

HEDGEYE



Retail Breakout



Hedgeye Retail

Brian McGough

Jeremy McLean

Arianna Petillo

Ryan Wilson

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Hedgeye Retail Position Monitor – Best Idea List

HEDGEYE RETAIL POSITION MONITOR

BEST IDEAS - LONG					TREND	TAIL	BEST IDEAS - SHORT					TREND	TAIL
Best Idea Longs		Mkt. Cap (\$MM)	30d ADV \$ (MM)	Short Interest %			Best Idea Shorts		Mkt. Cap (\$MM)	30d ADV \$ (MM)	Short Interest %		
NKE	Nike, Inc	\$142,070	\$893	2%	-	✓	DECK	Deckers Outdoor	\$21,393	\$330	4%	-	✗
RH	RH Inc	\$4,559	\$309	15%	✓	✓	ONON	On Holding	\$9,935	\$117	14%	-	✗
TPR	Tapestry	\$9,186	\$173	3%	✓	✓	FND	Floor & Décor	\$11,871	\$131	16%	✗	✗
BYON	Beyond, Inc.	\$983	\$50	9%	✓	✓	HELE	Helen Of Troy Limited	\$2,172	\$39	15%	✗	✗
FL	Foot Locker	\$2,077	\$78	13%	✓	✓	WSM	Williams-Sonoma	\$18,129	\$242	10%	-	✗
CPRI	Capri Holdings	\$4,143	\$89	6%	✓	✓	W	Wayfair	\$6,260	\$244	27%	✗	✗
AMZN	Amazon.com	\$1,867,545	\$6,851	1%	✓	✓	GPS	Gap, Inc	\$7,974	\$168	14%	-	✗
SKX	Skechers	\$10,026	\$113	2%	✓	✓	ULTA	Ulta Beauty	\$19,480	\$472	3%	✗	✗
GIL	Gildan	\$5,954	\$25	1%	✓	✓	ADS-DE	Adidas	\$44,030	\$101	NA	-	✗
BBWI	Bath & Body Works	\$10,354	\$113	2%	-	✓	GOOS	Canada Goose	\$1,142	\$8	24%	✗	✗
CWH	Camping World Hldgs	\$967	\$23	17%	-	✓	HNNMY	H&M Hennes & Mauritz	\$23,281	\$0	NA	✗	✗
REAL	RealReal	\$376	\$7	19%	✓	✓	JWN	Nordstrom	\$3,123	\$65	21%	✗	✗
DRVN	Driven Brands	\$2,360	\$14	8%	-	✓	AS	Amer Sports	\$7,362	\$25	NA	✗	✗
VVV	Valvoline	\$5,557	\$38	4%	-	✓	ONEW	OneWater Marine	\$320	\$2	8%	✗	✗
TJX	TJX, Inc	\$109,173	\$487	1%	✓	✓	CROX	Crocs	\$7,612	\$133	8%	✗	✗
DXLG	Destination XL Group	\$195	\$1	9%	✓	-	BBY	Best Buy	\$16,164	\$200	8%	✗	✗
PRPL	Purple Innovation	\$163	\$1	4%			RL	Ralph Lauren	\$10,642	\$165	9%	✗	✗
							GOLF	Acushnet Holdings	\$3,951	\$25	17%	✗	-
							SBH	Sally Beauty Holdings	\$1,154	\$14	13%	✗	✗
							CVNA	Carvana	\$9,804	\$294	30%	✗	✗
							LAD	Lithia Motors	\$7,233	\$83	10%	✗	✗
							CTC.A-CA	Canadian Tire	\$5,550	\$31	2%	✗	✗
							MNRO	Monro, Inc.	\$831	\$10	12%	✗	✗
							BGFV	Big 5 Sporting Goods	\$78	\$1	18%	✗	✗
							EWCZ	European Wax Center	\$566	\$4	19%	✗	✓
							LOW	Lowe's	\$131,530	\$540	1%	✗	-
							KSS	Kohl's	\$2,721	\$144	33%	✗	✗
							ANF	Abercrombie & Fitch	\$6,229	\$159	10%		
							BIRK	Birkenstock	\$8,537	\$29	21%	✓	✗

Hedgeye's "Bias" lists represent Hedgeye's outlook on companies currently under Hedgeye's review, or for which timing is not right for greater coverage. Hedgeye may or may not provide further commentary on any or all companies represented on this list and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company

Hedgeye Retail Position Monitor – Long/Short Bias List

LONG BIAS					SHORT BIAS				
TGT	Target, Inc	\$76,059	\$520	2%	GIII	GIII Apparel	\$1,291	\$14	12%
RMS-PAR	Hermes	\$262,851	\$116	NA	URBN	Urban Outfitters	\$3,781	\$66	7%
ORLY	O'Reilly Automotive	\$61,630	\$380	1%	AEO	American Eagle	\$4,809	\$101	14%
LESL	Leslie's	\$736	\$20	11%	UAA	Under Armour	\$2,960	\$39	11%
MCW	Mister Car Wash	\$2,174	\$10	14%	GME	GameStop	\$3,640	\$63	22%
CHWY	Chewy	\$6,889	\$147	15%	BOOT	Boot Barn	\$3,266	\$77	14%
1913-HKG	Prada	\$20,707	\$84	NA	PANDY	Pandora	\$11,848	\$0	NA
WRBY	Warby Parker	\$1,527	\$16	12%	BURL	Burlington Stores	\$11,773	\$209	4%
OLPX	Olaplex	\$886	\$3	6%	KER-PAR	Kering	\$44,546	\$91	NA
GPI	Group 1 Automotive	\$4,066	\$43	16%	OXM	Oxford Industries	\$1,668	\$29	12%
PAG	Penske Automotive Group	\$10,426	\$31	14%	TSCO	Tractor Supply	\$29,558	\$269	8%
AZO	Autozone	\$50,974	\$408	2%	SVV	Savers Value Village	\$2,400	\$10	6%
HIBB	Hibbett Sports	\$1,016	\$45	13%	SIG	Signet	\$4,530	\$74	9%
SNBR	Sleep Number	\$315	\$7	11%	PUM-DE	Puma	\$6,995	\$23	NA
					DKS	Dick's Sporting Goods	\$17,077	\$201	10%
					VFC	VF Corp	\$4,915	\$146	10%
					KMX	CarMax	\$10,953	\$220	13%
					SAH	Sonic Automotive	\$2,124	\$13	17%
					VSCO	Victoria's Secret	\$1,352	\$46	17%
					LULU	Lululemon Athletica	\$45,955	\$764	3%
					CAL	Caleres	\$1,298	\$16	13%

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Macro & Consumer Setup



Credit Tightening At Lesser Rate

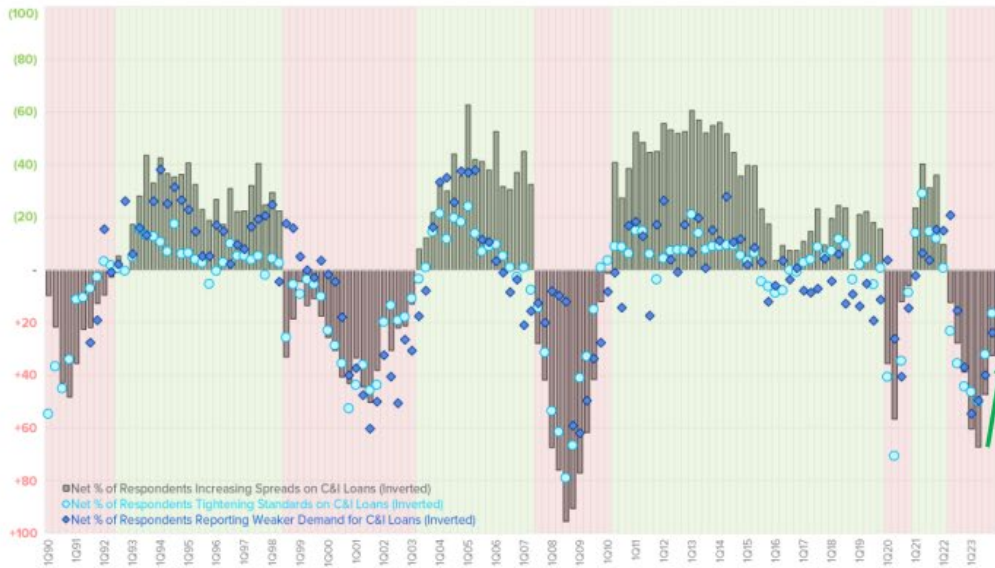
CREDIT TIGHTENING → PAST PEAK?

The Credit pendulum has begun to swing in the direction of easing. This helps grease the pro-cyclical engine (next slide)

HEDGEYE

C&I Lending: Spreads, Standards, & Demand

Midpoint of Large & Medium and Small Firms



SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES

Net Percentage of Respondents

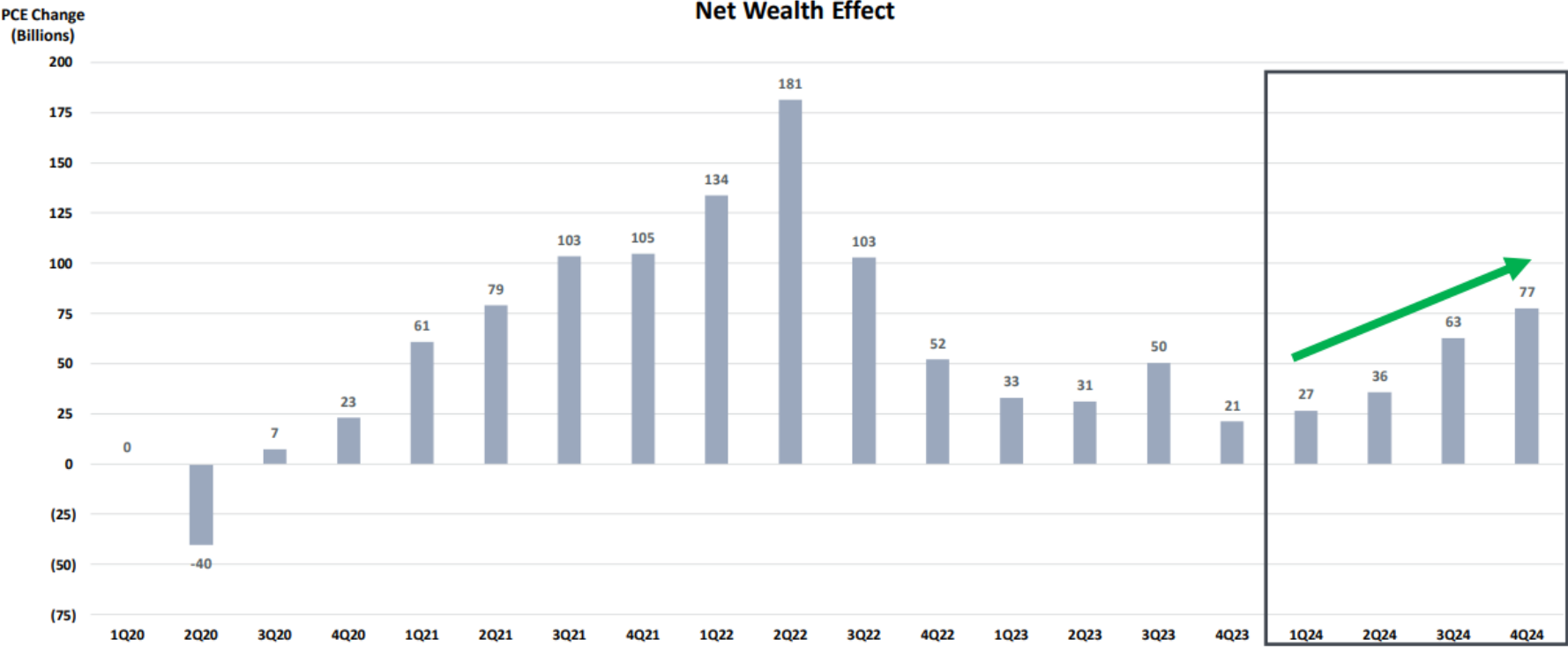
COMMERCIAL LENDING		4Q22	1Q23	2Q23	3Q23	4Q23	SQ G.A. ⁽¹⁾	Streak ⁽²⁾	12Q Extr. ⁽³⁾
Commercial & Industrial Loans									
Tightening Standards									
Large and Medium Firms		44.8	46.0	50.8	33.9	14.5	37.3	7	
Small Firms		43.8	46.7	49.2	30.4	18.6	37.2	7	
Increasing Spreads									
Large and Medium Firms		44.8	62.3	66.3	50.0	30.6	50.8	7	
Small Firms		32.8	58.3	66.1	44.6	34.5	46.7	7	
Stronger Demand									
Large and Medium Firms		-31.3	-55.6	-61.6	-30.5	-25.0	-40.1	6	
Small Firms		-42.2	-53.9	-47.5	-49.1	-22.4	-43.8	6	
Commercial Real Estate Loans									
Tightening Standards									
Construction and Land Development		68.2	73.8	71.7	64.9	39.7	63.4	8	
Nonfarm and Nonresidential		57.6	66.7	68.3	67.2	42.4	60.1	7	
Multifamily		56.7	64.5	63.4	65.5	40.7	57.9	7	
Stronger Demand									
Construction and Land Development		-61.1	-67.2	-51.7	-52.6	-46.6	-56.7	8	
Nonfarm and Nonresidential		-68.2	-73.8	-58.3	-50.0	-52.5	-61.7	7	
Multifamily		-49.3	-72.6	-50.0	-55.2	-50.0	-56.5	6	
CONSUMER LENDING									
Residential Mortgage Loans ⁽⁴⁾									
Tightening Standards									
GSE-eligible		1.8	1.9	5.4	10.0	9.1	5.6	7	
Government		3.8	3.9	5.7	2.1	1.9	3.5	6	
QM non-jumbo, non-GSE-eligible		6.9	11.5	12.5	14.3	11.5	11.3	5	
QM-jumbo		15.3	18.5	19.6	26.0	15.4	18.9	7	
Non-QM jumbo		14.5	21.6	21.6	23.9	14.6	19.2	7	
Non-QM non-jumbo		5.8	16.7	18.4	20.5	12.5	14.7	7	
Subprime		14.3	33.3	16.7	14.3	11.5	17.8	7	
Stronger Demand									
GSE-eligible		-93.0	-62.7	-27.3	-63.1	-50.9	-64.6	10	
Government		-86.8	-47.1	-29.3	-43.8	-44.2	-56.4	11	
QM non-jumbo, non-GSE-eligible		-87.9	-41.5	-33.9	-65.1	-51.9	-60.1	10	
QM-jumbo		-88.1	-37.4	-33.9	-64.0	-47.1	-61.8	10	
Non-QM jumbo		-85.5	-56.9	-38.8	-60.9	-54.2	-63.1	10	
Non-QM non-jumbo		-84.6	-50.0	-44.9	-58.1	-53.2	-61.8	10	
Subprime		-85.7	-50.0	-8.1	-71.4	-41.7	-58.5	14	
Household Loans									
Tightening Standards									
Credit Cards		28.3	30.4	36.4	28.9	22.9	29.3	8	
New and Used Autos		17.3	27.5	14.6	14.6	6.3	15.9	7	
Consumer Loans Excl. Credit Cards and Autos		10.2	23.6	20.8	23.4	22.6	21.2	7	
Stronger Demand									
Credit Cards		-11.1	-2.2	0.0	-9.1	-6.4	-5.9	5	
Auto		-39.2	-26.5	-21.3	-24.4	-16.7	-26.0	7	
Consumer Excl. Cards and Auto		-25.9	-14.5	-23.1	-26.0	-8.4	-20.1	6	
Increased Willingness to make Installment Loans		-12.5	-22.8	-21.8	-20.4	-17.9	-19.2	6	

