

Consumer Defensive

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Agenda



Sector Analysis

Existing Stock Analysis

New Stock Recommendation

Sector Analysis



Sector Analysis

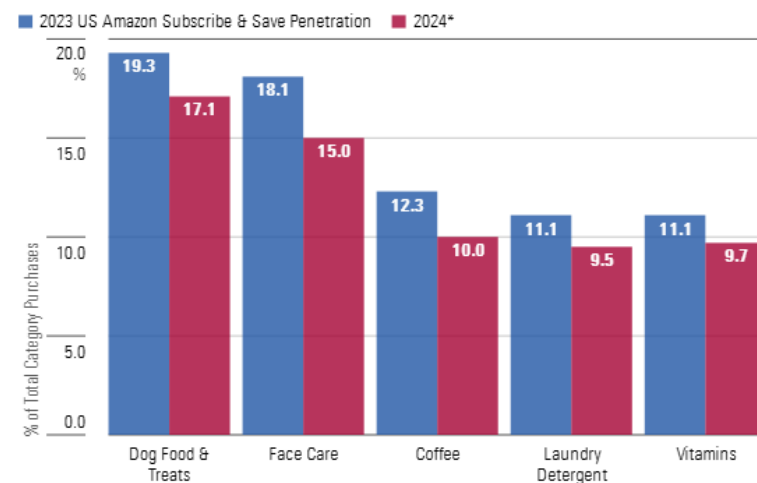
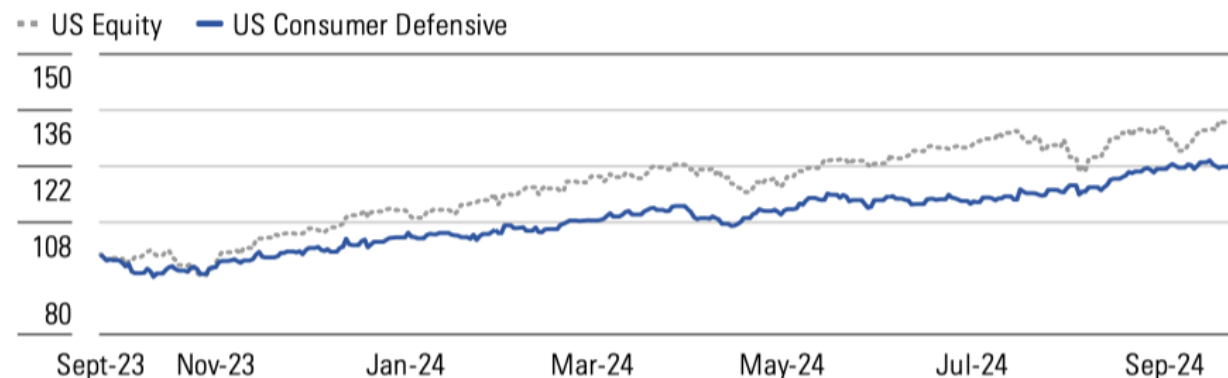
- Economic Outlook

- CPI increase 0.2%
- Personal savings has declined
- Inflation rate 2.6%

- Sector Outlook

- Consumer Defensive Index Outperformed the broad market's return in the 3rd quarter
- Median stock trades at 1% discount
- Potential in alcoholic beverages – 19% average discount
- Changes in online purchasing patterns
- Investors are cautious due to intense competitive pressure
- Favorable market conditions set a positive tone for the consumer defensive outlook.

Consumer Defensive Stocks Continued To Climb Higher in Q3



Sector Recommendation

Morningstar US Market TR USD Index Sector Exposure

Sector	Index %	Fund Index %	Deviation from Benchmark
Consumer Defensive	5.47%	6.56%	1.09%

*As of October 31, 2024

- Positive weight adjustment
- Desired Fund %: 7.56

Existing Stock Analysis



Existing Stock: Costco (COST)



WAREHOUSE CLUB
WHOLESALER



OVERPRICED



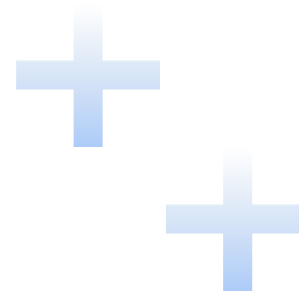
EFFECTIVE BUSINESS
STRATEGY

**Annualized
Return since
Purchase**

86.13%

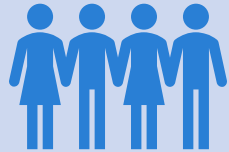
Purchased Spring
2023

Trailing performance

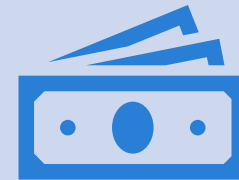


	3 Month	6 Month	12 Month
Costco	9.04	20.29	67.25
Industry	10.87	24.13	48.76
Index	3.64	13.83	38.09
As of Nov 30, 2024			

Wide Moat



BRAND REPUTATION



COST ADVANTAGE

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Risk & Uncertainty

- Medium Risk

ESG Risk Rating Assessment



Highest Controversy Level (1 = Low, 5 = Severe)

