Empirical Research Partners

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Consumer Strategy December 2021

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Do Valuations Support a Pro-Cyclical View?

We Think the Consumer Is on Solid Ground. How Best to Express that View?

- In recent reports we've outlined an optimistic view for consumer spending growth. The combination of strong labor markets, $2+ trillion of excess savings and the potential for households to take on debt to fund consumption more than compensates for the loss of Pandemic-related transfer payments. Some low-end consumers may struggle, but middle-income earners are poised to be the engine for growth. The high end can provide additional support if they decide to flex their spending power. The aim of this report is determine whether these fundamental views are exploitable in the context of valuation for consumer stocks.

Leisure and Retail Stocks Are Attractive on Fundamentals, While Durables and Staples Offer Value

- Stocks within the consumer staples sector have been correlated with one another to a near-record extent. The key question therefore is whether it's a good time to own the sector. We're intrigued by the relative free cash flow yields on offer from mega-cap staples, that have one of the largest premiums to the market in two decades. The stocks appear to offer a cheap form of insurance against something going awry in the macro environment, but when it comes to stability they're not the only game in town. The FAANGM stocks now offer comparable stability profiles with four times the top-line growth. Our preference is to maintain modest exposure to staples and instead focus on areas where valuation disparities are more pronounced.

- The consumer durables stocks are trading at a steep discount to history based on EBITDA multiples. The market is probably pricing in some risk associated with rising interest rates and above-trend Pandemic-era earnings. Within that grouping, housing-related stocks still appeal to us. Nearly all of the large-cap homebuilders rank well in our modelling framework and we're being paid to take on some interest rate risk. We think exposure to autos also makes sense as a way to capitalize on a well of pent-up demand that built during the Pandemic. Other durable stocks are less appealing to us fundamentally, but valuations tell a more constructive story. Capex trends have also remained rational, suggesting that companies aren't betting that Pandemic-era gains will stick.

- Leisure stocks are tricky to value as earnings fell through the floor and companies raised new capital during the Pandemic. The way we see it the market is applying a fairly normal multiple to 2023 EBITDA expectations. About a fifth of the stocks rank in the top quintile of our Core Model, the best showing since the onset of the Pandemic. Capacity has come out of the system and the largest companies have kept a tight lid on capital spending. That together with a history of pricing power should prove to be a boon to margins.

- Apparel stocks don't look as attractive on a forward earnings-basis as other industries do, so we'd keep them on a short leash. Profit expectations have been rising steadily though, and the outlook for margins is still good as a result of improving inventory freshness. The supply chain is making the job of flowing goods tougher, so it pays to focus on businesses that are executing.

Conclusion: A Lot to Like in Consumer Stocks. Fundamentals and Valuation Invite a Balanced Approach

- When it comes to stock selection we've been espousing a balanced stylistic approach for the better part of six months, consistent with the neutral stance of our market regime indicator. Balance seems to be the right prescription within consumer stocks too. We have a positive fundamental view on leisure and retail-related areas. Others including consumer durables, are cheap enough to take on some fundamental risk. As a group, consumer cyclicals account for a quarter of all large-cap stocks that rank in the best quintiles of valuation and earnings quality, twice their typical representation. They're also over-represented if we look at the intersection of earnings quality and capital deployment. There's a lot to like in consumer cyclicals and Appendix 1 on page 10 highlights those in the best quintile of our Core Model. At this point in the cycle we're not craving stability, but macro-related risks coupled with attractive valuations make a small bet on consumer staples worthwhile.

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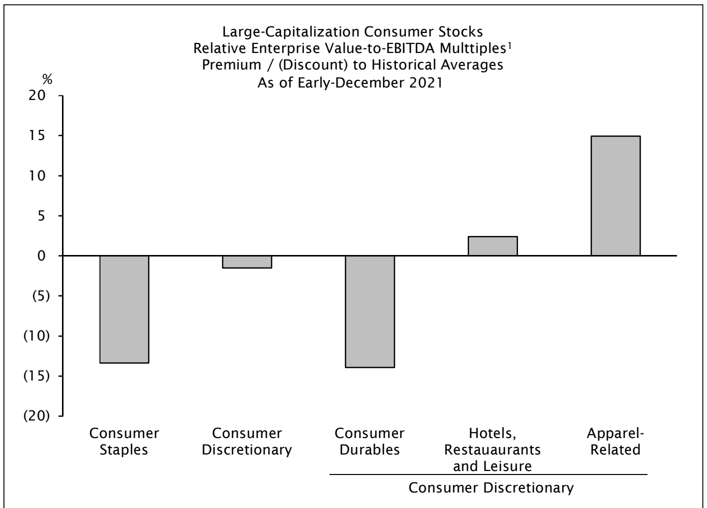
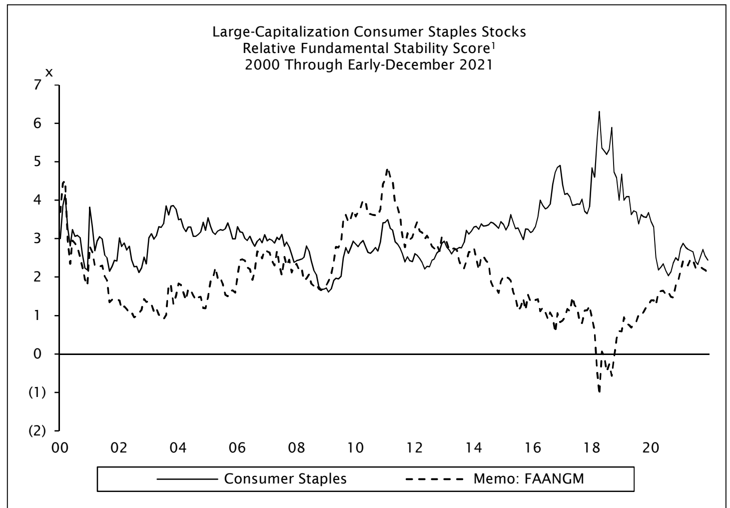
Conclusions in Brief

- Consumer staples and durables stocks are cheaper than normal after accounting for earnings expectations:



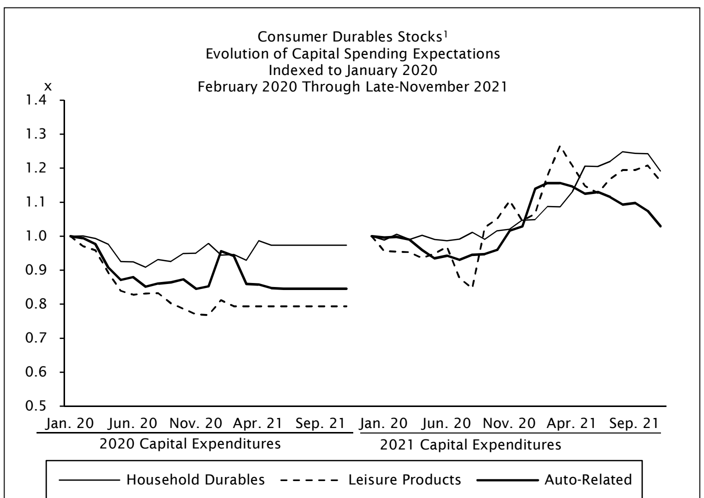
Source: FactSet Research Systems, Empirical Research Partners Analysis.
[1] Value-weighted data since 1976. Forecasts apply current enterprise value to consensus 2023 EBITDA forecasts.

