

# Consumer Discretionary

Industry Overview

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# Agenda

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Chips & Guacamole	2.95
Chips & Salsa	1.75
Guacamole	1.80
Chips	1.25
Bottled Drinks	2.50 2.50
Soda	1.60 1.90
Hot Drinks	1.65 2.20

Served with hot chips and a drink	
1. Cheese Quesadilla	3.25
2. Meat Quesadilla	3.75
3. Single Taco	3.75
4. Taco Kit	4.25
Hot Drinks: Juice, Plain or Chocolate Organic Milk	

<b>BURRITO BOWL</b>	
Naturally raised grilled chicken, with cilantro-lime rice, black beans, roasted chili-corn salsa and cheese.	
6.25	

CILANTRO-LIME RICE	
PINTO* OR BLACK BEANS	
SALSA	
CHEESE OR SOUR CREAM	
GUACAMOLE (ADD 1.80)	
<small>*Cooked With Bacon</small>	

<b>BURRITO BOWL TACOS SALAD</b>	
CHICKEN	6.25
STEAK	6.65
CARNITAS	6.65
BARBACOA	6.65
VEGGIE	6.25

**ADVENTURRITO**  
WIN FREE BURRITOS FOR 20 YEARS\*

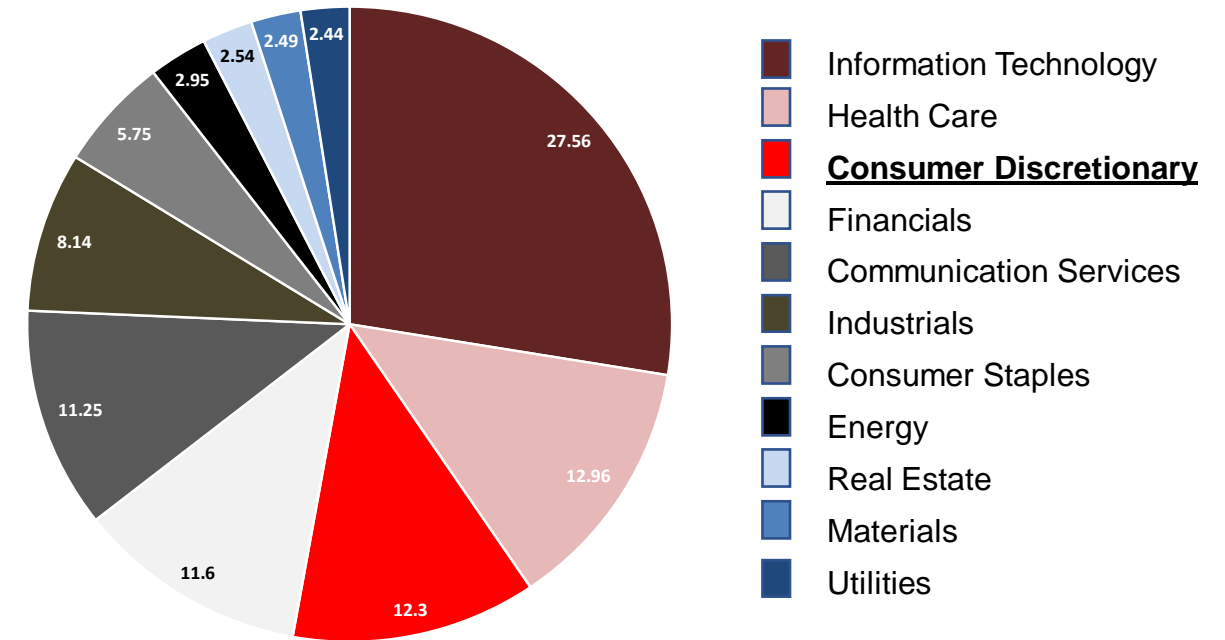
IT'S OUR 20<sup>TH</sup> ANNIVERSARY TREASURE HUNT

It starts on July 12th, Chipotle's Anniversary, and the grand prize is 20 years of FREE Burritos (not a typo).  
Go to [adventurrito.com](http://adventurrito.com) to play.

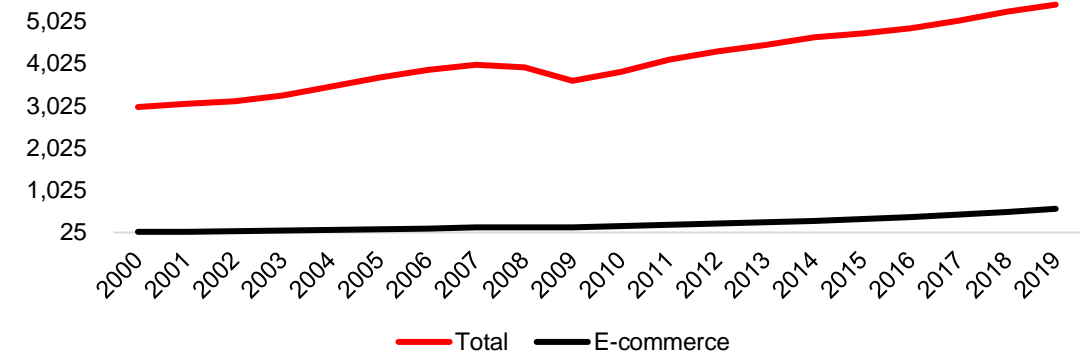
# Sector Overview

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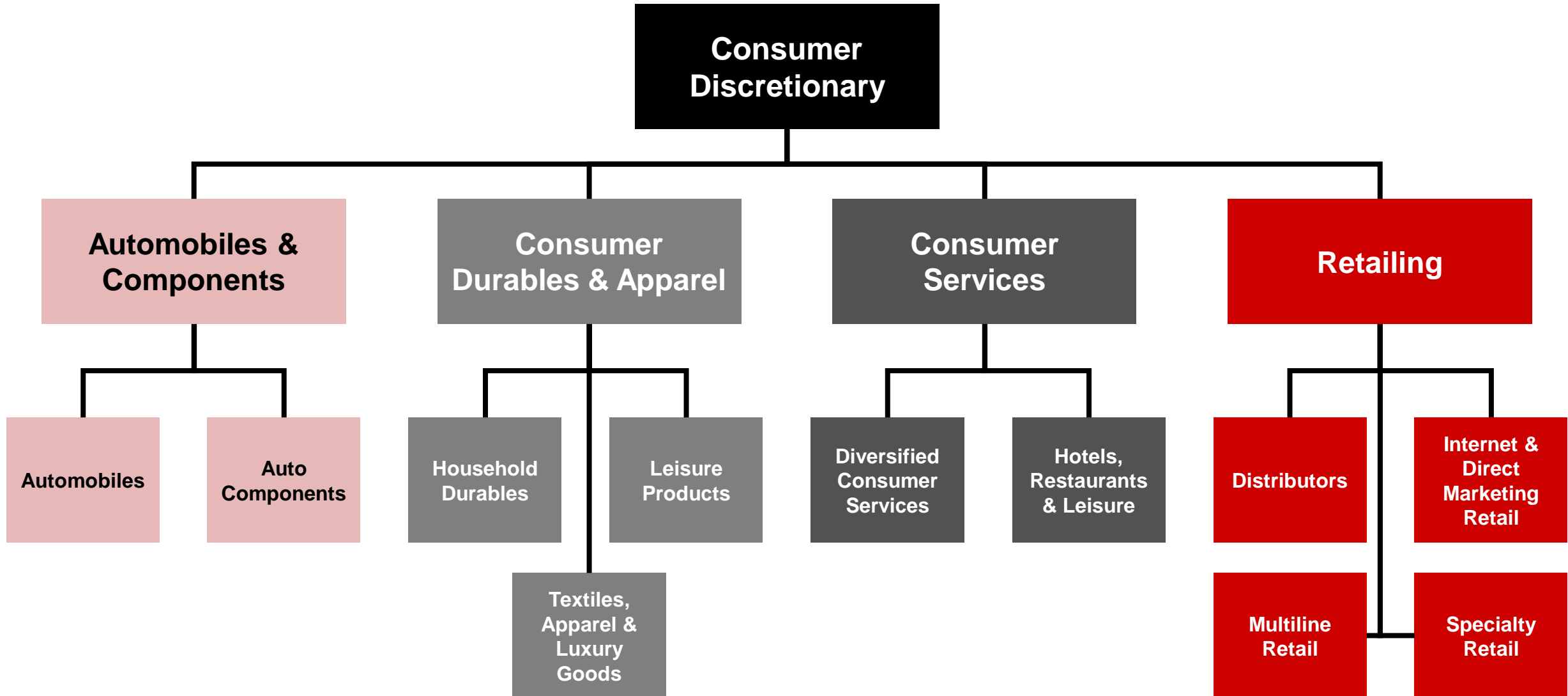
- Consumer Discretionary companies are those that sell products and services that are considered to be nonessential.
- Demand is considered to be more elastic than the Consumer Staples sector, as discretionary spending can decrease rapidly in times of recession or inflation.
- Often times, the University of Michigan Consumer Sentiment Index will provide a gauge on U.S. consumer confidence and spending habits, giving us insight into expected spending.
- The industry continues to evolve, with the advent of e-commerce altering the landscape from traditional brick and mortar stores
- As of October 2021, the sector was the third largest constituent of the S&P 500 at 12.3% of the index.



