Consumer Staples Sector Analysis
Agenda

- Sector Performance
- Industry Overview
- Business Model Analysis
- Industry Competition Analysis
- Drivers
- External Factors
- Industry Outlook
- Weekly Updates
## Sector Performance

### Industries in This Sector

<table>
<thead>
<tr>
<th>Industry</th>
<th>Last % Change</th>
<th>YTD</th>
<th>1 - Year</th>
<th>3 - Year</th>
<th>5 - Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Staples</td>
<td>+0.16%</td>
<td>-3.03%</td>
<td>+2.29%</td>
<td>+22.16%</td>
<td>+33.48%</td>
</tr>
<tr>
<td>Beverages</td>
<td>+0.31%</td>
<td>-6.49%</td>
<td>-7.20%</td>
<td>+18.98%</td>
<td>+35.31%</td>
</tr>
<tr>
<td>Food &amp; Staples Retailing</td>
<td>+0.33%</td>
<td>+0.02%</td>
<td>+16.55%</td>
<td>+44.85%</td>
<td>+60.16%</td>
</tr>
<tr>
<td>Food Products</td>
<td>+0.05%</td>
<td>-1.83%</td>
<td>-0.33%</td>
<td>+7.26%</td>
<td>+13.53%</td>
</tr>
<tr>
<td>Household Products</td>
<td>-0.30%</td>
<td>-7.56%</td>
<td>+2.32%</td>
<td>+45.71%</td>
<td>+46.14%</td>
</tr>
<tr>
<td>Personal Products</td>
<td>+0.17%</td>
<td>+9.04%</td>
<td>+31.06%</td>
<td>+76.28%</td>
<td>+129.25%</td>
</tr>
<tr>
<td>Tobacco</td>
<td>+0.63%</td>
<td>+4.70%</td>
<td>-4.09%</td>
<td>-21.79%</td>
<td>-13.08%</td>
</tr>
<tr>
<td>S&amp;P 500 ® Index</td>
<td>+0.47%</td>
<td>+4.76%</td>
<td>+17.19%</td>
<td>+50.21%</td>
<td>+115.13%</td>
</tr>
</tbody>
</table>

### Key Players

#### Beverage
- Coca-Cola
- Keurig
- PepsiCo
- Monster
- Constellation Brands

#### Household
- P&G
- Clorox
- Colgate-Palmolive
- Estée Lauder
- Kimbell Clark

#### Packaged
- Hershey
- Tyson
- Hormel
- Kraft Heinz
- Mondelēz International

#### Tobacco
- BAT
- Altria
### Sector Fundamentals  
**AS OF 02/12/2021**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/E (Last Year GAAP Actual)</td>
<td>27.31</td>
</tr>
<tr>
<td>P/E (This Year's Estimate)</td>
<td>25.30</td>
</tr>
<tr>
<td>Enterprise Value</td>
<td>$179.44B</td>
</tr>
<tr>
<td>EPS (TTM)</td>
<td>$3.75</td>
</tr>
<tr>
<td>EPS Growth (TTM vs. Prior TTM)</td>
<td>41.85%</td>
</tr>
<tr>
<td>Revenue Growth (TTM vs. Prior TTM)</td>
<td>3.49%</td>
</tr>
<tr>
<td>Return on Equity (TTM)</td>
<td>50.30%</td>
</tr>
<tr>
<td>Return on Investment (TTM)</td>
<td>13.02%</td>
</tr>
<tr>
<td>Total Debt/Equity (TTM)</td>
<td>235.25</td>
</tr>
<tr>
<td>Dividend Yield</td>
<td>2.68%</td>
</tr>
</tbody>
</table>

![Pie chart showing sector distribution](image)

- Information technology: 27.6%
- Health care: 13.4%
- Consumer: 12.7%
- Financials: 10.3%
- Communication: 10.8%
- Real estate: 2.4%
- Materials: 2.6%
- Utilities: 2.7%
- Consumer staples: 6.6%
- Industrials: 8.5%
Business Model Analysis

❖ Principal business activity
  ➢ Providing food and staples retailing, food/beverage/tobacco, household and personal products to customers

