
Consumer Staples

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Overview

Consumer Staples

Sector Size in S&P 500:

8.15% (as of 01/31/2025)

Sector Performance Summary

- **Year-to-Date Performance**
 - Total Return: 6.39%
 - Price Return: 10.96%
 - Benchmark Total Return: 8.81%
- **Quarter-to-Date Performance**
 - Total Return: -1.59%
 - Price Return: 3.5%
 - Benchmark Total Return: 3.4%



Food and Beverage

Coca-Cola



Constellation Brands



Personal



Altria



ESTÉE LAUDER



Household

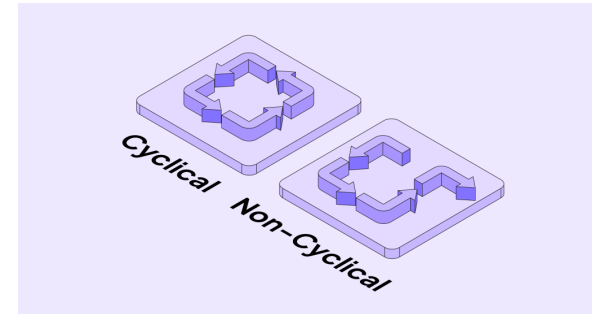
Walmart 

P&G 



Demand Analysis

- **Life Cycle Stage** – Mature industry with slow, stable growth
- **Classification by Business Cycle** – Non-cyclical, less volatile
 - US Economy Impact: Inflation effect, consumer spending behavior, interest rates
 - Foreign Market Influence: Emerging markets growth, supply chain risks, currency exchange rates
- **External Factors** – Regulatory and sustainability policies, retail trends, and brand loyalty.



Demand Analysis



- **The User & Geography** – Developed markets, emerging markets, and e-commerce.
- **Input/Output Analysis**
 - Input (Raw materials, labor): Food staples, logistics and labor
 - Output (Final goods, pricing strategies): Value tier products, premium brands, subscription models



Supply of Consumer Staples

- **Stable but influenced by Costs**
 - Production efficiency and supply chain logistics
 - Bird Flu has affected egg supply across the country which increases prices
- **Economies of Scale**
 - Large firms benefit from this allowing them to produce a high number of supply for cheap
- **Regulatory Impact**
 - Health, safety, and environmental regulations can restrict supply