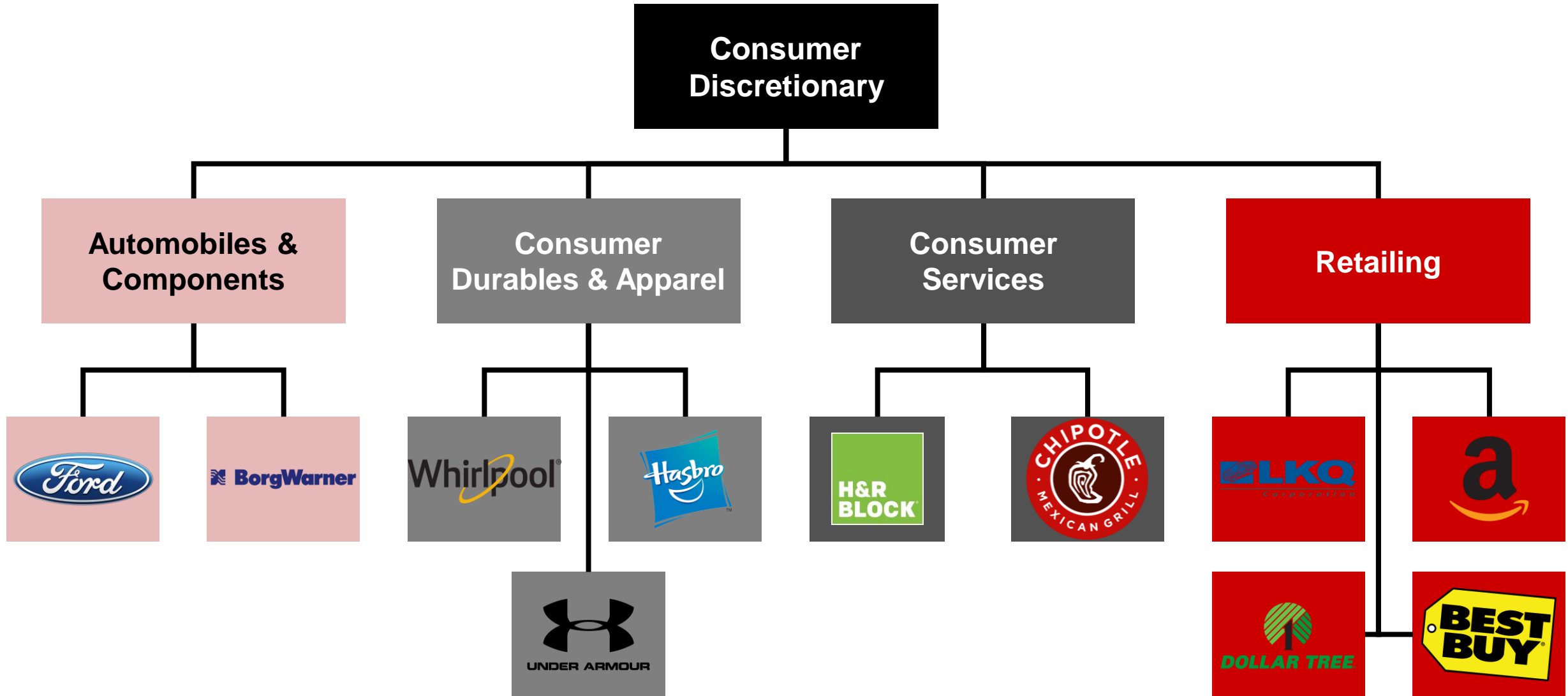
Total and e-commerce U.S. retail trade sales 2000-2019 (\$ bn)



