

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

Industry ▲	Last % Change 05:51 PM ET 02/12/2021	% CHANGE			
		YTD	1 - Year 02/12/2021	3 - Year	5 - Year
Consumer Staples	+0.16%	-3.03%	+2.29%	+22.16%	+33.48%
Beverages	+0.31%	-6.49%	-7.20%	+18.98%	+35.31%
Food & Staples Retailing	+0.33%	+0.02%	+16.55%	+44.85%	+60.16%
Food Products	+0.05%	-1.83%	-0.33%	+7.26%	+13.53%
Household Products	-0.30%	-7.56%	+2.32%	+45.71%	+46.14%
Personal Products	+0.17%	+9.04%	+31.06%	+76.28%	+129.25%
Tobacco	+0.63%	+4.70%	-4.09%	-21.79%	-13.08%
S&P 500® Index	+0.47%	+4.76%	+17.19%	+50.21%	+115.13%

Key Players

Beverage



Constellation
Brands

Household



COLGATE-PALMOLIVE



Kimberly-Clark

ESTÉE
LAUDER
COMPANIES

Packaged



Kraft Heinz
Mondelēz
International

Tobacco

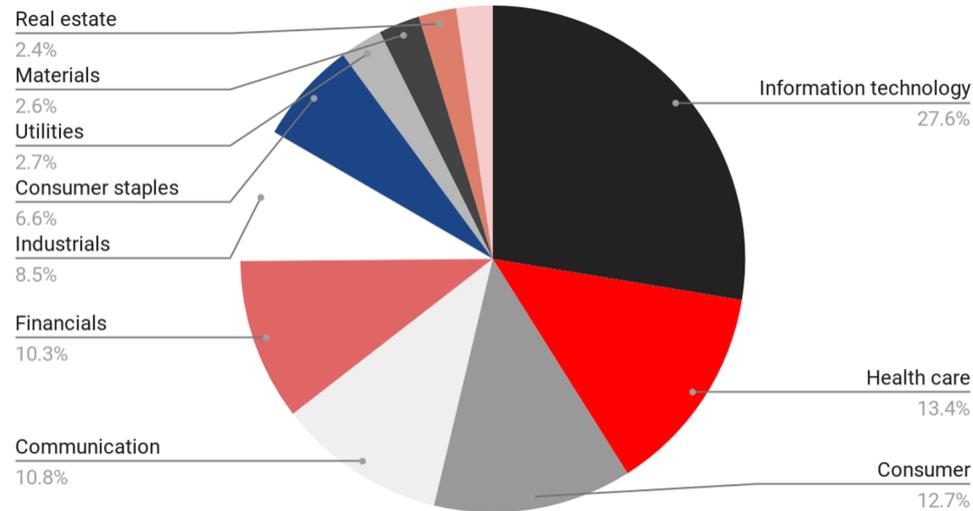


Altria
MUSMIF

Consumer Staples Overview

Sector Fundamentals AS OF 02/12/2021

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





PG 127.62 | XLP 66.53 | WMT 144.69 | KO 49.03

Feb 08, 2021 - Feb 12, 2021

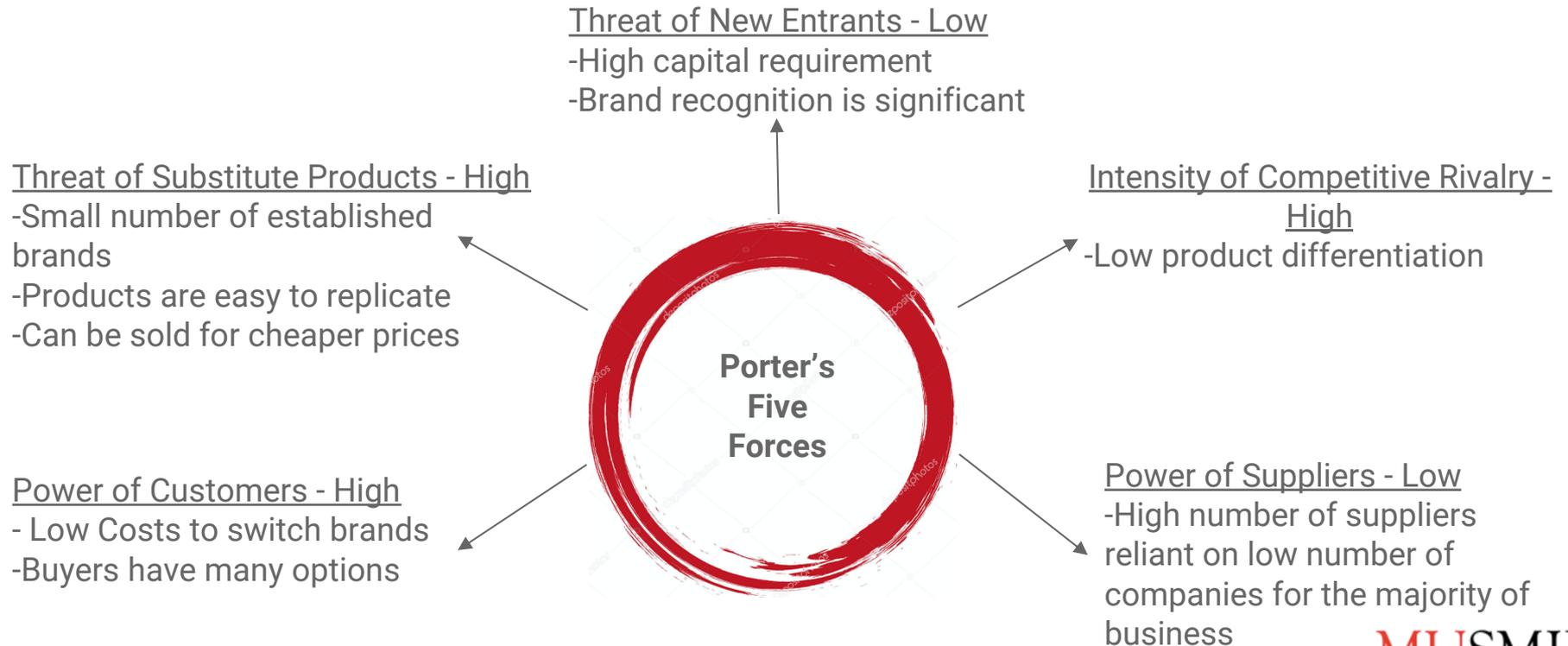
Weekly Performance



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



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

- | | |
|--------------------------|--|
| Customer Loyalty | <ul style="list-style-type: none">❖ Marketing of differentiated products❖ Establishment of brand names❖ Effective quality control |
| Operational Efficiencies | <ul style="list-style-type: none">❖ Economies of scale / scope❖ Control of distribution arrangements |
| Strategic Decisions | <ul style="list-style-type: none">❖ Ability to manage external contracts❖ Proximity to key markets❖ Close monitoring of competition❖ Access to the latest available technology and techniques |

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

Weekly News

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)

References

Bloomberg Terminal

The NY Times DealBook

https://eresearch.fidelity.com/eresearch/goto/markets_sectors/sectors/sectors_in_market.jhtml?tab=learn§or=30

https://shipweb02.ship.edu/globalassets/business/imp/student_reports/consumer_staples_sector_report.pdf

<https://www.spglobal.com/spdji/en/indices/equity/sp-500/#overview>

<https://www.bloomberg.com/markets/sectors/consumer-staples>

<https://www.yardeni.com/pub/sp500margin.pdf>