



MegaTrends

Retail Knockout:

Affordable Essentials Gain the Upper Hand

July 2022

A Letter From Our Founders

Inflation is at the highest level we've witnessed in decades.

This isn't news to anyone. In fact, we've been tracking it for months.

As an investor, it's important to understand what companies are positioned to continue performing at a high level, despite the economic pressure squeezing the consumer.

Luckily, this is where LikeFolio has an edge.

By listening to consumers discuss their shopping habits and studiously tracking how these habits change over time, we can identify companies who are defying the odds.

By leveraging consumer macro trends (like seeking out discounts or opting for generic brands) alongside company-specific Purchase Intent, it's possible to paint a clearer picture of the retail environment.

In this report, we're featuring 5 major retailers who are gaining the upper hand on key competitors.

They ALL overlap in these key areas: affordability, perceived value, and ease of access.

Impressively, all of the names covered have posted YoY demand growth despite the headlines weighing on consumer minds.

As the market continues to stumble lower amid uncertainty, MORE opportunities are being created for those of us playing the long game.

Enjoy,

Andy and Landon Swan



Retail Knockout – Overview

Walmart (WMT)

Walmart stumbled a bit last quarter as higher costs and inventory ate into profits. But LikeFolio data suggests the health of the Walmart consumer remains strong. The company is leveraging its grocery segment (and omnichannel offerings) to keep customers in the door...or waiting in its parking lot.

Kroger (KR)

Kroger operates under 30 different banners, and across the board demand is rising. As the cost of grocery items rise, consumers are increasingly turning to Kroger's 'Own Brands', speaking to the retailers value proposition and growth prospects. In addition, Kroger's Boost membership could provide retention moving forward.

Dollar General (DG)

Dollar General's retail footprint is already massive (18,000+ stores)...but it wants to nearly double this. The company is strategically expanding into underserved areas, creating its own niche in rural America. In addition, its pricing model is catching on with cash-strapped consumers.

BJ's Wholesale Club (BJ)

BJ's Wholesale club is a membership only bulk retailer similar to Costco and Sam's Club. Though it is certainly the smallest of the three when it comes to number of locations and total sales, it occupies the sweet spot on our proprietary outlier grid. Meaning, its happiness is high (and rising) and it's growing faster vs. peers.

Home Depot (HD)

Home Depot has separated itself from peer, Lowe's in the eyes of consumers over the last couple of months. Consumer demand is holding higher on a YoY basis as LOW shows signs of slowing down. It's healthy contractor base and superior customer service are driving demand and sentiment higher. Keep an eye on critical consumer trends moving forward, including home renovation mentions and professional services activity. While demand looks healthy now, this is an area that could switch quickly.





Trend Watch



Trend Watch: Economic Pressure Mounting

Macro Trend Watch:

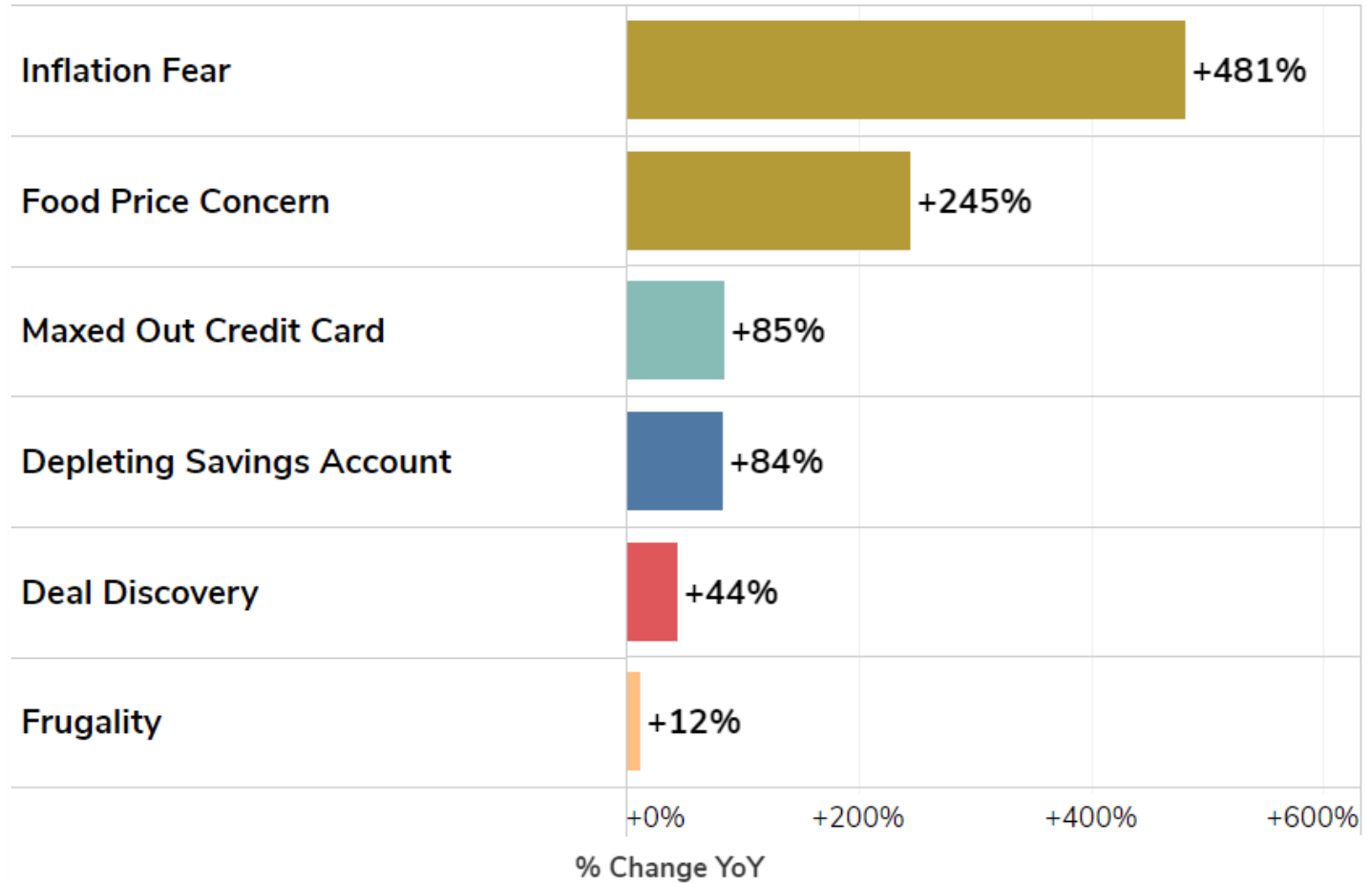
Sky-high inflation is sparking behavior change.

Inflation fear and food price concerns are weighing heavily on consumer minds.

Savings are shrinking, credit card usage is spiking, and consumers are searching for deals.

This especially impacts spend on essentials vs. discretionary items – and thus, WHERE consumers shop.

YoY % Change, 90-day Moving Average



Macro Trend Watch:

The Consumer Price Index (CPI) pushed higher in June, registering +9.1% YoY.

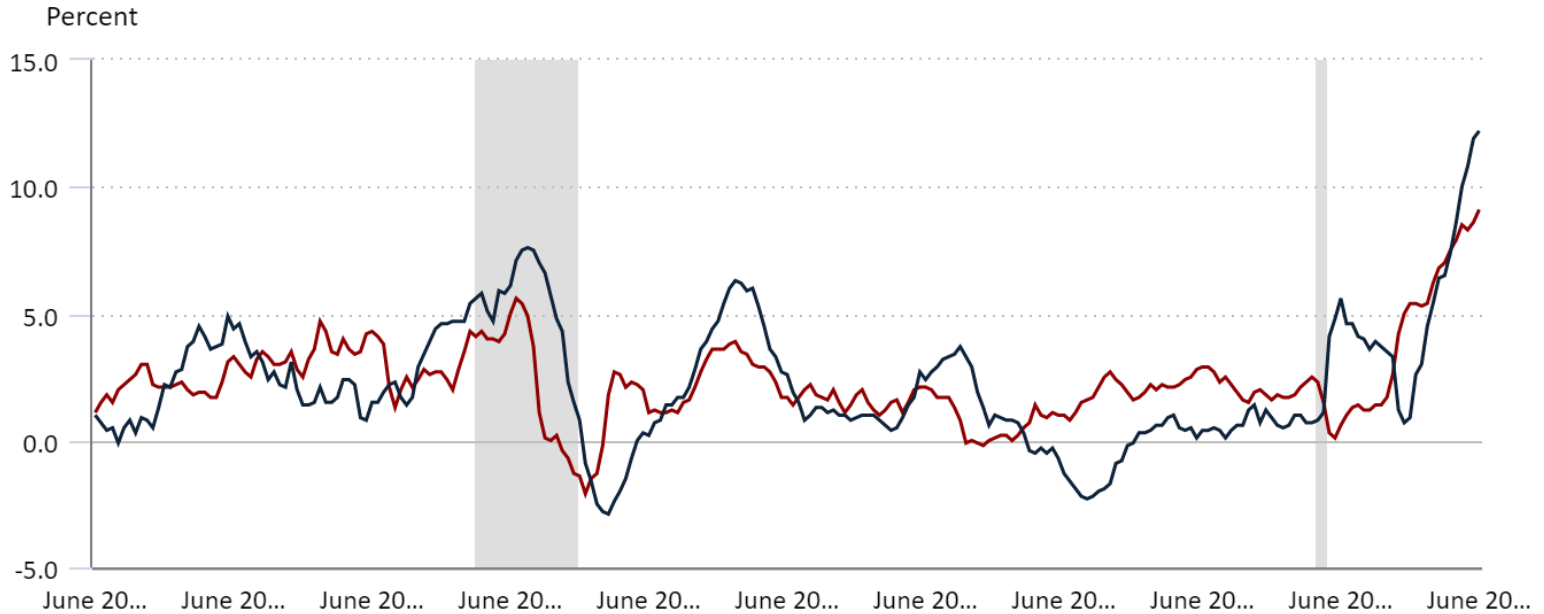
This is the fastest pace recorded since 1981.

From a category perspective, food at home rose at an even steeper clip: +12.2% YoY.

Trend Watch: Inflation Remains High

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

- All items
- Food at home
- Energy
- Electricity
- All items less food and energy
- Apparel
- Medical care commodities
- Shelter
- Education and communication
- Food
- Food away from home
- Gasoline (all types)
- Natural gas (piped)
- Commodities less food and energy com...
- New vehicles
- Services less energy services
- Medical care services



Hover over chart to view data.

Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.

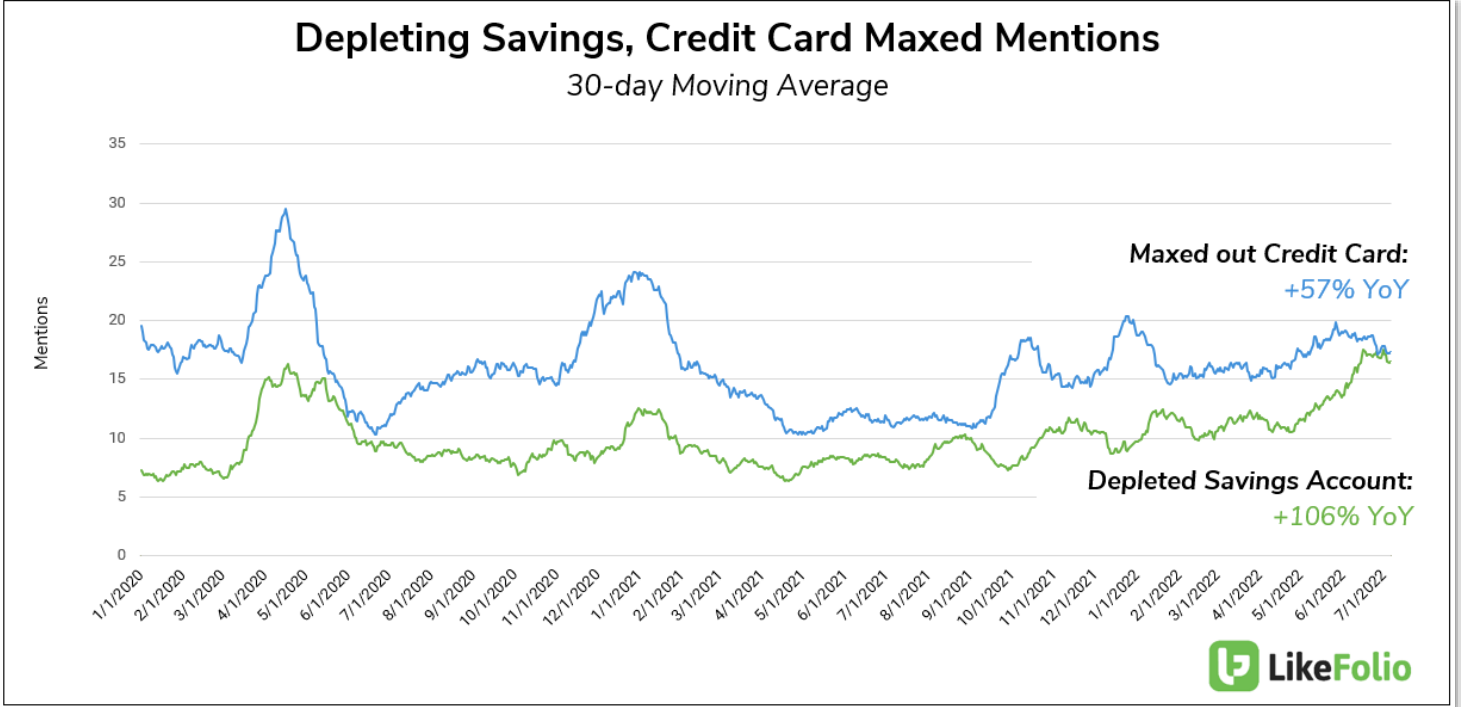
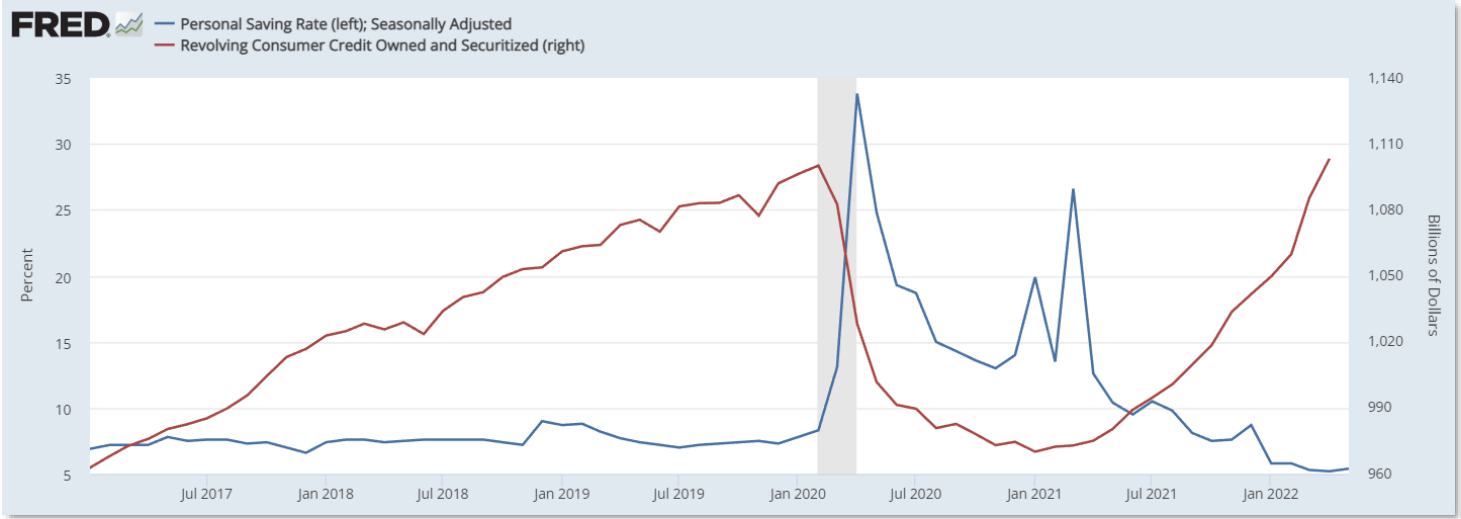


Trend Watch: Savings vs. Credit

Macro Trend Watch:

Rising costs of goods across the board is putting strain on consumer budgets.