# Sub-Industries



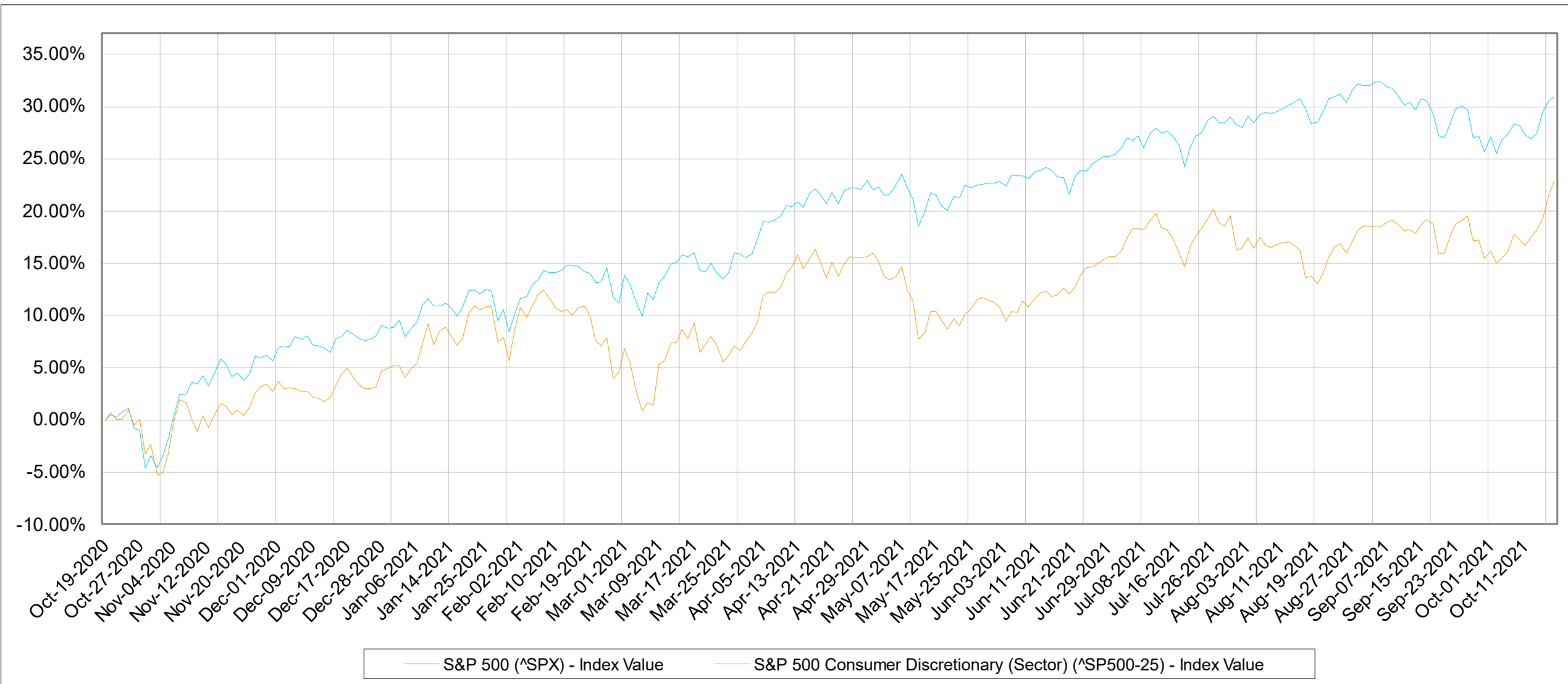
# Sub-Industries



# Holdings





	Company Name	Exchange:Ticker	Market Cap (mm)	Revenue (mm)	Price Close	P/E*†	Primary Industry
1	Amazon.com, Inc.	NasdaqGS:AMZN	1,665,490.4	443,298.0	3,246.3	56.57x	Internet and Direct Marketing Retail
2	Tesla, Inc.	NasdaqGS:TSLA	777,647.0	41,862.0	791.9		NM Automobile Manufacturers
3	The Home Depot, Inc.	NYSE:HD	352,848.6	144,415.0	337.0	23.72x	Home Improvement Retail
4	NIKE, Inc.	NYSE:NKE	241,348.1	46,192.0	150.3	39.80x	Footwear
5	McDonald's Corporation	NYSE:MCD	184,982.1	21,744.4	246.6	26.87x	Restaurants
6	Lowe's Companies, Inc.	NYSE:LOW	142,751.9	94,613.0	208.9	21.81x	Home Improvement Retail
7	Starbucks Corporation	NasdaqGS:SBUX	131,139.5	27,117.0	110.9	46.22x	Restaurants
8	Target Corporation	NYSE:TGT	111,712.1	100,328.0	228.7	18.27x	General Merchandise Stores
9	Booking Holdings Inc.	NasdaqGS:BKNG	101,597.2	7,179.0	2,467.4	245.74x	Hotels, Resorts and Cruise Lines
10	General Motors Company	NYSE:GM	85,027.5	139,639.0	58.1	6.77x	Automobile Manufacturers
11	The TJX Companies, Inc.	NYSE:TJX	77,852.4	43,224.2	63.0	30.81x	Apparel Retail
12	Ford Motor Company	NYSE:F	60,400.8	136,433.0	15.1	17.66x	Automobile Manufacturers
13	Marriott International, Inc.	NasdaqGS:MAR	51,069.4	2,320.0	156.8	147.92x	Hotels, Resorts and Cruise Lines
14	Chipotle Mexican Grill, Inc.	NYSE:CMG	50,117.3	6,843.2	1,783.9	86.87x	Restaurants
15	Dollar General Corporation	NYSE:DG	49,088.5	33,665.3	209.8	20.13x	General Merchandise Stores
16	eBay Inc.	NasdaqGS:EBAY	48,786.7	11,419.0	74.5	22.59x	Internet and Direct Marketing Retail
17	Aptiv PLC	NYSE:APTV	43,321.8	15,710.0	160.2	43.65x	Auto Parts and Equipment
18	O'Reilly Automotive, Inc.	NasdaqGS:ORLY	42,077.8	12,592.9	605.2	21.75x	Automotive Retail
19	Hilton Worldwide Holdings In	NYSE:HLT	39,436.9	1,696.0	142.9		NM Hotels, Resorts and Cruise Lines
20	Ross Stores, Inc.	NasdaqGS:ROST	38,333.3	17,325.2	105.5	28.07x	Apparel Retail

# Performance

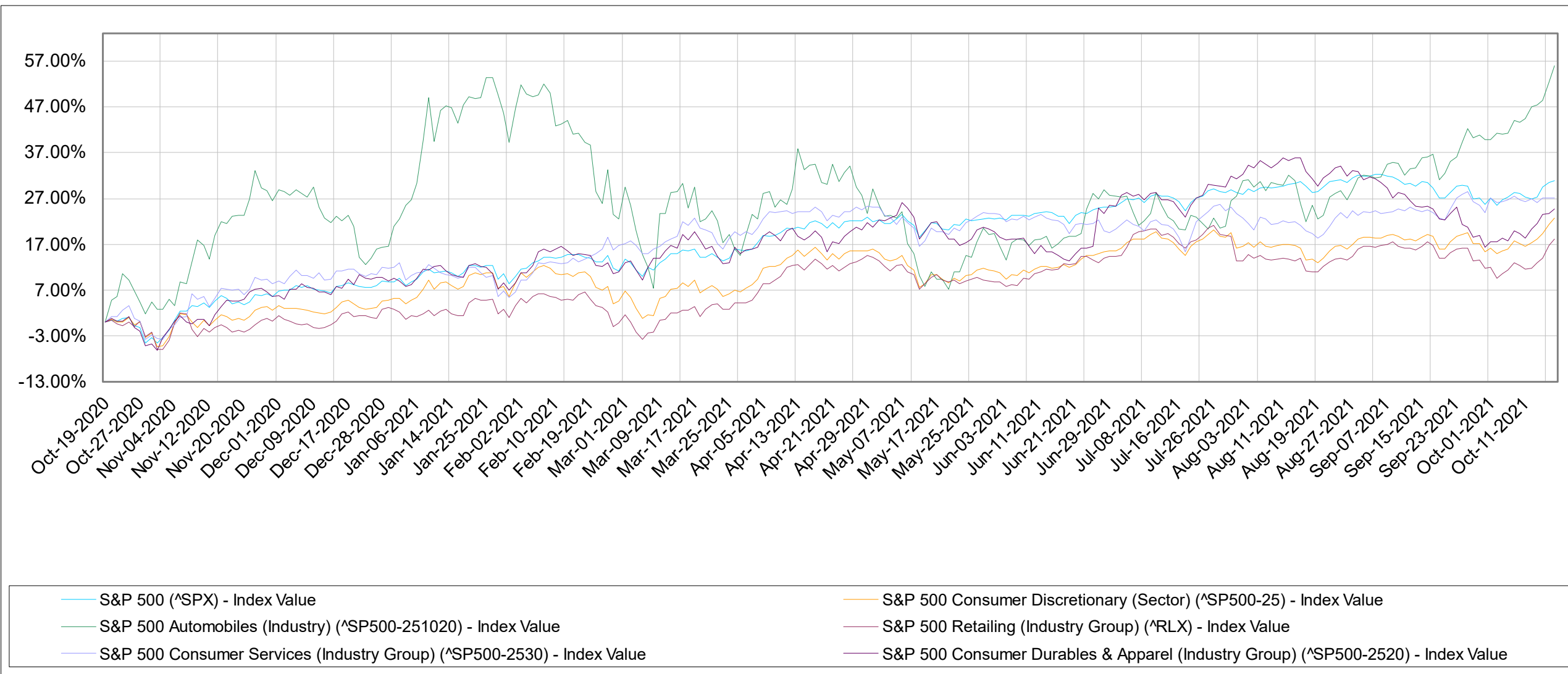




# Performance

NAME	BENCHMARK	INTRADAY PRICE	INTRADAY CHANGE	CHART STATISTICS: OCT-19-2020 TO OCT-18-2021			
				HIGH	LOW	AVG	CHANGE
▼ S&P 500 Consumer Discretionary (Sector) (^SP500-25)		-	-	-	-	-	-
 Index Value		1517.69	-3.21   -0.21%	22.85	-5.33	10.64	22.85
▼ S&P 500 (^SPX)		-	-	-	-	-	-
 Index Value		4517.16	30.70   0.68%	32.39	-4.58	18.24	30.92