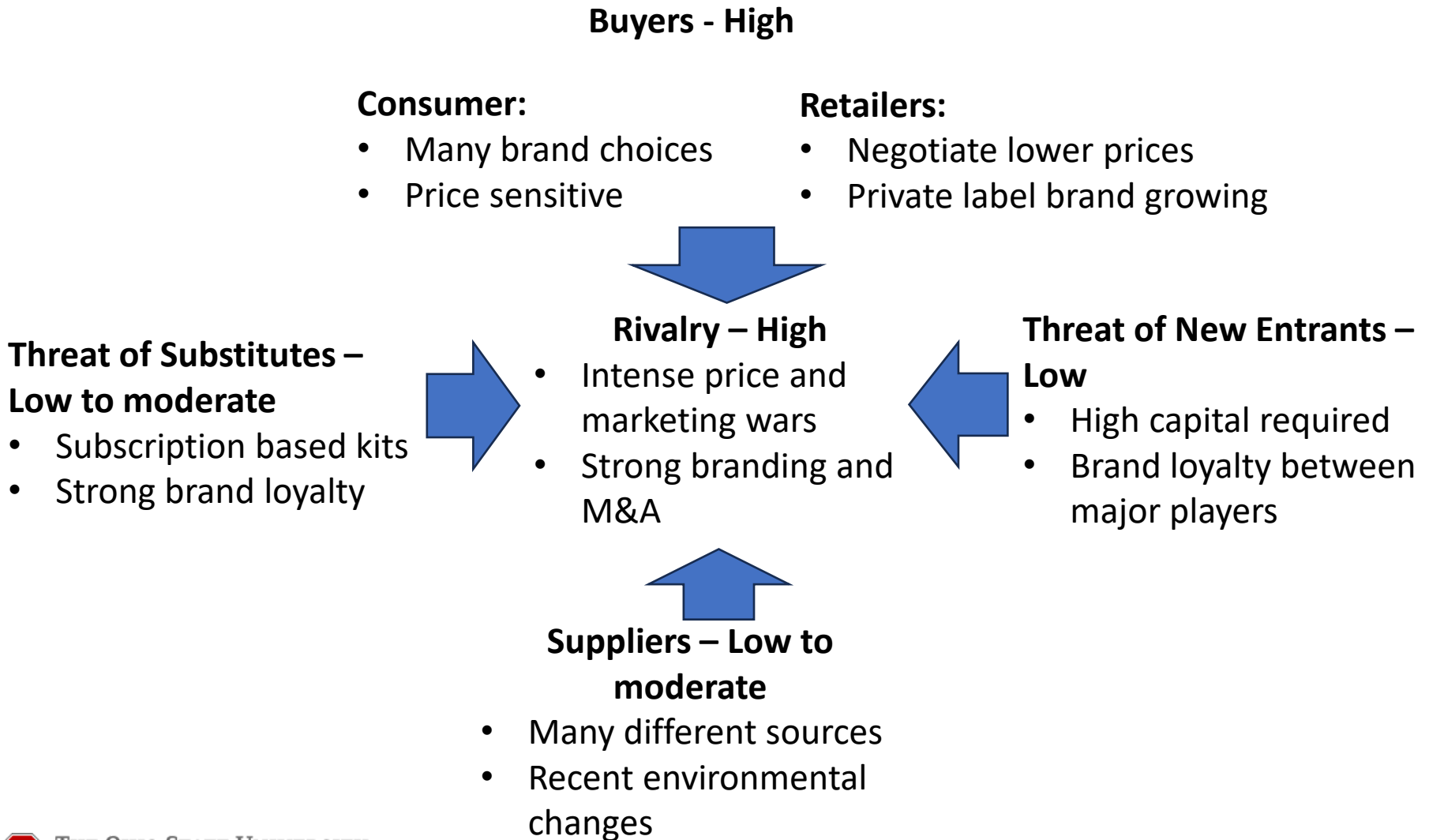


Profitability and Pricing

- **General price stability compared to discretionary goods but can be affected by external factors**
 - Inflation, supply chain disruption, natural disasters
 - Limited how much they can pass costs to consumer due to the inelastic nature of demand
- **Product Segmentation**
 - Food & Beverage, Household Products, Personal Care, Tobacco/Nicotine
 - Most profitable: Alcohol, tobacco, cosmetics (30-50% margins)
 - Least profitable: Household goods, staple food items, water (5-20% margins)
- **Industry/Sector concentration**
 - Moderately to highly concentrated
 - Dominance by large corporations, retail power, barriers to entry, brand loyalty
 - Emerging markets isn't as highly concentrated



5 Forces Analysis



Economic Analysis: Market

Beta: 0.55

Regression Statistics

Multiple R	0.462767128
R Square	0.214153414
Adjusted R Square	0.207436777
Standard Error	0.039448731
Observations	119

