



Portfolio Strategy

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Consumer Staples
Stocks, ETFs and Structured Products

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Presenter: Anil Kumar, CFA, CAIA, CIPM

Tiwi Investment & Consultancy, Muscat, Oman
GSM: (+968) 9010 1438 / 9133 9784

Email: info@investlikelegends.com

<https://www.investlikelegends.com>



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US consumer staples basket





As on Oct 20, 2023

Stock	Last Price (\$)	Mcap (\$ bn)	P/E 2024E	EPS 2023 E	EPS 2024 E	ROE	Consensus rating	Target price
Mondelez International	64	87	19.3x	3.05	3.31	14%	Buy	xxxx
PepsiCo	160	220	28.6x	7.12	7.68	44%	Buy	xxxx
Hershey	189	39	18.4x	9.53	10.27	54%	Buy	xxxx

Mondelez

- Mondelez is expected to continue a double-digit growth in overall organic sales as well as EPS in 2023 driven by price increase announced by the company in recent quarters combined with a modest volume growth . This should offset a significant cost inflation in sugar and cocoa prices in 2023.
- The company is expected to generate \$3.3B of free cash flow in 2023, which should support its share buyback and dividend targets. It has a track record of consistent dividend growth which makes it attractive for shareholder value enhancement.
- The company has made three strategic acquisitions in 2022 and plans to divest its gum and Halls candy business in order to focus on its key segments of chocolate, biscuits and baked snacks. Each of its key chocolate and biscuit brands such as Cadbury, Oreo, Ritz generate over \$1B annual sales.

Mondelez

Global Position	Market Share	Market Size
Biscuits #1	 17%	\$104B
Chocolate #2	 12%	\$112B
Candy #3	 5%	\$61B
Gum #2	 22%	\$17B

