

Consumer Staples Group Company Presentation

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THE OHIO STATE UNIVERSITY

FISHER COLLEGE OF BUSINESS

SIM Student Investment Management

Overview - Staples Performance in SIM Portfolio

Sector	S&P Weight	SIM Weight
Consumer Staples	7.01%	7.02%

Security	Ticker	Market Value	Gain/Loss	5 year chart	Cost Basis	Current Price
Constellation Brands	STZ	\$223,737	↑ \$7,167		\$225.59	↑ \$244.54
Kroger Co.	KR	\$165,655	↓ (\$37,701)		\$58.10	↓ \$47.75
Mondelez Int'l	MDLZ	\$96,240	↓ (\$5,069)		\$65.36	↓ \$60.74
Monster Beverage	MNST	\$112,167	↑ \$9,359		\$84.97	↑ \$97.15

Consumer Staples businesses are less sensitive to economic market changes. Food, beverages and tobacco together with non-durable household goods (soap, razors, light bulbs) and supermarkets/supercenters.



Recommendations

Sector	S&P Weight	SIM Weight	Target SIM Wt.
Consumer Staples	7.01%	7.02%	9.50%+

Security	Ticker	Recommend	Current Price	Target Price	Upside/Downside	Current Weight	Proposed Weight
Constellation Brands	STZ	BUY (HOLD)	\$244.54	263.51	7.4%	2.63	2.63
Kroger Co.	KR	BUY (HOLD)	\$47.75	\$61.96	29.8%	1.95	1.95
Mondelez Int'l	MDLZ	BUY (HOLD)	\$60.74	\$79.48	30.9%	1.13	1.13
Monster Beverage	MNST	BUY (HOLD)	\$97.15	\$106.54	9.7%	1.32	1.32
Target	TGT	BUY	\$149.36	\$179.23	20.0%	0	1.25
Walmart	WMT	BUY	\$121.59	\$163.69	34.6%	0	1.25

Recommendations

BUY BUY

Sector	S&P Weight	SIM Weight	Target SIM Wt.
Consumer Staples	7.01%	7.02%	9.50%+

**BUY TO OVERWEIGHT
9.5% OF SIM PORTFOLIO**



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Monster Beverage	MNST	BUY (HOLD)	\$97.15	\$106.54	9.7%	1.32	1.32
Target	TGT	BUY	\$149.36	\$179.23	20.0%	0	1.25
Walmart	WMT	BUY	\$121.59	\$163.69	34.6%	0	1.25

BUY BUY BUY

Ratio Dive

Sector	P/E	Div. Yield		P/E	Div. Yield
Consumer Staples	22.15	2.62%	S&P 500	20.57	1.68%

Security	Ticker	P/E	Div. Yield	Security	Ticker	P/E	Div. Yield
<i>*Constellation Brands</i>	STZ	39.89	1.31%	Procter & Gamble	PG	25.35	2.52%
<i>*Kroger Co.</i>	KR	16.49	2.18%	Phillip Morris	PM	15.61	5.54%
<i>*Mondelez Int'l</i>	MDLZ	20.39	2.30%	Walgreens	WBA	6.13	5.05%
<i>*Monster Beverage</i>	MNST	38.37	-	Colgate-Palmolive	CL	32.37	2.41%
PepsiCo	PEP	25.76	2.69%	Target	TGT	12.38	2.89%
Walmart Inc.	WMT	27.67	1.74%	Tyson Foods	TSN	7.04	2.25%

** Currently held in SIM Portfolio*



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<i>*Kroger Co.</i>	KR	16.49	2.18%	Phillip Morris		15.61	5.54%
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HE'S WATCHING

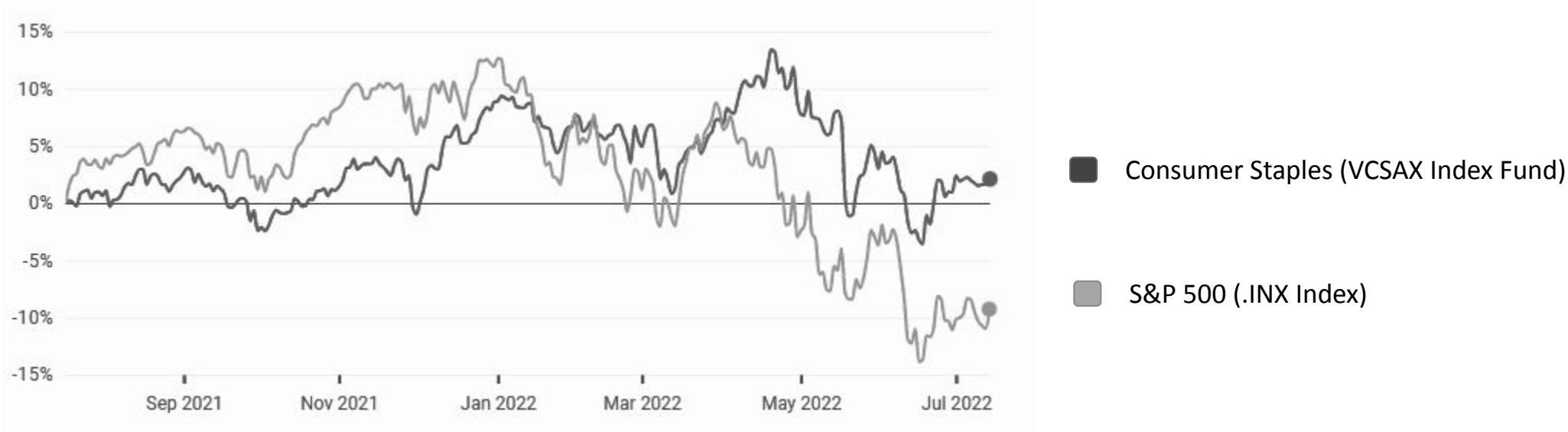


* Currently held in SIM Portfolio



Consumer Staples vs S&P 500 Performance

	QTD	YTD	1 year	3 year	5 year
Consumer Staples	-5.64%	-7.18%	3.8%	7.73%	5.57%
S&P 500	-15.65%	-19.82%	-10.93%	9.11%	9.38%



Sector Performance Comparison

Sector Name	Last % Change 05:19 PM ET 07/15/2022	1 Day	5 Day	1 Month	3 Month	YTD 07/15/2022	1 Year ▼	3 Year	5 Year	10 Year
Energy (.GSPE)	+1.90%	+1.90%	-3.07%	-17.66%	-13.72%	+24.02%	+36.35%	+9.94%	+8.82%	+3.78%
Utilities (.GSPU)	+0.20%	+0.20%	-0.10%	+5.92%	-8.29%	-2.54%	+7.51%	+15.25%	+34.51%	+86.75%
Consumer Staples (.GSPS)	+0.40%	+0.40%	+0.11%	+5.45%	-8.06%	-5.78%	+3.89%	+23.09%	+34.38%	+107.80%
Health Care (.GSPA)	+2.45%	+2.45%	-0.46%	+8.38%	-6.08%	-7.69%	+1.20%	+41.88%	+63.91%	+243.54%
Real Estate (.GSPRE)	+1.70%	+1.70%	-0.45%	+6.00%	-15.80%	-20.90%	-10.90%	+10.24%	+29.13%	--
Materials (.GSPM)	+1.62%	+1.62%	-1.32%	-6.91%	-18.94%	-20.42%	-12.27%	+23.84%	+30.89%	+106.77%
Financials (.GSPF)	+3.51%	+3.51%	-0.90%	+2.12%	-13.78%	-18.65%	-12.80%	+12.52%	+28.08%	+166.99%
Information Technology (.GSPT)	+1.76%	+1.76%	-0.33%	+5.42%	-10.01%	-24.17%	-13.82%	+62.65%	+136.17%	+412.52%
Industrials (.GSPI)	+1.58%	+1.58%	-1.21%	-0.80%	-13.12%	-17.93%	-15.31%	+11.22%	+23.76%	+142.47%
Consumer Discretionary (.GSPD)	+1.71%	+1.71%	-1.04%	+6.01%	-19.15%	-29.41%	-22.30%	+15.33%	+58.46%	+229.79%
Communication Services (.GSPL)	+2.17%	+2.17%	-3.26%	+3.80%	-15.07%	-28.93%	-29.67%	+11.34%	+27.46%	+28.51%
S&P 500 ® Index (.SPX)	+1.92%	+1.92%	-0.93%	+3.42%	-12.05%	-18.95%	-11.69%	+28.18%	+57.09%	+184.73%

[Source: Fidelity Sector Performance](#)

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Only four sectors have outperformed over the last year:
Energy, Utilities, Consumer Staples and Healthcare.

Energy got crushed last month.

Health Care, Utility and Consumer Staples - these are our core defensive opportunities for the next 3-6 months.