- Staples offer a form of cheap insurance, but they're not the only stable stocks around:



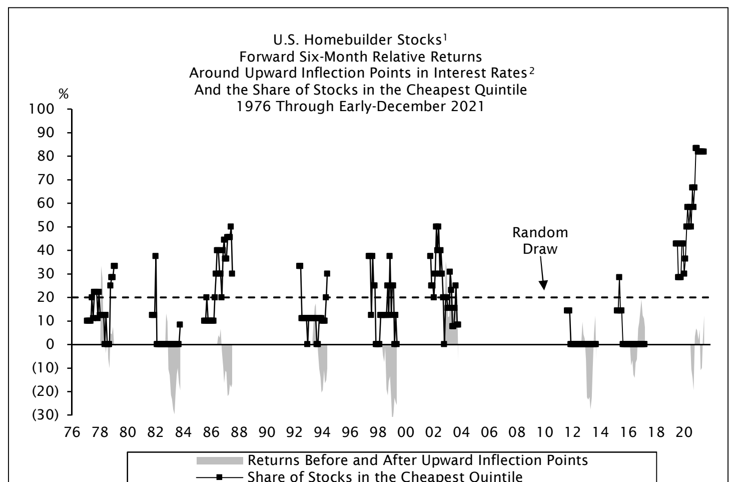
Source: Empirical Research Partners Analysis.
[1] Capitalization-weighted data.

- Consumer durables face an uphill battle to sustain growth, but they've kept capex from rising too fast:



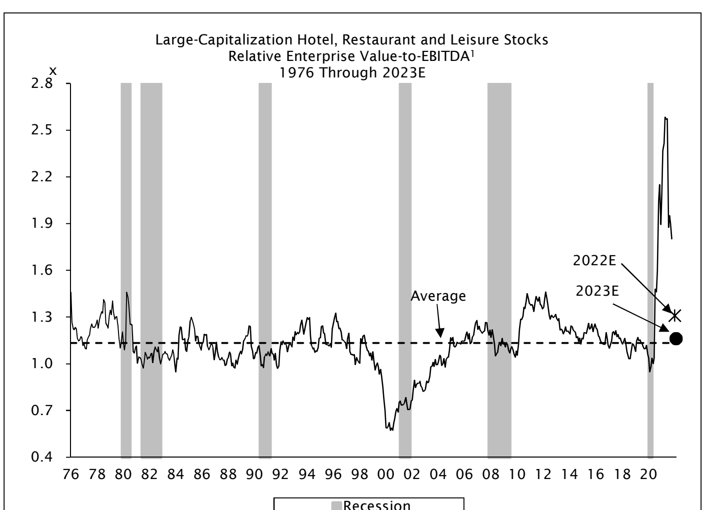
Source: FactSet Research Systems, Empirical Research Partners.
[1] Drawn from the largest 1,500 stocks. Auto-related includes automobiles, auto parts and auto retailers.

- Some stocks including homebuilders, seem to be bracing for a slowdown, making for an attractive risk-reward ratio:



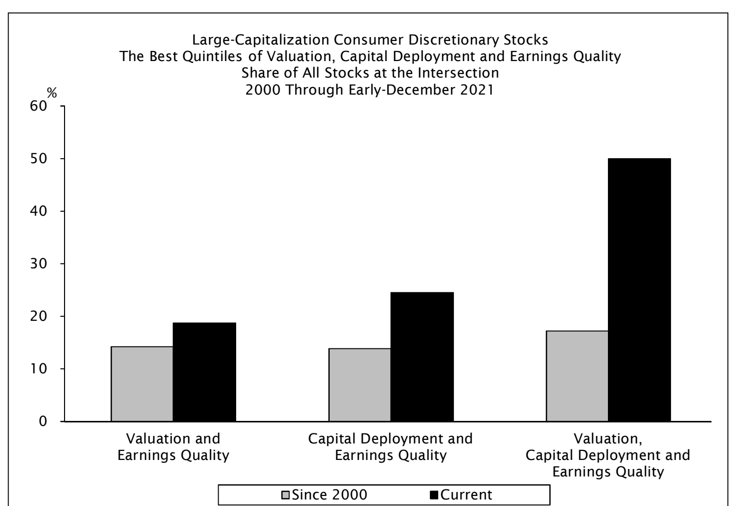
Source: Federal Reserve Bank of St. Louis, Empirical Research Partners Analysis.
[1] Drawn from the largest 1,500 stocks.
[2] Inflection points measured using the rate on a 30-year fixed rate mortgage.

- It's been hard to value leisure stocks lately. Our take is that they're not ahead of the fundamentals:



Source: FactSet Research Systems, NBER, Empirical Research Partners Analysis.

- Overall, there's a lot to like within consumer sectors. Balance is the key:

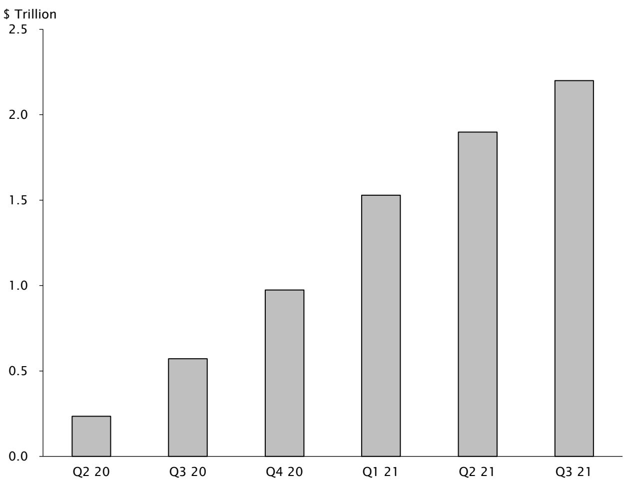


Source: Empirical Research Partners Analysis.

Does Valuation Support a Pro-Cyclical View?

When it comes to stock selection, we've been espousing a balanced stylistic approach for the better part of six months, consistent with the neutral stance of our market regime indicator. Our view on consumer stock selection has followed a similar mantra, though we've maintained a pro-cyclical bias, favoring leisure and retail-related issues. We believe that the spending cycle still has legs as households have amassed more than $2 trillion in excess free cash flow over the past six quarters (see Exhibit 1). That together with a strong job market and rising asset prices should help to underpin robust consumer spending growth in the coming years (see Exhibit 2). The aim of this report is to determine whether our fundamental views are exploitable or whether valuation tells a different story.

Exhibit 1: Household Free Cash Flow[1]
Cumulative Excess Compared to 2019 Levels
Q2 2020 Through Q3 2021



Source: Federal Reserve Board of Governors, Empirical Research Partners Analysis.

[1] Free cash flow measures gross cash flow less capital expenditures for housing and durable goods.

Exhibit 2: A Perspective on Aggregate Consumption
Nominal PCE Growth Under Various Scenarios[1]
Year-over-Year Percent Change
2022E

Savings Drawdown	Wage Growth 2%	3%	4%	5%	6%	7%
10%	0.39	1.48	2.57	3.66	4.75	5.84
20%	1.68	2.77	3.86	4.95	6.04	7.13
30%	2.97	4.06	5.14	6.23	7.32	8.41
40%	4.25	5.34	6.43	7.52	8.61	9.70
50%	5.54	6.63	7.72	8.80	9.89	10.98
60%	6.82	7.91	9.00	10.09	11.18	12.27
70%	8.11	9.20	10.29	11.38	12.47	13.55

Source: Empirical Research Partners Analysis.

