Kalera Virtual Analyst and Investor Event

September 22, 2022

Corporate Speakers:

- Aparna Mehra; Kalera PLC; Director of Investor Relations
- Jim Leighton; Kalera PLC; President and Chief Executive Officer
- Aric Nissen; Kalera PLC; Chief Marketing Officer
- Austin Martin; Kalera PLC; President, North America
- Dr. Henner Schwarz; Kalera PLC; President International and Chief Strategy Officer
- Fernando Cornejo; Kalera PLC; Chief Financial Officer
- Dr. Jade Stinson; Vindara; Co-Founder and President

Participants:

PRESENTATION

Aparna Mehra^ Good afternoon and welcome to Kalera's Analyst and Investor Event. My name is Aparna Mehra, and I'm the director of Investor Relations for Kalera. (Operator Instructions) Please note this event is being recorded. The webcast replay of the event will be available on our website early next week.

Before we begin, I would like to remind you that today's comments will include forward-looking statements under federal securities laws. Forward-looking statements are identified by words such as believe, expect, intend, estimate, project, anticipate, will, plan, design, may, should, or other comparable words and phrases. Statements other than the statements related to historical facts, such as statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations are also forward-looking statements.

Our actual results or performance may vary materially from those contemplated by such forward-looking statements. A discussion of the risk factors that could cause a material difference in our results compared to these forward-looking statements are contained in our SEC filings, including our report on Form 10-Q. Kalera assumes no obligation to update or revise any forward-looking statements to reflect events or circumstances that may arise after today.

With me on today's webcast are Jim Leighton, President and Chief Executive Officer; Fernando Cornejo, Chief Financial Officer; Aric Nissen, Chief Marketing Officer; Austin Martin, President, North America; Dr. Jade Stinson, Co-Founder and President of Vindara; and Dr. Henner Schwarz, President International and Chief Strategy Officer.

With that, I will now turn the call over to Jim Leighton.

Jim Leighton^ Thanks, Aparna. And thank you, everyone, for joining us today. Hi, I'm Jim Leighton, President and CEO of Kalera. On behalf of everyone at Kalera, welcome to our Analyst and Investor Event.

Having been in consumer packaged goods, food and beverage for over 40 years in many more complex categories than vertical farming, I can assure you that what we do at Kalera is really quite straightforward, but it's often misunderstood. So our objective today is to help everyone gain a better understanding of how vertical farming and specifically Kalera work, so you can make a more informed investment decision. If we meet this objective, you will all understand how we create value for our shareholders and our many stakeholders.

Today, you'll be hearing from me and several of our team members for the next hour or so. We want to make sure we have enough time left over for your questions. So let me begin.

Today, you're going to hear us talk about our strategy, our operations, our financials as well as our technology. Kalera is in an exciting growing industry, solving real problems, and we are on the cusp of significant growth. And Kalera is the best positioned vertical farming company in the industry, and I'll get more into that why we believe that later. The long-term potential is enormous as we position the Company to deliver sustainable, pragmatic growth.

The issues with today's food supply can be found in the headlines almost daily, and this is one of the many reasons that I joined Kalera. The problems are many, but let me summarize that the agriculture and food systems that we have in place today, which have served us well, will not meet our current and future needs.

We need better solutions. We are facing unprecedented climate change and water shortages, rising food prices, food insecurity, volatility of supply, while demand is increasing, and significant and very, very serious food safety concerns that we see in the papers almost daily. We need to fix this.

Currently, 90% of the lettuce produced in the United States is grown in two states, California and Arizona. And as you know, those states are suffering from a lack of water, California with its wildfires, and a growing population requiring more water than ever before the dwindling supplies.

By 2050, farms will need to produce 70% more food to meet projected demand. But 80% of the available farmland is already in use today, and most of that has been stripped of its nutritional benefits. And what's left is on the decline due to drought and erosion.

Vertical farming can't unilaterally solve our global food security issues, but it is a meaningful contributor to the solution. And the Kalera team is passionate and very capable about contributing to solving this problem by producing fresh, clean, local nutritious greens, using 95% less water and 99% less land than conventional farming.

We have established some foundational elements and gained the key learnings required to be a leader in the space. And we have, as I say, paid our tuition and earned our degree. Not only it's a vertical farming company, but as a branded CPG company with the largest national footprint and growing international presence that is ready for monetization.

So what makes our way of farming in Kalera different? Well, as I said before, we do use 95% less water and 99% less land than traditional farming. But we also harvest and deliver more of what we grow.

Our greens are clean, they're free from bugs and pesticides and herbicides. They're grown in a semi-automatic controlled environment. Our farmers are located near population centers, serving customers within 300-mile radius. So the food miles traveled are reduced by hundreds or even thousands of miles versus lettuce shipped from the West Coast to the East.

And our products grow faster, so we have multiple crop cycles a year. Our products also arrive in your home fresher and lasting longer. This significantly reduces food waste. This is truly a revolutionary way to farm and bring superior products to the market. It's clear that vertical farming outperforms traditional farming and land use, water use, amount harvested, food miles traveled.

But vertical farming also outperforms other types of controlled environment agriculture, like greenhouse farming. Our methods require less space, offer more environmental control. They're more flexible. And we can locate our farms basically anywhere in the world, allowing us to grow food closer to our customers and our consumers.

And I think it's important that you understand that first and foremost, Kalera is a food company. Now, we didn't always think of ourselves as a food company. But when I arrived in May, we've declared ourselves as a food company. While we do have substantial scientific and technical expertise within our ranks, we are food people at heart and by experience.

We didn't engineer a product and then try and sell it. Think of us as a customer/consumer-centric company that leverages technology and science, with consumer insights to deliver safe, clean, fresh, nutritious greens that are convenient and at a price value that makes sense, which is exactly what the consumer demands.

Let's look at the opportunity, it's enormous. The size of the global lettuce market is estimated at $30 billion. In the U.S. market, it's around $4.2 billion. In 2021, organic lettuce sales, which is the consumer we're targeting with our "better than organic" products grew over 10% to $421 million. While we do have operations outside the U.S., for practical purposes, let's call the size of Kalera's market opportunity around $400 million. Keep in mind, this is just for greens and you'll see later that we have opportunities in fruits and vegetables.

No company that is built to last can be successful without a well-defined and thoughtful strategic framework. The first thing I did when I arrived at Kalera was to create Kalera's strategic framework that guides our every action, from strategy to execution, and how we show up every day.

This slide illustrates our strategic framework, beginning with our bold purpose statement to grow a better world. And it's supported by a strong vision to lead the world to sustainable nourishment. Our mission is to be the recognized leader in locally grown, cleaner, tastier and more nutritious produce.

So how are we going to do all of that? Well, I'm glad you asked. We do it with key differentiators, and you can see that at the bottom of the slide. And the great thing about Kalera is that we already have all the pieces in place. We already have a global footprint, and we will expand our footprint even further. First domestically in the U.S. then globally, but not until we become profitable at every farm.

