

HEDGEYE



# Consumables Pro Launch

Covering Restaurants, Consumer  
Staples, & Cannabis

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July 28, 2020



## Hedgeye Consumables Pro

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## HOWARD PENNEY, MANAGING DIRECTOR

Restaurants, Consumer Staples and Cannabis Sector Head Howard Penney's research coverage focuses on the restaurant industry and other Consumer Staples sectors in the U.S. He has over three decades of experience following consumer related sectors including tobacco, beverage (including Latin America), gaming, and restaurants. Prior to Hedgeye Risk Management, Howard spent 14 years at Morgan Stanley, including working on the Macro team covering small company strategy. During his tenure at Morgan Stanley, Howard was ranked #1 by Institutional Investor (Restaurants) and #1 in the WSJ poll (Tobacco). Following Morgan Stanley Howard worked at FBR and SunTrust Robinson Humphrey.

## DANIEL BIOLSI, DIRECTOR

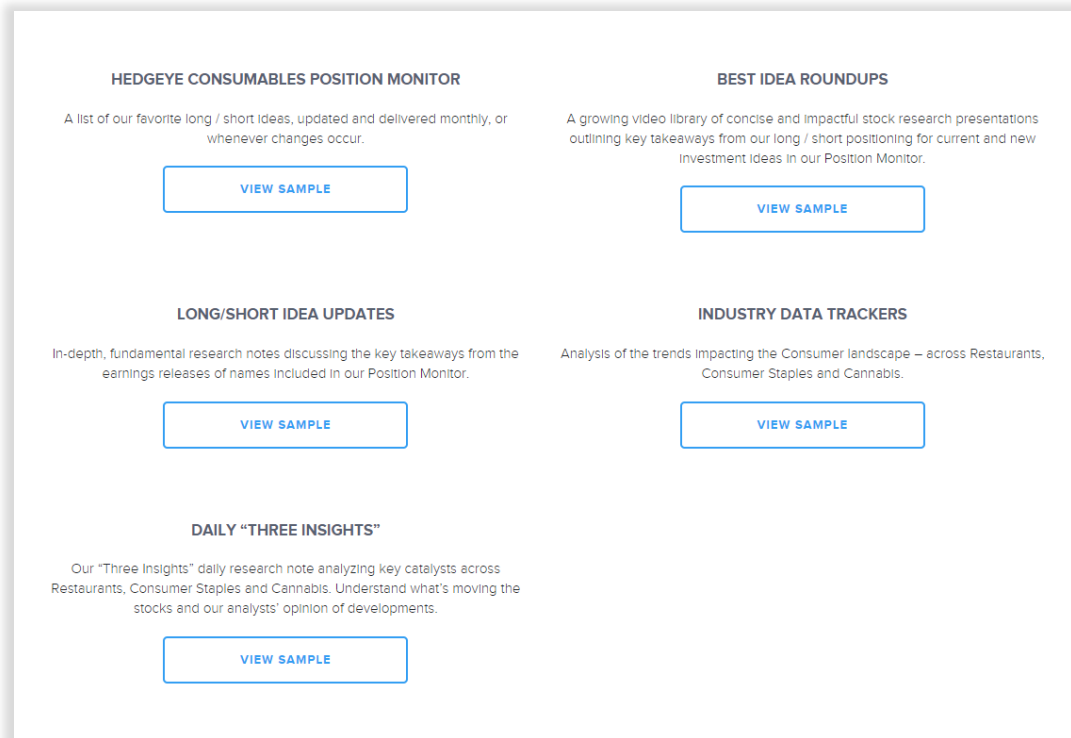
Daniel Biolsi, CPA, primarily focuses his research coverage on the Consumer Staples and Cannabis sectors in the U.S. He has nearly two decades experience following consumer related sectors including retail, beverages, consumer products, apparel, and airlines. Prior to Hedgeye Risk Management, Daniel spent 10 years at Glenhill Capital investing in consumer companies. His career also included stints at several other hedge funds. Earlier in his career he was on the #1 Institutional Investor ranked Health Care Distribution & Technology teams.

## KOSEI SUZUKI

Kosei Suzuki is a recent addition to the Restaurants, Consumer Staples, and Cannabis team. He is an English major at Columbia University and a former intern at Hedgeye.

# Consumables Pro | What To Expect

## Current Product Offering and What's to Come



### CURRENT PRODUCTS:

- INVESTMENT AND TRADING IDEAS
- DAILY NOTES IN EACH SECTOR
- INVESTMENT THESIS VIDEO SUMMARIES
- Q&A LIVE VIDEO WITH ANALYST TEAM
- INDUSTRY TRACKERS AND SENTIMENT MONITORS

### IN PROCESS:


- INVESTMENT TOOLS
- INTRA DAY “WHAT IS MOVING THE STOCK” ANALYSES
- VIDEO INTERVIEWS WITH INDUSTRY LEADERS AND PARTICIPANTS
- LIBRARY OF PAST CONTENT
- AND MORE TO COME

Consumables Pro is the leading Consumer Sector investing product designed by Hedgeye’s Consumables team Howard Penney, Daniel Biolsi, and Kosei Suzuki.

As a subscriber you get a service designed to provide serious investors, sophisticated investors and registered investment advisors with institutional-grade investment research in their pursuit of generating alpha across the consumer universe.


# Consumables Pro | Three Insights

Our Most Read Product – Three Daily Insights for Each Vertical in the AM


**HEDGEYE CONSUMABLES PRO**

07/24/20 10:51 AM EDT

RESTAURANTS INSIGHTS | SOUTHWEST CEO, BJRI  
LABOR INFLATION, BLMN - IF IT WERE ONLY JUST  
OUTBACK



Howard Penney  
[@HowardWPenney](#)





Daniel Biolsi  
[@Hedgeye\\_Staples](#)

SOUTHWEST CEO

"I think business travel will be very slow to recover, and my guess is that it will take five to 10 years for business travel to fully recover to 2019 levels." There are significant implications for the recovery of high-end dining recovery trends. This can also be seen in the AMEX T&E tracker, which is showing a stalled out recovery in business spending.


American Express T&E Tracker




**HEDGEYE CONSUMABLES PRO**

07/24/20 06:06 AM EDT

STAPLES INSIGHTS | ADDING LOBLAW TO SHORT  
BIAS, SAM'S TRULY POWERS Q2, GROCERY SPEND  
ELEVATED (ACI)



Howard Penney  
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


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Adding Loblaw to short bias list


Canada's largest grocer reported Q2 EPS of C\$.74, C\$.03 above consensus expectations, but down 27% from the prior year. Loblaw's market division SSS grew 18.8% while the discount division SSS grew 4.9%, and drug SSS declined by 1.1%. Food retail SSS grew 10% while pharmacy SSS decreased 6.2%, and front end SSS grew 3.3%. The average food retail price increased by 4.6%. Gross margins in retail contracted 30bps, but on an organic basis contracted 90bps, driven by mix and front end drug store pressure. SG&A costs deleveraged 90bps due to higher operating costs. The company spent C\$282M more in COVID-19 related costs, including C\$180M related to temporary pay premiums. Operating margins contracted 190bps. Canadian grocery executives had to appear before a parliamentary committee about ending their employees' pay premiums during the pandemic. Management said that COVID-19 costs have fallen from C\$23.5M per week in Q2 to C\$4.75M in July. Pandemic costs are not the only source of pressure. Loblaw will have to step up its e-commerce investments to accommodate the shift in demand. Walmart Canada announced this week that it would spend C\$3.5B (\$2.6B) over the next five years to better tie together physical and digital, with much of the capital going towards distribution centers. Walmart will also renovate more than 150 stores (400 total store base) over three years. While Loblaw's food revenues are 50% larger than Walmart's Canadian revenues, it will force a competitive response.

We are adding Loblaw to our short bias list. Loblaw will have the same difficulty lapping the sales benefit from COVID-19 that all grocers have, but it did not have the profit benefit. The consensus projects more than a snapback in earnings in 2021 with 17% EPS growth over 2019, which is too aggressive with


**HEDGEYE CONSUMABLES PRO**

07/23/20 09:32 AM EDT

CANNABIS INSIGHTS | RECORD SALES IN CANADA,  
FDA DRAFT GUIDANCE, AND MA'S VERTICAL-  
INTEGRATION



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Canada has record legal cannabis sales in May


Statistics Canada May 2020 data showed a record CA\$186 mm in legal cannabis sales. MoM, total legal sales grew by 4.2%. The growth seems to be driven by the provinces from Alberta and British Columbia, with respective market shares of 24.9% and 14.6% of May sales, BPS market share change MoM of 118 BPS, and 123 BPS, and MoM sales growth of 9.4% and 13.8%.

In an interview with CTV News, a spokesperson for a Toronto cannabis store suggested that the strong sales data was at odds with the revenue losses that he and other cannabis retailers have incurred during COVID. Rather, he suggested that the surge in sales could be explained by the influx of active, licensed retailers across the country.

Since January, the total number of active cannabis retailers has grown 36%. Ontario has been the force behind the momentum in unit growth, growing 333% in the same time period.

Cannabis | Canada Retail Cannabis Sales

Record Month in May at CA\$186 Million



Data Source: Hedgeye Estimates

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# Consumables Pro | HE Macro Quad Overlay

## What Tends To Outperform/Underperform In Each Quad?

	QUAD 1			QUAD 2			QUAD 3			QUAD 4		
	Straight	Narrow	Deep	Straight	Narrow	Deep	Straight	Narrow	Deep	Straight	Narrow	Deep
S&P 500 INDEX - Expected Value (SPY)	6.5%	4.6%	5.0%	2.2%	0.7%	-0.1%	0.1%	4.0%	-5.3%	-1.2%	4.7%	-8.0%
Consumer Cyclical (XLY)	Outperform	Underperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Outperform	Underperform	Outperform
Consumer Non-Cyclical (XLP)	Underperform	Underperform	Underperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Outperform	Outperform	Outperform
Energy (XLE)	Underperform	Underperform	Underperform	Outperform	Underperform	Outperform	Outperform	Outperform	Underperform	Underperform	Outperform	Outperform
Financials (XLF)	Underperform	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform	Underperform	Outperform	Outperform	Outperform	Underperform
Health Care (XLV)	Underperform	Outperform	Underperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Outperform	Underperform	Outperform
Industrials (XLI)	Outperform	Underperform	Outperform	Outperform	Underperform	Outperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform
Information Technology (XLK)	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform
Materials (XLB)	Outperform	Underperform	Outperform	Underperform	Outperform	Underperform	Underperform	Outperform	Underperform	Underperform	Underperform	Outperform
REITS (XLRE)	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Outperform	Outperform	Underperform
Communication Services (XLC)	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform	Outperform	Outperform	Underperform	Outperform	Outperform	Outperform
Utilities (XLU)	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform
Growth (IWF)	Outperform	Outperform	Underperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform
Value (IWD)	Underperform	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform	Underperform	Outperform	Outperform	Outperform	Outperform
Cyclicals (IWN)	Outperform	Underperform	Outperform	Outperform	Outperform	Underperform	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform
Defensives (DEF)	Underperform	Outperform	Underperform	Underperform	Underperform	Outperform	Outperform	Underperform	Outperform	Outperform	Outperform	Outperform
High Beta (SPHB)	Outperform	Underperform	Outperform	Outperform	Outperform	Underperform	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform
Low Beta (SPLV)	Underperform	Underperform	Underperform	Underperform	Underperform	Outperform	Outperform	Underperform	Outperform	Outperform	Outperform	Outperform
Momentum (MTUM)	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Underperform	Outperform	Underperform
Quality (QUAL)	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform
Dividend Yield (SDY)	Outperform	Underperform	Outperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Outperform	Outperform	Outperform
Size (DIA)	Underperform	Underperform	Outperform	Outperform	Underperform	Underperform	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform
Secular Growth (QQQ)	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform
Mid-Caps (MDY)	Outperform	Underperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform
Small-Caps (IWM)	Underperform	Underperform	Outperform	Outperform	Outperform	Underperform	Underperform	Outperform	Underperform	Outperform	Outperform	Outperform
BARCLAYS AGG - Expected Value (AGG)	1.2%	1.9%	1.6%	0.7%	0.7%	1.7%	1.0%	-0.1%	1.6%	2.2%	1.6%	3.1%
Leveraged Loans (BKLN)	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform
BDCs (BIZD)	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform	Outperform	Underperform
Preferreds (PFF)	Underperform	Underperform	Underperform	Outperform	Outperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Underperform
IG Credit (LQD)	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Underperform	Underperform	Underperform	Outperform	Outperform	Underperform
HY Credit (HYG)	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Underperform	Outperform	Underperform	Underperform	Outperform	Underperform
Convertibles (CWB)	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Underperform	Underperform	Outperform	Underperform
EM Hard Currency (EMB)	Outperform	Underperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform
EM Local Currency (EMLC)	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform
1-3yr Treasuries (SHY)	Underperform	Underperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform
5-10yr Treasuries (IEF)	Underperform	Outperform	Underperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Underperform	Outperform	Outperform
10-20yr Treasuries (TLT)	Outperform	Outperform	Outperform	Underperform	Underperform	Outperform	Outperform	Underperform	Outperform	Outperform	Outperform	Outperform
25+ Year Treasuries (EDV)	Outperform	Outperform	Outperform	Underperform	Underperform	Underperform	Outperform	Underperform	Outperform	Outperform	Outperform	Outperform
0-5yr TIPS (STIP)	Underperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform
5-10yr TIPS (TIP)	Underperform	Underperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Underperform	Outperform	Underperform
MBS (MBB)	Underperform	Underperform	Underperform	Outperform	Outperform	Underperform	Outperform	Outperform	Outperform	Underperform	Underperform	Underperform
Munis (MUB)	Outperform	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform
Taxable Munis (BAB)	Outperform	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform	Outperform	Outperform	Outperform	Outperform	Underperform
CRB INDEX - Expected Value (DBC)	0.7%	0.8%	2.4%	3.3%	1.3%	4.8%	0.0%	4.6%	-7.1%	-3.9%	2.8%	-12.1%
CRB Raw Industrials Index (DBB)	Outperform	Underperform	Outperform	Underperform	Outperform	Underperform	Underperform	Underperform	Outperform	Outperform	Underperform	Outperform
CRB Foodstuffs Index (DBA)	Underperform	Underperform	Underperform	Underperform	Underperform	Outperform	Underperform	Underperform	Outperform	Outperform	Underperform	Outperform
WTI Crude Oil (USO)	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Underperform	Underperform	Underperform
US DOLLAR INDEX (DXY) - Expected Value (UUP)	-0.6%	-2.1%	0.7%	-0.5%	-2.7%	0.9%	0.0%	-0.3%	1.5%	1.6%	2.7%	0.3%
Gold (GLD)	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Outperform	Underperform	Outperform	Underperform	Outperform
EM FX (CEW)	Outperform	Outperform	Underperform	Outperform	Outperform	Underperform	Underperform	Outperform	Underperform	Underperform	Underperform	Underperform

# Consumables Pro | Why Consumables Pro?

## Points of Consideration



This is for the serious investor who wants the company and industry insights professional investors have.

This is intended for the investor that wants to learn and make informed decisions for themselves.

We are an independent research firm – we have no investment banking or trading relationships.



We have our earnings models, industry trackers, and decades of investment experience.

The goal being that we have the same conviction in our investment ideas.

This is not for hobbyists and people who want someone to invest for them.





# Consumables Pro

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## RESTAURANTS





# Hedgeye Restaurants Position Monitor

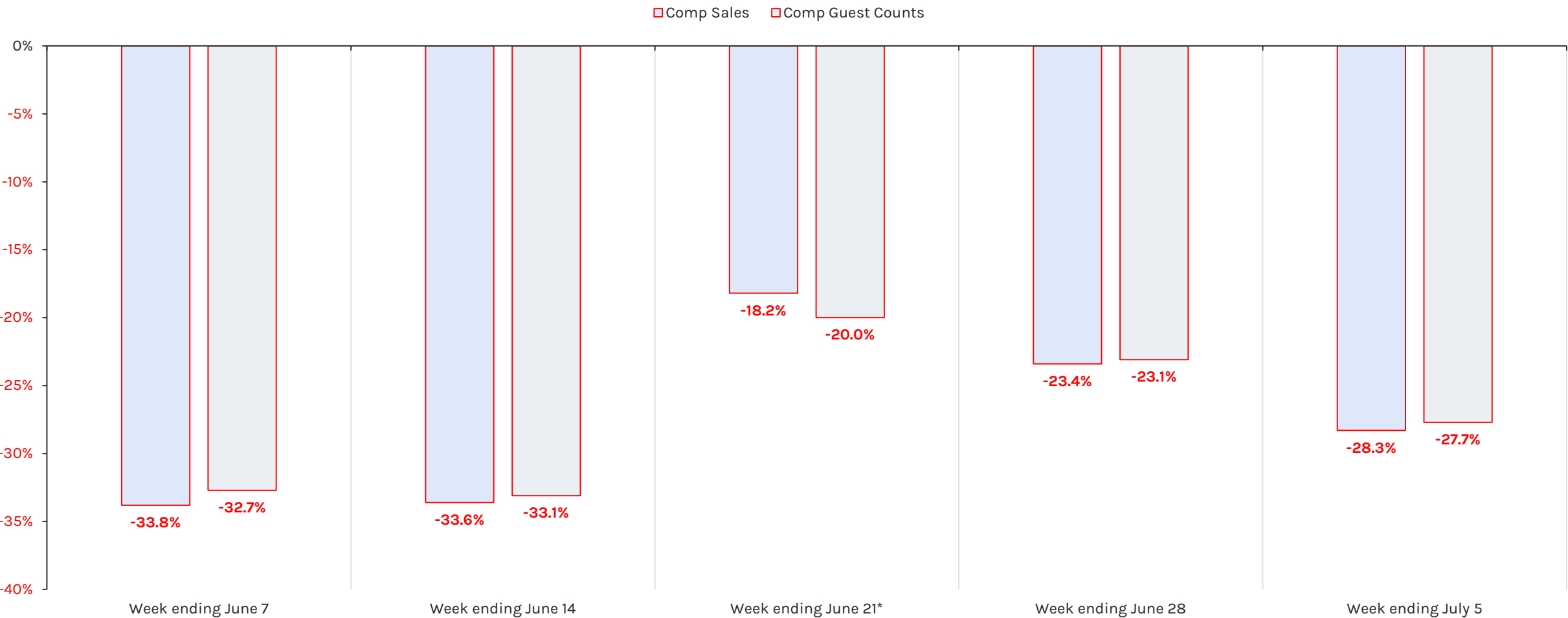
HEDGEYE RESTAURANTS POSITION MONITOR															
BEST IDEAS - LONG								BEST IDEAS - SHORT							
TICKER	COMPANY	Price	Mkt. Cap (M)	NTM P/E	Avg D Vol (M)	SI % FLT	Ratings	TICKER	COMPANY	Price	Mkt. Cap (M)	NTM P/E	Avg D Vol (M)	SI % FLT	Ratings
WING	Wingstop	\$135	\$4,047	116.7x	0.68	10.7	1.5	BYND	Beyond Meat	\$127	\$7,785	339.5x	9.15	18.9	2.2
								SHAK	Shake Shack	\$51	\$2,140	N/A	1.50	24.4	2.0
								SBUX	Starbucks	\$76	\$88,519	33.0x	10.40	1.5	1.6
								MCD	McDonald's	\$201	\$147,759	28.3x	3.68	0.8	1.3
								QSR	Restaurant Brands	\$56	\$35,389	23.0x	2.61	3.6	1.3
								DNKN	Dunkin' Brands	\$71	\$5,740	24.8x	1.04	4.0	1.7
								CMG	Chipotle	\$1,142	\$31,607	69.3x	0.46	4.4	1.6
								YUM	Yum! Brands	\$93	\$28,034	27.2x	2.42	1.3	1.8
								WEN	Wendy's	\$24	\$5,222	38.5x	3.38	3.6	1.5
								TXRH	Texas Roadhouse	\$53	\$3,698	43.7x	1.49	10.1	1.8
LONG BIAS								SHORT BIAS							
PZZA	Papa John's	\$94	\$3,021	51.1x	0.80	14.0	1.4	DRI	Darden	\$77	\$10,214	22.3	3.15	6.5	1.3
DPZ	Domino's	\$390	\$15,225	30.6x	0.93	2.3	1.4	DIN	Dine Brands Global	\$42	\$697	13.1	0.98	11.8	1.4
								BJRI	BJ's Restaurants	\$19	\$466	N/A	0.75	7.2	1.8
								BLMN	Bloomin Brands	\$12	\$1,011	78.7	4.31	14.3	1.5
								TAST	Carrols	\$5	\$279	N/A	0.84	9.2	1.2
								EAT	Brinker Intl	\$26	\$976	17.0	3.55	22.0	1.7

Rating is an average of third-party stock ratings from sell-side firms sourced by FactSet. Rating of 1 equals a bullish buy rating, while a 3 equals a bearish sell rating.

\*Hedgeye’s “bias” represents Hedgeye’s outlook on companies currently under Hedgeye’s review. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

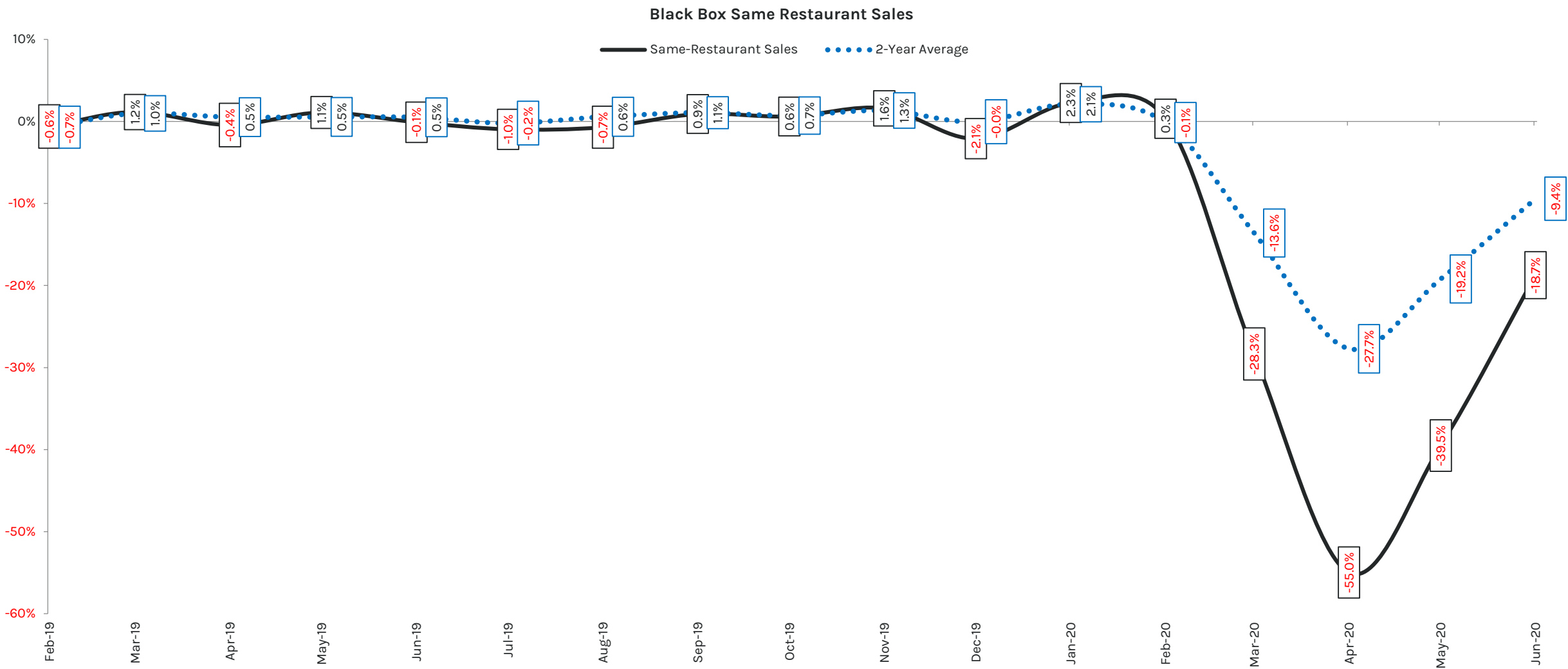
# Restaurants | Knapp Track Casual Dining

Knapp Track Comparable Restaurants Sales and Guest Counts



\*Father's Day

# Restaurants | Black Box Same Restaurant Sales



# Restaurants | Permanently Closed Restaurants Are Growing

## Yelp: Share Of Permanent Closures vs. Temporary Closures



*\*Among U.S. businesses that were open on March 1. A business was counted as closed if it was marked as permanently or temporarily closed, changed its hours to mark itself as closed for entire days, or included the word "closed" in the COVID-19 business updates section of its Yelp page. Closures are updated through July 10. Data may lag actual closures because of time taken to report and verify closures.*



# Restaurants | R<sub>t</sub> COVID-19

## Reopening Now Is a Negative

R<sub>t</sub> < 1.0 =  
VIRUS WILL STOP SPREADING

R<sub>t</sub> > 1.0 =  
VIRUS WILL SPREAD QUICKLY

In an online event this past Tuesday (7/7), Dr. Deborah Brix of the White House coronavirus response team said, “100 percent of the American population in those hot zones, in the red areas of the country, should be wearing masks all of the time and social distancing.”