However, spending remains high overall, thanks to padding from consumer savings accounts and the utilization of credit.



2200

Walmart



WMT



LikeFolio

Pharmacy

CAUTION
WET FLOOR
SLIP & FALL
Hazard

\$2064

\$2494

\$1494

14.92

43.92

14.92

43.92

14.92

43.92

Low Price

Low Price

Low Price

Low Price

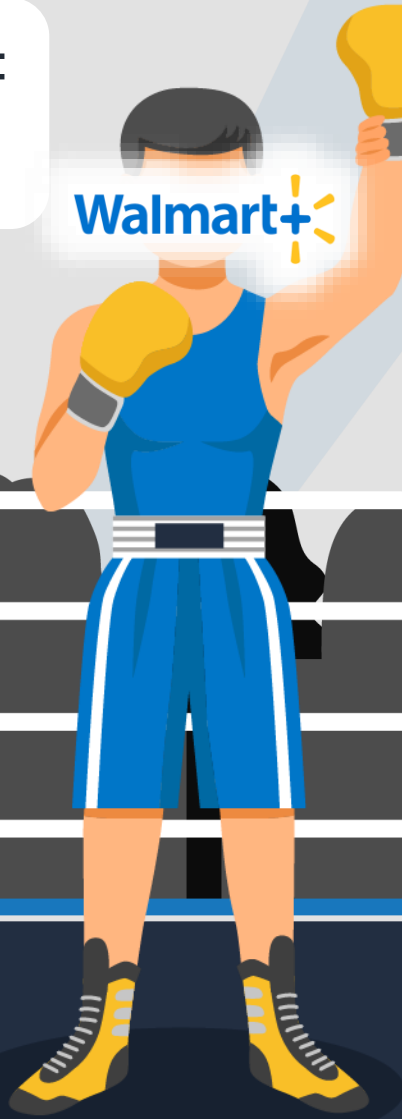
Low Price



Retail Knockout: WMT vs. TGT

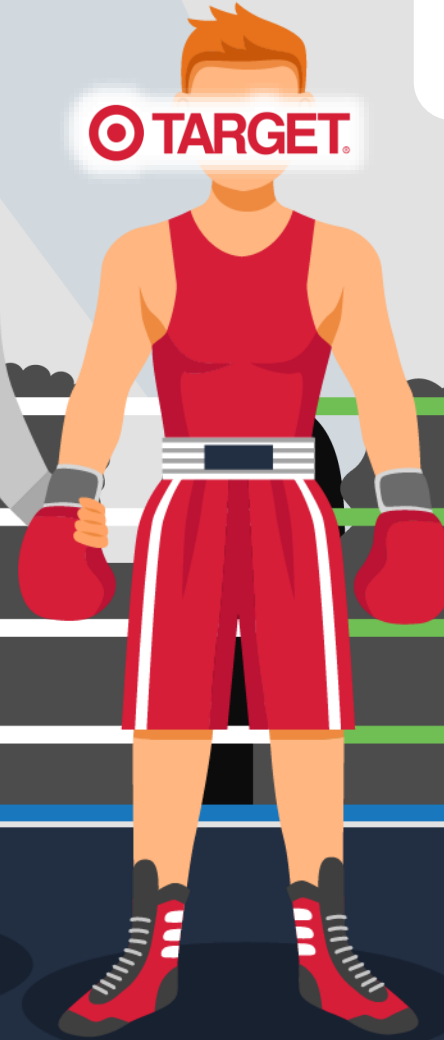
WMT Demand Growth:
+21% YoY

Walmart+



TGT Demand Growth:
+5% YoY

TARGET.



Key Points

WMT

Walmart Inc.



Money Dial: Bullish

71

Purchase Intent:

+15% QoQ, +21% YoY

Trend Watch:

Deal Discovery: +44% YoY

Sentiment:

55% Positive

Actionable Trade Ideas

Buy Walmart Inc. (NYSE: WMT) stock up to \$150/share**

Alternative approaches would include selling OTM put options with a strike price 5% below the current price of the stock each month to generate income until a position is established.

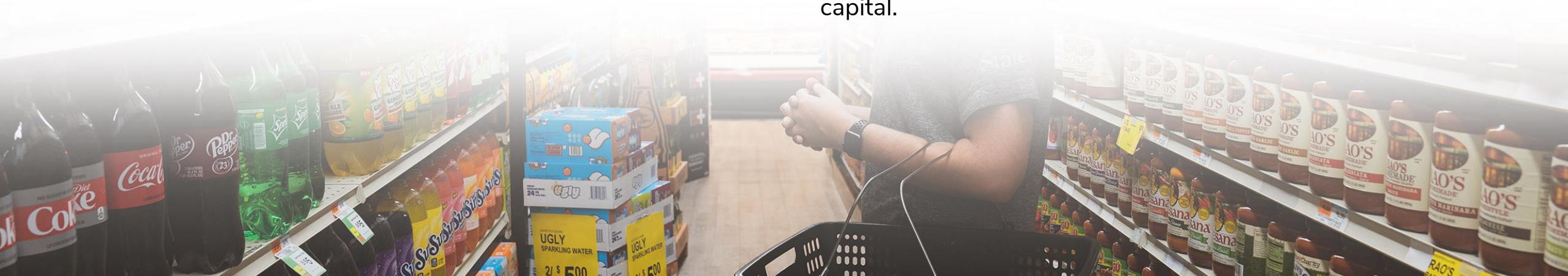
We believe this stock could gain by more than 50% within the next 2 years.

Buy WMT Jan. '24 110/115 Call Spread @ \$3.25

Max Gain: \$WMT trading above \$115 on Jan. 19th 2024 — +\$175 per contract

Max Loss: \$WMT trading below \$110 on Jan. 19th 2024 — -\$325 per contract

**ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.



WMT: Demand is Building

Consumer Demand:

Consumer mentions of shopping with Walmart have increased by +21% YoY and continue to rise higher on a QoQ basis.

Walmart demand is driven by consumer staples like groceries, as well as consumers seek bargains.

Walmart (WMT): Full Company

Consumer Purchase Intent Mentions

30-day change: QoQ: +15%, YoY: +21%



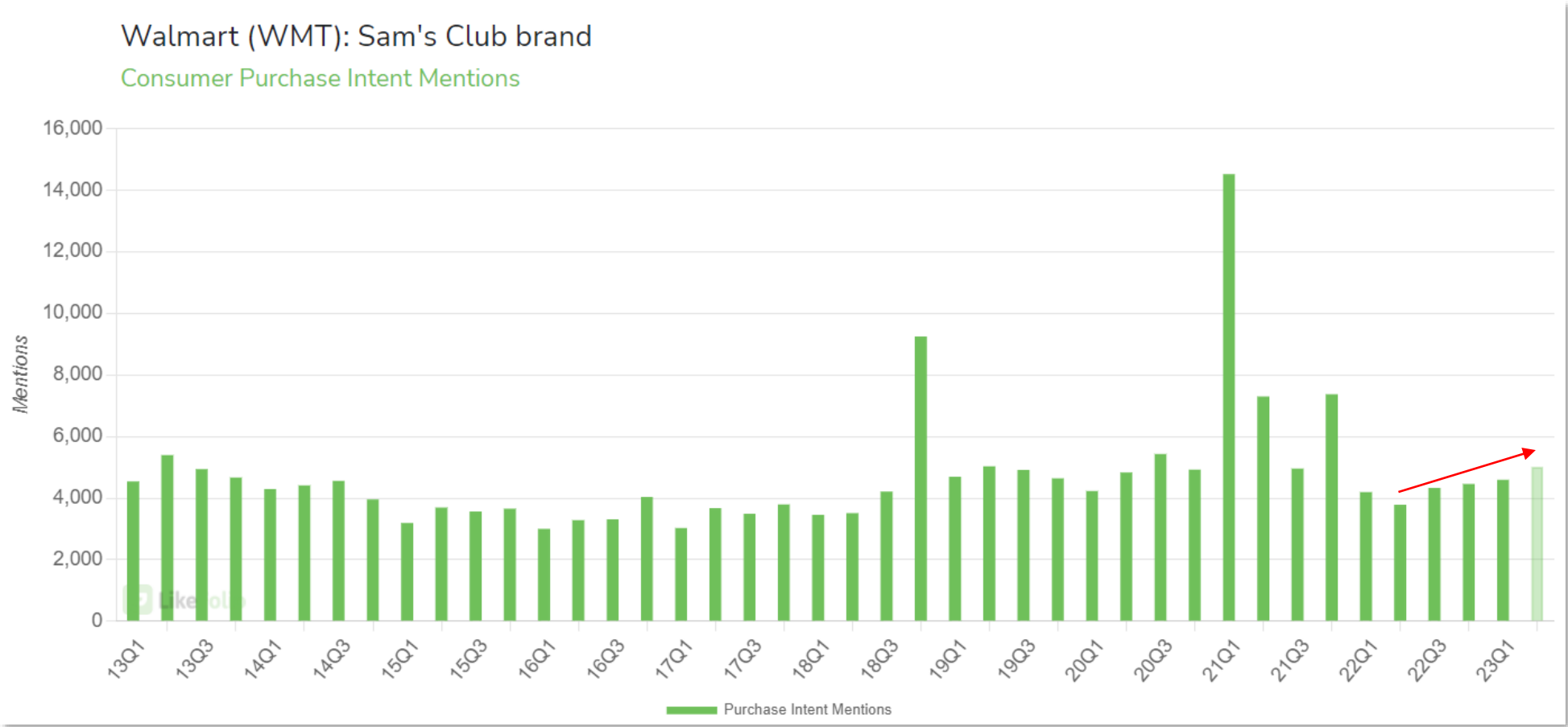
Consumer Demand:

Demand mentions for Sam's Club, Walmart's membership-only bulk retailer are outperforming the company's namesake brand, rising by +25% YoY.

An early look at 23Q1 data (quarter ending July 31) shows Sam's Club demand is accelerating.



WMT: Sam's Club Outperforming



Trend Watch: Economic Pressure Mounting

Macro Trend Watch:

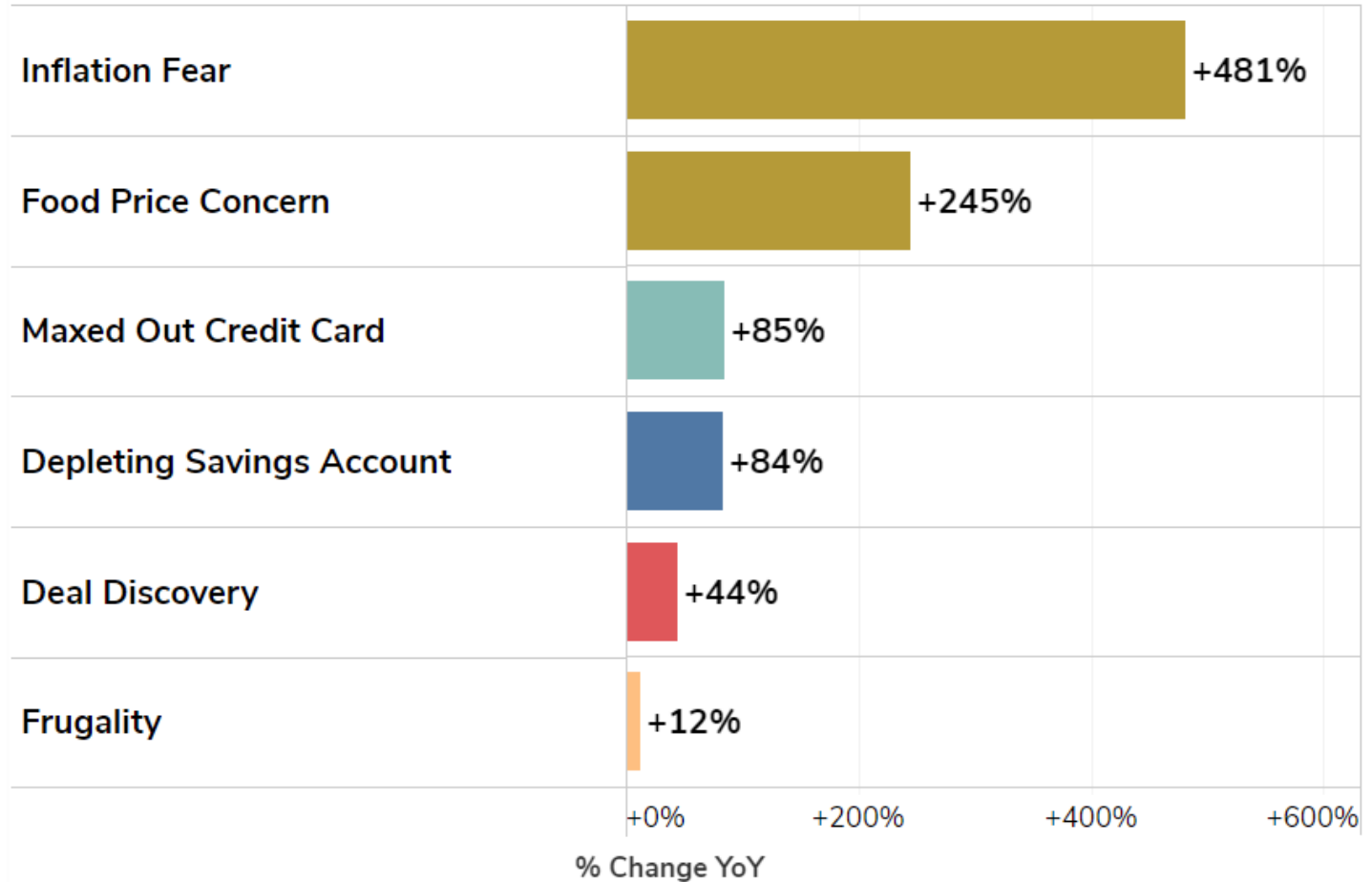
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YoY % Change, 90-day Moving Average



Consumer Demand:

Walmart Consumer Happiness is stable and remains unchanged on a YoY basis.

However, the company does lag retail peers when it comes the percentage of company mentions that are positive in nature:

- COST: 71% positive
- AMZN: 70% positive
- TGT: 66% positive
- WMT: 55% positive**

Despite the happiness gap, Walmart demand is outperforming peers, suggesting, consumers are choosing Walmart due to the company's value proposition (cost savings).