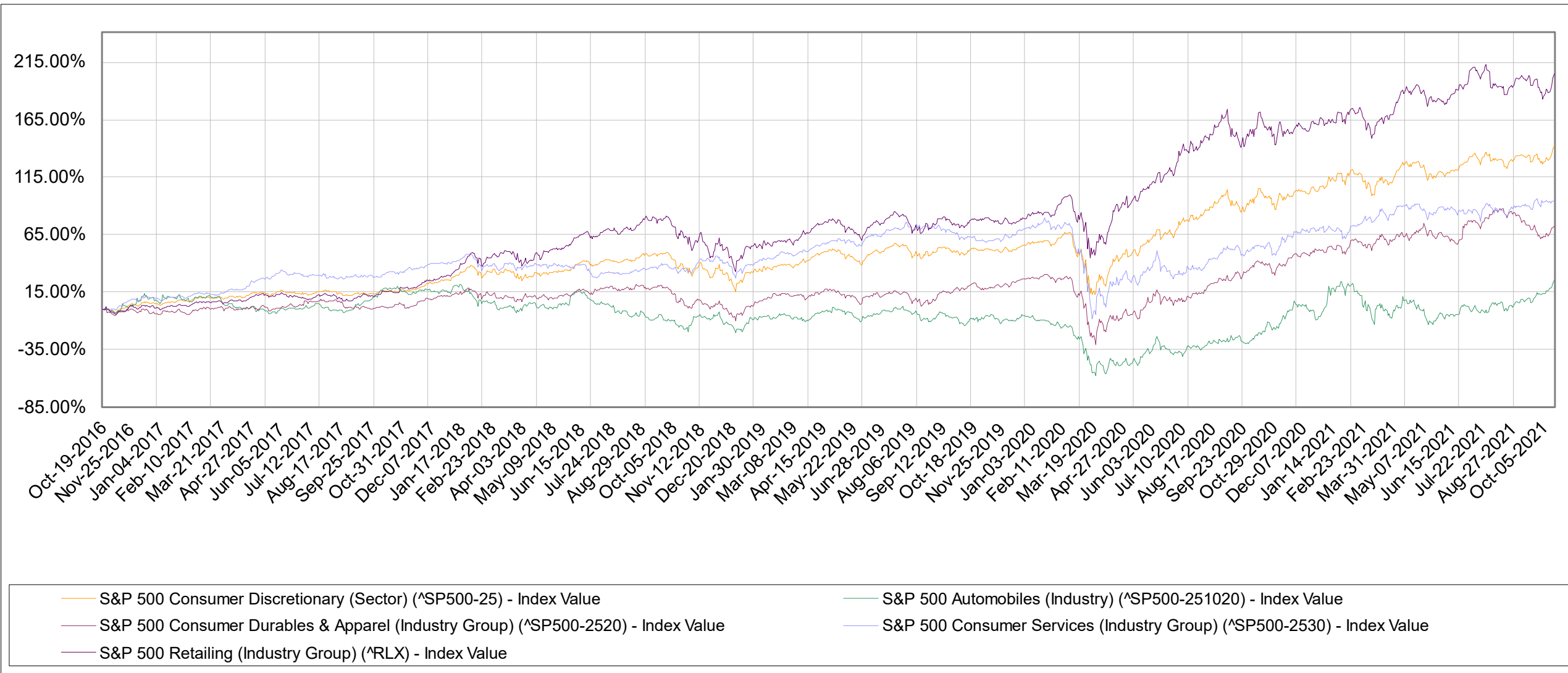
# Performance



# Performance











NAME	BENCHMARK	INTRADAY PRICE	INTRADAY CHANGE	CHART STATISTICS: OCT-19-2020 TO OCT-18-2021			
				HIGH	LOW	AVG	CHANGE
▼ S&P 500 Consumer Discretionary (Sector) (^SP500-25)		-	-	-	-	-	-
Index Value	📈	1518.03	-2.87   -0.19%	22.85	-5.33	10.64	22.85
▼ S&P 500 (^SPX)		-	-	-	-	-	-
Index Value	📈	4516.59	30.13   0.67%	32.39	-4.58	18.24	30.92
▼ S&P 500 Automobiles (Industry) (^SP500-251020)		-	-	-	-	-	-
Index Value	📈	122.15	0.12   0.10%	56.05	0.00	27.05	56.05
▼ S&P 500 Retailing (Industry Group) (^RLX)		-	-	-	-	-	-
Index Value	📈	4103.57	-11.61   -0.28%	21.17	-5.84	8.06	18.18
▼ S&P 500 Consumer Services (Industry Group) (^SP500-2530)		-	-	-	-	-	-
Index Value	📈	1484.60	-0.93   -0.06%	28.44	-3.73	17.43	27.23
▼ S&P 500 Consumer Durables & Apparel (Industry Group) (^SP500-2520)		-	-	-	-	-	-
Index Value	📈	502.32	-2.40   -0.47%	35.91	-6.04	17.13	24.80

# Performance





# Performance

NAME	BENCHMARK	INTRADAY PRICE	INTRADAY CHANGE	CHART STATISTICS: OCT-18-2016 TO OCT-18-2021			
				HIGH	LOW	AVG	CHANGE
▼ S&P 500 Consumer Discretionary (Sector) (^SP500-25)		-	-	-	-	-	-
 Index Value		1518.15	-2.75   -0.18%	143.27	-2.60	54.16	143.27
▼ S&P 500 Consumer Durables & Apparel (Industry Group) (^SP500-2520)		-	-	-	-	-	-
 Index Value		502.35	-2.37   -0.47%	89.64	-30.55	21.13	74.14
▼ S&P 500 Retailing (Industry Group) (^RLX)		-	-	-	-	-	-
 Index Value		4102.65	-12.53   -0.30%	213.80	-4.38	82.16	206.05
▼ S&P 500 Automobiles (Industry) (^SP500-251020)		-	-	-	-	-	-
 Index Value		122.33	0.30   0.24%	27.17	-57.12	-3.10	27.17
▼ S&P 500 Consumer Services (Industry Group) (^SP500-2530)		-	-	-	-	-	-
 Index Value		1484.29	-1.24   -0.08%	97.66	-8.01	48.37	95.80

# Performance

Company Name	Exchange:Ticker	Currency	Market Cap (mm) [Latest]*†	Revenue (mm)	% Price Change [Last Day]	% Price Change [30 Day]	% Price Change [YTD]	% Price Change [12 Month]▼	Price Close	P/E*†	P/BV*†	Primary Industry
MGM Resorts International	NYSE:MGM	USD	23,245.91	6,271.41	(1.29%)	16.13%	53.09%	127.12%	48.24	NM	3.80x	Casinos and Gaming
Caesars Entertainment, Inc.	NasdaqGS:CZR	USD	24,117.55	7,160.00	1.77%	6.53%	52.15%	105.57%	113.00	NM	4.69x	Casinos and Gaming
Ford Motor Company	NYSE:F	USD	62,158.53	136,433.00	(0.21%)	14.83%	77.02%	102.87%	15.56	18.17x	1.79x	Automobile Manufacturers
Bath & Body Works, Inc.	NYSE:BBWI	USD	17,520.00	14,214.00	0.81%	(0.11%)	78.19%	99.01%	66.27	10.25x	NM	Specialty Stores
Tesla, Inc.	NasdaqGS:TSLA	USD	861,422.09	41,862.00	0.10%	14.57%	23.30%	97.90%	870.11	NM	34.52x	Automobile Manufacturers
Tapestry, Inc.	NYSE:TPR	USD	10,740.38	5,746.30	(0.25%)	(4.48%)	24.16%	97.59%	38.59	13.05x	3.31x	Apparel, Accessories and Luxury Goods
Expedia Group, Inc.	NasdaqGS:EXPE	USD	25,627.30	5,781.00	(1.22%)	11.58%	28.34%	87.32%	169.92	NM	23.37x	Hotels, Resorts and Cruise Lines
Mohawk Industries, Inc.	NYSE:MHK	USD	12,880.17	10,839.49	(0.39%)	2.62%	32.38%	77.06%	186.59	12.85x	1.47x	Home Furnishings
PVH Corp.	NYSE:PVH	USD	7,780.14	8,600.40	(0.06%)	(0.44%)	16.63%	76.16%	109.50	26.77x	1.55x	Apparel, Accessories and Luxury Goods
LKQ Corporation	NasdaqGS:LKQ	USD	16,327.72	12,607.47	1.50%	9.13%	57.66%	74.22%	55.56	18.07x	2.80x	Distributors
Aptiv PLC	NYSE:APTIV	USD	45,391.17	15,710.00	(0.16%)	14.59%	28.79%	70.88%	167.80	45.77x	5.45x	Auto Parts and Equipment
General Motors Company	NYSE:GM	USD	82,588.57	139,639.00	(0.16%)	10.83%	36.62%	70.07%	56.89	6.61x	1.65x	Automobile Manufacturers
Ulta Beauty, Inc.	NasdaqGS:ULTA	USD	22,088.20	7,656.46	(6.71%)	7.20%	41.51%	67.91%	406.35	29.42x	11.77x	Specialty Stores
Carnival Corporation & plc	NYSE:CCL	USD	25,862.93	655.00	(3.07%)	(1.78%)	6.79%	64.28%	23.13	NM	1.76x	Hotels, Resorts and Cruise Lines
Marriott International, Inc.	NasdaqGS:MAR	USD	51,847.75	2,320.00	(2.02%)	10.64%	20.69%	62.86%	159.21	147.47x	65.12x	Hotels, Resorts and Cruise Lines
Norwegian Cruise Line Holdings Ltd.	NYSE:NCLH	USD	9,668.89	23.57	(1.17%)	2.11%	2.75%	61.30%	26.13	NM	2.60x	Hotels, Resorts and Cruise Lines
Hilton Worldwide Holdings Inc.	NYSE:HLT	USD	40,147.51	1,696.00	(0.59%)	9.79%	29.48%	60.96%	144.06	NM	NM	Hotels, Resorts and Cruise Lines
Garmin Ltd.	NasdaqGS:GRMN	USD	30,656.10	4,859.83	(0.11%)	(4.70%)	33.21%	60.82%	159.40	25.99x	5.49x	Consumer Electronics
Ralph Lauren Corporation	NYSE:RL	USD	8,771.14	5,289.60	(0.36%)	5.56%	15.02%	59.54%	119.32	51.30x	3.23x	Apparel, Accessories and Luxury Goods
Under Armour, Inc.	NYSE:UA	USD	8,978.73	5,445.52	(0.92%)	(2.61%)	20.56%	58.76%	17.94	22.57x	5.21x	Apparel, Accessories and Luxury Goods
Under Armour, Inc.	NYSE:UAA	USD	8,978.73	5,445.52	(1.10%)	(2.56%)	19.57%	57.92%	20.53	25.84x	5.21x	Apparel, Accessories and Luxury Goods
Etsy, Inc.	NasdaqGS:ETSY	USD	28,859.51	2,148.38	(0.09%)	0.45%	28.15%	54.48%	228.00	65.53x	54.35x	Internet and Direct Marketing Retail
Target Corporation	NYSE:TGT	USD	123,791.11	100,328.00	(0.19%)	2.83%	43.69%	53.80%	253.65	20.32x	8.36x	General Merchandise Stores
Darden Restaurants, Inc.	NYSE:DRI	USD	19,312.01	7,974.70	(0.96%)	(0.42%)	24.92%	50.39%	148.80	23.64x	7.03x	Restaurants
Booking Holdings Inc.	NasdaqGS:BKNG	USD	102,737.06	7,179.00	(0.82%)	7.60%	12.34%	50.02%	2502.13	246.81x	21.41x	Hotels, Resorts and Cruise Lines