She also encouraged Americans to not eat inside restaurants.



The value of R<sub>t</sub> is a crucial measure of how fast the virus is growing. R<sub>t</sub> represents the effective reproduction rate of the virus calculated for each locale. It provides an estimate of how many secondary infections are likely to occur from a single infection in a specific area. Values over 1.0 mean we should expect more cases in that area, values under 1.0 mean we should expect fewer.

## REGIONS

The states with the most significant year-over-year losses in restaurant sales during June are all located in the Northeastern corner of the country, where some of the most significant COVID-19 outbreaks emerged. **The states with the lowest same-store sales during the month were: the District of Columbia, New Jersey, Massachusetts, New Hampshire, Maine, New York, Connecticut, Vermont, Pennsylvania, and Maryland.**

Many of the states that were early to reopen and initially saw low levels of COVID-19 cases are still those with the best same-store sales results. **Best performing states during June were Mississippi, Idaho, Alabama, Utah, Georgia, Louisiana, Tennessee, Oklahoma, South Carolina, and Arkansas.**

However, many of these states are now seeing a resurgence in confirmed COVID-19 cases, and the latest data is starting to show a slowdown in restaurant sales.

## DINING ROOMS

**“For full-service restaurants, the importance of dining rooms reopening cannot be overstated” – Black Box**

By the last week of June, 88% of all the full-service restaurants that existed in the pre-COVID period had their dining rooms open. The percentage open for dine-in at the national level increased by about 30% since the end of May. Not surprisingly, same-store sales improved by almost 25% during the same period.”

The story for limited-service brands has been quite different. They have opted, in many cases, to leave their dining rooms closed and continue to focus exclusively on their off-premise operations. By the end of June, only 62% of all pre-pandemic limited-service restaurants had dine-in as an option. The percentage offering dine-in rose by only 16% from the end of May.

Off-premise Growth Continues Declining; Early Data Shows It May Rise Again

As dining rooms starting reopening, off-premise sales year-over-year growth started decelerating. By mid-May, off-premise sales growth for the industry was 97% year over year. Since then, it went through a steady decline until reaching 62% growth the week ending June 7. But the results for the last week of June (the week ending June 28) show off-premise growth at 67%.

During June, limited-service brands experienced growth in their off-premise sales of 25% year over year, which represented a drop of 1 percentage point from the growth rate achieved in May.

**Full-service off-premise sales grew by 119% year over year in June. This is a significant slowdown from the 181% growth experienced by these restaurants back in May.**

## DAYPARTS, CUISINE & EMPLOYMENT

### DAYPARTS

**Mid-afternoon was the best performing restaurant daypart based in May and June.** This is the only daypart that achieved sales growth better than -10% year over year during the month.

Dinner and Lunch are both performing much better than a month ago, with same-store sales growth averaging around -19%. **Breakfast in June was the second-worst daypart for the industry.**

Late-night daypart has been hurt the most. Late-night same-store sales during June were still down by almost 50% year over year.

### CUISINE

**Chicken, pizza, and hamburger saw positive same-store sales are now seeing growth rates much better than what they saw in the pre-COVID period. The cuisine types that had the worst sales growth results during June were brands centered around breakfast items, bar & grill concepts, Italian restaurants, and those focused on steaks.**

### EMPLOYMENT

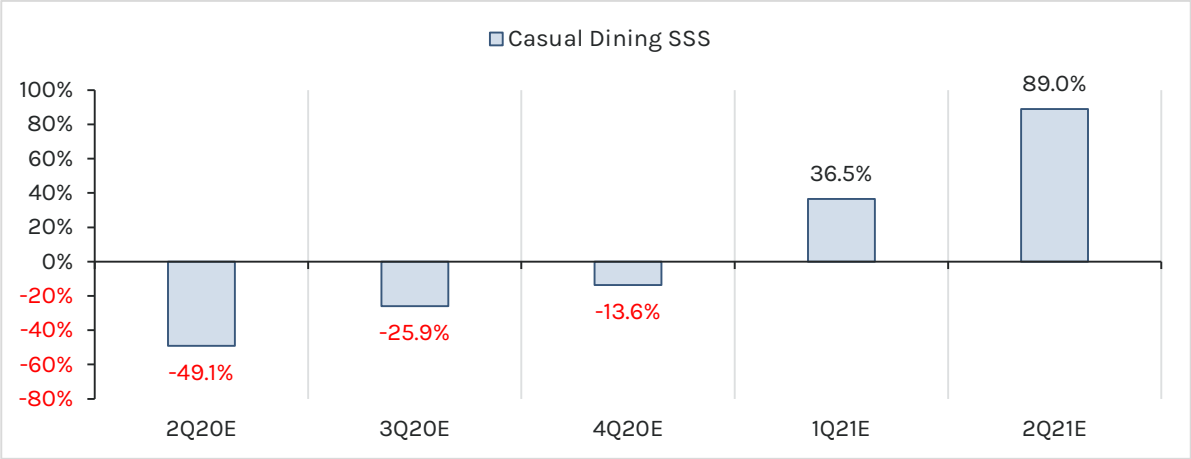
According to the Bureau of Labor Statistics, this 24% year-over-year drop in restaurant employment during June represents a considerable improvement from the -36% job loss reported for May and the 48% decline in April. **Black Box is indicating that most companies may have a hard time re-staffing their restaurants and operators say they expect 25% of all furloughed employees and 67% of those laid off will not return to their former employer if given a chance.**

Snagajob data based on job searches showed as many people are looking for healthcare jobs for restaurant employment, but many more are opting for looking for a job in grocery stores. As expanded unemployment benefits expire, the employment landscape is expected to change, and increased competition for talent with other industries will likely escalate.

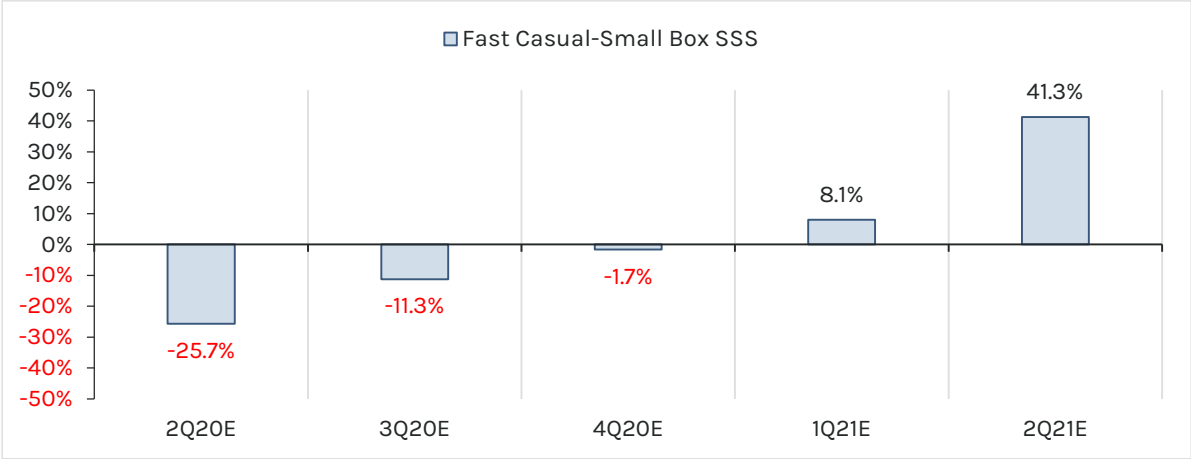
# Restaurants | Same-Store Sales Trends 2Q20E - 2Q21E

## Casual Dining and Family Dining Hit the Hardest

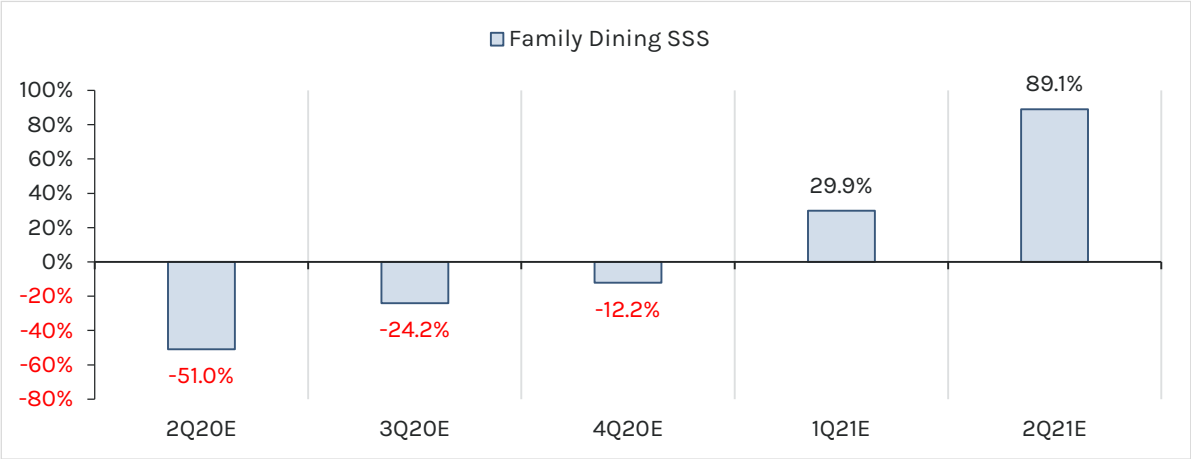
### CASUAL DINING



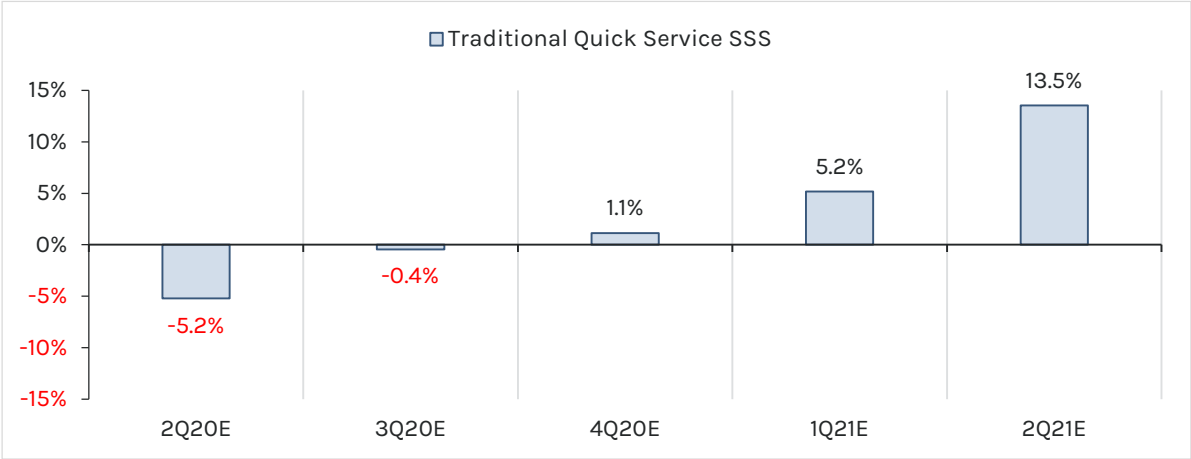
### FAST CASUAL-SMALL BOX



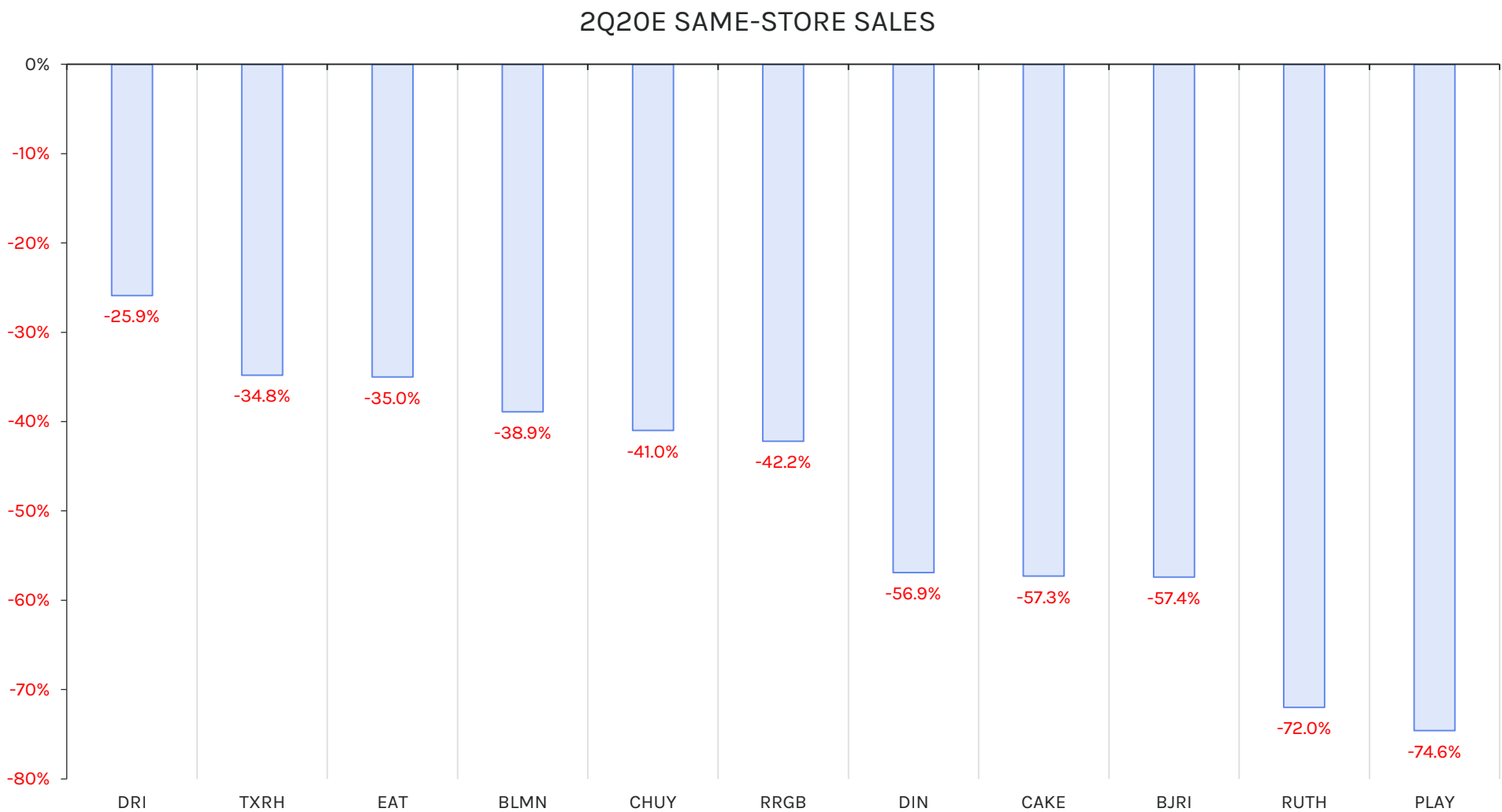
### FAMILY DINING



### TRADITIONAL QUICK SERVICE



# Restaurants | Same-Store Sales Trends Current Quarter



DIN, CAKE, BJRI, RUTH & PLAY are all untouchable on the long side at this point.

The combined market capitalizations of those companies is \$2.8B

TXRH is \$3.4B

DRI is \$9.3b

EAT IS \$997





# Consumables Pro

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## STAPLES



# Hedgeye Consumer Staples Position Monitor

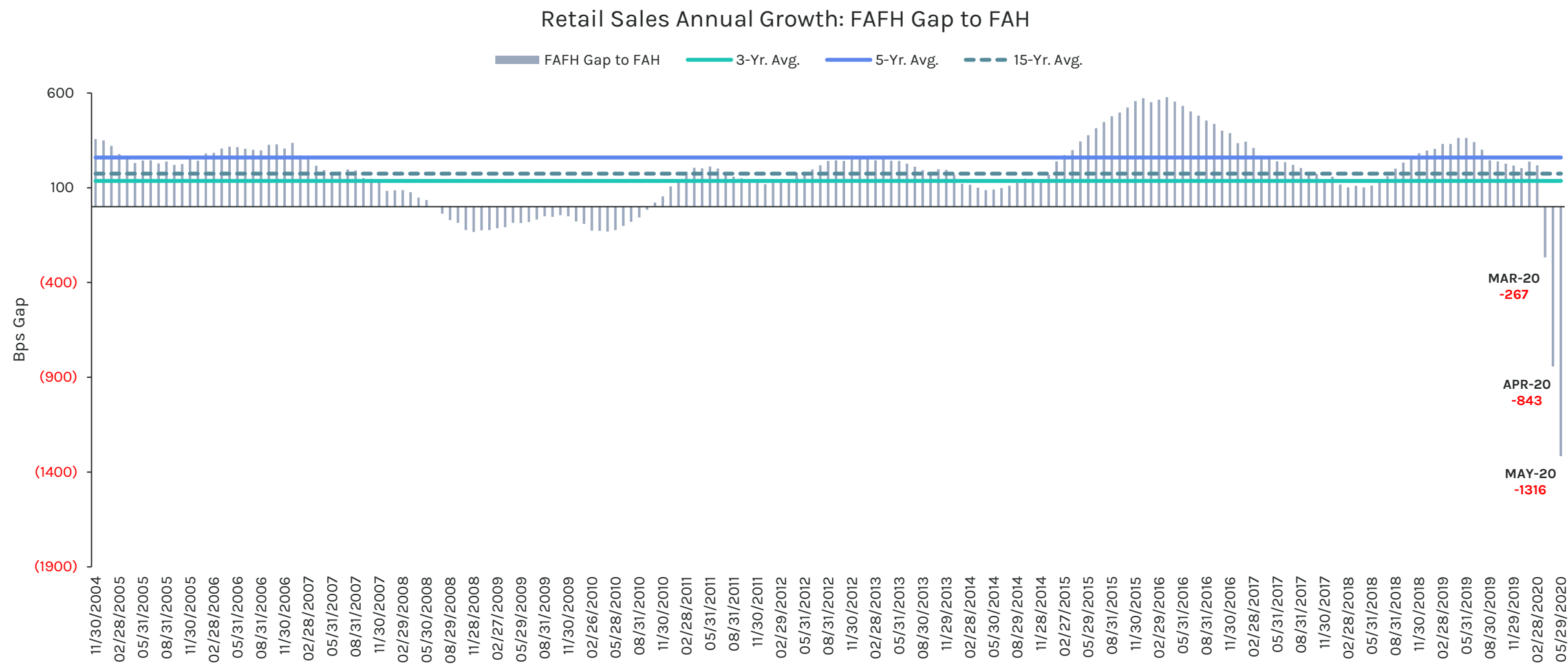
HEDGEYE CONSUMER STAPLES POSITION MONITOR															
BEST IDEAS - LONG								BEST IDEAS - SHORT							
TICKER	COMPANY	Price	Mkt. Cap (M)	NTM P/E	Avg D Vol (M)	SI % FLT	Ratings	TICKER	COMPANY	Price	Mkt. Cap (M)	NTM P/E	Avg D Vol (M)	SI % FLT	Ratings
NOMD	Nomad Foods	\$22.11	\$4,277	14.8x	1.16	1.0	1.0	SY	Sysco	\$53.99	\$27,865	25.5x	4.46	3.1	1.6
STZ	Constellation Brands	\$178.89	\$34,706	19.2x	1.27	3.9	1.4								
SFM	Sprouts Farmers Market	\$26.91	\$3,134	16.6x	2.56	10.9	1.9								
GO	Grocery Outlet	\$43.10	\$3,797	43.0x	1.48	6.9	1.5								
ACI	Albertsons	\$15.24	\$7,717	8.4x	5.51	9.3	1.2								
LONG BIAS								SHORT BIAS							
KR	Kroger	\$34.76	\$27,002	12.7x	10.76	7.4	1.6	USFD	US Foods	\$20.75	\$4,617	24.0x	4.37	3.1	1.2
BUD	Anheuser-Busch InBev	\$54.08	\$76,712	21.4x	2.80	N/A	1.6	SJM	J.M. Smucker	\$108.87	\$12,340	13.2x	1.05	7.1	2.1
CAG	Conagra	\$36.97	\$17,838	15.4x	3.37	1.6	1.6	LBLCF	Loblaw	\$51.48	\$18,507	15.0x	0.67	7.1	1.7
MDLZ	Mondelez	\$55.58	\$78,325	20.9x	6.48	0.6	1.1	LW	Lamb Weston	\$70.49	\$9,900	27.3x	1.51	4.6	1.7
PEP	Pepsico	\$137.67	\$188,393	24.2x	5.52	0.6	1.5								

Rating is an average of third-party stock ratings from sell-side firms sourced by FactSet. Rating of 1 equals a bullish buy rating, while a 3 equals a bearish sell rating.

\*Hedgeye’s “bias” represents Hedgeye’s outlook on companies currently under Hedgeye’s review. Hedgeye may or may not provide further commentary on any or all companies represented on the bench and representation of a company on the bench does not forecast whether Hedgeye will or will not issue any additional material on that company.