[Source: Fidelity Sector Performance](#)

Sector Performance Comparison

Sector	Early Rebounds	Mid Peaks	Late Moderates	Recession Contracts
Financials	+			--
Real Estate	++	-	+	--
Consumer Discretionary	++		--	+
Technology	+	+	-	--
Industrials	++			--
Materials	+	--		
Consumer Staples		-	+	++
Health Care	--			++
Energy	--		++	
Communication Services		+		-
Utilities	--	-	+	++

[Source: Fidelity Business Cycle](#)

Sector Performance Comparison

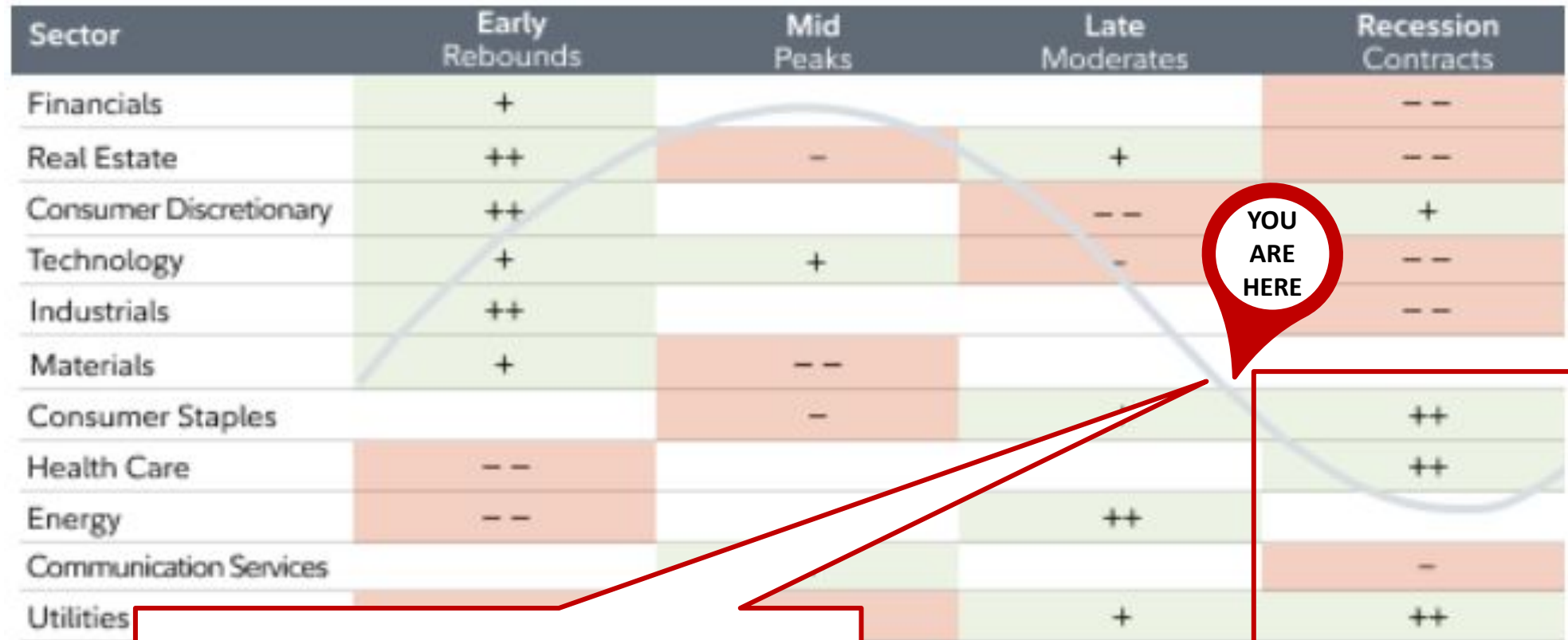
Sector	Early Rebounds	Mid Peaks	Late Moderates	Recession Contracts
Financials	+			--
Real Estate	++	-	+	--
Consumer Discretionary	++		--	+
Technology	+	+	-	--
Industrials	++			--
Materials	+	--		
Consumer Staples		-		++
Health Care	--			++
Energy	--		++	
Communication Services				-
Utilities			+	++

YOU ARE HERE

Pre-recession cycle with outperformance by consumer staples, health care and utilities.

Source: Fidelity Business Cycle

Sector Performance Comparison



Pre-recession cycle with outperformance by consumer staples, health care and utilities.

YOU ARE HERE

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[Source: Fidelity Business Cycle](#)

Sector Performance Comparison

Sector	Early Rebounds	Mid Peaks	Late Moderates	Recession Contracts
Financials	+			--
Real Estate	++	-	+	--
Consumer Discretionary	++		--	+
Technology	+	+	-	--
Industrials	++			--
Materials	+	--		
Consumer Staples		-	+	++
Health Care	--			++
Energy	--		++	-
Communication Services		+		+
Utilities	--	-	+	++

Note how Energy took a -17.66% dive in the last month after previously gaining 24% YTD. This swing could be consistent with this cycle chart.

[Source: Fidelity Business Cycle](#)

Sector Performance Comparison

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Financials	+			--
Real Estate	++	-	+	--
Consumer Discretionary	++		--	+
Technology	+	+	-	--
Industrials	++			--
Materials	+	--		
Consumer Staples		-	+	++
Health Care	--			++
Energy	--		++	
Communication Services				-
Utilities	--			++

After the recession, in a year or two, consider real estate, industrials, consumer discretionary.

But not now!

[Source: Fidelity Business Cycle](#)

Valuation Analysis: Consumer Staples

Overall impression: Consumer Staples valuation higher than historical trend in absolute value.



Source: Bloomberg

Sector Recommendation

Sector	Current SIM %	Current S&P 500 %	Target SIM %	+/-
Consumer Staples	7.01%	7.02%	9.5%	+2.5%

Recommendation: Increase SIM Weight to 9.5%

Positive Factors:

- Low beta, defensive, non-cyclical area of the market
- Healthy consumers to support Consumer Staples - Low unemployment, low levels of debt, salary growth

Negative Factors:

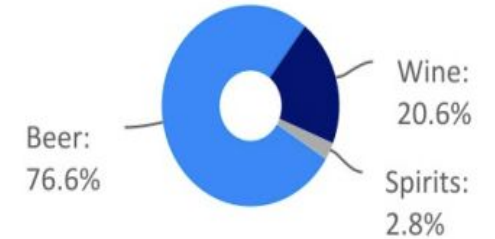
- Strong US Dollar could negatively impact companies that receive revenue outside of the United States
- Limited pricing power in inflationary environment which could negatively impact margins

Recommendation: Constellation Brands Inc.

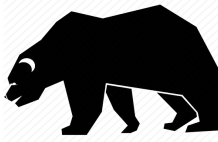
(STZ) is a BUY

- Primarily known for its premium beer, wine & spirits. Most known brands include Modelo, Corona, Pacifico, Svedka, Meiomi, and Casa Noble Tequila
- Very high market share of “premium” alcohol brands, #1 premium beer company in the world
- ~ 77% of sales from its beer brands in 2022.
- ~ 50% of CBrands consumers are Hispanic. By 2060, United States Hispanic population expected to be 33% of the total population. CBrands expecting demographic trend to only help CBrands
- Majority shareholder of Canopy Growth Corporation in 2018, a Canadian-based Cannabis company

Fiscal 2022 Consolidated Net Sales



Bulls Say: With demographic trends and Constellation Brands industry-leading gross profit margins of 52.9% (due to premiumization), Constellation Brands is a no brainer BUY!!!



Bears Say: Can Constellation Brands maintain its lead in the premium beverage segment? Or will competitors such as Anheuser-Busch and Molson Coors overtake the segment, forcing Constellation Brands out of market share

P/E	Market Cap	52 Week High	52 Week Low	Current Price
37.00	\$46.36B	\$207.35	\$247.36	\$243.45



POWERFUL COLLECTION OF CONSUMER CONNECTED HIGHER-MARGIN PREMIUM BRANDS



BEER	WINE AND SPIRITS
<p>MAJOR BRANDS: MODELO BRAND FAMILY, CORONA BRAND FAMILY, AND PACIFICO</p>  <p>HIGHLIGHTS: #1 SUPPLIER IN THE HIGH-END MODELO ESPECIAL #2 BEER IN THE U.S. BEER INDUSTRY #1 BEER IN THE HIGH-END #1 BEER IN THE STATE OF CALIFORNIA CORONA EXTRA #3 BEER IN THE HIGH-END #5 BEER IN THE U.S. BEER INDUSTRY PACIFICO #7 IMPORT IN THE U.S. BEER INDUSTRY #7 BEER IN THE STATE OF CALIFORNIA</p>	<p>MAJOR BRANDS: WOODBRIDGE, SVEDKA, ROBERT MONDAVI PRIVATE SELECTION, RUFFINO, KIM CRAWFORD, MEIOMI, SIMI, ROBERT MONDAVI WINERY, THE PRISONER WINE COMPANY, AND HIGH WEST PORTFOLIO</p>  <p>HIGHLIGHTS: #2 SUPPLIER IN THE U.S. WINE MARKET WOODBRIDGE #5 WINE IN THE U.S. WINE MARKET SVEDKA #3 MAINSTREAM VODKA KIM CRAWFORD #1 SAUVIGNON BLANC MEIOMI #1 PINOT NOIR THE PRISONER #2 SUPER LUXURY WINE BRAND</p>