LESS TIGHT

Wealth Effect Inflecting Positive

Combined Wealth Effect By Quarter

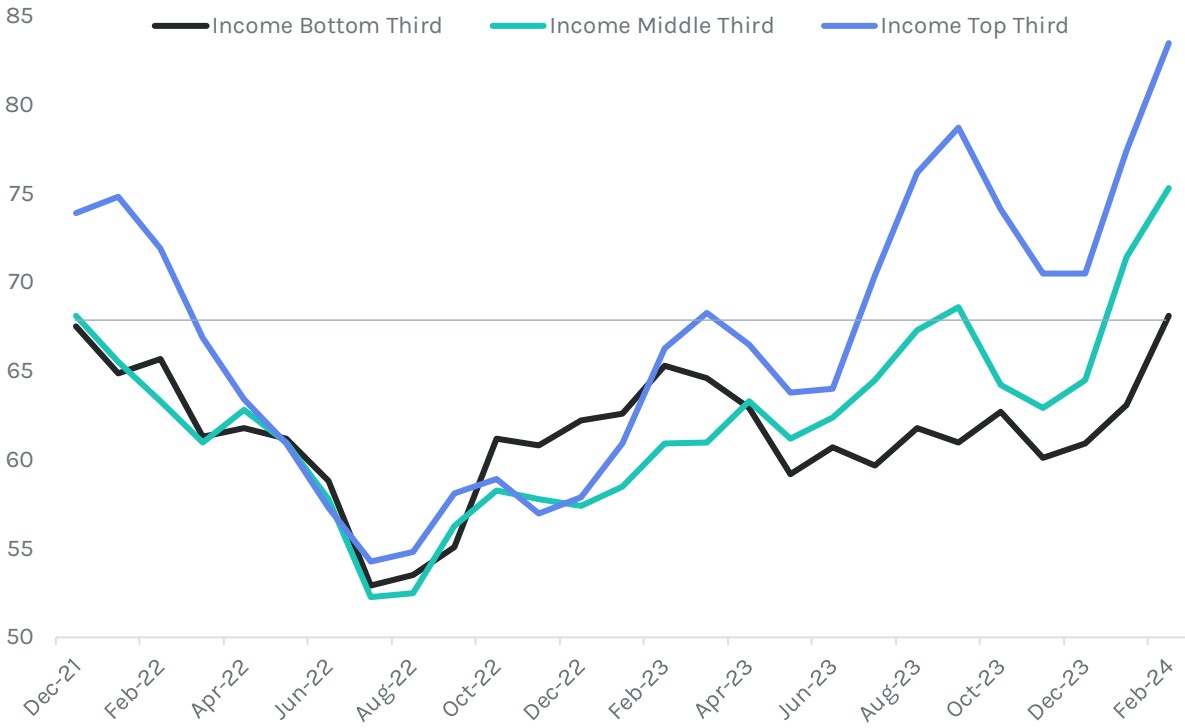
This chart combines the two models for Equities Wealth Effect & Housing Wealth Effect.



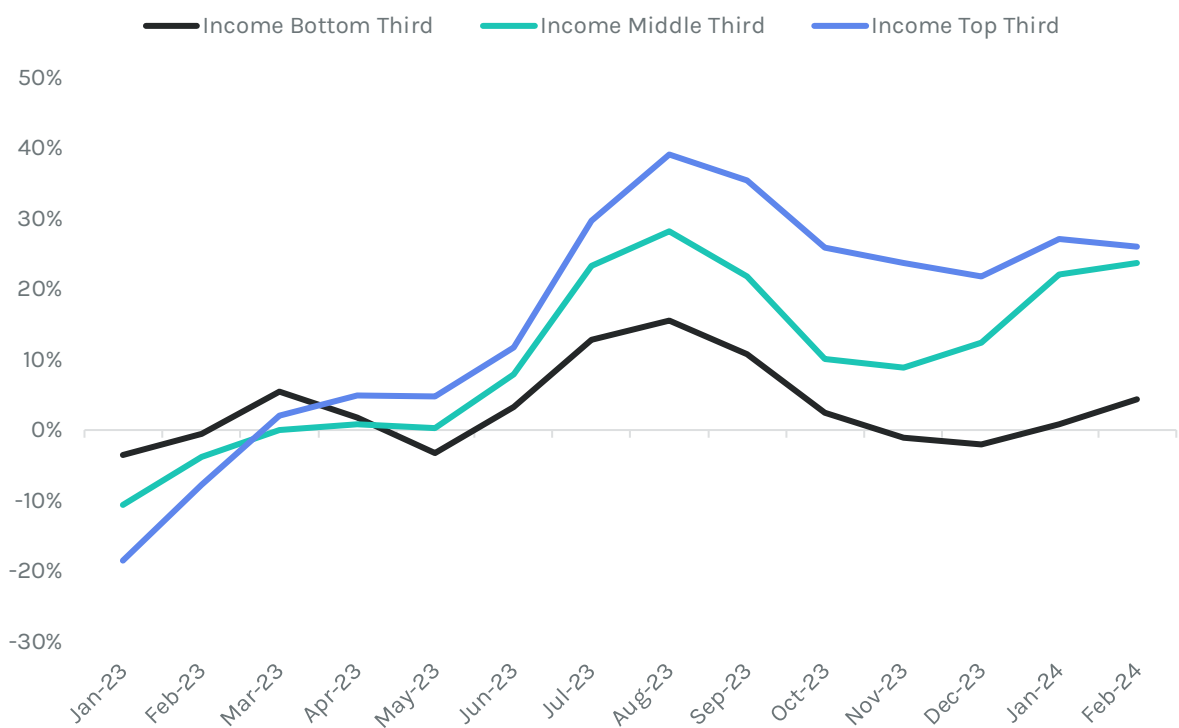
Data Source: Hedgeye Estimates, Federal Reserve Z1, FactSet

K Shaped Recovery, High End Going Higher

Michigan Consumer Sentiment Index



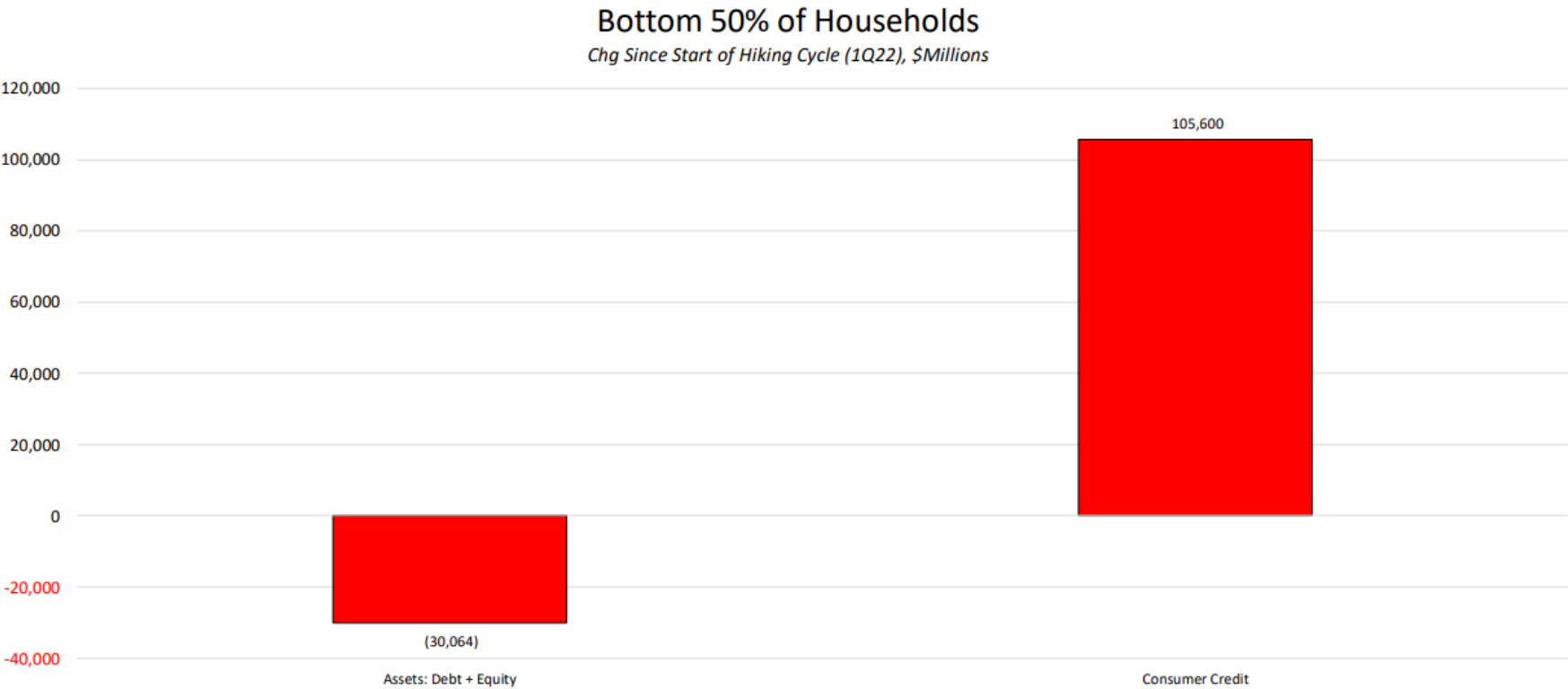
Michigan Consumer Sentiment Index YY Chg



Spending Capacity of Bottom Half Is Tight

IT REMAINS HARD TO CONJURE A POSITIVE FRAMING FOR THIS ...