We now put the consumer and our key customers at the center of everything we do. We have a full vertically integrated technology stack, much of which is proprietary. We are extremely, extremely efficient with our capital, and we offer a wide spectrum of products in the leafy greens category. And we execute all this with a team of experienced professionals, many with CPG, food, and many with technology backgrounds. And we are publicly traded on NASDAQ.

And importantly, we do all of this guided by our deep-seated values and behaviors. One of our values is our commitment to ESG. Kalera's vision and mission are rooted in sustainability. Our commitments to water stewardship, reducing CO2 and land use, enhancing nutrition and health, and developing the 21st century farmer workforce means we are impacting 11 UN Sustainable Development Goals. And it's built on a foundation of governance, social policies, and KPIs.

We're committed to transparency in the way that we produce our food. And we're committed to transparency in the way we run our company, which is why we held this event today, to help make it more clear how Kalera intends to grow while being a good steward of the capital provided by our investors.

Now let's talk about our key differentiators. Throughout our presentation today, Aric and Austin, Henner, Fernando as well as Jade will provide more details. But first, I'll provide a broad overview.

Kalera has the largest geographical footprint of any vertical farming company. We cover the U.S. with farms in Orlando, Atlanta, Houston and Denver. By the end of this year 2022, we will have completed farms in St. Paul and Seattle. Although almost complete, we will not open our Seattle farm until we have sold out at least 65% of its available capacity to ensure it reaches profitability quickly, which is our strategy for all expansions going forward. No longer will we build it and hope they will come.

We also have farms in Munich and Kuwait, with one scheduled to open in Singapore in the next few months. We've had numerous, numerous countries contact us and visit us, talking to us about helping them feed their nations with what we do. Our capital light international strategy will require capital investment on their part, and Henner will get more into that a little later.

Our large and growing footprint provides us with access to large domestic and international customers, and creates efficiencies in manufacturing, through shared learnings. And of course, helps us live up to our purpose to grow a better world. We continue to see opportunities for meaningful expansion. And we believe we can do it with our capital light model, prioritizing finishing construction of, again, Seattle and St. Paul, first and foremost.

Let's talk about our technology for a minute because it's one of the key differentiators. What's unique about Kalera is that not only do we have what we believe is superior technology, but we also are the only vertically integrated vertical farming operation going all the way back to the seeds, which Dr. Stinson will go into in a little bit. We've made informed strategic decisions about where we invest our technology and what it will provide for us, giving us the best long-term ROI and capital conversion, while improving yields and making the most efficient use of our resources.

Our technology is unmatched, but it's only part of the story. Because coupled with our technology are the years of experience and knowledge we've gained from opening and running our farms, and investing only in technology that drives down costs, improves quality and food safety, and ultimately, the consumer experience. And along with the technical know-how we've internalized, Kalera has transitioned from offering just living whole head lettuce greens to providing branded customer-centric product portfolio across a value-added platform.

We've built strong customer relationships in both retail and food service. Now, Aric will go into more detail with you about this in a minute. But in broad terms, we've built a strong brand presence through consumer insights and our product offerings that serve a broad base of blue-chip customers.

Ultimately, establishing the CPG platform has and will continue to allow us to achieve lasting price premium for our branded products, attract high quality customers, provide expanded distribution opportunities, and allow us to efficiently and effectively expand our product portfolio over time, which enables the success of our customers in achieving their objectives. They want and need the Kalera consumer in their stores.

We have built Kalera with much less capital per farm than many of our competitors. In fact, we're a leader in our industry in capital efficiency, with low capital expended per pound of output. Our CapEx per pound is only around $4.70 annualized compared to $16.80 for some others. We've done this through ROI-driven automation, and we've standardized our operations without overengineering them. And this is a critical point.

I've been in operations and supply chain for over 40 years. And Kalera has now found the sweet spot between flexibility, adaptability, and automation.

Our efficiency also can be attributed to our superior intellectual property, our automated nutrient management, our process automation in our output per square foot, which also is a leader in the industry. All of this allows us to produce products people love at the lowest cost. This should give you comfort that as we continue to scale this company in this rapidly growing industry, we can do it in a capital efficient way that's profitable.

This slide really shows the value proposition for the customer as well as the consumer. As I stated earlier, 90% of the lettuce produced in the U.S. comes from California and Arizona, and certainly not centrally located to most of the United States, and certainly not how I would optimize a supply network if I were to design it.

By locating our farms within 300 miles from our customers, we reduced time from harvest to customer, from over two weeks down to six days. That means less shrinkage for our customer and significantly longer, fresher shelf life as much as two weeks more for our consumer, increasing freshness and reducing food waste. This is why Kalera is always locally fresh and then more demand.

Several times a day, I've alluded to the idea that we view Kalera as a CPG company. One of the reasons I believe we have the right to make that claim is our product portfolio, our deep consumer insights and CPG food experience. We offer the customer a wide portfolio of greens, not simply whole head, living lettuce, but also cut leaf, baby greens, microgreens and herbs. We have the ability to sell for the whole category, with higher margin value-added greens that consumers want and are willing to pay more for.

And of course, none of that would be possible without a winning team. We are organized to win. You're going to hear from several of us today. And I hope by the time we're through, you will have an appreciation for why our technology expertise and our experience in consumer packaged goods food has put Kalera in a leadership position.

And our final key differentiators is the fact that Kalera is a publicly traded vertical farming company, which improves liquidity and access to the capital markets in the long term.

So that concludes my opening remarks now. Now, I'll turn it over to Aric Nissen, who will discuss our marketing and branding efforts. Aric?

Aric Nissen^ Thank you, Jim. And good morning, everyone. I'm Aric Nissen, Chief Marketing Officer for Kalera. Today's consumers want what Kalera has, fresher, cleaner, better tasting, better for you and better for the planet produce, locally grown and available year round. That's the Kalera difference. Today, I'm outlining Kalera's transformation to a consumer packaged goods company, along with the incredible product opportunities we have in front of us and our early success gaining customers across multiple channels and multiple markets.

But first, I want to talk about the Kalera brand. Kalera's consumer brand is an important and increasingly valuable asset. There are three big reasons for this. Number one, a brand delivers higher sales and more profits than a product by itself. In a moment, we'll walk you through how that works. Secondly, for CPG companies, brands are often among the Company's most valuable assets, often valued higher than the property plant and equipment. And additionally, for shareholders, brands can contribute to a higher earnings multiple.

And finally, we live in a busy, noisy world with thousands of ads and messages every single day. The battle for attention is one of the biggest that we fight. And brands help consumers decide in a sea of product choices, which one is right for me. And brands also help companies by sharpening the message and delivering a higher return on advertising spend.

Now, we have some big news for you today. We put our brand to the test. We showed the Kalera brand and packaging to hundreds of category consumers next to leading brands and asked them which one would you buy. And the graphs that you see on the slide, Kalera is blue, and the other brands are gray. You would know and recognize the brands represented.

In the graphs, you see with a 45% share, the Kalera brand was number one against other leading vertical farm brands and the leading greenhouse brand. The firm who did this study said that among the 300 brands that they've worked with in the past few years, that this was the strongest performance of a new brand that they had seen.