# Performance

Company Name	Exchange:Ticker	Currency	Market Cap (mm) [Latest]*†	Revenue (mm)	% Price Change [Last Day]	% Price Change [30 Day]	% Price Change [YTD]	% Price Change [12 Month]▲	Price Close	P/E*†	P/BV*†	Primary Industry
Las Vegas Sands Corp.	NYSE:LVS	USD	30,589.54	4,502.00	(0.13%)	4.90%	(32.82%)	(11.75%)	40.04	NM	12.28x	Casinos and Gaming
V.F. Corporation	NYSE:VFC	USD	28,635.14	10,357.09	0.77%	4.86%	(14.61%)	(3.81%)	72.93	36.42x	8.75x	Apparel, Accessories and Luxury Goods
Dollar General Corporation	NYSE:DG	USD	49,858.39	33,665.31	(0.22%)	(3.79%)	1.62%	(3.61%)	213.70	20.45x	8.12x	General Merchandise Stores
Best Buy Co., Inc.	NYSE:BBY	USD	28,435.92	52,276.00	(0.80%)	5.46%	15.85%	(3.13%)	115.61	11.87x	6.60x	Computer and Electronics Retail
Hanesbrands Inc.	NYSE:HBI	USD	5,876.22	7,177.54	(0.27%)	(11.42%)	15.43%	(2.15%)	16.83	99.67x	10.45x	Apparel, Accessories and Luxury Goods
Leggett & Platt, Incorporated	NYSE:LEG	USD	6,155.74	4,810.10	0.41%	0.04%	4.24%	1.49%	46.18	15.41x	4.01x	Home Furnishings
Whirlpool Corporation	NYSE:WHR	USD	12,956.42	21,771.00	0.09%	(1.90%)	14.48%	2.51%	206.63	6.88x	2.63x	Household Appliances
PulteGroup, Inc.	NYSE:PHM	USD	12,812.72	12,236.60	(0.08%)	1.50%	14.49%	3.39%	49.37	7.96x	1.85x	Homebuilding
Amazon.com, Inc.	NasdaqGS:AMZN	USD	1,745,568.80	443,298.00	(0.57%)	(0.46%)	5.83%	5.32%	3446.74	59.85x	15.19x	Internet and Direct Marketing Retail
McDonald's Corporation	NYSE:MCD	USD	180,919.50	21,744.40	0.55%	(0.09%)	12.90%	5.62%	242.26	26.37x	NM	Restaurants
Dollar Tree, Inc.	NasdaqGS:DLTR	USD	22,704.85	25,767.80	(0.97%)	13.03%	(6.56%)	5.64%	100.95	15.80x	3.24x	General Merchandise Stores
Hasbro, Inc.	NasdaqGS:HAS	USD	12,752.21	5,936.54	0.44%	(5.03%)	(0.98%)	5.73%	92.62	30.34x	4.47x	Leisure Products
Penn National Gaming, Inc.	NasdaqGS:PENN	USD	12,080.70	4,977.80	5.25%	3.63%	(10.50%)	9.01%	77.30	28.58x	4.12x	Casinos and Gaming
The TJX Companies, Inc.	NYSE:TJX	USD	77,732.13	43,224.22	(0.87%)	(8.19%)	(5.34%)	14.10%	64.64	31.43x	12.14x	Apparel Retail
NVR, Inc.	NYSE:NVR	USD	17,934.57	8,680.33	0.29%	(1.18%)	22.82%	14.61%	5010.79	17.39x	5.90x	Homebuilding
D.R. Horton, Inc.	NYSE:DHI	USD	31,675.13	26,065.20	(0.03%)	(2.61%)	28.31%	14.71%	88.43	8.82x	2.29x	Homebuilding
Ross Stores, Inc.	NasdaqGS:ROST	USD	38,912.57	17,325.23	(0.79%)	(4.47%)	(10.84%)	15.12%	109.50	28.84x	9.98x	Apparel Retail
Domino's Pizza, Inc.	NYSE:DPZ	USD	16,734.28	4,340.46	1.27%	(8.67%)	19.93%	15.13%	459.90	37.31x	NM	Restaurants
Lennar Corporation	NYSE:LEN	USD	30,304.36	25,523.01	0.09%	(1.14%)	31.35%	18.25%	100.13	7.56x	1.50x	Homebuilding
BorgWarner Inc.	NYSE:BWA	USD	11,006.37	14,227.00	0.76%	6.94%	18.79%	18.64%	45.90	13.56x	1.66x	Auto Parts and Equipment
The Gap, Inc.	NYSE:GPS	USD	8,706.83	16,620.00	(0.97%)	(4.93%)	14.66%	19.82%	23.15	11.59x	2.88x	Apparel Retail
The Home Depot, Inc.	NYSE:HD	USD	374,662.89	144,415.00	0.35%	5.76%	33.65%	23.41%	355.01	25.07x	181.19x	Home Improvement Retail
NIKE, Inc.	NYSE:NKE	USD	252,348.63	46,192.00	(1.16%)	1.92%	12.70%	24.55%	159.43	41.84x	17.60x	Footwear
Lowe's Companies, Inc.	NYSE:LOW	USD	153,540.02	94,613.00	0.32%	6.08%	38.15%	24.78%	221.74	23.29x	NM	Home Improvement Retail
Genuine Parts Company	NYSE:GPC	USD	18,156.48	17,870.13	1.00%	3.92%	26.24%	25.62%	126.78	22.75x	5.62x	Distributors

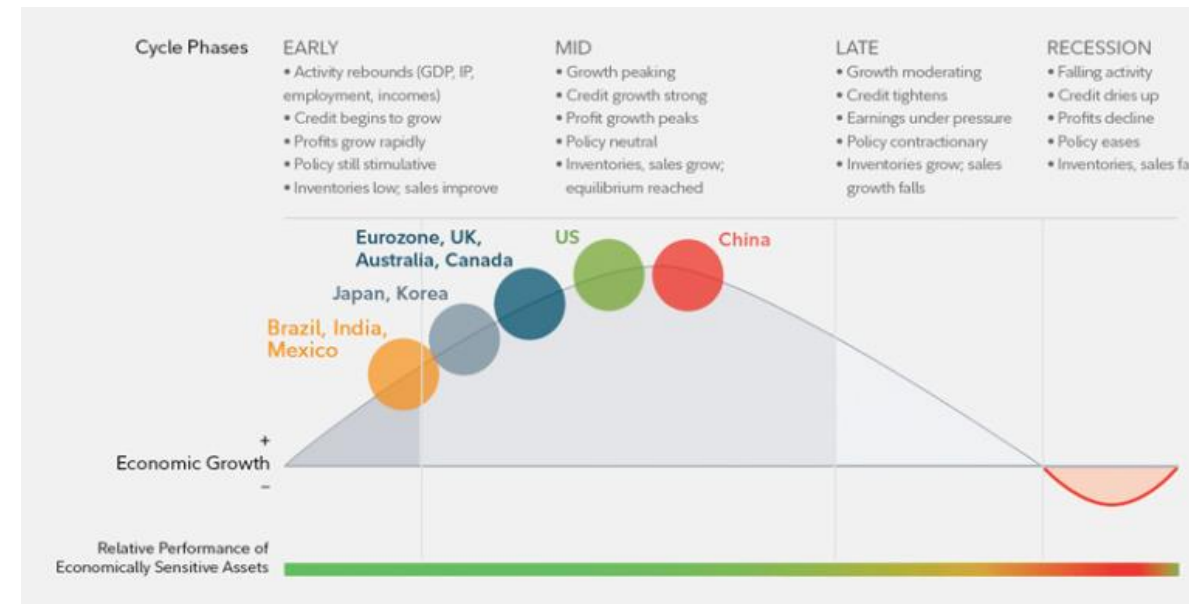


# Business Analysis



# Business Analysis

- The United States is currently in the mid stage of the phase life cycle (as of 7/31/21)
  - This means that growth, sales, profit and inventory are peaking and soon will have growth and sales slow, as the US switches to the late stage of the phase life cycle
- The consumer discretionary sector is cyclical, elastic and sensitive to macroeconomic cycles, such as the US and foreign economies by:
  - Often underperforms during the mid-cycle business phase, as investors prepare for downturn risk and recession with low consumer confidence
  - Consistently overperforms in the early phase, as the economy rebounds from the recession, consumers often have more discretionary income and optimism/consumer confidence in the US is high