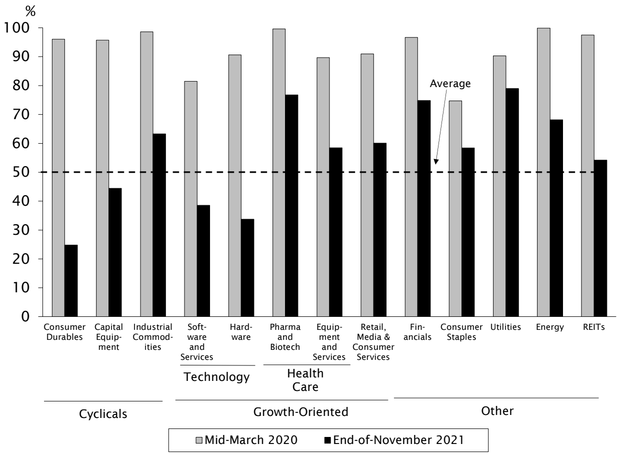
[1] All scenarios embed a near-full employment recovery and $2.175 trillion in excess savings. Growth rates relative to 2021 after accounting for lost government benefits.

Leisure and Retail Stocks Are More Intriguing than Durables and Staples

Valuation spreads across the market are a little more than one-half of a standard deviation wider than normal and the disparities within retailers and leisure stocks are a bit more elevated than normal (see Exhibit 3). We believe returns within consumer durables and staples will be more tightly bunched and those areas may prove to be more of a group call than a stock picker's game. That's familiar territory for consumer staples that've offered scant opportunity to exploit valuation differentials for the better part of a decade (see Exhibit 4). Daily returns within the group have also become more correlated to one another in the post-Financial Crisis era (see Exhibit 5). Stocks within that sector have been +50% more correlated than the average large-cap stock in recent months, a reading that qualifies as one of the highest on record. The critical question therefore is whether it's a good time to own the sector.

We're intrigued by the valuation of the largest staples, that currently offer a +1.3% free cash flow yield premium to the market (see Exhibit 6). That's among the largest premiums in two decades. Profits for that group of stocks were strong during the Pandemic, pushing the relative yield upward, so it's more important than usual to look at expectations for the years ahead. Exhibit 7 presents the historical EV-to-EBITDA multiples for the large-cap consumer staples and the markings at the right indicate how the stocks are being valued based on 2022 and 2023 estimates. The stocks appear to offer a cheap form of insurance against something going awry in the macro environment. When it comes to stability though, they're not the only game in town. The FAANGM stocks offer four times the top-line growth and they've become increasingly stable over time (see Exhibit 8). Our preference is to maintain modest exposure to staples and instead focus on areas where the outlook for growth is better and valuation disparities are more pronounced (see Exhibit 9).

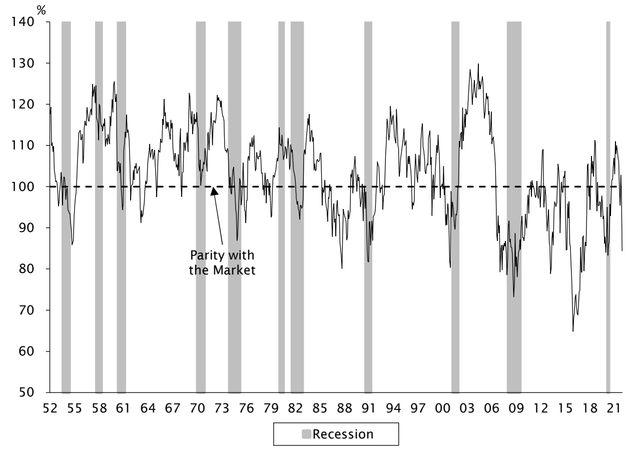
Exhibit 3: Intra-Sectoral Valuation Spreads[1]
Current Readings Compared to Long-Term History
Percentiles (1=Narrowest; 100=Widest)
1952 Through November 2021



Source: Empirical Research Partners Analysis.

[1] Based on an analysis of a 1,500 stock universe. Framework varies across sectors depending on what's efficacious.

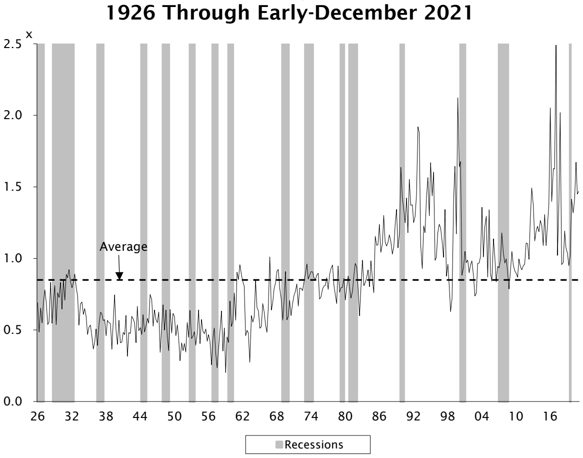
Exhibit 4: Large-Capitalization Consumer Staples Stocks
Relative Dispersion in the Valuation Super Factor[1]
1952 Through Early-December 2021



Source: NBER, Empirical Research Partners Analysis.

[1] Standard deviation of the valuation super factor relative to the large-cap market.

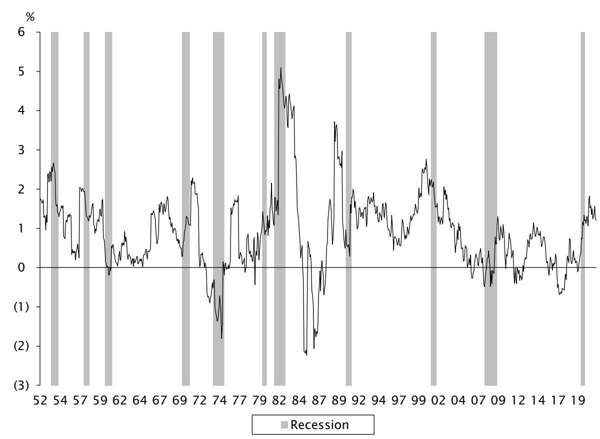
Exhibit 5: Large-Capitalization Consumer Staples Stocks
Relative Daily Return Correlation Expressed
as Quarterly Averages[1]
1926 Through Early-December 2021



Source: NBER, Empirical Research Partners Analysis.

[1] Capitalization-weighted data.

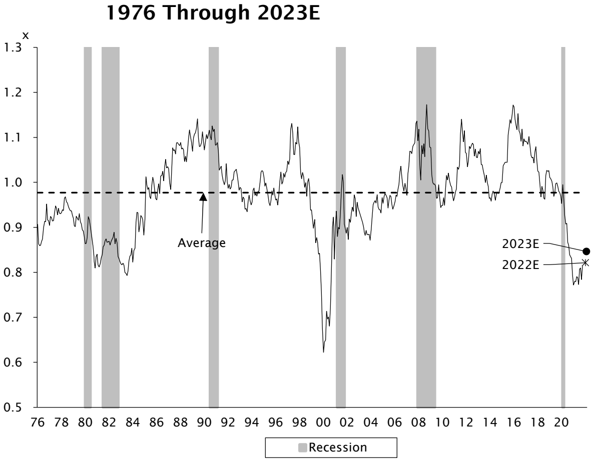
Exhibit 6: Mega-Cap Consumer Staples Stocks
Relative Free Cash Flow Yield[1]
1952 Through Early-December 2021



Source: Empirical Research Partners Analysis.