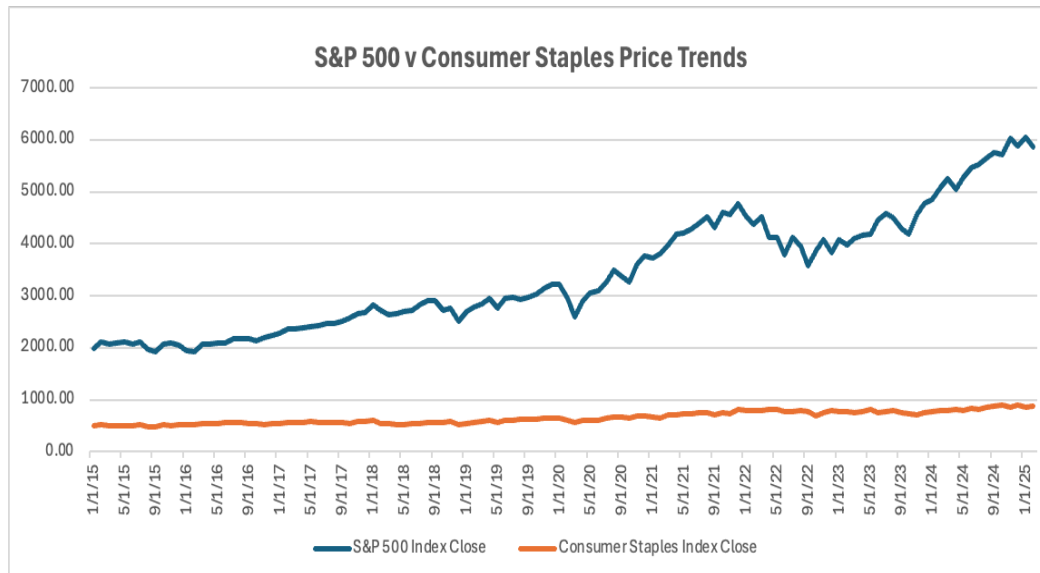
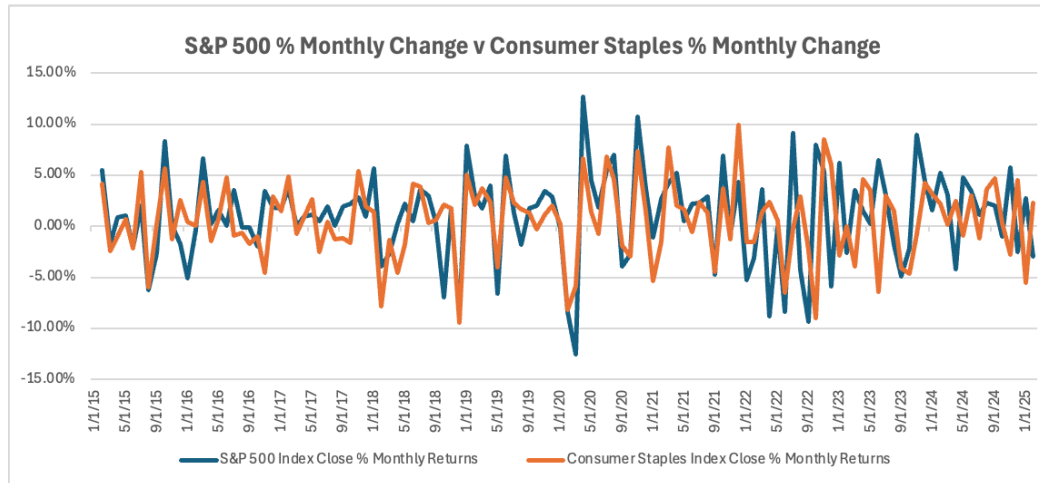
ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	0.04961799	0.04961799	31.88402158	1.16496E-07
Residual	117	0.182075676	0.001556202		
Total	118	0.231693666			

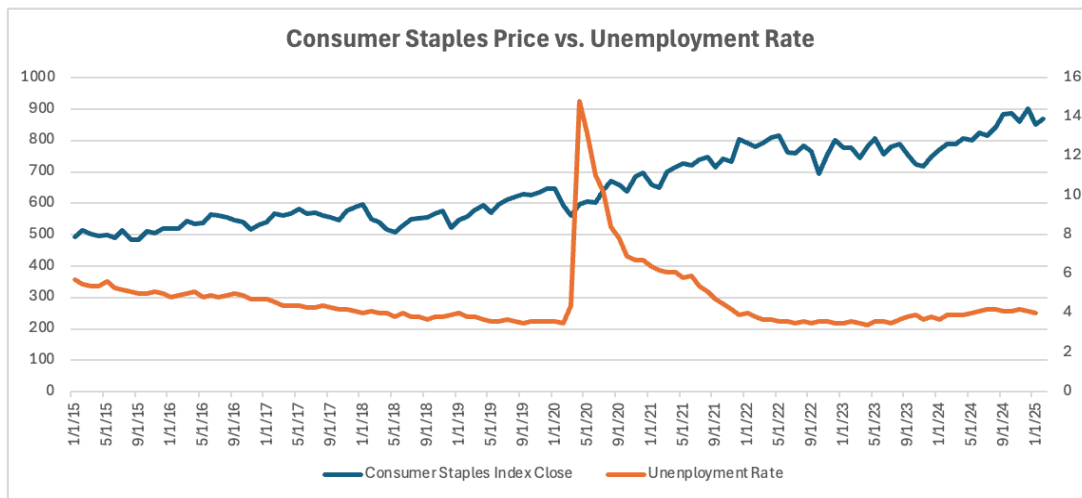
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.006918043	0.003660033	1.89015854	0.061210903	-0.000330461	0.014166546	-0.000330461	0.014166546
S&P 500	0.55454897	0.098209467	5.646593803	1.16496E-07	0.360050266	0.749047674	0.360050266	0.749047674



