Consumer Staples



Chris Ensign July 15, 2015



SIM Portfolio Holdings

- Whole Foods Market
- 3.86% in Portfolio

- Molson Coors
- 4.53% in Portfolio

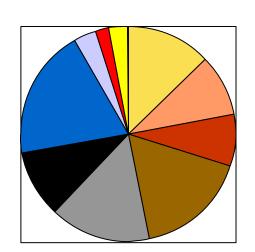


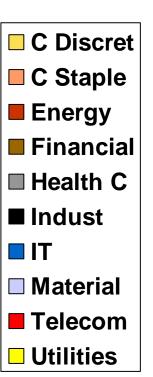


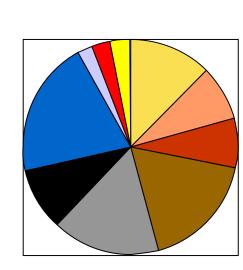


Sector Weight Comparison

S&P 500 9.43% SIM Portfolio 8.39%







C Discret
C Staple
Energy
Financial
Health C
Indust
IT
Material
Telecom
Utilities



Sector Overview

- Defensive / Non Cyclical
- Demand remains constant through good and bad economies
- Consumers are unwilling or unable to cut consumer staple products from shopping
- Part of routine buying
- Modest but consistent returns
- Mature products offer little growth opportunities
- Growth is often expansion in to new geographic territories or consolidation



Sector Components



Economic Factors & Industry Outlook

- Little relative economic exposure because of the nature of the products
 - Consumer Price Index
 - Consumer Confidence
 - Unemployment
 - Commodity Prices
 - Dollar Value



- High Intensity of Rivalry

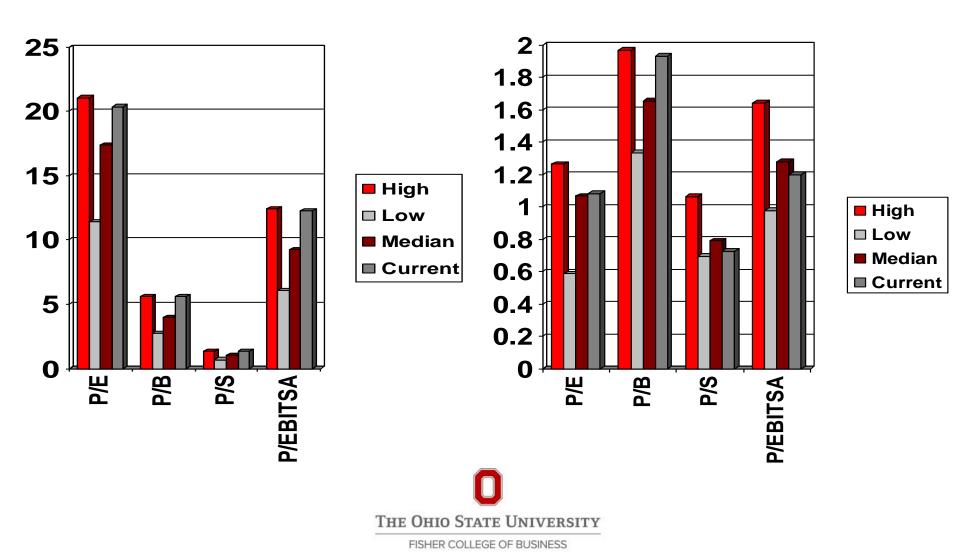
 Little differentiation
- High Buyer Power
 - Low switching costs
- Low Supplier Power
 - Many suppliers for few large retailers
- Low Threat of New Entrants
 - High brand recognition
 - Economies of scale
 - Incumbent advantages
- Low Threat of Substitutes
 - Many brands are ingrained in our culture

The Ohio State University

Valuation Metrics

Absolute

Relative to S&P



Summary of Recommendations

MOLSON COOLS - Hold WHÔLE - Sell

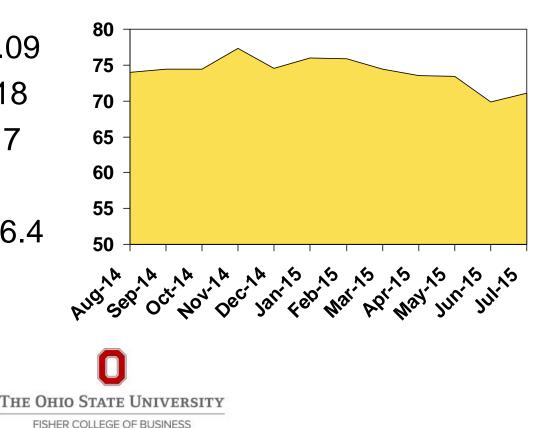
• Walmart - Buy





One of the world's largest beer producers, with brands such as Coors Light, Molson Canadian, Carling, Blue Moon, Keystone Light and Cobra as well as distributing other brands such as Miller and Heineken under license