# Staples | The Pandemic Shift From FAFH to FAH

## The FAFH/FAH Gap Visualized in Retail Sales

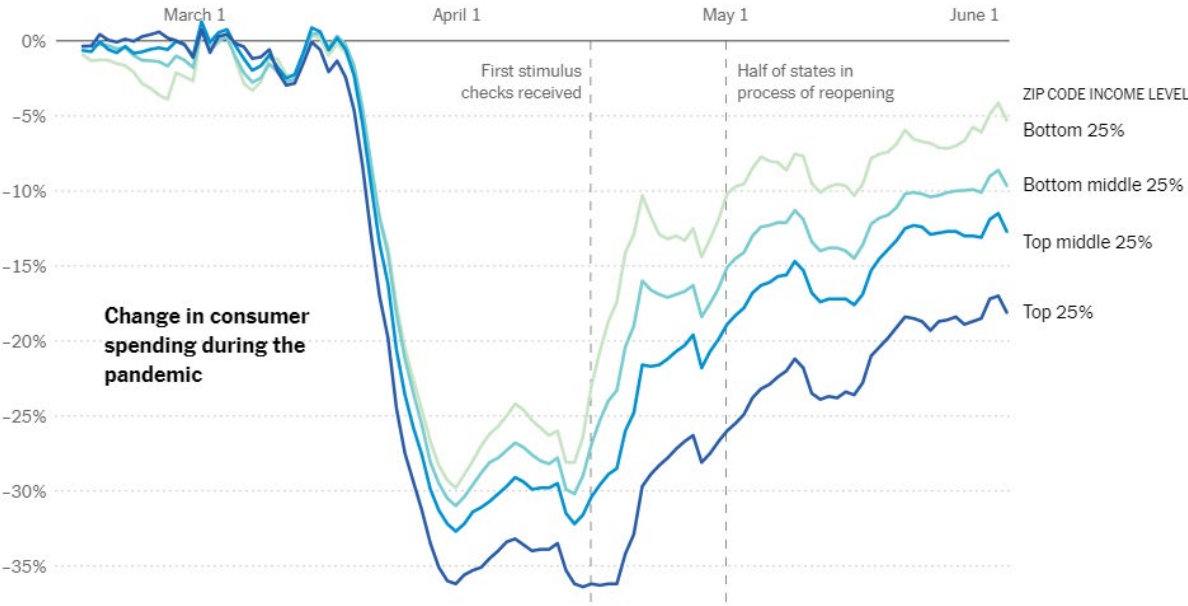


\*FAFH Gap to FAH calculated as the LTM Average YoY Change difference between Food Service & Drinking Places retail sales and Food & Beverage retail sales

# Staples | Different Story for the Wealthy

## The Rich and Poor Are Experiencing the Coronavirus Pandemic Differently

### CONSUMER SPENDING BY INCOME LEVEL - Q2 2020



Note: Change calculated from seasonally adjusted January average. Income groups are based on the median income in the ZIP codes where consumers live. The data sample reflects about 10 percent of all national credit and debit card spending. - Source: Analysis of data from Affinity Solutions by Opportunity Insights

Employment among the bottom 20% of incomes fell 35% while employment among the top 20% of incomes fell 9%. The wealthiest 25% of Americans account for two-thirds of the total decline in spending since January.

The wealthy have fewer things to spend money on without travel, events, leisure, personal services, eating out, etc. Many have not seen an impact to their incomes or jobs. Food spending is the most consistent area they are shopping for now.

### SALES MIX OF WINE IN MARCH 2020

	DTC Shipments		Off-Premise Retail		Total	
	Mar-20	% YOY	Mar-20	% YOY	Mar-20	% YOY
<\$8	\$ 2,986,169	79.4%	\$ 723,706,557	26.5%	\$ 726,692,726	26.7%
\$8-\$10.99	\$ 4,795,944	49.9%	\$ 430,649,625	27.8%	\$ 435,445,569	28.0%
\$11-\$14.99	\$ 12,371,730	34.8%	\$ 455,005,865	40.6%	\$ 467,377,595	40.4%
\$15-\$19.99	\$ 18,544,606	38.3%	\$ 196,733,186	38.0%	\$ 215,277,792	38.0%
\$20-\$29.99	\$ 44,049,380	26.3%	\$ 105,222,420	38.2%	\$ 149,271,800	34.5%
\$30-49.99	\$ 87,306,042	32.5%	\$ 57,683,211	19.4%	\$ 144,989,253	26.9%
\$50-100	\$ 137,988,702	24.9%	\$ 25,036,313	11.3%	\$ 163,025,015	22.6%
\$100+	\$ 115,349,328	-3.1%	\$ 6,961,438	-15.6%	\$ 122,310,766	-3.9%
Total	\$ 423,391,901	18.3%	\$ 2,005,585,806	31.0%	\$ 2,424,390,516	28.4%

Sales of wine by price point highlights the increase in spend at home in a higher income category. Industry wine sales are up 5-10% during the pandemic.

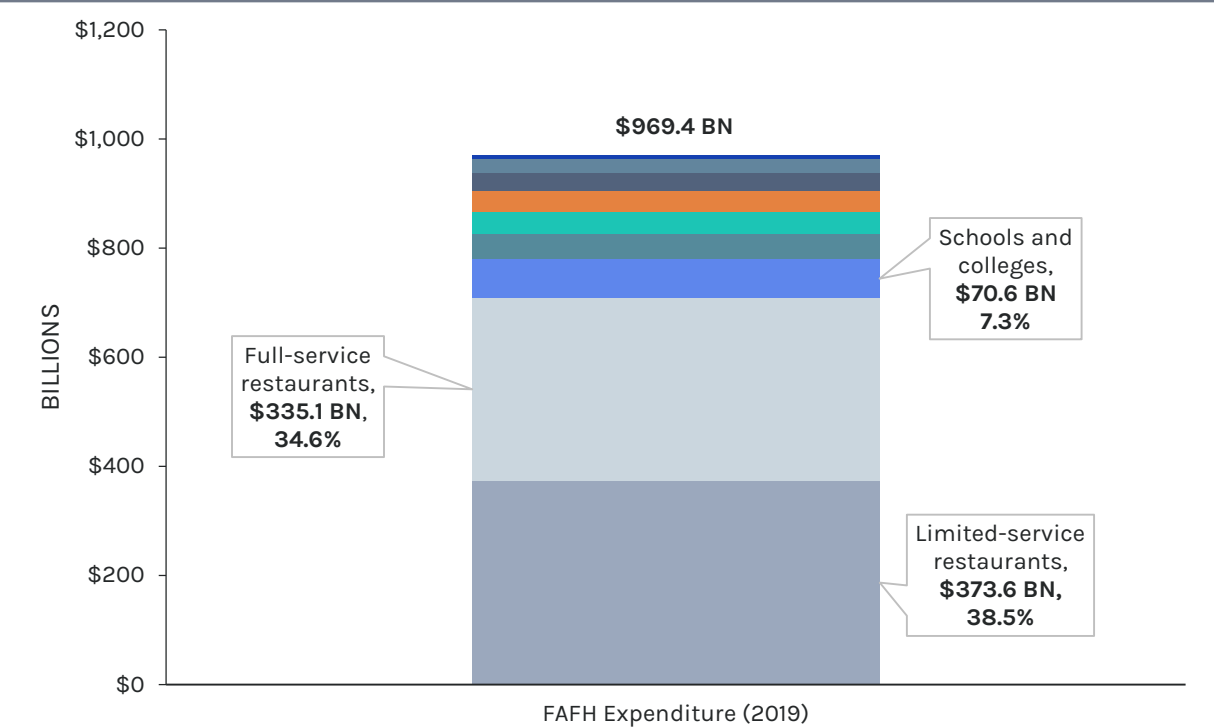
In May off-premise wine sales increased 30% while DTC shipments were up 22%. The largest increases were not at the low-end price points as consumers traded up while drinking at home. Above \$100 reflects less corporate dining.



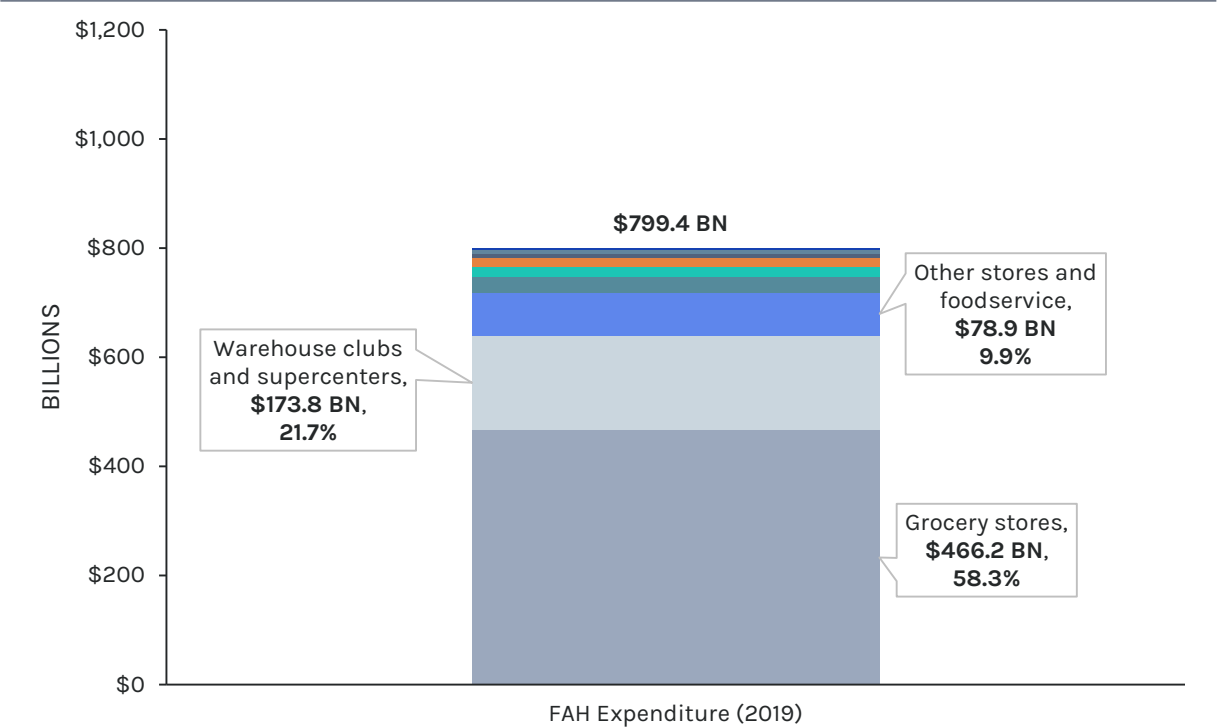
# Staples | COVID-19 Catalyzing a Shift Between FAH & FAFH

How Much Will Reduced FAFH Expenditure From the Pandemic’s Onset Contribute to FAH in 2020?

EXPENDITURE – FOOD AWAY FROM HOME – 2019



EXPENDITURE – FOOD AT HOME – 2019



	Limited-service restaurants	Full-service restaurants	Schools and colleges	Food furnished and donated	Retail stores and vending	Hotels and motels	Recreational places	Other FAFH sales, NEC	Drinking places
FAFH Expenditure (2019)	\$373.6	\$335.1	\$70.6	\$47.6	\$39.3	\$38.8	\$33.8	\$25.0	\$5.5
% Share	38.5%	34.6%	7.3%	4.9%	4.1%	4.0%	3.5%	2.6%	0.6%

	Grocery stores	Warehouse clubs and supercenters	Other stores and foodservice	Mail order and home delivery	Other food stores	Convenience stores	Mass merchandisers	Direct selling by farmers, manufacturers, and wholesalers	Home production and donations
FAH Expenditure (2019)	\$466.2	\$173.8	\$78.9	\$27.6	\$18.5	\$16.1	\$9.0	\$7.2	\$2.2
% Share	58.3%	21.7%	9.9%	3.5%	2.3%	2.0%	1.1%	0.9%	0.3%

## Behavioral Changes Behind Elevated Grocery Spending

- Consumers are making fewer trips.
- Consumers are spending more per trip.
- Consumers are consuming more meals at home.
- Consumers are cooking more at home.
- Consumers are still stockpiling food. Not deliberately like in mid-March, but pandemic concerns has instilled the mindset of buying more than needed.
- Out of stocks have caused consumers to generally be less price sensitive and brand loyal. Stores have pulled back on promotions. Consumers have trialed more new products and returned to familiar ones.
- Many consumers have reported weight gains during COVID-19 which has led to an increased interest in diets and eating healthy.
- The breakfast daypart change is largely driven by work from home changes.
- The lunch daypart change is due to distance learning for school and work from home.
- The dinner daypart at restaurants is largely missing the celebratory and travel occasions.
- Restaurants are also missing the eat away from home occasion for events.

# Staples | Out-of-Stock Index

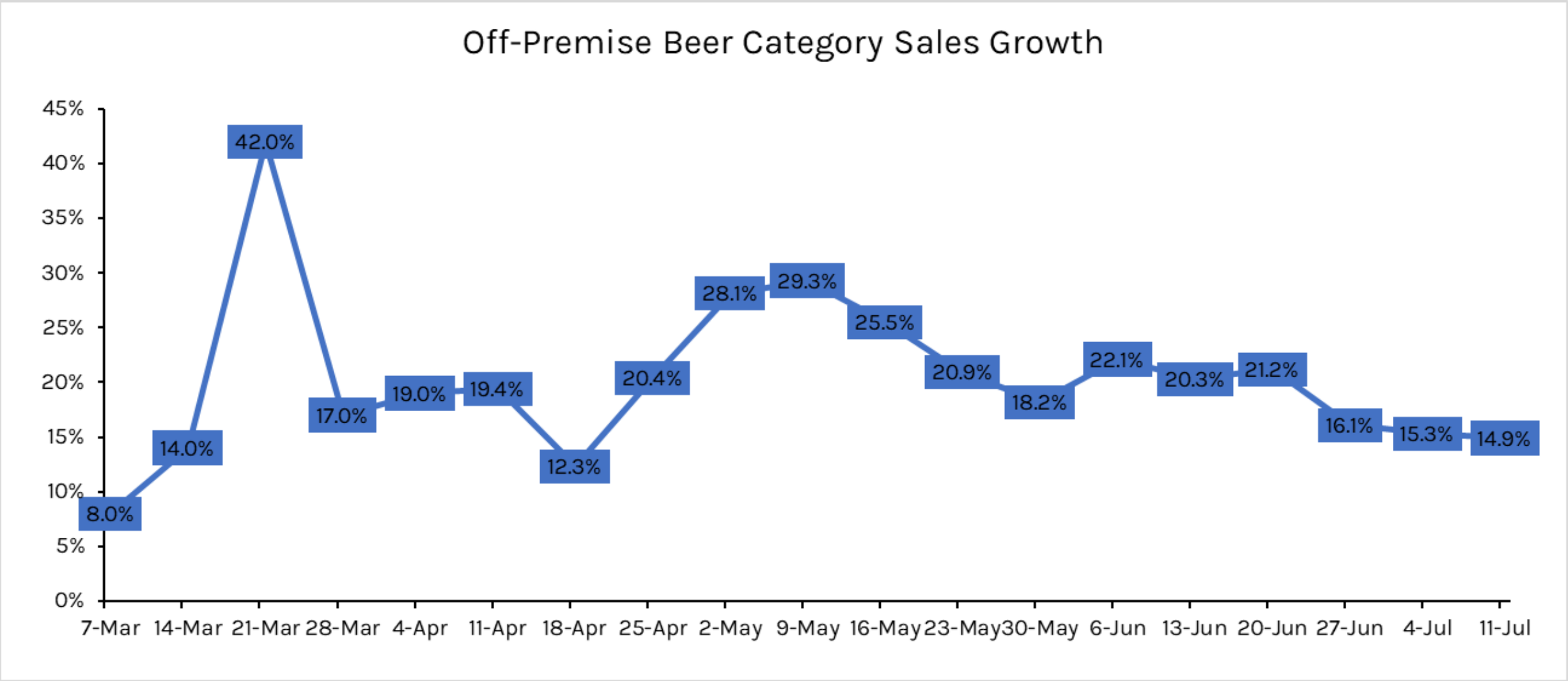
## Grocery Inventories Slowly Returning to Normal

Week Ending	5-Apr	12-Apr	19-Apr	26-Apr	3-May	10-May	17-May	24-May	31-May	7-Jun	14-Jun	21-Jun	28-Jun	5-Jul	12-Jul
Total Edible	82%	82%	81%	81%	80%	84%	84%	84%	84%	85%	86%	86%	87%	88%	87%
Beverages	84%	84%	83%	83%	82%	87%	87%	87%	87%	88%	88%	88%	88%	89%	88%
Frozen	83%	83%	82%	81%	81%	85%	84%	84%	84%	84%	85%	85%	85%	86%	85%
General Food	81%	81%	80%	79%	78%	82%	82%	83%	83%	84%	84%	85%	86%	87%	87%
Beverage Alcohol	86%	85%	85%	85%	84%	88%	88%	89%	90%	89%	89%	89%	89%	90%	88%
Refrigerated	84%	84%	82%	83%	83%	86%	86%	87%	87%	88%	88%	89%	89%	90%	89%

\*Data for 4/5 - 5/3 pulled on 5/19, and data for 5/10 - 6/14 pulled on 6/17 and 7/8 from IRI

Since the initial stockpiling in the middle of March, grocery stores have struggled to restock their shelves. In-stock levels for edible categories have improved in the last month to 87% compared to a baseline of 90%. Driving the Total Edible in-stock index down is the Frozen category.

# Staples | Off-Premise Beer Category Sales Growth







# Consumables Pro

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## CANNABIS



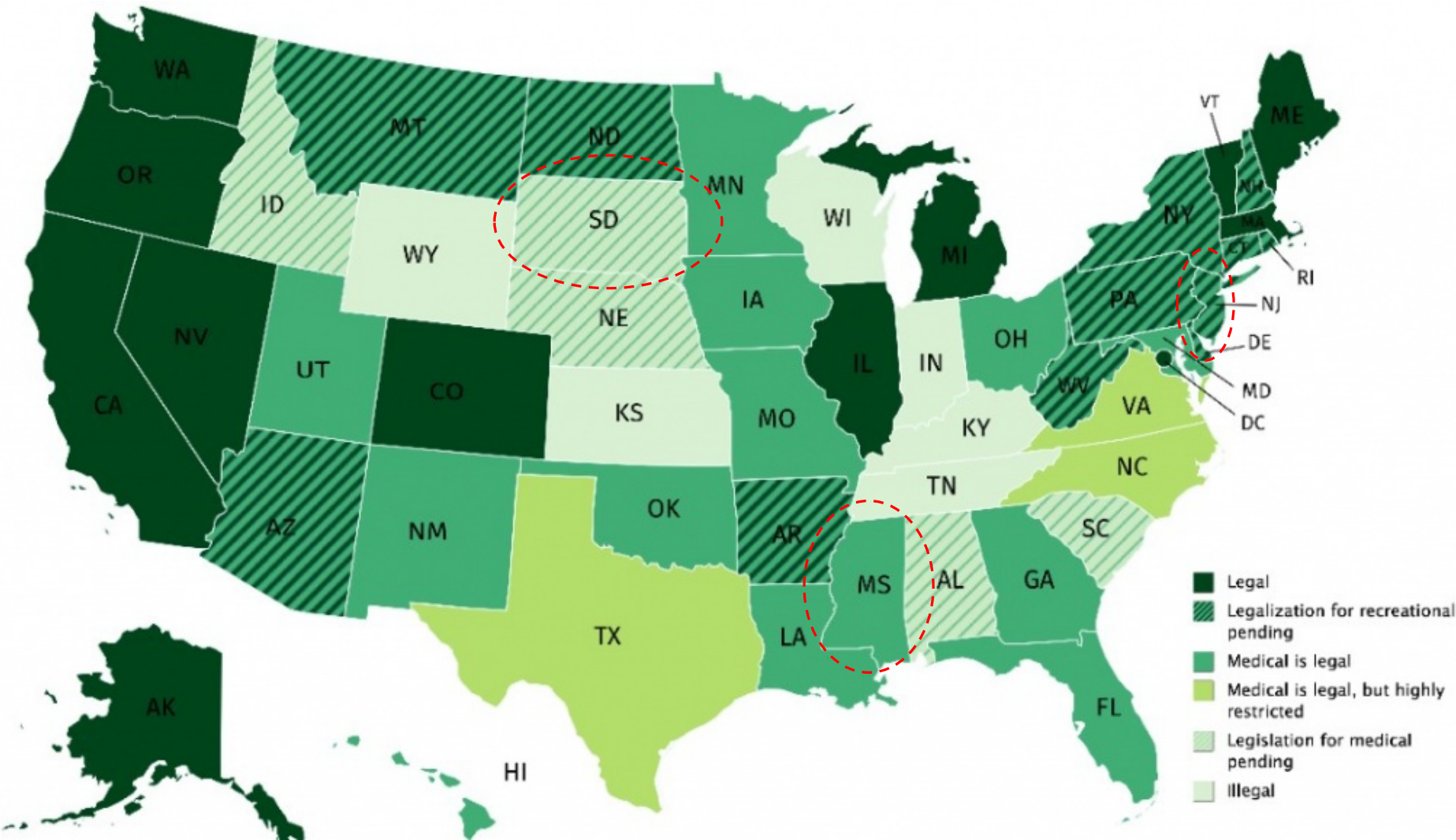
# Hedgeye Cannabis Position Monitor

HEDGEYE CANNABIS POSITION MONITOR															
BEST IDEAS - LONG								BEST IDEAS - SHORT							
TICKER	COMPANY	Price	Mkt. Cap (M)	NTM P/E	Avg D Vol (M)	SI % FLT	Ratings	TICKER	COMPANY	Price	Mkt. Cap (M)	NTM P/E	Avg D Vol (M)	SI % FLT	Ratings
GTBIF	Green Thumb Industries	\$13	\$3,397	69.7x	0.33	N/A	1.1	APHA	Aphria	\$6	\$1,847	N/A	6.42	13.9	1.2
TCNNF	Trulieve	\$16	\$2,211	22.2x	0.24	N/A	1.0								
CRLBF	Cresco Labs	\$5	\$2,295	N/A	0.59	N/A	1.1								
LONG BIAS								SHORT BIAS							
CRON	Cronos Group	\$7	\$2,958	N/A	5.81	26.8	1.9	INDXF	Indus Holdings	\$0.8	\$26	N/A	0.04	N/A	1.0
IIPR	Innovative Industrial Properties	\$95	\$2,019	21.9x	0.41	10.4	1.2	GNLN	Greenlane Holdings	\$3	\$294	N/A	0.23	7.4	1.0
HRVSF	Harvest Health	\$0.9	\$142	N/A	0.49	N/A	1.4	CGC	Canopy Growth	\$17	\$8,183	N/A	6.23	18.6	1.9
CURLF	Curaleaf	\$8	\$5,280	203.5x	0.51	N/A	1.2								

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# Cannabis | State Legalization Map / Upcoming Additions

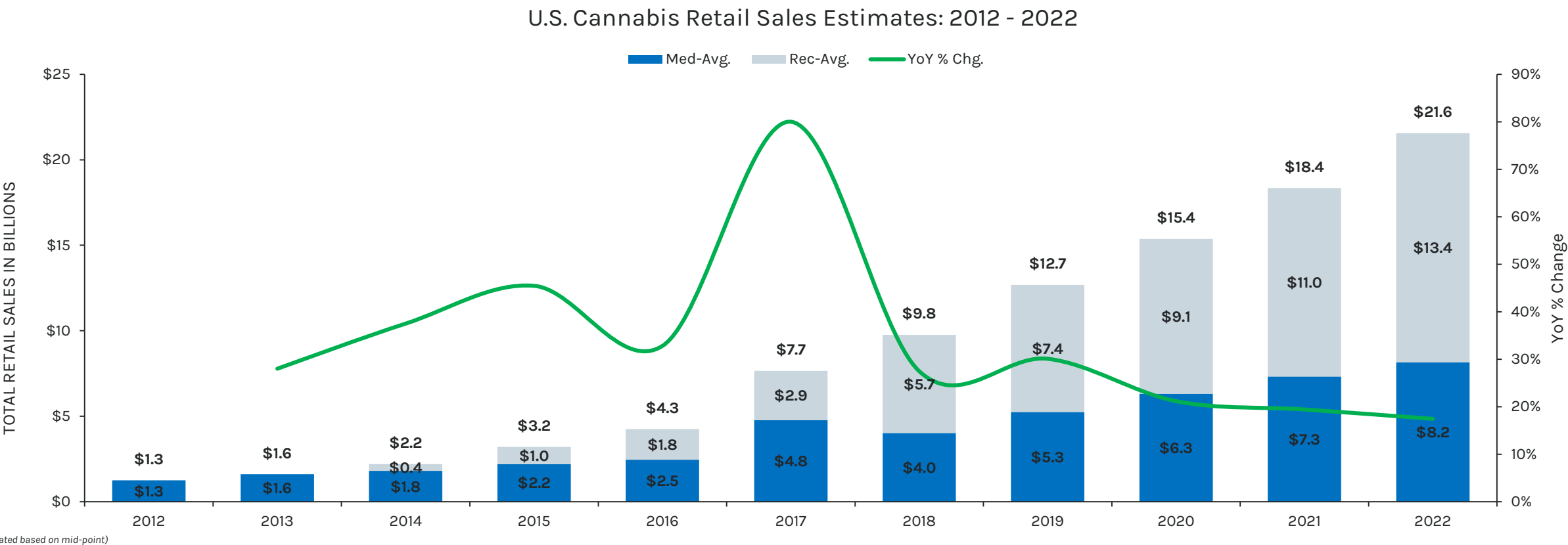


New Jersey, South Dakota, and Mississippi will be on the ballot this coming November for adult-use legalization. New Jersey appears to have a good chance at passing – a Monmouth University poll found that 6 in 10 New Jersey residents favor statewide legalization.

