

# Consumer Staples Briefing Book

February 2026

**OPTIMAL**

**Jonathan Feeney, CFA**  
Managing Partner & Co-Founder  
[jonathan.feeney@optimaladv.com](mailto:jonathan.feeney@optimaladv.com)

**David Katzman**  
Vice President  
[david.katzman@optimaladv.com](mailto:david.katzman@optimaladv.com)

**David Schick**  
Managing Partner & Co-Founder  
[david.schick@optimaladv.com](mailto:david.schick@optimaladv.com)

**Jack Hermann**  
Senior Associate  
[jack.hermann@optimaladv.com](mailto:jack.hermann@optimaladv.com)

Optimal Advisory is pleased to bring you an updated *Consumer Staples Briefing Book* with 40+ pages and 100+ charts.

**February real-time spending is moderating** as 10/18 proprietary Optimal staples subsectors now inflecting positively (compared to 17/18 inflecting positively last month); we note: **positive inflection in mainstream grocers, broadline retail, and luxury** versus **negative inflection for meal delivery and fast food**. Mainstream grocery is now gaining spend share versus premium & other formats... See pp 5-12.

We see 5 winning Staples themes, in order:

- ✓ **AI Resilience.** Staples companies are a net winner from the medium & long-term implications of AI deployment...even unemployment!
- ✓ **Protein.** The surest winner in food, with health, digital attention & GLP-1 as drivers. **HRL+, JBS+**
- ✓ **Cost Tailwinds.** Our prop weighted input cost measure is down sharply (-12.6%) y/y – a key tailwind for CPG, Foodservice & Restaurants; a key headwind for retailer comp. **HSY+, CMG+, HRL+, LW+, KR-, ACI-**
- ✓ **Flavorings & Seasonings.** Food stress demands upstream reformulation & seasonings won't be as pressured as food. **IFF+, KRYAY+**
- ✓ **Mindful Indulgence:** We believe state indulgent occasions (sweets, alcohol) will hold up better than expectations. **MICC+, HSY+, BFB+**

Callouts from our proprietary *Optimal Cost Factor (which incorporates 30 + cost inputs) is down (-12.6% y/y) ...* Leading beneficiaries of current cost relief include HSY, LW, MDLZ & Wing Restaurants... See p 14.

Staples starting 2026 outperforming discretionary & the broader market (See p 26). We monitor fundamentals of the largest staples names (See p 20-23). **Consumer sentiment deceleration is slowing, but remains worse at the lower-income end...** See p 35-38.

Our upcoming virtual client meetings, contact us with questions:

- ✓ **Trade Up, Tariffs & Changing Tastes: 2026 Outlook From The Front Lines of U.S. Premium Alcohol – 3/6**
- ✓ **Globally Distributed AI Infrastructure and what it means for Agentic Commerce, AI Devices, and Experiences – 3/13**
- ✓ **Sports & Sports Betting Ecosystems with Danny Funt – 3/20**

	Getting Worse	Getting Better
Underdiscussed	<ul style="list-style-type: none"> <li>• Health-conscious consumers and regulators putting pressure on food producers in the pursuit of reducing “ultra-processed” food consumption.</li> <li>• Lower end consumers are extremely stressed relative to the broader economy. Many can’t afford the items they want.</li> <li>• Lower prices may be necessary to stimulate sales, margin erosion risk in pursuit of a value-conscious consumer.</li> </ul>	<ul style="list-style-type: none"> <li>• Input cost declines since early Fall 2025 suggest earnings flexibility relative to plans for 2026.</li> <li>• AI Resilience is a significant tailwind for the sector. AI implementation likely to support consumer insights, logistics, R&amp;D, and marketing operations without fundamental disruption of business models.</li> <li>• Protein is the best trend in the U.S. food sector, with consumer demand continuing to grow.</li> </ul>
Overdiscussed	<ul style="list-style-type: none"> <li>• GLP-1 is a headwind for food &amp; beverage sectors.</li> <li>• Consumers report they are choosing to drink less alcohol – this is largely tough COVID comps &amp; affordability.</li> </ul>	<ul style="list-style-type: none"> <li>• Staples and Small Caps off to strong start to 2026, yet much of the sector at low <i>relative</i> valuations.</li> <li>• SCOTUS strikes down Trump’s emergency-power tariffs - Congress must authorize them.</li> </ul>

# Proprietary Subsector Spending Analysis

Consumer spending trends moderating across the Staples economy in February – we note 10/18 measured categories with positive inflection between 4-week & 12-week trends, 17/18 inflecting positively last month.