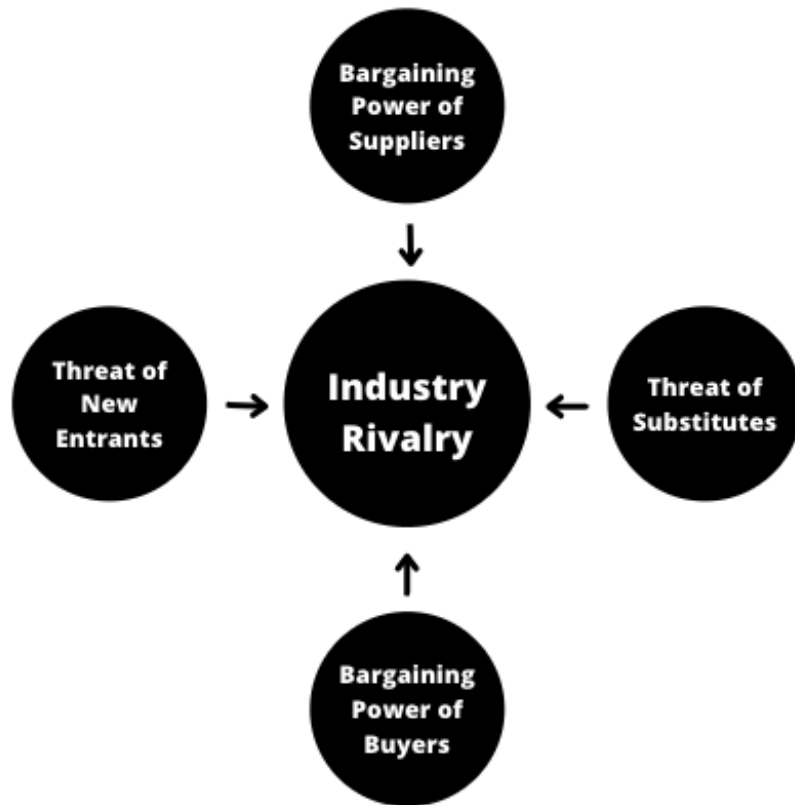


## Sector Performance by Business Cycle Phase

Sector	Early	Mid	Late	Recession
Consumer Discretionary	++	-	--	

++ Consistently Overperform    -- Consistently Underperform    □ No Clear Pattern  
 + Overperform    - Underperform

## Porter's Five Forces



- Industry Rivalry (high risk): Consumers have many different options and choices
- Threats of New Entrants (low risk): Since competition within the market are high, it's difficult for new company to offer competitively low prices that consumers will buy
- Threats of Substitutes (high risk): Alternatives to store brands can capture market share, as there are many different products and segments
- Bargaining Power of Supplier (low risk): buyers are able to switch suppliers if prices are too high with limited difficulty, as global trade continues to expand
- Bargaining Power of Buyers (high risk): Buyers hold the power within the market, as goods and services are nonessential; there is a wide range of alternatives with low cost of switching



# Economic Analysis

# Economic Analysis

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The cyclical nature of consumer discretionary causes it to be affected by economic forces more than other sectors. The economic factors below are some of the ones most affecting consumer discretionary's growth:

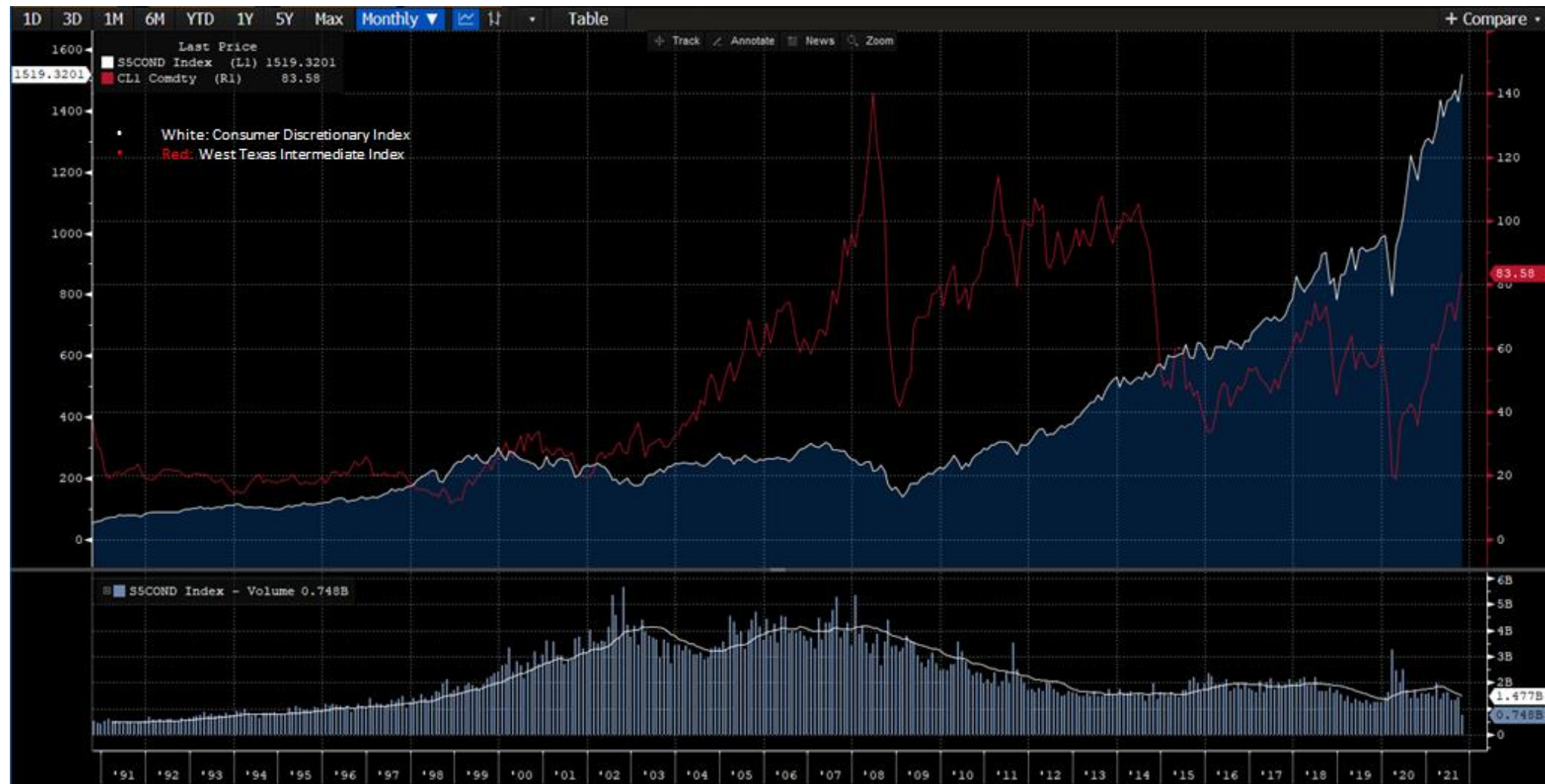
- Oil Prices
- Inflation
- Consumer Confidence
- Labor Market
- Interest Rates
- GDP



# Economic Analysis

## Oil Prices

- Consumer discretionary is negatively correlated with West Texas Intermediate prices



# Economic Analysis

## Inflation

- Consumer Discretionary is negatively correlated with measures of inflation



# Economic Analysis

## Consumer Confidence

- Consumer Discretionary is positively correlated with consumer confidence





# Economic Analysis

## Labor Market

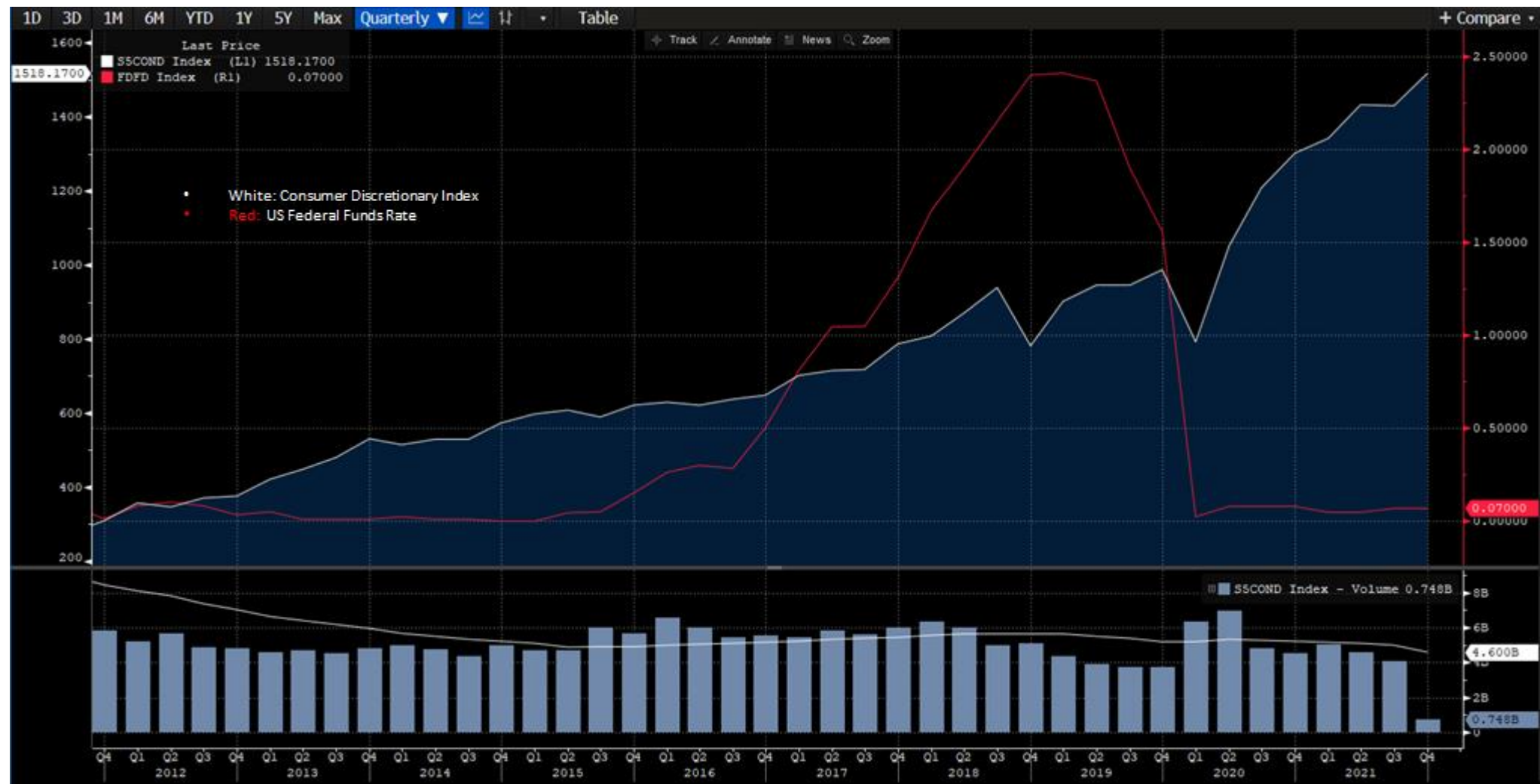
- Consumer discretionary is negatively correlated with U-3 rate, U-6 rate, and initial jobless claims



