

## **FreshDirect Closes \$189 Million Investment Led by J.P. Morgan Asset Management**

***Funding for Northeast's leading online fresh food retailer will accelerate growth through geographic expansion, new businesses, and new facilities***

**September 26, 2016**

NEW YORK--(BUSINESS WIRE)--FreshDirect, the Northeast's preeminent online food retailer, today announced it has closed a \$189 million investment round led by J.P. Morgan Asset Management on behalf of its PEG Digital Growth Fund II L.P., returning investor W Capital and other investors advised by J.P. Morgan Asset Management, including the AARP Innovation Fund.

"We are thrilled to partner with a group of world-class investors led by J.P. Morgan Asset Management at this pivotal time for FreshDirect. The funding will fuel expansion into new markets, increase capacity with new manufacturing and distribution facilities, and launch new businesses that meet today's consumers' needs as their preferences and buying habits evolve," said Jason Ackerman, FreshDirect's Co-Founder and CEO.

In addition, FreshDirect announced that Larry Unrein, Head of J.P. Morgan Asset Management's Private Equity Group, and Ashmi Mehrotra, Managing Director, joined the company's board of directors.

"As demand for fresh ingredients delivered to your door continues to rise, high quality food, produce and packaged goods providers are drawing significant attention from the investment community," said Mr. Unrein. "FreshDirect is one of the first to connect its customers with farmers and artisans at the click of a button. The company is also expanding its reach through the new mobile, on-demand offering FoodKick. By meeting the demands of the modern shopper on these two fronts, FreshDirect remains a forward thinking leader in this growing market segment."

Profitable since 2010, the company exceeds \$600 million in annual revenue primarily through its leading online market shares in the New York and Philadelphia metro areas. FreshDirect's focus on sourcing and curating the freshest food combined with the fastest farm-to-table delivery has resulted in customer retention levels well above industry averages and profitability in all geographic regions it serves. According to e-commerce research firm Slice Intelligence, FreshDirect leads all measured online grocery merchants nationwide in monthly sales per customer.

"FreshDirect is an established innovator, has a solid roadmap for growth and a large addressable market. We were passionate about FreshDirect a year ago and believe the company is well positioned to continue to lead the online food retail sector. We're grateful for the opportunity to increase our share," said Katie Stitch of W Capital Partners.

"The AARP Innovation Fund is focused on supporting companies that are developing new services and products focused on the interests and needs of people age 50-plus and their families," said AARP EVP and COO Scott Frisch. "FreshDirect's ability not only to provide customers with fresh, healthy food, but to deliver it directly to their home makes the company an ideal fit with AARP's investment strategy."

Earlier this year, FreshDirect expanded its portfolio with the launch of FoodKick, an on-demand, mobile-first delivery business that caters to the spontaneous needs of urban dwellers with a curated selection of localized food, alcohol and everyday essentials. Having exceeded expectations in the launch markets of Brooklyn and Queens, FoodKick will soon expand service to Manhattan.

**About FreshDirect:**

FreshDirect is a food tech company and the Northeast's leading online fresh food grocer, delivering directly to customers throughout five states, including the New York City and Philadelphia metropolitan areas. FreshDirect is committed to sourcing the freshest and best-tasting meat, fish, produce and specialty items through direct relationships with suppliers, growers and farmers. In 2016, FreshDirect expanded its portfolio with the launch of FoodKick, an on-demand business that caters to the needs of urban-dwellers with a curated selection of food, alcohol and essentials - all delivered within an hour. Launched in 2002, FreshDirect is a privately held company headquartered in Long Island City, NY. For more information, visit [www.freshdirect.com](http://www.freshdirect.com) or [www.foodkick.com](http://www.foodkick.com).

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## **FreshDirect Closes \$189 Million Investment Led by J.P. Morgan Asset Management**

***Capital is expected to enable the online grocer to expand into additional markets and release new products***

By Laura Cooper  
Sept. 26, 2016 7:00 a.m. ET

Fresh Direct LLC, whose green and orange trucks have been supplying New Yorkers with everything from toilet paper to grass-fed beef since 2002, said it would take on its first private-equity investor.

The Long Island City, N.Y., company, which does business as FreshDirect, said it received \$189 million in a funding round led by J.P. Morgan Asset Management.

FreshDirect sells groceries and prepared meals to customers that include restaurants, corporate clients and individual consumers. The company operates in markets that include parts of New York, New Jersey and Pennsylvania.

Returning investors that participated in the round include W Capital Partners and other investors advised by J.P. Morgan, including the AARP Innovation Fund, which AARP and J.P. Morgan formed in 2015 to invest in companies focused on individuals who are at least 50 years old, according to a news release.

Jason Ackerman, co-founder and chief executive of FreshDirect, said the company had not previously raised money from large institutions, but that it had received a lot of interest from private equity before closing on the investment.

Mr. Ackerman said FreshDirect completed four funding rounds before the latest investment. He declined to comment on previous investors in the company or the amount it raised to date.