Now, in the second test, Kalera went head to head, no lettuce puns intended here, against the leading greenhouse brand. And what you can see is Kalera achieved a 76% buying intent, or 3 to 1 preference among consumers. And in the final two tests, more consumers chose the Kalera brand at higher price points than the leading national brand you would recognize, and against the leading organic brand. So to summarize, the Kalera brand is already helping us win shelf space, win market share, and capture a price premium. And we're just getting started.

We also have some news on the visual identity front. So during the past year, our brand has evolved from a brand focused on science, which makes sense when you have one of the leading tech stacks in the industry, to a brand focused on food, creating consumer benefits and connection.

So today, I'm pleased to announce publicly and for the first time, a new logo for our company. It is fresh and bold, with a growing leaf in the K representing the purpose that Jim spoke about, to grow a better world. And hidden in the letter A's are seeds, which represent the future we are creating together.

Now, we showed this new visual identity to 600 category consumers and 85% prefer our new logo to the previous one. It will be accompanied with a new tagline and packaging in the fourth quarter. We have shown this privately to two retail buyers, and both of them have agreed to add Kalera products to their shelves in the future.

Below the logo, you'll see Kalera’s new icon. Now, Nike has a swoosh and McDonald's has the golden arches. You know you've made it as a brand when the icon can represent the brand. I'm not saying that we're anywhere near that level now, but we have taken the first step by creating one. And in terms of our brand architecture, today, our corporate brand and our product brand are the same. In the future, we have the optionality to grow and manage multiple brands in a CPG platform.

Let's take a look at products for a second. Perhaps one of the most exciting things about our company today is that the markets that we're competing in, provide opportunity for immediate growth. And yet, we've barely scratched the surface of lettuce, leafy greens, herbs and microgreens.

You'll hear more from Fernando on this, but the potential is amazing. And the future is even brighter because adjacent markets with gran and go salads and meal kits are ones that are even bigger and faster growing. These are markets where Kalera has a freshness advantage and nutrient advantage, things that are critical in a successful product in these categories.

And I'm very excited about plant pharma. Kalera’s controlled environment and plant science expertise yields advantages when it comes to things like growing medicine in plants, or growing plants with very tight specifications to yield higher amounts of medicine. And from there, the product land expands to fruiting plants and vegetables, with indoor growing more as possible, strawberries with more sweetness, blueberries with more flavor, and perhaps the best tomatoes and peppers you've ever tasted. So very exciting things on the product front.

But I did mention we were having success now with product. So let's take a look at the retail channel. And just to give you an update here, we're seeing very, very strong growth. Kalera products are currently sold in over 1,300 locations, and next month it will be in over 1,400 locations. We've had several new additions to the family recently. And with the update to the branding, we're expecting even more.

So the Kalera brand is what drives this top line compounding machine. And here's how it works. We will certainly add more retailers in the future. In fact, there are 63,000 grocery stores in the U.S. alone. So again, barely scratched the surface there.

We will add more retailers. We will add more geography with the current retailers that we're doing business with. And we will add more products and more product categories. And we will increase the velocity of these products with pull-through campaigns with consumers. So more retailers, more geographic distribution, more products and more pull-through, and that's how you get this top line compounding machine.

The success that we're having with customers goes beyond retail. We also have a strategic partnership in food service that you'll hear more about from Austin. But if you think about it, Kalera launched its commercialization strategy at the end of Q2 2020. And in only 24 months, Kalera has been able to gather a significant number of blue-chip customers in multiple channels from diverse verticals, from hospitals to hotels, theme parks and airlines across the world that validate and support Kalera's capabilities and products under the Kalera brand.

So to summarize, Kalera shifts to a CPG company, and this focus develops brand assets for shareholders that help us win now and appreciate over time. Kalera's brand is already a valuable asset for shareholders, driving higher sales and more profits than products can do by themselves. And Kalera will launch an additional round of branding improvements in the fourth quarter of this year.

In terms of products, our brand and product platform provide opportunity now and growth in the future. The near and adjacent verticals have exciting potential from the healthy convenience of salad kits to biotech plant pharmaceuticals. And in terms of customers, Kalera has achieved significant customer growth rapidly, and we're just getting started.

The strategy has seen significant early wins in both food service and retail channels. And this creates a top line compounding growth vehicle, where more customers, more distribution, more products, more velocity all multiplied together. The future is bright for Kalera and our brand.

Please join me in welcoming President of Kalera Americas, Austin Martin.

Austin Martin^ Thanks, Aric. Good afternoon. I'm Austin Martin, President of North America and COO for Kalera.

It's true that Kalera became a public company in the U.S. in late June. But we're not a startup. We've been around since 2010, and we've learned a lot in 12 years. In the early years, we were focused on the plant science, research and development, and perfecting how the farms were designed and built for the indoor vertical farming industry.

In the past few years, we've opened five large scale indoor vertical farming facilities, and learned how to ramp up production on a mass scale, improved and stabilized yields, and put the people and processes in place to run a large scale vertical farming operation.

Now, as Jim said, we're at an inflection point. Because we can take all that we've built and all that we've learned to bring our capacity utilization and target yields up to optimal levels at all our farms, and add new products to meet the consumer demand Aric talked about.

So what does it look like as Kalera moves beyond the learning curve? First, we get all farms, all existing farms to cash flow positive. That's our primary focus and our number one goal. And we'll do that by growing the top line, expanding our product portfolio with loose leaf and value-added products, increasing our points of distribution and retail, and sales velocity, and through our strategic partnership with U.S. foods.

We'll also increase the bottom line by improving yields, improving packaging automation and other automation in our facilities, expanding our capacity and capabilities with existing facilities, discipline and focus to deploy capital efficiently in facilities lower than unit cost. And we're aiming to do this by the end of 2023.

As we've opened more farms, we've got I'm better and faster at it. We've brought the Denver farm, our newest farm, through the commissioning process, stabilizing yields above 80% in only a few months, faster than any of our previous farms. We're able to do this through standardization, which also helps us to control cost, resulting in lower cost of ramp-up and accelerated path to break even profitability.

Over the last two years, the investments of CapEx and OpEx have allowed Kalera to build and operate the largest global indoor vertical farming network, and it's given Kalera a unique advantage over its competitors. We have gained the operational know-how and acquired the discipline needed to transition to a well-disciplined food manufacturing company.

Our discipline and focus on profitability is demonstrated by waiting to open our Seattle farm until sufficient demand is achieved, in spite of the facility being largely complete, so that when the facility is commissioned, we will achieve profitability well ahead previous farm openings.

Upon the completion of the St. Paul farm in the near future, we will complete the national rollout to all US Foods locations across the United States. The strategic partnership with US Foods increases capacity utilization, leading to faster sell-through, a key enabler to achieving farm level profitability. The disciplined approach to managing the business, continual process improvement, standardization of facilities, and stabilization of yields leads to a reduction in capital expenditures and operational expenses.