Source: Investor presentation

Chocolate



#1 in UK, India, Australia, Ireland



#1 in Austria



#1 in Travel Retail



#1 in Brazil



#1 in Sweden



#1 in Norway



#1 in Belgium

Biscuits



#1 cookie in the world



#1 cookie in France



#1 breakfast biscuit in the world



#1 savory cracker manufacturer globally



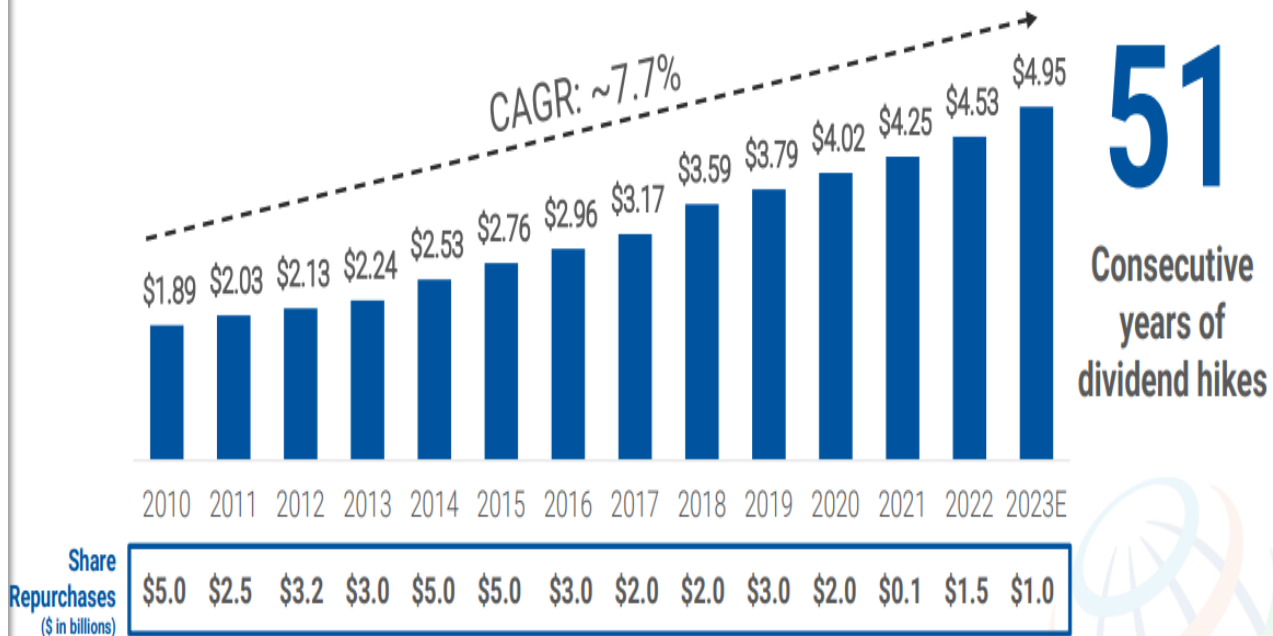
PepsiCo

- PepsiCo has raised its 2023 constant currency EPS guidance from 12% to 13% in its Q3 2023 earnings report while affirming a 10% growth in organic revenue. It also expects these metrics to reach the upper end of their long-term targets owing to reinvestment in key business operations and brands.
- Return of capital to shareholders in 2023 would be around \$7.7B, largely in the form of cash dividend.
- International sales recorded a 12% YoY organic revenue growth in Q3 2023, both in beverages and snacks segments. This is attributable to significant investments in capacity, technology, supply chain leading to market share and productivity gains.