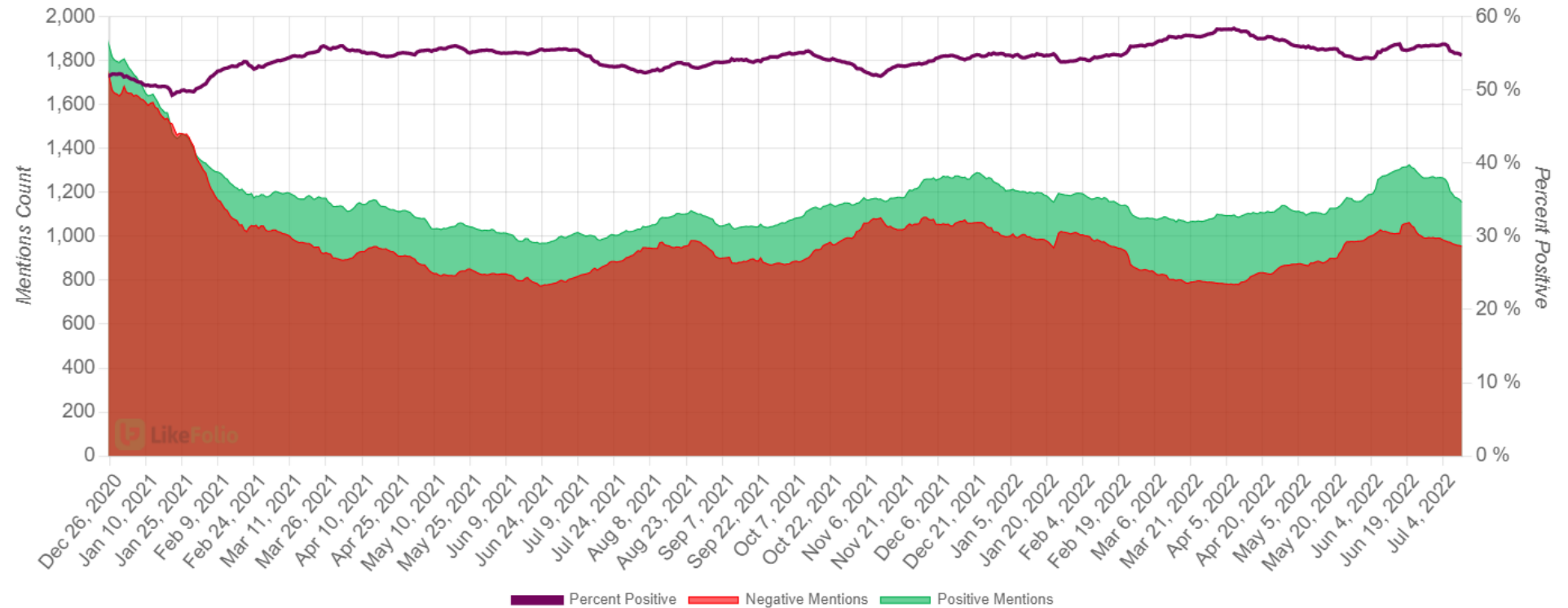


WMT: Happiness is Stable

Walmart (WMT): Full Company

Consumer Happiness Mentions

30-day change: QoQ: -3%, YoY: 0%



WMT: Affordability Edge



Sadie ✨
@nauandlaterr

Y'all sleeping on Walmart. Im sorry, but prime days suck, especially when you can their "deals" for cheaper on the good ole [Walmart.com](https://www.walmart.com) ✓

7:38 PM · Jul 12, 2022 · Twitter for iPhone

4 Likes



Brittney ❤️ @AZ_Brittney · Jun 7
Target or Walmart

444 47 198



OldTexasGuy vaxxxed and masked
@theOldTexasGuy

Replying to @AZ_Brittney and @SacierP

Walmart is closer, cheaper, and has a full grocery store. No contest

12:06 PM · Jun 7, 2022 · Twitter for Android

1 Retweet 3 Likes



Jeremy Judkins @jeremyjudkins_ · Jul 5

Yall can hate on Walmart all you want, but the ability to go into the app, go into my last order, simply press "reorder" and be done with grocery shopping at 6:30am is amazing.

Then I just drive there this morning at 10am and they load it all for me. Plus no tipping!

4 30



Jeremy Judkins
@jeremyjudkins_

It's great for people who hate the vibes of inside Walmart but realize they sell the exact same products for cheaper than other grocery stores.

6:37 AM · Jul 5, 2022 · Twitter Web App



pinkmattuh @whashanningworl · May 19

Target has more of a homey feel, I get it. BUT I don't like how people be bashing my girl walmart 🤔 she's more affordable than target. The only issue is the certain type of folks she'll attract

1 1 2



Walmart ✓
@Walmart

Replying to @whashanningworl

We do our best. Thanks for the love!

3:37 PM · May 19, 2022 · Sprinklr Publishing



WMT: Essentials Upper Hand

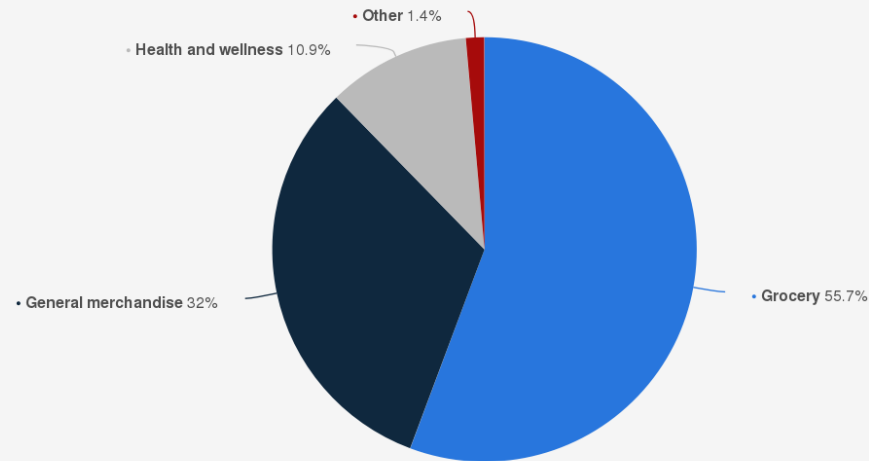
Consumer Demand:

Walmart's product mix tilts heavier toward essential items including grocery and health wellness.

Softness in Home Furnishings/Décor and Hardlines (discretionary) [dinged](#) Target on the company's last report.

*WMT and TGT have different fiscal calendars. Walmart's Fiscal Year 2022 ended Jan. 31, 2022 and Target's Fiscal Year 2021 ended Jan. 29, 2022.

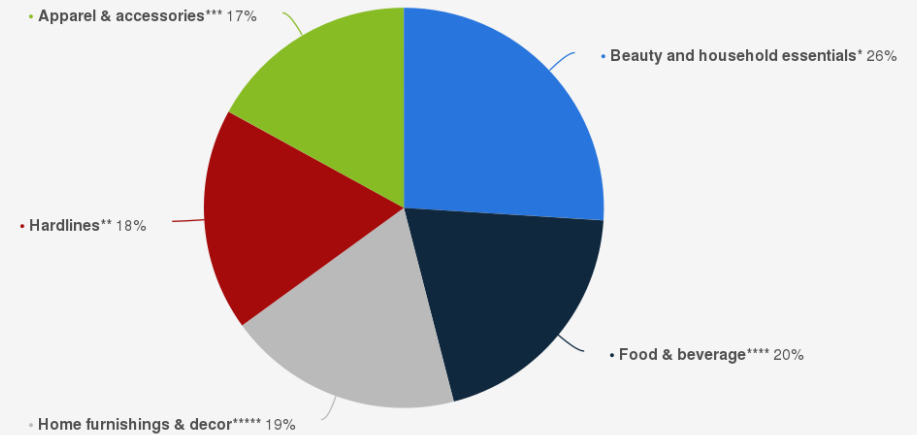
Net sales share of Walmart U.S. in the United States in fiscal year 2022, by merchandise category



Sources
Walmart; Statista
© Statista 2022

Additional Information:
United States; Walmart; Fiscal year 2022

Sales share of Target in the United States in 2021, by product segment



Source
Target
© Statista 2022

Additional Information:
United States; Target; 2021



WMT: Grocery Advantage

Consumer Demand:

Walmart's perceived value in essential grocery items is driving demand higher, +21% YoY.

Walmart also holds commanding market share vs. Target in the grocery market, comprising 72% of mentions in 2022.

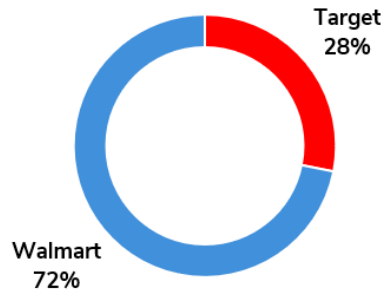
Qualitative review does show that many consumers are opting for store brand and generic brand items to save money.

Walmart's Great Value brand mentions have risen by +27% YoY, outpacing comprehensive grocery demand mentions.



Grocery Demand Mentions

Market Share Breakdown in 2022



Laur Y
@laaurr97

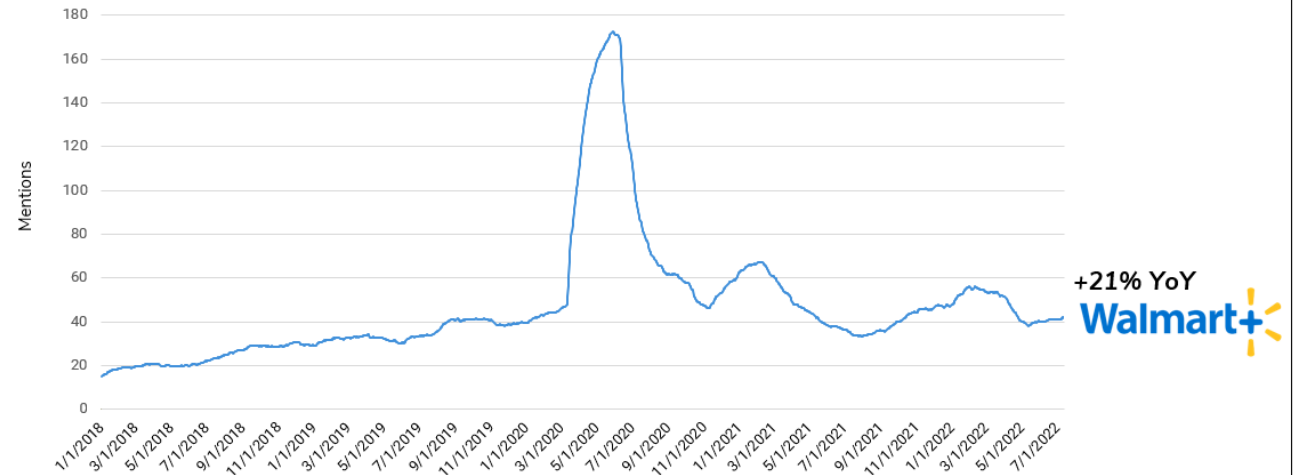
The fact that I spent over \$450 on groceries at Walmart (buying the cheaper brands, and using coupons). Just disgusts me. Like it's a punishment for us to wanna have food and house hold necessities

10:30 AM · May 22, 2022 · Twitter for iPhone

1 Quote Tweet 16 Likes

Walmart Grocery Demand

90-day Moving Average



+21% YoY
Walmart+



Reports and Business Updates

Walmart's expansive retail footprint serves as a leverage point for shoppers on the physical and digital front. The company operates ~10,600 stores and clubs in 24 countries and all 50 US states in a variety of formats: Supercenter, Discount Store (no grocery), and Neighborhood Markets (smallest footprint, does offer groceries). [90% of the US population lives within 10 miles of a Walmart.](#)

In 23Q1 Walmart posted [revenue +2.4% higher and adjusted EPS -23% lower](#) YoY, citing supply chain hurdles, elevated inventory levels, and higher fuel and wages costs as near-term challenges. Looking ahead, Walmart is focused on the most value-conscious customers, carefully considering the price of core items for families like milk, tuna, and macaroni and cheese.

Stable categories like groceries (56%) and health & wellness (11%) account for the [majority of Walmart's US sales.](#) In Q1, this category mix favored Walmart vs. a discretionary-heavy peer like Target who touted Toys as a standout on its Q1 report. On [Walmart's last earnings call, leadership noted](#): "While sales were ahead of plan in Q1, the category mix in the U.S. was heavier in food and consumables and spending shifted somewhat away from more discretionary items, including categories impacted by unseasonably cool weather such as apparel, patio furniture, and landscaping supplies. We remain very bullish on our food and consumables business."

E-commerce sales account for 13% of Walmart's global sales. E-commerce options include same-day Curbside Pickup, Next-day delivery on orders >\$35, Mobile Scan & Go (allows people to shop and checkout with their phones in-store), Mobile Express Returns, Walmart Pay, and prescription refills. Its largest website, Walmart.com, has up to 100 million unique visitors a month and is growing every year.

Sam's Club delivered its ninth consecutive quarter of double-digit comp growth in the [1st quarter](#), excluding fuel and tobacco. Sam's Club comparable sales were +21% higher on a two-year stack.



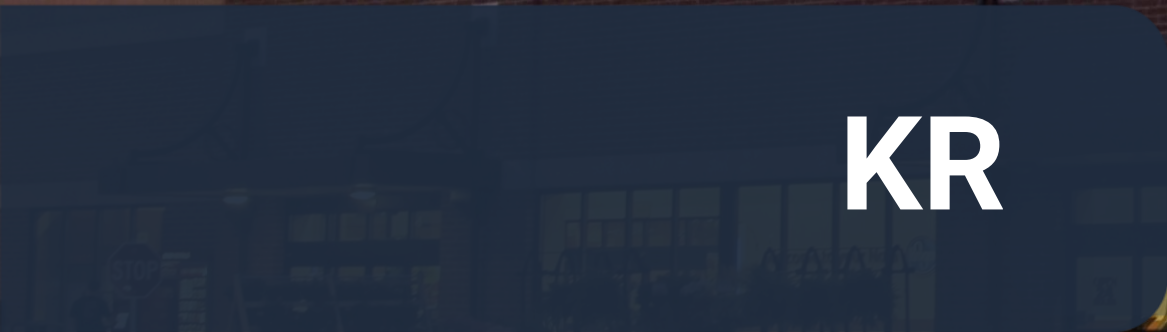
Kroger

Kroger

KR



LikeFolio

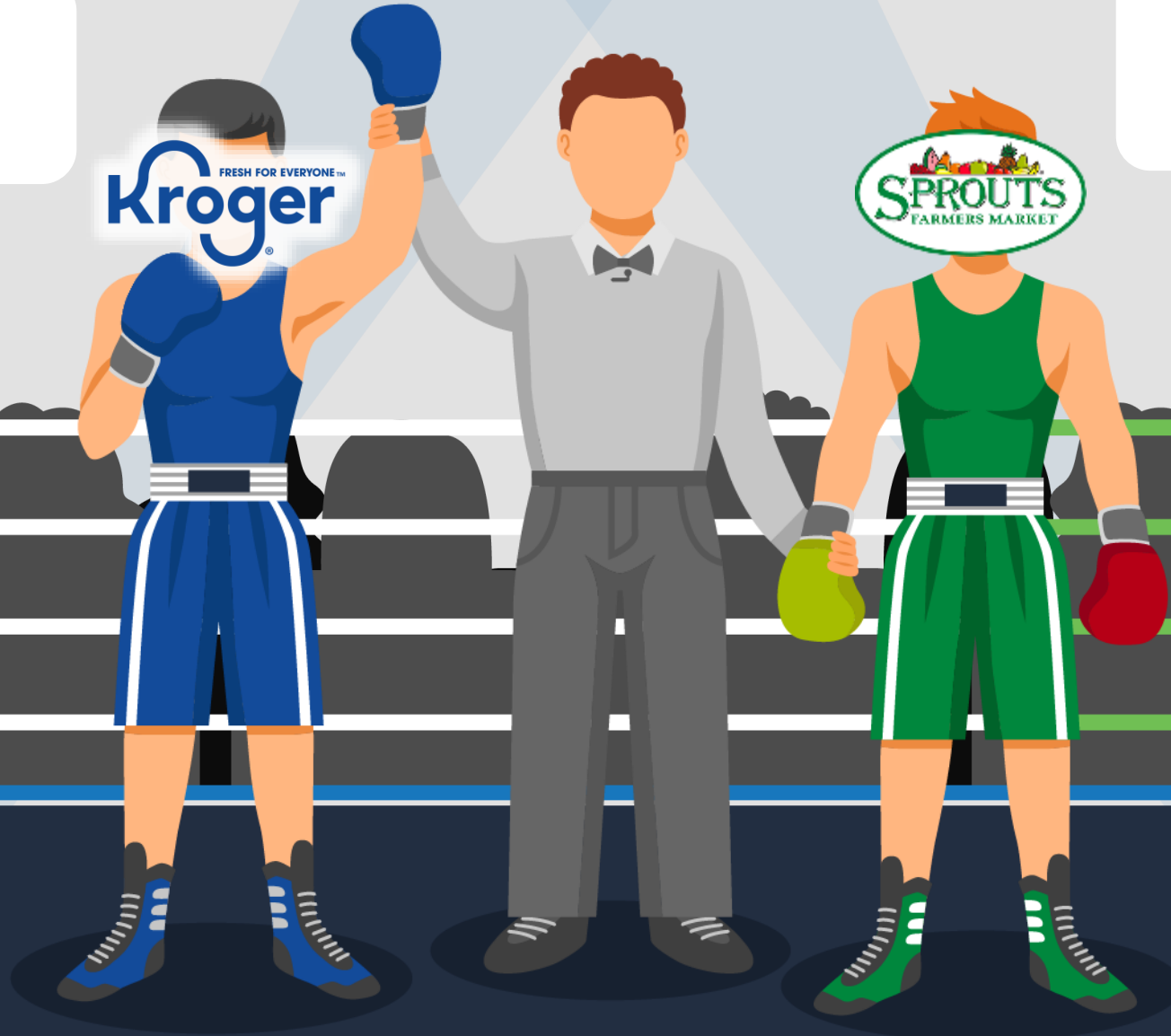


Retail Knockout: KR vs. SFM

KR Demand Growth:
+21% YoY



SFM Demand Growth:
+5% YoY



Key Points

KR

The Kroger Co.



