

Vital Farms Inc

Telsey Advisory Global Consumer & Retail Conference

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Telsey Advisory Global Consumer & Retail Conference *(Corrected version)*

Summary

NEW

Key Takeaways

The Vital Farms Inc. presentation at the Telsey Advisory Global Consumer & Retail Conference on 2025-10-08, led by CFO Thilo Wrede, covered topics including the company's business overview, key financial results, industry trends such as demand/supply, growth opportunities, and financial outlook. The discussion also included the company's supply chain, distribution strategies, product mix, and margin management.

Business overview

- Vital Farms is a leader in pasture-raised eggs and one of the fastest-growing consumer brands in its space.
- The company sources eggs from more than 500 family farms with a 1:1 relationship, committing to buy all eggs from the farms, and the farmers commit to sell all eggs produced.
- Vital Farms has one egg processing facility in Springfield, Missouri , with two operating production lines.

Key financial results

- In 2025 , Vital Farms is projected to grow by at least 27% to about \$770 million , with a profitable EBITDA of at least \$110 million .
- The two production lines in Springfield provide a revenue capacity of about \$900 million from eggs.
- A third production line is being added in Springfield, increasing production capacity to about \$1.2 billion .
- A second new production facility in Seymour, Indiana, is intended to come online at the beginning of 2027 , bringing the total revenue capacity from eggs to about \$2.1 billion .
- The company has a long-term target of 35-plus percent for gross margin .
- Year-to-date gross margins have been healthy at around 39% .

Industry trends and dynamics

- There is an increased need for protein , and eggs are one of the key sources.
- The laying flock population in the US hasn't been fully rebuilt, standing around 290 million to 300 million birds , compared to the normal 330 million .
- The industry is in the process of rebuilding after avian flu outbreaks.
- Prices still tend to be somewhat elevated, certainly below where prices were in the first quarter.

Growth opportunities and strategic initiatives

- The company aims to recruit 30-35 farms a quarter .
- Focus is on getting more SKUs on existing shelves and increasing velocity on the shelf.
- There is a distribution opportunity to get the mass channel to resemble the natural channel more closely in terms of SKUs on the shelf.
- The company is working on a second new production facility in Seymour, Indiana , which is intended to come online at the beginning of 2027 .
- The company is experimenting with accelerator farms to test and learn more efficient ways to operate barns, aiming to produce more eggs and reduce costs.

Financial Guidance and Outlook

- Revenue guidance for the year is \$770 million .
- The third production line in Springfield is expected to come online at the beginning of Q4 .
- The company expects to see more of the tariff impact in the fourth quarter but is prepared to stay above the 35% gross margin target.
- The company expects to continue to see very strong demand.
- For 2026 , the company is excited about having really improved supply and being able to continue to drive growth.
- The biggest challenge for the business is to grow egg supply, processing capacity, and demand all in harmony with each other.

Q & A Highlights

The conference call transcript reveals that the analyst, Sarang Vora, focused on several key themes including the state of the egg industry, Vital Farms' supply chain and expansion plans, distribution strategies, product mix and performance (specifically eggs and butter), impact of tariffs and commodity costs on margins, and the company's approach to accelerator farms. Additionally, the analyst inquired about the overall economic outlook and Vital Farms' prospects and concerns for the coming year. The analyst sought updates on current performance, future strategies, and potential challenges facing Vital Farms.

Industry Demand/Supply

- **Q: What is the current state of the egg industry from a demand/supply standpoint, considering the increased need for protein and the past shortages caused by avian flu?**
- A: Currently, store shelves appear well-stocked, a contrast to the first quarter when they were often depleted. The **US laying flock population** is around **290 million to 300 million birds**, which is below the normal level of **330 million**. This may not be apparent to consumers due to factors like decreased exports. While prices are still somewhat elevated, they are lower than in the first quarter, and the industry is in the process of rebuilding. Vital Farms has not experienced any impact from avian flu since the beginning of **2024**.