HEDGEYE



Data Source: Federal Reserve

Savings Rate Dropping Again, About A Point From Lows

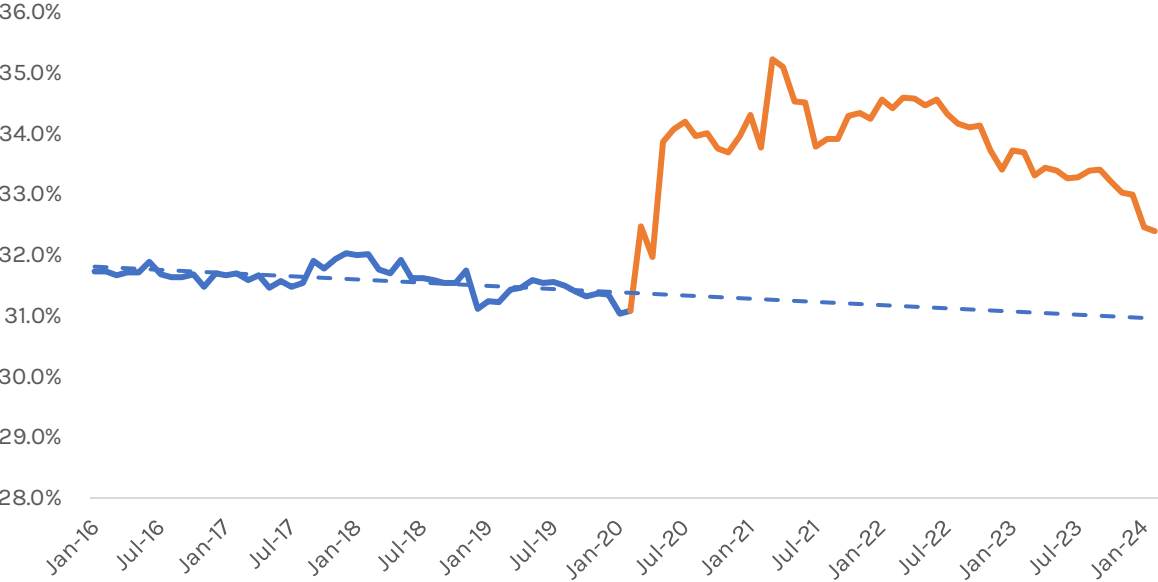


Hit historically low level just over a year ago. Lowest seen except for the 03-07 housing bubble.

Goods STILL Carry Mean Reversion Risk vs Services

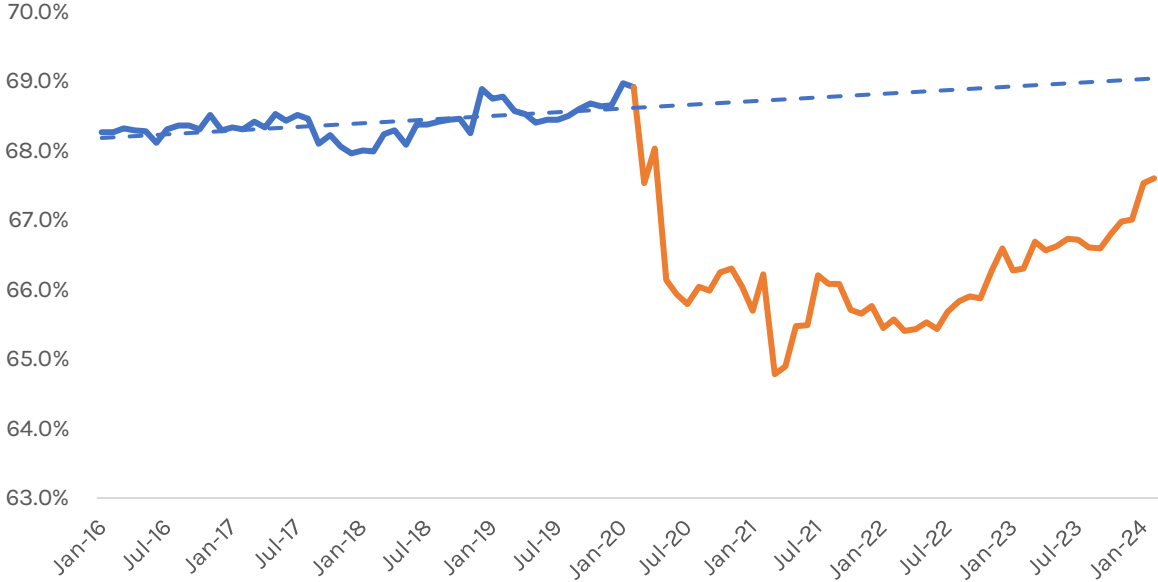
TOTAL GOODS % OF TOTAL CONSUMPTION

— GOODS CONSUMPTION (% OF TOTAL) - PRE-COVID TREND
— GOODS CONSUMPTION (% OF TOTAL) - POST-COVID TREND



SERVICES BASKET % OF CONSUMPTION

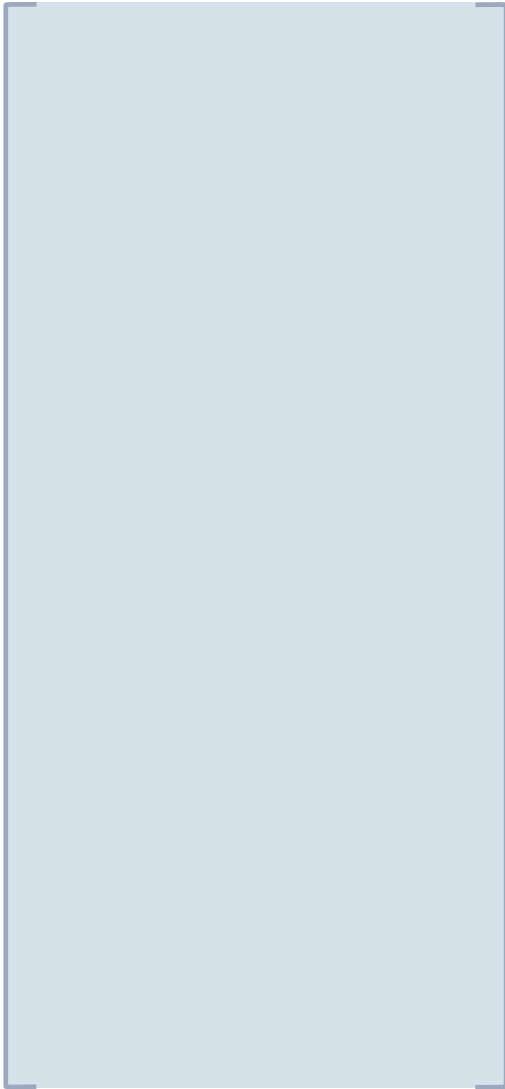
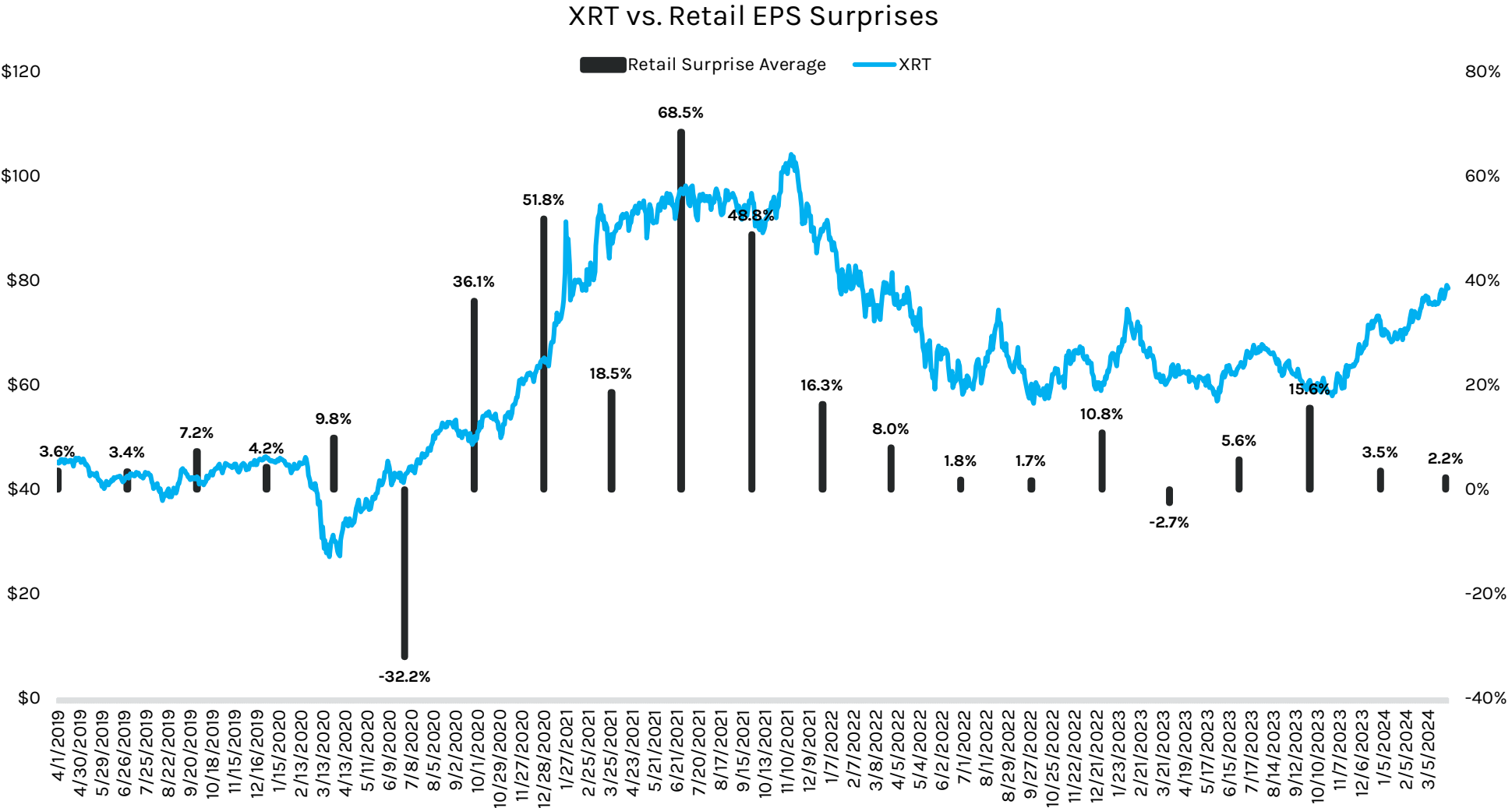
— SERVICES CONSUMPTION (% OF TOTAL) - PRE-COVID TREND
— SERVICES CONSUMPTION (% OF TOTAL) - POST-COVID TREND



