</sup> Management is also ‘on the lookout for M&A targets’ and talking about share buybacks.<sup>133 134</sup> This, too, sounds less like a growth enterprise and more like a mature company with no ideas left about how to increase shareholder value except by buying back its own stock. In our opinion, **one-trick pony Vita Coco is looking increasingly like a dead horse being flogged by clueless jockeys.**

## 8. Executives Cash In on Illogical Company Valuation

Those riders sure do talk a good game, though! In view of low growth in product sales, failed diversification, undisclosed conflicts of interest, and questionable financial practices, we believe Vita Coco’s share price cannot be justified. We think that **the valuation appears inflated and the company’s growth story seems to have reached its end.** Despite all this, however, management is positive for 2025.<sup>135</sup> That sounds impressive – and stands in stark contrast to the fact that, **in 2024, Vita Coco grew a paltry 4.5%.**<sup>136</sup>

In our opinion, looking further into the future, Vita Coco’s current valuation is non-sequitur. **Comparing it to the competitors in the neighboring stables, we don’t see why anyone should bet on this horse.** Most public peers of Vita Coco are more diversified, larger, or both: KO, PEP, KDP, CELH, PRMB, FIZZ, and STKL. However, the stumbling pony Vita Coco is trading at a 44.9% premium to peers’ 2025 EBITDA multiple.

<sup>130</sup> <https://investors.thevitacocompany.com/news-releases/news-release-details/vita-coco-company-reports-third-quarter-2024-financial-results>

<sup>131</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298125000032/coco-20241231.htm>, pg. 46

<sup>132</sup> <https://investors.thevitacocompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 7

<sup>133</sup> <https://investors.thevitacocompany.com/static-files/c753f1ae-9c19-4bf9-9ab7-1b67f164acb0>, pg. 7

<sup>134</sup> <https://capedge.com/transcript/1482981/2024Q3/COCO>

<sup>135</sup> <https://investors.thevitacocompany.com/news-releases/news-release-details/vita-coco-company-reports-third-quarter-2024-financial-results>

<sup>136</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000060/coco-2024331xexx991pressre.htm>



	COCO	FIZZ	PRMB	STKL	CELH	KO	PEP	KDP	GMEAN
2026 EV/EBITDA	17.0	14.0	10.2	8.7	18.3	19.1	12.3	12.5	13.1
2025 EV/EBITDA	20.8	14.4	11.0	10.0	22.8	20.4	13.0	13.1	14.4
COCO's premium to peer		44.4%	89.1%	108.0%	-8.8%	2.0%	60.0%	58.8%	44.9%

Figure 12 EV/EBITDA to peers and premium, source: NINGI Research, Koyfin

Our EBITDA estimate is based on a phase-out of Costco's \$90 million contract through 2025, which will then have an impact on 2026 and beyond.. Just a back-of-the-napkin valuation with its 2025 and 2026 EBITDA estimates (that include the effects of losing the Costco contract), leads to a fair value of \$22.11 to \$24.85 per share. Considering, that Vita Coco doesn't have a diversified product portfolio like its peers, we applied a "one-trick pony multiple" to reflect that fact, **resulting in around 49% downside for the stock.**

Valuation (in thousand USD)	Peer's multiple		'One-trick pony' multiple	
	2025 Estimate	2026 Estimate	2025 Estimate	2026 Estimate
Adj. EBITDA	73,955	89,384	73,955	89,384
Multiple	14.4	13.1	11.0	9.0
<b>EV</b>	<b>1,061,457</b>	<b>1,172,338</b>	<b>813,507</b>	<b>804,457</b>
Net debt	(193,958)	(238,317)	(193,958)	(238,317)
Market Cap	1,255,415	1,410,655	1,007,465	1,042,774
Shares outstanding	56,769	56,769	56,769	56,769
<b>Fair value per share</b>	<b>\$22.11</b>	<b>\$24.85</b>	<b>\$17.75</b>	<b>\$18.37</b>
Current share price	\$35.45	\$35.45	\$35.45	\$35.45
<b>Downside</b>	<b>-37.62%</b>	<b>-29.90%</b>	<b>-49.94%</b>	<b>-48.18%</b>