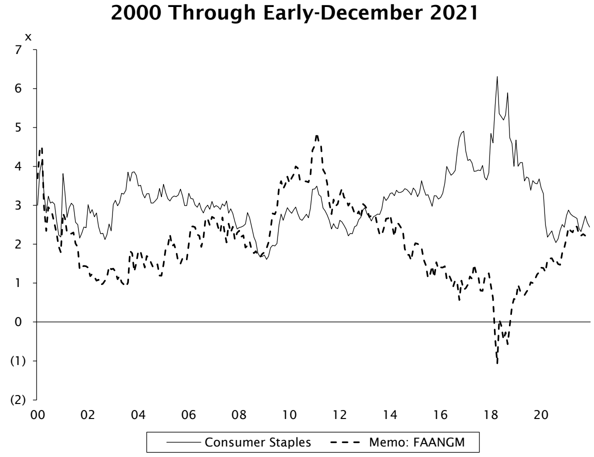
[1] Capitalization-weighted data.

Exhibit 7: Large-Capitalization Consumer Staples Stocks
Relative Enterprise Value-to-EBITDA
1976 Through 2023E



Source: FactSet Research Systems, NBER, Empirical Research Partners Analysis.

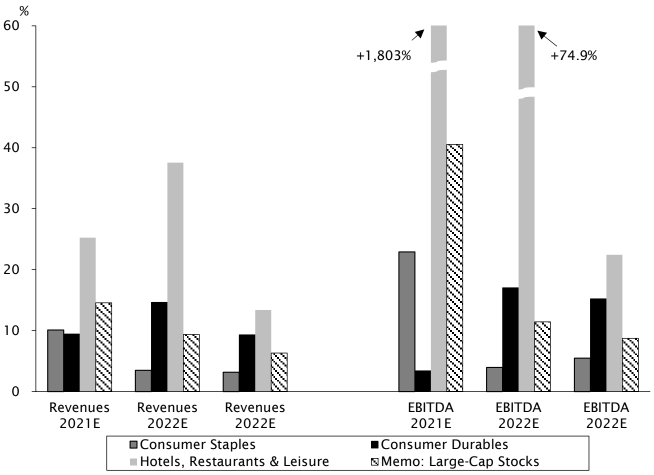
Exhibit 8: Large-Capitalization Consumer Staples Stocks
Relative Fundamental Stability Score[1]
2000 Through Early-December 2021



Source: Empirical Research Partners Analysis.

[1] Capitalization-weighted data.

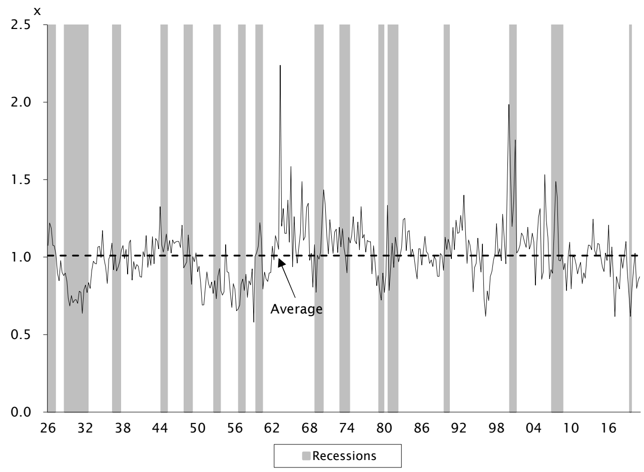
**Exhibit 9: Large-Capitalization Stocks
Sales and EBITDA Growth Expectations[1]
Year-over-Year Change
2021E Through 2023E**



Source: FactSet Research Systems, Empirical Research Partners Analysis.

[1] Value-weighted data for calendar years. Large-cap universe, excluding financials, utilities and energy.

**Exhibit 10: Large-Capitalization Consumer Discretionary Stocks
Relative Daily Return Correlation Expressed
as Quarterly Averages[1]
1926 Through Early-December 2021**



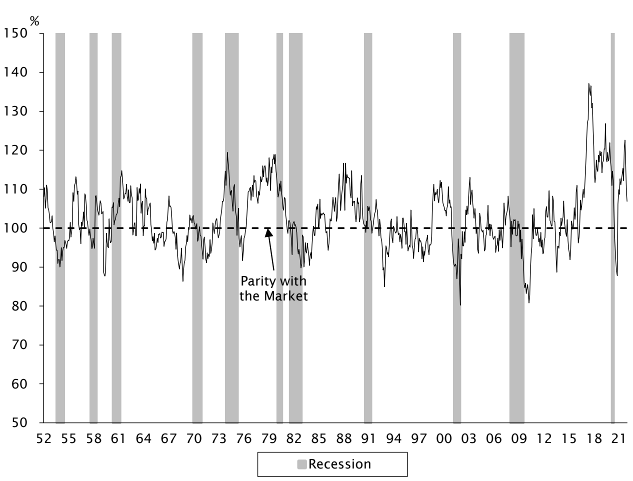
Source: NBER, Empirical Research Partners Analysis.

[1] Capitalization-weighted data.

Consumer Cyclicals Score Well on Both Fundamental and Quantitative Metrics

We continue to see opportunity among consumer discretionary stocks that are slated to grow faster than the market. Their co-movement is lower than that seen elsewhere in the market and valuation disparities are slightly wider than normal (see Exhibits 10 and 11). The same is true for trends in capital deployment and earnings quality and that increases the ability for stock pickers to generate alpha (see Exhibits 12 and 13). Consumer discretionary stocks don't look cheap on current earnings, but we can infer what investors are thinking by applying an average multiple to 2023 earnings that are closer to normal (see Exhibit 14).

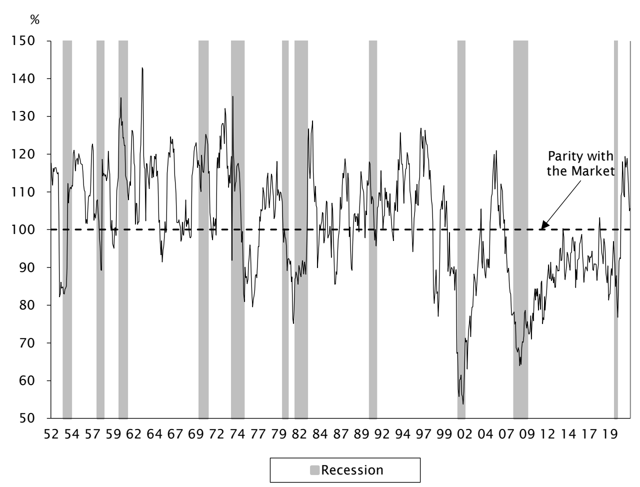
**Exhibit 11: Large-Capitalization Consumer Discretionary Stocks
Relative Dispersion in the Valuation Super Factor[1]
1952 Through Early-December 2021**



Source: NBER, Empirical Research Partners Analysis.

[1] Standard deviation of valuation super factor relative to the large-cap market.