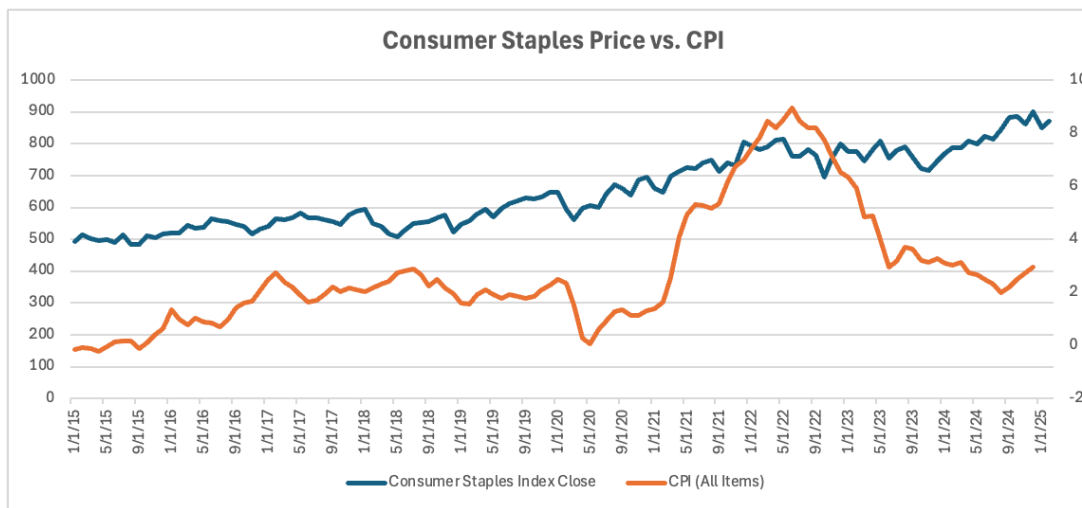
Economic Analysis: Market



Economic Analysis: Macro



<i>Regression Statistics</i>	
Multiple R	0.121521013
R Square	0.014767357
Adjusted R Square	0.006417928
Standard Error	0.037124413
Observations	120



<i>Regression Statistics</i>	
Multiple R	0.016228729
R Square	0.000263372
Adjusted R Square	-0.00828139
Standard Error	0.037130393
Observations	119

Data Source: [FRED UNRATE](#), [FRED CPI](#), [Yahoo Finance](#)

Financial Analysis: Consumer Staples

	YOY Sales Growth	Historical Sales Growth (Past Decade)	YOY EPS Growth	Historical EPS Growth
Consumer Staples	1.9%	7-9%	-9.19%	5.75%
S&P 500	5.2%	5-6%	10.97%	8.67%
Walmart	5.1%	2-3%	14%	2.46%
Coca Cola	3%	5-6%	7%	6.6%
Phillip Morris International	7.67%	-5%	-9.96%	3.7%
Proctor & Gamble	2%	1-2%	5.4%	23.51%