As you can see on the slide, we have a timeline that aims at getting each of our farms to cash flow positive by the end of 2023 as our CapEx investments decline in the upcoming quarters. These charts assumed that we’d be utilizing $50 million in capital for continuing operations to complete construction of current farms and capital improvement projects in current operating farms.

Operational improvements alone won't get us to where we need to be. We have to shift where and what we sell. Currently, 70% of our production goes to food service, and we need to shift that so that's roughly half food service and half retail, with a higher margin product portfolio. The growth in retail is an important aspect of our strategy as we become a CPG or a customer consumer packaged goods company.

We also have to shift the types of products we sell from mostly full head lettuce to a portfolio of products with higher margins like loose leaf, herbs, microgreens, and other value-added items across both the food service and retail channels. The shift to the optimal product and channel mix is expected to increase sales to a level of capacity utilization above 70% that will scale fixed cost and lead to farm level profitability.

As mentioned in my previous slide, a key part of achieving farm profitability is increasing capacity utilization. It was a part of Kalera strategy to operate farms at capacity utilization levels well above sales demand to accelerate the learning process and optimize our systems. Now that we have stabilized our production systems, we are at an inflection point. To get plants and farms to cash flow breakeven, we are aiming to be at capacity utilization above 70% by the end of 2023.

When farms are operating at higher levels and capacity utilization, producing loose leaf, microgreens, herbs, full head and value-added products, the contribution of fixed costs to COGS is expected to be approximately 32%, much lower than the current 86%. Labor, which is the largest variable cost component is expected decrease from almost 70% of variable costs to less than 40% as the firms achieve profitability, leading to positive margin as revenue grows in fixed costs scale,

Our intense focus on profitability, leveraging our key learnings, increased capacity utilization through an optimized product and channel mix is at the core of our plan for getting to cash flow breakeven and profitability in our U.S. operations.

I'll now turn it over to Henner who will speak to you about the International Business.

Henner Schwarz^ Thank you, Austin. My name is Henner Schwarz and I lead Kalera's International Operations. Let me give you a brief update on where we are today.

Our international farms require a higher degree of automation. They are built with slightly higher CapEx, but that have lower labor and utility cost once in operation. Consequently, we expect our farm in Kuwait to be amongst the first farms profitable on a cash flow basis when the ramp-up phase is completed.

Construction of our farm in Singapore is nearing completion and we will start seeding soon. With strong support from the Singaporean government's 30 by 30 Express Grant, Kalera is in unique and strong market position. Our farm in Singapore will be the largest and technologically most advanced farm in all of Southeast Asia. It deploys a fully automated intralogistics system and advanced climate control, leveraging the experiences and key learnings from all of our farms already operation globally. It is at least 50% more efficient than the farm in Kuwait.

So what's next? The global capital markets have changed significantly in the past six months. Right now, our full focus is on ramping up our existing farms and reaching positive cash flow farm by farm. Key levers are accelerating sales ramp-up and product portfolio expansion. As Jim has already pointed out earlier, we have reprioritized our farm openings and has made Singapore a priority next to St. Paul.

That being said, Kalera continues to be a growth company. We continue to execute on our strong project pipeline and we prioritize what they call capital light expansion opportunities for the time being. The long-term potential remains unchanged. But let's have a look at what we mean by capital light expansion.

In a nutshell, it's either of or a combination of two things. First, launch JVs at best with key distribution partners and strong off-takers. Local partners will provide financing and foster sales, while Kalera will run the design, construction and operation of such farms in joint venture structures. Second, we see an opportunity to work with infrastructure investors as we develop separate AssetCos. This will significantly reduce Kalera's own funding requirements. You see on the charts that in both models, Kalera will continue to earn a return for developments, license and maintenance fees next to dividends and earnings from the sales of asset companies.

As an example, let's have a look at a project in our pipeline that we are planning to announce shortly. It will be a JV together with a government entity that will co-fund the construction. Furthermore, it will also be open for local infrastructure investors. This mid-sized farm of about 12,000 square feet will foster food security. Due to an embargo for imports imposed by the government to foster local production, we see limited revenue risk for Kalera.

Before we conclude, let's have a look how Kalera has evolved as a company over the past couple of years. After years of R&D regarding both plant science as well as farm design and construction, Kalera started to scale quickly and started mass production in 2020. Yields have increased and stringent processes ensure stable yields around the globe.

Now, we are launching the next phase and are becoming a CPG company, driven by customer focus, product innovation and a strong brand. In this phase, the consistent output of our farms sets us apart from the competition and have springing capacity utilization at targets at all our farms.

With that, over to Fernando Cornejo, our CFO.

Fernando Cornejo^ Thank you, Henner. Good afternoon, everyone. My name is Fernando Cornejo, Kalera's CFO.

And as you can see from the slide, our strategy was to start with one single product line. And during the first half of 2020, and under the Kalera brand, we launched our whole head line of products. The graph that we have represents quarterly growth since 2020 for this line of products. This is prior to launching of new lines of businesses. Our forward strategy is to extend to new lines that will include cut leaf, baby leaf, microgreens, and herbs, among others.

The market potential for these lines compared to whole head has an opportunity of 10 times the market size of whole head. This is what will allow us to continue our path and increase revenues, while increasing capacity utilization for our existing operating farms and also farms that will open during Q4 2022. For example, a large portion of the cost of goods sold, as previously mentioned by Austin, are covered by all the fixed expenses required to operate in Orlando, Kuwait, Atlanta, Houston and Denver facilities.

Those fixed costs are absorbed by the volumes of our existing farms and current utilization. And as we move to higher utilization of these farms, and we open new farms, we will see higher costs absorption, also operational improvements, and product and pricing improvements that will have a positive impact to our margins.

As we expand to new lines of businesses in new markets, the revenue potential for existing farms today, that is approximately $49 million, will increase as we open St. Paul and Seattle, that under full operation and the entire Kalera network will have a revenue potential of $72 million.

Nevertheless, in order for us to complete our business plan of bringing several farms to cash flow positive during 2023, Kalera has liquidity and funding needs of $50 million that we will have to attract by no later than November this year. So far, we added $10 million of additional liquidity since our earnings release and continue to explore additional financing alternatives, including our property plant and equipment under sale and leaseback transactions, in addition to some of our capital light strategy, as previously mentioned by Henner.

The additional funding of $50 million, including these $22 million, will provide us with enough resources to finish construction at St. Paul, Minnesota, Seattle, Washington, and finish the additional upgrades to our existing farms for our product expansion strategy, and also finance all our operating expenses at the farms and headquarters in order for us to bring operating farms to profitability in 2023.

And with this, I'll pass it up to Jade.

Jade Stinson^ Thank you, Fernando. Hello, I'm Dr. Jade Stinson, Co-Founder and President of Vindar.

Vindara was founded in 2018 to deliver an immediate increase in value to the vertical farming indoor sector. We're ushering in what we believe is the next golden age of genetics, providing growers the agility and precision needed to keep pace with the market, whilst creating novel products, and therefore transforming unit economics.