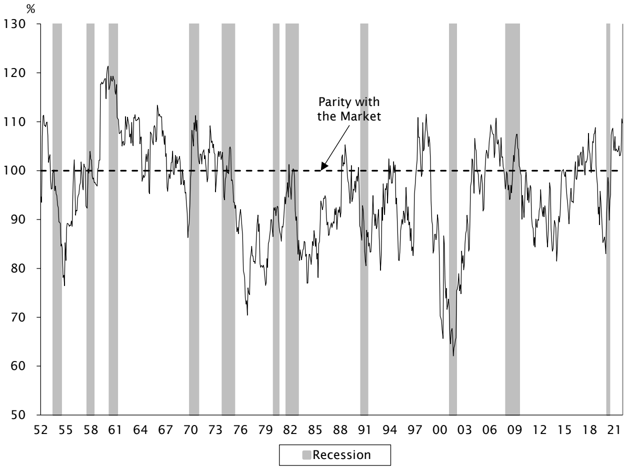
**Exhibit 12: Large-Capitalization Consumer Discretionary Stocks
Relative Dispersion in the Capital Deployment Super Factor[1]
1952 Through Early-December 2021**



Source: NBER, Empirical Research Partners Analysis.

[1] Standard deviation of the capital deployment super factor relative to the large-cap market.

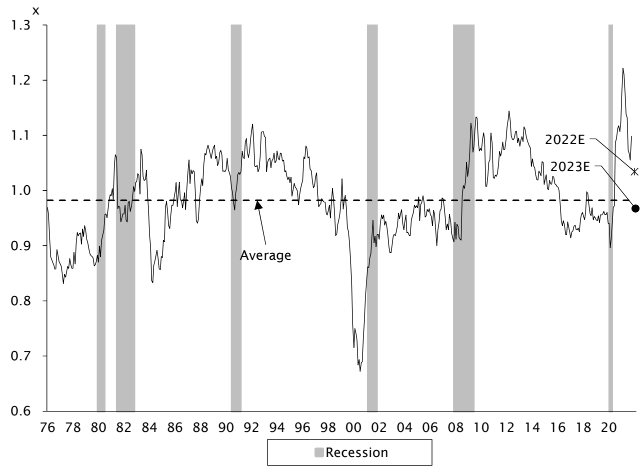
Exhibit 13: Large-Capitalization Consumer Discretionary Stocks Relative Dispersion in the Earnings Quality Super Factor[1] 1952 Through Early-December 2021



Source: NBER, Empirical Research Partners Analysis.

[1] Standard deviation the earnings quality super factor relative to the large-cap market.

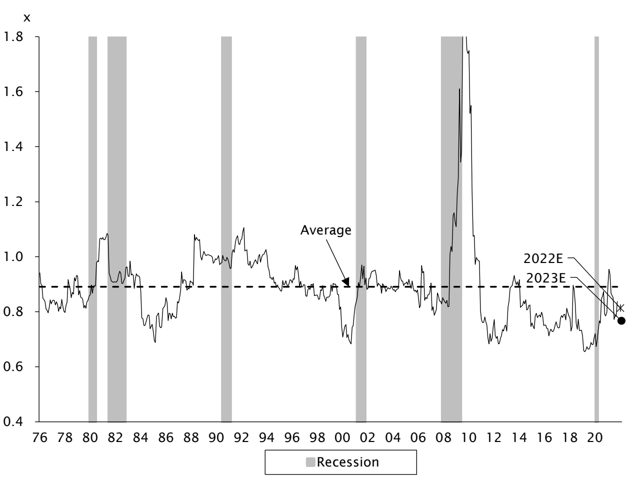
Exhibit 14: Large-Capitalization Consumer Discretionary Stocks Relative Enterprise Value-to-EBITDA[1] 1976 Through 2023E



Source: FactSet Research Systems, NBER, Empirical Research Partners Analysis.

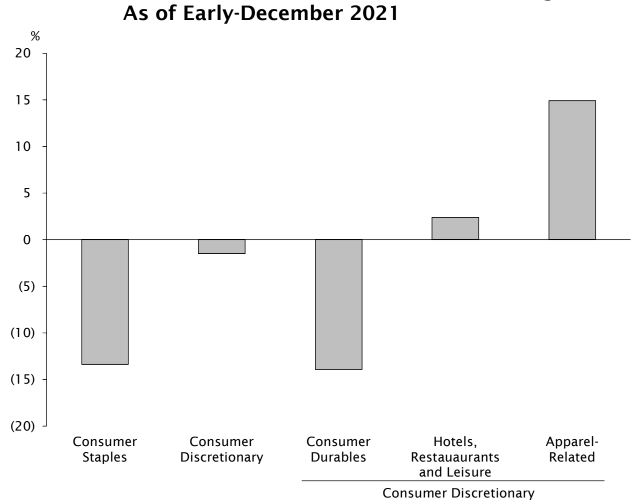
Consumer durables that include homebuilders, autos and manufacturers of leisure-type products are a part of that grouping, and they're trading at a fairly steep discount to history based on EBITDA multiples (see Exhibits 15 and 16). The market is probably pricing in some risk associated with rising interest rates, a setting that usually corresponds with poor homebuilder price performance. The difference this time is that valuations are today in a provocative place (see Exhibit 17). Nearly all of the large-cap homebuilders rank in the best quintile of valuation and we're being paid to take on some interest rate risk. In addition to housing, we think the autos make sense as pent-up demand has built during the Pandemic (see Exhibit 18). Other areas of consumer durables are less appealing, since strong demand over the past 18 months has inflated their top lines relative to normal. The market however, doesn't appear to have ascribed high multiples to these elevated earnings. Companies also seem to be taking a cautious approach to excess earnings. They've not yet ramped up production to meet the new level of demand and that's helped to keep inventories fresh (see Exhibit 19). Supply chain disruptions have clearly played a role in that development, but companies have also been judicious when it comes to capital investment (see Exhibit 20). The outlook for capex in the automotive arena has come down to reflect component shortages. Other areas have increased capex budgets, but these have been commensurate with capital spending cutbacks that were made in 2020.

Exhibit 15: Large-Capitalization Consumer Durables Stocks Relative Enterprise Value-to-EBITDA 1976 Through 2023E



Source: FactSet Research Systems, NBER, Empirical Research Partners Analysis.

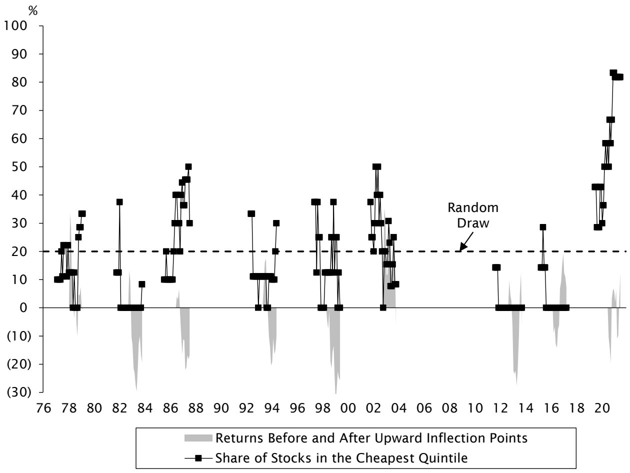
Exhibit 16: Large-Capitalization Consumer Stocks Relative Enterprise Value-to-EBITDA Multtiples[1] Premium / (Discount) to Historical Averages As of Early-December 2021



Source: FactSet Research Systems, Empirical Research Partners Analysis.

[1] Value-weighted data since 1976. Forecasts apply current enterprise value to consensus EBITDA forecasts for 2023.