Money Dial: Bullish

70

Purchase Intent:

+21% YoY

Trend Watch:

Food Price Concern: +245% YoY

Sentiment:

64% Positive

Actionable Trade Ideas

Buy The Kroger Co. (NYSE: KR) stock up to \$55/share**

Alternative approaches would include selling OTM put options with a strike price 5% below the current price of the stock each month to generate income until a position is established.

We believe this stock could gain by more than 100% within the next 2 years.

Buy KR Jan. '24 47/50 Call Spread @ \$1.33

Max Gain: \$KR trading above \$50 on Jan. 19th 2024 — +\$167 per contract

Max Loss: \$KR trading below \$47 on Jan. 19th 2024 — -\$133 per contract

**ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.

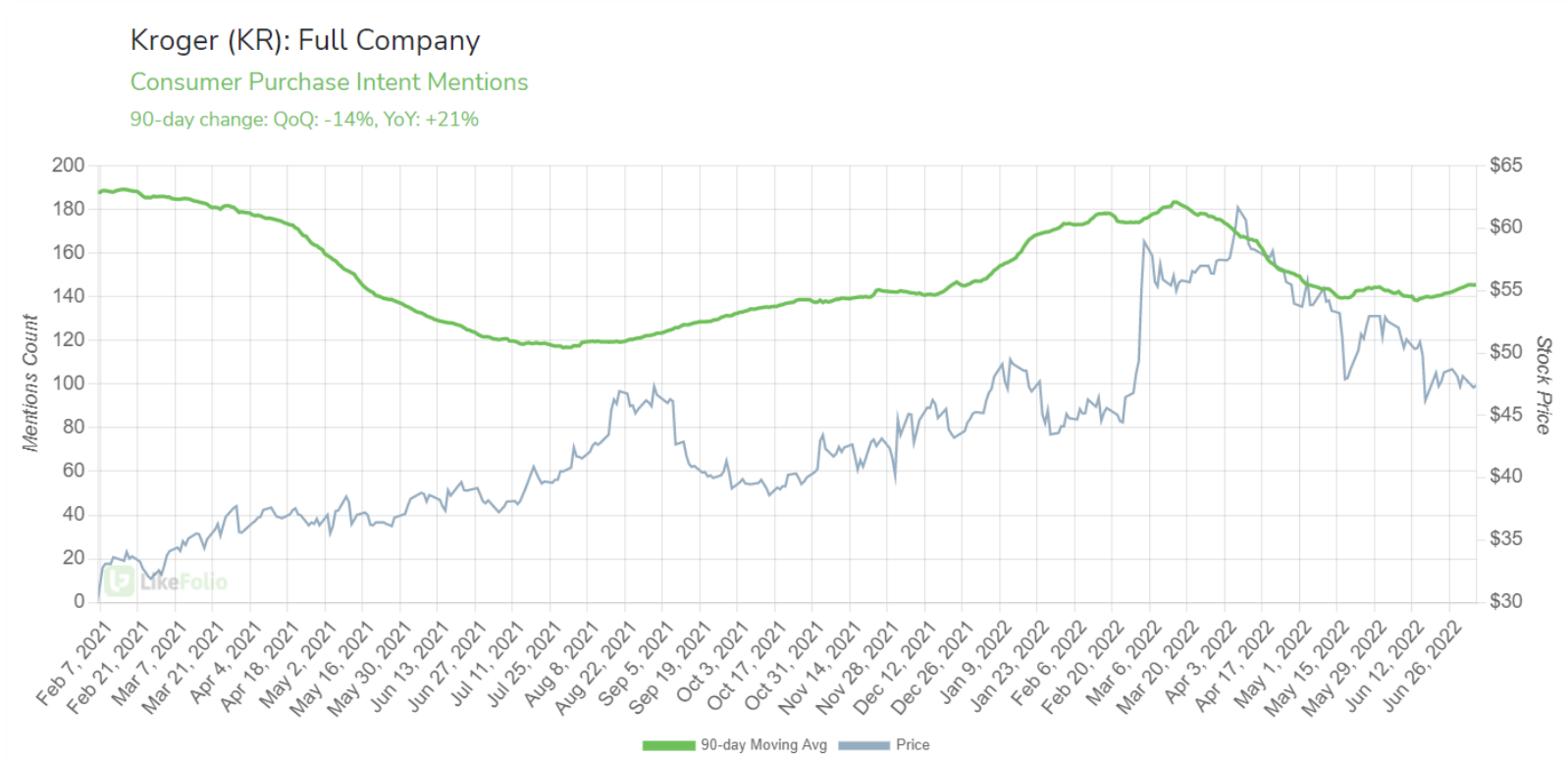


Consumer Demand:

Even as consumers grapple with the rising cost of groceries, demand mentions show Kroger purchases continue to rise.

Purchase Intent mentions for Kroger (including its subsidiaries) remain +21% higher vs. 2021 levels.

KR: Demand Remains High



Consumer Mentions:

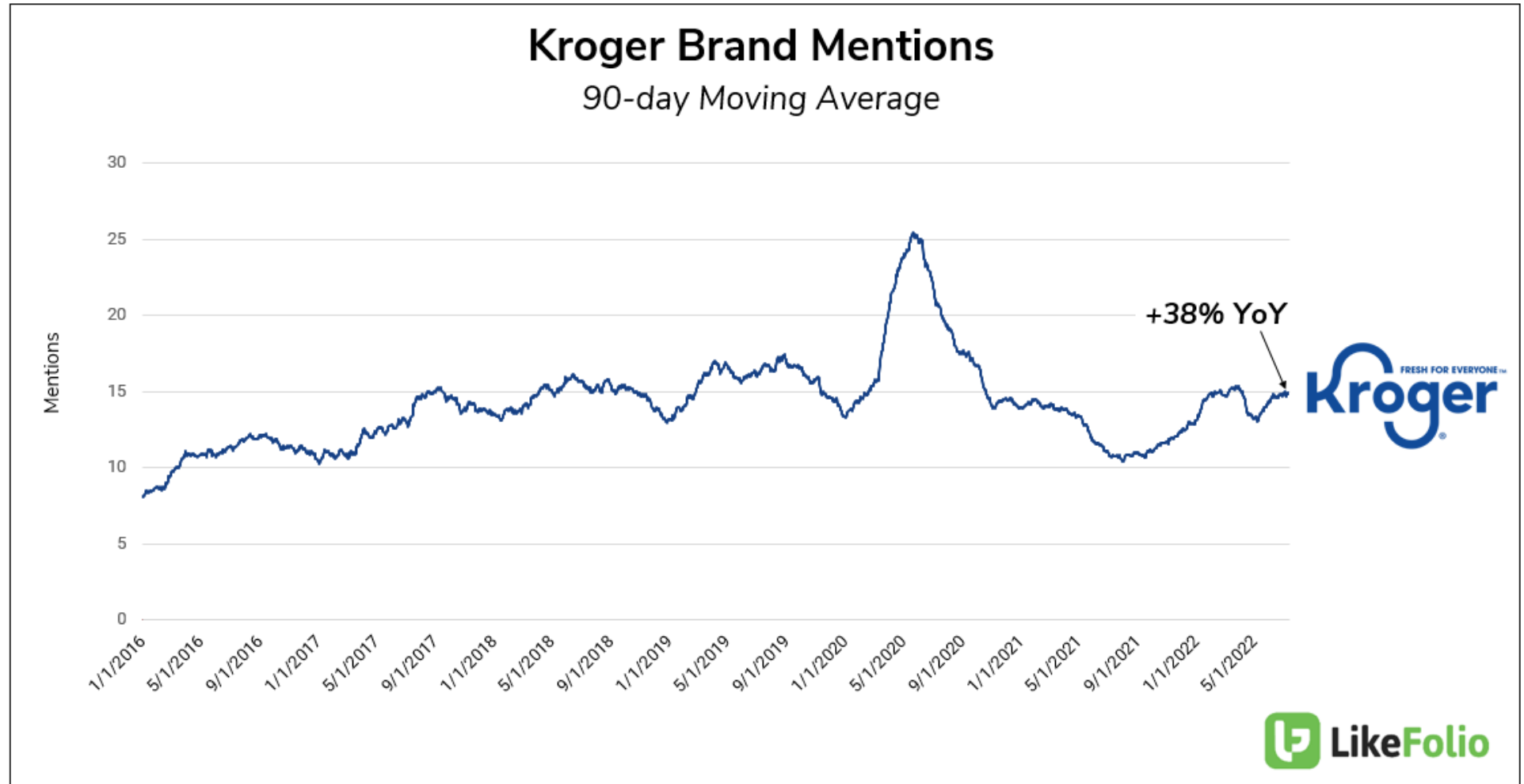
Kroger demand strength is bolstered by the performance of its owned brands.

On its last report, KR noted that 92% of households purchased at least one of its own branded products, and that private label sales growth outpaced all national brands.

LikeFolio data suggests this Kroger brand performance is likely to continue, with Kroger Brand mentions rising +38% YoY and +24% higher QoQ.



KR: 'Own Brand' Adoption Rising



Macro Trend Watch:

Sky-high inflation is sparking behavior change.

Inflation fear and food price concerns are weighing heavily on consumer minds.

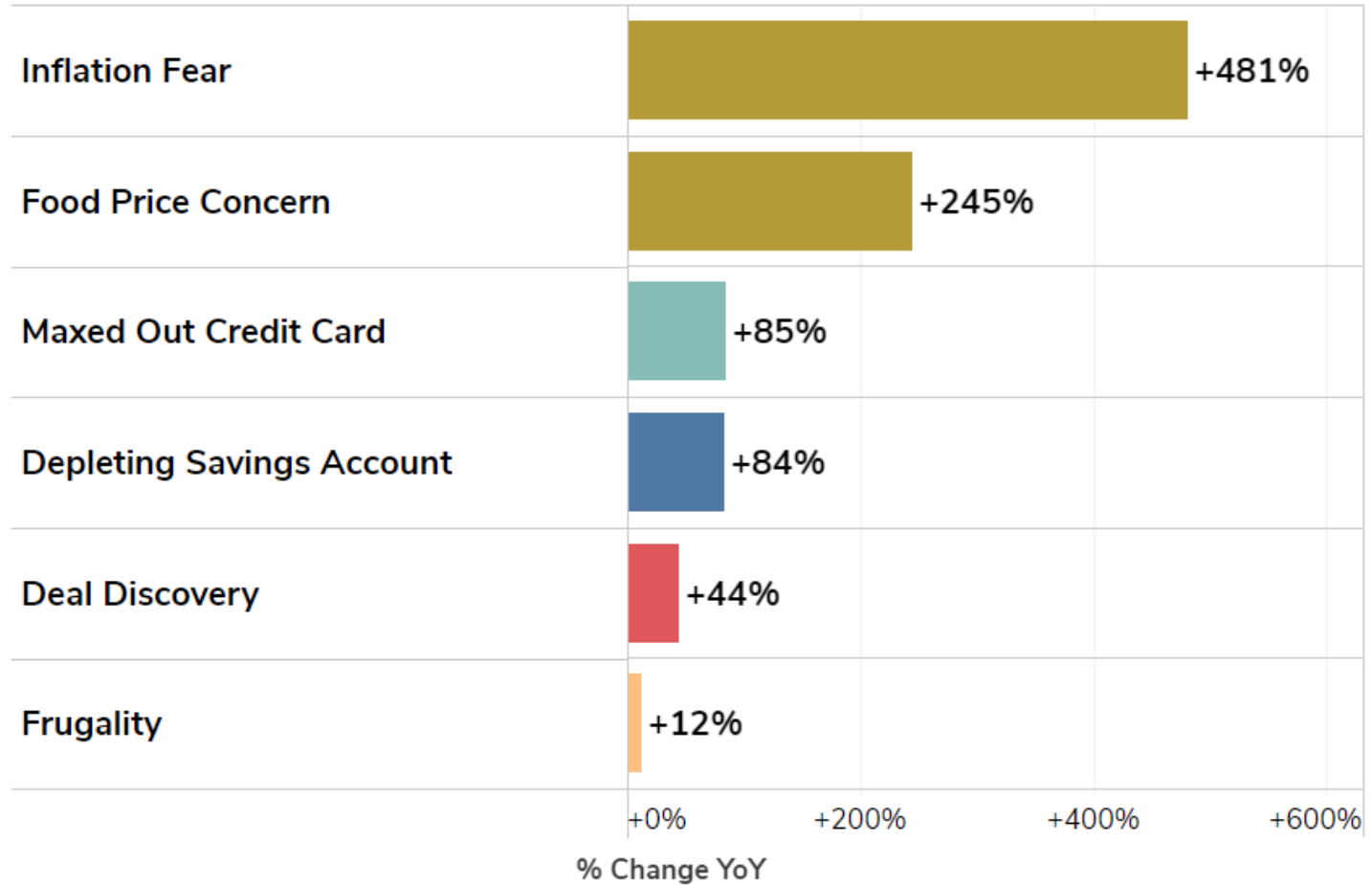
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Trend Watch: Economic Pressure Mounting

YoY % Change, 90-day Moving Average



Consumer Demand:

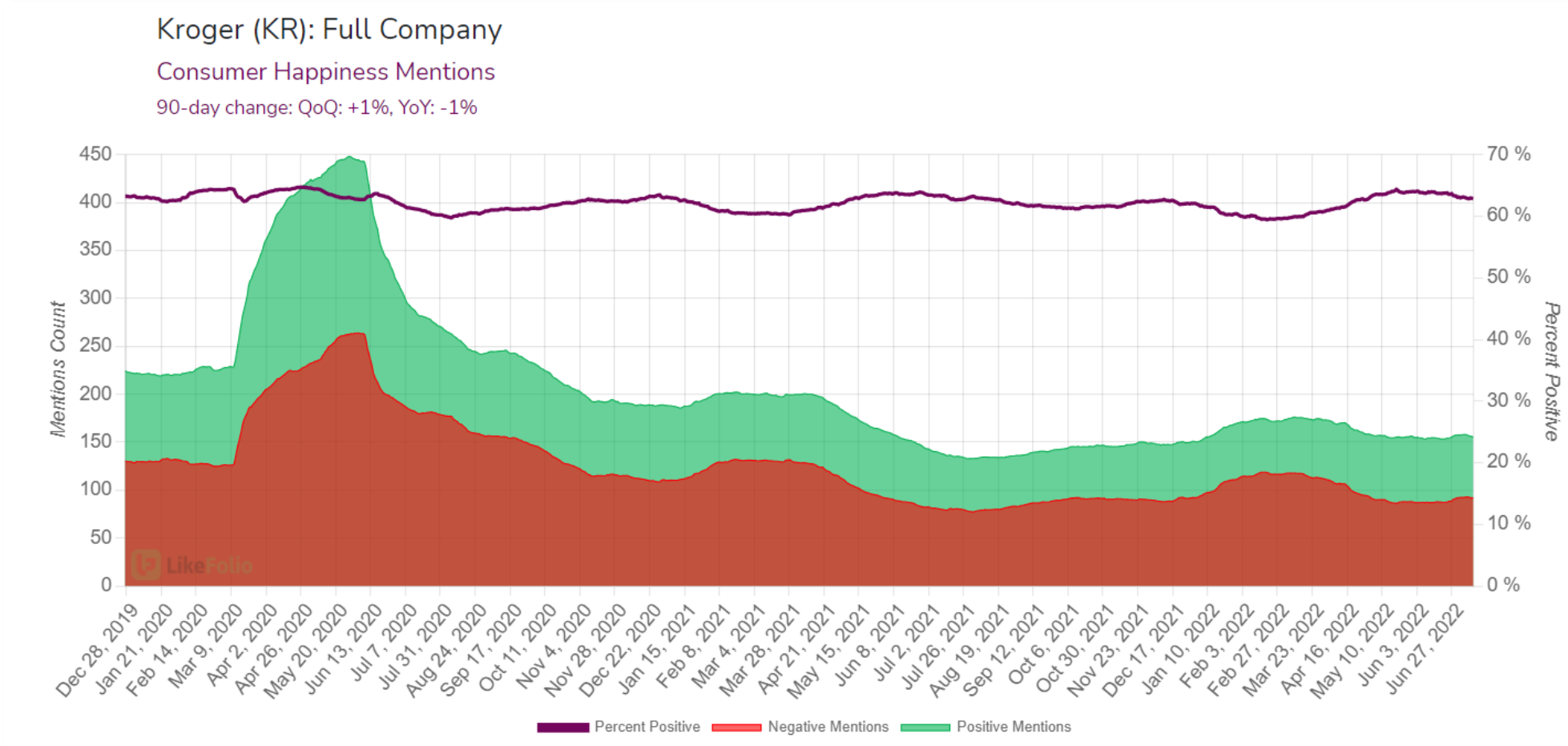
Kroger is managing the consumer experience well despite rising food prices (more than 10% higher vs. last year).