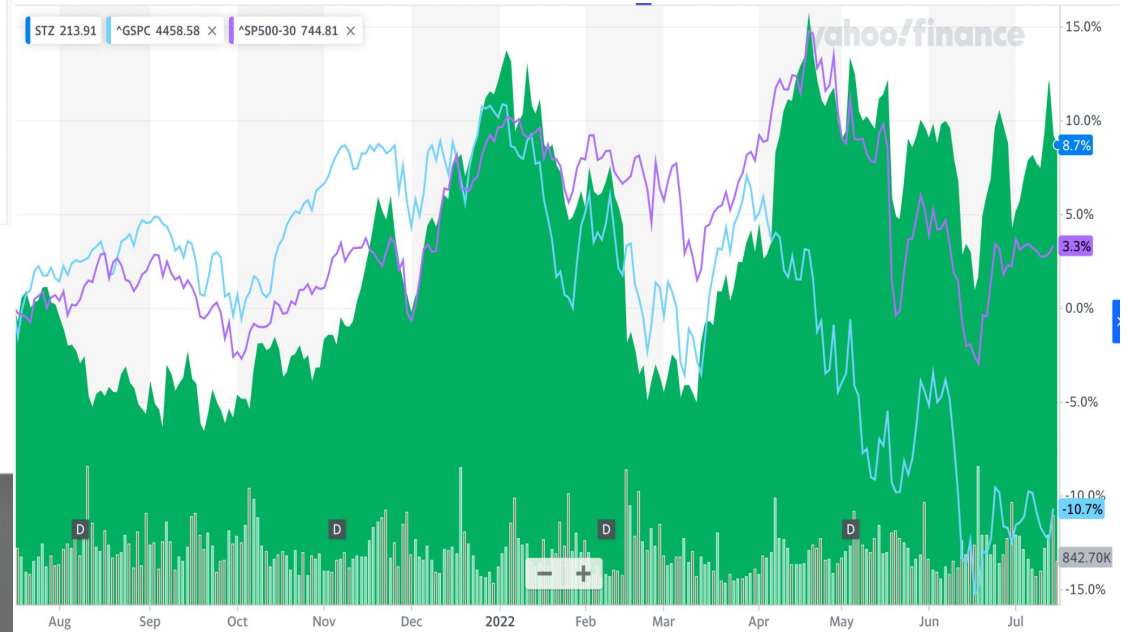
5 Year, 1 Year Stock Performance



S&P 500 56.24%

S&P 500 Consumer Staples 32.28%

Constellation Brands 22.63%



*slow & steady
wins the race*



Source: [Yahoo Finance](https://finance.yahoo.com)

Financial Analysis: STZ



Source: [Fin Box](#)

Valuation & DCF Model

Assuming 9.0% Discount Rate and 3.5% Terminal FCF Growth:

- Terminal P/E: 18.5
- Implied Equity Value: \$263.51
- 7.4% Upside
- Current Price: \$243.45

Recommendation: **BUY STZ**

Constellation Brands, Inc.											
Analyst: Joe Freeman		Terminal Discount Rate = 9.0%									
6/7/22		Terminal FCF Growth = 3.5%									
Year	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue	9,350	10,004	10,705	11,186	11,690	12,216	12,705	13,213	13,609	14,017	14,438
% Growth		7.0%	7.0%	4.5%	4.5%	4.5%	4.0%	4.0%	3.0%	3.0%	3.0%
Operating Income	3,249	3,577	3,886	4,061	4,243	4,434	4,612	4,796	4,940	5,088	5,241
Operating Margin	34.8%	35.8%	36.3%	36.3%	36.3%	36.3%	36.3%	36.3%	36.3%	36.3%	36.3%
Income loss from unconsolidated expenses	1,028	400	535	559	584	611	635	661	680	701	722
Income loss from unconsolidated expenses % of sales	11.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Taxes	371	546	575	700	732	765	795	827	852	877	904
Tax Rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Net Income	1,485	2,185	2,299	2,801	2,927	3,059	3,181	3,308	3,408	3,510	3,615
% Growth		47.2%	5.2%	21.8%	4.5%	4.5%	4.0%	4.0%	3.0%	3.0%	3.0%
Add Depreciation/Amort	374	400	428	727	760	794	635	661	680	561	578
% of Sales	4.0%	4.0%	4.0%	6.5%	6.5%	6.5%	5.0%	5.0%	5.0%	4.0%	4.0%
Plus/(minus) Changes WC	(329)	(44)	(1)	(45)	(47)	(49)	(51)	(53)	(54)	(56)	(58)
% of Sales	-3.5%	-0.4%	0.0%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Subtract Cap Ex	1,122	1,201	1,285	1,342	1,403	1,466	508	529	544	561	578
Capex % of sales	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Free Cash Flow	408	1,341	1,442	2,141	2,237	2,338	3,257	3,388	3,489	3,454	3,557
% Growth		228.9%	7.6%	48.5%	4.5%	4.5%	39.3%	4.0%	3.0%	-1.0%	3.0%
NPV of Cash Flows	15,842	36%									
NPV of terminal value	28,279	64%								Terminal Value	66,946
Projected Equity Value	44,120	100%									
Free Cash Flow Yield	0.99%									Free Cash Yield	5.31%
Current P/E	27.7	18.8	17.9							Terminal P/E	18.5
Projected P/E	29.7	20.2	19.2								
Current EV/EBITDA	13.9	12.7	11.7							Terminal EV/EBITDA	13.1
Projected EV/EBITDA	14.7	13.4	12.4								
Shares Outstanding	167										
Current Price	\$ 245.45										
Implied equity value/share	\$ 263.51										
Upside/(Downside) to DCF	7.4%										
Debt	9,488										

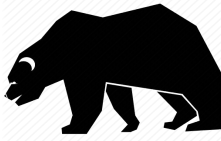
Recommendation: Walmart Inc. (WMT) is a BUY



- Walmart is a omni-channel, multinational retailer that prides itself on “price-leadership” (providing the lowest costs at whatever cost)
- Walmart operates 10,500 stores and eCommerce websites in 24 different countries under 46 different banners
- In FY 2022 dividends increased for the 49th consecutive year. Revenue grew \$14 billion year over year from 2021. \$24.2 billion in operating cash flow and returned \$15.9 billion to shareholders



Bulls Say: With current macroeconomic conditions, Walmart is trading at a massive discount for \$129.56. It's 5Y price trend shows us that its price growth is positively correlated and the dip we are seeing now is just a hiccup.



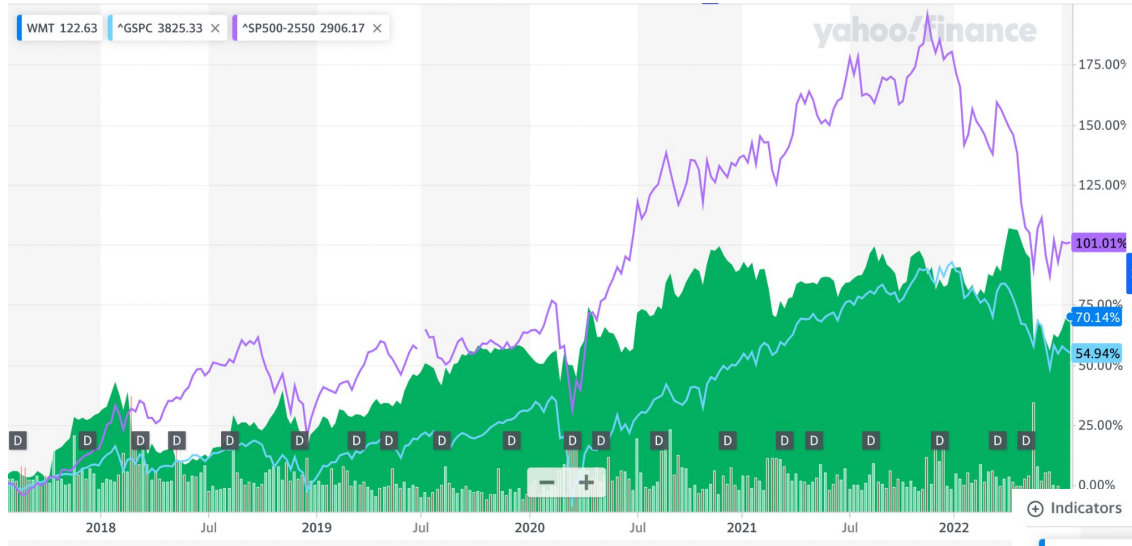
Bears Say: Will high inflation and high prices lead consumers to spend less in stores at Walmart? Will Walmart begin to lose market share to competitors such as Dollar Tree because of the macro economy?

P/E	Market Cap	52 Week High	52 Week Low	Current Price
27.92	\$355.14B	\$160.77	\$117.27	\$129.56

Walmart U.S. - quarterly merchandise highlights

Category	Comp sales	Details
Grocery	+ low double-digits	<ul style="list-style-type: none"> • Sales growth led by strength in food (+low double-digits); reflected continued market share gains (according to Nielsen); on a two-year stack, sales increased by high single-digits • Food categories increased by mid-20% on a three-year stack • Consumables led by strength in pet categories due in part to inflation
Health & wellness	+ high single-digits	<ul style="list-style-type: none"> • Strong pharmacy sales primarily reflected favorable mix and branded drug inflation; sales were up high-teens on a two-year stack
General merchandise	- low double-digits	<ul style="list-style-type: none"> • Softness in discretionary categories as we lapped strong sales last year due to stimulus spending • Unseasonably cool weather pressured sales in apparel, patio furniture and landscaping supplies • General merchandise sales increased high single-digits on a two-year stack

5 Year, 1 Year Stock Performance



S&P 500 54.94%

S&P 500 Retailing Industry 32.28%

Walmart 70.14%

S&P 500 -11.47%

S&P 500 Retailing Industry
-25.79%

Walmart 8.48%



Financial Analysis: WMT



Source: [Fin Box](#)

Valuation & DCF Model

Assuming 9.0% Discount Rate and 4.0% Terminal FCF Growth:

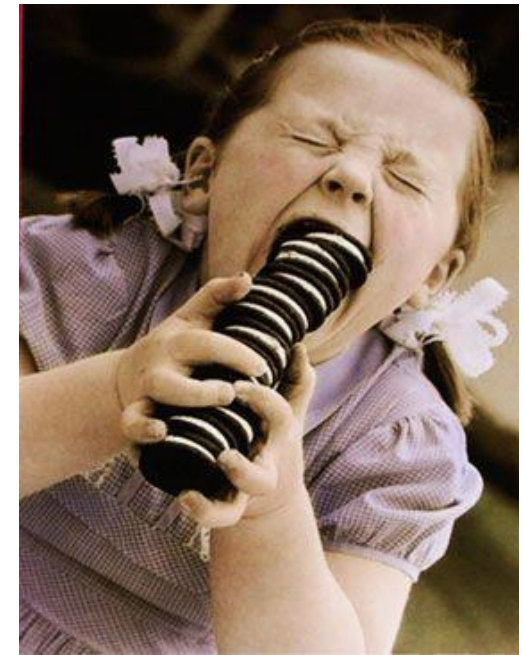
- Terminal P/E: 18.5
- Implied Equity Value: \$163.69
- 34.6% Upside
- Current Price: \$121.59

Recommendation: **BUY WMT**

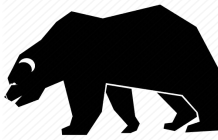
Walmart Inc. (WMT)													
Analyst: Joe Freeman 6/21/22					Terminal Discount Rate = 9.0%								
					Terminal FCF Growth = 4.0%								
Year	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E		
Revenue	607,119	649,618	695,091	726,370	759,057	793,214	824,943	857,940	883,679	910,189	937,495		
% Growth		7.0%	7.0%	4.5%	4.5%	4.5%	4.0%	4.0%	3.0%	3.0%	3.0%		
Operating Income	31,874	30,857	36,840	38,498	40,230	42,040	43,722	45,471	46,835	48,240	49,687		
Operating Margin	5.3%	4.8%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%		
Interest Income	167	179	192	200	209	219	228	237	244	251	259		
Income loss from unconsolidated expenses % of sales	0.02759%	0.02759%	0.02759%	0.02759%	0.02759%	0.02759%	0.02759%	0.02759%	0.02759%	0.02759%	0.02759%		
Taxes	7,275	7,630	9,454	11,489	12,006	12,546	13,048	13,570	13,977	14,397	14,829		
Tax Rate	27.0%	30.0%	30.0%	30%	30%	30%	30%	30%	30%	30%	30%		
Net Income	19,670	17,803	22,058	26,808	28,014	29,275	30,446	31,664	32,614	33,592	34,600		
% Growth		-9.5%	23.9%	21.5%	4.5%	4.5%	4.0%	4.0%	3.0%	3.0%	3.0%		
Add Depreciation/Amort	12,142	12,992	13,902	14,527	15,181	15,864	16,499	17,159	17,674	18,204	18,750		
% of Sales	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%		
Plus/(minus) Changes WC	62	(2,428)	34,755	(2,905)	(3,036)	(3,173)	(3,300)	(3,432)	(3,535)	(3,641)	(3,750)		
% of Sales	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%		
Subtract Cap Ex	12,142	12,992	13,902	14,527	15,181	15,864	16,499	17,159	17,674	18,204	18,750		
Capex % of sales	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%		
Free Cash Flow	19,732	15,375	56,813	23,903	24,978	26,102	27,146	28,232	29,079	29,951	30,850		
% Growth		-22.1%	69.5%	-57.9%	4.5%	4.5%	4.0%	4.0%	3.0%	3.0%	3.0%		
NPV of Cash Flows	188,087	41%											
NPV of terminal value	271,053	59%											
Projected Equity Value	459,140	100%											
Free Cash Flow Yield	5.79%										Free Cash Yield	4.81%	
Current P/E	17.3	19.2	15.5									Terminal P/E	18.5
Projected P/E	23.3	25.8	20.8										
Current EV/EBITDA	7.7	7.8	6.7									Terminal EV/EBITDA	9.4
Projected EV/EBITDA	10.4	10.5	9.0										
Shares Outstanding	2,805												
Current Price	\$ 121.59	premarket after preannouncement											
Implied equity value/share	\$ 163.69												
Upside/(Downside) to DCF	34.6%												

Recommendation: Mondelez is a BUY

- Multinational food and snack company with a strong global footprint unmatched by competitors
- Very high market share in Biscuit and Chocolate categories
- High-quality, stable company benefiting from strong consumer base globally and growing middle class in developing markets



Bulls Say: Mondelez is a high-quality company with durable brands that will continue to be purchased globally.



Bears Say: With a strong US Dollar and inflationary environment, will Mondelez be able keep up?

P/E	Market Cap	52 Week High	52 Week Low	Current Price
20.45	\$86.41B	\$69.57	\$57.63	\$62.44

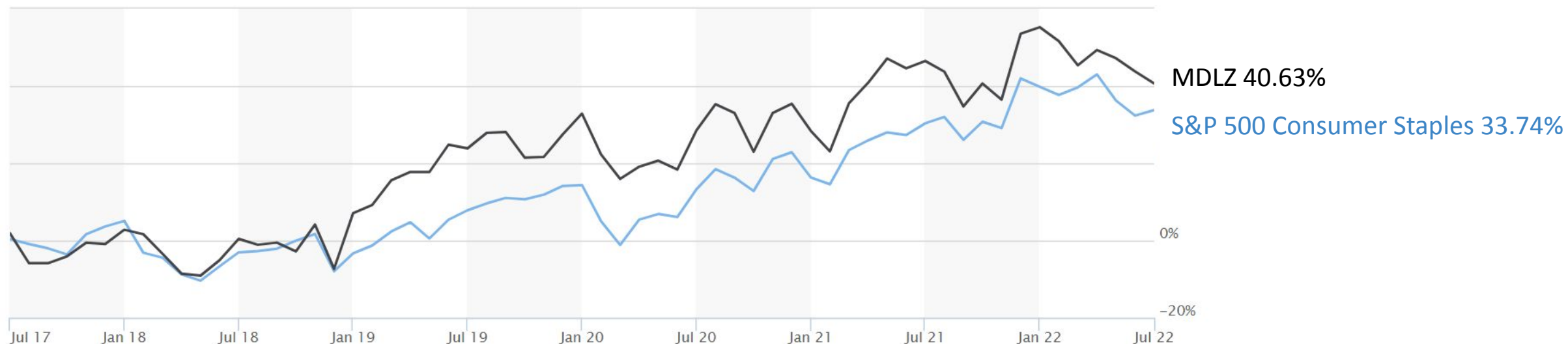
Chocolate

	#1 in UK, India, Australia, Ireland		#1 in Brazil
	#1 in Austria		#1 in Sweden
	#1 in Travel Retail		#1 in Norway
			#1 in Belgium

Biscuits

	#1 cookie in the world		#1 cookie in France
	#1 breakfast biscuit in the world		#1 savory cracker manufacturer globally

5 Year Stock Performance



Global Position	Market Share	Market Size
Biscuits #1	17%	\$104B
Chocolate #2	12%	\$112B
Candy #3	5%	\$61B
Gum #2	22%	\$17B