Vindara creates seeds specifically designed for indoor use in vertical indoor farms. We deliver a dropping replacement for the systems growers already use, optimized for next-generation environments while amplifying yields appearance, nutrition and flavor. For growers, we aim to become a singularly trusted brand, providing the foundation for every player in the space, and the only provider capable of keeping pace with our customers as their needs evolve in the years ahead.

For consumers, we believe we're enabling an era of abundant produce that delivers the home garden experience beautiful, delicious and nutrient dense. Vindara is a wholly owned subsidiary of Kalera PLC, and operates as a standalone business, serving both Kalera and its customers as well as the market as a whole.

While indoor farming has a lot of benefits, it does also come with its challenges. At Vindara, our goal is to optimize varieties that drive operational efficiencies, while simultaneously creating new differentiated products to drive top line sales growth. The traits that we are targeting address challenges faced by growers.

A few examples include high yield romaine lettuce, frost tolerant basil, high germination and high speed, high yield spinach. Vindara has 10 crop programs, and is not only looking to improve grower economics, but also to unlock the next generation of profitable crops.

Vertical indoor farming is a process and not an art farm. It has seen dramatic advances in technology included to, but not limited to lighting, robotics, sensors, planting substrates, which are all improving grower economics. However, even the most optimistic projections have been made under the influence of a limitation at the very heart of the process; seeds bred over generations for dramatically different environments.

Today's seeds are almost perfectly opposed to what vertical indoor growers need. They're bred resistance to disease and pests, and designed to withstand long periods of storage and transportation, while indoor farms are meant to reduce the farm-to-table times to an absolute minimum. These off-the-shelf seeds are notorious for making these genetic trade-offs at the expense of traits and characteristics consumers most want, like bright color, dense nutrients and bold flavor, the very qualities vertical indoor growers are looking to optimize.

We believe indoor farming -- vertical indoor farming is the agricultural engine of the future, but no one is developing the fuel to power it. That's where we come in. Vindara is delivering the seed varieties growers need to make optimal use of their operations. In essence, we're lifting the burden imposed by today's off-the-shelf seeds, with tailor-made alternatives designed for vertical indoor use, reduced storage time and transportation time, and the flavor, appearance and nutrients consumers want most.

Best of all, we're delivering it all in the form of a product that seamlessly drops into the grower systems already built and continue to refine. Furthermore, this is all entirely achieved through analytics and deep machine learning, not gene editing or GMO.

So how do we do it? As a foundation, we've assembled an industry leading database, tracking thousands of varieties over every conceivable dimension. In the case of lettuce, for instance, that means physical agronomic measurements, such as the number of leaves, fresh mass, alongside nutritional density, sensory properties, including flavor, color, and texture. Additionally, we've augmented this database with a proprietary document, understanding system, capable of extracting relevant data from global libraries such as scientific journals, USDA and the like.

This data is then used to train deep machine learning models that accurately predict the genetic underpinnings of entirely new protective varieties, dialed in with a precise set of desired properties. I hate to say so what? In essence, this provides a simpler, shorter path to the desired outcome, reducing times taken by traditional breeding methods to arrive at a usable seed from 5 to 7 years down to 12 to 18 months for leafy greens. This is five times faster than conventional methods, making it our key differentiator and setting a new standard in seed breeding for vertical indoor farms.

By accelerating this process and taking a data-driven approach that makes each property individually editable, we've designed something truly insurgent; a seed design system that can deliver any kind of variety tailored to each customer's needs. Moreover, the diversity of consumer tastes means there's no single ideal to aim for. Color, texture, flavor and even the nutrient profile are subjective and influenced by a range of cultural and generational pressures.

Vindara is giving growers the flexibility they need to respond to these pressures with agility and precision. In short, Vindara is giving growers a control panel for designing the produce of tomorrow, built to spec and brought to life with unprecedented speed. Best of all, even the most sophisticated vertical indoor farming operations treat the seeds themselves as little more than an input. This simple relationship combines with the seed’s comparatively low costs, roughly 3% for most growers, means we're offering customers transformative benefits without the risks.

As we move into the Kalera plus Vindara benefits and synergies, I would like to reemphasize the business structure. Outside of Kalera partnerships and business operations are firewalled from Kalera and vice versa. So how do we directly impact Kalera? Vindara targets high yield, higher yield than conventional off-the-shelf seeds, which has a direct impact on unit economics and EBITDA by lowering costs of goods sold, increasing output and reducing cycle times.

Vindara developed a number of proprietary romaine lettuce varieties which are undergoing a series of in-farm trials, and we anticipate use of Vindara seeds at scale during 2023, presenting further upside in the Kalera financial model. Kalera will also realize further product differentiation with access to Vindara’s seed design system. Together with Kalera, we believe we are the only company in the world that can work with buyers to create unique products designed by and exclusively for customers. Kalera's product portfolio is a direct beneficiary of Vindara’s deep product pipeline, offering crops suited to fit the farm systems across all geographies.

Finally, we expect additional seed revenue opportunities from the global vertical indoor market. The approximate total addressable market is$ 2.5 billion by 2024. This number is derived from a crop mix commercially produced in these systems today, and is expected to grow as unit economics improve, growers expand their operations, new players enter the space, and more diverse crops are introduced. Vindara has a premium price model and anticipated gross margins of greater than 95%.

Now, I will turn it back over to Jim.

Jim Leighton^ Thanks, Jade. I want to come back to the slide, because if we've done our job here today, you now have a better understanding that our strategy is to transition to a CPG platform, drive toward profitability and deliver pragmatic growth. Our strategy together with our operational expertise and our capital strategy, and our technology expertise, we are the best positioned vertical farming company in the industry to deliver long-term growth in a market that has strong and growing consumer demand.

Before we begin the Q&A, I'd like to leave you with a few thoughts in summary. Ours is an exciting industry on the cusp of significant growth that can be part of a solution to real problems in the world. Our products are of the highest quality, and are grown locally and sustainably with superior technology, so much so that we call them better than organic. We're building strong customer relationships, leveraging our CPG platform. And we have an excellent team with technological and food company expertise. We are disciplined and focused on achieving predictable, reliable, sustainable, profitable growth.

I'm excited about our short and long-term potential, and I believe now is a great time to invest in Kalera as we enter this new phase. I truly believe Kalera is at an inflection point. All of the pieces are now in place for this rocket to lift off. And if I didn't believe that, I would not be here.

With that, it concludes our presentation. And now, we'll begin the Q&A portion of our program. Thank you.

QUESTIONS AND ANSWERS

Aparna Mehra^ Great. Thank you. Thank you, investors and analysts, for joining us today. We look forward to taking your questions. (Operator Instructions) And we've already received several questions, so let's go ahead and get started. There have been a few questions on this topic. So first question, can you talk about energy consumption and how that fits in your ESG vision?

Jim Leighton^ That's a great question. Thank you. Perhaps, Aric, why don't you start off and then maybe Austin, you can jump in from an operational perspective. Thank you.

Aric Nissen^ Sure. Thanks, everybody. So first thing, I would encourage you to read the ESG report we recently published from Kalera and our Chief Science Officer Dr. Chris Toma. Energy consumption of vertical farms, and this is a point I want to make really clear, actually reduces carbon emissions by making food closer to where the people who consume it live.