Company-Specific Initiatives and Supply Chain

- **Q: Can you provide an update on the recruitment efforts to build a pipeline of growth, as well as an update on the upcoming production facility opening?**
- A: Vital Farms sources eggs from over **500 family farms** with a **1:1 relationship**, committing to buy all their eggs, and the farmers commit to sell all their eggs to Vital Farms. The company has recruited about **200 farms** in the last **18 months**, increasing from over **300 farms** at the end of **2023**. The company anticipates continuing to recruit at a similar pace of about **30-35 farms** per quarter. Farm growth is a leading indicator of volume growth, as Vital Farms only sells eggs sourced directly from contracted farmers and does not source from the open market. The company currently has one egg processing facility in **Springfield, Missouri**, with two operating production lines, providing a revenue capacity of about **\$900 million** from eggs. A third production line is being added to increase capacity in **Springfield** to about **\$1.2 billion**. A second new production facility is under

construction in **Seymour, Indiana**, expected to come online at the beginning of **2027**, which will bring the total revenue capacity from eggs to about **\$2.1 billion**. The third production line in **Springfield** is on schedule and on budget to come online at the beginning of Q4.

Distribution Opportunities

- **Q: Considering you’re already in about 23,500 stores across the nation, how big is the runway when you think from a new distribution standpoint?**

• A: There are about **32,000 stores** in the **US** that sell specialty eggs, including cage-free, free-range, and pasture-raised. Vital Farms is in about **23,500 stores** and believes they are the best ones. The focus for growth is on getting more SKUs on existing shelves and increasing velocity, particularly in the mass channel, to resemble the natural channel, where they have more SKUs. The company is increasing both its presence on the shelf and the average velocity for items on the shelf. The next SKU additions are still incremental and contribute to velocity growth, expanding household penetration and buy rate.
- **Q: As the volume is picking up throughout the year, are you seeing the repeat rates go up in your surveys or checks with the retailers?**

• A: The metric is tracked over multiyear periods rather than month by month. The distribution between light, medium, heavy, and ultra-heavy buyers has remained consistent over the past five years, even as the number of households has doubled. Consumers increase their consumption over time as they try the product and stay with the brand.

Product Mix - Eggs

- **Q: How is the mix changing towards organic eggs, and where do you stand now based on the pipelines of family farms that are coming up?**

• A: There is a mix shift towards organic eggs, which currently make up just over a third of the company's volume. The farm recruiting efforts skew more towards organic, as the company sees more distribution opportunities in organic eggs than in conventional. In addition to volume growth, the company also benefits from a price/mix advantage, as organic eggs tend to have a higher revenue per unit.

Product Mix - Butter

- **Q: How do you feel about the butter product category, its growth, and distribution ahead on the butter side?**

• A: Butter is a small part of the business, accounting for about **5%** of revenue. The company rebuilt its supply chain in butter at the beginning of **2024**, changing sourcing from **US**-produced butter to **Irish butter**. This allowed for better claims on the package and more supply certainty, as the cows are outdoors most of the year and eat grass for the majority of the year. The packaging now claims that the cows are **90% grass-fed**. The company lost some retailers due to supply constraints but has been in a rebuilding process since the beginning of **2024**. There are opportunities to regain shelf space with retailers that discontinued the product and to reintroduce discontinued products like spreadable tap butter. Butter is seen as a complementary product to eggs, offering another opportunity for consumers to see the brand in a different part of the store.

Tariffs

- **Q: Can you update us on what you are seeing from a tariff standpoint and what mitigation efforts you have in place?**

• A: While all eggs are produced in the **US**, the company imports some packaging and feed components. Organic feed, in particular, largely comes from outside the **US**. A price increase was implemented in the middle of Q2 to offset tariff impacts, which was accepted by retailers due to the established relationships. The pricing impact is expected to be more visible in the fourth quarter.

Margins

- **Q: What are the puts and takes we should be mindful of as we look at the fourth quarter, including commodity costs and promotions?**

• A: Conventional feed costs are decreasing but are still slightly higher than pre-COVID levels. Organic feed costs are harder to track and remain more expensive than before. The promotional environment is also a key factor, with increased promotion expected in Q4 after limited promotion at the beginning of the year due to egg shortages. Promotions are used to drive trial and create visual disruption on the shelf, aiming to convert increased brand awareness into trial and increased consumption.