KR happiness levels remain stable, registering 63% positive.

To give perspective, Kroger's higher end grocery peer, Whole Foods Market boasts happiness levels just 4 points above Kroger's, at 67% positive.



KR: Happiness is Consistent



KR: Fuel Perks Entice Consumers



Reports and Business Updates

Kroger posted solid 22Q1 earnings in June [but shares dipped -2.5% early](#) as investors weighed gross margin decline and relative uncertainty moving forward. Highlights in the quarter:

- Identical store sales (ex-fuel) increased +4.1% YoY; Adjusted EPS increased +22% YoY to \$1.45
- Private label 'Our Brands' sales increased +6.3% YoY
- Fresh department sales increased +5.2% YoY
- *Digital households increased by more than 500k and digital coupon downloads increased 11%*

Kroger commands ~10% of the Food at Home market and is the 1st or 2nd largest retailer in the majority of its markets. Kroger operates 2,723 supermarkets and multi-department stores under 30 different banners including FredMeyer, Food4Less, fry's, Harris Teeter, King Soopers, and Kroger. Physical stores are located within 5 miles of 82% of Kroger customers.

Kroger's private label business presents opportunity for future growth. The company's 'Our Brands' portfolio has blossomed into a \$28 billion business that includes 4 distinct billion brands (Kroger, simple truth, Private Selection, Home Chef). This makes it the 9th largest consumer products group in the US.

- Net promoter score is 10 points higher than comparable brands
- 100% of new items tested are found to be as good or better than comparable national brands
- Growing at about twice the rate as national brands
- Bottom line: Customers are turning to Kroger's own brands to save money.

KR digital expansion strategies include new spoke facilities for last-mile delivery and the national launch of its [Boost membership/loyalty program](#). The annual membership (\$59/year) provides unlimited free grocery delivery on orders \$35+, fuel discounts and savings on 'Our Brands' products. Kroger's digital business generates more than \$10 billion in annual sales, and 98% of its stores offer pickup, delivery, or both.





BJ's

BJ's

WHOLESALE CLUB

BJ's
Propane
↑

Get ready to s...

BJ



LikeFolio

Retail Knockout: BJ vs. COST

BJ Demand Growth:
+64% YoY

COST Demand Growth:
-2% YoY



Key Points

BJ

BJ's Wholesale
Club



Money Dial: Bullish

88

Purchase Intent:

+16% QoQ, +64% YoY

Trend Watch:

Deal Discovery: +44% YoY

Sentiment:

66% Positive, +8% YoY

Actionable Trade Ideas

Buy BJ's Wholesale Club Holdings, Inc. (NYSE: BJ) stock up to \$80/share**

Alternative approaches would include selling OTM put options with a strike price 5% below the current price of the stock each month to generate income until a position is established.

We believe this stock could gain by more than 100% within the next 2 years.

Buy BJ Jan. '24 95/100 Call Spread @ \$0.95

Max Gain: \$BJ trading above \$100 on Jan. 19th 2024 — +\$405 per contract

Max Loss: \$BJ trading below \$95 on Jan. 19th 2024 — -\$95 per contract

**ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.

Consumer Demand:

BJ's Wholesale purchase intent growth is accelerating, currently pacing +64% higher YoY.

BJ: Demand Remains High

BJ's Wholesale (BJ): Full Company

Consumer Purchase Intent Mentions

30-day change: QoQ: +16%, YoY: +64%



BJ: Small Player Poised for Growth

Consumer Mentions:

BJ's has a much smaller footprint vs. larger bulk retail peers Costco and Sam's Club...but its brand awareness is exploding.

BJ's Wholesale brand mentions have increased by more than +120% YoY.

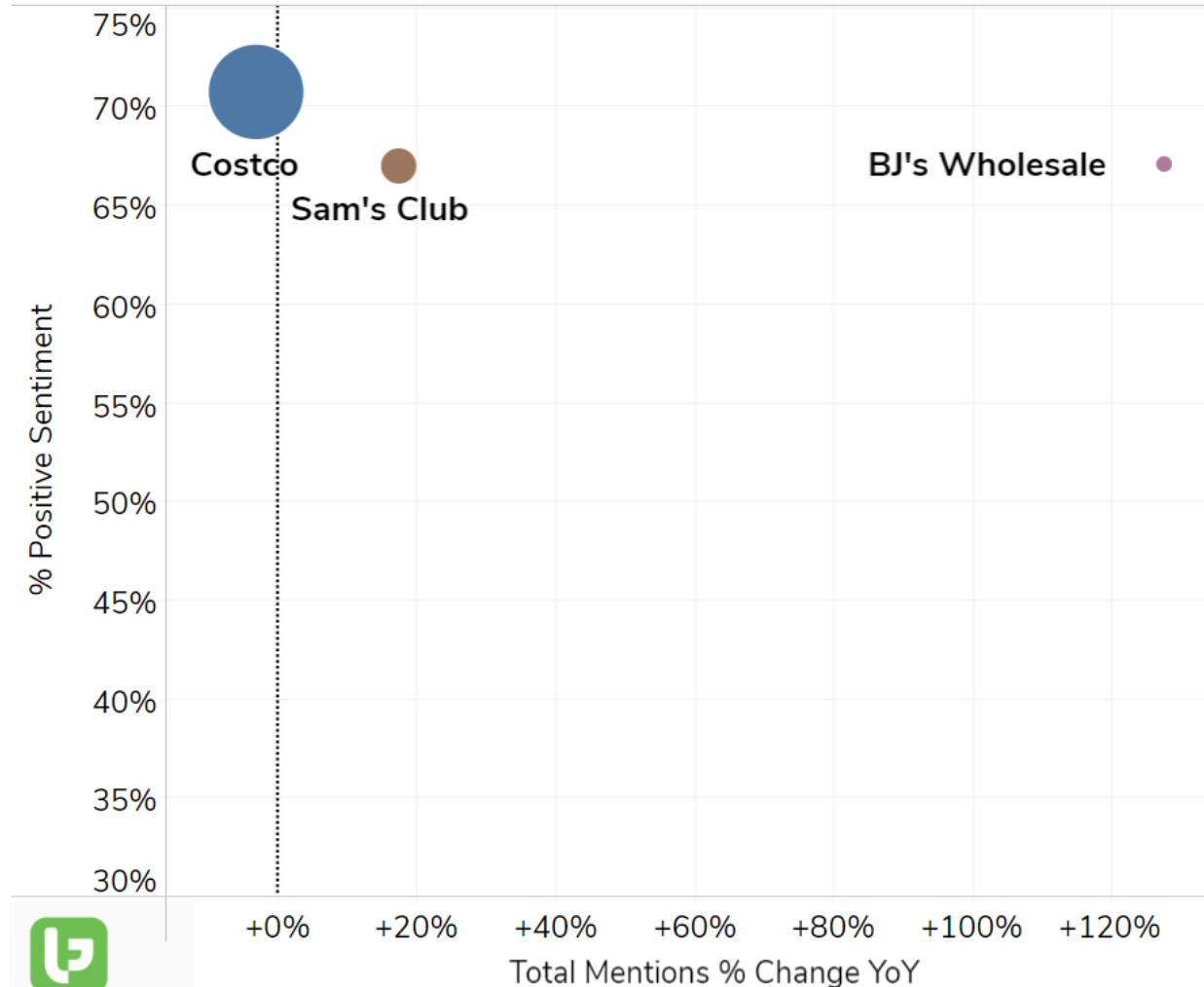
Number of locations:

- BJ's: 229
- Sam's Club: 600+
- Costco: 833

Annual Revenue:

- BJ's: \$16.7 billion
- Sam's Club: \$73.6 billion
- Costco: \$192 billion

Total Mentions vs. Sentiment, 90-day Moving Average



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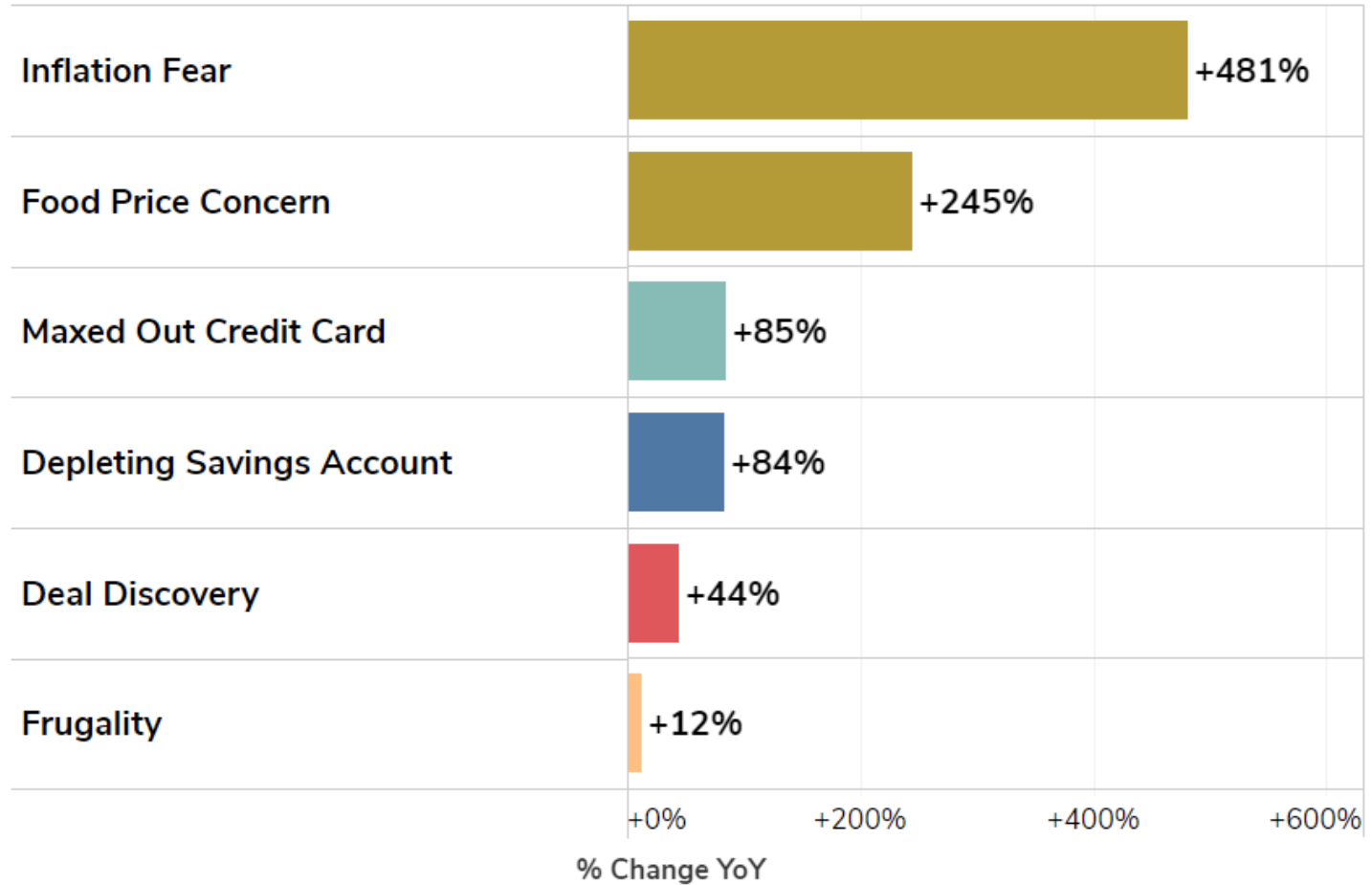
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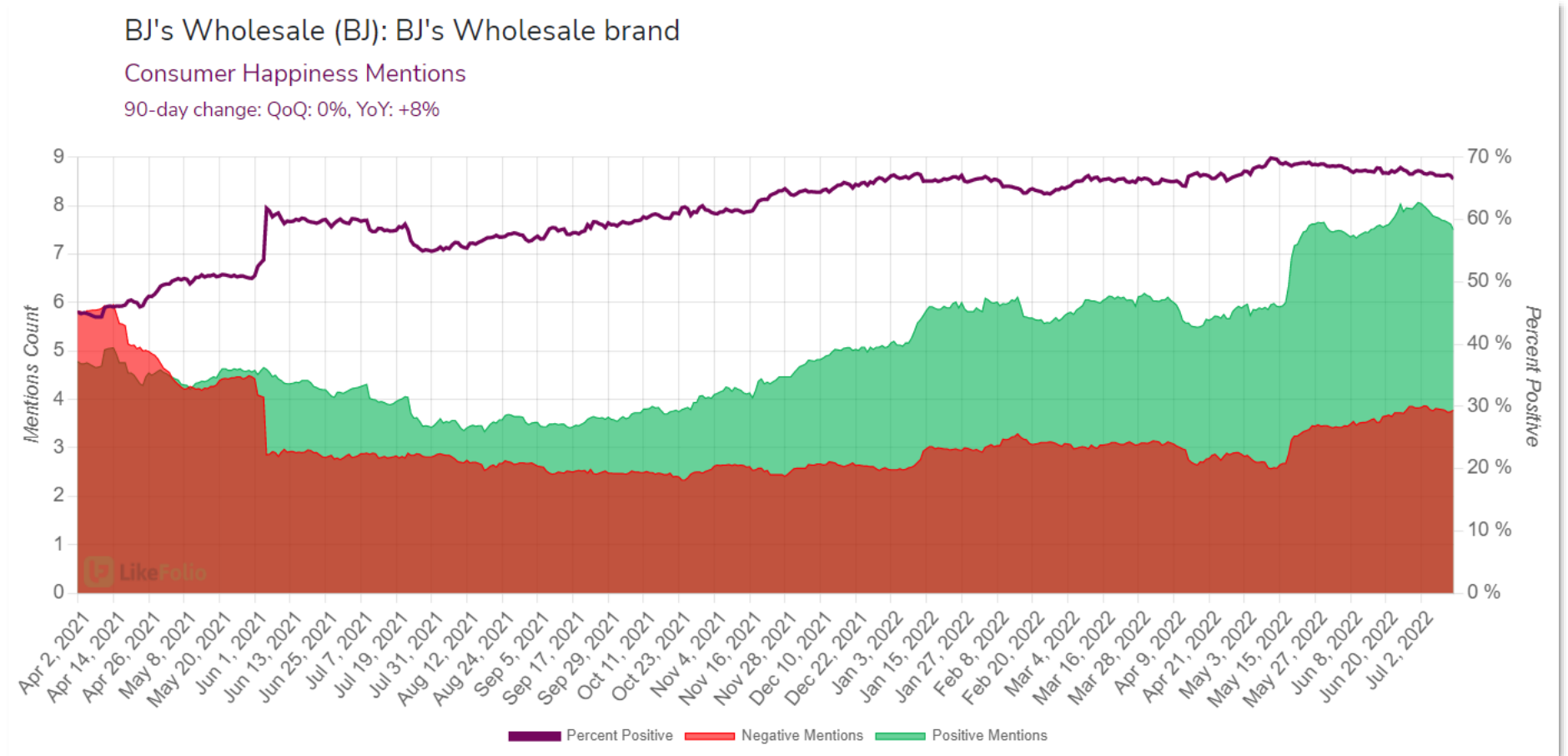
Consumer Demand:

BJ's Wholesale sentiment struggled in 2021 as the company expanded its footprint, with customers especially noting [hiccups with the company's digital execution](#).