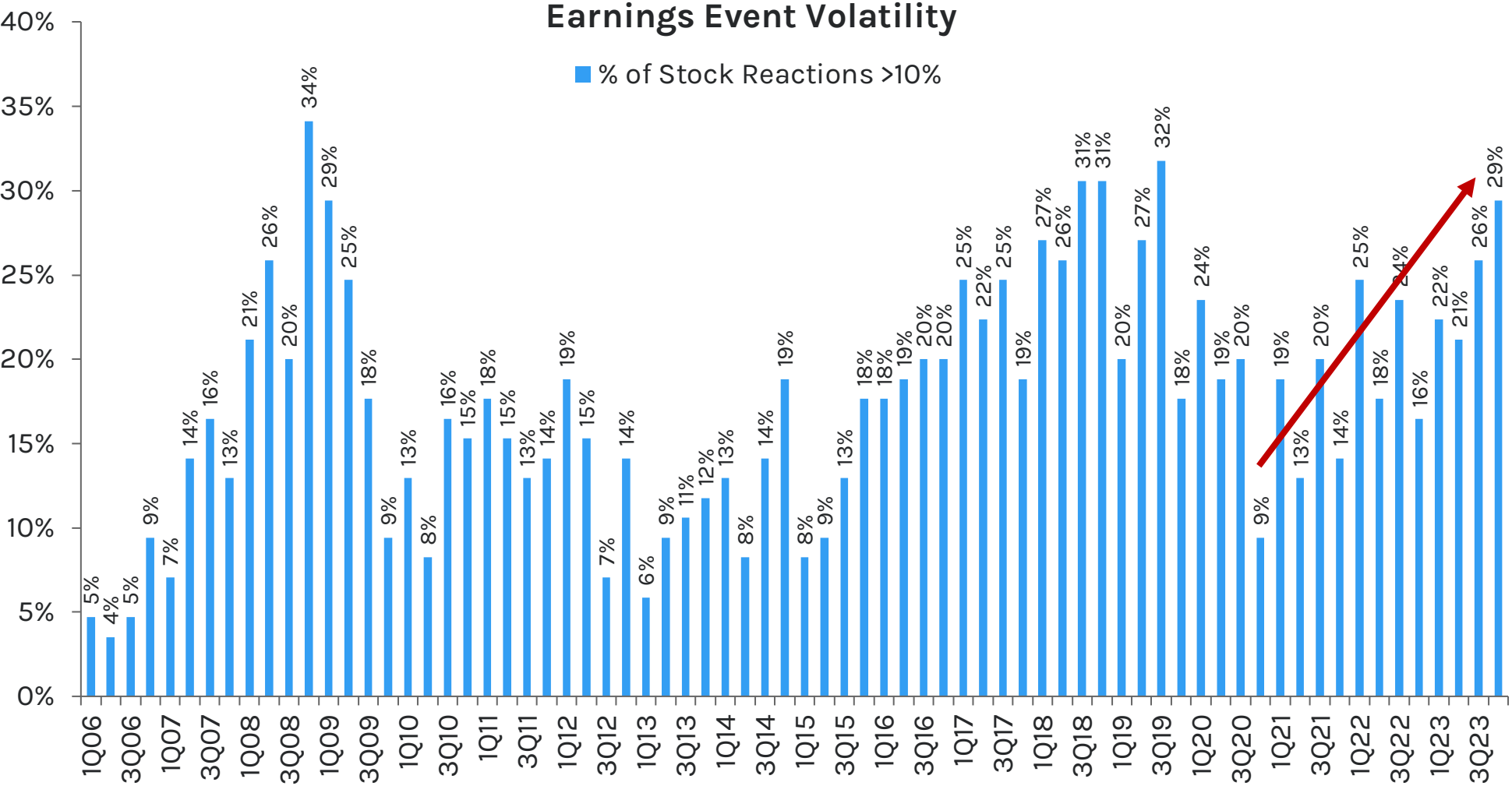
Earnings Season Breakdown



XRT v. Retail EPS Surprises: XRT Ripping on Lower Beat Rate



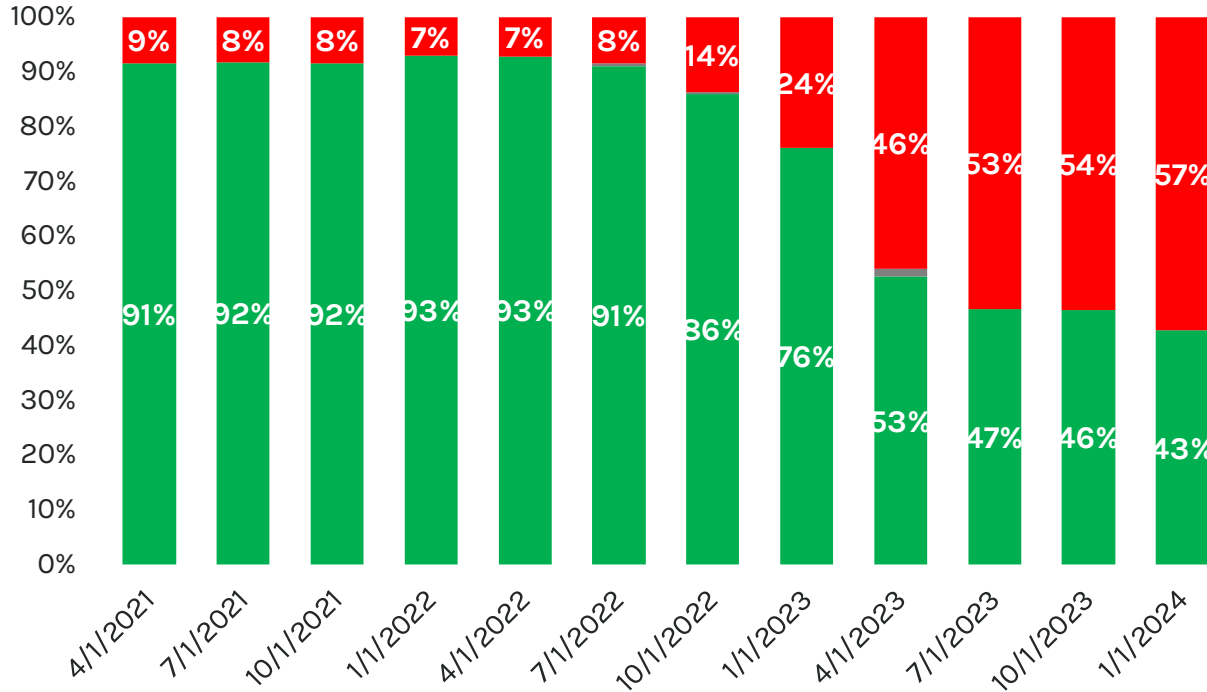
Earnings Event Vol Is Back - Highest Since Pandemic



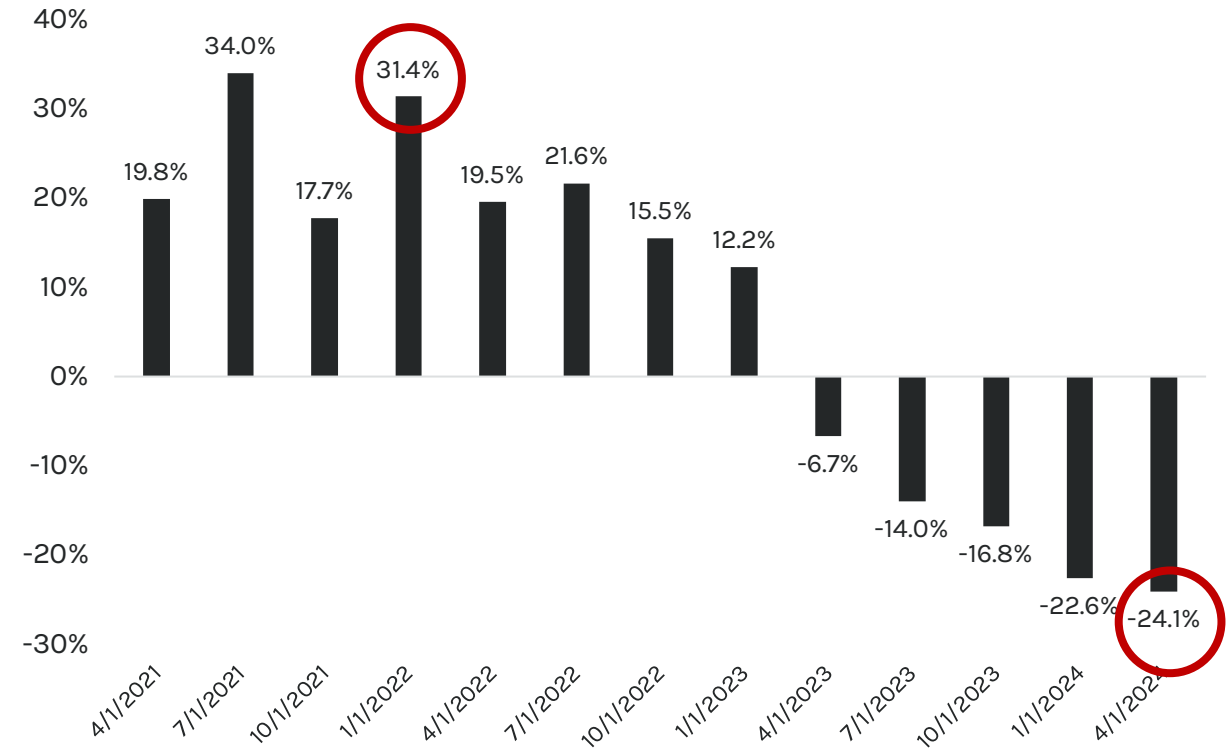
Expectations Were FAR Too Bullish In 2023

2023 Earnings Above 2022 Earnings?

Greater Same Less



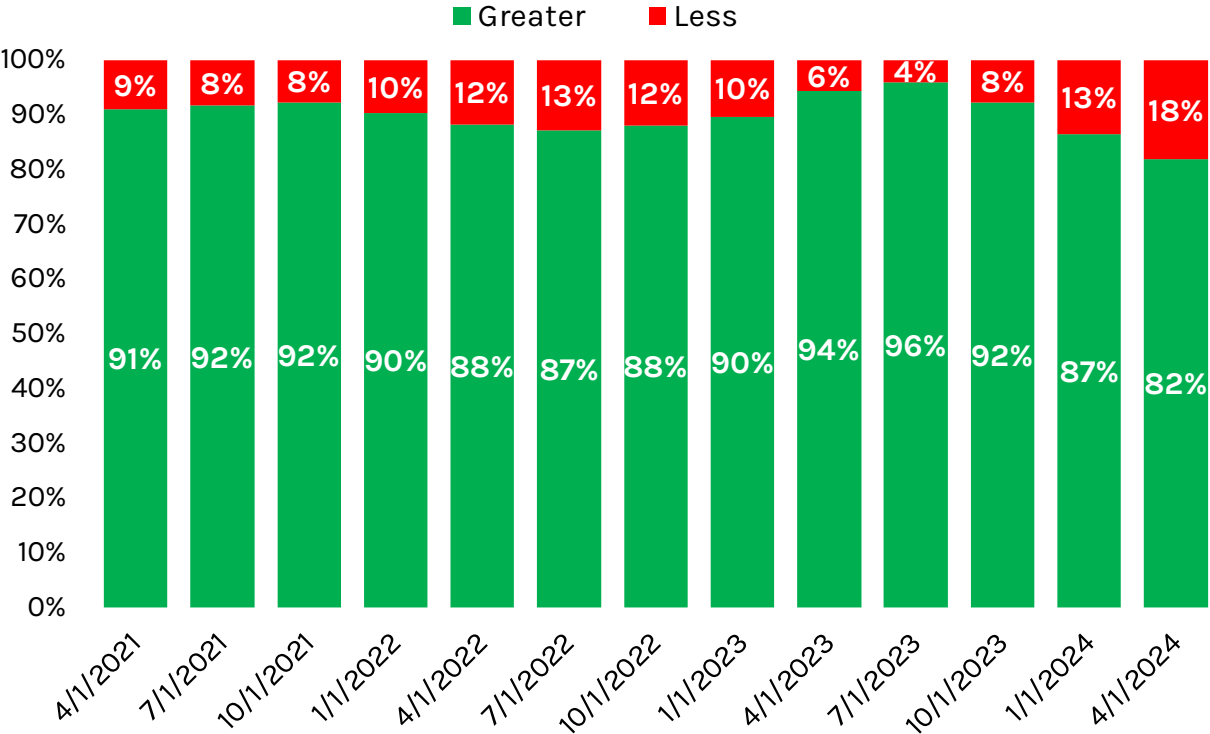
Average Growth in EPS 2023 vs 2022



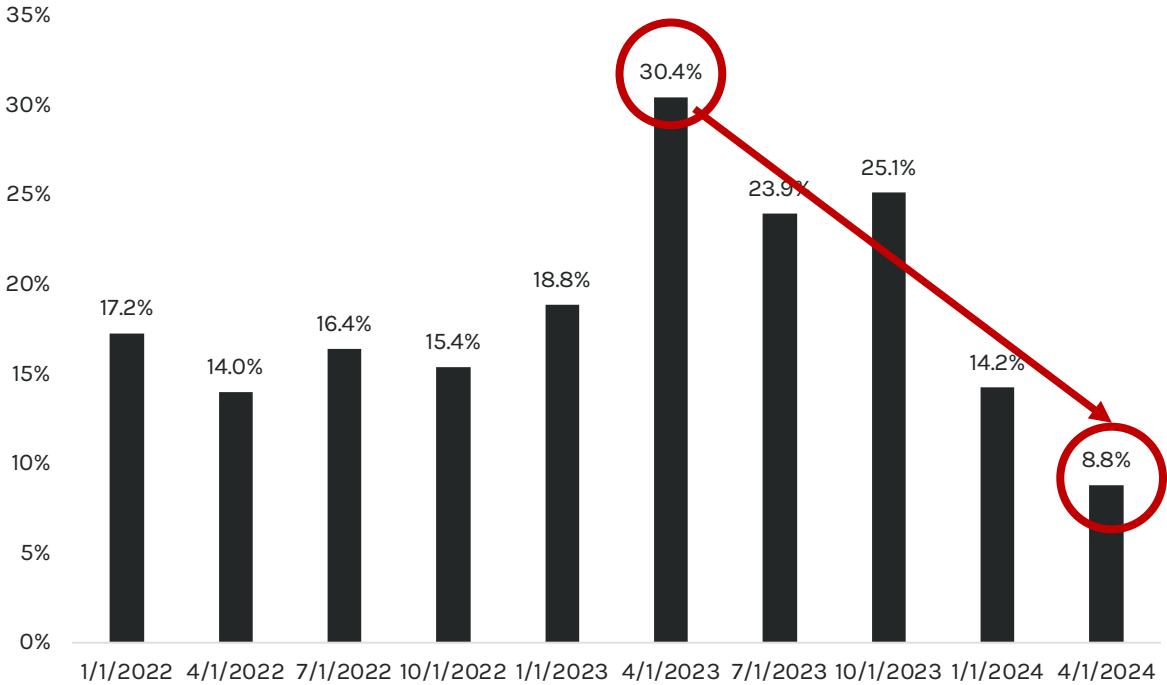
EPS came down a lot during 2023. This is the average of EPS change across a broad sample of retail names, removing some of the massive outliers but still high changes across cap levels.