- Current Price = \$71.09
- 52 week High = 79.18
- 52 week Low = 66.17
- Beta = 1.00
- Market Cap = 11,366.4
- Div Yield = 2.30%





Opportunities

- Improve efficiency to lower costs
- Create or acquire new brands to evolve with preferences

Risks

- Fierce competition
- Evolving consumer preferences

Competitive Advantage

 Provide a diverse product set that uniquely caters to premium and economy, traditional and changing customer preferences and hold strong positions in all major beer segments





	Market Cap	Revenue	Gross Margin	Net Income	EPS	P/E	P/S
MOLSON	11.4	4.03	40%	0.427	2.31	30.73	3.28
	203.51	46.91	60%	10.52	6.32	20.05	4.13
Heineken®	45.47	21.3	39%	1.68	2.91	27.19	2.05





Molson Coors Brewing Company (TAP)

Chris Ensign

July 12, 2015

(Millions)	2015 E	2016 E	2017 E	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E	2024 E	2025 E
Revenue	4,437	4,747	5,079	5,384	5,707	5,993	6,232	6,482	6,725	6,960	7,186
% Growth		7.0%	7.0%	0.0%	0.0%	5.0%	4.0%	4.0%	3.8%	3.5%	3.3%
Operating Income	836	895	957	1,018	1,079	1,133	1,178	1,225	1,271	1,315	1,358
Operating Margin	18.9%	18.9%	18.9%	13.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%
Interest Income	(164)	(176)	(188)	(199)	(192)	(185)	(178)	(171)	(165)	(159)	(153)
Interest % of Sales	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%	-3.7%
Taxes	101	108	115	123	133	142	150	158	166	173	181
Tax Rate	15.00%	15.00%	15.00%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Net Income	571	611	654	696	754	806	850	896	940	983	1,024
% Growth		7.0%	7.0%	6.3%	8.4%	6.9%	5.5%	5.4%	5.0%	4.6%	4.2%
Add Depreciation/Amort	333	356	381	398	417	431	442	454	464	473	481
% of Sales	7.5%	7.5%	7.5%	7.4%	7.3%	7.2%	7.1%	7.0%	6.9%	6.8%	6.7%
Plus/(minus) Changes WC	57	47	50	54	57	60	62	65	67	70	72
% of Sales	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Subtract Cap Ex	280	299	320	339	360	378	393	415	437	459	481
Capex % of sales	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.4%	6.5%	6.6%	6.7%
Free Cash Flow	681	715	765	809	868	920	962	999	1,034	1,067	1,096
% Growth		5.0%	7.0%	5.7%	7.3%	5.9%	4.6%	3.9%	3.5%	3.1%	2.8%
NPV of Cash Flows	5,663	42%		Ter	minal Disco	unt Rate =	9.25%		Term	inal Value	18,865
NPV of terminal value	7,788	58%		Т	erminal FCI	Growth =	3.25%				
Projected Equity Value	13,452	100%				-			Free (Cash Yield	5.81%
Free Cash Flow Yield	5.18%								т		10.4
Current P/E	23.0	21.5	20.1						1 81	minal P/E	18.4
Projected P/E	23.5	22.0	20.6						Terminal EV	/EBITDA	10.3
Current EV/EBITDA	11.3	10.5	9.8								
Projected EV/EBITDA	11.5	10.8	10.1		Cur	rent Price	\$ 71.09				
Shares Outstanding	185			-	lied equity v ide/(Downsid	alue/share le) to DCF	\$ 72.71 2.3%				





Current Price = \$71.09 Target Price = \$72.71 Potential Upside = 2.3%

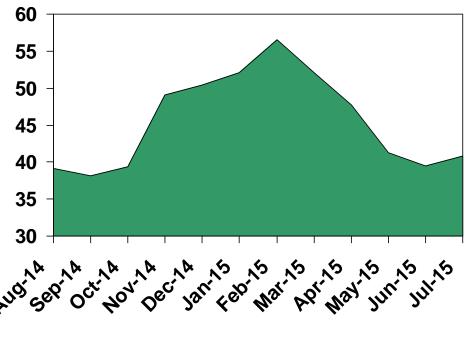
Recommendation Hold at 4.58%





The leading retailer of natural and organic foods, the first "Nationally Certified" organic grocer, and uniquely positioned as "America's Healthiest Grocery Store."