In Arizona, Montana, and Montana, signatures have been submitted in efforts to get marijuana on the ballot.



# Cannabis | Projected U.S. Legal Cannabis Market

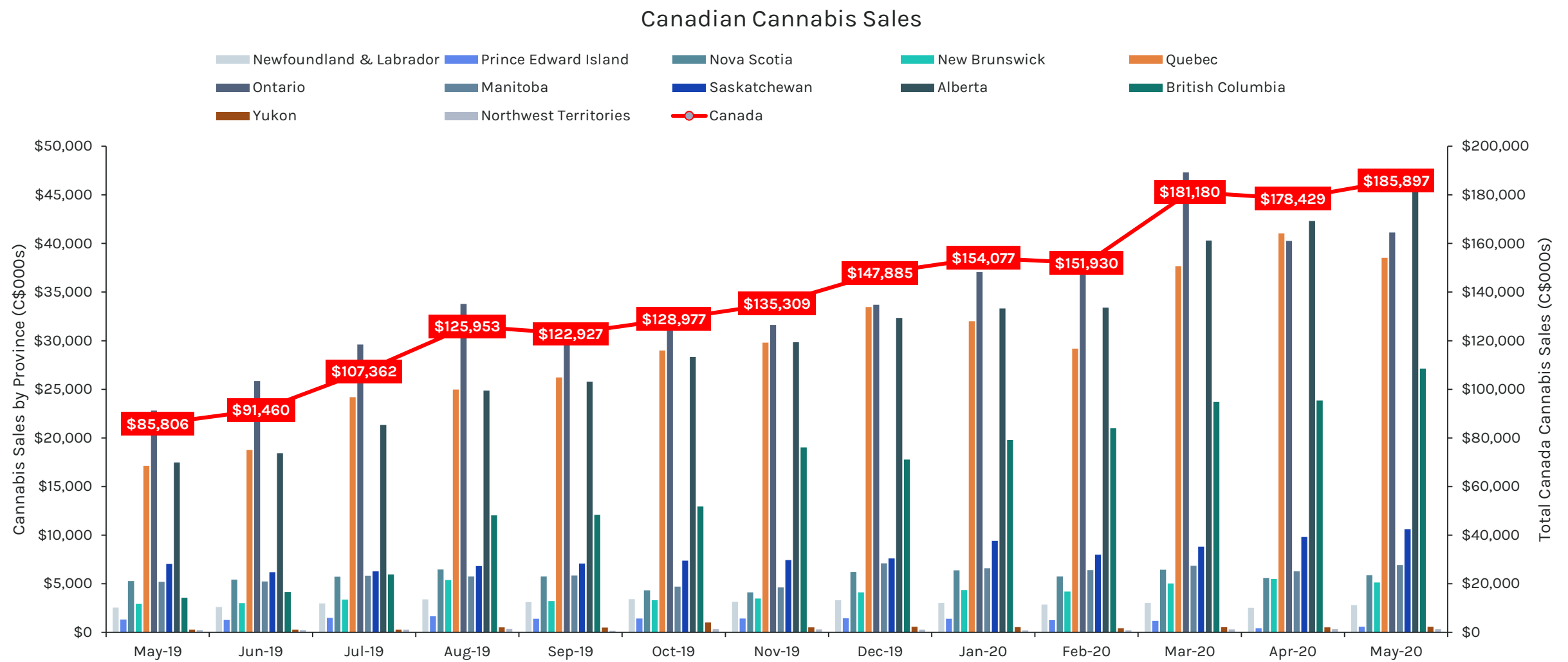


## How Realistic Are These Estimates?

With a number of states needing to go adult-use in order for these estimates to come to fruition, we feel there is a lot of risk and optimism built into the industry's top-line. These projection contemplate the current regulatory environment; bear in mind that these numbers don't include the illicit market.

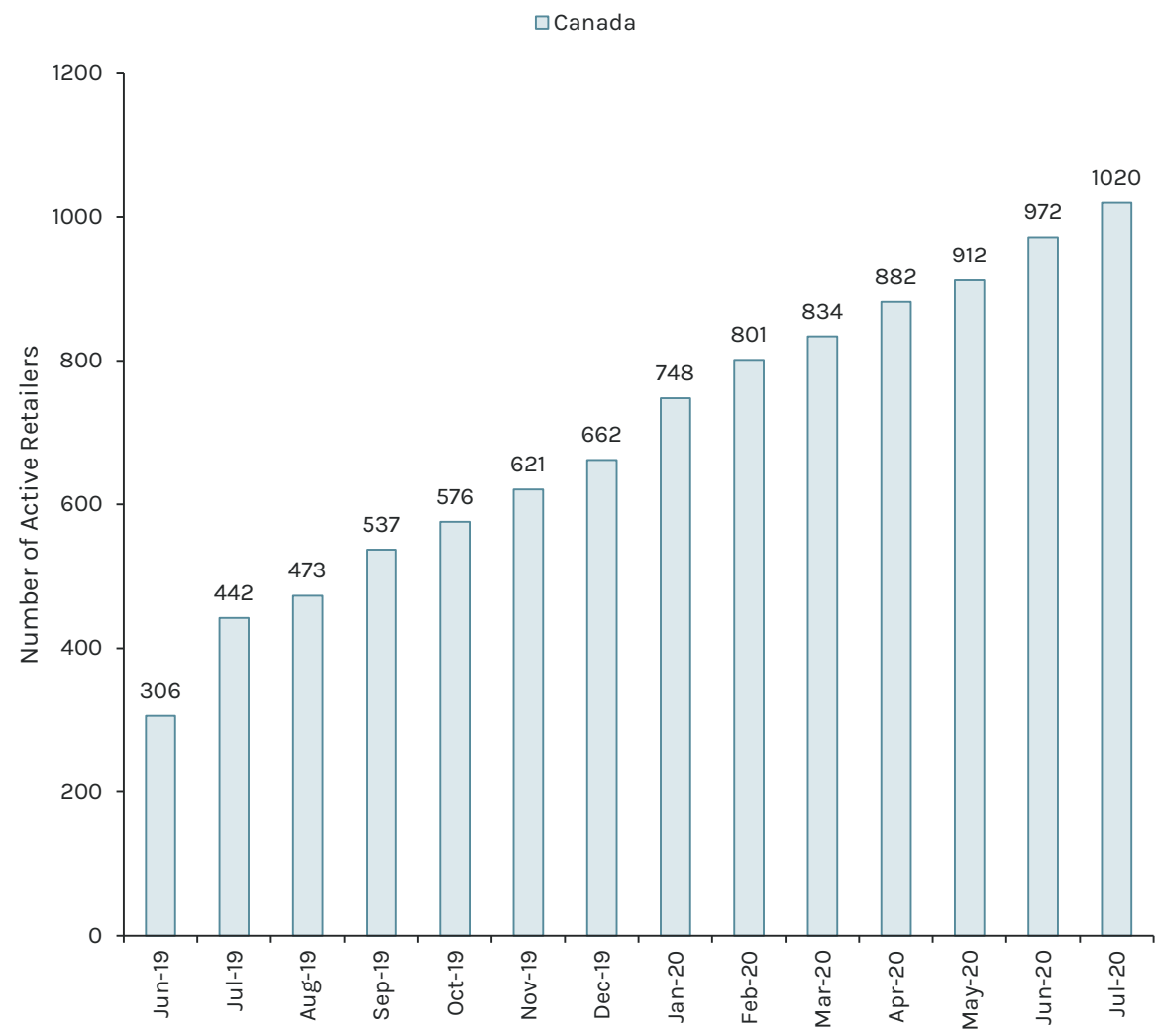
# Cannabis | Canada Retail Cannabis Sales

Record Month in May at CA\$186 Million

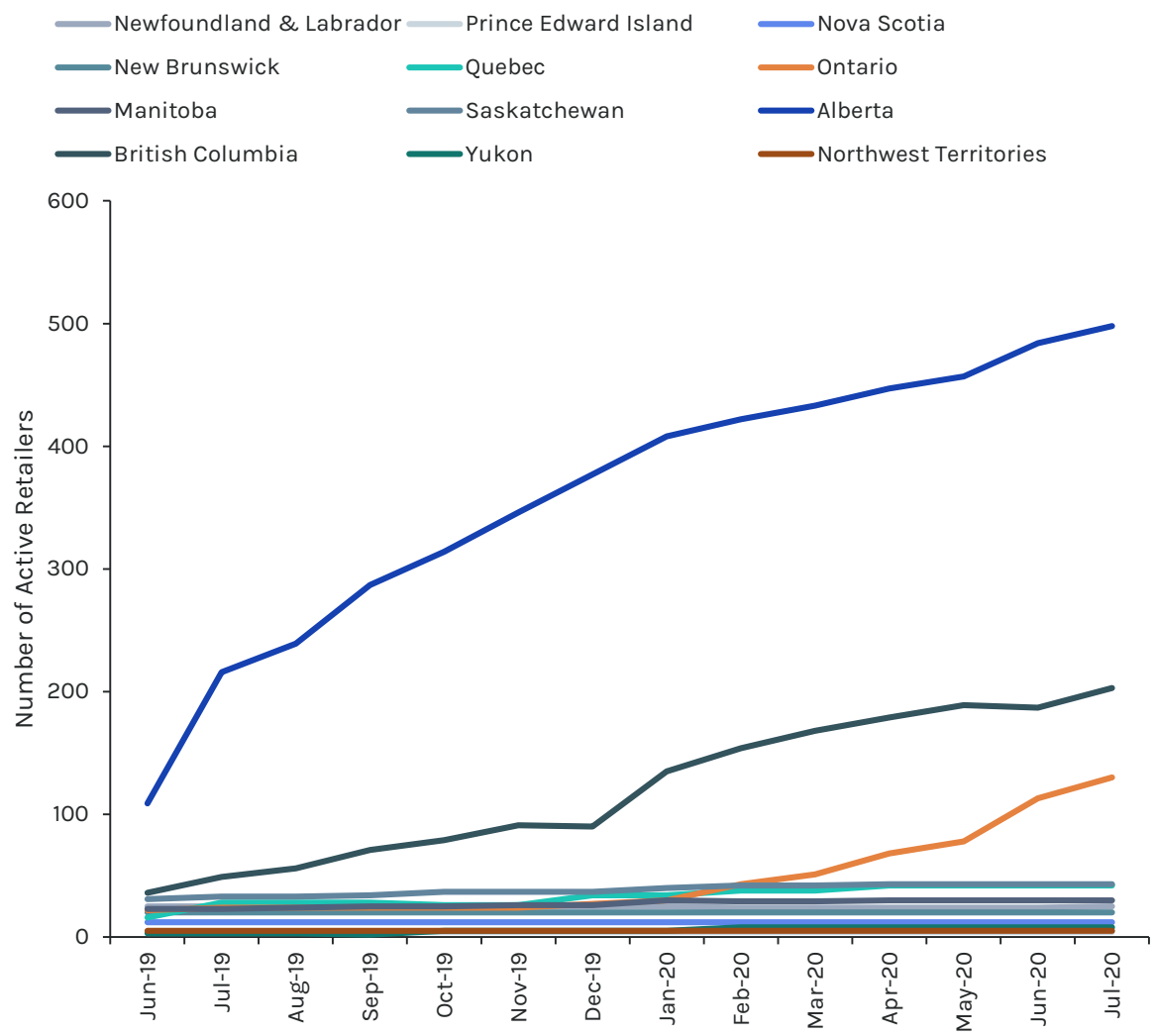


# Cannabis | Canada Unit Growth

NUMBER OF ACTIVE RETAILERS



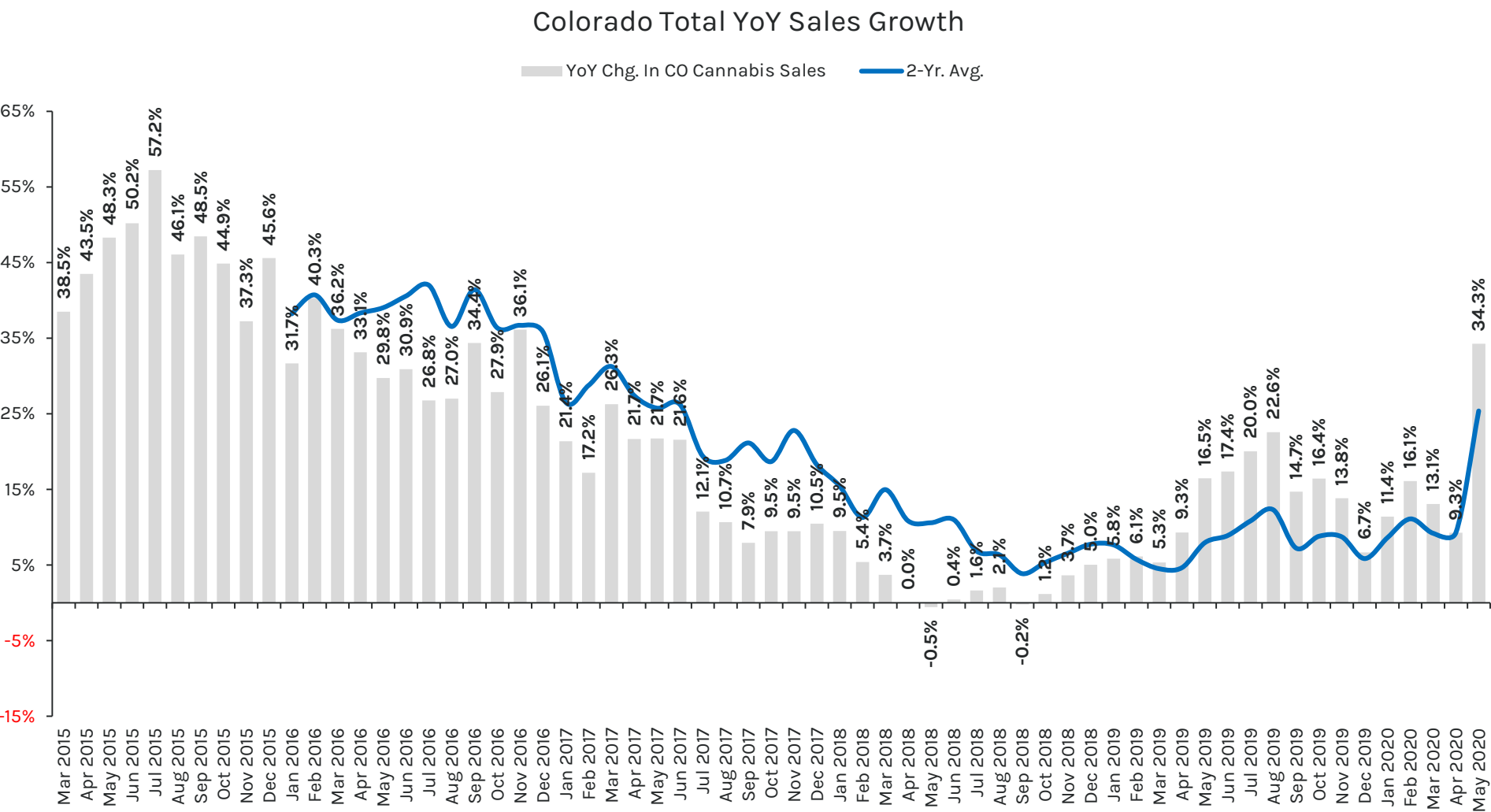
NUMBER OF ACTIVE RETAILERS BY PROVINCE





# Cannabis | Colorado Sales Growth

New All-time High in May with More Than \$192 million in Sales



In May 2020, cannabis sales set a new monthly record in Colorado, the highest its been since 2014.

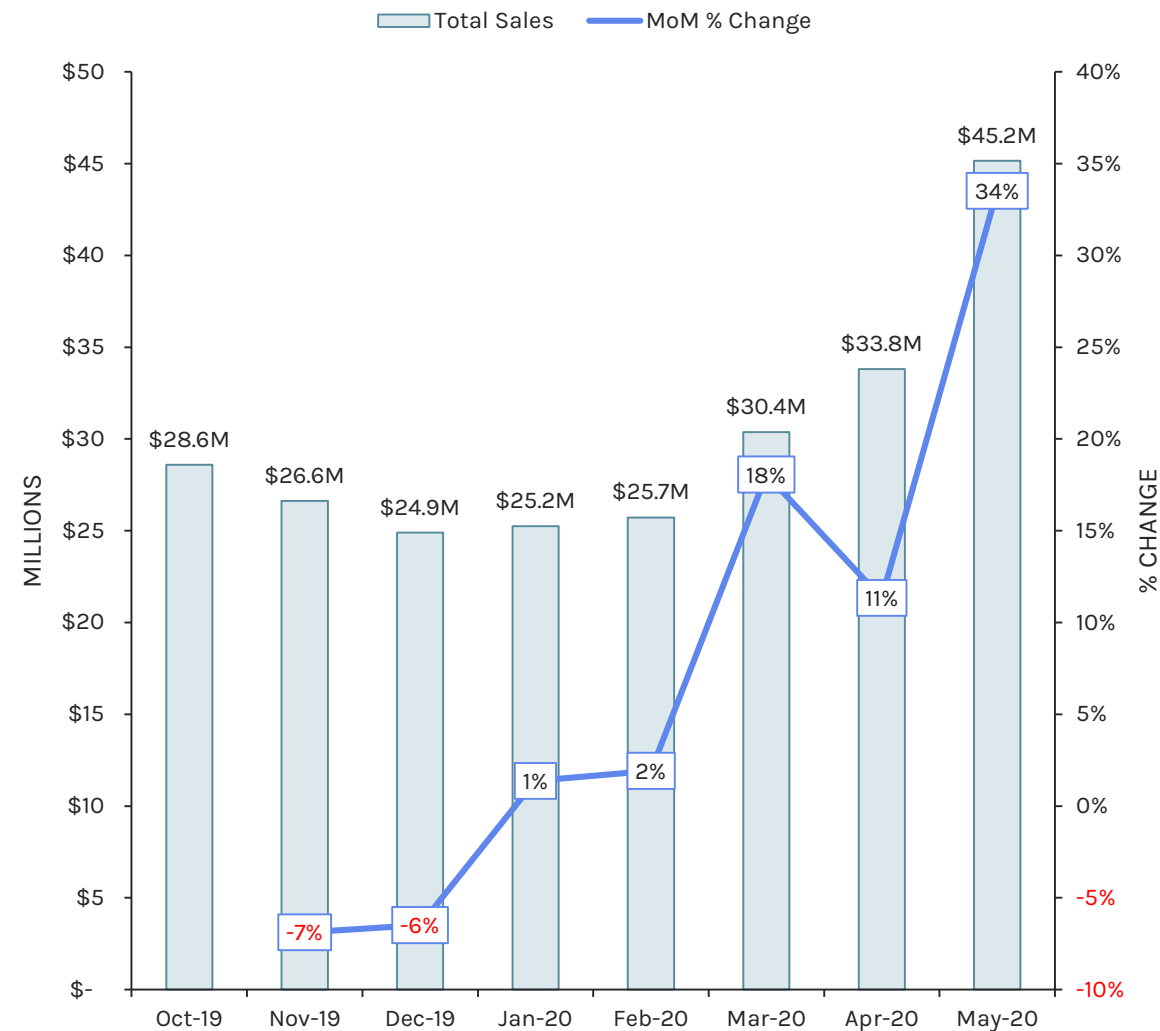
After three strong years of growth, CO underwent a slowdown in 2018, and on easy comparisons experienced a resurgence in 2019, although the 2-year average stayed relatively flat pre-COVID.

We look to CO as a prime example of how a wide open adult-use market develops and eventually matures.

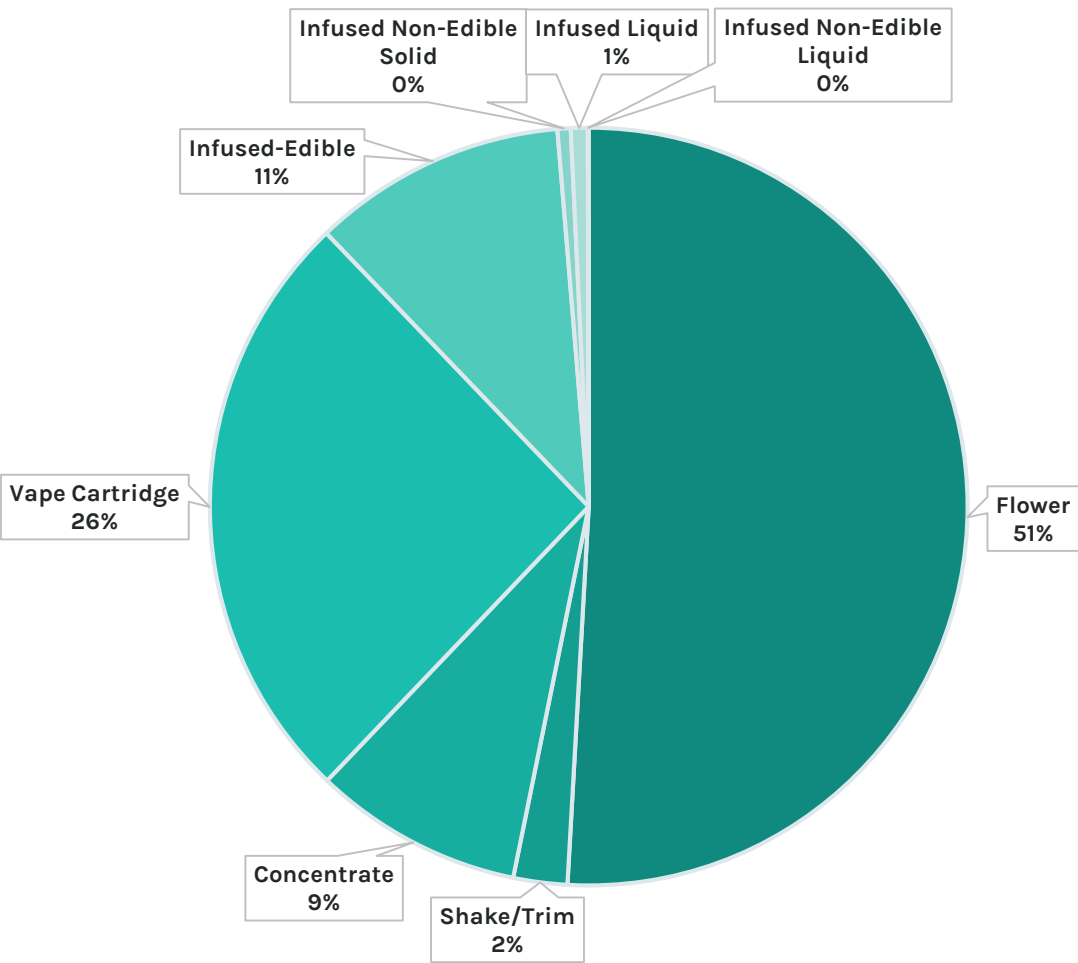
Spot prices for cannabis in CO ended 2019 at \$1,259 per pound.