Figure 13 Fair value estimate based on 2025 and 2026 estimates, source: NINGI Research, Koyfin

Now, we think that Vita Coco management may be clueless, but they can't be that deluded. We have reason to believe that insiders know full well that the market is saturated and that the upside in the company's valuation is capped from here on. Indeed, in our opinion, **Vita Coco's management probably knew around the end of 2Q23 that growth in branded products had reached its limits** and that double-digit rates would soon be a thing of the past (since then branded sales grew by high single digits, see Figure 11). It is our contention that, because insiders had a better view of orders and inventory levels, **executives adopted their first 10b5-1 plans in 2Q23 to offload their shares before investors caught wind of Vita Coco's grim growth prospects.**<sup>137</sup>

Since then, they've gone further, adopting additional 10b5-1 plans to sell stock each quarter as **insiders have sold more than \$56 million overall**<sup>138 139 140</sup> as cornerstone investor Verinvest joined in, holding two secondary offerings, selling \$236 million in stock during that period.<sup>141 142</sup> In total, Vita Coco's founders have sold \$17.8 million since 2023, and executives like the CEO, CFO, Chief Marketing Officer,

<sup>137</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000081/coco-20230630.htm>, pg. 37

<sup>138</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000102/coco-20240630.htm>, pg. 36

<sup>139</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000127/coco-20240930.htm>, pg. 36

<sup>140</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000064/coco-20240331.htm>, pg. 37

<sup>141</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000119312523153663/d378790d424b7.htm>

<sup>142</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000119312523273634/d545621d424b7.htm>

Chief Sales Officer, and COO have offloaded more than \$38.5 million since 2022. **All company executives are literally dumping their shares** (see Figure 14 below).

Name	Position	Shares Sold	Amount Sold (USD)	Latest transaction
<b>Founders:</b>				
Kirban, Michael	Chairman & Co-Founder	246,000	7,127,854	3/18/2025
Liran, Ira	Co-Founder & Board Member	355,150	10,775,278	2/20/2025
		<b>601,150</b>	<b>17,903,132</b>	
<b>Executives:</b>				
Baker, Corey	Chief Financial Officer	12,929	395,567	11/14/2024
Burth, Jonathan	Chief Operating Officer	308,249	8,178,098	3/5/2025
Prior, Jane	Chief Marketing Officer	187,610	5,244,447	12/11/2024
Ricalde, Rowena	Former Chief Accounting Officer	2,640	61,221	3/15/2024
Roper, Martin F	Chief Executive Officer	574,876	20,610,771	12/17/2024
van Es, Charles	Chief Sales Officer	145,390	4,090,726	11/1/2024
		<b>1,231,694</b>	<b>38,580,830</b>	
<b>Insiders:</b>				
Verlinvest Beverages SA	Cornerstone Investor	9,750,000	236,408,125	11/9/2023
Zupo, John	Board member	5,017	138,570	6/11/2024
		<b>9,755,017</b>	<b>236,546,695</b>	

Figure 14 Shares sold by Vita Coco insiders and Verlinvest as of 3/5/2025, source: NINGI Research, SEC filings

Vita Coco also failed to disclose that its CEO Martin Roper had adopted a new 10b5-1 plan in May 2024.<sup>143</sup> Instead of communicating this fact in a timely manner in its 10-Q form for the second quarter of 2024, Vita Coco waited until its 10-Q filing for the third quarter of 2024: **then CEO Roper then sold more than 574,000 shares worth \$20.6 million within a six-week period late last year.**<sup>144</sup>

These insider sales and secondary offerings by Verlinvest appear contrary to the statements from Vita Coco and the \$40 million buyback program the company initiated in October 2023.<sup>145</sup>

In our opinion, **Vita Coco's insiders and executives are selling their betting slips because they know that the odds for their pony are no longer in their favor.**