- Current Price = \$40.80
- 52 week High = \$57.57
- 52 week Low = \$36.08
- Beta = 0.81
- Market Cap = 14,130.6
- Div Yield = 1.30%







Opportunities

- Increasable Footprint
- Loyal customer base that is willing to pay more for premium products

Risks

- Increasing competition from powerful retail giants
- Aggressive growth strategy with unproven new chain concept

Competitive Advantage

 Offer a rare set of premium health conscious consumer products that are naturally, organically and locally sourced with a unique shopping experience





	Market Cap	Revenue	Gross Margin	Net Income	EPS	P/E	P/S
WHÔLE FOODS NARKET	14.1	14.95	35%	0.605	1.66	24.59	0.98
Kroger	37.08	108.56	22%	1.83	3.71	20.60	0.34
SPROUTS SPROUTS FARMERS MARKET	4.07	3.1	30%	0.111	0.72	36.78	1.32



WHÔLE FOODS				W		ods Mark Chris Ensign July 12, 2015	et (WFN	1)									
(000s)	2015 E	2016 E	2017 E	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E	2024 E	2025 E						
Revenue	15,613	17,331	19,411	21,546	23,700	25,833	27,771	29,437	30,909	32,145	33,431						
% Growth		11.0%	12.0%	11.0%	10.0%	9.0%	7.5%	6.0%	5.0%	4.0%	4.0%						
Operating Income	1,009	1,127	1,269	1,400	1,541	1,679	1,805	1,913	2,009	2,089	2,173						
Operating Margin	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%						
Interest Income	14	17	21	24	26	28	31	32	34	35	37						
Interest % of Sales	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%						
Taxes	399	452	516	551	606	660	710	752	790	822	854						
Tax Rate	39.0%	39.5%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%						
Net Income	624	692	774	826	909	990	1,065	1,129	1,185	1,232	1,282						
% Growth		10.9%	11.9%	6.7%	10.0%	9.0%	7.5%	6.0%	5.0%	4.0%	4.0%						
Add Depreciation/Amort	406	433	466	517	569	620	667	677	680	675	669						
% of Sales	2.6%	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%	2.3%	2.2%	2.1%	2.0%						
Plus/(minus) Changes WC	(20)	(25)	(29)	(33)	(36)	(39)	(42)	(45)	(47)	(49)	(51)						
% of Sales	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%						
Subtract Cap Ex	312	373	446	496	545	568	611	618	649	643	669						
Capex % of sales	2.0%	2.2%	2.3%	2.3%	2.3%	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%						
Free Cash Flow	698	728	764	815	896	1,003	1,078	1,143	1,169	1,216	1,231						
% Growth		4.3%	5.0%	6.6%	10.0%	11.9%	7.5%	6.0%	2.3%	4.0%	1.25%						
NPV of Cash Flows NPV of terminal value	5,871 8,227	42% 58%		_	erminal Disc Terminal FC		10.00% 4.00%		Tern	ninal Value	21,337						
Projected Equity Value Free Cash Flow Yield	14,098 4.69%	100%							Free	Cash Yield	5.77%						
Current P/E	23.9	21.5	19.2						Τe	erminal P/E	16.6						
Projected P/E	22.6	20.4	18.2						Terminal E	V/EBITDA	7.4						
Current EV/EBITDA	10.4	9.4	8.5														
Projected EV/EBITDA	9.8	8.9	8.0			Cu	rrent Price	\$ 40.80		Debt	674						
-					In	plied equity	value/share	\$ 38.62		Cash	852						
Shares Outstanding	365					side/(Downsi		-5.3%		Cash/share	2.33						





Current Price = 40.80 Target Price = \$38.62 Potential Downside = 5.3%

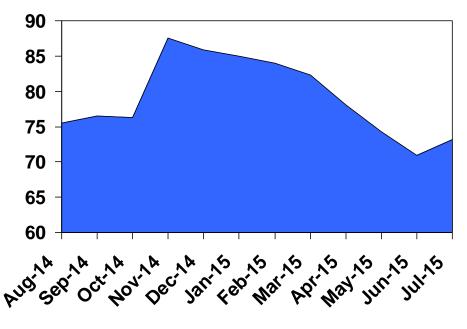
Recommendation Sell all from 3.86% to 0%



Walmart ><

The world's largest company by revenue, Walmart is a general merchandise retailer and wholesaler with operations in 27 countries and in all 50 states, famously boasting "Everyday Low Prices."