2 Moderate

Incidents: Operations, Environmental Supply Chain, Governance, Employee, Social Supply Chain, Customer

ESG Risk Rating



Top Material ESG Issues

Data Privacy &
Cybersecurity
Overall

Human Rights
Supply Chain

Product Governance
Overall

ESG Risk Rating is as of Nov 06, 2024. Highest Controversy Level is as of Nov 08, 2024. Sustainalytics Subindustry: Food Retail. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: [sustainalytics.com/esg-ratings/](https://www.sustainalytics.com/esg-ratings/).

12 Revenue & Profit Margin

	2023	2022	2021	2020
Revenue	242.29	226.95	195.93	166.76
Revenue Growth %	6.76%	15.83%	17.49%	9.21%
Benchmark Revenue Growth %	1.3%	7.2%	5.4%	5.0%
Gross Profit	29.70	27.57	25.25	21.82
Gross Profit Margin %	12.26%	12.15%	12.88%	13.09%
Benchmark Gross Profit Margin %	3.3%	2.4%	2.7%	4.4%

13 Profitability & Liquidity

ROA	2023	2022	2021
Costco	9.45%	9.47%	8.72%
Benchmark	5.1%	5.1%	5.1%
ROE			
Costco	27.54%	30.59%	27.93%
Benchmark	12.2%	13.0%	13.6%

Liquidity

Current Ratio	2023	2022	2021
Costco	1.07x	1.02x	1.00x
Benchmark	1.4x	1.4x	1.4x
Quick Ratio			
Costco	0.52x	0.42x	0.47x
Benchmark	1.3x	1.3x	1.3x
Debt/Equity			
Costco	0.31	0.43	0.53
Benchmark	0.57	0.59	0.58

Ratios



P/E Ratio	2023	2022	2021
Costco	45.00	34.50	48.81
Benchmark	21.50	22.6	22.6
P/B Ratio			
Costco	11.20	9.44	13.63
Benchmark	3.10	3.30	3.40

Hold



Wide Moat

Overpriced

Strong
Ratios

Existing Stock Analysis: Walmart (WMT)

Business Outlook

- Expansive physical footprint
- Preeminent retailer – 30+ years
- Rise of e-commerce and online disruptions

Economic Moat Wide

- Network Effect – negotiate prices
- Intangible Assets – brand image
- Cost Advantage – vast supply chain



Morningstar Ratings

- One-star rating → significantly overvalued
- Consistently overvalued since 2019

Overvalued (59% Premium)

Close Price
92.50
Nov 29, 2024

Fair Value
58.00
Uncertainty
Medium



ESG Risk Rating Assessment

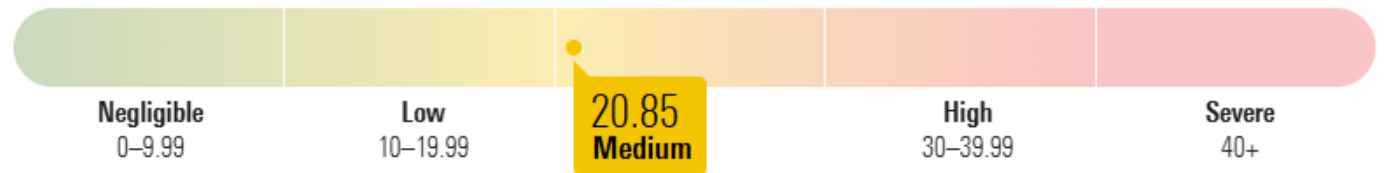


Highest Controversy Level (1 = Low, 5 = Severe)

3 Significant

Incidents: Customer

ESG Risk Rating



Top Material ESG Issues

Business Ethics
Overall

Data Privacy &
Cybersecurity
Overall

Carbon
Own Operations

19 Significant Financials

Revenue Growth	Latest	CY2023	CY2022	CY2021
WMT	5.43%	6.03%	6.73%	2.43%
Benchmark	1.2%	2.8%	7.7%	3.5%

Total Debt/Equity	Latest	CY2023	CY2022	CY2021
WMT	0.64	0.65	0.68	0.63
Benchmark	0.94	0.89	0.86	0.80

Trailing Return

	3-month	12-month
WMT	19.77%	79.80%
Industry Adjusted	6.84%	18.05%
Market Adjusted	11.87%	45.42%
As of Dec 2, 2024		