EPS Expectations For 24 Still Look Optimistic, But Not Egregious

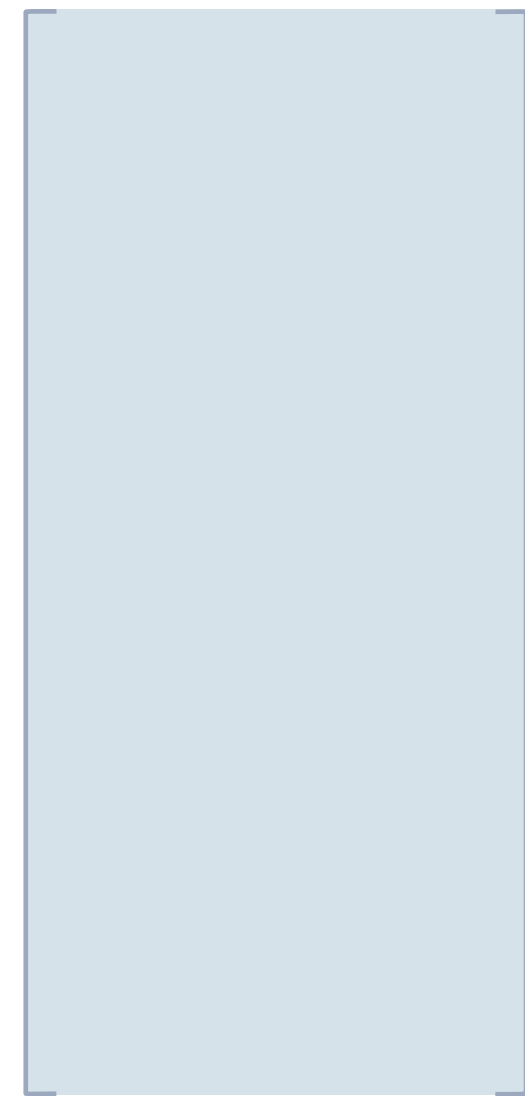
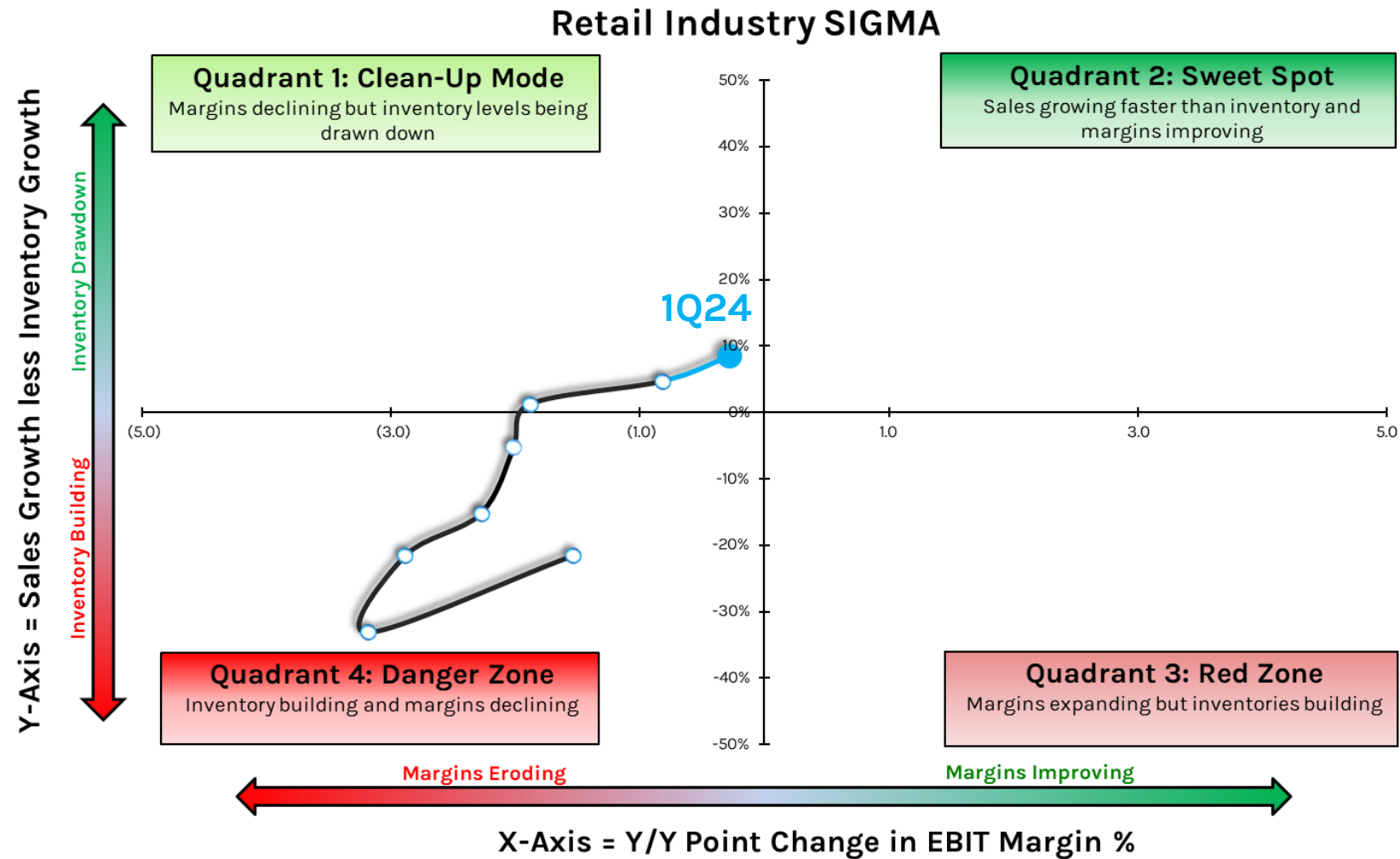
2024 Earnings Above 2023 Earnings?



Average Growth in EPS 2024 vs 2023



Retail SIGMA - Directionally Bullish



Retail TAIL P&L – Generational Peak EBIT Not Sustainable

US Retail Industry P&L

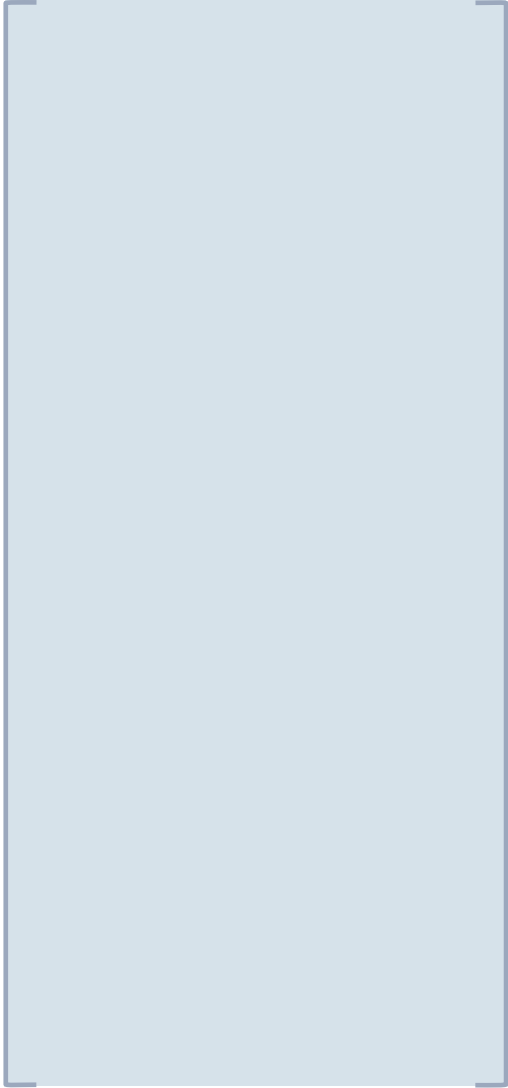
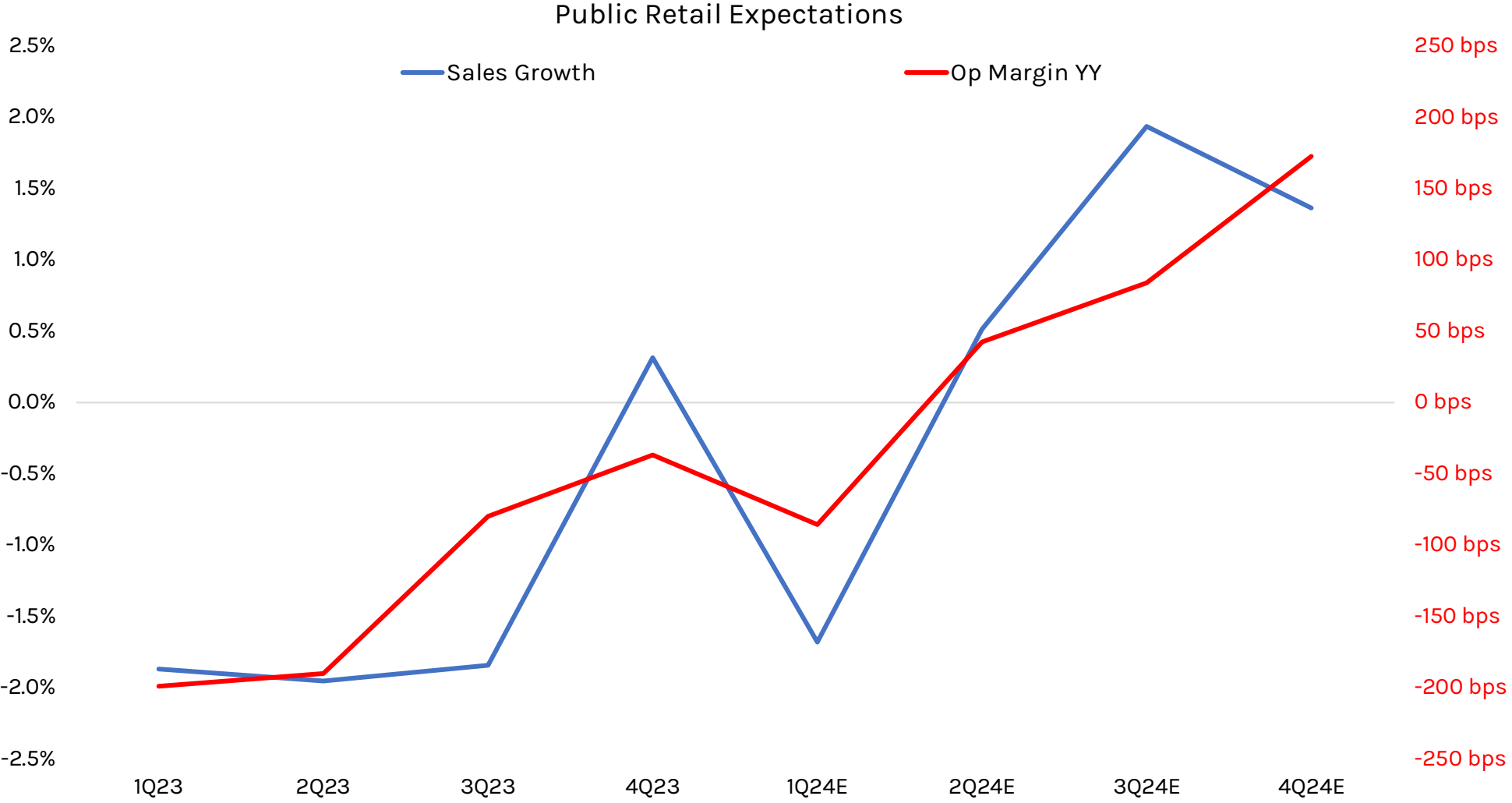
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Retail Sales ex Food, Gas, Auto (Bn)	\$2,077	\$1,981	\$2,044	\$2,147	\$2,229	\$2,302	\$2,393	\$2,478	\$2,551	\$2,651	\$2,779	\$2,886	\$3,043	\$3,578	\$3,867	\$4,015	\$4,195	\$4,355
Revenue Growth vs 2019	-0.5%	-4.6%	3.2%	5.0%	3.9%	3.2%	4.0%	3.6%	2.9%	3.9%	4.8%	3.8%	5.5%	17.6%	8.1%	3.8%	4.5%	3.8%
Gross Profit	\$602	\$588	\$614	\$639	\$659	\$678	\$700	\$724	\$738	\$759	\$793	\$821	\$820	\$1,064	\$1,114	\$1,160	\$1,233	\$1,285
Gross Margin	29.0%	29.7%	30.1%	29.8%	29.6%	29.5%	29.3%	29.2%	29.0%	28.7%	28.6%	28.5%	27.0%	29.8%	28.8%	28.9%	29.4%	29.5%
Gross Margin YY	-75 bps	70 bps	35 bps	-30 bps	-20 bps	-10 bps	-20 bps	-5 bps	-25 bps	-30 bps	-10 bps	-10 bps	-150 bps	280 bps	-95 bps	10 bps	50 bps	10 bps
SG&A	\$467	\$460	\$487	\$505	\$519	\$537	\$558	\$582	\$598	\$606	\$641	\$677	\$729	\$832	\$889	\$935	\$998	\$1,032
SG&A Rate	22.5%	23.2%	23.8%	23.5%	23.3%	23.3%	23.3%	23.5%	23.4%	22.9%	23.1%	23.5%	24.0%	23.3%	23.0%	23.3%	23.8%	23.7%
EBIT	\$135	\$129	\$128	\$134	\$140	\$140	\$142	\$142	\$140	\$154	\$153	\$144	\$91	\$233	\$224	\$225	\$235	\$253
EBIT Growth	1.6%	-4.6%	-1.0%	4.8%	4.4%	0.6%	1.3%	0.0%	-1.3%	9.6%	-0.6%	-5.6%	-36.7%	154.7%	-3.5%	0.2%	4.5%	7.5%
EBIT Margin	6.5%	6.5%	6.2%	6.2%	6.3%	6.1%	5.9%	5.7%	5.5%	5.8%	5.5%	5.0%	3.0%	6.5%	5.8%	5.6%	5.6%	5.8%