Accelerator Farms

- **Q: Can you share some color on what are some of the tests you are doing with some of these accelerator farms?**

• A: Accelerator farms are company-operated farms intended for R&D and testing different barn configurations, equipment, and technologies to improve efficiency and reduce costs. The goal is to produce more eggs and reduce costs. The first accelerator farm was brought online in late July and will serve as a benchmark for future iterations. It will take at least one flock cycle to understand the impact of the different ideas being tested, with solid data expected in about two years. The ultimate goal is to improve outcomes for all the family farmers the company works with by sharing the learnings from these farms.

Economic Outlook and Future Concerns

- **Q: On a scale of 1 to 10, how would you rate the current economy and consumer spending, especially in the second half of the year?**

• A: Vital Farms' consumers continue to be very strong, with continued strong demand. While there are some gray clouds on the horizon, the business is not seeing any impact and considers its consumer base to be recession-resistant.
- **Q: When you look at 2026 next year, what are one or two things that you are excited about and what are one or two things that you are concerned about for next year?**

• A: The company is excited about having improved supply and increased production capacity with the third line in **Springfield** and the new facility in **Seymour**, which will demonstrate the ability to continue driving growth. The biggest concern is the ongoing challenge of growing egg supply, processing capacity, and demand in harmony with each other.

✓ Event Details

Date: 2025-10-08
Company: Vital Farms, Inc.
Ticker: VITL-US

✓ Company Participants

Thilo Wrede - Vital Farms, Inc., Chief Financial Officer

✓ Other Participants

Sarang Vora - Analyst

MANAGEMENT DISCUSSION SECTION

Sarang Vora

00:00:05 Okay, great. Okay, let's get started. Good morning, everyone. Thank you for being here. I'm Sarang Vora, Consumer Research Analyst at Telsey Advisory Group. It is my pleasure today to host Vital Farms at this conference. As many of you know, Vital Farms is a leader in pasture-raised eggs, and it's also one of the fastest growing consumer brands we cover in our space. This year, in 2025, we are looking at a growth of at least 27% to about \$770 million from them, and a profitable EBITDA of at least, about \$110 million. So very strong growth.

00:00:40 From the company today, we have CFO, Thilo Wrede. And welcome to the conference here.

Thilo Wrede

00:00:54 Thanks for having us.

QUESTION AND ANSWER SECTION

Analyst:Sarang Vora

00:00:55 **Question – Sarang Vora:** Great. So let me start with the big picture question. We keep hearing positively about the increased need for protein, and eggs are one of the key sources for protein. And then, on the opposite side, over the past two years, **we have seen shortages in the egg industry**, because of the avian flu that impacted the flocks. So help us understand the current state of the industry just from a demand/supply standpoint and where do you stand from that standpoint.

00:01:29 **Answer – Thilo Wrede:** Yeah, I would characterize it as when you go to a store today, shelves look pretty full again. You compare that to the first quarter this year when **shelves looked pretty decimated at times**. The laying flock population in the US, which normally stands around 330 million birds, still hasn't been fully rebuilt.

00:01:51 **Question – Sarang Vora:** Okay.

00:01:51 **Answer – Thilo Wrede:** So we're – I think, we're around 290 million, 300 million birds right now. But you don't see it on shelf as much anymore. There's probably some exports that are not happening right now. So for the US consumer, it's less visible that **the flock is not back to full strength** yet. Prices still tend to be somewhat elevated, certainly, below where prices were in the first quarter. But we are in the process – or the industry, I should say, is in the process of rebuilding. We haven't had any impact from avian flu since the beginning of 2024.

00:02:25 So even though this year, already 40 million birds have been killed, which is about 15%, 20% of the total US laying flock, none of our flocks have been killed. Same thing last year, about 40 million birds were killed because of avian flu. None of our birds were killed. So the industry per se is rebuilding. We are in good shape because of this.

