

# Modern Farming

Kathy Valiasek is CFO at Local Bounti, a controlled environment agriculture (CEA) company. The firm is pioneering modern methods of farming that reduce food waste and food miles while using less of the planet's precious resources. Kathy takes inspiration from labor leader and activist Dolores Huerta, who championed farm workers' rights in the 1950s.

## Q | What first sparked your interest in sustainability?

I remember as a kid, my Dad made us recycle all of our bottles and cans. And of course back then, (fifty years ago!) there was no method by which the trash folks picked up recycling. So every week, I'd ride with one of my older siblings to deposit the bottles at a recycling facility half an hour away.

A vested interest in sustainability is something that is important for all of us. For me, it became apparent that the current state of agriculture needed to change in a major way to feed the world and protect our planet. This was a major reason why I was so compelled to join the Local Bounti team. Sustainability is at the core of everything we do. We started with an end in mind: a strong focus on our communities, our employees, and the environment.

Over the course of my 25 year career, I have consulted for many different companies on large scale M&A and also helped companies wishing to go public. Prior to Local Bounti, I was CFO at Amyris, a sustainable synthetic biology company. It's at the heart of who I am as an executive that the first thing I look for and care about is that the firm I'm joining and leading from a financial perspective, is making a difference to the health of the planet and the population.

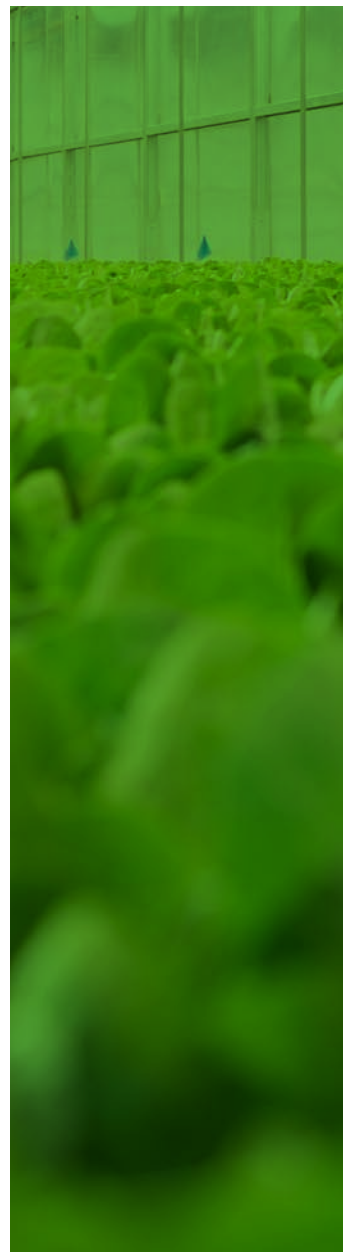
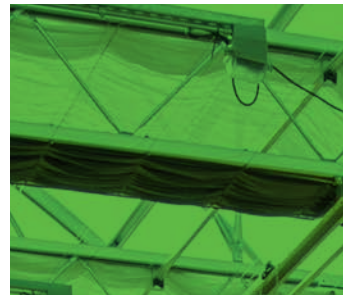
## Q | How are you advancing change in your role as CFO of Local Bounti?

My role at Local Bounti is to ensure that every area of the company has the financial resources it needs to deliver on our vision — to nourish humankind and protect our planet. That means ensuring our facilities can grow the freshest, safest, and most delicious produce possible. It also means ensuring alignment between our financial and ESG metrics. I see our ESG reporting standards as very similar and directly aligned with our financial reporting. Our team treats ESG commitments as supportive of our financials. Examples include everything from minimizing impact on the environment in our supply chain and equipment selections, to providing the same HR benefits to all employees regardless of position, to providing a 'living wage' to the folks in the facilities and implementing best practices in corporate governance. It is our duty to ensure full transparency in the reporting of our sustainability efforts.

## Q | What's the addressable market for CEA and what's the growth potential?

First, it's really important to understand the imminent dilemma we are facing. Scientists have broadly warned that in just 27 years, due to shortages of water, land and energy, and increased demand from population and economic growth, there will be a global food shortage. By 2050, the world will need approximately 70% more food to feed the global population, which is expected to near 10 billion people. There simply will not be enough arable land and water for traditional agriculture to meet these needs.