- Current Price = \$73.12
- 52 week High = \$90.97
- 52 week Low = \$70.36
- Beta = 0.75
- Market Cap = 235,490
- Div Yield = 2.70%





Walmart >

Opportunities

- Internet retailing
- Entering natural food grocery market
- Incredible strength among suppliers and superior logistics

Risks

- Fierce competition among peers
- Increased pressure to raise wages

Competitive Advantage

 Offer everyday low prices, invest to differentiate on access, be competitive on assortment and deliver a great experience





	Market Cap	Revenue	Gross Margin	Net Income	EPS	P/E	P/S
Walmart Save money. Live better.	235.49	485.52	25%	15.84	4.98	14.69	0.48
	65.72	115.94	13%	2.31	5.22	27.34	0.53
TARGET	53.58	73.08	30%	2.53	3.92	21.39	0.73



		-	
	lmai	~ ` ~	•
vva	IIIai		۰.

Wal-Mart Stores, Inc (WMT)

Chris Ensign July 12, 2015

(Millions)	2016 E	2017 E	2018 E	2019 E	2020 E	2021 E	2022 E	2023 E	2024 E	2025 E	2026 E
Revenue	490,508	500,318	515,327	530,787	546,711	563,112	580,005	597,405	615,328	633,787	649,632
% Growth		2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%
Operating Income	27,370	27,918	28,755	29,724	30,616	31,534	32,480	33,455	34,458	35,492	36,379
Operating Margin	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
Interest Income	2,354	2,402	2,474	2,654	2,734	2,816	2,900	2,987	3,077	3,169	3,248
Interest % of Sales	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Taxes	8,055	8,216	8,463	8,717	8,978	9,247	9,525	9,811	10,105	10,408	10,668
Tax Rate	32.20%	32.20%	32.20%	32.2%	32.2%	32.2%	32.2%	32.2%	32.2%	32.2%	32.2%
Net Income	16,519	16,850	17,355	18,354	18,904	19,471	20,055	20,657	21,277	21,915	22,463
% Growth		2.0%	3.0%	5.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.5%
Add Depreciation/Amort	9,271	9,456	9,740	10,085	10,388	10,699	11,600	11,948	12,922	13,310	14,292
% of Sales	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%	2.0%	2.1%	2.1%	2.2%
Plus/(minus) Changes WC	(127)	(273)	(417)	(531)	(547)	(563)	(580)	(597)	(615)	(634)	(650)
% of Sales	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Subtract Cap Ex	12,312	12,558	12,935	13,270	13,668	14,078	13,920	14,338	14,153	14,577	14,292
Capex % of sales	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%	2.3%	2.3%	2.2%
Free Cash Flow	13,351	13,475	13,743	14,638	15,077	15,530	17,155	17,670	19,431	20,014	21,813
% Growth		0.9%	2.0%	6.5%	3.0%	3.0%	10.5%	3.0%	10.0%	3.0%	9.0%
NPV of Cash Flows	106,627	39%		Ter	minal Disco	unt Rate =	8.50%		Term	inal Value	372,645
NPV of terminal value	164,815	61%		Т	erminal FCF	Growth =	2.50%				
Projected Equity Value	271,443	100%				_			Free	Cash Yield	5.85%
Free Cash Flow Yield	5.66%										
									Ter	rminal P/E	16.6
Current P/E	14.3	14.0	13.6								
Projected P/E	16.4	16.1	15.6			_			Terminal E	V/EBITDA	8.0
Current EV/EBITDA	7.3	7.2	7.0		Cur	rent Price	\$ 73.12				
Projected EV/EBITDA	8.3	8.I	7.9	Imp	lied equity va	alue/share	\$ 84.09				
				Upsi	de/(Downsid	e) to DCF	15.0%				
Shares Outstanding	3,228			-	-	_					





Current Price = \$73.12 Target Price = \$84.09 Potential Upside = 15.0%

> Recommendation Buy – 4.5%



Conclusion



• Hold at 4.53 %



• Sell and decrease from 3.86% to 0%

Walmart 🔀

• Buy and increase from 0% to 4.5%