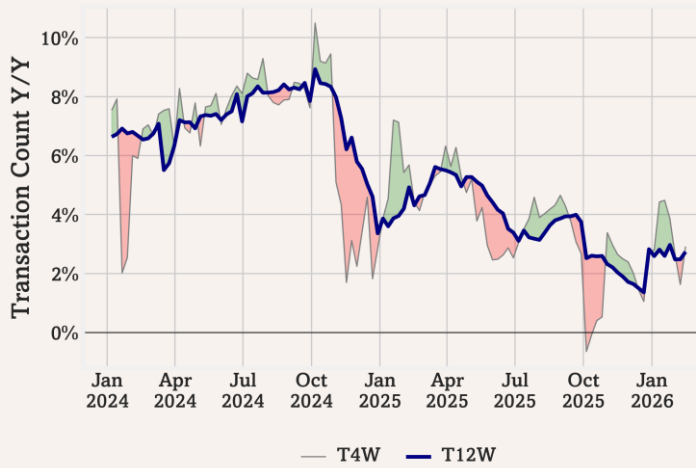
Optimal Subsector	SPENDING			TRANSACTION COUNT		AVERAGE TICKET	
	T4W Y/Y	T12W Y/Y	Inflection	T4W Y/Y	T12W Y/Y	T4W Y/Y	T12W Y/Y
CLUB	3.7%	3.1%	0.6%	2.9%	2.7%	0.8%	0.3%
GROCERY DELIVERY	-1.0%	0.1%	-1.1%	2.7%	4.5%	-3.6%	-4.2%
DOLLAR	4.8%	4.9%	-0.1%	-0.7%	1.4%	5.6%	3.5%
HARD DISCOUNTER	1.2%	0.7%	0.5%	-0.8%	-0.1%	2.1%	0.9%
MAINSTREAM GROCERS	5.6%	1.7%	3.8%	1.2%	0.0%	4.3%	1.8%
PET	-0.3%	-1.7%	1.4%	-2.3%	-3.5%	2.1%	1.9%
PHARMACY	-1.8%	-3.9%	2.1%	-3.9%	-3.6%	2.2%	-0.3%
PREMIUM GROCERS	1.8%	0.6%	1.2%	-0.8%	-0.3%	2.6%	0.9%
BROADLINE RETAIL	5.3%	1.5%	3.7%	1.7%	-0.5%	3.5%	2.0%
E-COMMERCE	6.2%	6.2%	0.0%	8.3%	7.9%	-1.9%	-1.5%
MEAL DELIVERY	5.2%	8.6%	-3.4%	1.3%	5.3%	3.8%	3.2%
FAST FOOD	-2.5%	0.9%	-3.4%	-4.4%	-1.6%	2.1%	2.6%
BEAUTY	0.3%	0.1%	0.3%	-3.4%	-2.9%	3.8%	3.1%
LUXURY	10.9%	7.0%	4.0%	4.0%	6.1%	6.7%	0.8%
FAST CASUAL	-3.0%	-1.0%	-2.0%	-3.7%	-2.2%	0.7%	1.2%
CASUAL DINING	-1.6%	-1.1%	-0.4%	-8.6%	-7.1%	7.7%	6.5%
COFFEE	2.5%	2.4%	0.1%	0.0%	0.8%	2.5%	1.6%
PIZZA	-6.1%	-4.1%	-2.0%	-6.1%	-4.1%	0.0%	0.1%

Mainstream grocery spending growth inflecting positively lead by Publix & H-E-B in category. Club (Costco, BJ's, Sam's Club) spending growth continues, primarily driven by transaction growth.

Club Spending



Club Transactions



Club Ticket



Mainstream Grocers Spending



Mainstream Grocers Transactions



Mainstream Grocers Ticket



Premium grocers (including The Fresh Market & Sprouts) spending growth flattening with decel in transactions & ticket growth. Pick up is evident in select luxury spending (Louis Vuitton & Coach).

