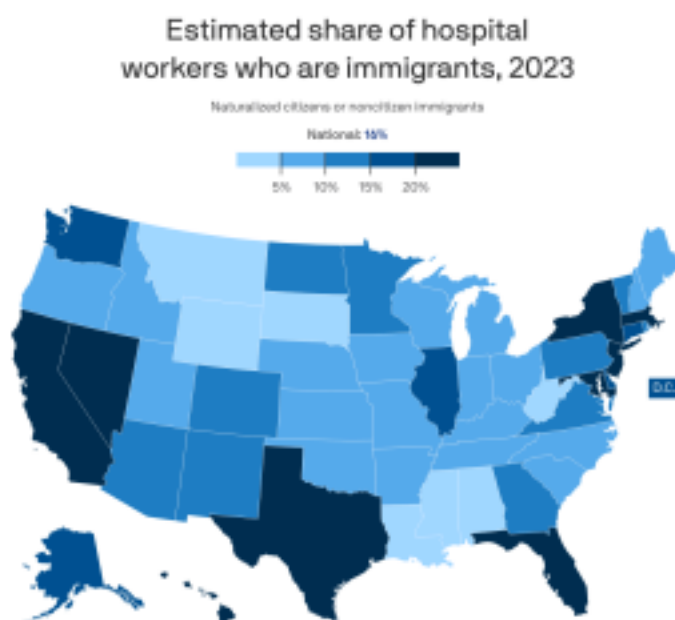


Insight #5: Protein and Low Calories: Introduced Everywhere

Kevin Winschel - BK Capital Management, LLC.

President Donald Trump celebrated 2025's Independence Day by signing his "Big Beautiful Bill," his sweeping tax cut-and-spending package. Among many changed and extended policies, Medicaid cuts is an example. The Congressional Budget Office estimates the roughly \$1 trillion in Medicaid cuts over the next decade will result in 12 million people losing coverage by 2034. Users now must volunteer, attend school, or work for eighty or more hours a month to qualify for insurance. "Less cash means less care in rural communities," "[Affordable Care Act] coverage will become harder to get and keep," "Those on Medicaid will pay more to see the doctor," and "Some immigrants will lose access to subsidized [Affordable Care Act] plans" are four ways that Trump's megabill will limit health care access. Molina Healthcare, on July 7, 2025, announced it will join other healthcare insurers in raising medical costs for customers. United HealthCare withdrew its 2025 guidance and replaced its CEO this spring due to Medicare troubles. Investors are withdrawing from investing in these types of companies as profit margins are falling: Molina cut its 2025 EPS forecast to \$21.50-\$22.50, down 10.2% at the midpoint from previous guidance. Molina focuses largely on Medicaid and the ACA marketplaces. With Trump's megabill fully implemented in the coming years, there will be fewer insured people and higher insurance costs due to costlier drugs. Pricing pressure may be further enforced on continuing customers, and more customers may leave or never enroll in the insurance because of premiums. The Consumer Price Index (CPI) for medical care has recently seen an increase, with the medical care index rising by 2.48% over the past year, and doesn't seem to be slowing. Higher premiums and less accessible health insurance may cause a shift in people's attitude toward their health.

On the right shows how many immigrants work in hospitals as of 2023. In the most populated states, like New York, California, and Florida, immigrants make up over 20% of hospitals' workforce. Hospitals will take a hit as Trump's megabill calls for \$170 billion for border and immigration enforcement. Immigrants hoping for a better life and future for their family won't just be limited from contributing to the tech giants—Google, Apple, Amazon, etc.—but also from working in healthcare facilities. And with an aging population, hospital waiting room times are sure to increase. "The health care industry is facing a double challenge — a White House immigration crackdown that could translate to worker shortages, and the "big, beautiful bill," which pulls back federal health care spending," wrote Emily Peck of Axios on July 8,



2025. With already-existing complaints about healthcare worsening—high costs and long wait times—people may grow more conscious of their health and avoid heading to their local hospital.

Robert Kennedy and the United States Department of Health and Human Services seem to be going down the question-experts route, as he replaced the CDC panel's members in their entirety in early June and now advocates for wearable technologies. Wearable technologies are “a buzzy component of a health care agenda that emphasizes self-empowerment — and self-responsibility — over relying on clinicians,” Axios journalist Maya Goldman wrote on July 3. Additionally, RFK Jr. is setting the 2025-2030 Dietary Guidelines for Americans, setting nutrition standards for everyone. Speculators predict that he will eliminate artificial sweeteners like artificial dyes and advocate for more whole foods like meat, where protein is abundant. Kennedy said he intends to have the guidelines published in a more consumer-friendly four-page document by August. The HHS seems to advocate for the U.S. population to look after themselves more.