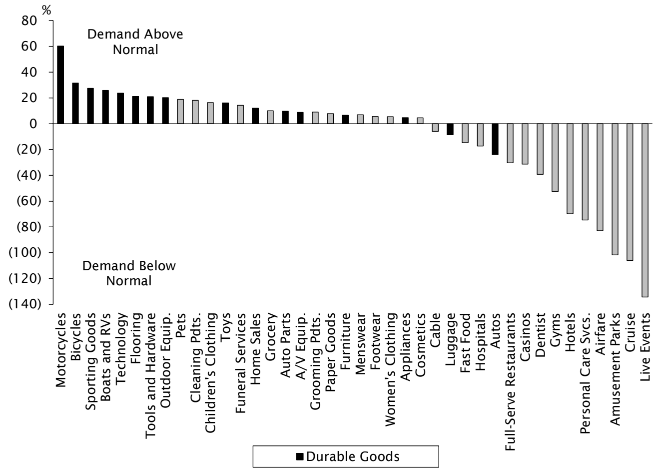
Exhibit 17: U.S. Homebuilder Stocks[1]
***Forward* Six-Month Relative Returns**
Around Upward Inflection Points in Interest Rates[2]
And the Share of Stocks in the Cheapest Quintile
1976 Through Early-December 2021



Source: Federal Reserve Bank of St. Louis, Empirical Research Partners Analysis.

[1] Drawn from the largest 1,500 stocks.
[2] Inflection points measured using the rate on a 30-year fixed rate mortgage.

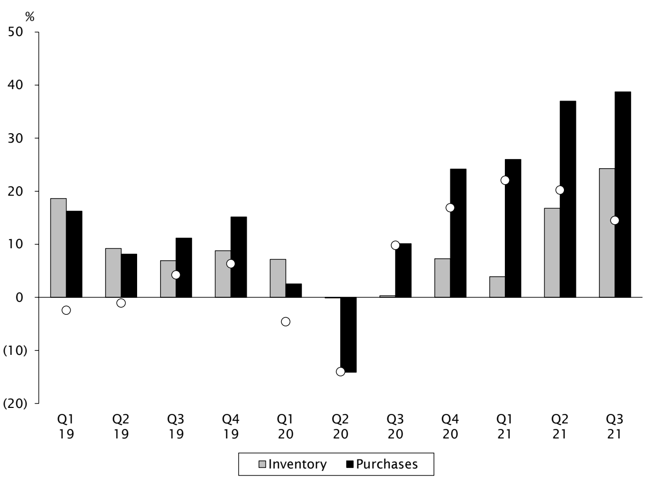
Exhibit 18: Real Demand Relative to Normal[1]
Cumulative Change in Quantities Consumed
from Pre-Pandemic Levels
Measured as a Share of the Category Baseline
March 2020 Through October 2021



Source: Bureau of Economic Analysis, Empirical Research Partners Analysis.

[1] Normal based on 2019 spending/sales by category grown two years using historical average growth rates. Autos are the light vehicles SAAR.

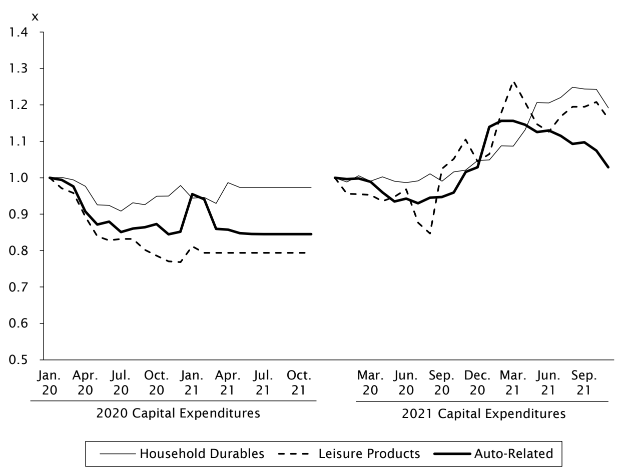
Exhibit 19: Consumer Durables Stocks[1]
Inventory Freshness[2]
Measured on a Two-Year Basis
2016 Through Q3 2021



Source: FactSet Research Systems, Empirical Research Partners Analysis.

[1] Drawn from the largest 1,500 stocks. Value-weighted data for companies reporting in all periods. Excludes textiles, apparel and luxury goods.
[2] Freshness is purchases growth less inventory growth. Purchases defined as current period COGS plus the sequential change in inventory level.

Exhibit 20: Consumer Durables Stocks[1]
Evolution of Capital Spending Expectations
Indexed to January 2020
February 2020 Through November 2021



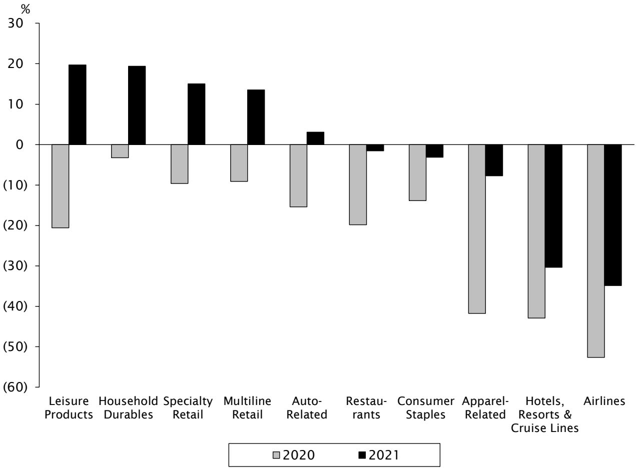
Source: FactSet Research Systems, Empirical Research Partners.

[1] Drawn from the largest 1,500 stocks. Auto-related includes automobiles, auto parts and auto retailers.

Middle Cyclicals Have the Brightest Fundamental Outlook. Valuations Don't Appear Out of Whack

Leisure stocks have led the descent when it comes to capital spending. Compared to pre-Pandemic expectations, their 2021 budgets are lower by (30)%, not too different from the cuts that were made to 2020 capex plans (see Exhibit 21). Capacity has come out of the system and that may prove to be a boon to both pricing power and margins in the coming years. The stocks have been tricky to value as earnings fell through the floor during the Pandemic, but the way we see it the market is applying a fairly normal multiple to 2023 EBITDA expectations (see Exhibit 22). Today about a fifth of the stocks rank in the top quintile of our Core Model, the best showing since the onset of the Pandemic.

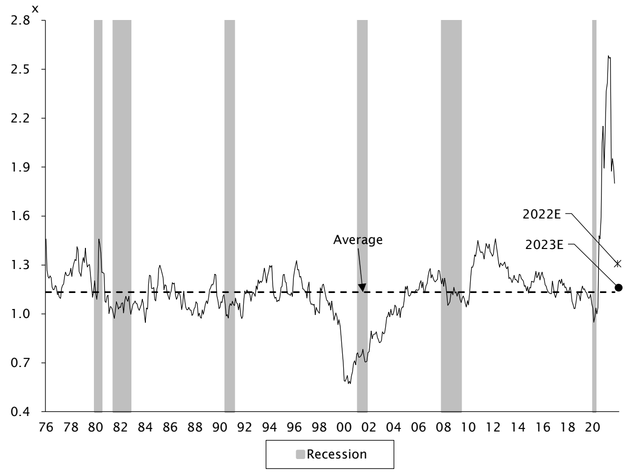
Exhibit 21: Consumer Stocks[1]
Change in Capital Spending Expectations
Relative to January 2020
As of Early-December 2021



Source: FactSet Research Systems, Empirical Research Partners.