❖ Product/service provided
  ➢ Hypermarkets, supercenters and pharmacies, food, beverage and tobacco products
  ➢ Detergents, soaps, diapers, cosmetics and perfumes

❖ Consumer demand analysis
  ➢ Non-cyclical, defensive sector, low-growth YOY
  ➢ Inelastic demand as these goods are bought during recessions and booms
  ➢ Low beta value

❖ Raw material/Supplier analysis
  ➢ High number of suppliers
  ➢ Predictable demand gives suppliers confidence

❖ Profitability analysis
  ➢ Good dividends, solid profit margins, low volatility mostly because there are many industry giants
  ➢ Often price wars between companies, could lead to lower margins in the future
  ➢ Inflation resistant with predictable growth
Industry Competition Analysis

Threat of Substitute Products - High
- Small number of established brands
- Products are easy to replicate
- Can be sold for cheaper prices

Power of Customers - High
- Low Costs to switch brands
- Buyers have many options

Power of Suppliers - Low
- High number of suppliers reliant on low number of companies for the majority of business

Intensity of Competitive Rivalry - High
- Low product differentiation

Threat of New Entrants - Low
- High capital requirement
- Brand recognition is significant
Drivers

- Consumer Staples are in constant demand, regardless of economic health
- Demand is stable for a defensive sector
- It is not sensitive to inflation or interest rates
- GDP is an important macroeconomic driver
- Price competition is also key in this sector

Sector Sensitivity Breakdown:
- Beverages: low
- Food & Staples Retailing: low
- Household Products: low
- Tobacco: low
- Food Products: low/moderate
- Personal Products: moderate

Factors of Pricing Power:
- Barriers to entry: low
- Industry concentration: low
- Industry capacity: high
- Market share stability: high
- Price competition: high

Life Cycle Classification:
- Beverages: mature
- Food & Staples Retailing: mature
- Household Products: mature
- Tobacco: growth
- Food Products: mature
- Personal Products: mature
# Key External Factors

<table>
<thead>
<tr>
<th>Key Factor</th>
<th>Sub-Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>◆ Marketing of differentiated products&lt;br&gt;◆ Establishment of brand names&lt;br&gt;◆ Effective quality control</td>
</tr>
<tr>
<td>Operational Efficiencies</td>
<td>◆ Economies of scale / scope&lt;br&gt;◆ Control of distribution arrangements</td>
</tr>
<tr>
<td>Strategic Decisions</td>
<td>◆ Ability to manage external contracts&lt;br&gt;◆ Proximity to key markets&lt;br&gt;◆ Close monitoring of competition&lt;br&gt;◆ Access to the latest available technology and techniques</td>
</tr>
</tbody>
</table>
**Industry Outlook**

**Beverage**
- Global beverage-producer sales could strengthen in 2021 if COVID-19 vaccine response leads to broad re-openings.
- Expect sales to benefit from an improvement in economic conditions in key beverage markets.
- Manufacturing operating leverage varies, with beer and soft-drink manufacturers particularly vulnerable to a resumption to shutdowns, given their capital-intensive cost structures.

**Packaged Foods**
- Could benefit from shifts that favor at-home meals and a reliance on e-commerce.
- Food producers may have a difficult time sustaining pandemic-driven high demand, primarily in retail channels.
- Supply-chain challenges from COVID-19 have weighed on protein producers.

**Household Products**
- Expected 2021 recovery in demand and travel retail gradually.
- Global beauty, home and personal-care could get a boost, with beauty’s larger revenue mix, higher growth rates, wider margins.
- Cleaning and disinfectants still topping shopping lists.
- Premium-beauty prospects could brighten as lockdown restrictions ease, department stores and hair and beauty salons reopen and air-travel rules relax.

**Tobacco**
- Lackluster global tobacco-industry performance may extend into 2021.
- Weak cigarette sales and high regulatory scrutiny of noncombustible products.
- Improved industry performance hinges on economic recovery and smoker mobility.
- Investor sentiment toward the cannabis group.
Kraft Heinz agreed to sell Planters and its other nut brands to Hormel for $3.35 billion. (CNBC)

Mitake Food Manufacturing Co., Ltd. Launches Karaage Fried Chicken Flour Made from Rice in the United States. (GLOBENEWSWIRE)
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