However, sentiment does appear to be improving: +8% YoY.



BJ: Happiness is Improving



BJ's Membership

Consumer searches for BJ's membership have increased significantly over the last year.

Recently, a membership promotion is driving conversions.


BJ: Discount Drives Membership Growth

 **Hebrew Hammer** @rossalan5 · Jul 9
Costco kind of over hyped tbh

 **Jayson** @HuiAdventures
Replying to @rossalan5

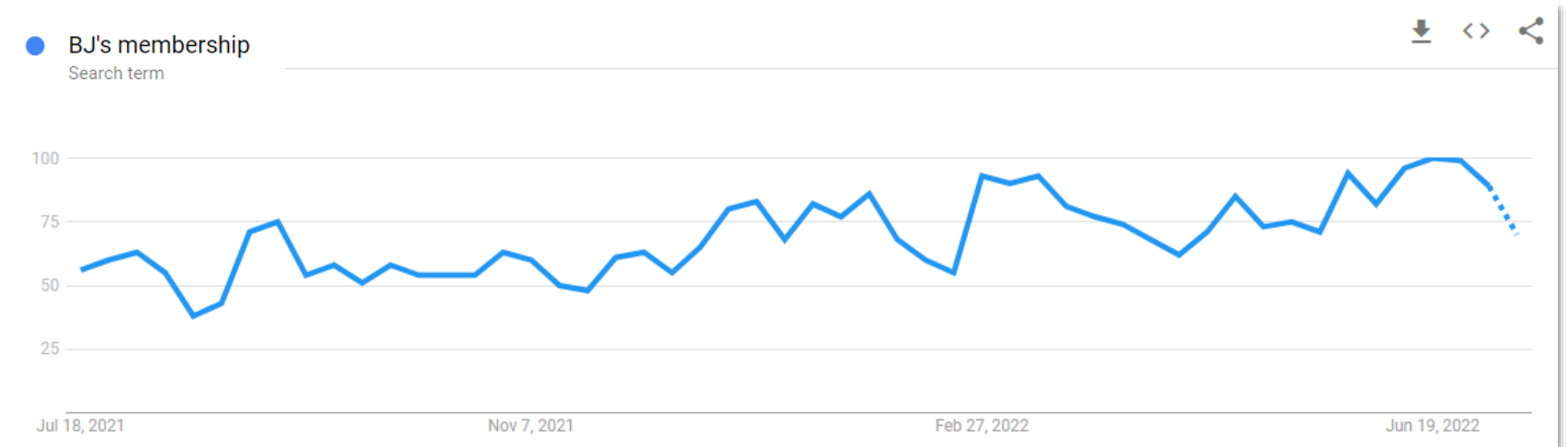
It is, I would go with the Bj's membership since it's only \$25

5:10 PM · Jul 9, 2022 · Twitter for iPhone

 **DJ NiKki Radio** @djnikkiradio

I've never done bulk shopping but just joined @BJsWholesale for \$25 a year just to get their discount gas prices. Then there's a list of household items to buy and save an extra 10% on gas. Worth it!

8:26 AM · May 11, 2022 · Twitter for iPhone



Become a BJ's Inner Circle® Member

\$25

Already have a BJs.com online account? [Sign In](#)

Already have a Membership Number? [Create Account](#)



Reports and Business Updates

BJ's Wholesale operates 229 warehouse clubs in 17 states that are mostly located on the East Coast. The company's current core market is New England, where it operates almost [3x as many clubs](#) than the next largest warehouse club competitor. BJ's expects to open 11 new clubs in 2022.

BJ's Wholesale offers an extensive assortment of private label products (Wellesley Farms, Berkley Jensen brands) that accounted for 21% of sales in FY21.

BJ is working to improve its inventory efficiency through strategic product selection. Despite having a much smaller footprint, its clubs carry nearly double the number of Stock Keeping Units (SKUs) vs. larger peers: 7,200 SKUs at FY 2021 end vs. Costco, with 4,000 SKUs. [On its last earnings call the company noted](#): "Our clubs typically carry more SKUs than our warehouse club peers, yet compete in fewer categories, thus eroding our members ability to efficiently shop our clubs. We're looking to change that by reducing SKUs and categories where we feel there is unnecessary choice and introducing new categories or increasing SKUs and categories where we feel there is too little choice."

BJ [shares popped +5.8%](#) following the company's last earnings event that exceeded market expectations across the board. Comparable club sales increased +14.4% YoY (+4.1% ex-gas); digital sales increased 26% YoY; Adjusted EPS increased +21%. BJ's member count grew +5% year over year, reaching 6.5 million members earlier than expected, driven by a combination of strong renewals, as well as membership acquisition related to new club growth.

Omni-channel offerings include BJs.com, BJ's mobile app, digital coupons, buy-online-pick-up-in-store, curbside pickup, same-day delivery, Same-Day Select, and ExpressPay. These digital offerings are driving younger member engagement and larger basket sizes. Digital accounts for only 8% of sales, with plenty of room for additional upside.



DOLLAR GENERAL[®]



DG



LikeFolio



DOLLAR GENERAL
1370

Store Hours
M-F: 7:00 - 10:00
Sat: 7:00 - 10:00
Sun: 7:00 - 10:00



Retail Knockout: DG vs. FIVE

DG Demand Growth:
+29% YoY

DOLLAR GENERAL

FIVE Demand Growth:
+11% YoY

fiVE BELoW



Key Points

DG

Dollar General
Corporation



Money Dial: Bullish

82

Purchase Intent:

+8% QoQ, +29% YoY

Trend Watch:

Deal Discovery: +44% YoY

Sentiment:

59% Positive

Actionable Trade Ideas

Buy Dollar General Corp. (NYSE: DG) stock up to \$265/share**

Alternative approaches would include selling OTM put options with a strike price 5% below the current price of the stock each month to generate income until a position is established.

We believe this stock could gain by more than 50% within the next 2 years.

Buy DG Jan. '24 260/270 Call Spread @ \$4.20

Max Gain: \$DG trading above \$270 on Jan. 19th 2024
— +\$580 per contract

Max Loss: \$DG trading below \$260 on Jan. 19th 2024
— -\$420 per contract

**ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.



Consumer Demand:

After struggling to maintain Covid-levels of demand growth, Dollar General reached an inflection point at the end of 2021.

Since then, demand has incrementally improved, rising +29% higher YoY and continuing higher in the current quarter.

DG: Demand is Rebounding

Dollar General (DG): Full Company

Consumer Purchase Intent Mentions

90-day change: QoQ: +8%, YoY: +29%



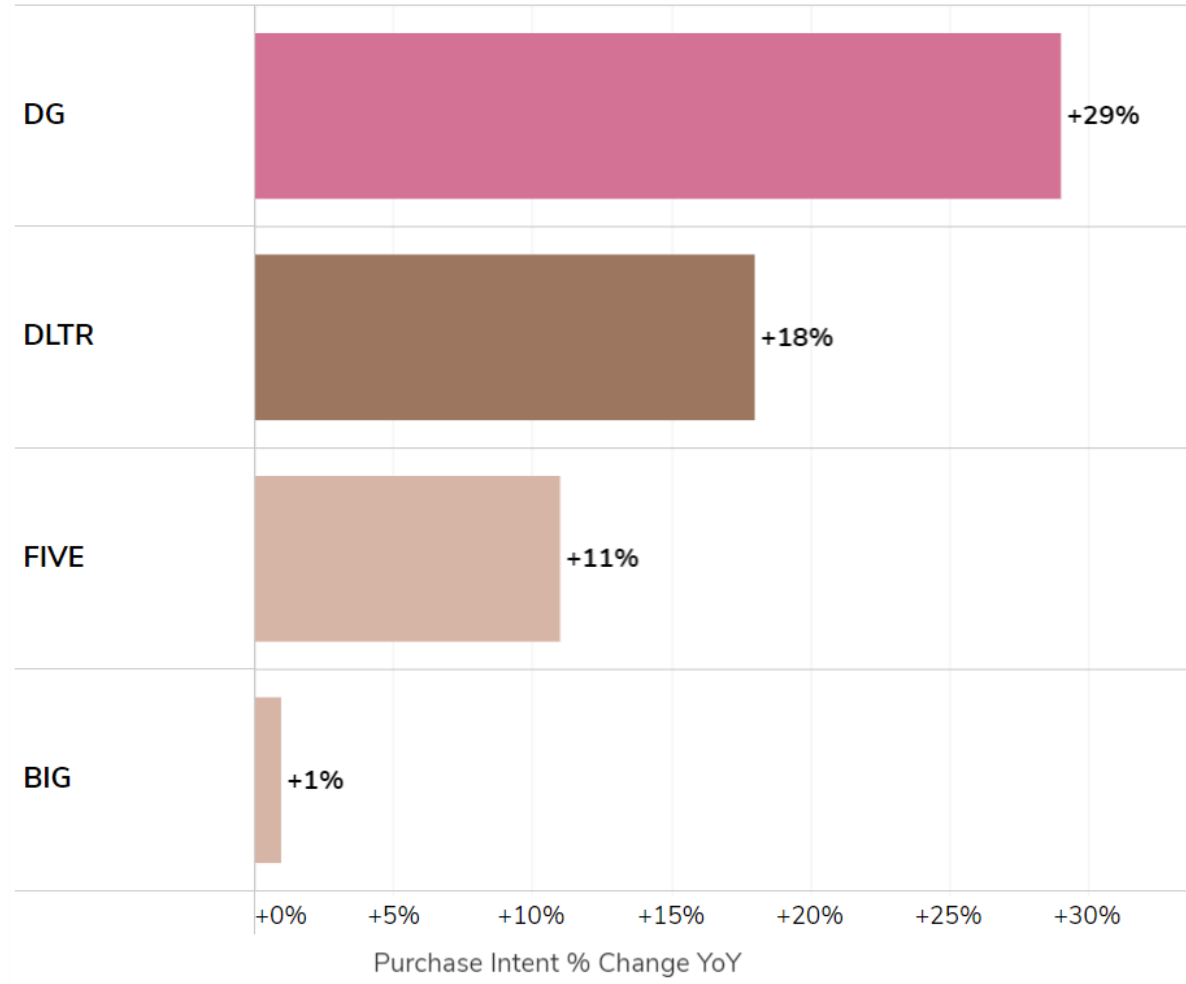
Consumer Demand

Purchase Intent is the most highly correlated LikeFolio metric to revenue, at .59 in 22Q1.

Dollar General has maintained the highest level of demand growth vs. retail peers.

DG: Dominating Discount Retail

YoY Change in Purchase Intent, 90-day Moving Average



Dollar General Reach

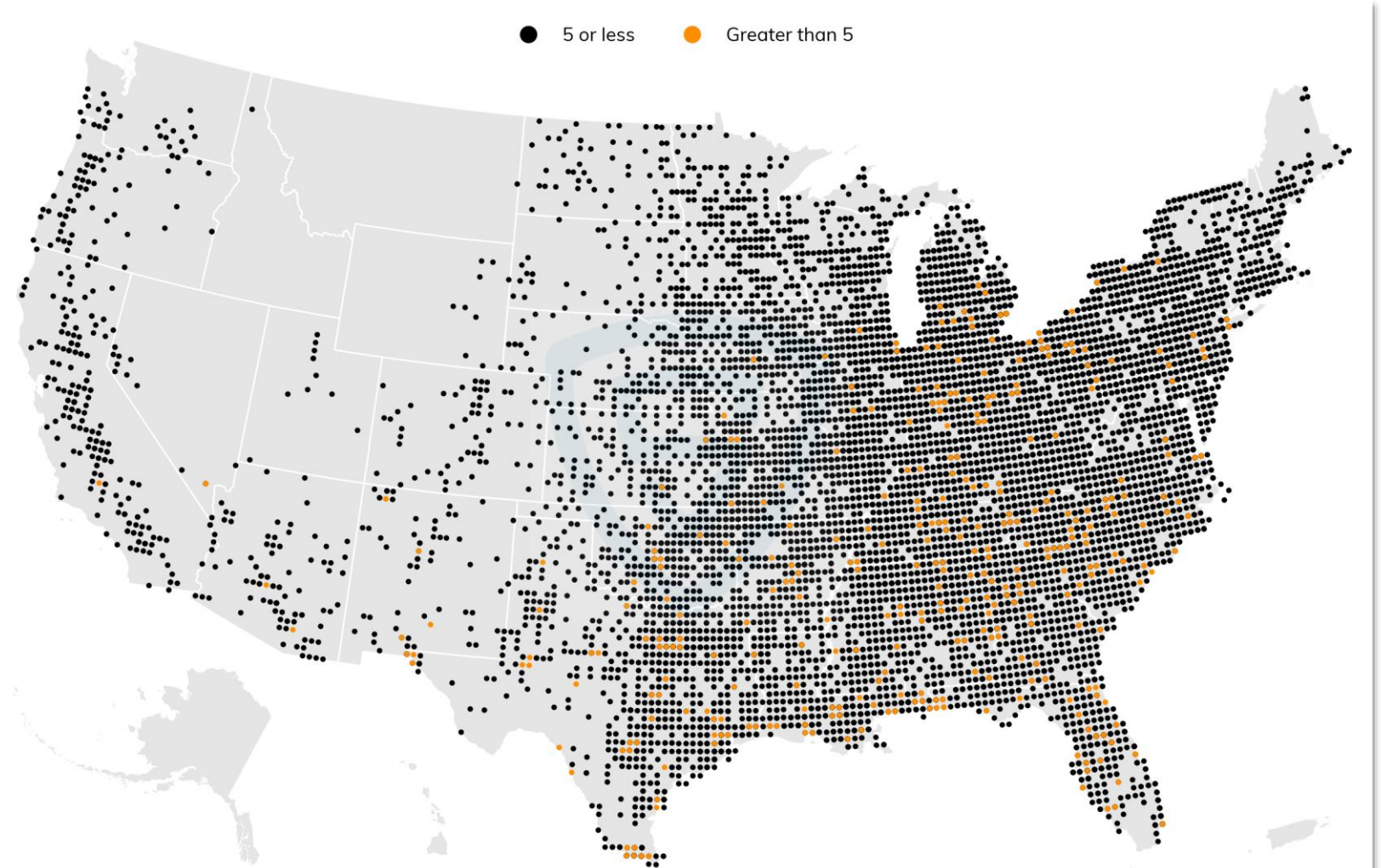
[Dollar General operates more than 18,000 locations](#) (placing its storefront within five miles of 75% of the U.S. population. This is more than McDonald's, Starbucks, and CVS – and DG continues to expand its footprint rapidly.