Recently, Starbucks tested out adding protein to their cold foam. CBS News reported: “Protein drinks and snacks have ballooned in popularity in recent years — a trend celebrities like Khloé Kardashian are looking to cash in on with products like Khloud, a protein popcorn. Protein shakes are now a \$6 billion sector, according to Beverage Digest.” Among Ozempic, fat burner, and stomach surgery, people are looking for easy ways to lose weight besides the obvious of consuming fewer calories than one burns. If someone can add 10-20 grams of protein to their morning coffee for an extra buck that keeps them full enough to skip a breakfast sandwich—that's a no-brainer. Protein is not controversial like Robert Kennedy. And with restaurants now hopping on the protein bandwagon, they see a market that consumers want.

Along with protein, creatine supplementation is gaining in popularity: “It's not just for gym bros — scientists say a \$0.50 muscle-building supplement slows aging and may counteract Alzheimer's.” It costs, on average, less than \$0.50 a serving, and creatine monohydrate is the most researched supplement. As of May, the US creatine market was worth \$456.6 million, up 36% from the prior year. In the past five years, retail prices are up 150%, and sales increased by 90% year over year. Creatine, like protein, doesn't seem to be going anywhere but up.

Foods like red meat, fish, and poultry have both high creatine and protein contents, but cost, convenience, and portability have a say in consumers' meal choices. With tariffs lingering and food prices rising, more people are choosing to stay at home and cook their own meals. Convenient, ready-to-go snacks are perfect for busy people. A protein shake is done in a minute and has the same amount of protein as a chicken breast. Of course the chicken breast is natural and has more nutrients, but sometimes convenience is what matters for a meal.

How do these all tie together? People want to live better and healthier—but easily. Since creatine can prevent Alzheimer's and add muscle mass, people buy it. Since protein adds muscle mass and keeps you full, people buy it. Since Medicaid has raised its standards, people will be busier and will want an easy way to stay healthy. Take the David protein bar that just hit retailers' shelves. The bar has 75% of its calories from protein, the most of any protein bar, and that fact has spearheaded it to projecting \$140 million in revenue for its first full year. Just the macronutrients alone—150 calories and 28 grams of protein—accomplished this. Marketing, proven founders, and strategic acquisitions helped too. Low-calorie, protein-packed foods are the present and will be the future. David bars' protein composition consists of milk protein isolate, collagen, whey protein concentrate, and egg white, but most customers only care that the protein totals 28 grams. Starbucks' protein composition is proprietary as of July 4, 2025, but most customers only care that it will add protein to their breakfast. Protein and weight loss tie together because more calories are burned digesting protein than carbohydrates or fats due to the thermic effect of food (TEF). Protein has the highest TEF. The macronutrient also helps the body build fat-burning lean muscle tissue. As insurance premiums rise, people lose their access to Medicaid and Obamacare, the HHS advocates for people to look after themselves more, studies publish more benefits of protein on weight loss, hospital wait times increase, and companies add protein to their foods, protein snacks are positioned to continue making their way into people's diets for a healthier life.

Simply Good Foods Company develops, markets, and sells branded nutritional foods and snacking products and is based in Denver. Its products are convenient, high-protein, low-sugar, and low-carb. The company's portfolio includes some of the most recognized brands in the health and wellness sector, notably Quest, Atkins, and, as of 2024, OWYN (Only What You Need), a plant-based protein brand. Quest is a market leader in protein bars, ready-to-drink shakes, and protein-rich snacks. Atkins is known for its low-carb, high-protein products, which customers seeking to lose weight love. OWYN was acquired in 2024 for \$280 million, and this acquisition expands SMPL's reach into the fast-growing plant-based protein market with ready-to-drink shakes and other plant-based offerings.

Simply Good Foods Company (NASDAQ: SMPL)

Metric	Q2 2025	YTD 2025	YoY Change
Net Sales	\$359.7 million	\$700.9 million	+15.2% (Q2), +12.9% (YTD)
Net Income	\$36.7 million	\$74.9 million	+10.9% (Q2), +9.0% (YTD)

Adjusted EBITDA	\$68.0 million	\$138.1 million	+18% (Q2)
EPS	\$0.36	\$0.74	+9.1% (Q2)

Growth Drivers: Quest and OWYN delivered strong point-of-sale growth (13% and 52% respectively in Q2 2025), while Atkins saw a 10% decline.