00:02:48 **Question – Sarang Vora:** That's great. And Vital Farms' story is more about the company-specific initiatives that you are rolling out, the category that you have of being a leader in, than the industry, I would say. And the growth that is driven by volume a lot, the underlying strength of that comes from the supply chain that you have built, which is your relationship with the family farms, the expansion of production lines that you keep doing, including the one coming up later in the year. So can you provide us an update on the recruitment efforts that's undergoing right now to build a pipeline of growth for you, as well as update on the upcoming production facility that's opening. Yeah.

00:03:34 **Answer – Thilo Wrede:** Yeah. You touched on our supply chain, right? We source our eggs from more than 500 family farms that we work with. We have a 1:1 relationship with these farms. We

commit to buy all the eggs from the farm. The farmer commits to sell us all the eggs that they are producing. At the end of the second quarter, we were talking about working with more than 500 family farms. **That's an increase from more than 300 farms at the end of 2023.** So in 18 months, we recruited about 200 farms. All the indications are that we will continue to recruit at a similar pace, let's call it 30, 35 farms a quarter. It's really a function of how big our recruiting team is to vet these farmers, to onboard them into our system. And so, the farm growth, for us, it's a leading indicator where volume growth will come from. We only sell eggs that we source from farmers that work directly with us that we have a contract with. We don't source any eggs on the open market.

00:04:41 And so, the supply that we are getting from these farms, that is really the indicator where we see volume growing. And then, we need to be able to process all these eggs. We have currently one egg processing facility in Springfield, Missouri. We have two production lines there that are installed, that are operating. Those give us revenue capacity for about \$900 million just from eggs. And then, Sarang, you alluded to it, we are in the process of bringing our third production line online **that will increase our production capacity in Springfield** to about \$1.2 billion.

00:05:21 And then, in parallel, we are working on a second new production facility. This will be located in Seymour, Indiana. And that facility is intended to come online at the beginning of 2027. And at that point, we would have revenue capacity from eggs of about \$2.1 billion. So as Sarang said, our guidance for this year is revenue of \$770 million. And I think the capacity that we're installing tells you about the confidence that we have to continue the growth of the business and our desire to fill this production capacity over time.

00:06:06 The third production line in Springfield, what we had said publicly is that the line will come online at the beginning of Q4. So we are now in Q4. I was actually in Springfield last week. **The line is in good shape.** We're in the process of qualifying it. So **all of that capacity expansion** for right now, it's on schedule, it's on budget. It's how we like to operate.

00:06:29 **Question – Sarang Vora:** That's great to hear. Great update. The supply is coming online. You are processing it very fast. Distribution is the next question I have. There is **multiple opportunities on distribution**, new as well as existing. So let **me start with the new distribution opportunity.** You're already in about 23,500 stores across the nation. So how big is the runway when you think from a new distribution standpoint?

00:07:01 **Answer – Thilo Wrede:** Yeah. So based on our math, there are about 32,000 stores in the US that sell what's called Specialty Eggs. Specialty Eggs is if you think about egg classification, the cheapest egg you can usually buy is an egg that comes from a caged bird. The next level up in terms of animal welfare would be a cage-free egg. The birds there don't really have that much more space than caged birds, but at least, they're not crammed into a cage. The step above that is free range eggs, where the birds are supposed to have outdoor access and are able to go outside. And then, the level where we are playing from an animal welfare perspective is, it's called pasture-raised eggs. So our birds go outside every day. They have 108 square feet of space outdoors that they can access. They can express their natural behaviors. They do dust baths. They do poaching outside. And so, 32,000 stores in the US sell these specialty eggs, cage-free, free-range, pasture-raised.

00:08:11 As you said, we're in about 23,500 stores and we think we are in the best 23,500 stores we could be in. So there is still **an opportunity** to expand distribution over time. But really, the focus for us where the growth will come from is getting more SKUs on existing shelves and increasing the velocity on the shelf. We have, in the natural channel, which is where we got our start at retail, we

have about six SKUs on the shelf. In the food channel, we have about three SKUs on the shelf. In the mass channel, we have one, maybe two SKUs on the shelf, right?