It's currently opening ~3 stores a day, with plans to open 1,100 stores in 2022.

Many of these stores serve consumers in extremely rural areas where traditional grocery and convenient stores are now a costly trip out of reach, especially considering rising gas prices.



DG: Expansive Reach for Rural Customers



Dollar General retail store locations in the USA

DOLLAR GENERAL

Each grid point covers 10-mile radius with at least one location

Source: ScrapeHero.com



Trend Watch: Economic Pressure Mounting

Macro Trend Watch:

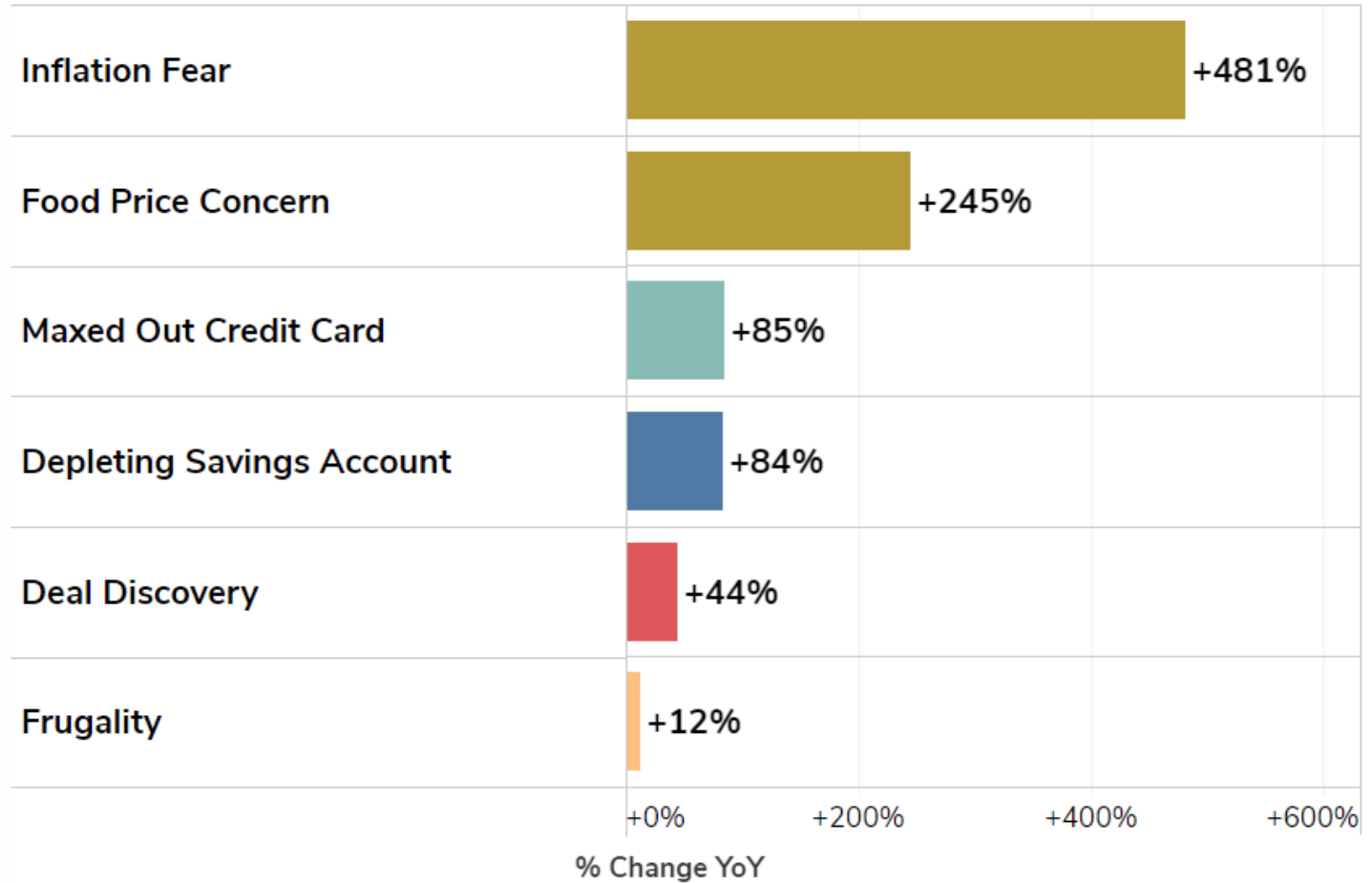
Sky-high inflation is sparking behavior change.

Inflation fear and food price concerns are weighing heavily on consumer minds.

Savings are shrinking, credit card usage is spiking, and consumers are searching for deals.

This especially impacts spend on essentials vs. discretionary items – and thus, WHERE consumers shop.

YoY % Change, 90-day Moving Average

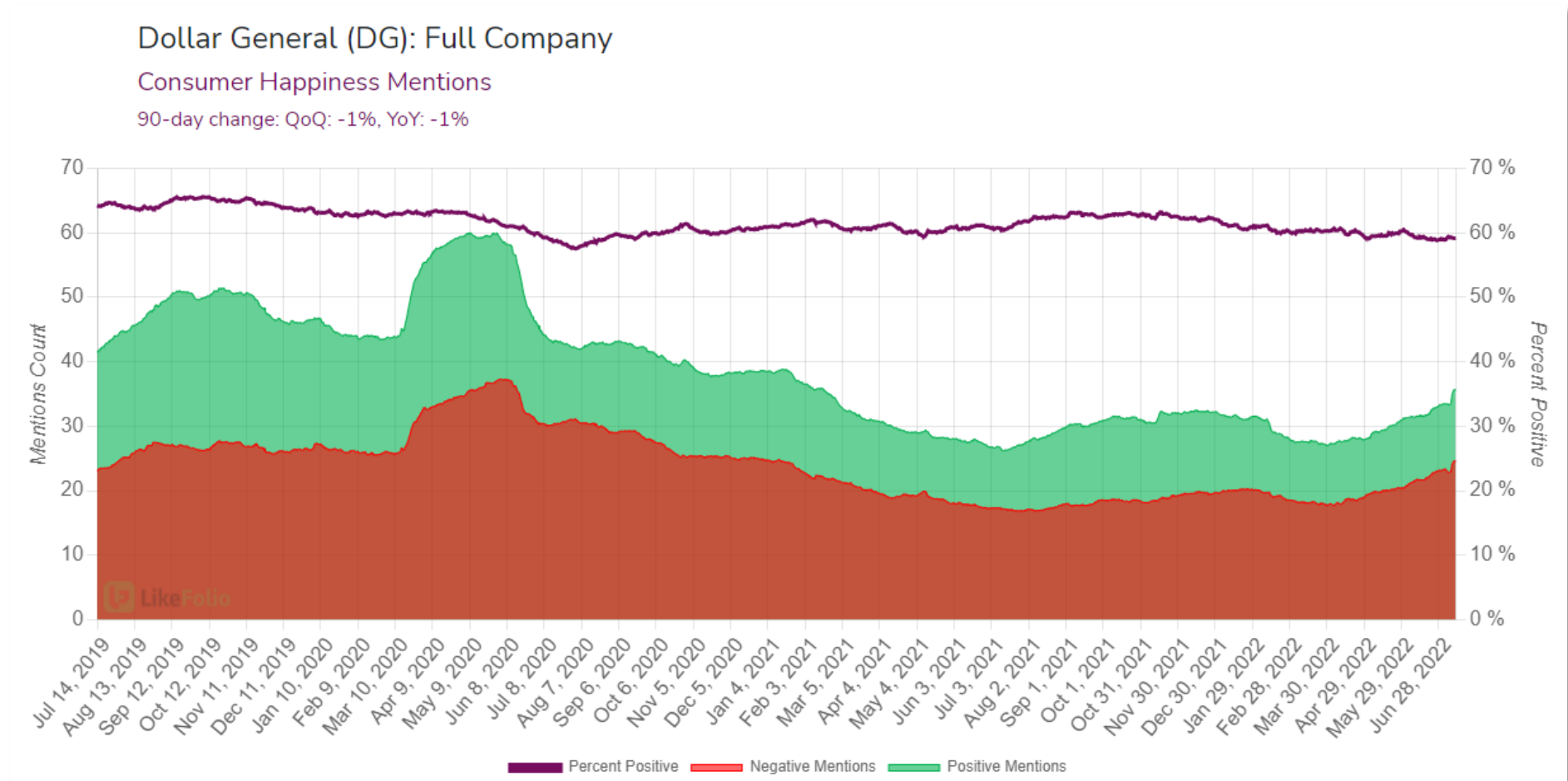


Consumer Happiness:

Dollar General Happiness has traditionally trailed discount retail peers, but this decline is stabilizing.

Dollar General happiness levels are 59% positive, two points behind Dollar Tree. Two years ago, this gap was +4 points.

DG: Happiness is Stabilizing



DG: Rural Access, Savings Drive Demand



Craft Library
@craftlibrary

Looking to save money on your next trip to the grocery store? Join us on Thursday, June 23 at 5:00 pm to learn how to create healthy meals from Dollar General. Jo Anne Stafford from the WVU Extension office will bring along free recipe sample tastings a...

ift.tt/2Awa7rb

4:58 PM · Jun 15, 2022 · IFTTT



Local 12/WKRC-TV
@Local12

Dollar General is highlighting its one dollar prices in stores to push the perception that it's the place to save money amid high inflation.



local12.com

Dollar General highlights \$1 items after rival dollar store chain forced to raise pr...
SAN ANTONIO, Texas (CNN Newsource/KSAT/WKRC) - It looks like discount chain dollar general is pursuing an opportunity to draw customers away from ...

11:30 PM · Mar 19, 2022 · TweetDeck



Region 8 News
@Region8News

When gas is close to \$4, you do what is necessary to save money 😂. Spotted outside the Dollar General in London, Kentucky. (📷: Sharon Mills)



Reports and Business Updates

Dollar General delivered more than 30 straight years of same-store sales growth, but the streak ending when FY22 lapped the strong pandemic-fueled growth of FY21. DG has been working hard to retain the customers it gained during Covid. Last quarter, DG net sales increased 4.2% to \$8.8 billion, EPS fell -15% to \$2.41. Both sales and EPS exceeded Street estimates.

DG differentiates itself by choosing locations that are more convenient than grocery and big box stores. It has 18,356 stores across 47 states that together generate over 2 billion transactions annually. In fiscal '22, it plans to open 1,110 new stores, remodel 1,750 stores, and relocate 120 stores. DG sees an opportunity to open another 17,000 stores with many in urban areas including 3,000 pOpshelf stores that target affluent customers that seek price and value and 1,000 small-format DGX stores. This would nearly double its current footprint.

DG has more than 4 million monthly active 'DG GO!' app users that can discover digital coupons, the weekly ad, pre-shop, and buy online. Other digital offerings include DG Self-Checkout, DG Pickup, DG's Cart Calculator & Shopping List, and DG Rewards.

DG has its own retail media network "[DGMN](#)" which it launched in 2018 to unlock growth for its advertising partners. It includes 21 advertising partners that represent Unilever, General Mills, Hershey's, Colgate-Palmolive, and other popular national brands. DGMN provides real-time data to help advertisers serve DG's customer base. DGMN reaches more than 90% of active DG customers through both physical and digital means to attract consumers that want to buy some of America's most trusted brands. Since ~75% of DG stores serve smaller markets of <20,000 people, the media network helps connect with hard-to-reach customers in rural areas that often get overlooked by traditional digital marketing approaches.



THE HOME DEPOT

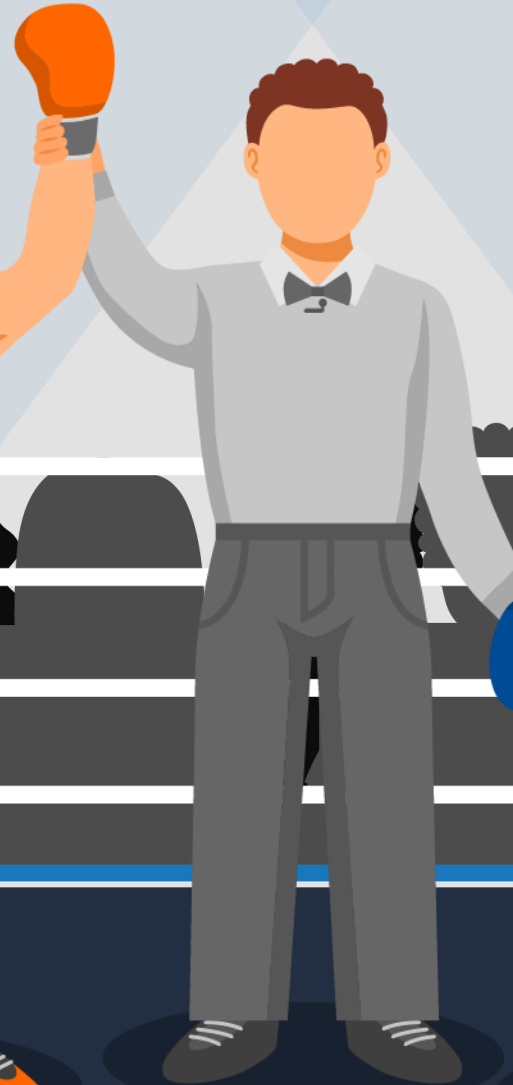


HD



Retail Knockout: HD vs. LOW

HD Demand Growth:
+3% YoY



LOW Demand Growth:
-10% YoY



Key Points

HD

Home Depot



Money Dial: Bullish

60

Purchase Intent:

+13% QoQ, +3% YoY

Trend Watch:

Hiring a Contractor: +20% YoY

Home Renovation: +4% YoY

Moving: -9% YoY

Sentiment:

62% Positive, +2% YoY

Actionable Trade Ideas

**Buy The Home Depot, Inc.
(NYSE: HD) stock up to
\$300/share****

Alternative approaches would include selling OTM put options with a strike price 5% below the current price of the stock each month to generate income until a position is established.

We believe this stock could gain by more than 50% within the next 2 years.