# Economic Analysis

## Interest Rates

- Consumer Discretionary is negatively correlated with interest rates





# Economic Analysis

## GDP

- Consumer Discretionary is positively correlated with GDP change YOY



# Economic Analysis Summary

<b>Economic Measures</b>	<b>Positive Influence</b>	<b>Negative Influence</b>
<b>Oil Prices</b>	Low	High
<b>Inflation</b>	Low	High
<b>Consumer Confidence</b>	High	Low
<b>Unemployment</b>	Low	High
<b>Initial Jobless Claims</b>	Low	High
<b>Interest Rates</b>	Low	High
<b>GDP</b>	High Growth	Low Growth



# Financial Analysis



	2012 Y	2013 Y	2014 Y	2015 Y	2016 Y	2017 Y	2018 Y	2019 Y	2020 Y	Current	2021 Y Est	2022 Y Est
12 Months Ending	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/30/2016	12/29/2017	12/31/2018	12/31/2019	12/31/2020	10/19/2021	12/31/2021	12/31/2022
<b>Income &amp; Expenses per Share</b>												
Sales	316.34	367.02	387.90	409.51	437.23	456.14	538.17	559.74	473.10	536.28	559.13	631.97
S&P 500 INDEX	1,064.04	1,096.59	1,136.12	1,109.73	1,128.70	1,212.00	1,310.81	1,382.06	1,331.10	1,447.17	1,529.57	1,628.04
Gross Margin %	33.22	31.81	32.86	33.47	34.51	34.99	31.48	32.13	31.19	32.61	27.20	27.40
S&P 500 INDEX	32.57	32.58	32.92	33.35	33.62	33.48	33.91	33.99	33.70	34.74	44.46	44.87
EBIT	35.67	38.63	41.12	45.46	48.73	51.14	44.38	48.70	26.68	49.14	59.34	73.36
S&P 500 INDEX	133.94	151.23	152.79	137.85	147.10	161.95	175.41	188.35	132.77	212.92	259.92	286.40
Margin %	11.14	10.46	10.50	10.98	11.08	11.08	8.18	8.64	5.65	9.14		
S&P 500 INDEX	12.44	13.66	13.37	12.31	12.94	13.24	13.31	13.48	9.96	14.63		
EBITDA	47.71	53.36	56.93	62.20	69.02	73.43	68.38	83.74	54.43	77.02	82.78	100.16
S&P 500 INDEX	188.21	206.49	210.89	196.68	212.02	234.60	249.31	281.29	222.80	291.34	333.20	364.27
Margin %	15.08	14.54	14.68	15.19	15.78	16.10	12.71	14.96	11.50	14.36		
S&P 500 INDEX	17.69	18.83	18.56	17.72	18.78	19.36	19.02	20.35	16.74	20.13		
R&D Expense	3.88	5.46	6.45	7.73	8.90	10.91	17.15	18.66	17.76	19.87		
S&P 500 INDEX	27.32	29.92	31.39	33.29	35.85	39.96	43.57	46.24	48.78	53.56		
Earnings	21.13	25.12	27.32	29.82	33.24	33.82	38.44	39.15	22.76	38.02	43.07	55.03
S&P 500 INDEX	98.92	106.25	112.25	108.86	109.22	125.60	150.60	151.74	122.53	168.93	204.32	222.70
Earnings before XO	21.33	24.90	27.00	28.74	30.49	37.26	33.66	36.13	16.51	34.85		
S&P 500 INDEX	85.89	101.17	102.25	89.39	96.29	111.18	132.07	139.38	93.48	160.40		
Diluted Earnings from Cont. Ops	21.13	25.12	27.32	29.82	33.24	33.82	38.44	39.15	22.76	38.02		
S&P 500 INDEX	98.92	106.25	112.25	108.86	109.22	125.60	150.60	151.77	122.54	168.94		
Earnings, Positive	21.35	25.18	29.02	29.82	33.24	34.03	38.65	39.15	30.06	45.29	48.68	55.39
S&P 500 INDEX	100.72	107.15	113.57	112.04	114.23	127.16	151.41	153.95	137.49	178.38	209.70	222.88

Sales Chng YOY	2013	2014	2015	2016	2017	2018	2019	2020	Current
Cons Discretionary	13.81%	5.38%	5.28%	6.34%	4.15%	15.24%	3.85%	-18.31%	11.78%
S&P 500	2.97%	3.48%	-2.38%	1.68%	6.87%	7.54%	5.16%	-3.83%	8.02%

R&D/Sales	2012	2013	2014	2015	2016	2017	2018	2019	2020	Current
Cons Discretionary	1.23%	1.49%	1.66%	1.89%	2.04%	2.39%	3.19%	3.33%	3.75%	3.71%
S&P 500	2.57%	2.73%	2.76%	3.00%	3.18%	3.30%	3.32%	3.35%	3.66%	3.70%

R&D Exp Chng YOY	2013	2014	2015	2016	2017	2018	2019	2020	Current
Consumer Discretionary	28.94%	15.35%	16.56%	13.15%	18.42%	36.38%	8.09%	-5.07%	10.62%
S&P 500	8.69%	4.68%	5.71%	7.14%	10.29%	8.29%	5.77%	5.21%	8.92%

	2012 Y	2013 Y	2014 Y	2015 Y	2016 Y	2017 Y	2018 Y	2019 Y	2020 Y	Current	2021 Y Est	2022 Y Est
12 Months Ending	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/30/2016	12/29/2017	12/31/2018	12/31/2019	12/31/2020	10/19/2021	12/31/2021	12/31/2022
<b>Cash Flow Items per Share</b>												
Cash From Operations	35.17	38.83	42.86	47.26	56.51	58.62	65.58	66.27	65.33	66.25	61.15	84.47
S&P 500 INDEX	166.18	202.96	192.04	188.11	184.91	188.88	232.92	236.62	206.41	224.34	271.04	303.83
Cash Flow From Investing	-17.30	-24.43	-24.47	-35.07	-42.59	-38.06	-30.36	-26.67	-38.77	-39.72		
S&P 500 INDEX	-151.68	-142.31	-161.46	-148.70	-161.94	-144.00	-172.40	-144.78	-248.90	-203.32		
Cash From Financing	-15.60	-16.75	-17.42	-12.51	-14.70	-14.76	-33.22	-38.21	13.73	-32.21		
S&P 500 INDEX	-9.27	-45.48	-30.94	-39.93	-21.13	-20.81	-87.23	-76.12	212.43	26.84		
Capital Expenditures	-14.85	-17.35	-18.37	-18.89	-20.50	-22.66	-25.50	-25.99	-24.89	-28.72	-30.72	-32.33
S&P 500 INDEX	-71.75	-72.66	-78.59	-75.89	-70.39	-73.57	-84.09	-87.10	-77.44	-78.66	-86.30	-92.83
Free Cash Flow	20.50	21.56	24.59	28.52	35.86	36.25	40.27	40.41	40.13	37.36	29.73	51.39
S&P 500 INDEX	94.55	130.35	113.36	112.09	114.31	115.18	148.49	149.59	128.81	145.00	167.78	200.63
Dividends	6.45	6.80	8.31	9.71	10.22	10.44	11.31	12.61	8.90	8.26	9.80	10.79
S&P 500 INDEX	31.97	35.00	40.16	43.86	46.73	50.47	53.86	58.69	58.95	59.51	60.97	65.71
Dividends, Gross	6.45	6.80	8.31	9.71	10.22	10.44	11.31	12.61	8.90	8.26		
S&P 500 INDEX	31.97	35.00	40.16	43.86	46.73	50.47	53.86	58.69	58.95	59.51		
Dividends, Net	6.45	6.80	8.31	9.71	10.22	10.44	11.31	12.61	8.90	8.26		
S&P 500 INDEX	31.97	35.00	40.16	43.86	46.73	50.47	53.86	58.69	58.95	59.51		
<b>Reference Items</b>												
Free Cash Flow Yield	5.45	4.07	4.29	4.59	5.54	4.62	5.15	4.10	3.08	2.46		
S&P 500 INDEX	6.63	7.05	5.51	5.48	5.11	4.31	5.92	4.63	3.43	3.21		
Dividend Yield	1.72	1.28	1.45	1.56	1.58	1.33	1.45	1.28	0.68	0.54	0.65	0.71
S&P 500 INDEX	2.24	1.89	1.95	2.15	2.09	1.89	2.15	1.82	1.57	1.32	1.35	1.45
Dividend Yield (Gross)	1.72	1.28	1.45	1.56	1.58	1.33	1.45	1.28	0.68	0.54		
S&P 500 INDEX	2.24	1.89	1.95	2.15	2.09	1.89	2.15	1.82	1.57	1.32		
Dividend Yield (Net)	1.72	1.28	1.45	1.56	1.58	1.33	1.45	1.28	0.68	0.54		
S&P 500 INDEX	2.24	1.89	1.95	2.15	2.09	1.89	2.15	1.82	1.57	1.32		