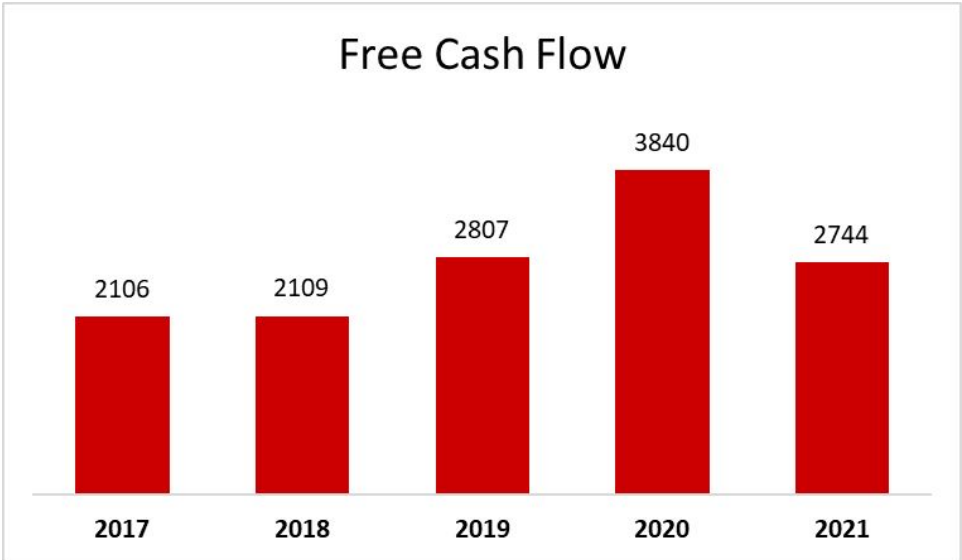
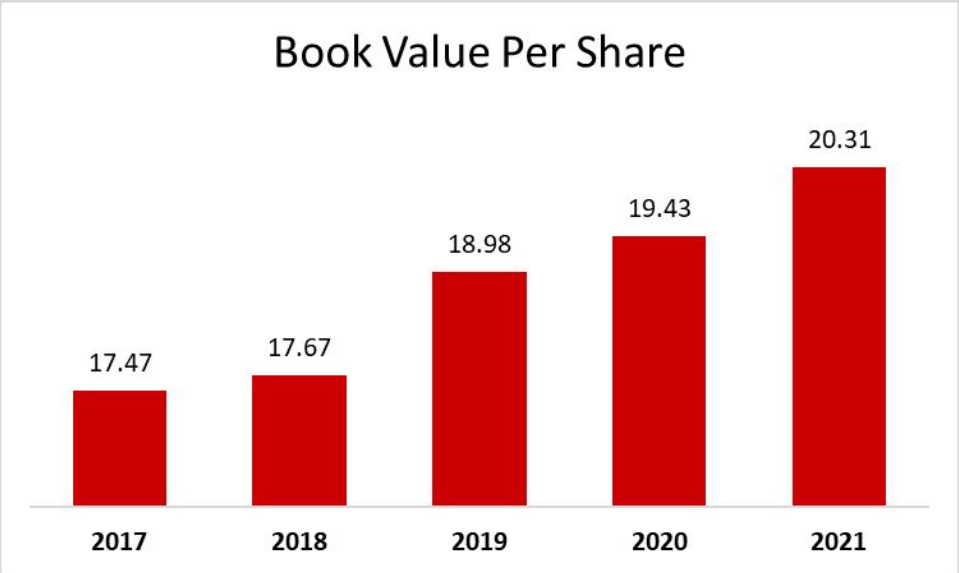
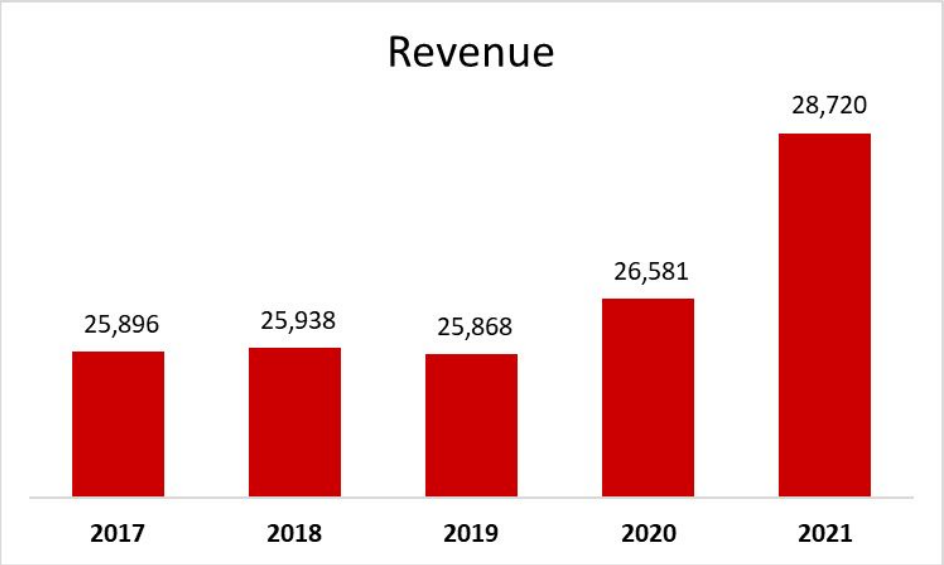
Return on Equity: 15.2%

Return on Assets: 4.6%

Return on Invested Capital: 6.5%

Source: [Market Watch](#)

Financial Analysis: MDLZ



Valuation Analysis & DCF Model

Absolute Basis	High	Low	Median	Current
P/E	38.81	15.76	21.53	20.97
P/B	3.365	2.095	2.879	3.0
P/S	3.389	2.176	2.977	2.920

Assuming 9% Discount Rate and 4% Terminal FCF Growth:

- Terminal P/E: 21.8
- Implied Equity Value: \$79.48
- 26.3% Upside
- Current Price: \$60.74

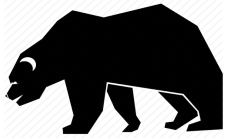
Recommendation: **BUY MDLZ**

Recommendation: The Kroger Co. is a BUY

- Stable grocery store with strong operations and growing market share
- Their store-brand segment is growing with strong brands like Simple Truth.
- Their strong domestic presence means their margins will not be impacted by strong US Dollar.



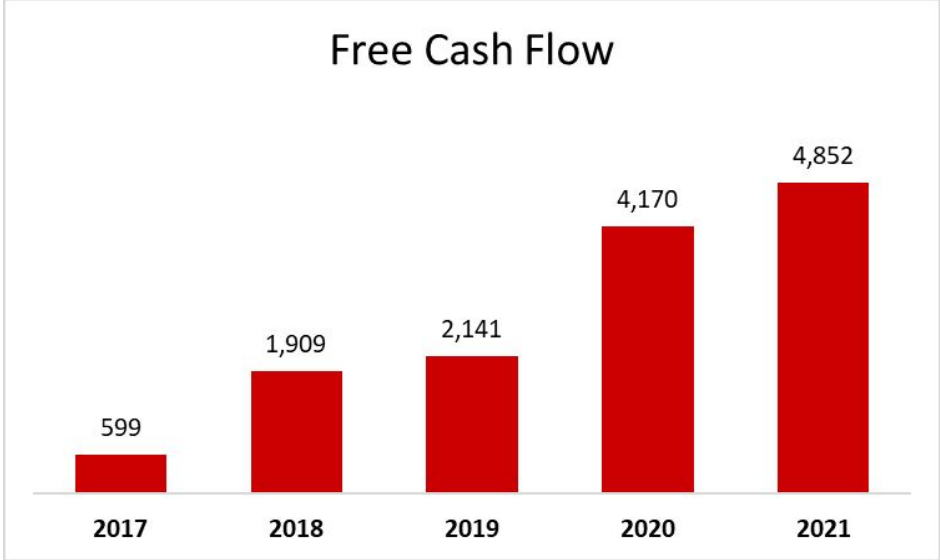
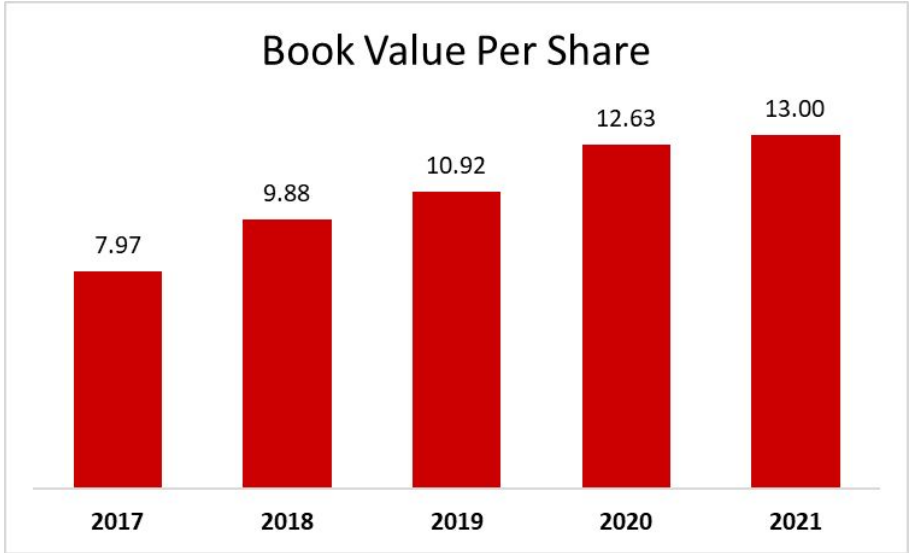
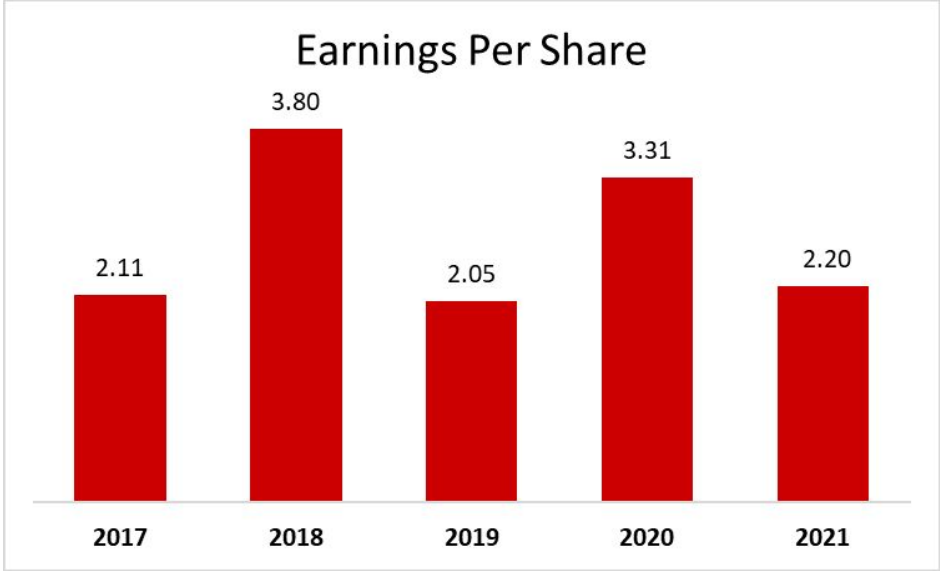
Bulls Say: Kroger is growing earnings and market share and, hey, everyone needs groceries!



Bears Say: Everyone is feeling this inflation and customers are going to pick the cheaper options at grocery stores and that is going to hurt Kroger.