00:08:51 So when you think about future distribution opportunities, it's getting through channel of getting mass to something that resembles a little bit more where the natural channel is today. At Whole Foods, we have eight or nine SKUs on the shelf, all right? So **just the distribution opportunity from getting more SKUs on shelves** where we are today, where we already have a relationship with the retailer, that is where we focus the distribution efforts.

00:09:17 And then, in addition to that, I think, we are one of the rare cases where while we are growing our presence on the shelf, **we are also increasing the average velocity for the items on the shelf.** Right? So, we're not at the point yet where the next SKUs that we're putting on the shelf is this marginal SKU that brings down the average velocity. The next SKU that we are putting on the shelf is still incremental. And with that, we are growing the velocity, similar to how **we're expanding our household penetration and our buy rate at the same time**, right?

00:09:49 So we're not at the marginal consumer yet who drives the average down. As consumers try us for the first time and then buy us repeatedly, over time, they buy us more and more. And with that, **we are increasing our buy rate** as distribution goes up as well.

00:10:05 **Question – Sarang Vora:** That's great. And as the volume is picking up throughout the year, are you seeing the repeat rates go up in your surveys or checks with the retailers?

00:10:17 **Answer – Thilo Wrede:** Yeah, it's not so much a metric that moves a whole lot month by month, right? It's something that we track more over multiyear periods. But it's interesting, when you think of our consumer distribution, we classify consumers into light, medium, heavy, ultra-heavy buyers. The distribution that we had five years ago between light, medium, heavy, ultra-heavy, it's the same distribution that we have today, even though **we have doubled the number of households** that we are in, right? So a consumer who was a light buyer five years ago, probably is a medium buyer today. A consumer who was a medium buyer five years ago is a heavy buyer today and so on. So as consumers try us for the first time and then they stay with us, their consumption increases over time.

00:11:01 **Question – Sarang Vora:** That makes sense. They are stepping up...

00:11:02 **Answer – Thilo Wrede:** Correct, yeah.

00:11:03 **Question – Sarang Vora:** ...once they use the product. Shifting gears a little bit to the product type. Egg is one of your main categories. But within egg, over the past year, we were very regular eggs. But I think, the mix is changing within – towards organic. So can you share where you stand now and based on the pipelines of family farm that's coming up, how the mix is changing in the near future.

00:11:28 **Answer – Thilo Wrede:** Yeah, you're right. We have a mix shift towards organic eggs. Organic eggs are just over a third of our volume today. The farm recruiting that we are doing skews more towards organic. We think that is where **we have more distribution opportunities than in conventional.** And aside from just getting different SKUs on the shelf with organic eggs, **we also get a price/mix benefit from that.** Organic eggs tend to have a higher revenue per unit. And so,

as **we're getting the volume growth from getting these organic SKUs on the shelf, we're getting an additional price/mix benefit to P&L.**

00:12:12 **Question – Sarang Vora:** That's great. And on the product, I wanted to touch upon the butter segment. I feel like **the relaunch has been very positive.** We can see in the numbers till second quarter. Talk to us about, like, how you feel about the product category and its growth and distribution ahead on the butter side.

00:12:32 **Answer – Thilo Wrede:** Yeah. Yeah. So butter is a small part of our business. It's about 5% of our revenue. We rebuild our supply chain in butter at the beginning of 2024. We changed sourcing of our butter from US-produced butter to Irish butter. With that Irish butter, we thought we were able to put different better claims on the package. We had more supply certainty. There's much higher supply of the kind of butter that we are selling where the cows are outdoors most of the year, where the cows eat grass for the majority of the year. So, we now have a claim on our packaging that the cows where our butter comes from are 90% grass-fed because that's the time they spend outdoors. And so, beginning of 2024, we rebuilt the supply chain. We had simply maxed out the butter that we could get that is produced to the standards that we adhere to with maxing out the capacity at the end of 2023.