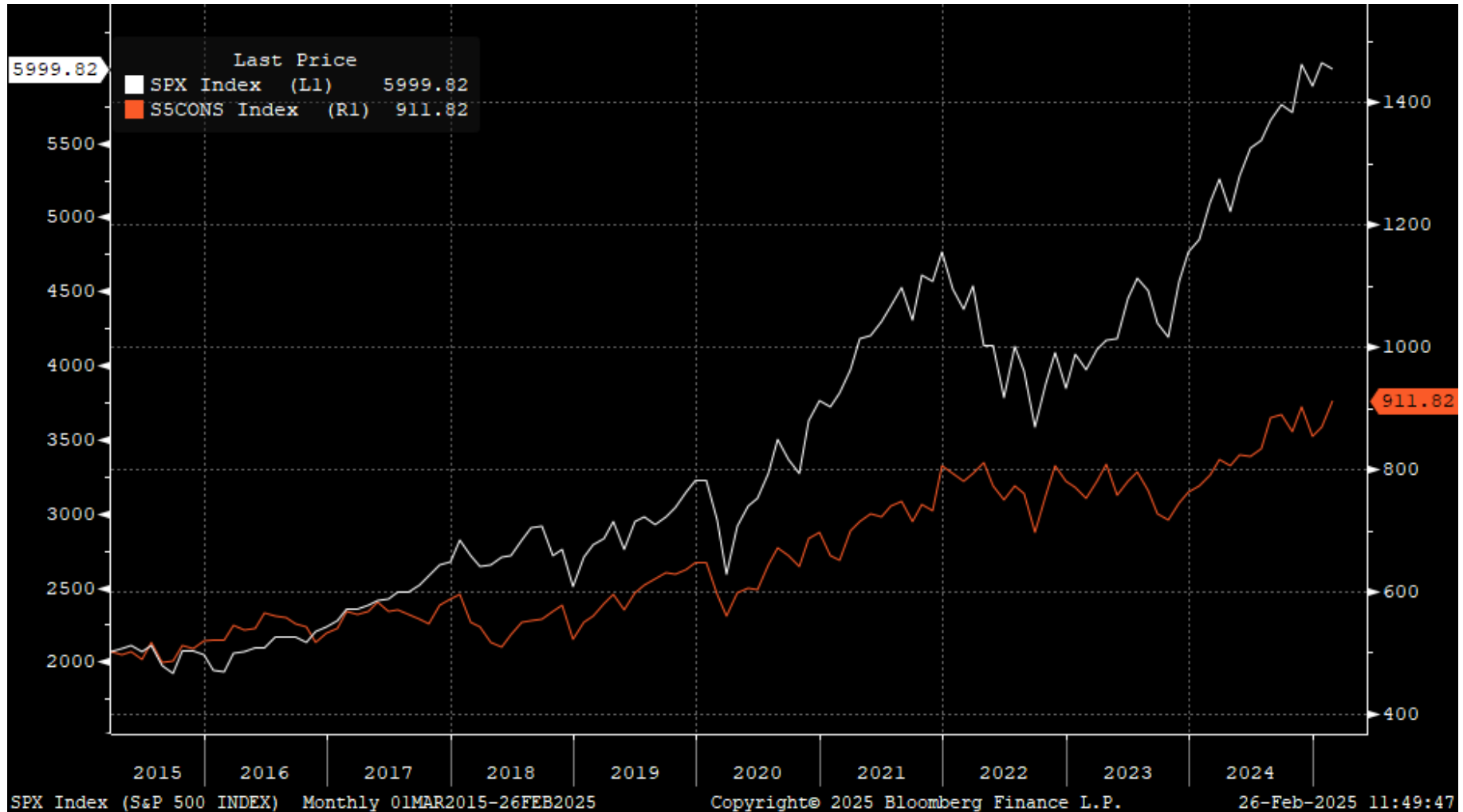
Financial Analysis: cont.

- The operating margin for consumer staples stocks is currently 6.24% while the S&P 500 collectively is 8.50%
- Margins are contracting but they are within a normal range. We predict that they will remain stable
- R&D spend on average is sitting around 2% of sales
- ROE for 2024 was 20.5%
- Inventory turnover for the sector was 5.73 in 2024
- Consumer staples remains a positive FCF sector