P/E	Market Cap	52 Week High	52 Week Low	Current Price
16.49	\$34.16	\$62.78	\$38.22	\$47.75

Financial Analysis: KR



Valuation & DCF Model

Absolute Basis	High	Low	Median	Current
P/E	37.20	5.738	12.50	16.49
P/B	4.719	1.938	2.965	3.614
P/S	0.337	0.136	0.201	0.251

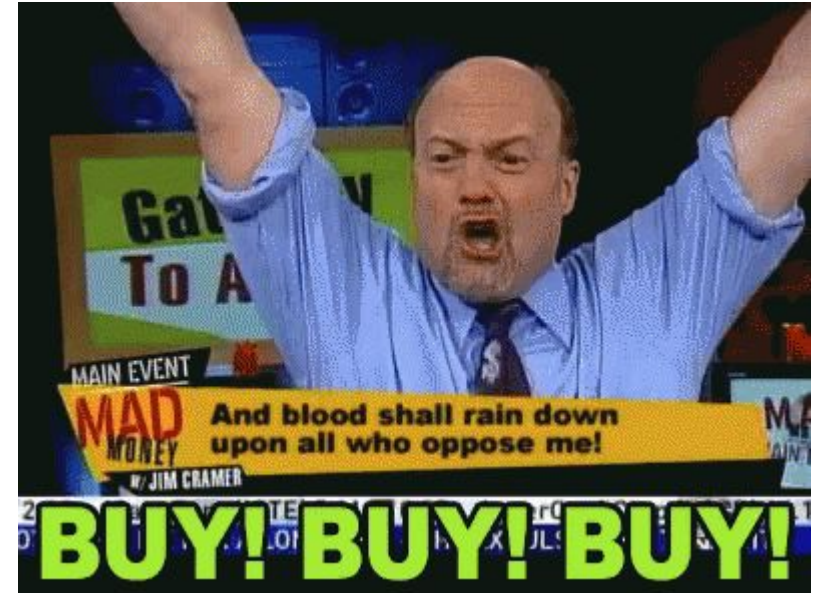
Assuming 8.5% Discount Rate and 3.7% Terminal FCF Growth:

- Terminal P/E: 18.1
- Implied Equity Value: \$61.96
- 27.6% Upside
- Current Price: \$48.55

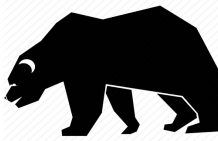
Recommendation: **BUY KR**

Recommendation: Monster is a **BUY**

- 20.5% sales growth in 2021
- Key input prices dropping fast (aluminum, fuel costs)
- Coca-Cola distribution partnership succeeding wildly
- CANarchy acquisition (alcoholic seltzers, beer) in 2022
- Competitor: PepsiCo/Bang partnership FAILED
- Red Bull is privately-held, not traded
- Acquisition/merger rumors abound
- Hot take: “Big soda (Coke, Pepsi) need energy sector growth!”



Bulls Say: From 1997-2021, Monster’s stock beat Amazon and Apple’s growth in share price! Talented management and no post-pandemic downside like tech stocks.



Bears Say: Isn’t the energy drink craze over? And isn’t Red Bull a stiff competitor gaining market share?



P/E	Market Cap	52 Week High	52 Week Low
38.37	51.46 billion	99.89	71.78

Recommendation: Monster is a **BUY**

Monster is favorably positioned on price to win if and when consumers feel pricing pressure

Price Check - July 9, 2022

Monster Energy	\$0.09 per ounce (Amazon.com)	24-pack**	<i>\$1.48/can</i>
Red Bull	\$0.17 per ounce (Amazon.com)	24-pack**	<i>\$1.42/can</i>
Bang Energy	\$0.12 per ounce (Amazon.com)	12-pack*	<i>\$1.98/can</i>
Starbucks Dbl Shot	\$0.20 per ounce (Amazon.com)	12-pack*	<i>\$2.08/can</i>

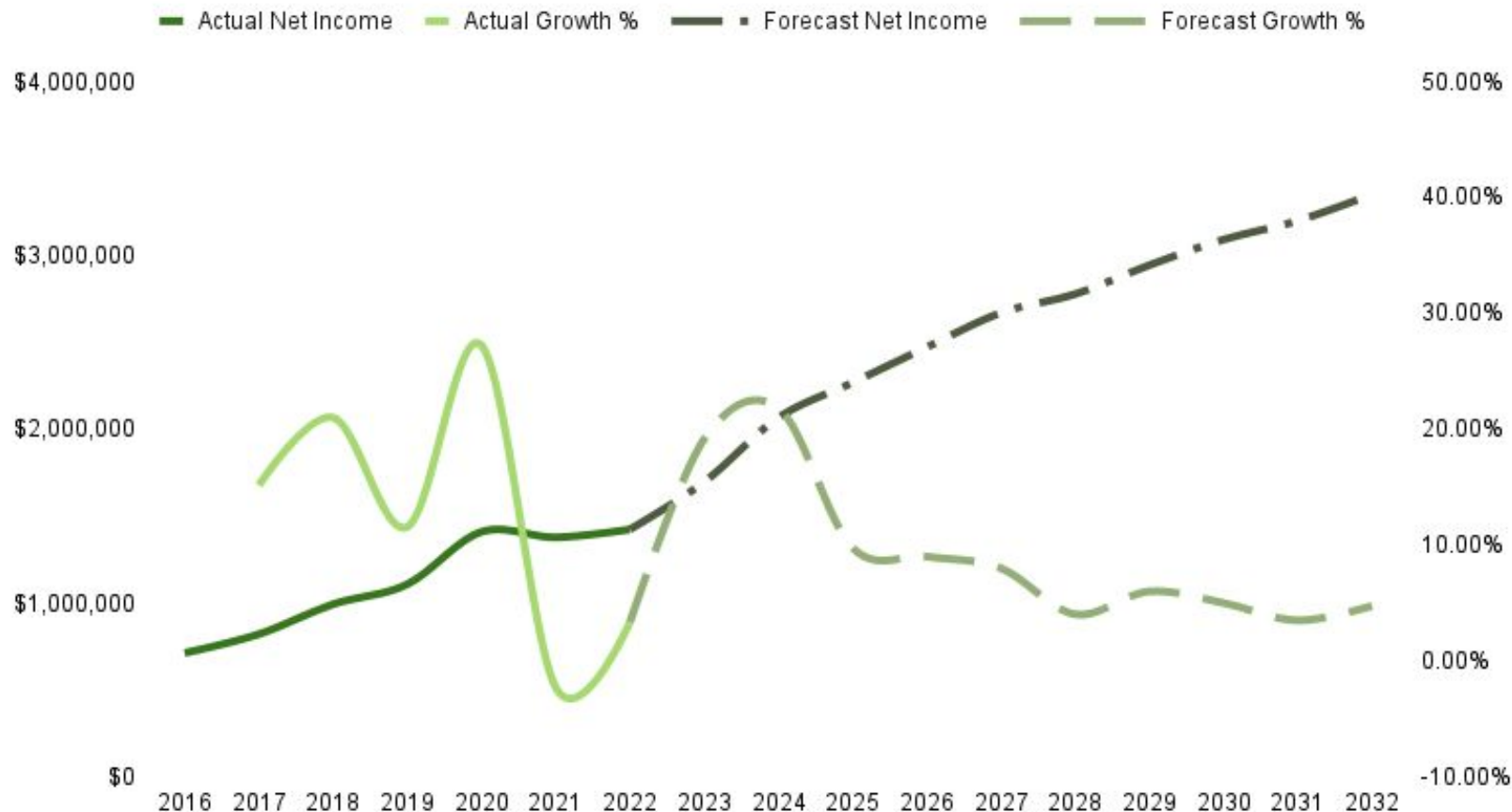
Monster	\$2.79 (Kroger.com)	Single Can
Red Bull	\$2.99 (Kroger.com)	Single Can
Bang Energy	\$2.79 (Kroger.com)	Single Can
Starbucks Dbl Shot	\$3.49 (Kroger.com)	Single Can



Recommendation: Monster is a BUY

DCF modeling assumes aluminum and fuel prices normalize (as is happening), energy drink market continues to grow and segment (fitness, seltzers, affordable energy, etc.) and company diversifies into alcohol (hard seltzers, beer, etc.)

MNST - Actual and Forecast Net Income



Model assumptions are conservative

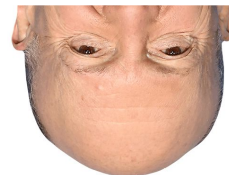
4.75% terminal growth

8.5% discount rate

Recommendation: Monster is a BUY

Sensitivity Analysis		Terminal Growth Rate				
		4.50%	4.625%	4.75%	4.875%	5.0%
Terminal Discount Rate	7.5%	\$136.24	\$140.91	\$146.02	\$151.61	\$157.75
	8.0%	\$116.43	\$119.71	\$123.24	\$127.05	\$131.18
	8.5%	\$101.59	\$103.98	\$106.54	\$109.27	\$112.20
	9.0%	\$90.05	\$91.86	\$93.77	\$95.80	\$97.96
	9.5%	\$80.82	\$82.22	\$83.70	\$85.25	\$86.90

Evaluating Monster's stock using the same DCF model with varying growth and discount rates, if growth exceeds 4.75% in out years and an 8.5% discount rate is considered reasonable, then the value of the stock is clearly there.