And so, if you think about what Jim mentioned, 90% of the leafy greens in the United States made in Arizona or California, but they're consumed elsewhere, which means a lot of long haul trucking and lots of emissions. And over the past 10 years, the carbon situation with long haul trucking hasn't gotten any better, nor will it over the next 10. But the electricity grid has an increasingly coming from renewable energy sources.

I'm also seeing here a bunch of related questions from Sebastian and one from Ron about electricity prices, have we considered renewables? And the answer is yes. Our facility in Honolulu, we have plans for solar and up to 50% of the power coming from the sun, and that would effectively hedge Kalera from electricity price increases for two or three decades.

And other sources, we are able to source renewables. So our Houston facility right now, today, sources 100% of its energy from wind or solar. And when you think about it, that's pretty fantastic because the future is already now, as we like to say. Kalera is turning energy from the wind or the sun into food, using less land and less water and less carbon emissions. So it's an exciting time to be in a business like this.

Jim Leighton^ And Austin, you want to jump in on that question? Thanks.

Austin Martin^ Yes, thank you, Jim. Thank you, Aric. In addition to what Aric already mentioned, the energy is a larger -- one of the larger contributors to our overall variable cost. Kalera is taking steps from the moment we decide on a market in which we choose to operate, to begin to try and control those costs. Several things that we've done are making sure that as we go in to markets in advance, we're having conversations with utility providers.

We've been successful in securing grants in the Houston market of over a million dollars. We have grants that when the Seattle facility is commissioned, we will receive grants from the local utility provider there. As we continue towards the future, with plants that we intend to build, the plants that are already in operation, we're always looking into additional sources for alternative energy, whether it be on-site power generation, solar, or whatever makes sense for that particular market.

But in the short term, we make sure that we have solid partnerships with our local utility providers that assure consistent, reliable supply at predictable prices, so that we don't have unforeseen cost increases related to that component of our overall variable cost.

Jim Leighton^ Great. Thanks, guys. I appreciate that. I think the main messages here, we take a holistic view concerning energy consumption. And we are, as I said earlier, very dedicated to our ESG program. So why don't we move to the next question?

Aparna Mehra^ Great. Our next question is, how is Kalera differentiated compared to other vertical farming companies?

Jim Leighton^ We're differentiated in many ways and hopefully, we conveyed that through the presentation today. I think from 50,000 feet, though, I'd say number one, and we heard Austin talk about it before, our operational know-how, I've mentioned that we have earned our degree. But that didn't come from without some significant tuition. But if you think of the other things that we do that really differentiate us within vertical farming specifically, are things like scale -- we're the only one that is vertically integrated -- our global reach, as well as our domestic footprint, our cost, our capital efficiency, and so forth and so on.

So I think of the or two of the areas I think we could spend a little more time on, that might add some value, is if we talk a little bit about international. So I would ask Henner to do that. And then Jade, if you wouldn't mind jumping in after Henner and talk a little bit about how you see the value again of Vindara and how that differentiates us with our relationship as Vindara is a wholly owned subsidiary. So Henner?

Henner Schwarz^ Yes. Thank you, Jim. It's definitely a strong differentiator that we're the only global player in this industry. Our large and growing footprint provides us access to large domestic and international customers, and create efficiencies in the manufacturing process to share learnings, and of course, helps us live up to our purpose to grow better world.

We continue to see opportunities for meaningful expansion. And we believe we can do it within our capital light model, where we maintain control of the farms, but we'll not have to fully fund the CapEx by ourselves. The priorities are Singapore, Seattle and St. Paul, first and foremost. And when you look at the global map, really, some really attractive opportunities arise in the Middle East and also in Southeast Asia. Jade?

Jade Stinson^ Yes. So thanks, Henner. I did articulate some of these points in the presentation, but I'll just reiterate a few of those. With Kalera plus Vindara, we have the ability to make a step change in the yield improvements, which leads to a much reduced cycle times. This ultimately improves the unit economics, and I think this is yet to be realized and fully in the financial model.

The Vindara pipeline consists of 10 crops today, and we're always evaluating new crops. And within each of those crop, we have many, many varieties that are under development. And Kalera is also a direct beneficiary of our seed design system, which I talked about.

So they're able to offer their customers a proprietary product. And Vindara is also targeting seed sales to third parties in 2023. With our premium pricing model and 95% gross margins, this has the potential to be highly accretive. Back to your, Aparna.

Aparna Mehra^ Great. Thank you, Jade. So our next question is around Kalera's stock volatility. So if we could please explain why we believe that is.

Jim Leighton^ Yes, Henner, I'd ask you to -- or I'm sorry, Fernando, I'd ask you to jump in on that. Thanks.

Fernando Cornejo^ Yes. Good question. Well, first of all, the majority of our largest shareholders entered into lockup agreements, and this resulted in low trading volumes and liquidity for our stock holds the closing of Agrico combination.

Secondly, what -- and especially what you're seeing in this capital markets, especially for every topic related to SPAC and the de-SPAC, usually when you do a direct listing, there is always an investment bank or a stabilization agent to provide liquidity and support, which in this case, post de-SPAC and this is in general for the market, you see a lot of market dislocation and high volatility, especially as we have a lot of our retail and some of our investor base out of Europe, and they now have been switching and moving to the U.S.

But what is key to understand that the fundamentals and the business, nothing has changed. And these are all of the, I would say, consequences of the typical de-SPACing and de-SPACing process after a period or after closing of this merger, especially given the existing capital markets.

Jim Leighton^ Yes. And I would add, it's pretty obvious that in both macro and micro perspective, there's a lot of volatility in the market just in and of itself. So, thanks, Fernando. Next question.

Aparna Mehra^ Sure. The next question is around our target customer. Can we describe your target customer is?

Jim Leighton^ Well, we certainly can now. Aric?

Aric Nissen^ Yes. Thank you, Jim. Good question. It might be also a good time to distinguish between customers and consumers because sometimes we use those terms interchangeably. But our target customers, the people who buy from Kalera are retail buyers.

They tend to have higher end grocery stores focused on freshness, large selection and varieties of produce. They are also people on the foodservice side. We have a strategic partnership with US Foods. And the buyers are from restaurants, hotels, focusing on food safety, reliability of supply, a lot of the premium attributes and nutritional components that Kalera has an advantage.

Now, in terms of our target consumer, this is an end user of the product, who's seeking what I would call better for you attributes. So our target consumer has discerning tastes. They like organic products. They prefer to -- they like local products, and they shop for quality over price. This group of consumers is growing. They want a clean product. They do read the headlines about the world around us.

In fact, if I have time, I'll try to make this like 30 seconds. I ran into a new customer the other day, said he bought our product, and I said, “Well why did you do that?” It was young man. He says, “Well, I did it because I have kids, and I'm starting to think differently about what I buy for our family. We wanted something without pesticides and really clean.” And so this group of consumers is vital for retailers today, because they have a larger basket ring, in which all of that helps Kalera win shelf space and then get those velocities and the right to play for more distribution.