- Acquired Spring 2023
 - Annualized Return: 49.22%

Hold



Modest Margin Expansion



E-commerce and Walmart+



Strong Financials and Trailing Return



New Stock Recommendation



New stock Recommendation: Mondelez (MDLZ)



Packaged Consumer
Goods



Undervalued



Global Leader



Growth Strategy

Trailing Returns

	3 Month	6 Month	12 Month
Mondelez	-8.90	-3.92	-6.14
Industry	-2.13	-4.35	3.28
Index	3.64	13.83	38.09

As of Nov 30, 2024

Wide moat

Economies of Scale

Cost Advantage

Reinvestment

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Risk & Uncertainty

- Low Risk & Uncertainty

ESG Risk Rating Assessment



Highest Controversy Level (1 = Low, 5 = Severe)

3 Significant

Incidents: Environmental Supply Chain, Social Supply Chain

ESG Risk Rating



Top Material ESG Issues

E&S Impact of Products & Services	L& Use & Biodiversity Supply Chain	Human Rights Supply Chain
Overall		

ESG Risk Rating is as of Nov 06, 2024. Highest Controversy Level is as of Nov 08, 2024. Sustainalytics Subindustry: Packaged Foods. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: [sustainalytics.com/esg-ratings/](https://www.sustainalytics.com/esg-ratings/).

Revenue and Gross Profit

	2023	2022	2021	2020
Revenue	36.02	31.50	28.72	26.58
Revenue Growth %	14.35%	9.67%	8.05%	2.76%
Benchmark Revenue Growth %	1.3%	7.2%	5.4%	5.0%
Gross Profit	13.76	11.31	11.25	10.45
Gross Profit Margin %	38.22%	35.92%	39.19%	39.30%
Benchmark Gross Profit Margin %	3.3%	2.4%	2.7%	4.4%

Profitability

ROA	2023	2022	2021
Mondelez	6.96%	3.93%	6.38%
Benchmark	5.1%	5.1%	5.1%
ROE			
Mondelez	17.96%	9.85%	15.40%
Benchmark	12.2%	13.0%	13.6%

Liquidity

Current Ratio	2023	2022	2021
Mondelez	0.62x	0.6x	0.74x
Benchmark	1.4x	1.4x	1.4x
Quick Ratio			
Mondelez	0.33x	0.35x	0.48x
Benchmark	1.3x	1.3x	1.3x
Debt/Equity			
Mondelez	0.62	0.77	0.64
Benchmark	0.57	0.59	0.58

Ratio

P/E Ratio	CY 2023	CY 2022	CY 2021
Mondelez	21.69	29.62	21.12
Benchmark	21.50	22.6	22.6
P/B Ratio			
Mondelez	3.47	3.42	3.34
Benchmark	3.10	3.30	3.40

Buy



UNDervalUED



GROWTH
STRATEGY



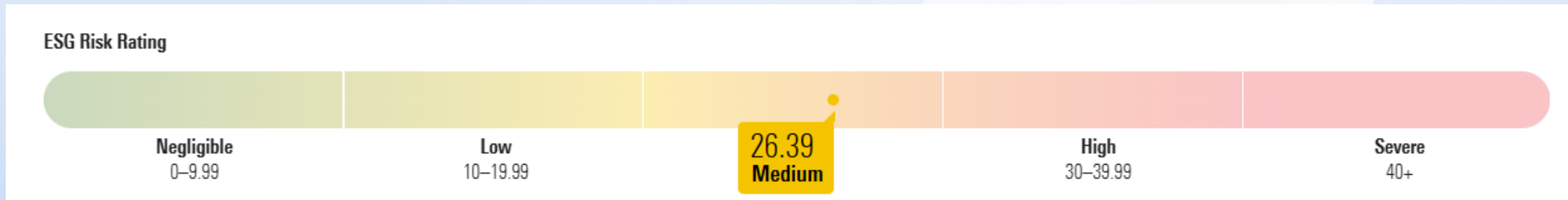
FINANCIALS

New Stock Evaluation: Constellation Brands Inc Class A (STZ)

- Company Overview
 - Beverages – Brewers Industry
 - Top player in premium beer imports in U.S.
 - 2013 acquisition of Modelo and Corona distribution rights
- Business Outlook
 - Ad-campaigns and strong marketing
 - Increased production in Mexico (34 million hectoliters + 10 additional)
 - Organic growth and acquisitions
- Capital Allocation Rating
 - Standard Rating
 - Good financial health and free cash flow

Morningstar Ratings

- Wide Economic Moat
 - Strong Brand Equity
 - Tight Distributer Relations
 - Scale Based Cost Advantages



- Medium Uncertainty Rating
- Top ESG Risks
 - Water Use
 - E&S Impact of Products and Services
 - Human Capital