FCF/Sales	2012	2013	2014	2015	2016	2017	2018	2019	2020	Current
Cons Disc	6.48%	5.87%	6.34%	6.96%	8.20%	7.95%	7.48%	7.22%	8.48%	6.97%
S&P 500	8.89%	11.89%	9.98%	10.10%	10.13%	9.50%	11.33%	10.82%	9.68%	10.02%
FCF % Chng YOY	2013	2014	2015	2016	2017	2018	2019	2020	Current	
Cons Disc	4.92%	12.32%	13.78%	20.47%	1.08%	9.98%	0.35%	-0.70%	-7.41%	
S&P 500	27.46%	-14.99%	-1.13%	1.94%	0.76%	22.43%	0.74%	-16.13%	11.17%	





# Valuation Analysis

# S&P500 vs. CONSD



	Index Level	Price Return	10 Yr Return (Annualized)
<i>S&amp;P 500 CONSD</i>	1502.87	545.44%	17.27%
<i>S&amp;P 500</i>	4471.37	395.20%	13.83%

# Market Multiples (10Y)

<u>CONSD</u>	High	Low	Median	Current
P/E	57.74	15.21	21.55	<u>40.00</u>
P/B	11.94	2.94	4.99	<u>11.63</u>
P/S	2.94	1.03	1.53	<u>2.84</u>
P/EBITDA	23.93	6.87	10.18	<u>19.75</u>

<u>S&amp;P 500</u>	High	Low	Median	Current
P/E	31.01	13.47	18.78	<u>26.56</u>
P/B	4.71	2.02	2.87	<u>4.68</u>
P/S	3.12	1.24	1.94	<u>3.10</u>
P/EBITDA	16.86	6.67	10.67	<u>15.38</u>

<u>CONSD / S&amp;P 500</u>	High	Low	Median	Current
P/E	1.86	1.13	1.15	<u>1.51</u>
P/B	2.54	1.46	1.74	<u>2.49</u>
P/S	0.94	0.83	0.79	<u>0.92</u>
P/EBITDA	1.42	1.03	0.95	<u>1.28</u>

# Valuation Trends

- Sector Outlook

- Given CONSD's high correlation to the overall market (96%), many market concerns apply:

- Monetary stimulus and QE taper
- Inflation and wage increases (sticky?)
- Supply-chain issues and energy

- Sector-specific

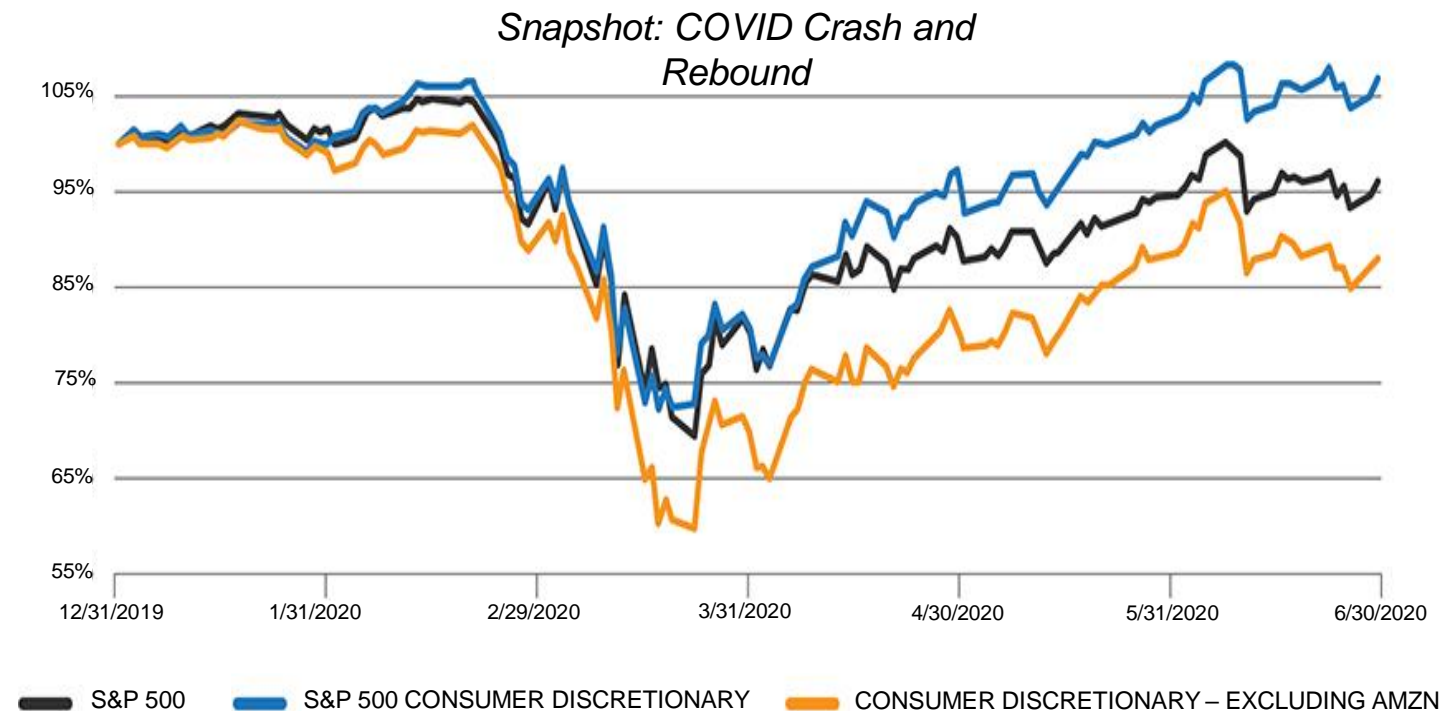
- Uncertain holiday season (higher product prices, lower discretionary income) – Amazon effect?
- E-commerce vs. brick and mortar ➔
- Post-COVID consumer debt/credit issues

- Beyond specific headwinds, the status quo of the market, and thus the CONSD sector, is expansionary

- COVID “normalcy” (concerts, business, retail)
- Doveish monetary policy

- Recent Contractions

- DotCom: 3/2001 – 11/2001
- Financial Crisis: 12/2007 – 6/2009
- COVID-19: 2/2020 – 4/2020







# Recommendation



# Recommendation

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*It is our recommendation that the portfolio goes neutral on the overall consumer discretionary sector. Within the sector, it would make sense to go overweight into e-commerce retailers which have the scale to combat inflationary and supply chain concerns.*

- Over the past 5 years, Consumer Discretionary has outpaced the broader S&P 500 index, and currently has a P/E of 40.00x significantly higher than the market's 26.56x
- Traditionally, Q4 is the largest quarter for Consumer Discretionary, as holiday shopping drives consumer spending to its highest levels of the year
- However, due to inflationary concerns and supply chain disruptions from COVID-19, there are some headwinds the industry would not usually face
- Major online retailers like Amazon should be overweight their traditional holdings within the sector. We believe that this is because they will have the scale to combat inflationary and supply chain concerns, and will likely only separate themselves further from the competition this holiday season
- We recommend going underweight the Automobiles & Components industry because we believe that uncertainty around supply chain and chip shortages will drag on the sector throughout the next year