Consensus Expectations

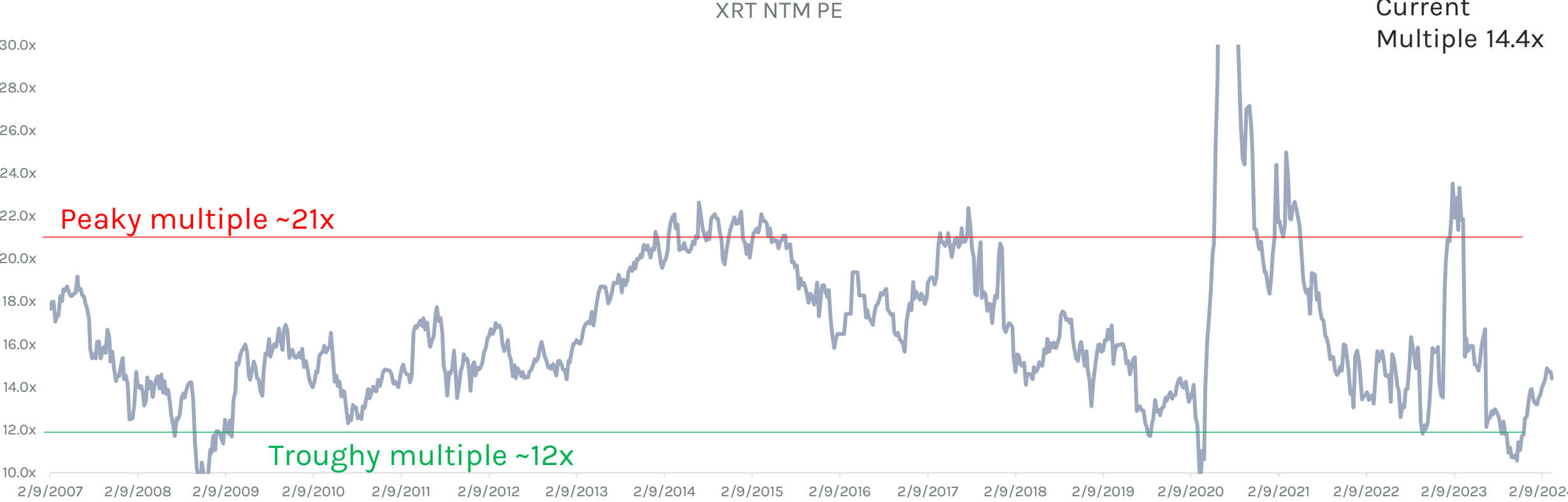
Retail TREND P&L: Hockey Stick Expectations For 2024

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	1Q24E	2Q24E	3Q23E	4Q23E
Retail Sales ex Food, Gas, Auto (Bn)	\$860	\$900	\$895	\$922	\$946	\$967	\$977	\$978	\$994	\$995	\$1,009	\$1,017	\$1,028	\$1,045	\$1,059	\$1,063
Revenue Growth vs 2019	17.8%	24.8%	10.3%	12.2%	9.9%	7.5%	9.1%	6.0%	5.1%	3.0%	3.3%	4.0%	3.5%	5.0%	5.0%	4.5%
Gross Profit	\$241	\$265	\$278	\$277	\$260	\$277	\$294	\$284	\$267	\$283	\$304	\$304	\$283	\$303	\$324	\$322
Gross Margin	28.0%	29.5%	31.0%	30.0%	27.5%	28.7%	30.1%	29.0%	26.9%	28.5%	30.2%	29.9%	27.5%	29.0%	30.6%	30.3%
Gross Margin YY	50 bps	600 bps	300 bps	150 bps	-50 bps	-80 bps	-90 bps	-100 bps	-60 bps	-25 bps	5 bps	90 bps	60 bps	50 bps	45 bps	40 bps
SG&A	\$192	\$210	\$213	\$212	\$201	\$229	\$235	\$225	\$212	\$236	\$245	\$241	\$227	\$253	\$261	\$255
SG&A Growth	20.5%	14.9%	3.7%	11.0%	5.0%	8.8%	10.3%	6.3%	5.1%	3.0%	4.1%	6.9%	7.1%	7.2%	6.7%	5.6%
SG&A Rate	22.3%	23.4%	23.8%	23.0%	21.3%	23.7%	24.1%	23.1%	21.3%	23.7%	24.3%	23.7%	22.1%	24.2%	24.7%	24.0%
EBIT	\$49	\$55	\$64	\$65	\$59	\$48	\$59	\$58	\$56	\$47	\$60	\$63	\$56	\$50	\$63	\$67
EBIT Growth					19.4%	-11.9%	-8.3%	-9.9%	-5.1%	-2.2%	0.7%	8.4%	0.7%	5.0%	5.9%	7.0%
EBIT Margin	5.7%	6.1%	7.2%	7.0%	6.2%	5.0%	6.1%	6.0%	5.6%	4.8%	5.9%	6.2%	5.4%	4.8%	6.0%	6.4%
	0 bps	800 bps	450 bps	175 bps	50 bps	-110 bps	-115 bps	-105 bps	-60 bps	-25 bps	-15 bps	25 bps	-15 bps	0 bps	5 bps	15 bps

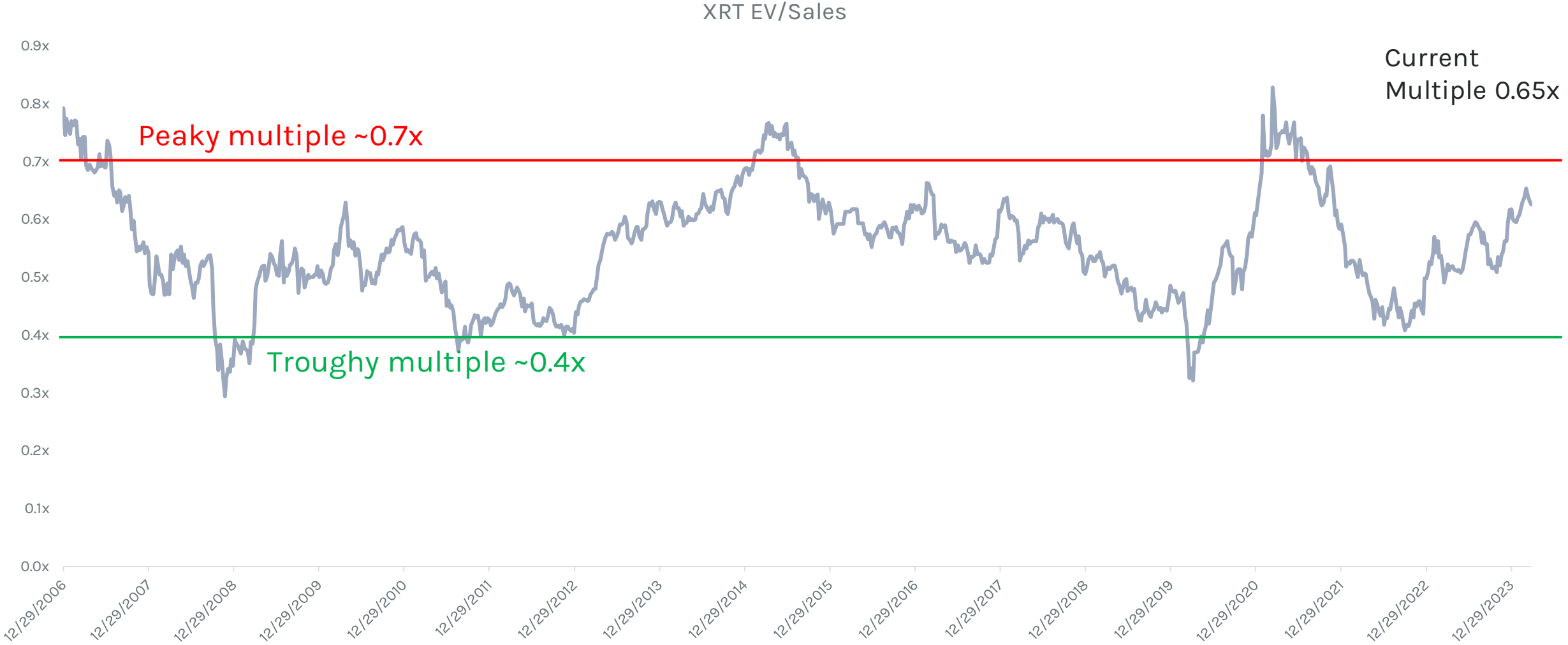
Retail Industry: Revenue-Driven Hockey Stick



XRT Multiple Back To Middling

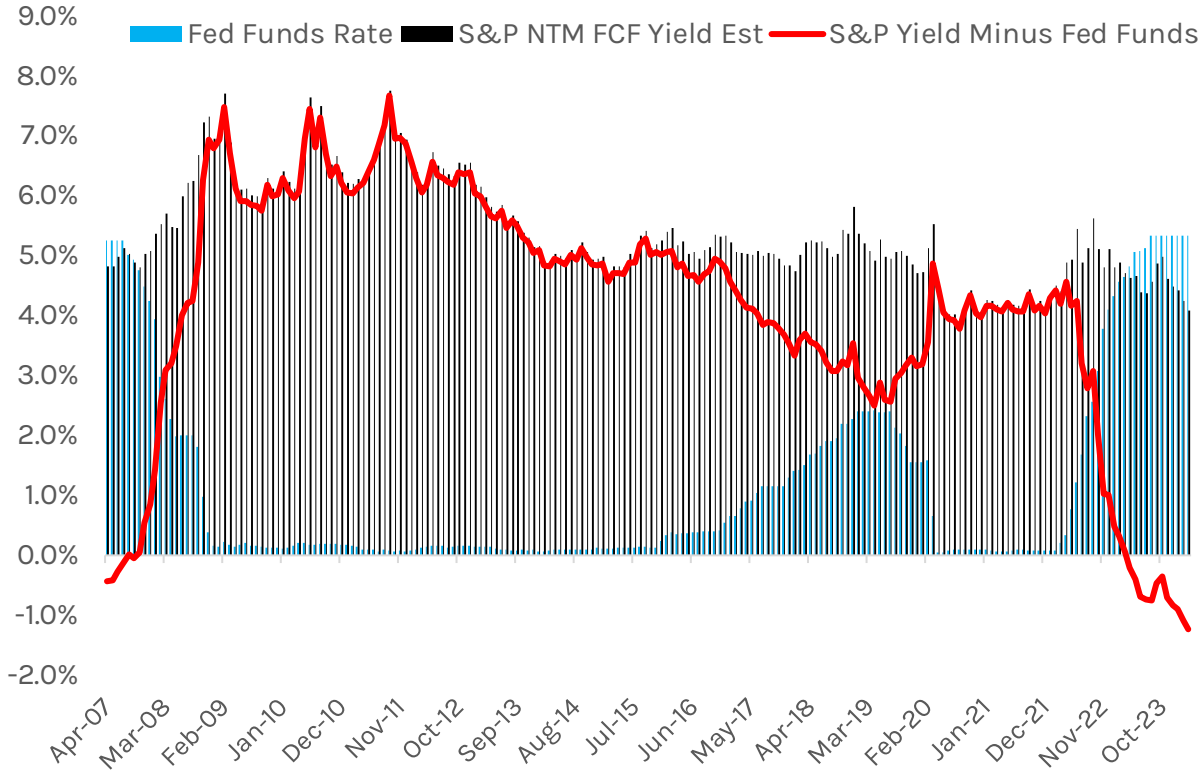


EV/Sales Looking Peaky (Normalizes Margin Cycle)

