



Quarterly Corporate Analysis

Walmart Investor Presentation: Inflation Here to Stay

While general merchandise prices are lower y/y, they remain elevated compared to 2 years ago. As Walmart does not believe general merchandise and food (dry grocery) & consumable prices are ever going to completely disinflate, management suggests the need for a country-wide wage increase rebalancing.

Macro/Consumer

- While employment, wage increases, and pockets of disinflation have helped consumers, there is some behavioral change for those under pressure. In any case, Walmart is well positioned to serve value-conscious consumers who are using more excess income to buy general merchandise.
- While consumers are purchasing smaller pack sizes & moving to private brands, Walmart has been able to attract a wide range of income cohorts & reported strong back-to-school results and good momentum for a strong holiday season.

Positioning

- Walmart U.S. is well positioned given: its price competitiveness; investments in e-commerce & tech; and high wages paid to its staff.
- Access benefits from curbside pickup & various forms of delivery.
- The company seeks to expand its basket by pursuing growth opportunities in apparel & home.

Margin Expansion

- Inventory management & supply-chain productivity allow the company to keep prices low while also driving faster operating income growth relative to sales.



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Walmart Inc.	<u>3Q22</u>	<u>4Q22</u>	<u>1Q23</u>	<u>2Q23</u>	<u>LTM</u>
Total Revenues \$MM	\$152,813	\$164,048	\$152,301	\$161,632	\$630,794
Total Revenues / CAGR 1Y	8.7%	7.3%	7.6%	5.7%	7.3%
Gross Profit Margin %	24.3%	23.5%	24.3%	24.6%	24.2%
SG&A Margin %	20.4%	19.7%	20.2%	20.1%	20.1%
EBITDA Margin %	5.7%	5.6%	6.0%	6.3%	5.9%
Capex as % of Revenues	3.0%	2.9%	2.9%	3.0%	3.0%
Free Cash Flow/Revenue	1.2%	5.1%	0.1%	5.4%	3.0%
Return on Total Capital	9.9%	10.8%	10.7%	12.3%	10.6%
Net Debt / EBITDA	1.5	1.3	1.4	1.2	1.3
EV / EBITDA (LTM)	12.2	11.8	11.8	11.8	12.4





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Casey's General Stores 1QFY24: Inside Gross Profit +10% Y/Y

Casey's +5.4% y/y inside same-store sales growth (+12.1% on a 2-year stacked basis) was driven by whole pizza pies, bakery, and alcoholic & nonalcoholic beverages. Strong results drove a +11% increase in CASY shares.

Fiscal 1Q24 Results

- Total inside sales increased +8.1% y/y and margins improved during the quarter with total inside gross profit increasing +10.3% y/y.
- Casey's hot lunch sandwich category was up +30% y/y, driven by innovation around its barbecue brisket sandwich on King's Hawaiian buns.
- Also, its chips category increased +70% y/y with the addition of some new seasonal flavors.

Inside

	Three Months Ended July 31,	
	2023	2022
Inside sales (in thousands)	\$1,369,749	\$1,266,617
Inside same-store sales	5.4%	6.3%
Grocery and general merchandise same-store sales	5.2%	5.5%
Prepared food and dispensed beverage same-store sales	5.9%	8.4%
Inside gross profit (in thousands)	\$ 556,434	\$504,260
Inside margin	40.6%	39.8%
Grocery and general merchandise margin	34.1%	33.9%
Prepared food and dispensed beverage margin	58.2%	55.6%

- Casey's was able to find an acceptable balance between driving gallon growth and maintaining an acceptable fuel margin during the quarter such that its fuel gross profit declined just -3.6% y/y despite a \$1 gallon y/y waning in gas prices.
- Management believes that elevated fuel margins are here to stay.