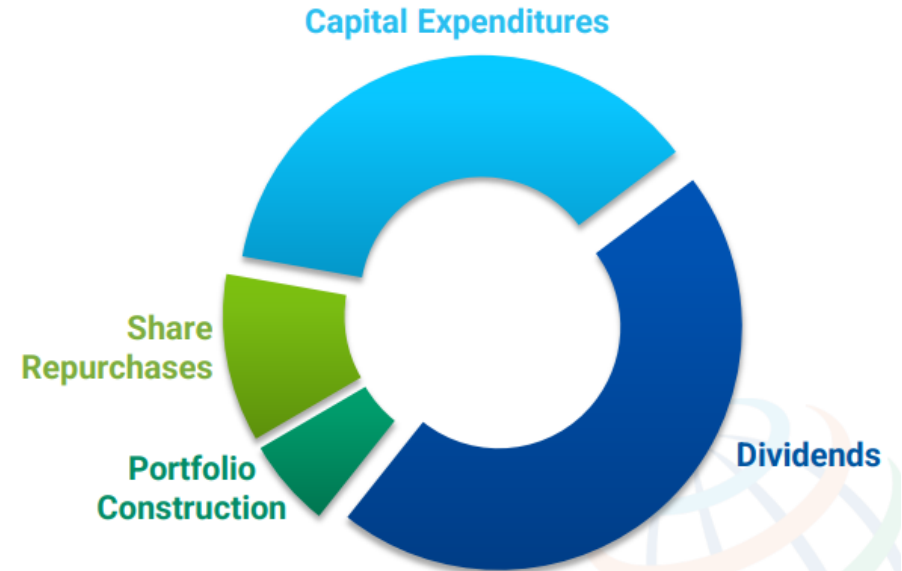
PepsiCo

Cash Dividends Paid Per Share



Source: Investor presentation

2022 Capital Allocation Breakdown

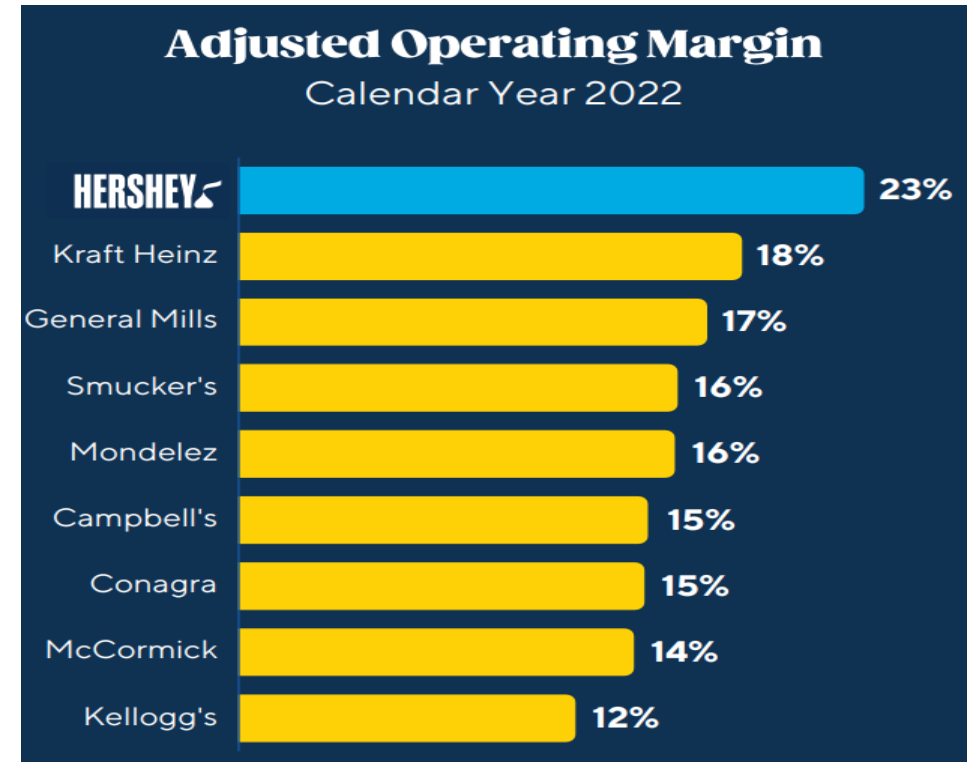


Hershey

- Hershey holds a dominant 45% market share in US chocolate sales followed by Mars/Wrigley (30% market share). Private label competition is not a threat to branded players in chocolate and snacking owing to strong brand loyalty. As a result, these branded leaders are able to generate a ROI well above their cost of capital consistently, thereby increasing shareholder value as well as limited drawdown in weak equity markets.
- The recent surge in sugar and cocoa prices will have a significant impact on gross margin for confectioners but recent price increases are likely to mitigate margin pressure. Market will like to hear management's guidance on margin, pricing strategy and EPS growth in view of raw material inflation.
- The company is investing around \$800-850M in core confectionary expansion and a new ERP system in the current year.



Hershey Co



Source: Investor presentation

European consumer staples basket

As on Oct 25, 2023

Stock	Last Price	Mcap (\$ bn)	EPS 2023 E	EPS 2024 E	Consensus rating	Target price
Nestle	CHF 99	292	CHF 4.79	CHF 5.18	Buy	xxxx
Reckitt Benckiser	GBP 56	50	GBP 3.36	GBP 3.61	Buy	xxxx

- Nestle is the largest food and beverage manufacturer in the world by sales. Its diverse product portfolio includes brands such as Nestle, Nescafe, Perrier, Pure Life, and Purina. Nestle also owns just over 20% of French cosmetics firm L'Oreal.

- Organic sales growth (OG) in 9M 2023 was healthy in both developed and emerging markets, helped by pricing as input cost inflation was strong.

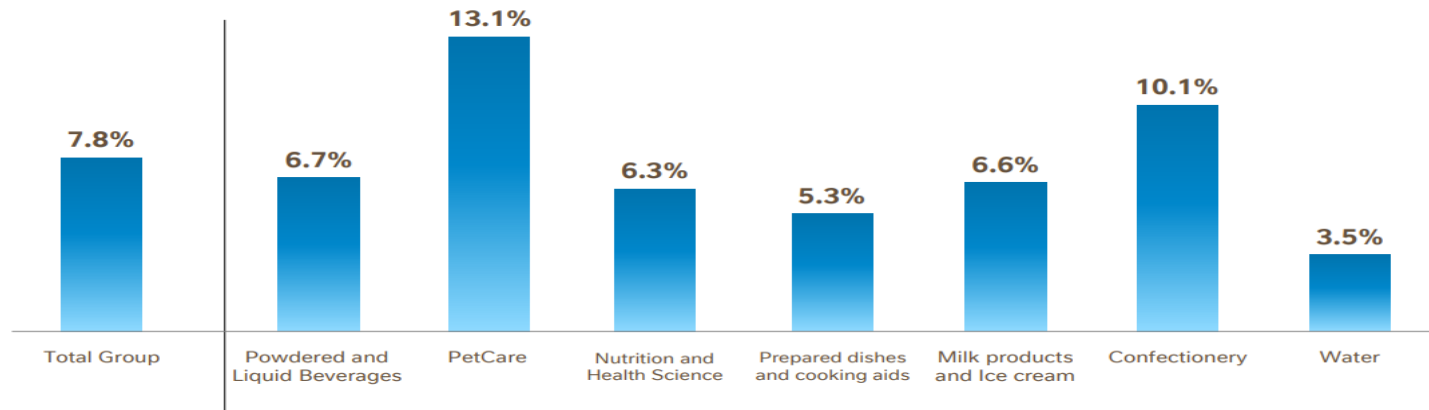
- Real internal growth (RIG) or vol growth, was negative in the developed markets due to portfolio optimization and capacity constraints but expected to reverse in H2