# Cannabis | Michigan Marijuana Sales

MICHIGAN MEDICAL MARIJUANA SALES



SHARE OF SALES BY PRODUCT TYPE - MAY 2020



# Best Ideas

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# Best Ideas | High Conviction Longs & Shorts

## Marrying Company Analysis with Macro Team's Quads

TRULIEVE (TCNNF/TRUL)  
FEBRUARY 20, 2020

HEDGEYE

Turning to Strength Amidst Chaos

LONG Trulieve (TCNNF/TRUL)

February 20, 2020

Trulieve



Hedgeye Cannabis  
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David Berts | dberts@hedgeye.com | (302) 202-0094 ext. 16

Hedgeye Risk Management LLC

BEYOND MEAT (BYND)  
JUNE 5, 2020

HEDGEYE


BYND BELIEF

Why BYND Is More Hype Than Reality

June 5, 2020

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Hedgeye Risk Management LLC



CONSTELLATION BRANDS (STZ)  
MAY 26, 2020


HEDGEYE

The Next Decade Ahead / Fork in the Road

Best Idea LONG - Constellation Brands (STZ)

May 26, 2020

Constellation Brands



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Hedgeye Risk Management LLC

GROCERY BLACKBOOK (SFM, KR)  
JULY 2, 2020

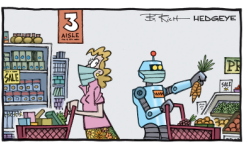
HEDGEYE

Grocery Stores in a Pandemic

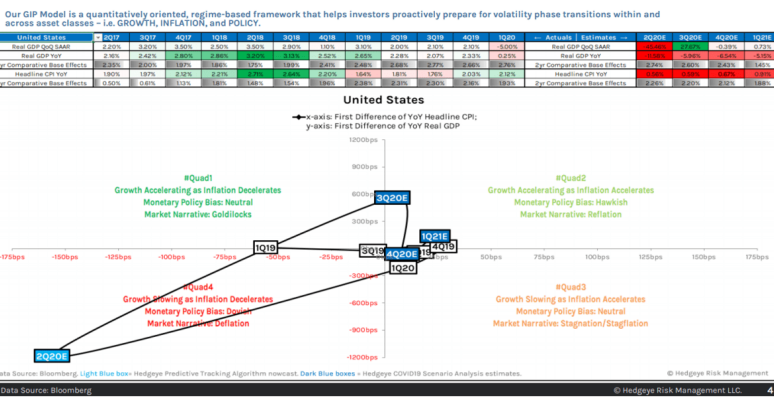
BEST IDEA LONG - SPROUTS FARMERS MARKET (SFM)  
LONG BIAS - KROGER (KR)

July 2, 2020

Hedgeye Consumer Staples



### What Are The Quads?



### US Real GDP Nowcast Model

Each of the following 30 features backtests as statistically significant with respect to predicting the rate of change of Real GDP growth and each feature's contribution to the overall signal is dynamically re-trained each quarter according to the relative strength of its first difference regression with the dependent variable.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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Real GDP YoY (%)	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sep-27	Oct-27	Nov-27	Dec-27	Jan-28	Feb-28	Mar-28	Apr-28	May-28	Jun-28	Jul-28	Aug-28	Sep-28	Oct-28	Nov-28	Dec-28	Jan-29	Feb-29	Mar-29	Apr-29	May-29	Jun-29	Jul-29	Aug-29	Sep-29	Oct-29	Nov-29	Dec-29	Jan-30	Feb-30	Mar-30	Apr-30	May-30	Jun-30	Jul-30	Aug-30	Sep-30	Oct-30	Nov-30	Dec-30	Jan-31	Feb-31	Mar-31	Apr-31	May-31	Jun-31	Jul-31	Aug-31	Sep-31	Oct-31	Nov-31	Dec-31	Jan-32	Feb-32	Mar-32	Apr-32	May-32	Jun-32	Jul-32	Aug-32	Sep-32	Oct-32	Nov-32	Dec-32	Jan-33	Feb-33	Mar-33	Apr-33	May-33	Jun-33	Jul-33	Aug-33	Sep-33	Oct-33	Nov-33	Dec-33	Jan-34	Feb-34	Mar-34	Apr-34	May-34	Jun-34	Jul-34	Aug-34	Sep-34	Oct-34	Nov-34	Dec-34	Jan-35	Feb-35	Mar-35	Apr-35	May-35	Jun-35	Jul-35	Aug-35	Sep-35	Oct-35	Nov-35	Dec-35	Jan-36	Feb-36	Mar-36	Apr-36	May-36	Jun-36	Jul-36	Aug-36	Sep-36	Oct-36	Nov-36	Dec-36	Jan-37	Feb-37	Mar-37	Apr-37	May-37	Jun-37	Jul-37	Aug-37	Sep-37	Oct-37	Nov-37	Dec-37	Jan-38	Feb-38	Mar-38	Apr-38	May-38	Jun-38	Jul-38	Aug-38	Sep-38	Oct-38	Nov-38	Dec-38	Jan-39	Feb-39	Mar-39	Apr-39	May-39	Jun-39	Jul-39	Aug-39	Sep-39	Oct-39	Nov-39	Dec-39	Jan-40	Feb-40	Mar-40	Apr-40	May-40	Jun-40	Jul-40	Aug-40	Sep-40	Oct-40	Nov-40	Dec-40	Jan-41	Feb-41	Mar-41	Apr-41	May-41	Jun-41	Jul-41	Aug-41	Sep-41	Oct-41	Nov-41	Dec-41	Jan-42	Feb-42	Mar-42	Apr-42	May-42	Jun-42	Jul-42	Aug-42	Sep-42	Oct-42	Nov-42	Dec-42	Jan-43	Feb-43	Mar-43	Apr-43	May-43	Jun-43	Jul-43	Aug-43	Sep-43	Oct-43	Nov-43	Dec-43	Jan-44	Feb-44	Mar-44	Apr-44	May-44	Jun-44	Jul-44	Aug-44	Sep-44	Oct-44	Nov-44	Dec-44	Jan-45	Feb-45	Mar-45	Apr-45	May-45	Jun-45	Jul-45	Aug-45	Sep-45	Oct-45	Nov-45	Dec-45	Jan-46	Feb-46	Mar-46	Apr-46	May-46	Jun-46	Jul-46	Aug-46	Sep-46	Oct-46	Nov-46	Dec-46	Jan-47	Feb-47	Mar-47	Apr-47	May-47	Jun-47	Jul-47	Aug-47	Sep-47	Oct-47	Nov-47	Dec-47	Jan-48	Feb-48	Mar-48	Apr-48	May-48	Jun-48	Jul-48	Aug-48	Sep-48	Oct-48	Nov-48	Dec-48	Jan-49	Feb-49	Mar-49	Apr-49	May-49	Jun-49	Jul-49	Aug-49	Sep-49	Oct-49	Nov-49	Dec-49	Jan-50	Feb-50	Mar-50	Apr-50	May-50	Jun-50	Jul-50	Aug-50	Sep-50	Oct-50	Nov-50	Dec-50	Jan-51	Feb-51	Mar-51	Apr-51	May-51	Jun-51	Jul-51	Aug-51	Sep-51	Oct-51	Nov-51	Dec-51	Jan-52	Feb-52	Mar-52	Apr-52	May-52	Jun-52	Jul-52	Aug-52	Sep-52	Oct-52	Nov-52	Dec-52	Jan-53	Feb-53	Mar-53	Apr-53	May-53	Jun-53	Jul-53	Aug-53	Sep-53	Oct-53	Nov-53	Dec-53	Jan-54	Feb-54	Mar-54	Apr-54	May-54	Jun-54	Jul-54	Aug-54	Sep-54	Oct-54	Nov-54	Dec-54	Jan-55	Feb-55	Mar-55	Apr-55	May-55	Jun-55	Jul-55	Aug-55	Sep-55	Oct-55	Nov-55	Dec-55	Jan-56	Feb-56	Mar-56	Apr-56	May-56	Jun-56	Jul-56	Aug-56	Sep-56	Oct-56	Nov-56	Dec-56	Jan-57	Feb-57	Mar-57	Apr-57	May-57	Jun-57	Jul-57	Aug-57	Sep-57	Oct-57	Nov-57	Dec-57	Jan-58	Feb-58	Mar-58	Apr-58	May-58	Jun-58	Jul-58	Aug-58	Sep-58	Oct-58	Nov-58	Dec-58	Jan-59	Feb-59	Mar-59	Apr-59	May-59	Jun-59	Jul-59	Aug-59	Sep-59	Oct-59	Nov-59	Dec-59	Jan-60	Feb-60	Mar-60	Apr-60	May-60	Jun-60	Jul-60	Aug-60	Sep-60	Oct-60	Nov-60	Dec-60	Jan-61	Feb-61	Mar-61	Apr-61	May-61	Jun-61	Jul-61	Aug-61	Sep-61	Oct-61	Nov-61	Dec-61	Jan-62	Feb-62	Mar-62	Apr-62	May-62	Jun-62	Jul-62	Aug-62	Sep-62	Oct-62	Nov-62	Dec-62	Jan-63	Feb-63	Mar-63	Apr-63	May-63	Jun-63	Jul-63	Aug-63	Sep-63	Oct-63	Nov-63	Dec-63	Jan-64	Feb-64	Mar-64	Apr-64	May-64	Jun-64	Jul-64	Aug-64	Sep-64	Oct-64	Nov-64	Dec-64	Jan-65	Feb-65	Mar-65	Apr-65	May-65	Jun-65	Jul-65	Aug-65	Sep-65	Oct-65	Nov-65	Dec-65	Jan-66	Feb-66	Mar-66	Apr-66	May-66	Jun-66	Jul-66	Aug-66	Sep-66	Oct-66	Nov-66	Dec-66	Jan-67	Feb-67	Mar-67	Apr-67	May-67	Jun-67	Jul-67	Aug-67	Sep-67	Oct-67	Nov-67	Dec-67	Jan-68	Feb-68	Mar-68	Apr-68	May-68	Jun-68	Jul-68	Aug-68	Sep-68	Oct-68	Nov-68	Dec-68	Jan-69	Feb-69	Mar-69	Apr-69	May-69	Jun-69	Jul-69	Aug-69	Sep-69	Oct-69	Nov-69	Dec-69	Jan-70	Feb-70	Mar-70	Apr-70	May-70	Jun-70	Jul-70	Aug-70	Sep-70	Oct-70	Nov-70	Dec-70	Jan-71	Feb-71	Mar-71	Apr-71	May-71	Jun-71	Jul-71	Aug-71	Sep-71	Oct-71	Nov-71	Dec-71	Jan-72	Feb-72	Mar-72	Apr-72	May-72	Jun-72	Jul-72	Aug-72	Sep-72	Oct-72	Nov-72	Dec-72	Jan-73	Feb-73	Mar-73	Apr-73	May-73	Jun-73	Jul-73	Aug-73	Sep-73	Oct-73	Nov-73	Dec-73	Jan-74	Feb-74	Mar-74	Apr-74	May-74	Jun-74	Jul-74	Aug-74	Sep-74	Oct-74	Nov-74	Dec-74	Jan-75	Feb-75	Mar-75	Apr-75	May-75	Jun-75	Jul-75	Aug-75	Sep-75	Oct-75	Nov-75	Dec-75	Jan-76	Feb-76	Mar-76	Apr-76	May-76	Jun-76	Jul-76	Aug-76	Sep-76	Oct-76	Nov-76	Dec-76	Jan-77	Feb-77	Mar-77	Apr-77	May-77	Jun-77	Jul-77	Aug-77	Sep-77	Oct-77	Nov-77	Dec-77	Jan-78	Feb-78	Mar-78	Apr-78	May-78	Jun-78	Jul-78	Aug-78	Sep-78	Oct-78	Nov-78	Dec-78	Jan-79	Feb-79	Mar-79	Apr-79	May-79	Jun-79	Jul-79	Aug-79	Sep-79	Oct-79	Nov-79	Dec-79	Jan-80	Feb-80	Mar-80	Apr-80	May-80	Jun-80	Jul-80	Aug-80	Sep-80	Oct-80	Nov-80	Dec-80	Jan-81	Feb-81	Mar-81	Apr-81	May-81	Jun-81	Jul-81	Aug-81	Sep-81	Oct-81	Nov-81	Dec-81	Jan-82	Feb-82	Mar-82	Apr-82	May-82	Jun-82	Jul-82	Aug-82	Sep-82	Oct-82	Nov-82	Dec-82	Jan-83	Feb-83	Mar-83	Apr-83	May-83	Jun-83	Jul-83	Aug-83	Sep-83	Oct-83	Nov-83	Dec-83	Jan-84	Feb-84	Mar-84	Apr-84	May-84	Jun-84	Jul-84	Aug-84	Sep-84	Oct-84	Nov-84	Dec-84	Jan-85	Feb-85	Mar-85	Apr-85	May-85	Jun-85	Jul-85	Aug-85	Sep-85	Oct-85	Nov-85	Dec-85	Jan-86	Feb-86	Mar-86	Apr-86	May-86	Jun-86	Jul-86	Aug-86	Sep-86	Oct-86	Nov-86	Dec-86	Jan-87	Feb-87	Mar-87	Apr-87	May-87	Jun-87	Jul-87	Aug-87	Sep-87	Oct-87	Nov-87	Dec-87	Jan-88	Feb-88	Mar-88	Apr-88	May-88	Jun-88	Jul-88	Aug-88	Sep-88	Oct-88	Nov-88	Dec-88	Jan-89	Feb-89	Mar-89	Apr-89	May-89	Jun-89	Jul-89	Aug-89	Sep-89	Oct-89	Nov-89	Dec-89	Jan-90	Feb-90	Mar-90	Apr-90	May-90	Jun-90	Jul-90	Aug-90	Sep-90	Oct-90	Nov-90	Dec-90	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	Jan-92	Feb-92	Mar-92	Apr-92	May-92	Jun-92	Jul-92	Aug-92	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93	Feb-93	Mar-93	Apr-93	May-93	Jun-93	Jul-93	Aug-93	Sep-93	Oct-93	Nov-93	Dec-93	Jan-94	Feb-94	Mar-94	Apr-94	May-94	Jun-94	Jul-94	Aug-94	Sep-94	Oct-94	Nov-94	Dec-94	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95	Jul-95	Aug-95	Sep-95	Oct-95	Nov-95	Dec-95	Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96	Jan-97	Feb-97	Mar-97	Apr-97	May-97	Jun-97	Jul-97	Aug-97	Sep-97	Oct-97	Nov-97	Dec-97	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98	Jul-98	Aug-98	Sep-98	Oct-98	Nov-98	Dec-98	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sep-27	Oct-27	Nov-27	Dec-27	Jan-28	Feb-28	Mar-28	Apr-28	May-28	Jun-28	Jul-28	Aug-28	Sep-28	Oct-28	Nov-28	Dec-28	Jan-29	Feb-29	Mar-29	Apr-29	May-29	Jun-29	Jul-29	Aug-29	Sep-29	Oct-29	Nov-29	Dec-29	Jan-30	Feb-30	Mar-30	Apr-30	May-30	Jun-30	Jul-30	Aug-30	Sep-30	Oct-30	Nov-30	Dec-30	Jan-31	Feb-31	Mar-31	Apr-31	May-31	Jun-31	Jul-31	Aug-31	Sep-31	Oct-31	Nov-31	Dec-31	Jan-32	Feb-32	Mar-32

# Company Analysis: Beyond Meat

Best Idea **SHORT** – BYND

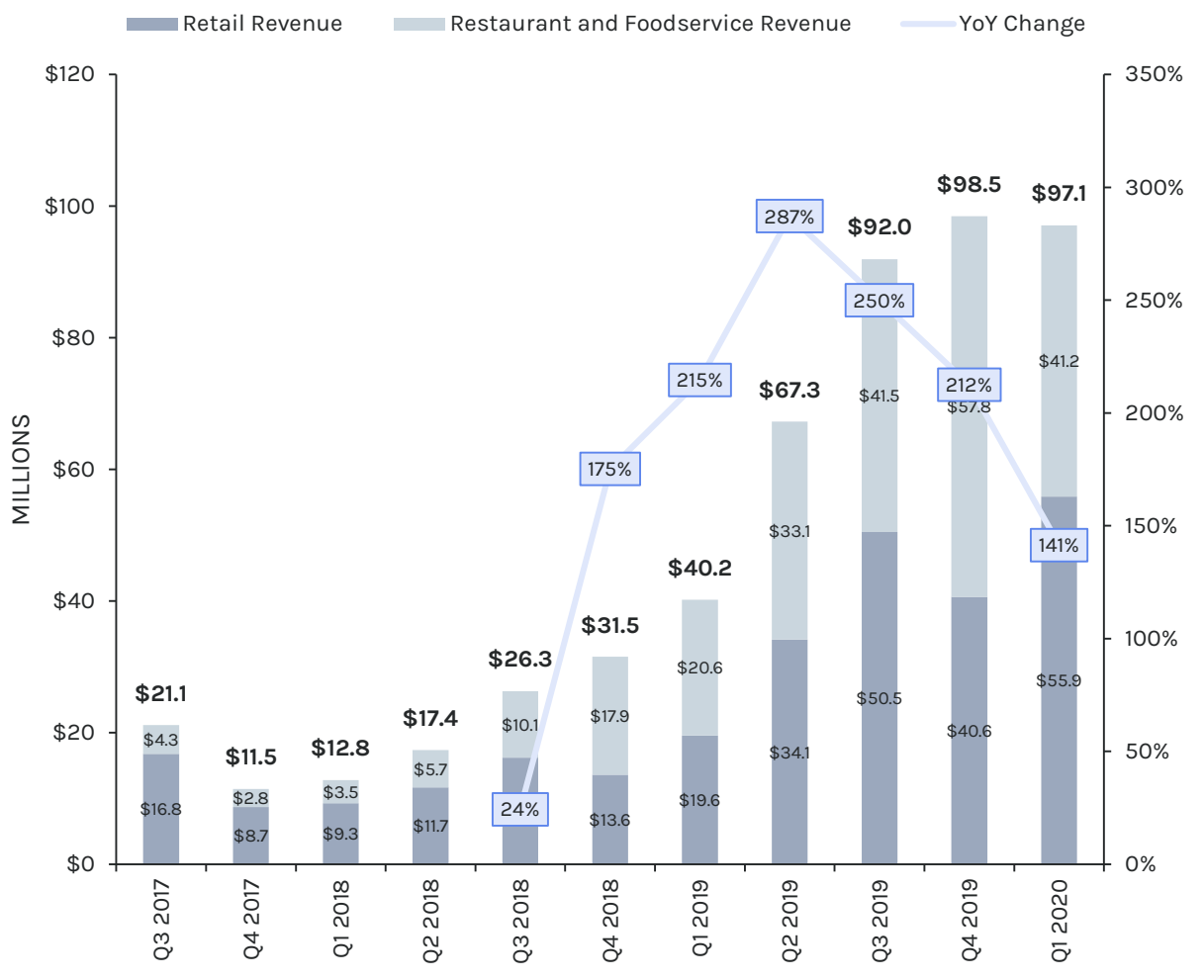


# BEYOND MEAT®

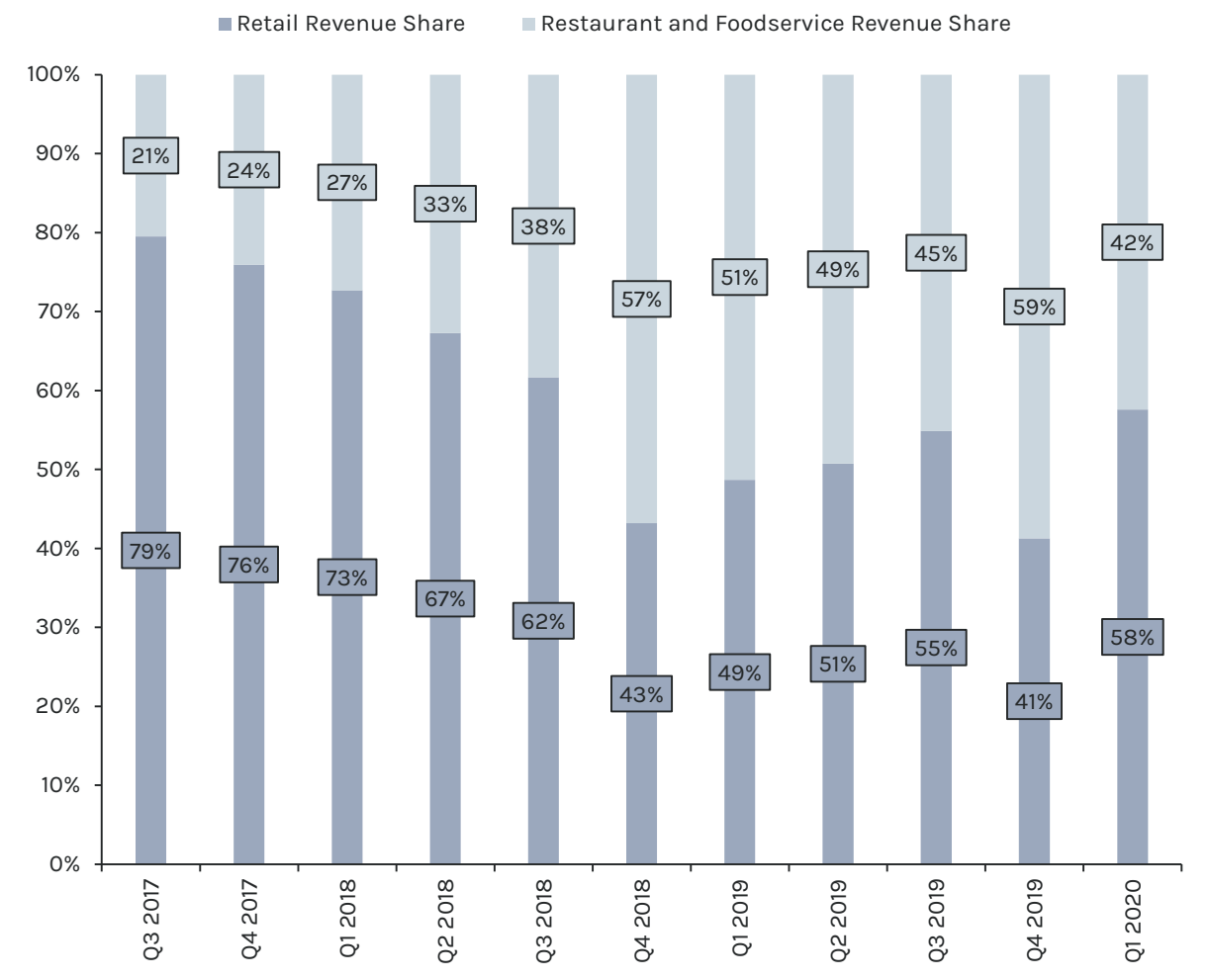
# BYND | Retail & Restaurant/Foodservice Revenues