**Buy HD Jan. '24 295/300 Call
Spread @ \$1.95**

Max Gain: \$HD trading above \$300 on Jan. 19th 2024
— +\$305 per contract

Max Loss: \$HD trading below \$295 on Jan. 19th 2024
— -\$195 per contract

****ON ALL TRADES, it is important to use proper risk management to correctly allocate and protect your capital.**



Consumer Demand:

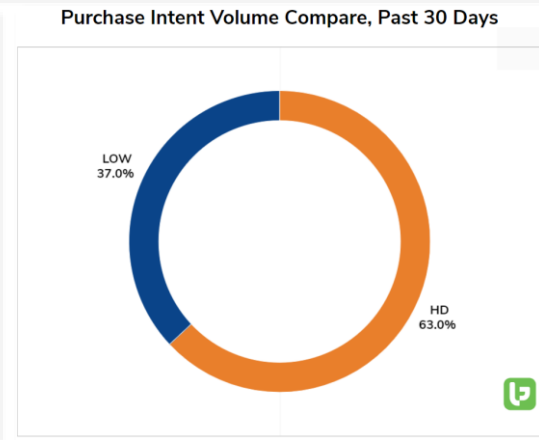
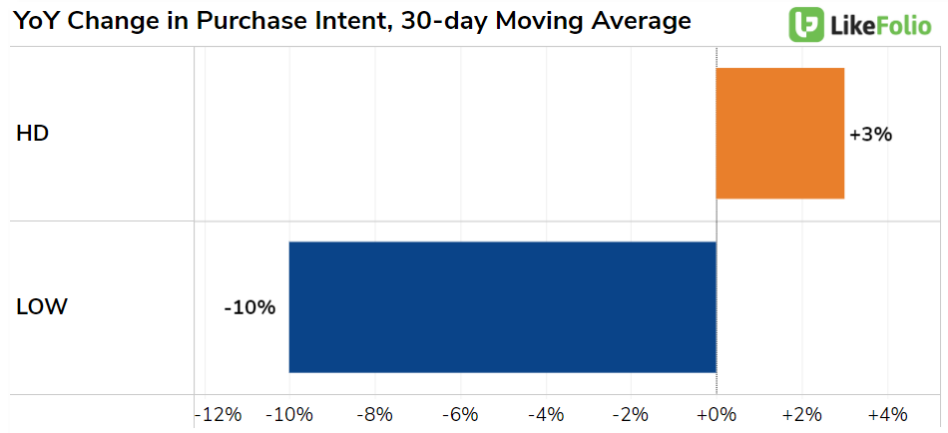
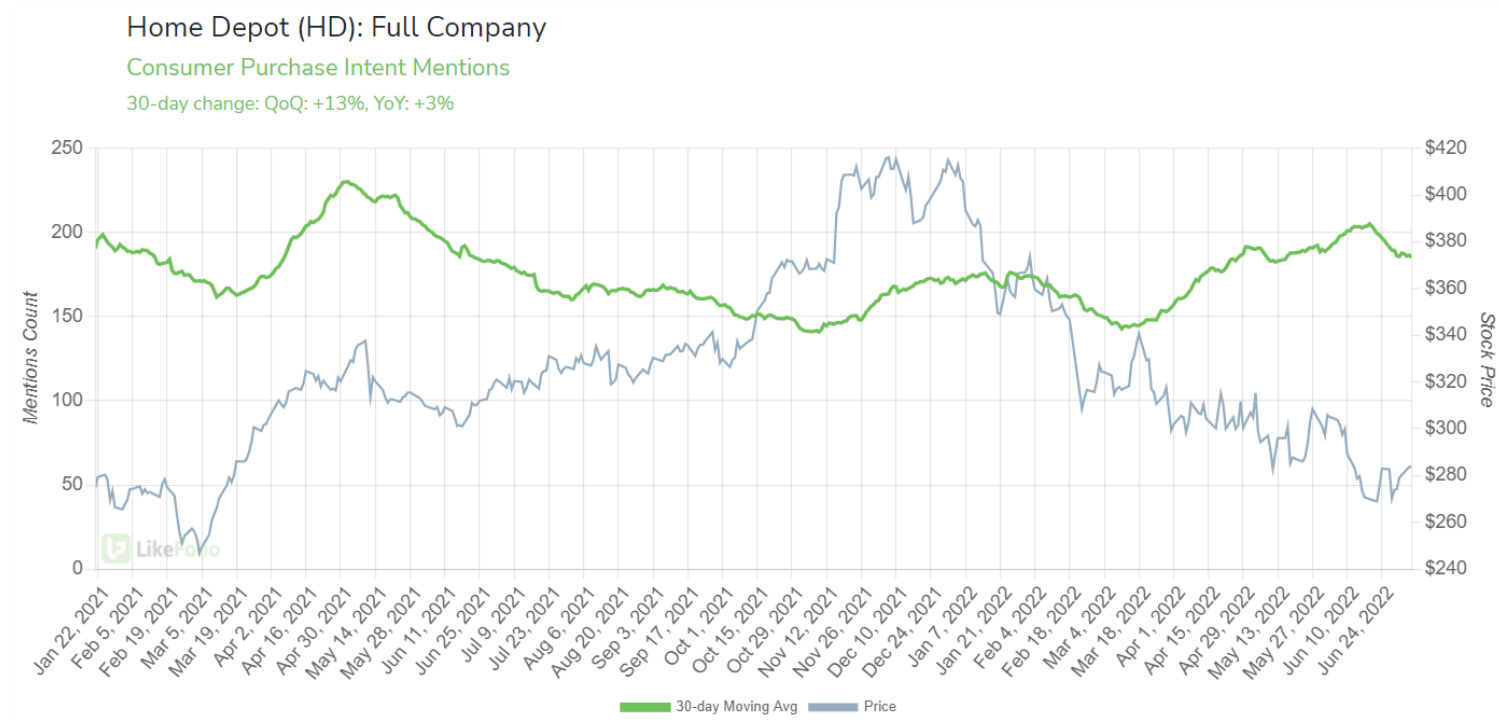
Home Depot demand continues to record YoY demand growth, even following a pandemic-driven home renovation boom.

While DIY home renovation mentions have cooled, professional consumers are driving demand for Home Depot vs. peer, LOW.

Not only is the demand growth gap widening between HD and LOW, but Home Depot continues to command a larger percentage of market share, garnering 63% of demand mentions over the last month.



HD: Demand is Holding Higher



Trend Watch: Remodeling vs. Moving

Macro Trend Watch:

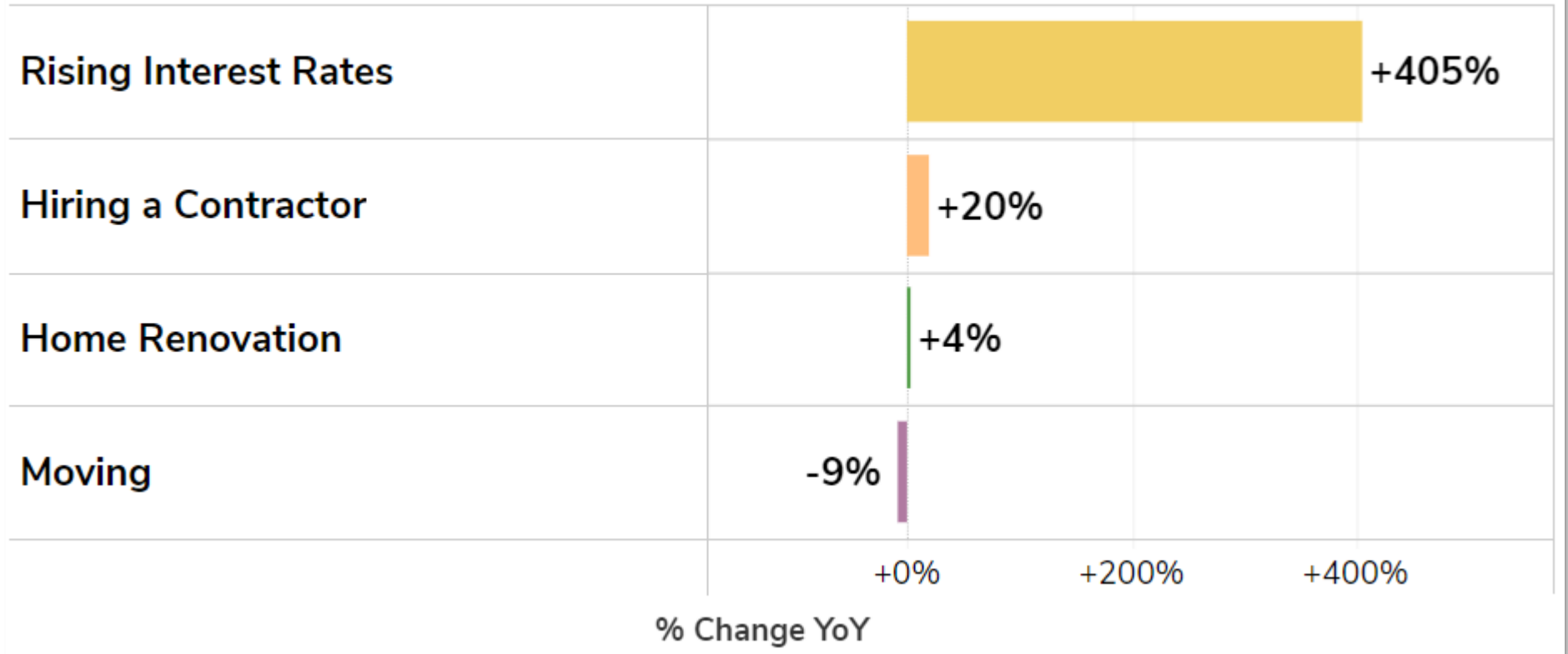
As interest rates spike and the housing market cools, many consumers are opting to renovate their homes.

In addition, many consumers who bought homes earlier in the pandemic have reached the “hiring contractor” moment in the renovation timeline. Typically contract work is a longer-term project with a longer setup time vs. DIY projects.

Home Depot has an advantage here due to its contract business exposure. Nearly half of Home Depot sales are generated from professional customers. In contrast, only ~25% of Lowe’s sales are from professional contractors.



YoY % Change, 90-day Moving Average



HD: Professional Services Edge



Rick Kilpatrick
@thelesserCoachK

When you got the day off with nothing but yard projects on the docket and you get to Home Depot so early it's just you and the general contractors, that's gonna be a hell of a day.

9:08 AM · Jul 1, 2022 · Twitter for iPhone



yungwalken
@as_a_worker

fun little anecdote: this contractor i'm with has a big public utility job and spent all week on the phone with suppliers trying to get the right grout mix but because of the supply chain meltdown he's buying dozens of bags himself the only place to get them: retail at home depot

5:33 PM · Jul 5, 2022 · Twitter Web App



Dr. Howard, Dr. Fine, Dr. Howard! @lookin4vinylatx · Jul 5

Well, this is friggin' great. At some point earlier today my water heater sprung a leak, and I had no idea until my son got home from work and said that there was water pooling in our garage. Unfortunately we can't get a plumber until tomorrow.

7 1 9



Dr. Howard, Dr. Fine, Dr. Howard!
@lookin4vinylatx

So after a few calls (and much mopping) we have an appointment with a contractor thru Home Depot. They will be here tomorrow to replace the water heater, and at least it will be no interest for 18 mo.

8:14 PM · Jul 5, 2022 · Twitter Web App



BH1
@CFReviews

Replying to @lynesworld

Sign up at Home Depot for a contractors credit card you automatically get contractor pricing which is generally 20% cheaper than retail

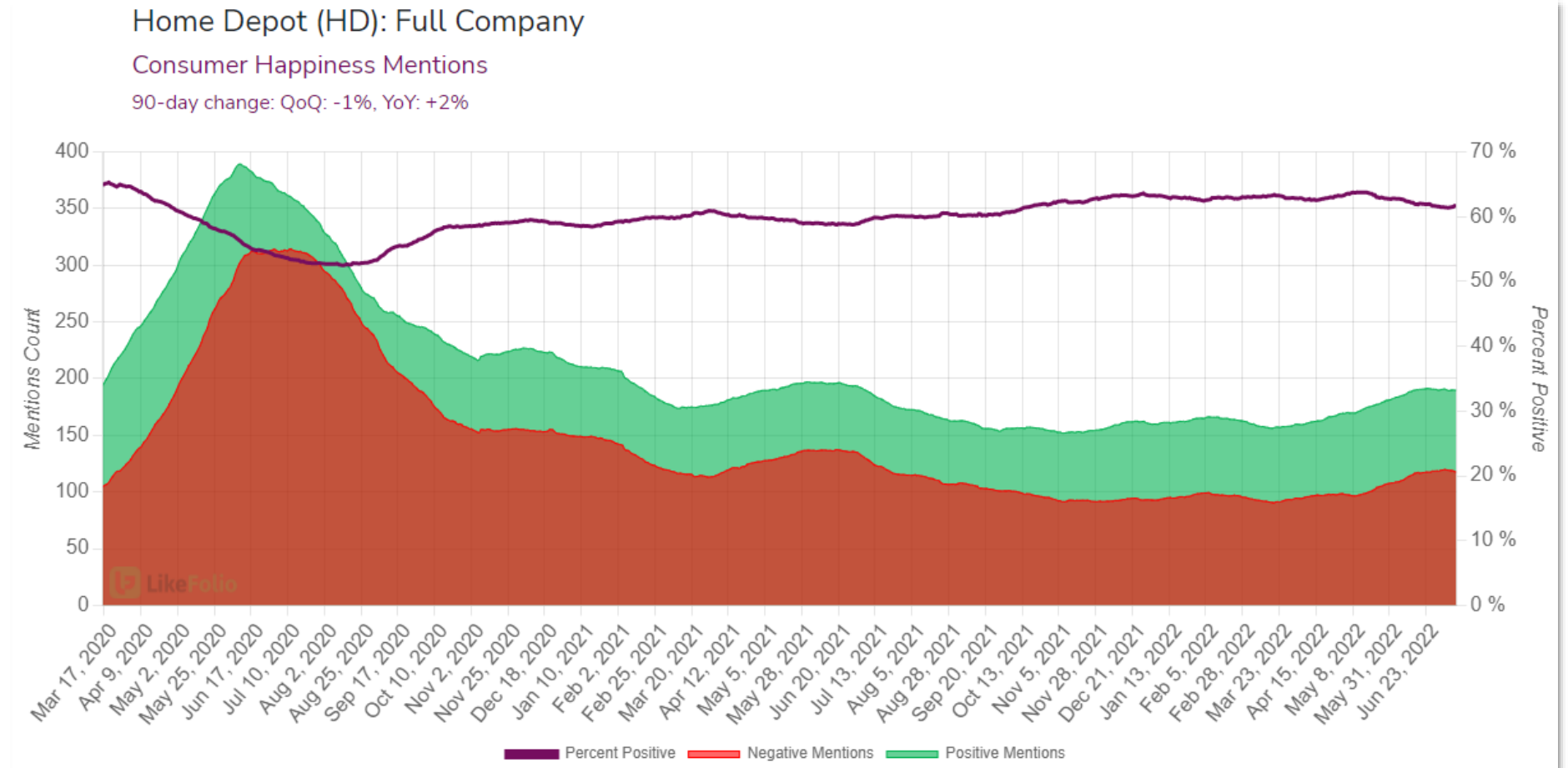
5:58 PM · Jul 5, 2022 · Twitter for iPhone



Consumer Happiness:

Home Depot consumer happiness is 62% positive, +2 points higher YoY and remaining a point higher vs. peer Lowe's, despite boasting a larger mention volume.

HD: Happiness is Improving



Reports and Business Updates

Home Depot posted impressive 21Q1 results in May, considerably outperforming peer, LOW. HD sales increased +3.8% YoY, and EPS increased +6% YoY to \$4.09, capping off the highest Q1 sales in company history; not an easy feat considering the pandemic boost recorded in 21Q1. Earnings were much stronger than the Street expected and marked the 8th straight earnings beat. In contrast, [LOW posted a sales decline and missed Street expectations](#), attributing results to cooler weather hampering DIY outdoor projects.

HD is seeing strength in both its Pro and DIY markets. HD serves three types of customers: Pros, DIY, and DIFM (do-it-for-me). The Pro segment has been the biggest sales growth driver in recent quarters because project demand is strong, and professionals' backlogs are growing. Pro-heavy big-ticket items like pipes & fitting, gypsum, and fasteners are seeing particularly strong sales. The Pro Extra loyalty program is gaining momentum.

Home Depot is optimistic regarding home renovation demand and continued expansion. A significant underinvestment in US housing is become more acute as the Millennial generation enters the market. About 70% of US homes are more than 25 years old and likely in need of upgrades and repairs. In addition, a shortage of homes following a decade of underbuilding is present. HD has said that it could take at least 5 years to resolve the shortage. At the same time, existing homeowners that refinanced at historically low rates may opt to improve their homes rather than move.

Home Depot is leveraging its physical locations to enhance its digital strategy. On the company's last earnings call, leadership noted: "For those customers that chose to transact with us online during the first quarter, more than 50% of our online orders were fulfilled through our stores, a testament to the power of our interconnected retail strategy." Sales leveraging our digital platforms increased 3.7% during the first quarter.



Trend Watch Summary: Retail Knockout

The sting of inflation is undeniable. The key is understanding where and how this will impact consumer spending activity.

Macro trend analysis reveals consumers ARE seeking ways to save money. Some of these money-saving methods include:

- Shopping at Discount Retailers
- Buying in Bulk
- Seeking out Low-Priced Essentials
- Opting for Store-Brand Items
- Renovating Existing Homes vs. Moving

Each of the companies featured in this report leverage one (if not more) of the money saving methods above.

More importantly, all 5 companies have a solid history of execution.

Keep an eye on these retail giants in the coming months, especially if wallets continue to be squeezed. Each is well positioned to continue to perform at a high level as economic pressures mount.



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