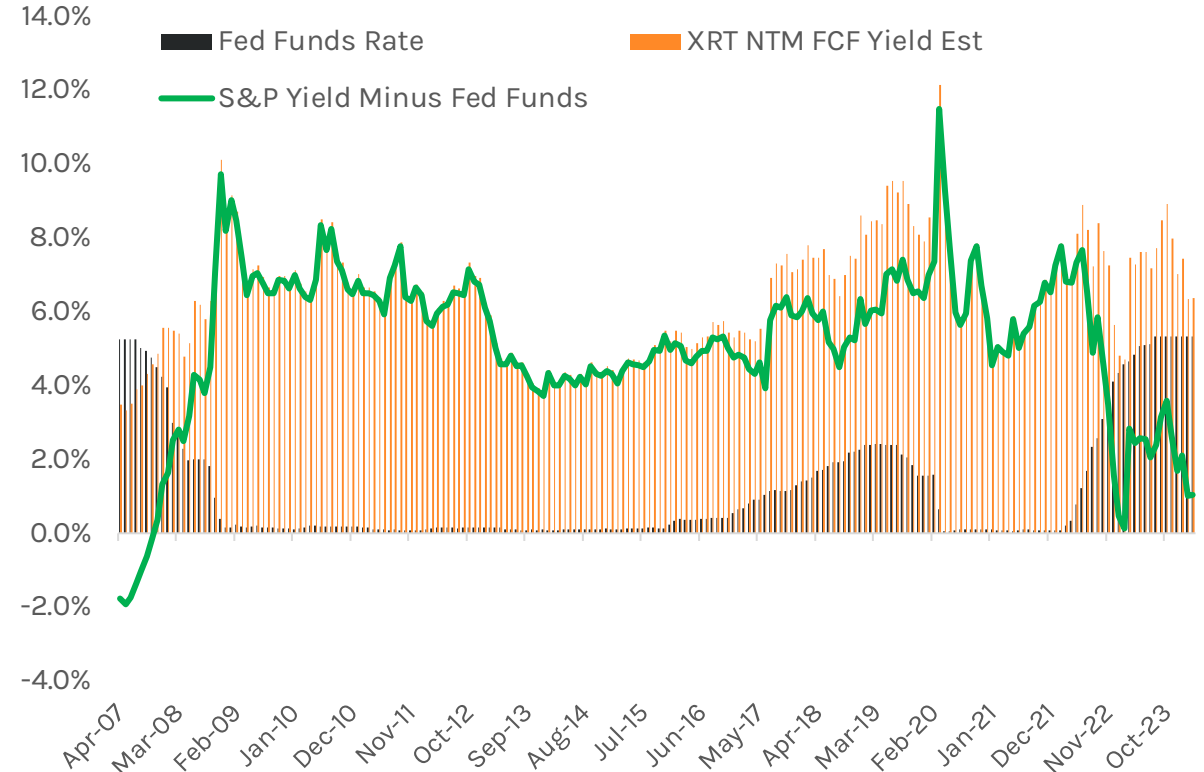


Market Yield Still Out Of Whack Vs Risk Free Rate

Fed Funds vs Market Yield

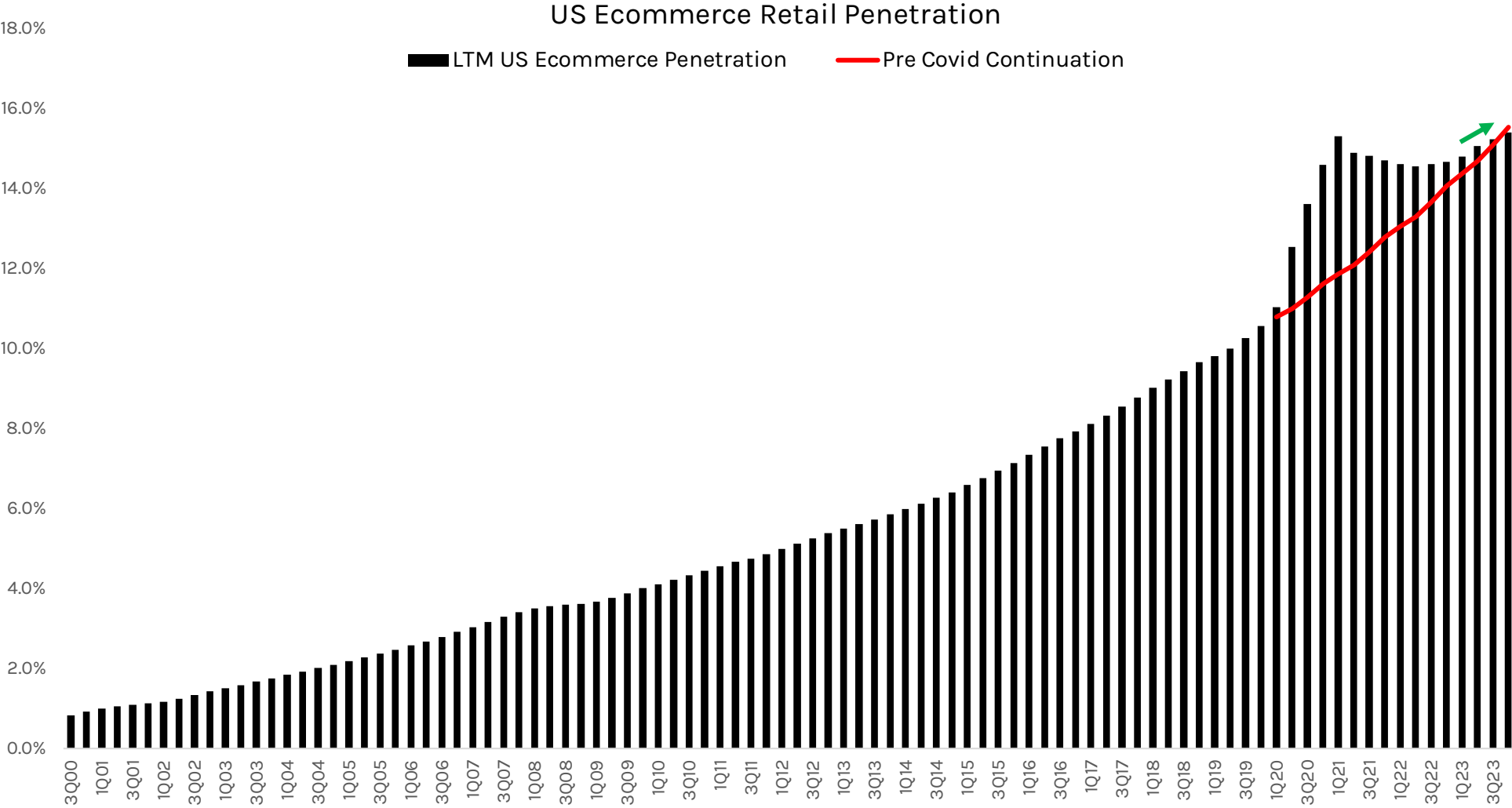


Fed Funds vs XRT Yield



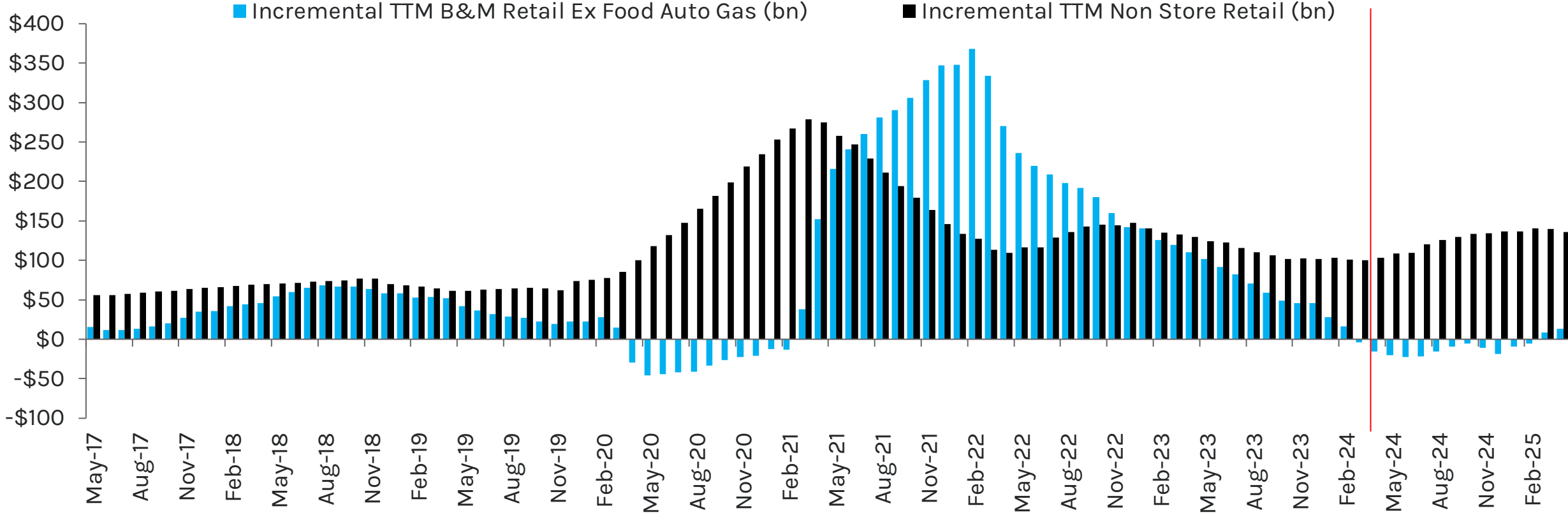
Maybe this matters, maybe it doesn't.... Its still something to be aware of.

Ecommerce Penetration Is Back To Growing



After contracting from 1Q21 to 3Q22, ecommerce penetration is ramping again, and staying ahead of pre-covid trend.