	Developed	Emerging
Sales (in CHF) % of Group sales	40.2 bn 58%	28.6 bn 42%
RIG	-1.3%	0.3%
Pricing	8.2%	8.6%
OG	6.9%	9.0%

Nestle

- Nestle reported an organic sales growth of 7.8% in 9M 2023, largely due to pricing effect. Growth was strong in petcare and coffee, its two largest segments by sales.

Organic sales growth %

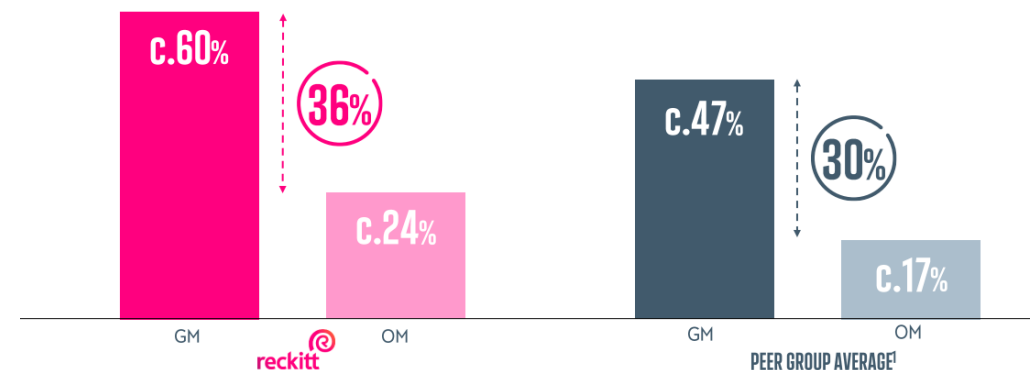


Source: Investor presentation

- The group has also reported a market share gain of 400 bps since 2021 in medical nutrition besides cost synergies of 300 bps.
- Management expects EPS growth range of 6%-10% in 2023 in constant currency terms under an organic sales growth of 7%-8%
- FCF as a % of sales rose to 7.4% in H1 2023 from 3.2% in H1 2022 and 6.8% in H1 2021 as inventory levels have normalized

Reckitt Benckiser

- Reckitt's new CEO, Kris Licht has recently announced a £ 1 bn buyback of the company's stock over the next twelve months besides targeting a sustainable dividend growth. The company generates sufficient FCF to fund this buyback .
- Q3 2023 group LFL revenue growth was 3.4% driven by higher price realization while volume slipped 4% YoY. Volume slipped 3.4% YoY in hygiene in Q3 2023 as pricing saw a significant jump of 11.5%, which may have turned a section of its consumers to look for cheaper substitutes.
- Its health segment was able to maintain volume growth despite a 5.1% YoY increase in pricing/mix, while nutrition saw a large drop in volume due to a one-off effect.
- Sharp price increase made by big global consumer staples players had a negative impact on their sales volume but may gradually normalize as prices may moderate in the quarters ahead.



Source: Investor presentation

-H1 2023 gross and operating margins across peers from the Hygiene, Health and Nutrition sectors

Mondelez as a portfolio holding



Stock	ETFs	Listed structured products
Double digit organic sales growth and strong FCF generation are the key takeaways for investing in this stock.	How to position in an ETF having a concentrated position in Mondelez?	1. Multi-barrier reverse convertible (continuous barrier observation) on Coca Cola, Kraft Heinz, and Mondelez (USD) – Callable
How to position in Mondelez stock ?	There are three passive ETFs having more than a 4% allocation in this stock	Coupon 11.25% p.a. Max yield: 11.25% p.a. Potential cap gain: Nil Buffer: 40%
Time horizon: 1-2 years	Time horizon: 1-2 years	Time horizon: 15 months
Portfolio weight: Maximum 5%	Portfolio weight: Maximum 10%	Portfolio weight: Maximum 5%
Capital allocation: Invest x % of your allocation at price P1	Capital allocation: Invest x % at price , P1	
Invest xx% of your allocation at price P2.	Invest xx% of your allocation at price, P2.	