	Three Months Ended July 31,	
	2023	2022
Fuel gallons sold (in thousands)	713,991	689,467
Same-store gallons sold	0.4%	(2.3)%
Fuel gross profit (in thousands)	\$296,978	\$308,188
Fuel margin (cents per gallon, excluding credit card fees)	41.6¢	44.7¢

Fiscal 2024 Guidance

- Inside same-store sales up +3% to +5%.
- Inside margin improvement to 40% to 41%.
- Same-store fuel gallons sold between -1% to +1%.



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Lower Income Demo Commentary

- While the company noted changes in behavior from lower-income consumers, Casey's is not overly exposed to them (25% of gas consumers are in the lower-income category & 75% earn \$50k+/year).
- Casey's did note pressure in categories that are more EBT (SNAP benefits) sensitive like take-home dairy & edible grocery.

Casey's General Stores, Inc.	3Q22	4Q22	1Q23	2Q23	LTM
Total Revenues \$MM	\$3,979	\$3,333	\$3,329	\$3,869	\$14,509
Total Revenues / CAGR 1Y	21.9	9.3	(3.8)	(13.1)	2.0
Gross Profit Margin %	20.4	22.1	20.7	22.7	21.5
SG&A Margin	13.6	15.9	15.5	14.5	14.8
EBITDA Margin %	6.8	6.2	4.8	8.2	6.6
Capex as % of Revenues	2.4	3.7	5.3	1.8	3.2
Free Cash Flow/Revenue	2.9	0.8	2.1	4.1	2.6
Return on Total Capital	11.8	7.6	5.2	13.2	9.5
Net Debt / EBITDA	1.2	1.5	2.2	1.0	1.3
EV / EBITDA (LTM)	10.6	9.5	10.3	10.5	10.5





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Dollar General Insights From Investor Conference

Dollar General intends to drive sales & traffic with promotions that provide low-income consumers the ability to purchase discretionary items.

Insights

- The economic duress of Dollar General's customers who earn ~\$35k/year is driving them to disregard discretionary offerings at a time when they are purchasing essentials at a very high rate.
- This pressure began in mid-March with SNAP reductions, lower tax refunds, and inflationary pressures which are beginning to moderate.
- Notably, gas prices, which have a significant weight on purchasing decisions, are starting to ramp up.
- While it is crucial for Dollar General that its customers stay employed, higher unemployment drives trade down into its stores.
- Dollar General is very good at serving low-income consumers even in the current competitive retail landscape.
- 80% of its stores are in rural markets with communities of <20,000.
- Dollar General's customers enjoy shopping within a 3–5-mile proximity of their homes because they tend to know the other customers & staff.
- Speed is very important to its customers who are paid by the hour (when they are not working, they are not getting paid).
- The company continues to see share gains both in consumables & non-consumables, with drug & grocery being the largest opportunity for growth.
- Expected consumer purchases of discretionary items during the holidays should reduce inventory and theft/damage losses while increasing labor efficiency.



Quarterly Corporate Analysis

Dollar General Corporation	3Q22	4Q22	1Q23	2Q23	LTM
Total Revenues \$MM	\$9,465	\$10,203	\$9,343	\$9,796	\$38,807
Total Revenues / CAGR 1Y	11.1%	17.9%	6.8%	3.9%	9.8%
Gross Profit Margin %	30.5%	30.9%	31.6%	31.1%	31.0%
SG&A Margin %	22.7%	21.7%	23.7%	24.0%	23.0%
EBITDA Margin %	9.7%	11.1%	10.1%	9.2%	10.0%
Capex as % of Revenues	4.4%	4.7%	3.9%	4.1%	4.3%
Free Cash Flow/Revenue	-1.3%	2.5%	-1.8%	1.3%	0.2%
Return on Total Capital	8.3%	10.2%	7.9%	7.2%	8.4%
Net Debt / EBITDA	3.1	2.7	3.2	3.3	3.0
EV / EBITDA (LTM)	12.0	10.8	8.8	8.2	7.6