Valuation Analysis: Market Comparison

- Consumer Staples has underperformed relative to the S&P



Valuation Analysis: Sector Comparison

- Consumer Staples has the lowest P/E, but highest P/B and P/S



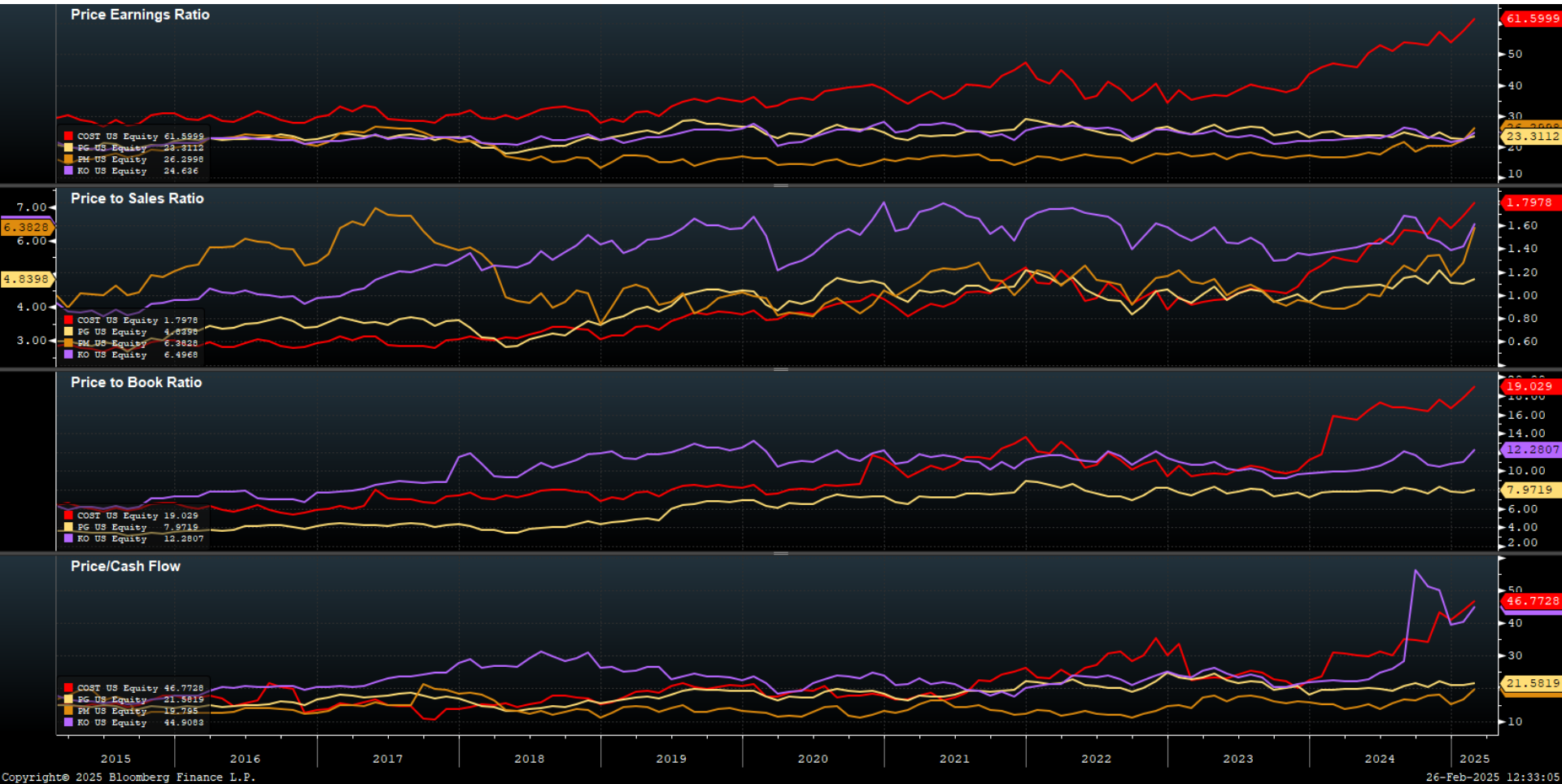
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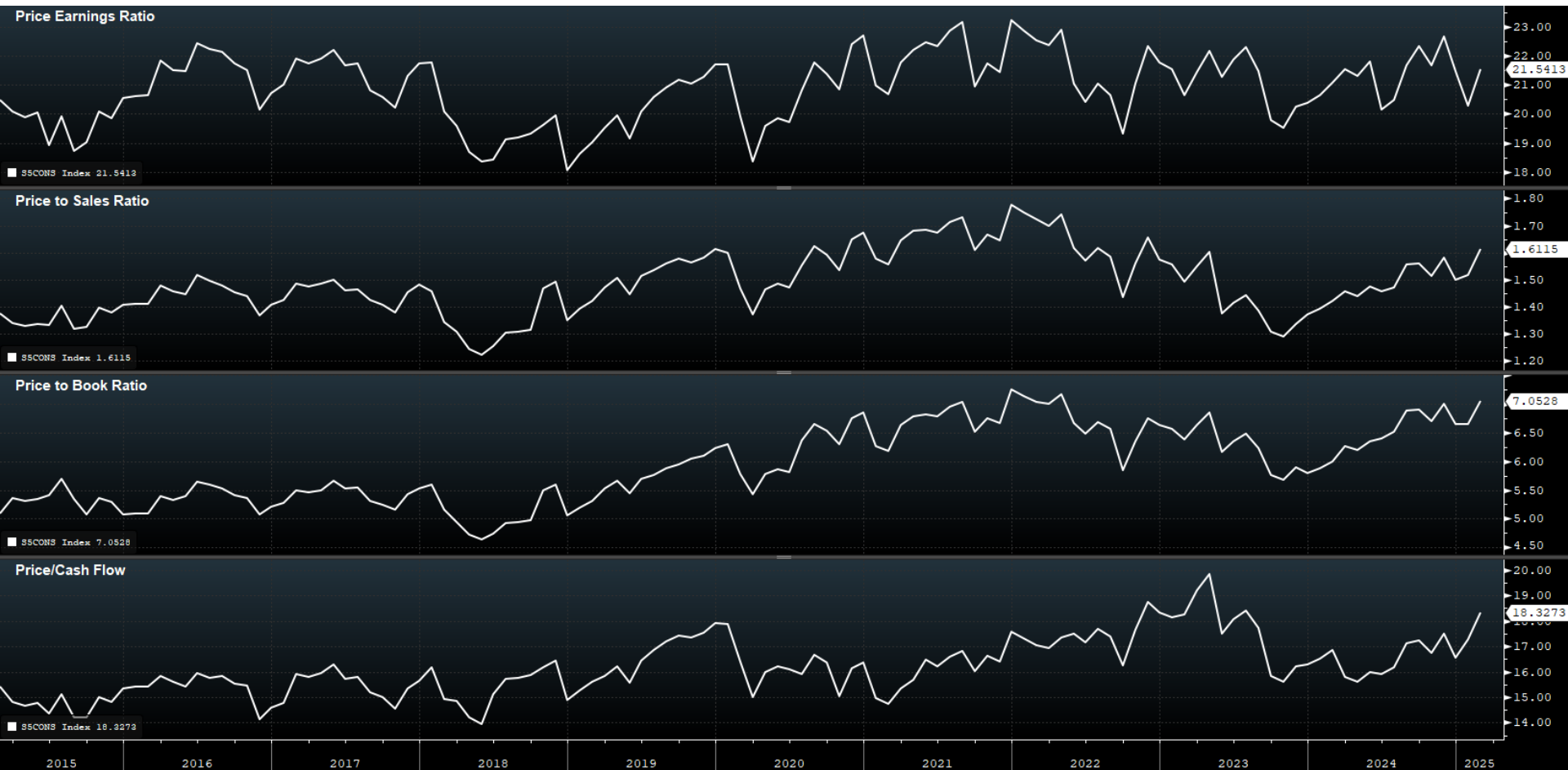
Valuation Analysis: Company Comparison