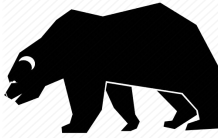
UPSIDE LOOKING GOOD

Recommendation: Target is a BUY

- Target was recently added to Consumer Staples GICS category but it won't take effect until March 17, 2023.
- It is trading at just 12.16 P/E ratio, well below the other staples stocks in our portfolio
- Dividend yield is 2.95%, boosted 20% last earnings report and the company's 51st year with annual dividend increase.



Bulls Say: This is an exceptionally well run company that is more like Wal-Mart than some would acknowledge. The stock is a steal at this price and inventory is a one-time issue.



Bears Say: Target doesn't have a handle on excess inventory, perhaps cannot predict consumer spending in next quarter.



Current Price	P/E	Market Cap	52 Week High	52 Week Low
\$149.36	12.16	68.01 billion	\$268.98	\$137.16



Recommendation: Target is a BUY

Refer to the DCF model in the appendix, but we crushed this stock with a 10.00% discount rate and a measly 4.00% growth rate and it *still* came out on top with a target price for Target of.....

BUY BUY BUY



This is a **20.0% upside** on a stock currently trading at **\$149.36** that is about to be re-categorized as a consumer staple in a business cycle that is pro-staple.

Recap - Recommendations

Sector	S&P Weight	SIM Weight	Target SIM Wt.
Consumer Staples	7.01%	7.02%	9.50%+

Security	Ticker	Recommend	Current Price	Target Price	Upside/Downside	Current Weight	Proposed Weight
Constellation Brands	STZ	BUY (HOLD)	\$244.54	263.51	7.4%	2.63	2.63
Kroger Co.	KR	BUY (HOLD)	\$47.75	\$61.96	29.8%	1.95	1.95
Mondelez Int'l	MDLZ	BUY (HOLD)	\$60.74	\$79.48	30.9%	1.13	1.13
Monster Beverage	MNST	BUY (HOLD)	\$97.15	\$106.54	9.7%	1.32	1.32
Target	TGT	BUY	\$149.36	\$179.23	20.0%	0	1.25
Walmart	WMT	BUY	\$121.59	\$163.69	34.6%	0	1.25

Thank you!



THE OHIO STATE UNIVERSITY
FISHER COLLEGE OF BUSINESS

SIM Student Investment Management

Appendices



Mondelez International (MDLZ)		Terminal Discount Rate = 9.0%					Terminal FCF Growth = 4.0%				
(000s)											
Year	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	30,587	32,590	34,741	36,826	39,035	41,377	43,446	45,618	47,899	50,294	52,809
% Growth	7.0%	6.6%	6.6%	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating Income	4,343	4,628	4,951	5,229	5,543	5,876	6,169	6,478	6,802	7,142	7,499
Operating Margin	14.2%	14.2%	14.3%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%	14.2%
Interest Expense (Income)	673	570	695	737	781	828	869	912	958	1,006	1,056
Interest % of Sales	2.2%	1.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Income Before Taxes	3,670	4,057	4,256	4,493	4,762	5,048	5,300	5,565	5,844	6,136	6,443
Taxes	(826)	(913)	(958)	(1,011)	(1,072)	(1,262)	(1,325)	(1,391)	(1,461)	(1,534)	(1,611)
Tax Rate	-22.5%	-22.5%	-22.5%	-22.5%	-22.5%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
Net Income from Cont Ops	2,845	3,145	3,298	5,504	5,834	6,310	6,626	6,957	7,305	7,670	8,053
Less: Net inc attributable to noncont interests	(15)	(16)	(17)	(18)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
% of Revs	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%
Net Income	2,829	3,128	3,281	5,522	5,834	6,310	6,626	6,957	7,305	7,670	8,053
% Growth		10.6%	4.9%	68.3%	5.6%	8.2%	5.0%	5.0%	5.0%	5.0%	5.0%
Add Depreciation/Amort	1,223	1,304	1,407	1,473	1,561	1,655	1,738	1,825	1,916	2,012	2,112
% of Sales	4.0%	4.0%	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Plus/(minus) Changes WC	(72)	37	67	37	39	41	43	46	48	50	53
% of Sales	-0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Subtract Cap Ex	(1,028)	(1,124)	(1,237)	(1,252)	(1,327)	(1,407)	(1,477)	(1,551)	(1,629)	(1,710)	(1,796)
Capex % of sales	-3.4%	-3.5%	-3.6%	-3.4%	-3.4%	-3.4%	-3.4%	-3.4%	-3.4%	-3.4%	-3.4%
Free Cash Flow	2,953	3,344	3,518	5,780	6,107	6,600	6,930	7,276	7,640	8,022	8,423
% Growth		13.3%	5.2%	64.3%	5.7%	8.1%	5.0%	5.0%	5.0%	5.0%	5.0%
NPV of Cash Flows	38,306	34%									
NPV of terminal value	74,006	66%							Terminal Value		175,199
Projected Equity Value	112,312	100%									
Free Cash Flow Yield	3.32%								Free Cash Yield		4.81%
Current P/E	31.4	28.4	27.1							Terminal P/E	21.8
Projected P/E	39.7	35.9	34.2								
Current EV/EBITDA	87.9	82.5	77.0							Terminal EV/EBITDA	59.9
Projected EV/EBITDA	92.1	86.5	80.7								
Shares Outstanding	1,413										
Current Price	\$ 62.91										
Implied equity value/share	\$ 79.48										
Upside/(Downside) to DCF	26.3%										
Debt	1,223,661										
Cash	823,139										
Cash/share	582.55										

The Kroger Company (KR)											
6/21/2022											
(000s)											
		Terminal Discount Rate = 8.5%									
		Terminal FCF Growth = 3.7%									
Year	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
Revenue	142,025	147,706	152,875	158,532	164,397	170,480	176,788	183,329	190,112	197,146	204,441
% Growth	3.70%	4.0%	3.5%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Operating Income	4,019	3,870	4,143	4,439	4,603	4,773	4,950	5,133	5,323	5,520	5,724
Operating Margin	2.8%	2.6%	2.7%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Interest Expense (Income)	(582)	(606)	(657)	(682)	(707)	(733)	(760)	(788)	(817)	(848)	(879)
Interest % of Sales	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%	-0.4%
Income Before Taxes	3,437	3,264	3,486	3,757	3,896	4,040	4,190	4,345	4,506	4,672	4,845
Taxes	791	751	802	864	896	929	964	999	1,036	1,075	1,114
Tax Rate	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Net Income from Cont Ops	2,646	2,514	2,684	2,893	3,000	3,111	3,226	3,346	3,469	3,598	3,731
Less: Net inc attributable to noncont interests	3	7	3	3	3	3	4	4	4	4	4
% of Revs	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Income	2,644	2,506	2,681	2,890	3,000	3,111	3,226	3,346	3,469	3,598	3,731
% Growth		-5.2%	7.0%	7.8%	3.8%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Add Depreciation/Amort	2,912	3,043	3,165	3,282	3,403	3,529	3,713	3,850	3,992	4,140	4,293
% of Sales	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Plus/(minus) Changes WC	(700)	101	(480)	(317)	(329)	(341)	(354)	(367)	(380)	(394)	(409)
% of Sales	-0.5%	0.1%	-0.3%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
Subtract Cap Ex	2,840	3,102	3,363	3,488	3,617	3,751	3,889	4,033	4,182	4,337	4,498
Capex % of sales	2.0%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Free Cash Flow	2,015	2,548	2,002	2,367	2,458	2,549	2,696	2,796	2,899	3,006	3,118
% Growth		26.4%	-21.4%	18.2%	3.8%	3.7%	5.8%	3.7%	3.7%	3.7%	3.7%
NPV of Cash Flows	16,933	36%									
NPV of terminal value	29,789	64%								Terminal Value	67,351
Projected Equity Value	46,721	100%									
Free Cash Flow Yield	5.50%									Free Cash Yield	4.63%
Current P/E	13.8	14.6	13.7							Terminal P/E	18.1
<i>Projected P/E</i>	17.7	18.6	17.4								
Current EV/EBITDA	6.9	6.9	6.5							Terminal EV/EBITDA	7.8
<i>Projected EV/EBITDA</i>	8.3	8.3	7.9								
Shares Outstanding	754										
Current Price	\$ 48.55										
Implied equity value/share	\$ 61.96										
Upside/(Downside) to DCF	27.6%										