00:13:38 And so, as we rebuilt the supply chain at the beginning of last year, **we lost some retailers.** We were simply unable to supply them. And so, since 2024, beginning of 2024, we have been in a rebuilding process. I would argue, we're still in a process of stabilizing that supply chain from Ireland. Certainly, everything that **you read about international trade these days is not helpful when you import product from Ireland.** And so, there are still a few kinks that we're working out of the system, but the growth since beginning of 2024 has been great. There's still some retailers where we want to get back on the shelf. There are SKUs that we used to have. We had a spreadable tap butter. You could take it out of the fridge and immediately spread it on toast. That's a product that we had discontinued, that personally I would love to bring back simply as a consumer.

00:14:33 So there are opportunities to get back into retailers that discontinued us, there are opportunities to get products back into the rotation that we don't have right now. So with that, **we see very bright future for butter for us.** Butter will probably always be a smaller part of the business than eggs, but it's a very interesting opportunity for us to put the brand into another part of the store, to create another opportunity for the consumer to actually see the brand. The packaging is very consistent between butter and eggs. And so, it's a very complementary product to the eggs that we have.

00:15:10 **Question – Sarang Vora:** That makes sense. Shifting gears a bit to tariffs, and I know you guys are relatively less impacted by tariffs because its eggs in mainly US, but there's still a little exposure to tariffs. So can you update us on what you are seeing from that standpoint and what are the mitigation efforts you have in place?

00:15:31 **Answer – Thilo Wrede:** Yeah. Yeah. So all of our eggs are produced in the US, but we're importing some of the packaging from outside the US. Simply our supplier in the US doesn't have enough capacity for our growth. And some of the feed that the farmers are buying to feed the chickens is imported. The organic feed that our farmers are buying, pretty much all of that comes from outside the US and some of the components of conventional feed come from outside the US. So we do have tariff exposure.

- 00:16:06 We took a price increase, middle of second quarter to offset those tariff impacts. The price increase, given the relationships that we have with retailers, **we implemented that pretty much without any major pushback from retailers.** I think we have – we've built relationships where retailers trust that we make decisions that consider all the stakeholders. That's the business model that we have. And so, retailers understood why we had to take pricing.
- 00:16:41 The pricing showed up in theory on shelf in the middle of Q2. Retailers had already taken a lot of pricing on our eggs ahead of time. And so, for the consumer, it wasn't really visible that we took pricing. But with that pricing, **we are offsetting the tariff impact.** Given how costs flow through our P&L, **we're really only expecting to see the impact from the tariffs in the fourth quarter.** So **we have had healthy gross margins** year-to-date at around 39%. We have a long-term target of 35-plus percent for gross margin. So we have been a bit ahead of schedule. Third quarter, we'll probably continue to be ahead of schedule and then, fourth quarter, **we expect to get more of this tariff impact,** but we are prepared for that to stay above that 35% target.
- 00:17:33 **Question – Sarang Vora:** That's great. That just leads me to margin question as well. **You have managed margin very well over the past several quarters** in general. What are the puts and takes we should be mindful as we look at fourth quarter or even, like, just commodity cost, promotions? Any color you can share on some of those variables that impact margin?
- 00:17:55 **Answer – Thilo Wrede:** Commodity cost, if you look, the majority of the chicken feed is corn and soybean meal. So **conventional cost there are coming down.** Still depending on which one **you look at, slightly higher than pre the price spike** that we saw when COVID happened. Organic feed, which is about a third of the feed that our farmers are buying, much harder to track. You don't really see that in Chicago. So organic feed is still more expensive than it used to be.
- 00:18:28 So commodities are a mixed picture for us. Tariffs, we just talked about. And then, the third biggest – or the third component that's really driving gross margin for us is promotional environment. Given **the egg shortages** that we saw at the beginning of the year, we weren't doing a whole lot of promoting at the beginning of the year. Now that the shelves are fuller again, that **our own supply is improving.** We started promoting again in Q3. You should expect to see more of that in Q4.
- 00:19:03 Promotions for us are a way to drive trial for the first time, right? So promotions, we don't use them to necessarily drive volume. That's a drug that's really easy to get addicted to and really hard to get away from again. Promotions for us are a way to create that visual disruption on the shelf when there's a big tag for the consumer to actually try us for the first time. And so, we want to get back to promoting again a bit in Q4 so that **we can start converting some of the increased brand awareness** that we have seen year-to-date, that we can start, convert that into trial and then as we talked about before, trial over time leads to increased consumption. So with the promotions that we are starting now, that we started in Q3, frankly, that is all designed to now capture the households that are aware of us, that weren't aware of us a year ago.
- 00:20:00 **Question – Sarang Vora:** Yeah, that makes sense. Shifting gears to accelerator farms, very exciting topic, the tests going on. Can you share some color on what are some of the tests you are doing with some of these farms over there at the high level or to the extent you can share?
- 00:20:18 **Answer – Thilo Wrede:** Yeah. So let me explain what accelerator farms are. As I said, we work with a network of over 500 family farms that produce eggs for us. On those farms, the farmer owns the land, the barn, the chickens. They're basically independent operators for us. We are in the process of building a few farms ourselves that we want to operate. We've talked about roughly 15 farms