At Local Bounti, we developed Stack & Flow Technology® – an innovative new hybrid method of indoor farming that combines the best of vertical and greenhouse farming – to grow healthy food sustainably and affordably. Through this process, Local Bounti can grow produce in an environmentally friendly manner that increases harvest efficiency and reduces the cost and carbon footprint of the production and distribution process. The technology is over 30





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times more productive per acre than traditional agriculture. As our technology develops further, I have no doubt that Local Bounti will play a major role in bridging this gap and ensuring food security for our planet. We believe that with a strong focus on unit economics, and a profitable and sustainable business model, CEA has the opportunity to displace traditional agriculture. We are targeting the \$30 billion U.S. produce market for vegetables and leafy greens.

**Q | What are the biggest challenges you face in reducing food miles?**

Ultimately, I believe this is connected to the massive waste problem that the current state of agriculture is facing. As it stands, up to 40% of produce doesn't even make it out of the fields due to poor quality. These piles of unused produce are a massive contributor to greenhouse gas emissions. On top of this, the product that does make it out, is long-hauled across the country. 10-30% of product spoils at the grocery store before sale, and when it does hit consumers shopping carts, there are only a few days of shelf life left — this is why we see so much spoilage in our refrigerators. Food waste in the U.S. alone is estimated at 30 to 40 percent of the food supply, the equivalent of more than \$160 billion annually.

So, the problem is really two-fold, and we are focused on solving both. First, by providing a superior product that is fresh and lasts for weeks, not days. Second, by locating our facilities regionally, and closer to the consumer, ensuring that we dramatically reduce fuel consumption and product degradation.

**Q | How do you mitigate the potentially high energy costs associated with CEA methods?**

This goes back to the core of the Local Bounti story. Our co-founders Craig Hurlbert and Travis Joyner originally set out to make an investment in the CEA space, but they couldn't find a suitable business to invest in. They quickly realised that vertical farming, while high-yielding, also required extremely high capex and opex. Alternatively, greenhouse farming showed promise with lower costs, but was also much lower-yield.

Founded on the thesis of high yield and low cost, our stack and flow technology was born. It uses a combination of vertical farming and greenhouses. Due to our maniacal focus on solving for strong unit economics, we were able to unlock a growing system that maximized yield while mitigating costs, especially around energy usage. Our model is disrupting the indoor farming sector and the more efficient it gets over time, the more cost efficient and sustainable our process becomes.

The energy cost of a CEA environment is higher than traditional agriculture but because the vertical aspect is such a low percentage of our overall farm and our food miles are so much lower, it's not significantly different.

We also use primarily low carbon electricity and strive to be leaders in minimizing our usage of water, electricity, natural gas, fertilizer and other commodities. Our focus on sustainability at our facilities helps to ensure we consistently produce high quality food that maximizes nutritional value and taste.

**Q | Do you have plans to scale up your facilities globally?**

Our recent acquisition of Pete's, a California-based indoor farming company, has solidified our position as a leader in the CEA sector with the largest national footprint. Totalling 10,000 retail grocery stores coast-to-coast, our retail partners now include America's largest grocers, including AmazonFresh, Albertsons, Kroger, Target, Walmart, and Whole Foods.

Looking forward, we are poised to broaden distribution and grow rapidly. We are actively reviewing expansion opportunities and assessing a pipeline of future facility locations.

To get to the heart of the question, the sky's the limit. Whether that means expanding into new categories beyond leafy greens, or taking our technology global, all options are on the table. It's

a very exciting time for us. My background is working for global companies, and one of the reasons I joined Local Bounti was to help create a strong global business. We want to be local in more places, and I want to help bring high quality, sustainable produce to more markets. I see us having a substantial impact on how food is brought to families' tables around the world.

**Q | What has been your experience of going public and would you advise other innovative growth companies to do the same?**

We are listed on the New York Stock Exchange under ticker LOCL. Going public offered Local Bounti an efficient way to raise significant capital and fund our accelerated growth plans. We strategically built a strong management team within the firm that has deep experience in the public markets and extensive relationships, which greatly helped us in the process.

If you have the right talent and experience within the company I think that going public offers a lot of great benefits.

In a rapidly emerging CEA space with a large market to capture, we knew that becoming a public company would help separate us from the clutter and position us as one of the real leaders. Other benefits include the ability to offer liquid equity compensation to employees and the greater visibility that comes with being a publicly traded company. On the flipside, you have more obligations such as SEC filings. In the current market, a lot of private money is chasing CEA opportunities but overall, we think it's good to be public.