PepsiCo as a portfolio holding



Stock	ETFs	Listed structured products
PepsiCo is currently trading at an attractive valuation supported by double digit organic sales growth and a large dividend payout.	How to position in an ETF having a concentrated position in PepsiCo ?	1. Multi-barrier reverse convertible (continuous barrier observation) on Coca Cola, PepsiCo, and McDonalds (USD) – Not callable
How to position in PepsiCo stock ?	There are two passive ETFs having more than a 9% allocation in this stock	Coupon 8% p.a. Max yield: 8% p.a. Potential cap gain: Nil Buffer: 40%
Time horizon: 1-2 years	Time horizon: 1-2 years	Time horizon: 11-18 months
Portfolio weight: Maximum 5%	Portfolio weight: Maximum 10%	1. Multi-barrier reverse convertible (continuous barrier observation) on Coca Cola and PepsiCo, (USD) – Not callable
Capital allocation: Invest x % of your allocation at price P1	Capital allocation: Invest x % at price , P1	Coupon 8% p.a. Max yield: 9.5% p.a. Potential cap gain: 2% Buffer: 29%
Invest xx% of your allocation at price P2.	Invest xx% of your allocation at price, P2.	

Hershey as a portfolio holding



Stock	ETFs
It is not every quarter or two that one can find a quality stock like Hershey trade at such an attractive level relative to its fundamentals, market and margin leadership	How to position in an ETF having a concentrated position in Hershey?
How to position in Hershey stock ?	There are three passive ETFs having more than a 3% allocation in this stock
Time horizon: 1-2 years	Time horizon: 1-2 years
Portfolio weight: Maximum 5%	Portfolio weight: Maximum 10%
Capital allocation: Invest x % at price P1	Capital allocation: Invest x % at price , P1
Invest xx% at price P2.	Invest xx% of your ETF allocation at price P2.

Nestle as a portfolio holding



Stock	ETFs	Listed structured products
Volume growth is expected to rebound as price increases moderate. A good performance in coffee, petfood and medical nutrition segments to drive organic sales growth	How to position in an ETF having a concentrated position in Nestle?	1. Multi-barrier reverse convertible (barrier observation at the end) on Nestle, Danone, Lindt and Barry Callebaut (CHF) – Not callable
How to position in Nestle stock ?	There are two passive ETFs having more than a 7% allocation in this stock	Coupon 6.4% p.a. Potential cap gain: 2.5% Max yield: 7.7% p.a. Maturity: 22 months
Time horizon: 1-2 years	Time horizon: 1-2 years	Time horizon: Around 22 months
Portfolio weight: Maximum 5%	Portfolio weight: Maximum 10%	2. Multi-barrier reverse convertible (continuous barrier observation) on Nestle, Novartis, Roche (EUR) – Not callable
Capital allocation: Invest x % of your allocation at price P1	Capital allocation: Invest x % at price , P1	Coupon 6% p.a. Potential cap gain: 2% Max yield: 7.4% p.a. Maturity: 20 months
Invest xx% of your allocation at price P2.	Invest xx% of your allocation at price, P2.	

Reckitt Benckiser as a portfolio holding



Stock	Listed structured products
£1 bn stock buyback is a positive for the company's stock. Volume growth to rebound as price increase moderates in the quarters ahead.	1. Barrier reverse convertible on Reckitt Benckiser (GBP) – Not callable
How to position in Reckitt Benckiser stock ?	Coupon 7% p.a. Potential cap gain: Nil Max yield: 7% p.a. Buffer: 33%
Time horizon: 1-2 yrs	Time horizon: Around 11 months
Portfolio weight: Maximum 5%	Portfolio weight: Maximum 5%
Capital allocation: Invest x % at price P1 Invest xx% of your allocation at price P2.	

For more information, please contact,

Anil Kumar, CFA

**GSM: (+968)9010 1438
(+968)9133 9784 (WhatsApp)**

Email: info@investlikelegends.com

<https://www.investlikelegends.com>

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