that we want to operate on our own. And the intention behind these farms is that we want to do a bit of R&D, a bit of test and learn. There are different ways you can configure a barn. There is different equipment that you can put inside the barn for the chickens to roost on and to perch on. There's different technology that you can use to heat or cool the barn, right?

00:21:09 In the summer, we want to cool it down a bit and in – in summer, we want to cool it down a bit. In winter, we need to heat it a bit. And so, we want to experiment a bit and find more efficient ways to operate these barns. Ultimately, the goal is to produce more eggs and reduce the costs. It's still very early days for us. So far, we have brought one of these accelerator farms online and this farm, we place chickens there in late July. This farm will be our benchmark, basically. Right? This will be the farm that we compare the other accelerator farms against. We'll place birds on the next iterations of farms in the coming quarters.

00:21:54 And then, it really takes one whole flock cycle for us to really understand – at least one flock cycle for us to understand whether these different ideas that we're testing, whether they make a difference or not. So don't expect any learnings there for the next, let's call it, at least two years until we have some solid data. This is really more of a long-term idea that we want to be able to try out a few things, do a bit of R&D. Ultimately, the goal is to drive better outcomes for the farmers that we work with. Right? Whatever we learn from these farms, we then want to take back to the family farmers that we are recruiting to make sure that we improve the outcomes.

00:22:35 **Question – Sarang Vora:** That makes sense. I like the test and learn approach and that can be rolled out across the farms over time.

00:22:40 **Answer – Thilo Wrede:** Correct. Yeah.

00:22:41 **Question – Sarang Vora:** I know we are almost up on the time, so there are two questions we are asking every company at this conference. The first one is more a big picture question. So on a scale of 1 to 10, how would you rate the current economy and consumer spending when especially, second half of the year?

00:23:00 **Answer – Thilo Wrede:** Look, I can talk about our consumers, right? **Our consumers continue to be very strong.** We see – **we continue to see very strong demand.** I read the same news that you read. I think there are a few at least gray clouds on the horizon. But for our business, we're not seeing any impact on that. And **we like to think of our consumer as maybe being a bit more of a recession resistant than your average consumer in the US.**

00:23:32 **Question – Sarang Vora:** Makes sense. And then, the second question I have is, when you look at 2026 next year, what are one or two things that you are excited about and what are one or two things that you are concerned about for next year?

00:23:49 **Answer – Thilo Wrede:** I think the part that I'm most excited about is for the last – and I've been with Vital Farms for two and half years now. For the last two and half years **we have been either supply constrained or** production capacity constrained. For 2026, I'm excited about having really improved supply, having the third production line in Springfield, having this new facility in Seymour and being able to really demonstrate that what we are doing is not just a fluke, but that we are able to continue to drive growth.

00:24:22

What am I concerned about? **The biggest challenge in our business** is to grow egg supply, processing capacity, and demand all in harmony with each other. **That's the biggest challenge for us** every quarter, every year. That won't change next year. So that's what we'll keep – keeping an eye on.

00:24:41 That's cool. Thank you so much. Thank you, Thilo. Thank you, everyone on the webcast and in person here. Thank you.

Thanks for having us, Sarang.

Take care.

Thank you.

Bye-bye.

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