**Q | Who is your sustainable hero and why?**

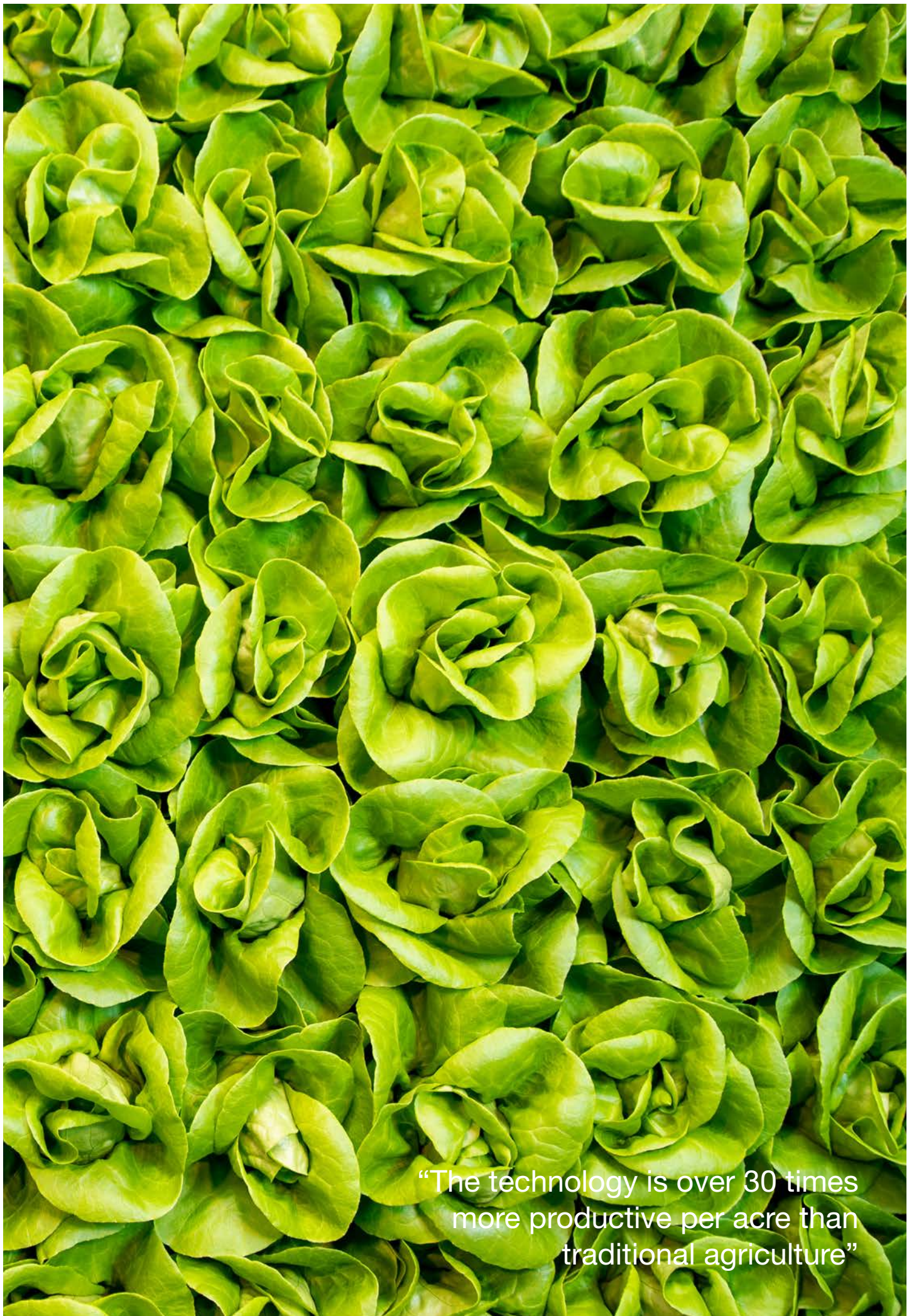
First, my Dad for the reason I mentioned earlier.

The other prominent person for me is Dolores Huerta as she epitomises what it means to be a hero. Since the 1950's, Dolores was a pioneer in advocating for fair treatment and pay of farm workers. It's sad to think about how marginalized many of our farm workers have been. They are paid extremely low wages, do back-breaking work in harsh temperatures and have a complete lack of base level benefits. Dolores really paved the way for a new generation of farming, putting an emphasis on the workers' well-being.

The first day I met with Craig and Travis, they said we have a flipped org chart. The most important people are our front-line workers. We strive to be as dedicated as Dolores, which is a big part of why we have established a culture that's hyper focused on the needs of our front-line employees who truly make what we do possible. That means a living wage.

So, while we have big goals and an accelerated business plan to execute on, we always have to remember what is most important — our people. Dolores is a great example of fighting for what matters and I'm proud to be part of a company that is helping ensure we make this industry better than we found it.





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[nomuragreentechcommunications@nomuragreentech.com](mailto:nomuragreentechcommunications@nomuragreentech.com)

[www.nomuragreentech.com](http://www.nomuragreentech.com)

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