[1] Drawn from the largest 1,500 stocks. Staples exclude upstream food producers, automotive retailers and auto components reclassified to auto-related, apparel retail and department stores included in apparel-related.

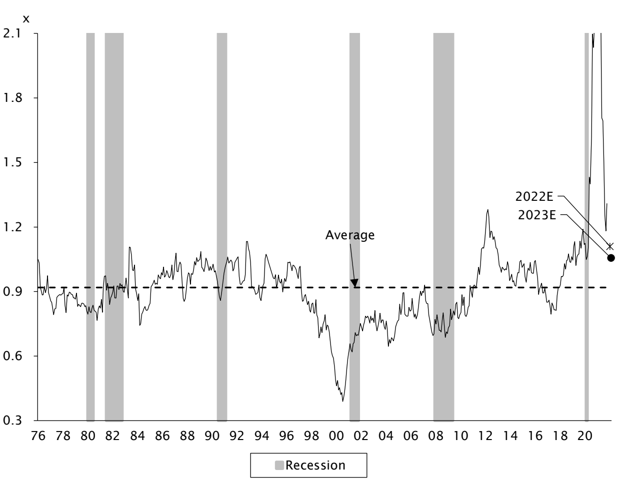
Exhibit 22: Large-Cap Hotel, Restaurant and Leisure Stocks
Relative Enterprise Value-to-EBITDA
1976 Through 2023E



Source: FactSet Research Systems, NBER, Empirical Research Partners Analysis.

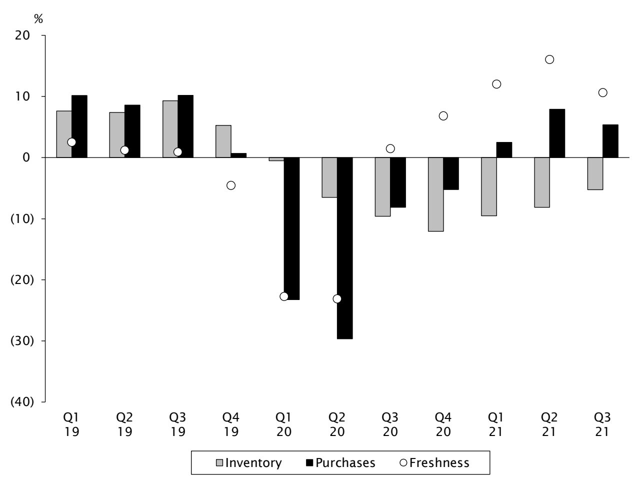
Apparel stocks don't look as attractive on a forward earnings-basis as other industries do, but profit expectations have been rising steadily, and earnings estimates are +10-15% higher than they were six months ago (see Exhibit 23). We'd keep apparel stocks on a short leash, but the outlook for margins is still good, in large part due to fresh assortments (see Exhibit 24). The supply chain is making the job tougher, so it pays to focus on businesses that are executing. We show a stark difference in performance between Ross Stores and Nordstrom in Exhibits 25 and 26. ROST has improved its inventory freshness by buying for growth while JWN has been caught wrong-footed. The latter may need to grapple with markdowns.

Exhibit 23: Large-Capitalization Apparel-Related Stocks
Relative Enterprise Value-to-EBITDA
1976 Through 2023E



Source: FactSet Research Systems, NBER, Empirical Research Partners Analysis.

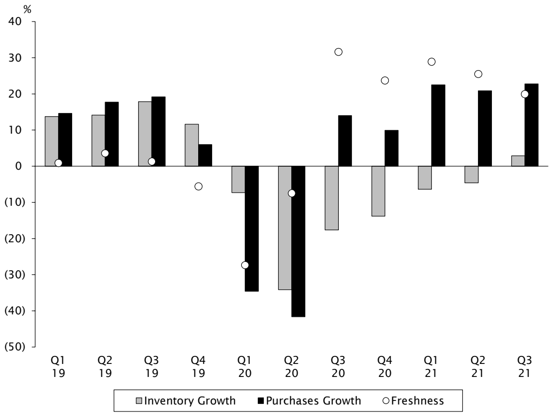
Exhibit 24: Apparel-Related Stocks[1]
Components of Inventory Freshness[2]
Measured on a Two-Year Basis
2020 Through Q2 2021



Source: FactSet Research Systems, Empirical Research Partners Analysis.

[1] Drawn from the largest 1,500 stocks. Includes companies that turn inventory 1.5-8.0x perannum and that have reported in all periods.
[2] Freshness is purchases growth less inventory growth. Purchases defined as current period COGS plus the sequential change in inventory level.

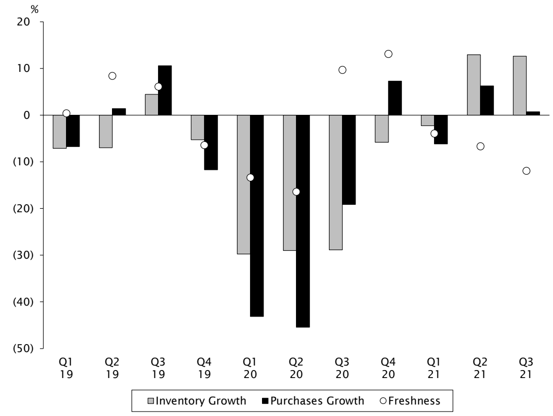
Exhibit 25: Ross Stores
Components of Inventory Freshness[1]
Measured on a Two-Year Basis
2019 Through Q3 2021



Source: FactSet Research Systems, Empirical Research Partners Analysis.

[1] Freshness is purchases growth less inventory growth. Purchases defined as current period COGS plus the sequential change in inventory level.

Exhibit 26: Nordstrom
Components of Inventory Freshness[1]
Measured on a Two-Year Basis
2019 Through Q3 2021



Source: FactSet Research Systems, Empirical Research Partners Analysis.

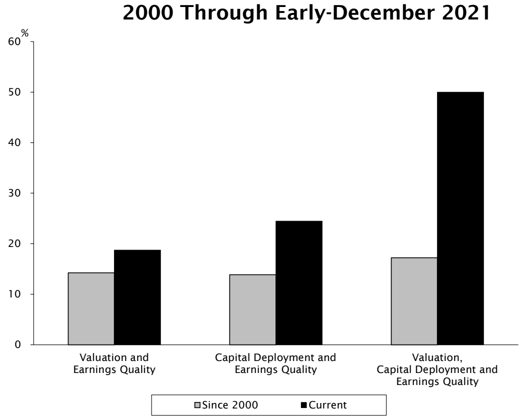
[1] Freshness is purchases growth less inventory growth. Purchases defined as current period COGS plus the sequential change in inventory level.

Conclusion: A Balancing Act

We analyzed four segments of consumer sectors and found that each of them has some investment merit. Our view is that excess savings together with a strong job market will continue to underpin robust spending growth and we believe that leisure and retail-related stocks are best positioned to capitalize on that environment. Fundamentals are improving, there's pent-up demand in the system and capital spending plans in these industries continue to be restrained. The stocks also make sense from a tactical perspective as they tend to outperform other consumer stocks in the middle innings of an economic recovery. We're more concerned about consumer durables that've benefitted from surplus demand during the Pandemic, but the market seems to be accounting for at least some of that risk. It's early to play defense with consumer staples, but there are some significant risks in the political and macro-economic realms to consider, and they offer relatively cheap insurance in case something goes awry. There's a lot to like in the consumer sector and Appendix 1 on page 10 highlights consumer stocks that rank in the best quintile of our Core Model.