- Industries within Consumer Staples sees much deviation



Valuation Analysis - Absolute

- P/B and P/S are trending upward, signifying investor confidence



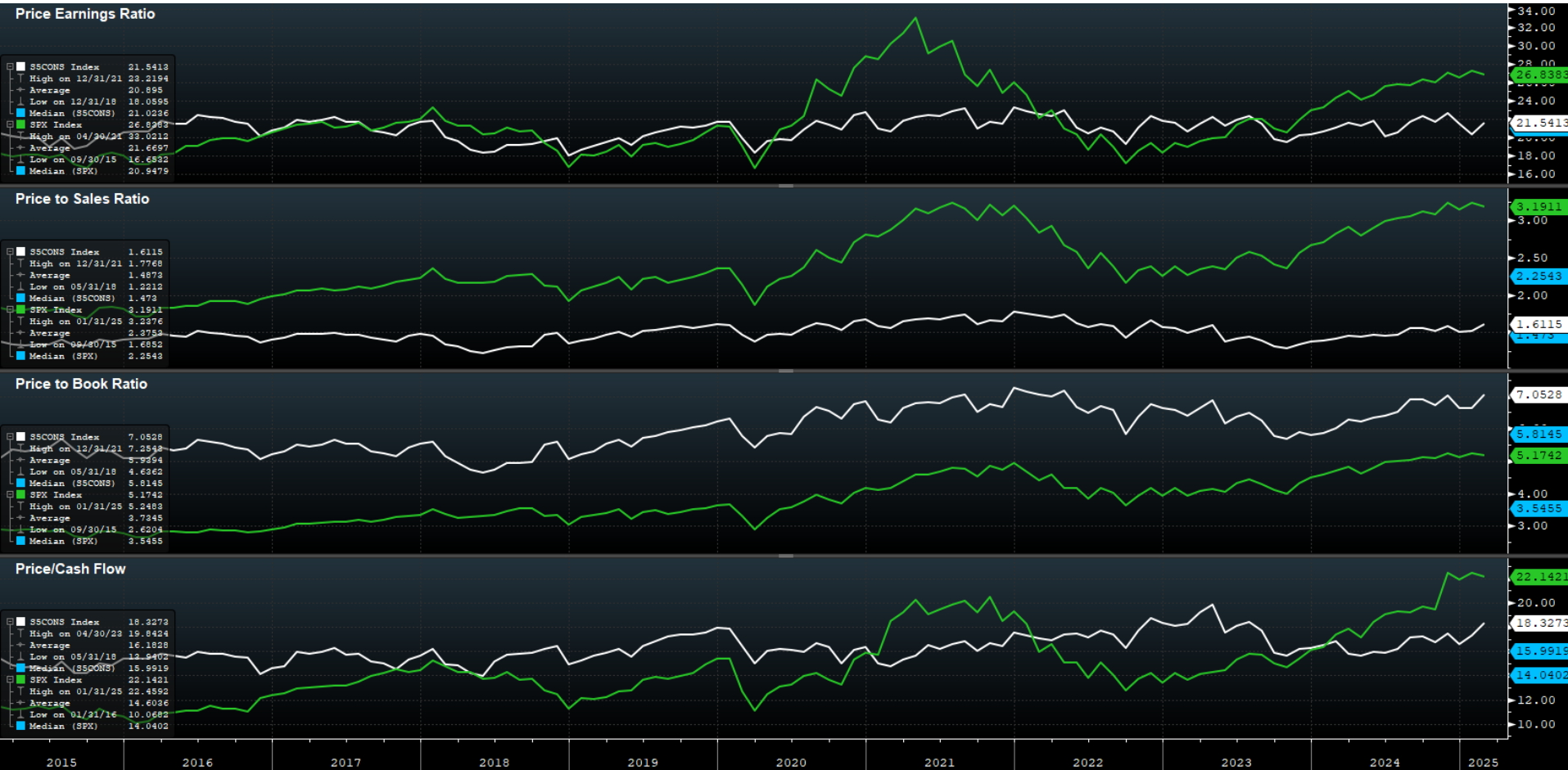
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Valuation Analysis - Relative

- Relatively stable valuations reflects Consumer Staples' defensive nature



Valuation Analysis - Technical Analysis

- Consumer Staples price has held steady above moving averages suggesting bullish momentum



Recommendation: Overweight

- ❑ S&P 500 Weight: 5.88% , Current SIM Weight: 8.72%
- ❑ Pros: Uncertainty in market, Consumer Staples more defensive, lower relative P/E ratios (compression), investor confidence (rising P/B and P/S)
- ❑ Cons: Tariffs , Inflation, Thin Margins in Grocery
- ❑ Overweight: Tobacco (strong brand loyalty, high profitability, domestic manufacturing)
- ❑ Underweight: Food products that are manufactured in Mexico, Canada, or China