141% YoY Growth in 1Q20, But First Sequential Decline in Top-line Since 4Q17

RETAIL & RESTAURANT/FOODSERVICE REVENUE 3Q17 – 1Q20



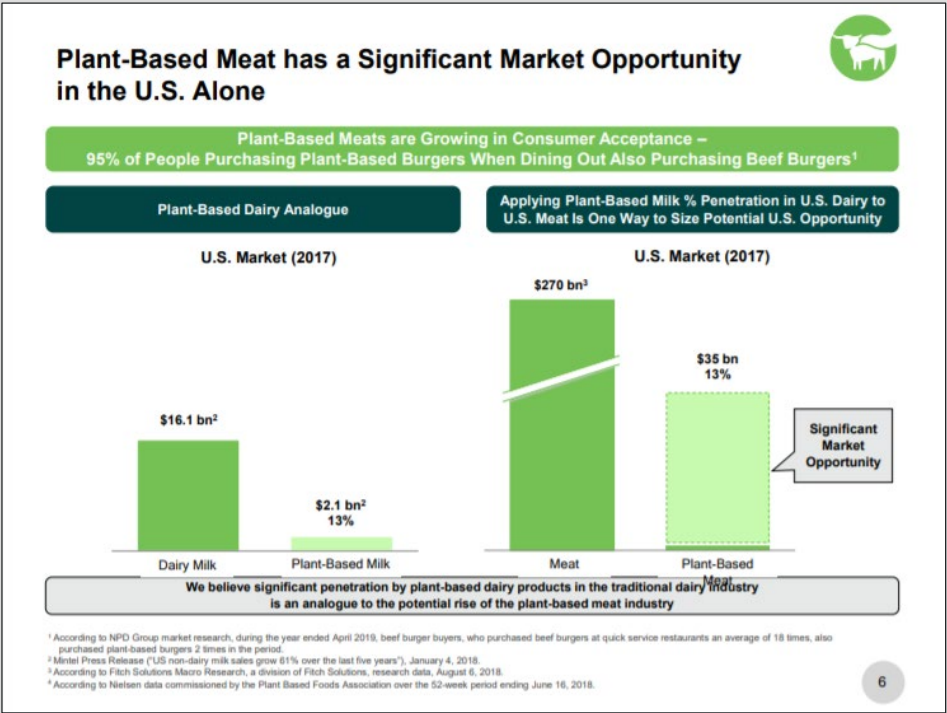
RETAIL & RESTAURANT/FOODSERVICE SHARE 3Q17 – 1Q20



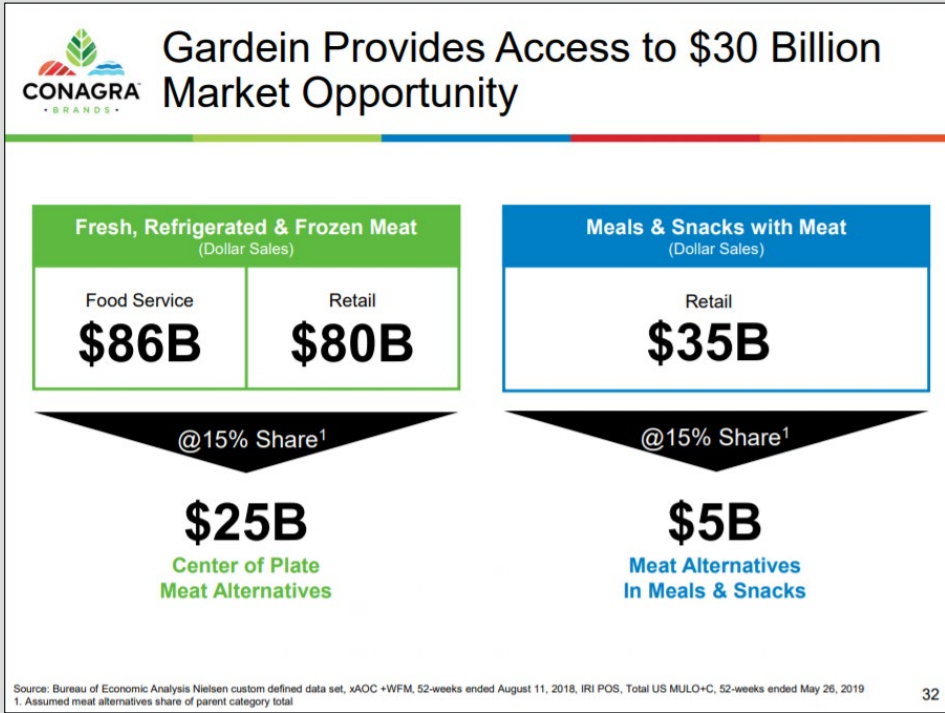


The Plant-based Milk Category Is an Often-Used Metric to Size the Market Potential

SLIDE FROM BYND’S 3Q19 INVESTOR PRESENTATION



SLIDE FROM CAG’S FY19 INVESTOR PRESENTATION



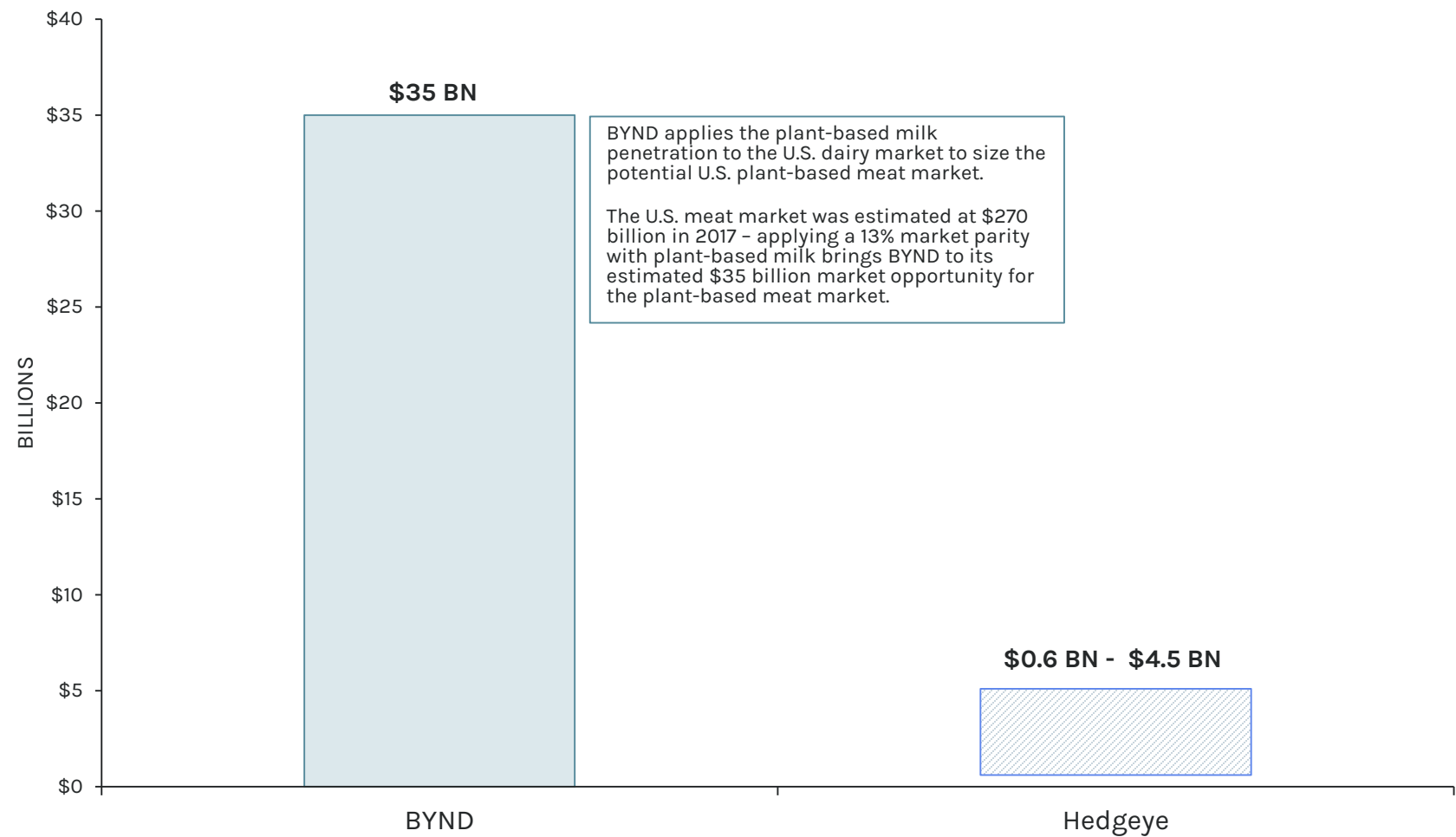
BYND’s management favors using the plant-based milk market penetration into dairy milk to project the potential plant-based meat market. Conagra Foods in their FY19 investor presentation has likewise estimated the market potential for their plant-based meat brand Gardein using the plant-based milk category, estimating a lower \$30 billion opportunity in the US.

However, is it sensible to assume that the plant-based meat market can reach parity with the plant-based milk market?

# BYND | Sizing the U.S. Opportunity

## Hedgeye Estimates the U.S. TAM for Plant-based Meat at \$0.6 - \$4.5 Billion

Estimates of the U.S. Plant-based Meat TAM



About 12% of Americans and 65% of the global population have reduced ability to digest lactose after infancy.

Red meat is the animal protein sought to be replaced. Different health attributes and significantly lower price of poultry effectively reduces the replacement market by ~25%.

BYND’s premium pricing at 2x alternate vegetarian options and 3x beef limits its TAM.

Considering premium food brands like Ben & Jerry’s and Annie’s suggest a 9% share of a category as a ceiling.

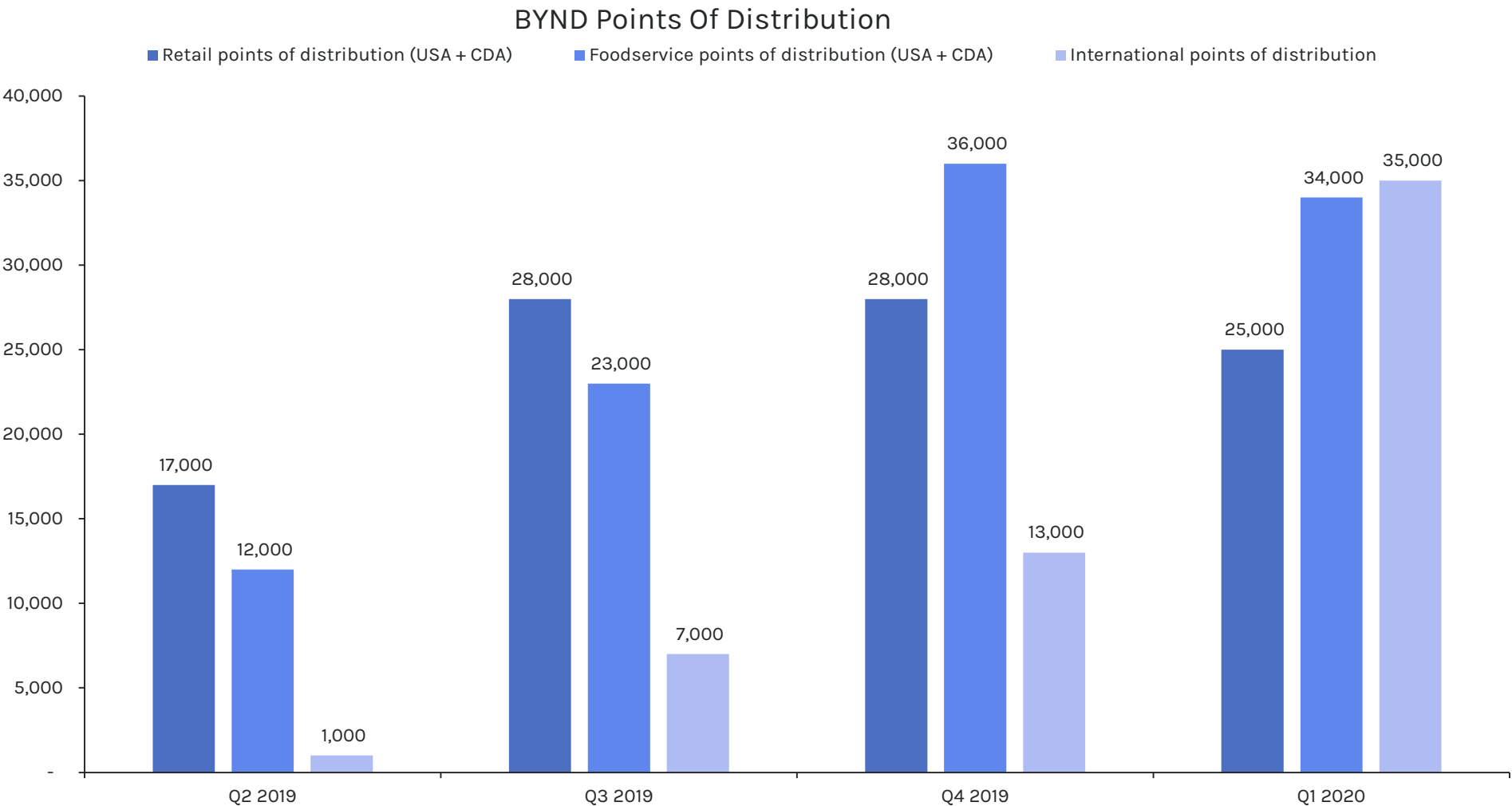
Organic food share is 5-6% of U.S. food sales, and grass-fed beef is ~1% of U.S. beef sales.

New entrants, like Nestle, Sysco, etc., will also take share if plant-based meat becomes more of a commodity, like most food items, creating a 70% share ceiling.

Retail markup is 100% in beef and 170% in pork.

70% share of 1-9% of the wholesale red meat market makes for our estimated TAM of **\$0.6B - \$5.4B**.

## Sequential Decline in Foodservice at Pandemic Onset

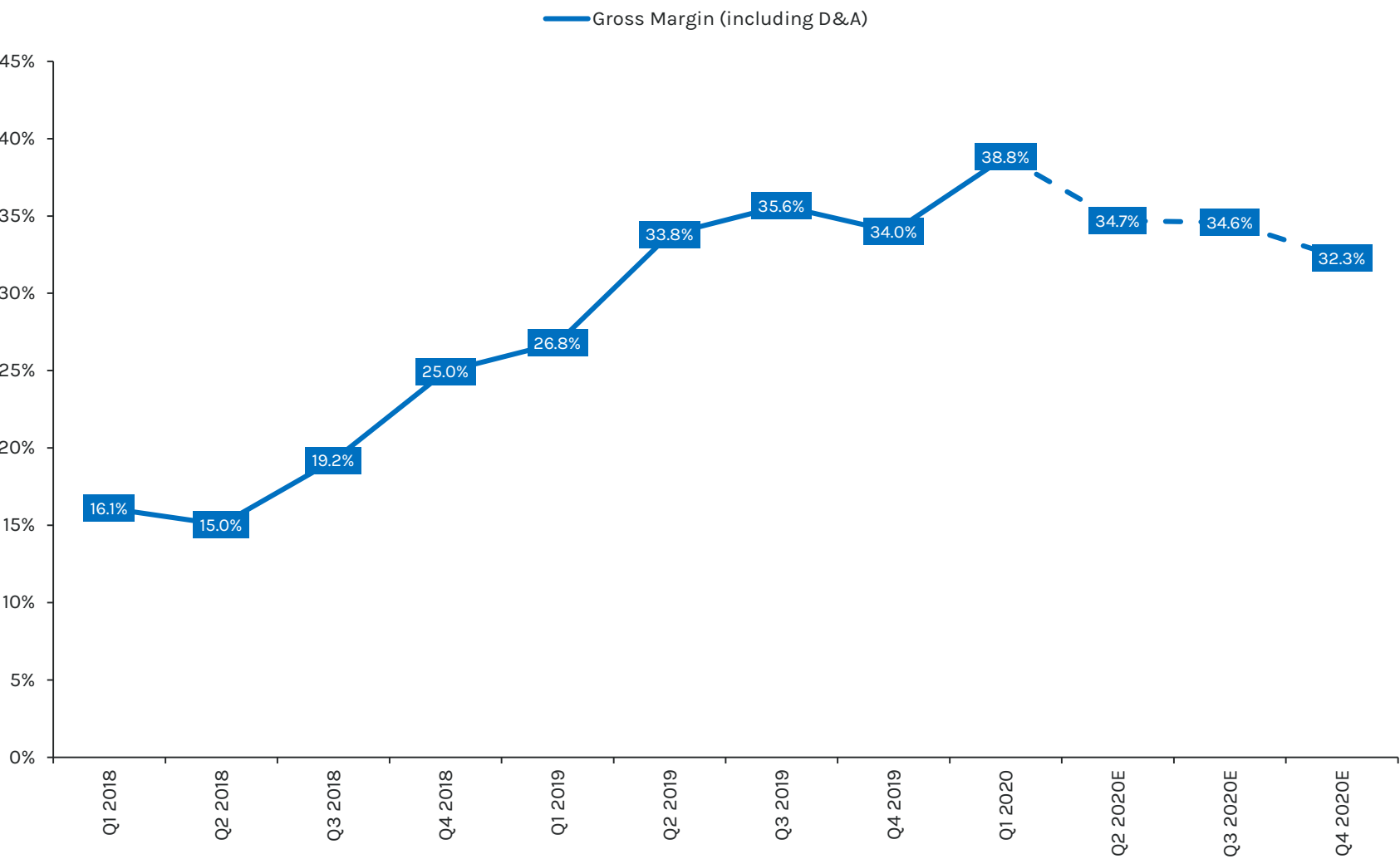


If the industry was growing to become a \$35 billion TAM, points of distribution in the USA would not be declining!

1Q20 was the first quarter since going public this occurred.

# BYND | Gross Margin Headwinds in FY20

## 1Q20 YoY Jump of 1,200 BPS Likely As Good As It Gets For the Foreseeable Future



“While we are extremely pleased with our strong gross margin performance in Q1 2020, we do expect near-term headwinds at the gross profit level associated with volume deleveraging and repackaging costs as we repurpose a certain portion of our existing foodservice inventory into retail SKUs. In light of these factors, we expect our gross margin to be sequentially lower in Q2 2020 compared to our strong margin performance in Q1 2020.”

CEO Ethan Brown, 1Q20 Earnings Call

As the company continues to build excess capacity, and the real opportunity falls short of the company inflated TAM, the target of mid to high-30s gross margins is going to be challenging to achieve.

We anticipate sequential decline in gross margins for the rest of FY20, not just in Q2.

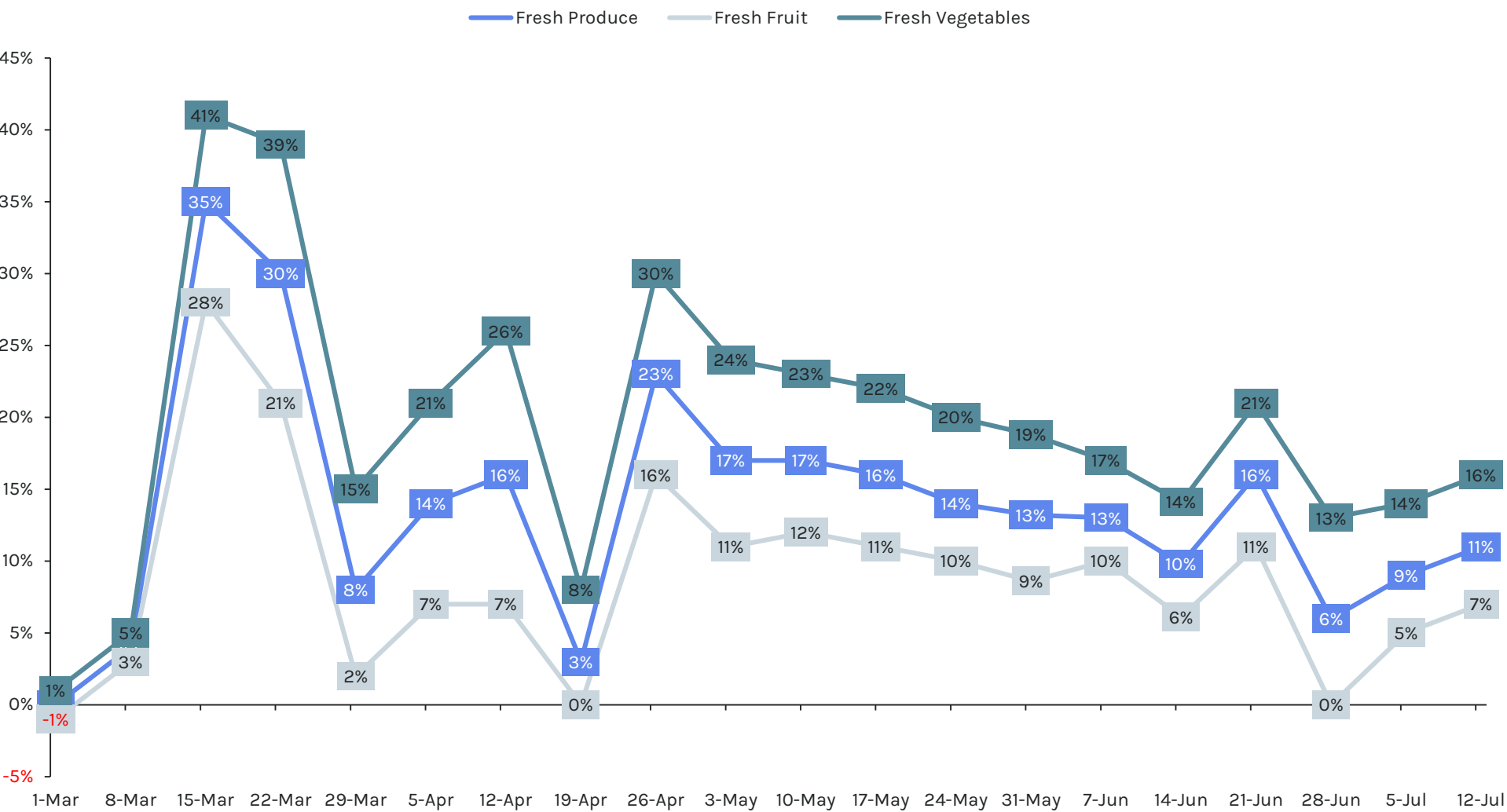
# Company Analysis: Sprouts Farmers Market

Best Idea LONG – SFM



# SFM | Fresh Produce Sales Have Been Elevated

## Sales Growth vs. 2019 Comparable Week



In the week ended July 5, fresh produce sales accelerated 300bps week over week to 9.1%, as seen in the accompanying chart.

Fresh vegetable sales have grown more than double digits since mid-April. Fresh vegetables demand indicates home meal preparation has remained elevated as consumers do not stockpile it.

Fresh fruit is more of an impulse purchase, and the drop in time spent at the grocery store could be responsible for the slower growth compared to vegetables.