Jim Leighton^ Yes. And if I might add -- thanks, Aric. The other thing is vertical farming in and of itself, and what vertical farming does and what we produce and what we provide, and specifically what Kalera does, has really now gone across the chasm, I’d say, of the adoption curve and become mainstream. And that's why I think, Aric, when you and I are in stores, and we see people pulling our products off the shelf, and we ask them why they bought it, it's very mainstream stuff. It's all the stuff we've been talking about today. So thank you.

Aparna Mehra^ Great. So our next question is around our product mix. So Kalera is changing from a whole head to microgreens, herbs and baby leaves. That's the shift from whole head to those products, and we expect 30 pounds per square foot production. The fees new types have less than half of the yield per square foot than a whole head. How is that calculated in the projections?

Jim Leighton^ I'm really glad we're getting questions like that because whoever provided that question will see, but you're really getting very interested in our business, which is why we're here today. We want to be extremely transparent, help everyone understand the economics and how this economic engine works. So, Austin, with that, I think most of this was operational in nature, the question, so I'll ask you to respond. Thank you.

Austin Martin^ Thanks, Jim. Yes, great question. As we look at our model into the future, and we've intentionally chosen to expand our product portfolio, while these products on a yield basis or kilograms per meter square per yield per year, is lower than full head. What we take into account is the higher profit margins that each of these product brings.

Each of these generates a higher level of profit per pound, microgreens, herbs, cut and baby leaf lettuces than the current full head product. Additionally, as I mentioned, not each -- not every channel in which we service is looked at the same and has the same profitability expectations. As you look at our growth in the coming months, you'll see us begin to make more growth and gains in the retail channel, where a lot of these products have a larger addressable market than the current full head market as it exists today.

Jim Leighton^ Yes. And if I add something to that, we talked about it earlier, food in the United States and mostly around the world is consumed 50%, in general, through our food service channels and 50%, through retail, and so forth.

So I think that's a healthy way to think about it. And within those channels, there are different mixes of products and so forth, that work and don't work. But to Austin's point, we all -- everything starts with a whole head. And then we decide how we're going to add value to that, and we wouldn't do anything to it unless we're adding value and optimizing our mix. So it's accretive to our average margin. Great. Next question, please.

Aparna Mehra^ Okay. Great. The next question is around our strategic partnership with US Foods. So can we discuss how US Foods and our relationship with them fits into our CPG vision as well as our path to profitability?

Jim Leighton^ Yes. I think our relationship with US Foods and actually, it was I think -- I think we agreed to all of that and went public with it about the time that I arrived in May. And we have a great relationship. So I'm not taking any credit for that, that was put in place. And we are seeing the benefits of it right now on two fronts.

So, Austin, maybe I can have you talk about the operational benefits of that relationship. And then maybe, Aric, you can talk about the mix and the benefits of food service, and especially that key and huge player and great partner we have with US Foods. So Austin?

Austin Martin^ Thank you, Jim. Yes. As Jim mentioned, US Foods is a key strategic partner for us, not only because they're one of the largest foodservice distributors in the U.S., but also they've been seen as an innovator in the industry, and have platforms to continue to bring innovation to their customers, ultimately, our customers and consumers. They've developed platforms like scoop and others to help bring products like new products that we would innovate with into the industry. So really, it's an enabler, not just for today's business, but future business as well.

Currently, we see this as a great opportunity for us to continue to ramp and increase our capacity utilization. We aim and target, as you see on Slide 35, for an optimal mix of 50% food service, and 50% retail. The large majority of that being driven by US Foods. So as we look at our capacity planning in each of our farms, while it won't be exactly always that as we optimize our production network, we're aiming for that on the average across all of our facilities.

The portfolio itself, as Jim mentioned, consists mainly around the things that we've spoken about today and you can also see on Slide 35, which is loose leaf, our full head products, and then the introduction of our greens and other value-add as we look to the future. And as I mentioned, because US Foods has that platform for integration and growth, I would expect to see brand new products that will bring into the market in coming months and years as we continue to develop that relationship with US Foods.

As I also mentioned in my presentation, the US Foods rollout isn't complete. We've gotten more than half of the OpCos already having their first shipments. But we still have yet to bring online our St. Paul facility, which will bring in a large portion of the overall growth and revenue expected from the relationship with US Foods. After we bring those last few operational centers or distribution centers for US Foods online, you'll see our revenues continue to ramp from there as we grow within their business.

Jim Leighton^ And the other thing I would add to that -- thanks, Austin -- is -- and I'm obviously by way of just viewing me, the old man on the call, the old person on the call. But after, as I said 40 years in consumer packaged goods food and beverage both domestically and internationally, and Aric, I'll ask you to touch upon this, a lot of food trends start in food service. And one of the reasons US Foods is such a critical partner of ours is it's important to understand where the consumer has been, where they are and where they're going. Aric?

Aric Nissen^ Yes. No. That's exactly true. A lot of the trends start in the culinary world and then make their -- migrate over. I will say that chefs go crazy when they see Kalera lettuce. And the reason is because they open up that box, and it looks like an ad or a picture because it's fresh every time. And so, I'm excited about the US Foods partnership because they have access to so many chefs with so many ideas. They're going to help us be a better grower. And that's going to translate over into the consumer world as well.

Jim Leighton^ Yes. And the other thing we didn't really touch upon, but I'll touch upon it now, I think it's a great time to talk about another differentiator. I mentioned a domestic footprint, national footprint that we now have in place and Henner spoke about the international strategy and capital light and everything. But if you think about US Foods as a national distributor, they're one of the largest national distributors in the United States. I've worked with them for many, many, many years.

And I think by the fact that we have the strategic relationship, they came to us, we had conversations with them on how we can best support each other. I think it validates the strategy. And one of the key differentiators is the benefit of us having a national footprint so we can have relationships with some of the largest both food service as well as retailers in the U.S. And that allows us to take the conversations up very high into the organization, all the way to the top, to figure out how can we best help each other, and then in the end, help the consumer. So I think that is -- by far, that is definitely a differentiator. So thank you for that question.

Aparna Mehra^ Great. Moving to our next question, and we've received a couple of questions on this so I'll try to combine them a little bit. Can you give us some more details on sales cycles? What is the near-term potential for adding stores? And how do we open new accounts with supermarkets and other service providers? What do they look for or value the most?

Jim Leighton^ Yes. Aric?

Aric Nissen^ Yes. The sales cycle, it depends. We've had some people where first meeting, buyer and put it in the store next week, and we've had some that it's taken several months. So I would just say it depends on that. And every buyer is a little bit different.

In terms of the potential, if you could refer back to the presentation, I think it was slide 28, where we talked about our retail momentum and our retail footprint. So right now, we're in 1,300 retail grocery locations. Next month, we'll be in over 1,400 retail locations. The next month after that, certainly 1,500. So given our footprint, we have room to grow not only with existing retailers, but all these new ones that I'm talking about.