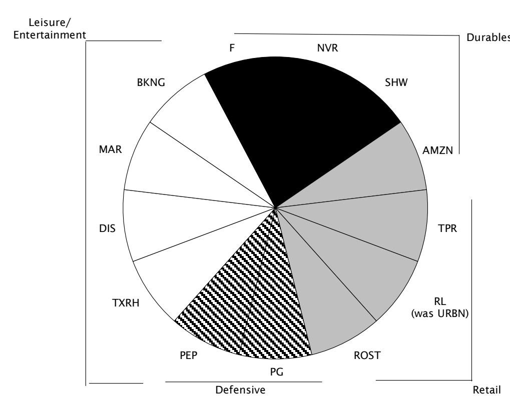
Consumer cyclicals as a group account for a quarter of all large-cap stocks that rank in the best quintiles of both capital discipline and earnings quality, twice their typical representation (see Exhibit 27). They're also over-represented if we look at the intersection of earnings quality and valuation. There are only 6 large-cap stocks that currently rank in the best quintile of all three fundamental super factors - valuation, capital deployment and earnings quality – and three of them are consumer cyclicals (RL, AZO and EBAY). We add RL to our Consumer Lens portfolio in place of URBN (see Exhibit 28).

Exhibit 27: Large-Capitalization Consumer Discretionary Stocks
The Best Quintiles of Valuation, Capital Deployment and Earnings Quality
Share of All Stocks at the Intersection
2000 Through Early-December 2021



Source: FactSet Research Systems, Empirical Research Partners Analysis.

Exhibit 28: The Consumer Lens
Positions by Theme
As of Early-December 2021



Source: Empirical Research Partners Analysis.

Appendix 1: Large-Capitalization Consumer Stocks
The Best Quintile of the Core Model Sorted by Valuation
As of Mid-December 2021

			Quintile Ranks (1=Best; 5=Worst)						Memo:					
			Super Factors											
Symbol	Company	Price	**Valuation**	Capital Deployment	Earnings Quality and Trend	Market Reaction	Machine Learning Algorithm	**Core Model Rank**	Sector Attractiveness (1=Best; 3=Worst)	Free Cash Flow Yield	Forward P/E-Ratio	Returns MTD	Returns YTD	Market Capitalization ($ Billion)
Consumer Cyclicals:														
Consumer Durables														
HMC	HONDA MOTOR CO LTD	$28.5	**1**	1	5	3	1	**1**	1	1	7.2 x	4.0 %	3.5 %	$50.9
DHI	D R HORTON INC	109.65	**1**	1	3	4	1	**1**	1	4	7.8	12.5	60.5	39.1
LEN	LENNAR CORP	116.91	**1**	1	2	4	2	**1**	1	1	8.1	11.3	55.0	36.2
NVR	NVR INC	5,935.72	**1**	1	1	4	1	**1**	1	2	15.7	13.6	45.5	20.9
PHM	PULTEGROUP INC	56.22	**1**	1	3	4	1	**1**	1	1	6.4	12.4	31.5	14.3
WHR	WHIRLPOOL CORP	230.03	**1**	1	3	5	2	**1**	1	1	9.3	5.6	30.7	14.0
GRMN	GARMIN LTD	136.11	**2**	3	1	2	3	**1**	1	2	23.8	1.9	15.3	26.2
GNTX	GENTEX CORP	35.25	**2**	1	1	4	2	**1**	1	2	19.9	2.4	5.3	8.3
RACE	FERRARI NV	261.30	**3**	3	1	1	1	**1**	1	4	49.2	0.3	14.4	66.7
Retail and Other Consumer Cyclicals														
EBAY	EBAY INC	$66.9	**1**	1	1	2	2	**1**	2	1	15.6 x	(0.8) %	34.6 %	$42.3
BBY	BEST BUY CO INC	103.82	**1**	1	3	3	1	**1**	2	2	11.4	(2.8)	6.0	25.3
LKQ	LKQ CORP	57.97	**1**	1	2	1	2	**1**	2	1	14.9	3.7	65.2	16.9
TPR	TAPESTRY INC	43.2	**1**	1	2	4	3	**1**	2	1	12.1	8.4	40.8	12.1
RL	RALPH LAUREN CORP	122.90	**1**	1	1	4	3	**1**	2	1	16.4	5.9	19.9	9.1
PVH	PVH CORP	101.69	**1**	1	2	4	4	**1**	2	1	9.7	(4.8)	8.3	7.2
LOW	LOWE'S COS INC	261.38	**2**	1	2	1	1	**1**	2	3	20.7	6.9	65.2	179.3
TGT	TARGET CORP	238.18	**2**	1	2	1	1	**1**	2	2	18.4	(2.3)	36.8	114.5
ORLY	O'REILLY AUTOMOTIVE INC	682.37	**2**	1	1	1	1	**1**	2	2	22.5	6.9	50.8	46.2
AZO	AUTOZONE INC	2,003.02	**2**	1	1	1	1	**1**	2	1	18.7	10.2	69.0	41.4
BBWI	BATH & BODY WORKS INC	76.47	**2**	1	2	2	1	**1**	2	2	16.9	1.8	156.1	19.9
AAP	ADVANCE AUTO PARTS INC	240.04	**2**	1	3	2	3	**1**	2	2	19.0	8.8	54.1	15.0
SCI	SERVICE CORP INTERNATIONAL	68.05	**2**	1	1	1	3	**1**	2	2	23.4	2.9	40.3	11.3
HD	HOME DEPOT INC	415.40	**3**	2	2	1	1	**1**	2	3	26.3	4.1	59.6	434.5
MCD	MCDONALD'S CORP	264.97	**3**	2	1	1	1	**1**	2	3	26.6	8.3	26.3	198.0
SBUX	STARBUCKS CORP	116.73	**3**	1	1	2	2	**1**	2	3	34.0	6.5	10.9	137.7
YUM	YUM BRANDS INC	133.87	**3**	2	1	2	1	**1**	2	3	28.4	9.0	25.4	39.4
ULTA	ULTA BEAUTY INC	403.49	**3**	1	1	3	1	**1**	2	3	23.1	5.1	40.5	21.9
DPZ	DOMINO'S PIZZA INC	534.42	**3**	1	1	1	1	**1**	2	3	36.3	2.0	40.3	19.5
NKE	NIKE INC -CL B	169.06	**4**	1	1	1	1	**1**	2	4	46.2	0.1	20.4	267.6
LULU	LULULEMON ATHLETICA INC	409.58	**4**	2	1	1	1	**1**	2	4	47.9	(9.9)	17.7	53.2
Consumer Staples														
MO	ALTRIA GROUP INC	$45.1	1	1	1	4	4	**1**	2	1	9.4 x	5.7 %	16.0 %	$82.9
KR	KROGER CO	44.60	1	2	5	1	1	**1**	2	1	13.1	7.4	43.3	33.2
ACI	ALBERTSONS COS INC	30.70	1	1	4	1	1	**1**	2	1	12.1	(12.8)	78.1	14.3
PM	PHILIP MORRIS INTERNATIONAL	90.04	2	1	1	2	1	**1**	2	1	14.6	4.8	13.0	140.3
KO	COCA-COLA CO	56.28	3	1	1	1	2	**1**	2	2	23.7	7.3	5.9	243.1

Source: Empirical Research Partners Analysis.