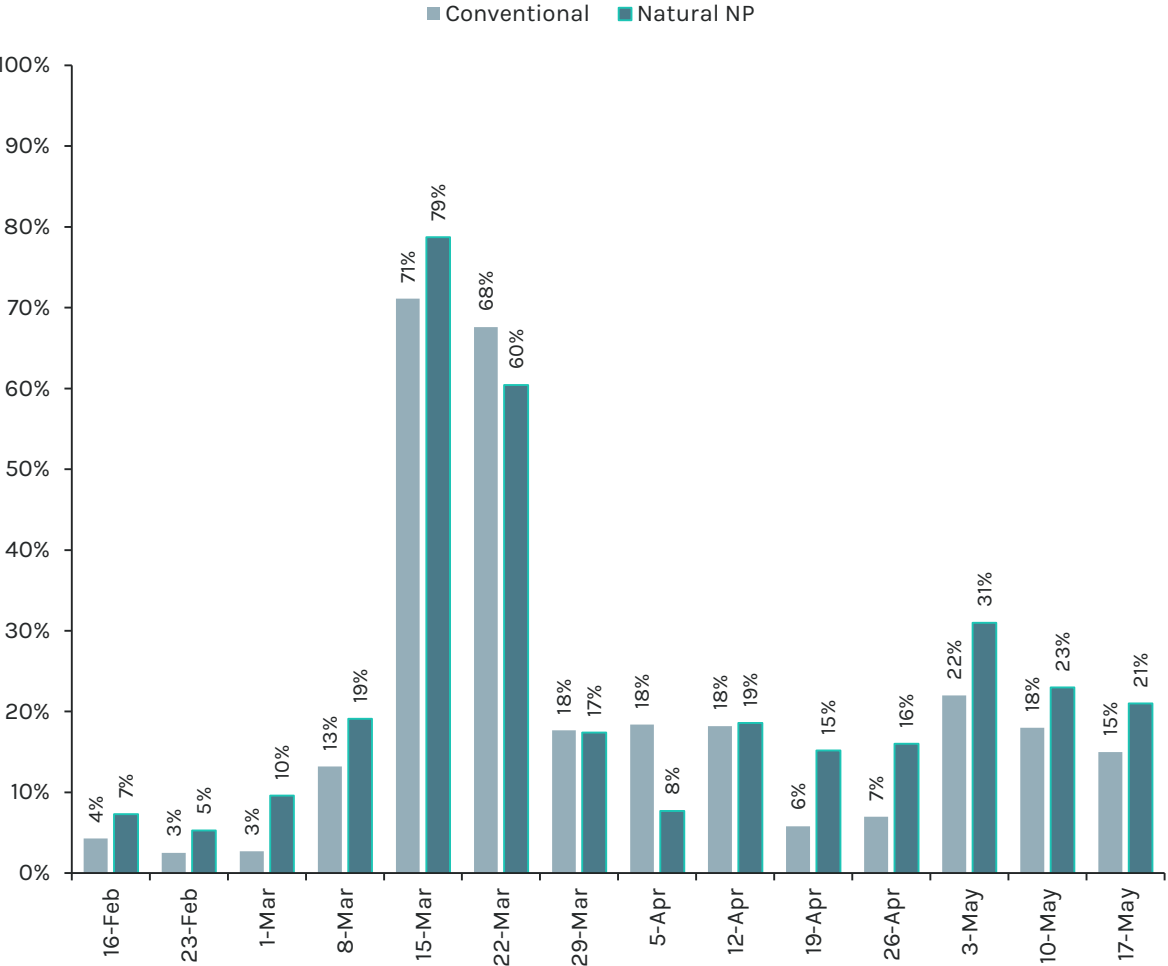
Sprouts Farmers Market uses fresh produce to drive traffic to its stores.



# SFM | Natural Products Outpacing Conventional Goods

In a Global Pandemic, Consumers Prioritize Personal Wellbeing & Health

CONVENTIONAL VS. NATURAL / DOLLAR SALES % YOY CHANGE

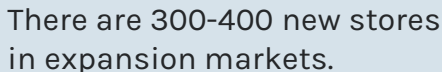


MULTI-VITAMIN GROWTH OVER QUAD WEEKS

Functional Ingredient	4 Weeks Ended 03-22-20	4 Weeks Ended 04-19-20	4 Weeks Ended 05-17-20
Mushrooms - Cordycep	1183%	726%	1101%
Black Seed (Cumin)	276%	323%	233%
Elderberry	430%	316%	184%
Chamomile	276%	174%	166%
Algae - Other	0%	21%	124%
Ashwaganda	68%	59%	121%
Echinacea	221%	164%	83%
Moringa	72%	40%	61%
Collagen Products	79%	35%	60%
Melatonin	53%	41%	58%
Vitamin C (Not Ester-C)	200%	111%	55%
Zinc	168%	83%	50%
Spirulina Blue Green Algae	83%	46%	50%
Oregano	277%	110%	16%

**HEDGEYE**

For fiscal 2020, pre-COVID guidance laid out plans to expand store base with approximately 20 store openings.

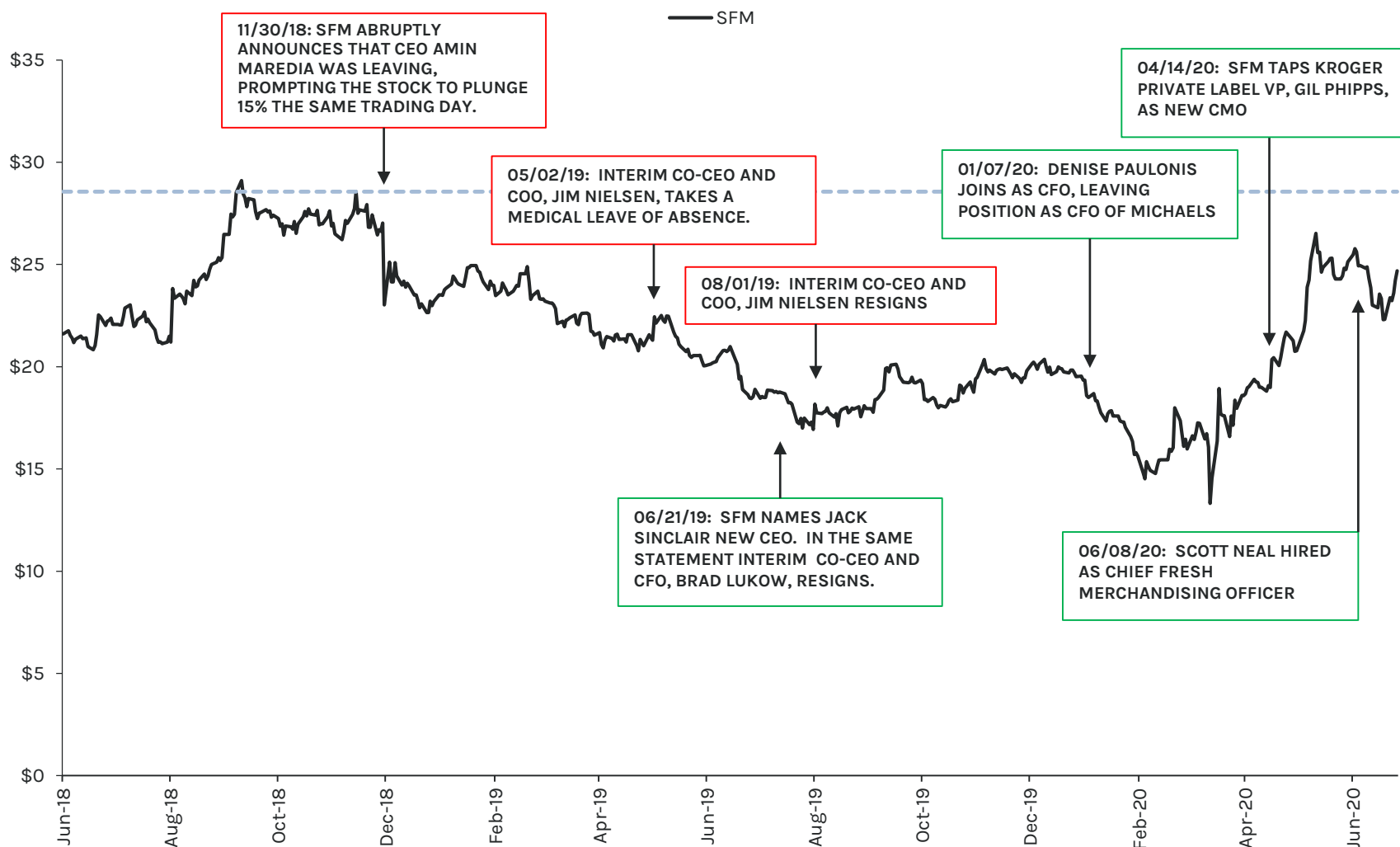


The company's supply chain currently consists of five distribution centers. Expansion plans aspire to have additional Florida and Colorado distribution centers in 2020/2021 and a mid-Atlantic distribution center in 2021/2022, ultimately having most stores within 250 miles to a distribution center from 500 miles currently.

Data Source: Company documents

# SFM | Management Team Now Stabilized

## Shares Are Still Below Where They Were Before the Former CEO Resigned



CEO Jack Sinclair joined SFM in June 2019. He was previously CEO of 99 Cents Only Stores since 2018. Prior to that he was Chief Merchandising Officer. From 2007 to 2015 he was EVP of the US grocery business at Walmart.

CFO Denise Paulonis was recently hired from Michaels where she was the CFO.

Scott Neal was recently hired as Chief Fresh Merchandising Officer. He was previously SVP and General merchandise manager for the fresh food division of Walmart.

Gil Phipps was recently hired as Chief Marketing Officer. He was previously the VP of branding, marketing, and “our brands” at Krogers.

This follows the sudden resignation of the former CEO, Amin Maredia, at the end of 2018. The CFO and COO were appointed interim co-CEOs. The COO was on extended medical leave for most of the period while the former CFO resigned when Jack Sinclair was appointed.

# Company Analysis: Constellation Brands

Best Idea LONG – STZ



## Constellation Brands

# STZ | Corona – ‘Find Your Beach’

## Marketing Genius Was Held Back



### MARKETING GENIUS

The tagline to find your beach anywhere with a Corona appeals to everyone no matter your age, sex, or race. Instead of other big beer slogans that emphasize the temperature of the beer, something they don't understand like "cold filtered," or something that's just funny like burping frogs but unrelated, Corona's marketing sets the bar.

### UNIQUE IN BEERS

Corona took what's a liability – beer in a clear glass and added a lime. It's that little bit of theater that makes it unique.

### HISTORICALLY HELD BACK

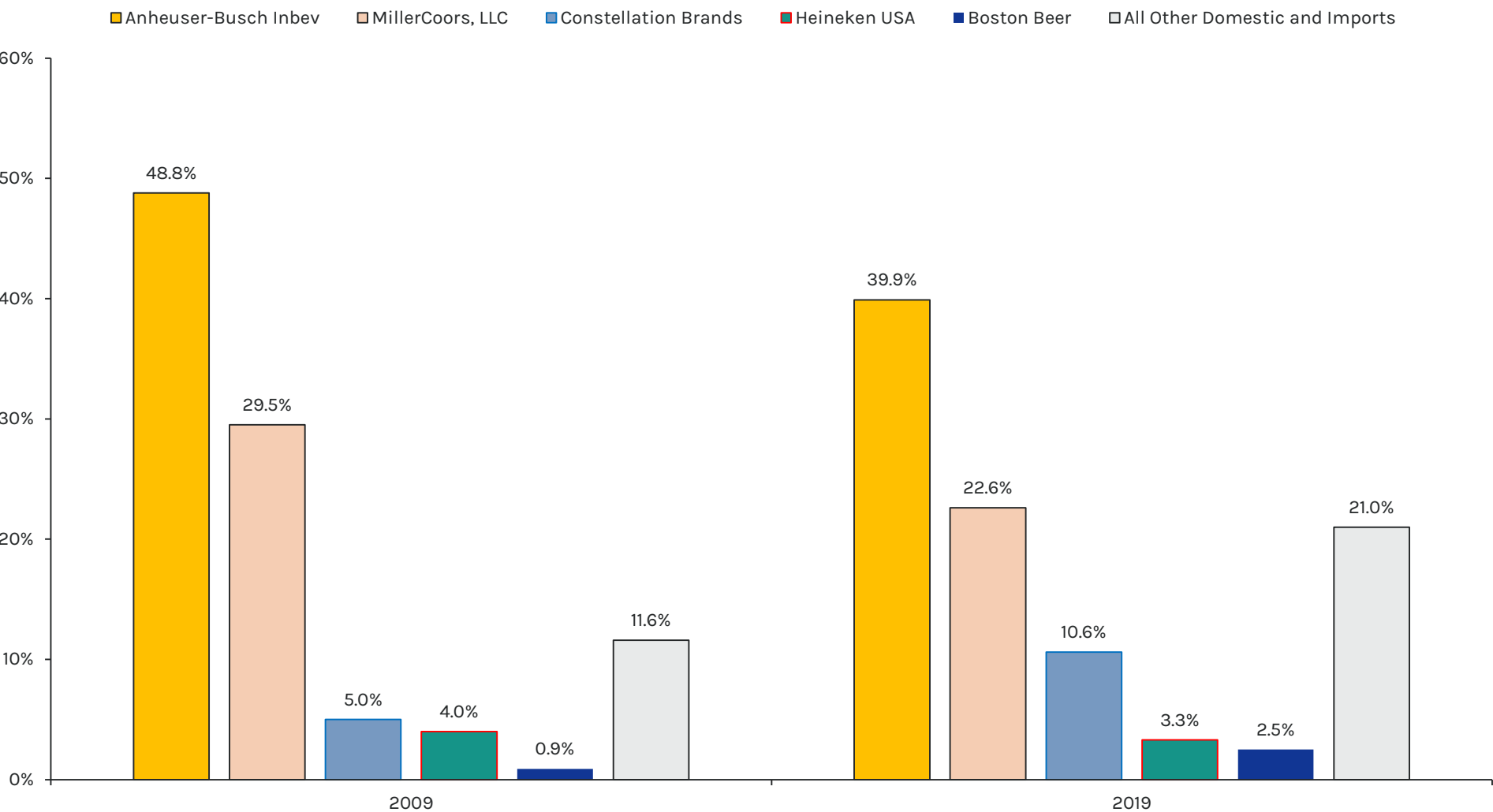
To understand why it still has momentum you have to understand where it came from. Prior management viewed the glass bottle as iconic and limited distribution of cans and draft.

### FLEXING ITS MUSCLES

Some of its distribution partners also held it back due to the Anheuser-Busch relationship Crown did not always have the strongest distributor in each market and in other cases was taken for granted. Crown also did not have its share of shelf space for its turnover.

# STZ | Market Share of Brewers/Importers 2009 – 2019

## STZ Has the Largest Market Share Increase of the Top 5 Brewers/Importers



### % CHANGE IN MARKET SHARE OVER A DECADE

- Anheuser-Busch InBev: **-8.9%**
- MillerCoors, LLC: **-6.9%**
- Constellation Brands: **+5.6%**
- Heineken USA: **-0.7%**
- Boston Beer: **+1.6%**
- All Other Domestic and Imports: **+9.4%**

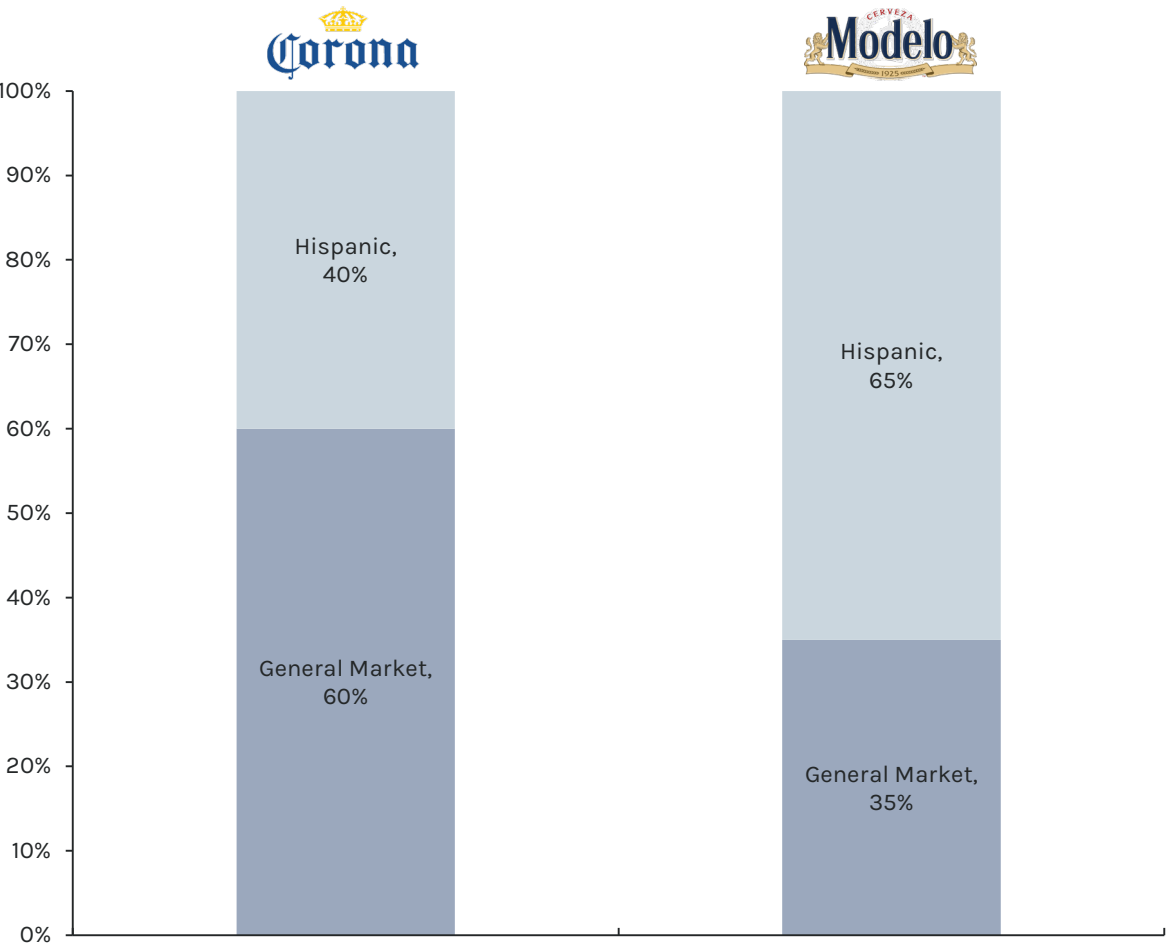
The changing market landscape since 2009 has seen market volume shift from the top 5 brewers/importers to smaller and newer entrants. However, STZ has been an outlier among the legacy players, taking market share from BUD and TAP.



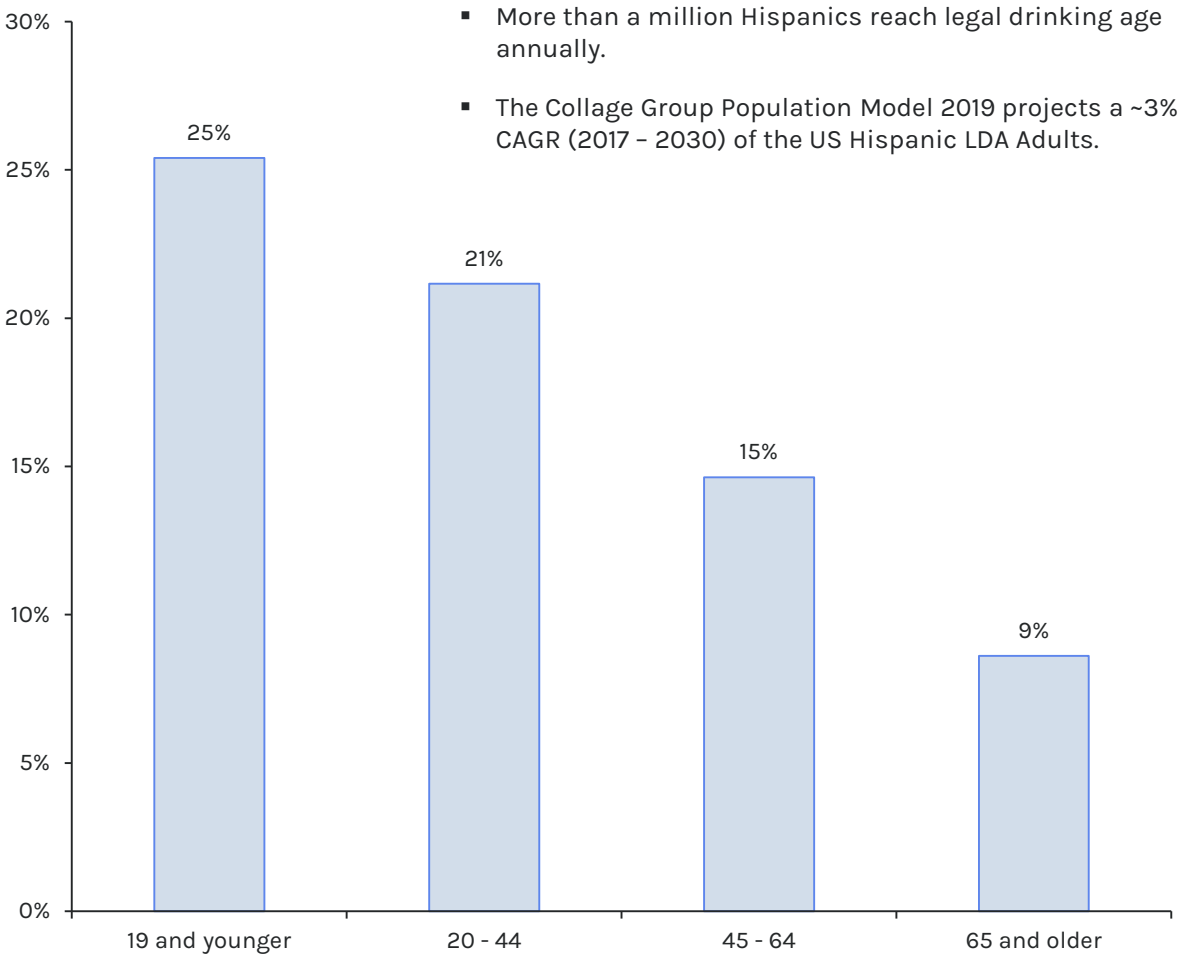
# STZ | Secular Tailwind of the Hispanic Demographic

## Brands Fueled by Strength with Hispanic Consumers

HISPANIC % OF CONSUMERS BY BRAND



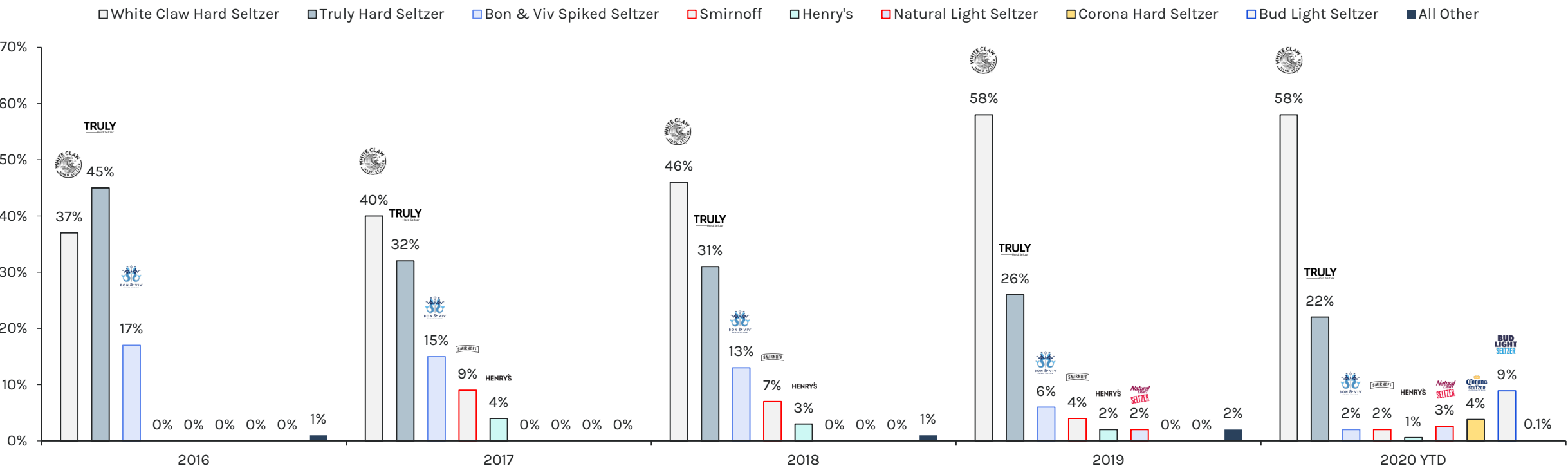
HISPANIC % OF THE US POPULATION BY AGE GROUP – 2019



# STZ | Hard Seltzer Dominated by Early Entrants

## Heading Into 2020, White Claw and Truly Are the Market Leaders

Hard Seltzer Market Share in the US



\*YTD up to 4/18/20. Represents data from retail channels tracked by Nielsen for the year ended Dec. 28, 2019. Sources: Nielsen xAOC, Jefferies

White Claw has been the brand synonymous with the hard seltzer category. According to IRI data, White Claw sold 388,584 cases (24-can) in 2016, 7.3 million cases in 2018, and accelerated to 29.1 million cases in 2019. In 2019, both White Claw and Truly posted triple-digit sales growth. There is no reason to believe all the new entrants will succeed. Rather a few brands may be associated with the category and dominate it.