And we're really helping retailers solve a larger problem. And I think Jim touched on this with his national footprint idea. And what happens here is retailers and consumers want to buy local, but it's hard to do local when you're a super regional grocery chain or a national grocery chain. So you want a partner like Kalera that can provide local fresh product, but at scale, because the sales are at the regional or the national level.

And so Kalera is providing the solution, where we provide this local, fresh, amazing produce around the country, with the existing footprint we have. We don't even need to add another single new farm and we would still -- we would still see growth in our retail footprint. And that compounding machine that I talked about, more retailers, more geographic distribution, more products and more velocity, that all works with what we have right now.

Jim Leighton^ And it also speaks to what Austin was talking about before relative to than mix and why we're shifting mix and so forth, because to be a national distributor and supplier -- or be a supplier to a national distributor or national retailer, you have to have the appropriate mix rather than just, for instance, as Fernando said, we started out with basically one SKU. And now, we've have a variety of different products that they can come to us as kind of one-stop shop. Great question. Next question, please.

Aparna Mehra^ Okay. Moving to our next question, is Kalera working closely with the government to accelerate the awareness and growth of vertical farms in the U.S.?

Jim Leighton^ The answer is yes. I wish Dr. Toma was on, but he's not so. So Austin, can you address that?

Austin Martin^ Sure. Thank you, Jim. Yes. We work with the government in many different ways, and whether we're opening a new facility, whether you look at members of our board who held previous positions within the government like Sonny Perdue, as well as working with others across the industry.

One of the important things that we're looking at is the industry and like any new industry needs to put in place a lot of what other industries have. And we're becoming more actively involved with our peer partners in creating a platform that's beneficial for controlled environment ag. And I know that we're working daily with that, and several key members of our team working across the industry as well.

As far as working with other government entities, we work with them to not only fund R&D projects, both domestically and abroad, as exampled by Singapore, as well as lurking locally here on initiatives, as well as opportunities to leverage grants. In Minnesota, we work locally with the government there for grants that help fund our operations and construction that are made available by the government.

So when you look across our business, we're touching government entities in multiple different dimensions that are enablers for our business, but still setting the foundation for what we can do and will do as we move forward in this industry becomes more mature.

Jim Leighton^ And we get support from the government at a variety of different levels as well, both federal, state, local, and so forth. And one of the reasons is because they're assisting us and others, frankly, in solving the problem.

We talked about it at the outset of this presentation, that is resulted things like climate change, and water shortages, and so forth. So the dollars are available to assist us and assist us with technology solutions, for instance, like things like energy that we're working on and so forth. So we have a very robust and great relationship at all levels of the government.

Aparna Mehra^ Great. Next question, in earlier presentations regarding the farm in Kuwait, how does Kalera use the ERP system SAP in Kuwait compared to use of ERP systems at the farms in the U.S.?

Jim Leighton^ Henner?

Henner Schwarz^ Yes, that's a great question. Obviously, from somebody with operational experience, one of the key learnings in M&A really is you have to be very careful on what to integrate and whatnot. But one of the things where integration always makes a lot of sense is the IT side. So we decided very early after the acquisition of farm in Kuwait, that all would be running on one integrated ERP system and that is that is Microsoft. That transition has already been completed to a very large extent.

Jim Leighton^ Great. Thanks. Hopefully, that answers the question.

Aparna Mehra^ Okay. Next question., what are your plans to open new farm locations?

Jim Leighton^ We don't have any plans to open new farm locations until the farm locations we've already opened are profitable. That has been a significant shift in strategy since I've arrived here. It was something that I've worked very hard with management and the board. It was not an easy decision.

But as our previous -- our current chairman, Curtis McWilliams, and he was the interim CEO before I arrived, I think he articulated best is that we have a strategy of build it and they will come. I mentioned that earlier, we no longer have that strategy. We have a very disciplined approach to -- and a path to profitability for the farms that we have, farm by farm, and we've laid that out in this presentation. So, no, we're not interested in building additional farms.

The other thing we didn't touch upon is we were planning and had leased space to go ahead and build farms, I think someone mentioned earlier in Hawaii, the others in Columbus. So we've halted those. And we weren't very far into those engagements in construction or anything, so we've actually sublease one of the sites and are working with the other one to not incur any material adverse effect financially to us. So, no, we're going to be very disciplined, stick to the plan.

And then the other thing I'll add, which I mentioned earlier, the key is to get the demand, basically think of it as orders. It's 65% utilization, because somewhere between 65% and 70% utilization, depending upon the farm as Austin spoke about, and Fernando touched upon, is kind of our sweet spot for profitability.

Aparna Mehra^ Great. Thank you, Jim. We have time for one more question. Please discuss what might make you meet your profitability targets earlier than expected and what could potentially delay those targets?

Jim Leighton^ Yes. Austin, why don't you start with that, and then I'll share some of my ideas. Thanks.

Austin Martin^ Thank you, Jim. Yes, as I mentioned in my presentation, the primary goal is to increase capacity utilization. The levers at which we do that is the rate at which we're going to grow our customers within the retail segment, expanding our loose leaf products into that segment, as well as continuing to grow them in the food service segment with US Foods, the introduction of new products as well.

The opening of our St. Paul farm, that's continued growth in food service for US Foods. As I mentioned earlier, that will continue to allow us to complete the rollout with US Foods nationally. It's the last piece of the puzzle. And then retrofitting our existing facilities with packaging automation and readiness for the expected growth to come in these new product categories. As we look to improve and increase those levers, we will increase our capacity utilization even further, therefore increasing and achieving profitability faster.

As Jim mentioned, we won't open our Seattle farm until we have line of sight to 65% of capacity, which is ensuring it reaches profitability quickly. And it's really our strategy going forward for any new expansions. Those are the primary ways in which we will see achieving profitability and current operating farms more quickly, as Jim already mentioned.

Jim Leighton^ Yes. No. I would add to that, thank you, Austin, that -- and Aric talked about this, if you really think about Kalera, we're only 2 years old. I mean, we opened the first farm just two years ago. And you can already look at the customers and the points of distribution that we've gained already, and that was initially just with one farm with one product.

Now we have a network of farmers both domestically and internationally. We have a wide range of products. We have gained points of distribution. We have gained velocity. And I'd say one of the things the upside of this is something that Aric showed, is that we now have some work that we've done on the brand. We're becoming much more knowledgeable about consumer preferences and how we drive the velocities for every point of distribution that we gain.

And I think Aric mentioned this, and I've seen this in my career many times, it's a multiplier. It has a multiplying effect. And that's why I've referred to a couple times today that I really do believe Kalera's in an inflection point. So Aparna, do we have time for more questions, or is our time up?

Aparna Mehra^ Our time is up, Jim. Thank you, again, everyone for tuning in and taking time to join us for Kalera's Analyst and Investor Day. If there are any questions that we didn't get to or that you've thought of after the fact, we would be happy to answer them. And you can reach out to me directly. My information is on our website. It's also aparna.mehra@kalera.com. I won't spell that out for you. But thank you again for attending, and we hope to see you again soon. Thank you.

Jim Leighton^ Thanks, everyone. Take care.

Austin Martin^ Thank you.