## Conclusion

For three years now, the market has swallowed Vita Coco's excuses, short-term strategy shifts, denials, and failed promises while insiders have dumped stock, peddling the narrative of a 'unique growth story' with 'long-term prospects'. However, every quarter, another unforeseen hurdle crops up on the course and prevents this growth spurt from happening – with the result that, instead of the almost one billion in sales predicted in 2017, Vita Coco is only at \$516 million.<sup>146</sup> **That is a unique growth story: a uniquely disappointing one.**

As seen in the data, **the category grew 15.4% last year while Vita Coco merely grew 4.5% in sales.**

<sup>143</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000127/coco-20240930.htm>

<sup>144</sup> [https://www.sec.gov/edgar/search/#/cik=0001206513&entityName=ROPER%2520MARTIN%2520F%2520\(CIK%25200001206513\)](https://www.sec.gov/edgar/search/#/cik=0001206513&entityName=ROPER%2520MARTIN%2520F%2520(CIK%25200001206513))

<sup>145</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298123000101/coco-20231030.htm>

<sup>146</sup> <https://www.bloomberg.com/news/articles/2017-02-14/vita-coco-to-near-1-billion-in-sales-as-potential-buyers-circle>



What is more, as laid out in this report, Vita Coco's 'long-term prospects' are poor: the company's US **market share has been reassessed down** from 51% to 41% in 4Q24, and **the branded product segment**, which makes up over 70% of net sales, **has failed to meet Vita Coco's long-term target** of double-digit growth in five of six consecutive quarter.

**The mismanagement of its supply chain has "upset"** (CEO's words) most of its distributors and wholesale customers and, in our opinion, will cause **its largest private label customer, Costco, to terminate its contract, resulting in a loss of 90 to 100 million dollars annually**. It also makes Costco a very strong competitor with its Kirkland Signature product at a time of declining consumer confidence and material price increases for Vita Coco's products.

Further, the TAM for coconut water and adjacent products is limited because, apart from North America and Europe, there is little worldwide demand for packaged coconut water. In other parts of the world, such as South America and Asia, you literally go to the nearest tree and get your coconut water for free. As such, **Vita Coco's business model is founded on a niche TAM limited to North America and Europe, with North America saturated and already in decline**.

In response, Vita Coco is naturally trying to broaden its appeal and has introduced another 'new' product: Vita Coco Treats, a strawberry yogurt drink with coconut ingredients. Yet here, **once again, Vita Coco is showing its inability to diversify away from coconut as the basis of its products**. Since 2021, Vita Coco has slashed 60% of its product portfolio and paused or discontinued all non-coconut-related beverage products. In our opinion, **it is evident that diversification efforts have largely failed**, even with an experienced CEO like Martin Roper heading the company for almost five years now.<sup>147</sup> Indeed, along with the rest of the management team, Roper now seems to be dedicating his considerable skills **to dumping stock while the going is still good**.

This tallies with **concerns about the company's corporate governance raised by the acquisition of Runa**. Championed by then-CEO Mike Kirban, has turned out to be a costly misstep – and **Kirban's own personal stake in Runa was initially not disclosed**. Now, there is still more than \$7 million in goodwill on Vita Coco that has to be impaired in connection to Runa's discontinuation.

Well aware of the coming difficulties and very loft valuation, **insiders have been offloading shares – and executives are now eager to sell more**. In our opinion, they are looking to cash out now. Indeed, in an interview with Bloomberg in 2017, now-Chairman Mike Kirban already indicated that this may always have been his intention:<sup>148</sup>

*"[...] I don't see this as a business I'm going to pass on to my children. [...]"*

In our opinion, Vita Coco's CEO seems to think so too: Martin Roper sold \$20.6 million worth of Vita Coco shares from his account and his children's trust funds.<sup>149</sup>

**For all information herein, we are short 'The Vita Coco Company' (Nasdaq: COCO).**

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<sup>147</sup> <https://www.linkedin.com/in/martinroper/>

<sup>148</sup> <https://www.bloomberg.com/news/articles/2017-02-14/vita-coco-to-near-1-billion-in-sales-as-potential-buyers-circle#xj4y7vzkg>

<sup>149</sup> <https://www.sec.gov/Archives/edgar/data/1482981/000148298124000174/xslF345X05/edgardoc.xml>