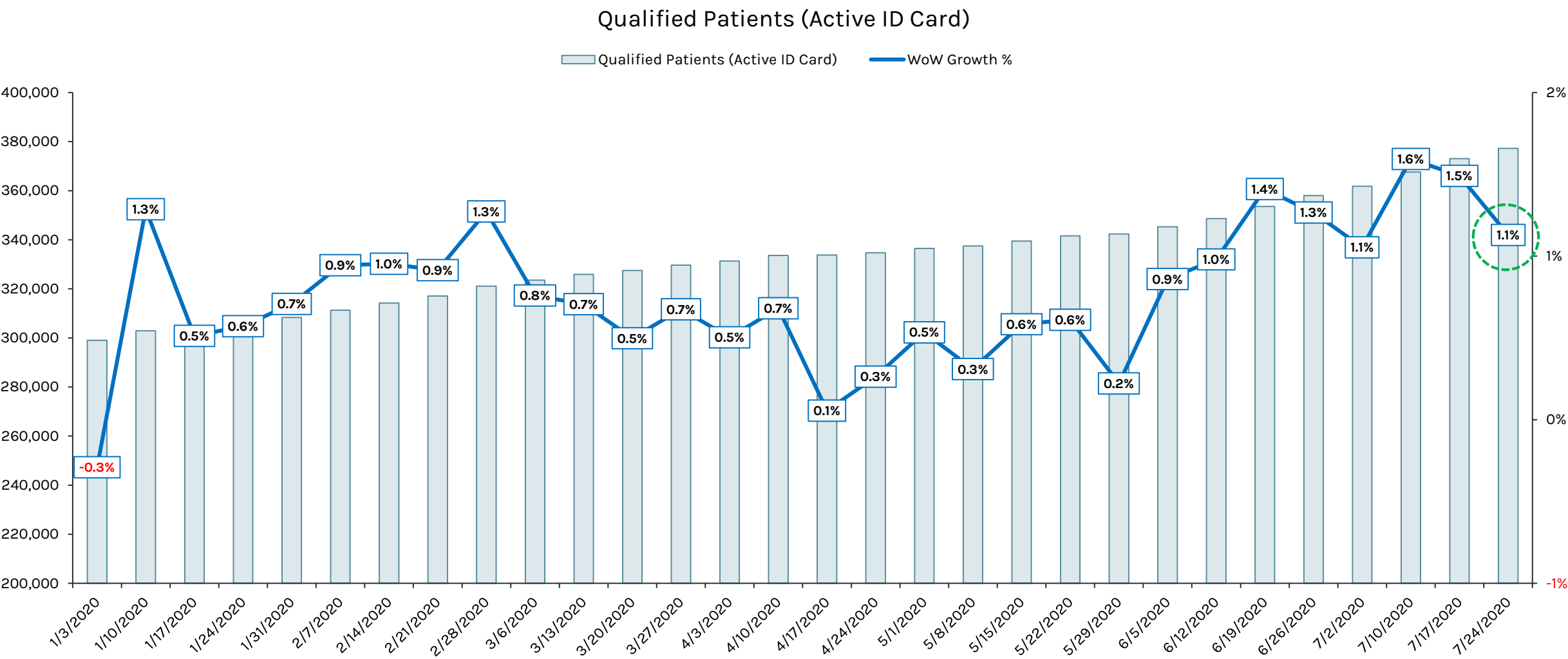
# Company Analysis: Trulieve

Best Idea LONG – TCNNF/TRUL



# TCNNF | Qualified Patients (Active ID Card)

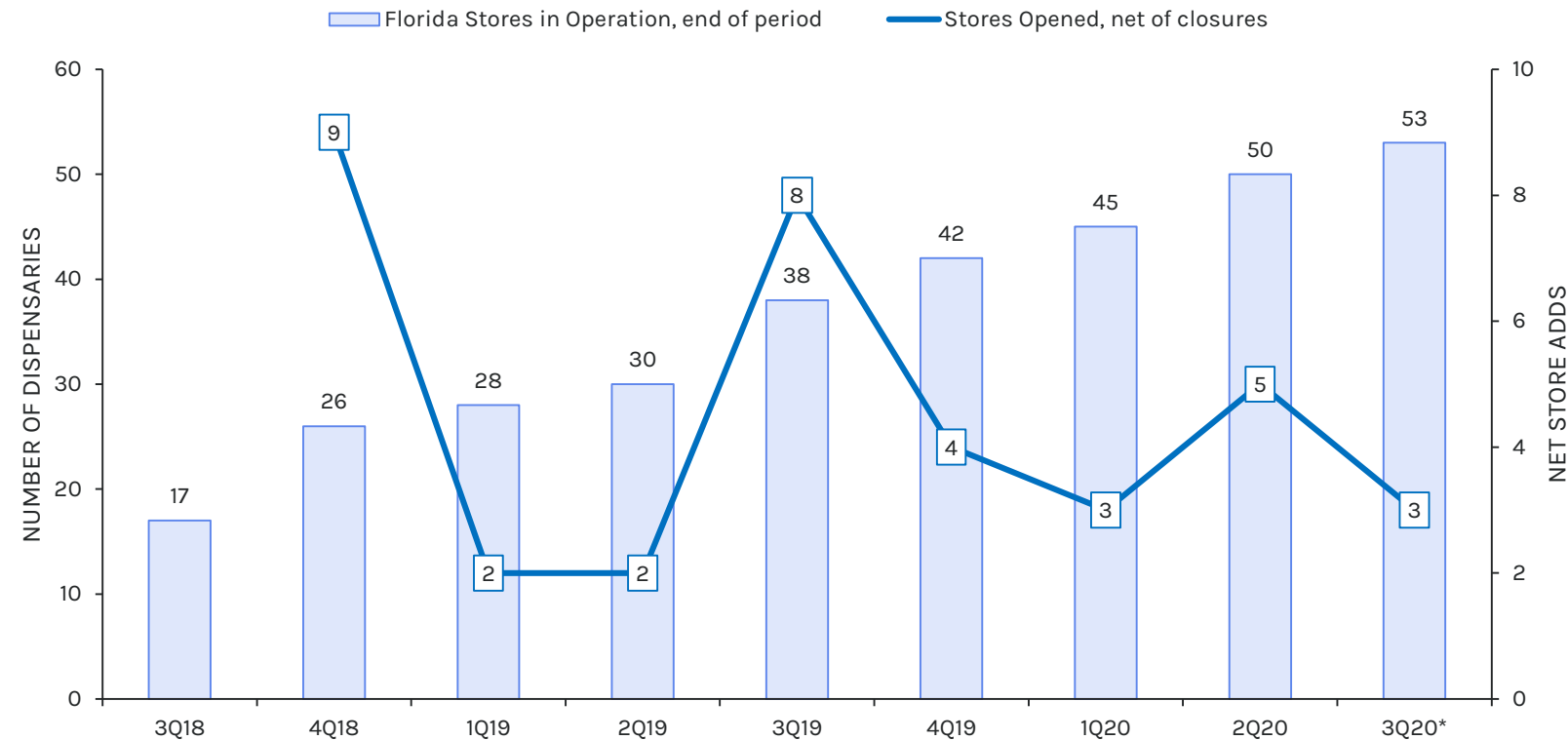
Week Ending July 24<sup>th</sup>



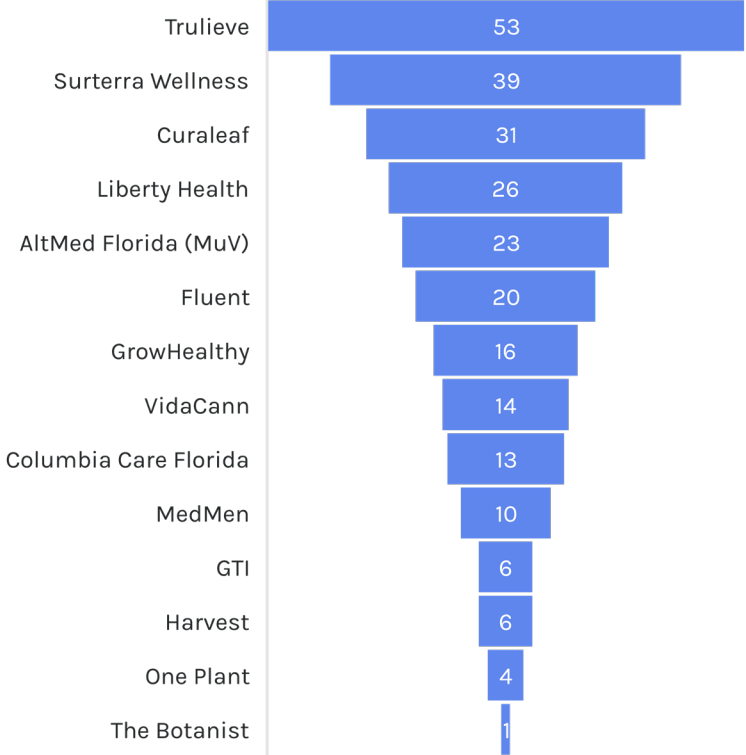
\*7/2 reported on a Thursday due to the holiday weekend of July 3<sup>rd</sup>/July 4<sup>th</sup> falling on a Friday.

# TCNNF | Capturing Patient Adds via Accessibility

NUMBER OF TRULIEVE RETAIL DISPENSARIES IN FLORIDA



DISPENSARY COUNT IN FLORIDA



As of July 2020, Trulieve has the largest dispensary network in Florida. In FY19 alone, Trulieve opened 16 new locations net of closures. Besides their brick-and-mortar operations, Trulieve has their own delivery service at ~200 vehicles strong and call center support, which averaged 4500 daily interactions in Q2 2020.

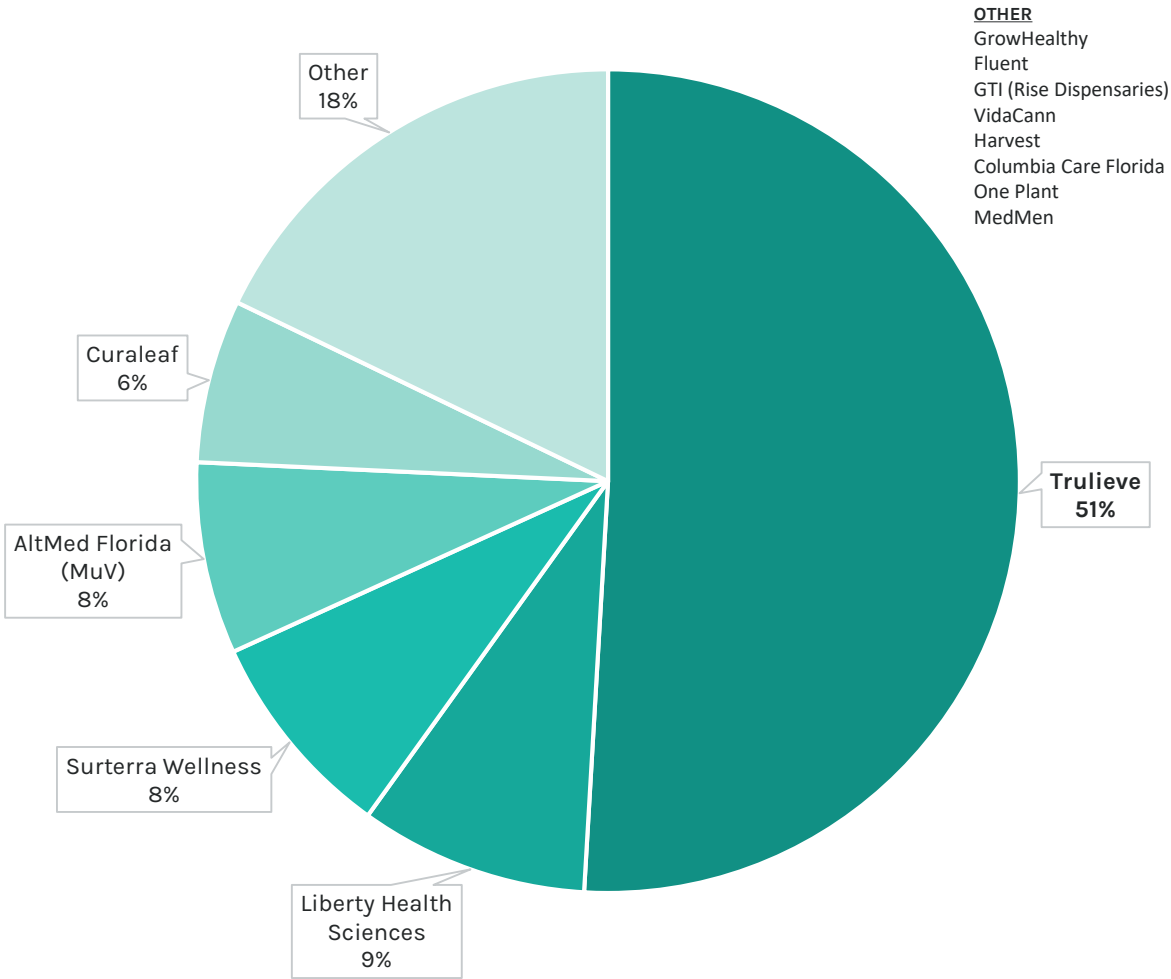
Their tight control over their supply chain and consumers’ experiences is a significant differentiator that shouldn’t be overlooked as simply a complementary service.

\*Unit count and net adds as of 7/27/20

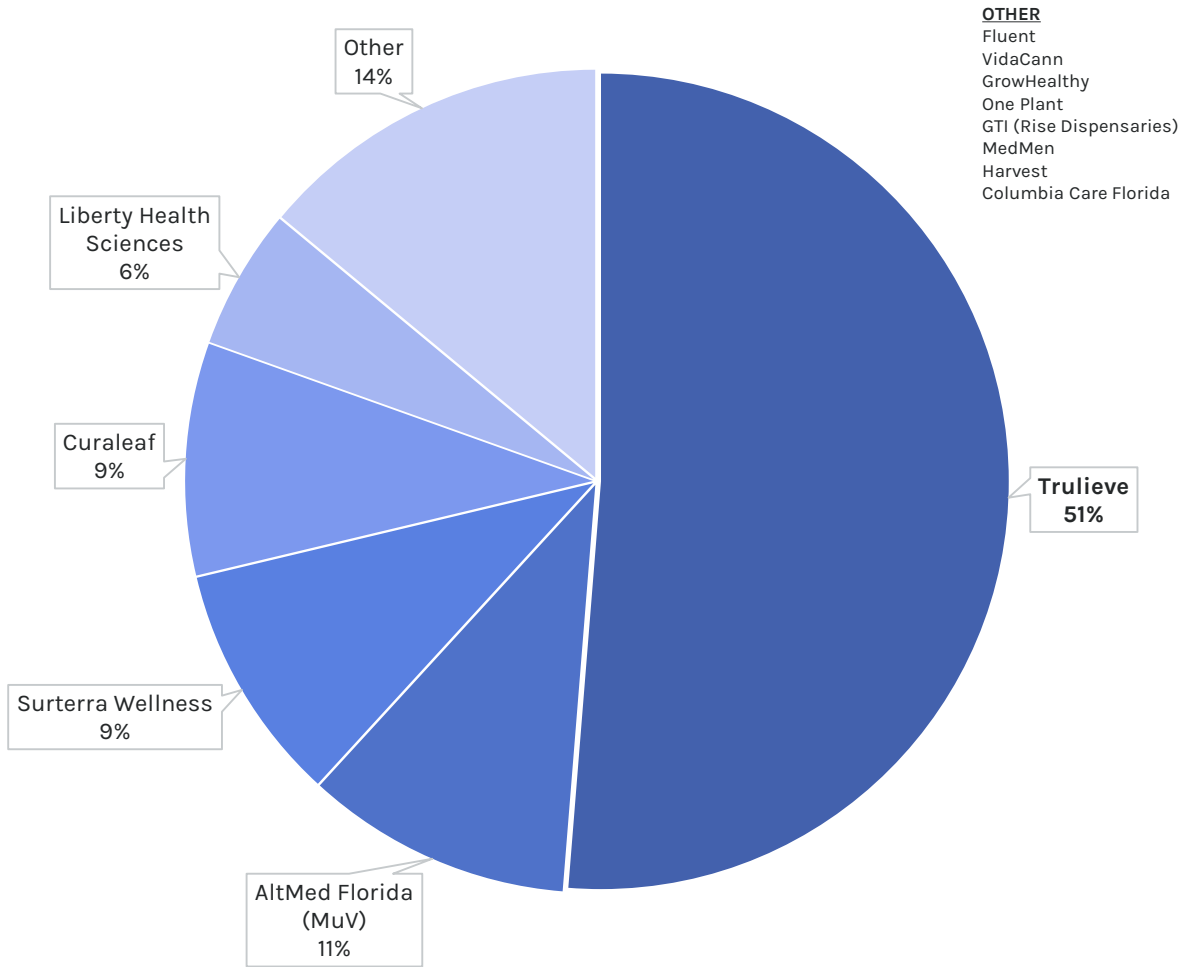
# TCNNF | Market Share of Flower and THC

4 Week Moving Avg. of Week Ending July 24<sup>th</sup>

4 WEEK MOVING AVG. OF MARKET SHARE OF FLOWER (OZ)



4 WEEK MOVING AVG. OF MARKET SHARE OF THC (MGS)





# TCNNF | Promising Outlook in Expansion Outside Florida

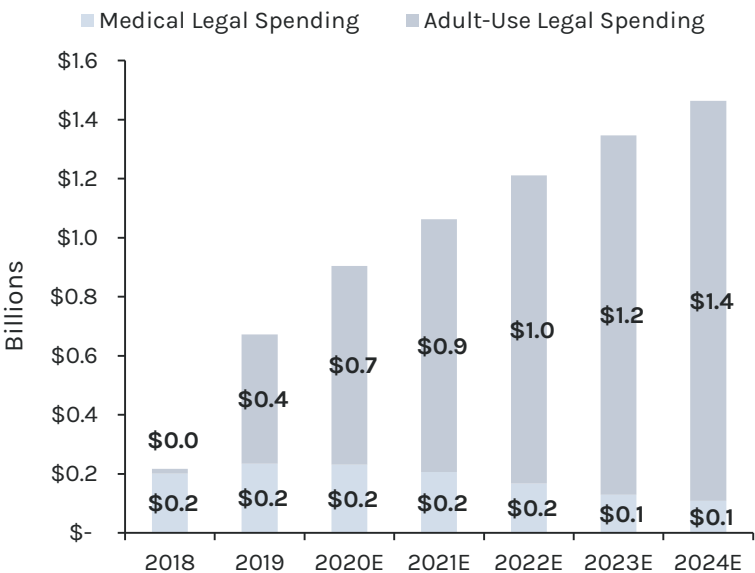
## MASSACHUSETTS

**ACQUISITION:**  
100% acquisition of **Life Essence, Inc**

**STATUS:**  
Not revenue generating, targeted open in **2020**

**LICENSES:**  
3 medical registered marijuana dispensaries  
3 recreation marijuana licenses  
140,000 square foot cultivation and processing facility

MA - Projected Legal Spending



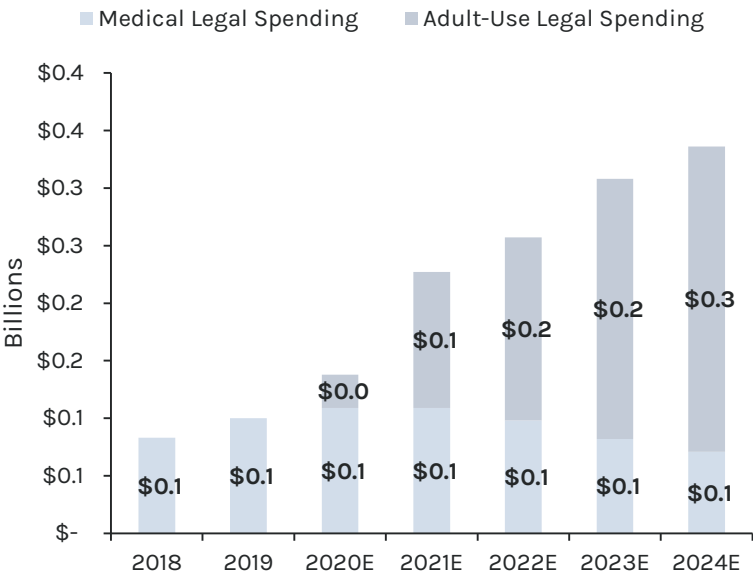
## CONNECTICUT

**ACQUISITION:**  
100% acquisition of **The Healing Corner** in Bristol, CT

**STATUS:**  
Revenue generating, opened in 2014  
Management guidance of >\$9M in 2019 revenues

**LICENSES:**  
Licensed medical dispensary

CT - Projected Legal Spending



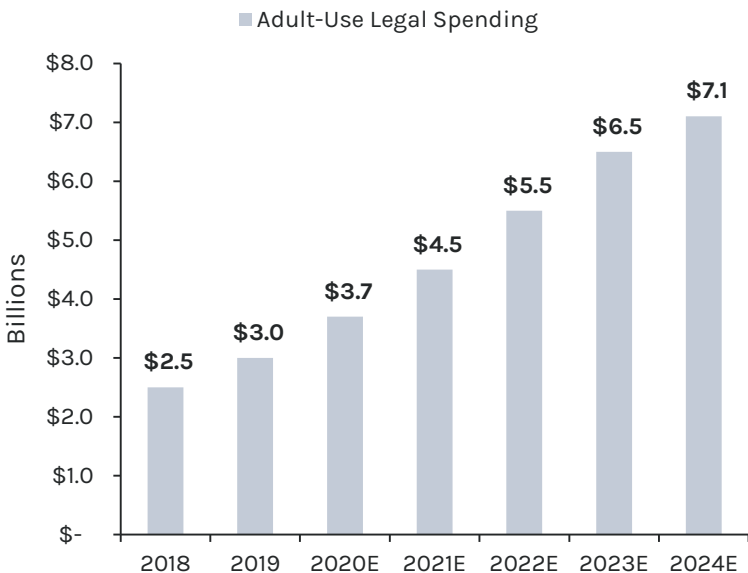
## CALIFORNIA

**ACQUISITION:**  
100% acquisition of **Leef Industries** in Palm Spring, CA

**STATUS:**  
Revenue generating, opened in 2018  
Management guidance of >\$1.2M in 2019 revenues

**LICENSES:**  
Licensed medical and adult-use cannabis dispensary

CA - Projected Legal Spending



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