ESG Risk Rating Assessment



Highest Controversy Level (1 = Low, 5 = Severe)

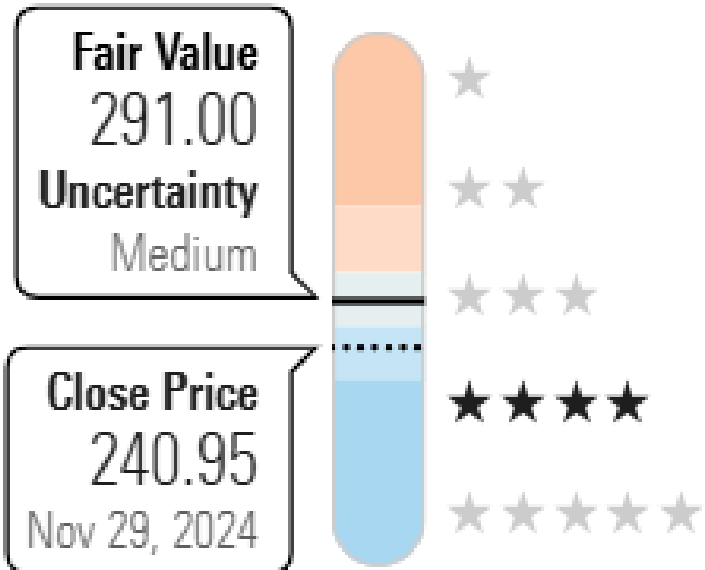
2 Moderate

Incidents: Operations

Valuation

Four Star Rating → Undervalued

Undervalued (17% Discount)



Trailing Return

	1-month	3-year	12-month
STZ (Raw)	4.14%	0.52%	1.82%
Industry Adjusted	8.56%	10.25%	22.20%
Market Adjusted	-2.32%	-7.38%	-32.56%
As of Dec 2, 2024			

P/E and P/B Ratios

P/E Ratio	YTD	FY 2023	FY 2022	FY2021
STZ	76.98x	28.85x	526.7x	67.28x
	Latest	CY2023	CY2022	CY2021
Benchmark	21.2x	23.3x	28.9x	33.8x
P/B Ratio	YTD	FY 2023	FY 2022	FY2021
STZ	5.56x	4.73x	4.55x	4.23x
	Latest	CY2023	CY2022	CY2021
Benchmark	4.5x	5.2x	6.4x	6.7x

Revenue Growth

Revenue Growth	YTD	FY 2023	FY 2022	FY2021
STZ	4.14%	5.39%	7.16%	2.39%
	Latest	CY2023	CY2022	CY2021
Benchmark	7.00%	6.70%	8.10%	12.70%
Net Income Growth	YTD	FY 2023	FY 2022	FY2021
STZ	17.72%	17.72%	-0.41%	0.01%
	Latest	CY2023	CY2022	CY2021
Benchmark	1.50%	13.20%	10.30%	26%

Profitability

Profit Margin	YTD	FY 2023	FY 2022	FY2021
STZ	50.37%	50.37%	50.45%	53.37%
	Latest	CY2023	CY2022	CY2021
Benchmark	42.60%	40.80%	40.60%	40.00%
ROA	YTD	FY 2023	FY 2022	FY2021
STZ	2.41%	6.86%	-0.28%	-0.15%
	Latest	CY2023	CY2022	CY2021
Benchmark	10.20%	9.90%	9.70%	8.90%
ROE	YTD	FY 2023	FY 2022	FY2021
STZ	6.71%	19.03%	-0.70%	-0.32%
	Latest	CY2023	CY2022	CY2021
Benchmark	20.30%	21.30%	20.50%	18.60%

Financial Health

- Liquidity

Current Ratio	YTD	FY 2023	FY 2022	FY2021
STZ	1.3x	1.5x	1.3x	1.2x
	Latest	CY2023	CY2022	CY2021
Benchmark	1.4x	1.5x	1.3x	1.2x
Quick Ratio	YTD	FY 2023	FY 2022	FY2021
STZ	0.32x	0.39x	0.41x	0.49x
	Latest	CY2023	CY2022	CY2021
Benchmark	1.3x	1.3x	1.3x	1.3x

- Leverage

Total Debt/Equity	YTD	FY 2023	FY 2022	FY2021
STZ	1.43	1.16	1.39	0.85
	Latest	CY2023	CY2022	CY2021
Benchmark	.44x	0.44x	0.47x	0.5x

Free Cash Flow



Free Cash Flow	Latest	CY2023	CY2022	CY2021
STZ	1.87	1.8	2	1.86

Buy

Good Financials/Standard Capital Allocation Rating

Currently undervalued by 19%

Wide Economic Moat/Unique Business Strategy

Medium Risks

Thank you