Brick And Mortar Dollars Likely To Compress Rapidly



Short The Apparel Complex

Kohl's (KSS)

Gap (GPS)

H&M (HMB)

Abercrombie (ANF)

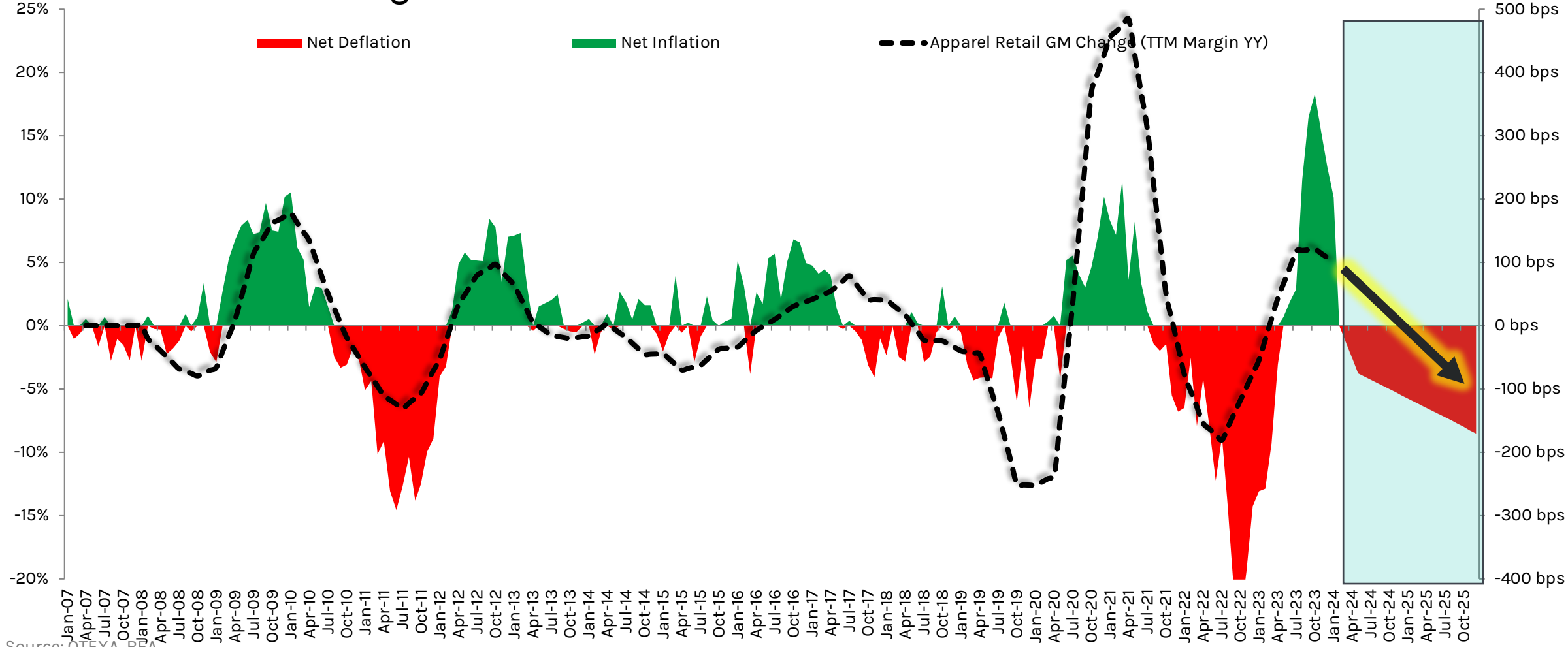
Urban Outfitters (URBN)

Ralph Lauren (RL)

Canada Goose (GOOS)

Inflation Spread Turning VERY Bearish

Net Inflation Vs Gross Margin



Source: OTEXA, BEA

Long Nike Ecosystem, Short Competitors

Nike (NKE)

Foot Locker (FL)

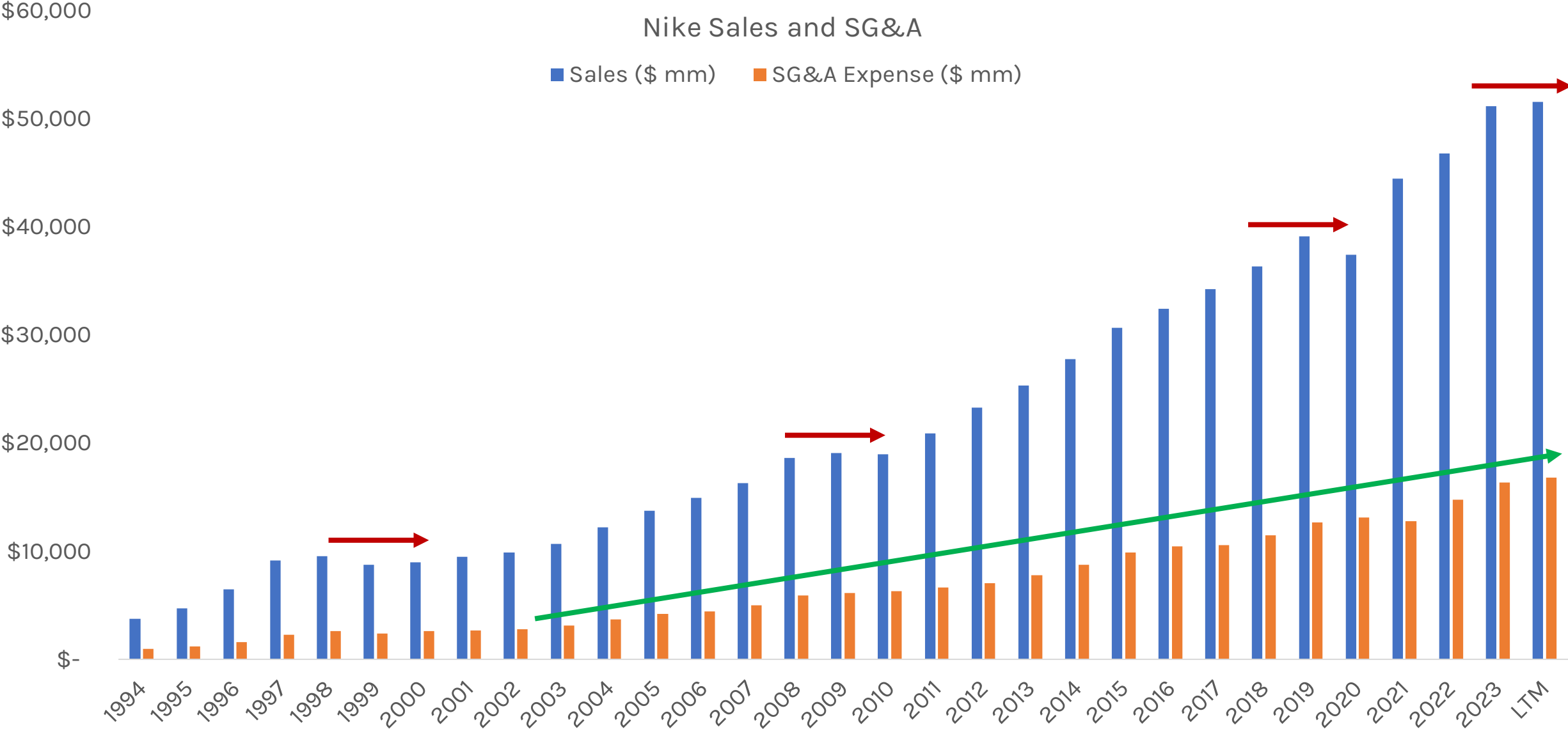
JD Sports/Hibbett (JD-LON/HIBB)

Adidas (ADS)

On Holdings (ONON)

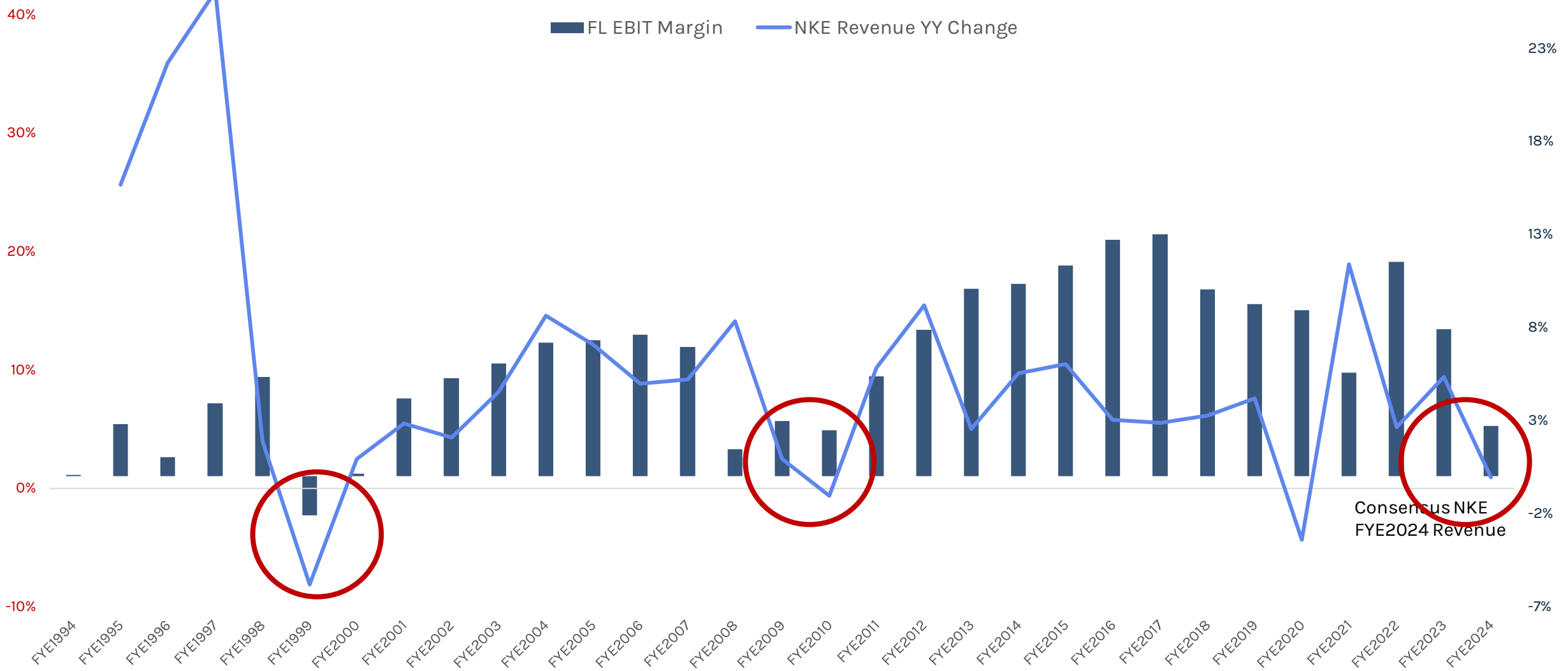
Deckers Outdoor (DECK)

Don't Underestimate The Impact Of Nike Being Desperate



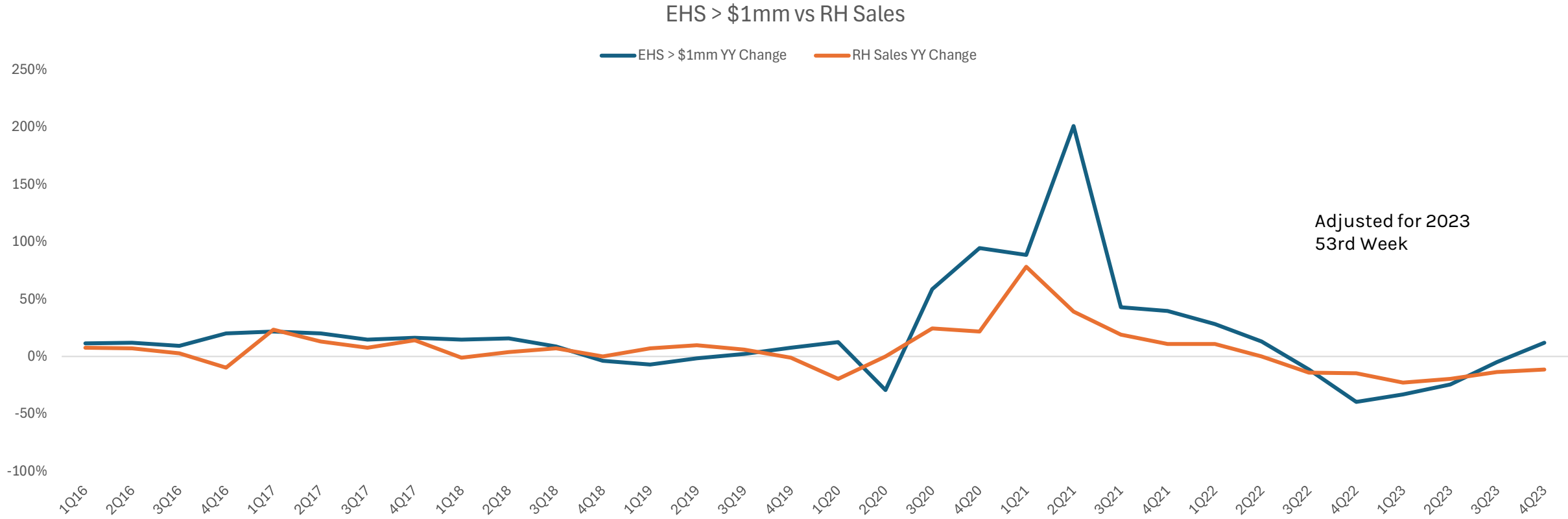
NKE Revs and FL Margins -- 'Balance of Power Cycle'

NKE Revenue Growth vs FL EBIT Margin



RH Sales vs \$1mm+EHS, Price Cut Brewing?

Long RH, Short WSM



For more information, contact us at:

support@hedgeye.com
(203) 562-6500