Many competitors have entered the grocery delivery market since FreshDirect started providing services more than a decade ago, including Blue Apron Inc., Amazon.com Inc.'s AmazonFresh and Google Express. Blue Apron, which delivers ingredients to home cooks, was valued at \$2 billion last year, The Wall Street Journal previously reported.

Mr. Ackerman expects the new funding to enable FreshDirect to expand its geographic reach and to explore providing related food services while also bulking up its manufacturing and distribution assets.

Mr. Ackerman said FreshDirect would seek to expand into metropolitan markets where it currently doesn't have a presence. He also said the company would consider mergers and acquisitions as it grows, adding that FreshDirect is seeking opportunities to expand.

The company will also be working to develop its latest venture—FoodKick—a service that delivers premade meals, ingredients and alcohol in as little as 60 minutes to customers in Brooklyn and Queens. Although the product is only available in select areas, FoodKick will soon expand its service to Manhattan, according to a news release. Mr. Ackerman said the company hopes to expand FoodKick's reach and intends to work on other similar tailored products.

J.P. Morgan invested in FreshDirect through PEG Digital Growth Fund II LP. The fund has more than \$1.3 billion in its coffers, said a person familiar with the matter, and has invested in a number of companies,

including startup One Medical Group, for which the fund led a \$65 million round last year. One Medical is an affiliate of 1Life Healthcare Inc. that manages boutique medical practices throughout the U.S.

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## **FreshDirect dominates grocery delivery in New York. Now it has \$189 million to compete elsewhere.**

*One of the oldest online grocers gets a huge cash infusion.*

by Jason Del Rey @DelRey Sep 26, 2016, 7:00a

FreshDirect, an online grocer that has a large following in the New York metropolitan area, has secured a \$189 million investment led by JPMorgan Asset Management. The money will be used to launch its grocery delivery service in more cities, and to expand new business units and incubate others.

A portion of the investment will also go toward buying shares from some early investors, the company's CEO, Jason Ackerman, confirmed in an interview, but he declined to provide more details.

The New York City-based company was founded in 1999 and began delivering groceries to customer's homes in 2002. Since then, it has focused its efforts on the New York metro area and Philadelphia, and says it has more than \$600 million in annual revenue, and has been cash-flow positive since 2010.

The company had positive net income in the first six months of the year, but is not focused on keeping it that way in the near term as it sets out to invest its new money in growth, CEO Jason Ackerman said in an interview.

The investment comes as FreshDirect is facing competition in New York from a host of old and new competitors in grocery delivery, including AmazonFresh, Peapod and Instacart. Like Amazon and Peapod, FreshDirect warehouses its own food. Heavily funded Instacart, on the other hand, delivers goods in as little as an hour by grabbing groceries from partner grocers like Whole Foods and regional supermarkets.

While all of these companies are competing with each other, they are also simultaneously working together to grow the e-commerce market share of the \$600 billion U.S. grocery industry, which some estimates peg at as low as 1 percent.

FreshDirect generates revenue through the traditional buy-at-wholesale-price and sell-at-retail model. It also charges delivery fees on individual orders and offers annual memberships of \$119 for unlimited deliveries with no fees. It is known, among other things, for a wide selection of organic produce, meats and fish, as well as prepared meals.

FreshDirect, which according to CrunchBase has previously raised \$90 million, will use some of the new funds to open up a distribution center that can support \$1.5 billion in annual sales. It also plans to "aggressively expand" a new app-only business called FoodKick that delivers a smaller selection of food and booze in as little as an hour. Other new businesses will follow.

"We're building more of a platform," Ackerman said.



## FreshDirect raises \$189 million for grocery delivery

Posted Sep 26, 2016 by Katie Roof

FreshDirect, a popular online grocery service on the East Coast, is arming itself with \$189 million in additional funding. The round was led by J.P. Morgan Asset Management, with W Capital and AARP Innovation Fund investing as well.

The new capital will be used to help FreshDirect build up its “manufacturing capacity” and “open up some new geographies,” according to co-founder and CEO Jason Ackerman. The business currently ships to addresses in New York, New Jersey, Pennsylvania, Connecticut, and Delaware.

It is a tough landscape for grocery delivery, with competition from Amazon, Instacart and even Google. Popular on-demand app Postmates can bring groceries from anywhere as well.

Due to growing consumer expectations for faster delivery, FreshDirect introduced FoodKick, for one-hour delivery in select locations. Ackerman told TechCrunch that he expects this to be a pivotal part of their business. FreshDirect is “seeing a huge expansion of our customer base,” because of FoodKick, he said.

While many businesses have struggled to make online groceries work (Webvan was symbolic of the dot-com bust), FreshDirect insists that they have solid financials. With “about \$600 million in revenue,” FreshDirect is profitable and growing.

When asked whether he was concerned about the expansion of AmazonFresh, Ackerman quipped, “we’ve been competing with Amazon for a while now...and we’ve continued our growth rates all the way through.”

He added that there is room for multiple players in what he believes is a trillion-dollar industry.

FreshDirect has previously raised over \$90 million in funding from AIG, CIBC and Mercantile Capital Partners.