Monster Beverage Corporation - Discounted Cash Flow Forecast - 07.10.22

Monster Beverage Corporation				Forecast			Extended Forecast				
Analyst: Mike Duffey 07.10.22				Terminal Discount Rate = 8.50%			Terminal FCF Growth = 4.75%				
Year	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E
Net Sales	6,317,141	6,948,855	7,643,741	8,408,115	9,164,845	9,898,033	10,590,895	11,226,349	11,787,667	12,377,050	12,964,960
% Growth	14.00%	10.0%	10.0%	10.0%	9.0%	8.0%	7.0%	6.0%	5.0%	5.0%	4.75%
Operating Income	1,895,142	2,258,378	2,751,747	3,026,921	3,299,344	3,563,292	3,706,813	3,929,222	4,125,683	4,270,082	4,472,911
Operating Margin	30.0%	32.5%	36.0%	36.0%	36.0%	36.0%	35.0%	35.0%	35.0%	34.5%	34.5%
Other Income (Expense), Net	2,803	2,803	2,803	3,401	3,707	4,004	4,284	4,541	4,768	5,007	5,245
Interest % of Sales	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Income Before Taxes	1,897,945	2,261,181	2,754,549	3,023,520	3,295,637	3,559,288	3,702,529	3,924,681	4,120,915	4,265,075	4,467,666
Taxes	474,486	565,295	688,637	755,880	823,909	889,822	925,632	981,170	1,030,229	1,066,269	1,116,917
Tax Rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Net Income	1,423,459	1,695,885	2,065,912	2,267,640	2,471,728	2,669,466	2,776,897	2,943,511	3,090,686	3,198,807	3,350,750
% Growth	3%	19.1%	21.8%	9.8%	9.0%	8.0%	4.0%	6.0%	5.0%	3.5%	4.8%
Add Depreciation/Amort	82,123	90,335	99,369	109,305	119,143	128,674	137,682	145,943	153,240	160,902	168,544
% of Sales	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Plus/(minus) Changes WC	(32,382)	(28,427)	(152,875)	(84,081)	(91,648)	(98,980)	(105,909)	(112,263)	(117,877)	(123,770)	(129,650)
% of Sales	-0.5%	-0.4%	-2.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Subtract Cap Ex	(105,307)	(115,837)	(127,421)	(140,163)	(152,778)	(148,500)	(141,240)	(131,000)	(117,900)	(103,163)	(108,063)
Capex % of sales	-1.667%	-1.667%	-1.667%	-1.67%	-1.67%	-1.50%	-1.33%	-1.17%	-1.00%	-0.83%	-0.83%
Free Cash Flow	1,367,893	1,641,956	1,884,985	2,152,701	2,346,444	2,550,660	2,667,429	2,846,189	3,008,149	3,132,775	3,281,582
% Growth		20.0%	14.8%	14.2%	9.0%	8.7%	4.6%	6.7%	5.7%	4.1%	4.8%
NPV of Cash Flows	15,953,216	28%									
NPV of terminal value	40,542,321	72%									
Projected Equity Value	56,495,538	100%									
Free Cash Flow Yield	2.65%										
Terminal Value									91,665,517		
Free Cash Yield									3.58%		
Terminal P/E									27.4		
Terminal EV/EBITDA									19.7		
Current P/E	36.3	30.5	25.0								
<i>Projected P/E</i>	39.7	33.3	27.3								
Current EV/EBITDA	26.1	22.0	18.1								
<i>Projected EV/EBITDA</i>	28.6	24.1	19.8								
Shares Outstanding	530,283										
Current Price	\$97.48										
Implied equity value/share	\$ 106.54										
Upside/(Downside) to DCF	9.3%										

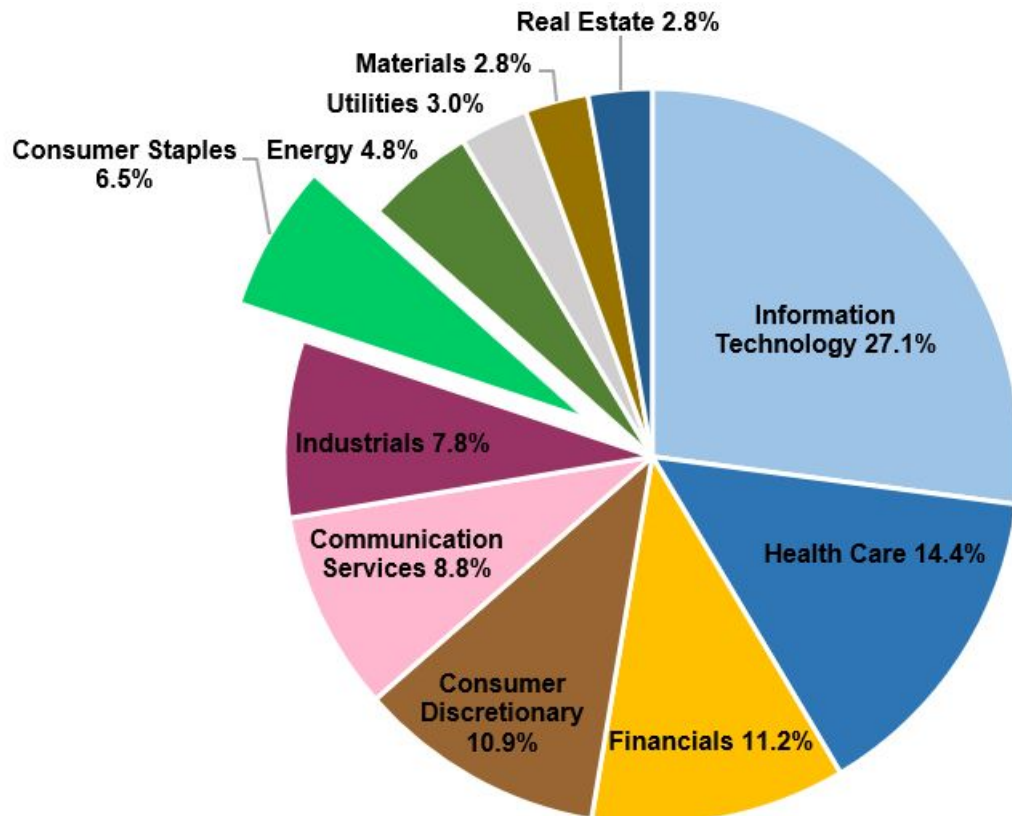


Target Corporation - Discounted Cash Flow Forecast - 07.18.22

Monster Beverage Corporation	Forecast			Extended Forecast							
Analyst: Mike Duffey 07.18.22				Term Discount Rate = 10.00%		Term FCF Growth = 4.00%					
Year	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E
Net Sales	98,334	102,268	106,563	111,039	115,924	121,141	126,592	132,289	138,242	144,463	150,964
% Growth	-6.0%	4.0%	4.2%	4.3%	4.4%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Operating Income	7,898	8,237	9,191	9,578	9,999	10,449	10,919	11,410	11,924	12,461	13,021
Operating Margin	8.0%	8.1%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
Other Income (Expense), Net	(92)	(92)	(92)	(100)	(105)	(109)	(114)	(119)	(125)	(130)	(136)
Interest % of Sales	-0.09%	-0.09%	-0.09%	-0.090%	-0.090%	-0.090%	-0.090%	-0.090%	-0.090%	-0.090%	-0.090%
Income Before Taxes	7,990	8,330	9,284	9,678	10,103	10,558	11,033	11,530	12,049	12,591	13,157
Taxes	1,758	1,833	2,042	2,129	2,223	2,323	2,427	2,537	2,651	2,770	2,895
Tax Rate	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Net Income	6,232	6,497	7,241	7,549	7,881	8,235	8,606	8,993	9,398	9,821	10,263
% Growth	-10%	4.3%	11.5%	4.2%	4.4%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Add Depreciation/Amort	2,714	2,822	2,941	3,064	3,199	3,343	3,493	3,650	3,815	3,986	4,166
% of Sales	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Plus/(minus) Changes WC	(3,681)	1,986	554	(1,110)	(1,159)	(1,211)	(1,266)	(1,323)	(1,382)	(1,445)	(1,510)
% of Sales	-3.7%	1.9%	0.5%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Subtract Cap Ex	(3,625)	(3,770)	(3,928)	(4,093)	(4,375)	(4,678)	(5,000)	(5,225)	(5,460)	(5,706)	(5,962)
Capex % of sales	-3.686%	-3.686%	-3.686%	-3.69%	-3.77%	-3.86%	-3.95%	-3.95%	-3.95%	-3.95%	-3.95%
Free Cash Flow	1,640	7,536	6,808	5,409	5,545	5,689	5,833	6,096	6,370	6,657	6,956
% Growth		359.6%	-9.7%	-20.5%	2.5%	2.6%	2.5%	4.5%	4.5%	4.5%	4.5%
NPV of Cash Flows	38,758	45%									
NPV of terminal value	46,488	55%									
Projected Equity Value	85,246	100%									
Free Cash Flow Yield	2.31%										
									Terminal Value		120,578
									Free Cash Yield		5.77%
									Terminal P/E		11.7
									Terminal EV/EBITDA		7.0
Current P/E	11.4	10.9	9.8								
<i>Projected P/E</i>	13.7	13.1	11.8								
Current EV/EBITDA	6.7	6.4	5.9								
<i>Projected EV/EBITDA</i>	8.0	7.7	7.0								
Shares Outstanding	476										
Current Price				Current Price							
Implied equity value/share	\$ 179.23			Implied equity value/share							
Upside/(Downside) to DCF	20.0%			Upside/(Downside) to DCF							
									\$149.36		
									\$ 179.23		
									20.0%		

Consumer Staples within S&P 500

S&P 500 Sector Weights



Top 10 Holdings in S&P 500 Consumer Staples

Constituents	Ticker	S&P 500 Weight	S&P 500 Consumer Staples Weight
The Procter & Gamble Company	PG	1.05%	15.54%
Coca-Cola Co.	KO	0.75%	10.80%
PepsiCo Inc.	PEP	0.70%	10.17%
Costco Wholesale Corp.	COST	0.64%	9.06%
Philip Morris International Inc.	PM	0.49%	5.16%
Altria Group Inc.	MO	0.24%	4.63%
Mondelez International Inc.	MDLZ	0.26%	4.57%
Walmart Inc.	WMT	0.53%	3.91%
Colgate-Palmolive Co.	CL	0.20%	3.44%
Estee Lauder Companies Inc.	EL	0.18%	3.07%
Total		5.04%	70.35%

Sources: S&P Dow Jones Indices; Fidelity
Weights as of 6/29/2022



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