2025 Outlook: The company reaffirmed its fiscal year guidance, expecting net sales to increase 8.5% to 10.5% and adjusted EBITDA to grow 4% to 6%.

Valuation: As of late 2024, SMPL traded at a P/E ratio of 23.9 and a forward P/E of 17.0, with a debt/equity ratio of 0.14.

Strategic Positioning

E-Commerce Expansion: 21% of Quest and 14% of Atkins sales are online, highlighting digital growth potential, e.g. Hims & Hers Health is an \$11B company that does health e-commerce well.

Innovation and Acquisition: The acquisition of OWYN positions SMPL to capitalize on plant-based and alternative protein trends, broadening its consumer base. **Brand Strength:** Quest remains a category leader in protein bars, while Atkins and OWYN provide diversification across consumer segments.

BellRing Brands, Inc. (NASDAQ: BRBR) is best known for its flagship brands Premier Protein and Dymatize. The company specializes in ready-to-drink (RTD) protein shakes, protein powders, and other nutrition products that cater to the growing demand for high-protein, on-the-go wellness solutions. BellRing's products are widely distributed through club, mass, grocery, e-commerce, and specialty channels across the US and internationally.

Premier Protein: The #1 RTD protein shake brand in the US, offering a range of high-protein, low-sugar shakes and powders.

Dymatize: A leading sports nutrition brand focused on performance protein powders and, as of late 2024, ready-to-drink protein shakes and pre-workout supplements.

PowerBar: An iconic sports nutrition brand with a primary presence in international markets.

Metric	Q2 2025	6M 2025	YoY Change (Q2)
Net Sales	\$588.0 million	\$1,120.9 million	+18.9%
Operating Profit	\$95.1 million	\$210.4 million	—
Net Earnings	\$58.7 million	\$135.6 million	+2.6%
Adjusted EBITDA	\$118.6 million	\$243.9 million	+14.4%
Diluted EPS	\$0.45	\$1.04	+4.7%

2025 Guidance: Net sales of \$2.26–\$2.34 billion (+13%–17% YoY), Adjusted EBITDA of \$470–\$500 million (+7%–14% YoY).

Share Repurchases: 2.4 million shares repurchased in Q2 2025.

Side Note: What made Celsius (\$CELH) a \$12 BB business? Its rebranding from a calorie-burning drink to a lifestyle brand. Cans looked much cleaner, and sales skyrocketed. BellRing is rebranding their Premier Protein brand, albeit slightly, and hopping on the marketing-makeover trend. From their website: “Q: Why does Premier Protein look different? A: We evolved our logo and packaging to more accurately reflect Premier Protein’s commitment to delivering joy along the health journey, while encouraging new and existing fans to join the party! ❤️💎💎.” Rebranding to catch people’s eyes and spark sales? Seems promising. The packaging rolled out at Costco in May 2025 and was nationwide in June.



Growth Drivers

Premier Protein: Delivered 22% net sales growth in Q2 2025, driven by a 15.3% increase in volume and 6.7% in price/mix. Household penetration reached 20.9%, and market share in the RTD protein shake category hit 30%.

Dymatize: Achieved 3% net sales growth, with a 20.4% increase in volume, supported by new product launches and international expansion.

Product Innovation: Premier Protein launched the “Indulgence” subline, targeting new consumers with richer, creamier RTD shakes. Dymatize introduced Performance Protein Shakes and Energyze Pre-Workout, expanding its reach in the sports nutrition market. **Distribution & Marketing:** Aggressive promotional campaigns and expanded distribution channels have driven record household penetration and all-time high distribution points for Premier Protein.

\$SMPL and \$BRBR risks

Supply Chain Dependence: Heavy reliance on third-party manufacturers. For BellRing, one supplier produced nearly half of RTD shakes.

Input Cost Volatility: Rising freight and raw material costs have pressured gross margins, though price increases and promotional activity have helped offset these impacts.

Competitive Landscape: The protein and sports nutrition market is highly competitive, requiring ongoing innovation and marketing investment to maintain leadership.

The Trump administration is prioritizing a no BS environment. This extends to healthcare, where consumers are seeking the same things: low-calorie, high-protein, weight loss food options. SMPL and BRBR are well-positioned in this space of convenience, cost, quality, and innovation and will greatly



embrace the protein trend.