Premium Grocers Spending



Premium Grocers Transactions



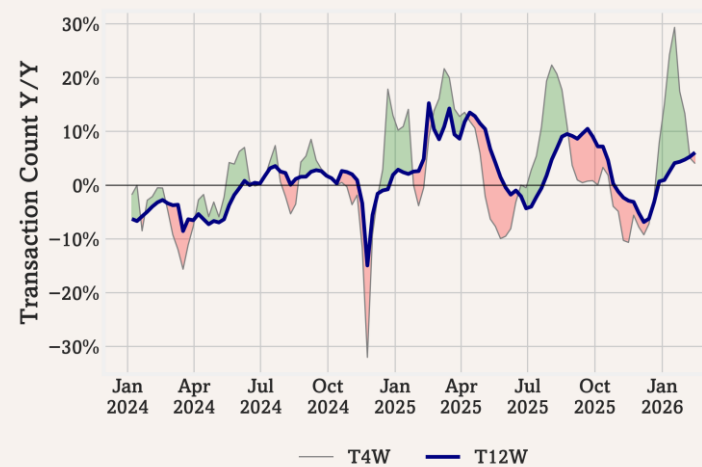
Premium Grocers Ticket



Luxury Spending



Luxury Transactions



Luxury Ticket

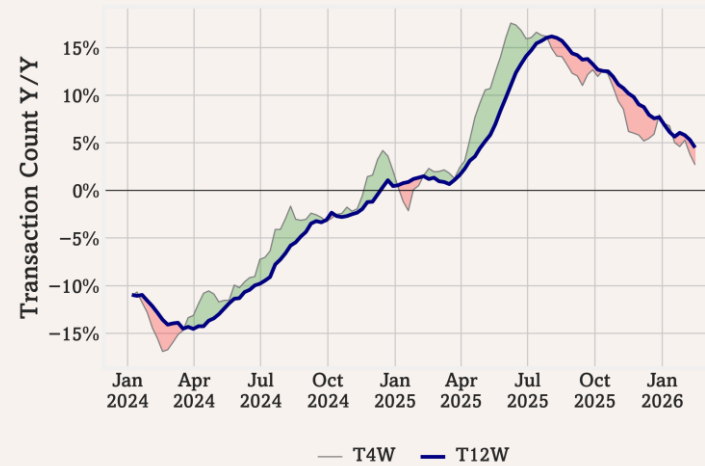


Grocery delivery transactions with sustained negative inflections, Amazon Fresh continues to lead category growth. Strong meal delivery (DASH, GrubHub, Uber Eats) spending growth decelerating since summer.

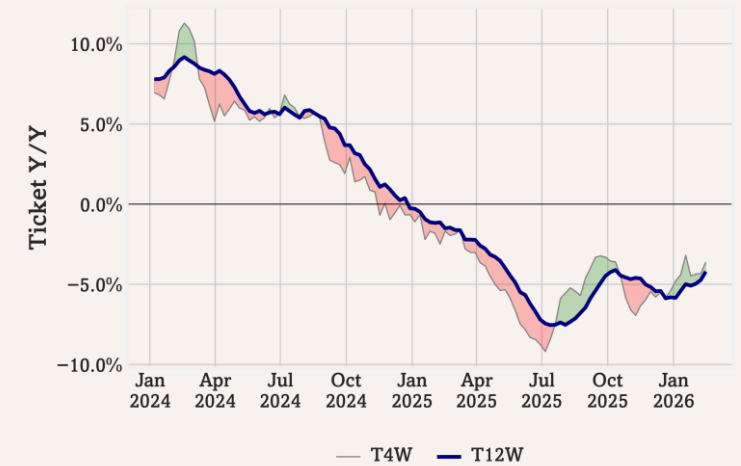
Grocery Delivery Spending



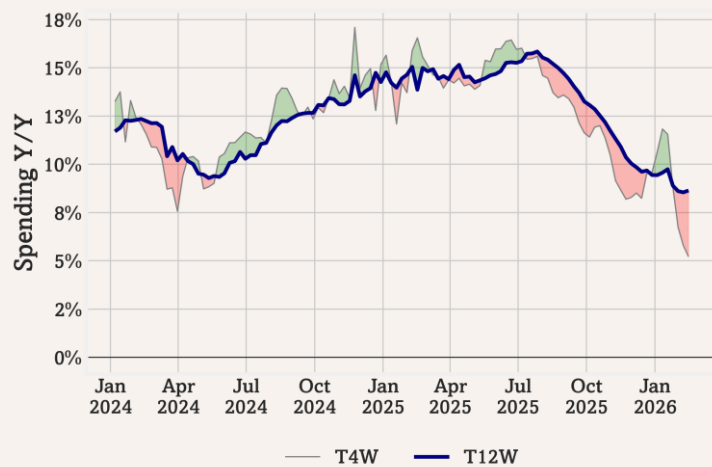
Grocery Delivery Transactions



Grocery Delivery Ticket



Meal Delivery Spending



Meal Delivery Transactions

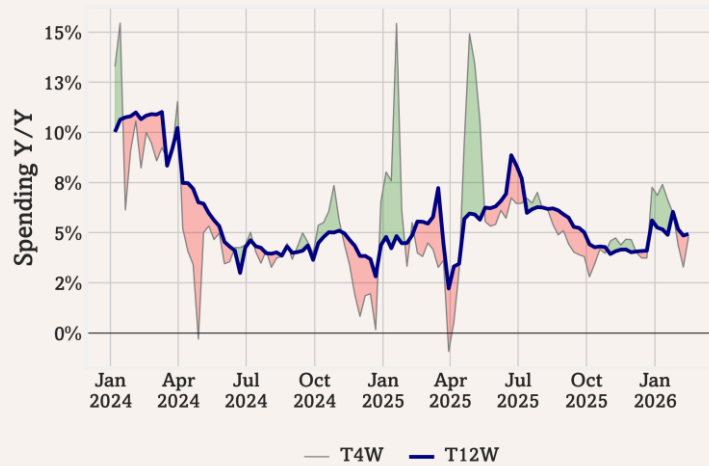


Meal Delivery Ticket



Hard discounters face decelerating transactions and accelerating ticket growth; Trader Joe's & Lidl continue to lead. Dollar store (DG & DLTR) spending flattish with transaction decline offset by ticket growth.

Dollar Store Spending



Dollar Store Transactions



Dollar Store Ticket



Hard Discounters Spending



Hard Discounters Transactions

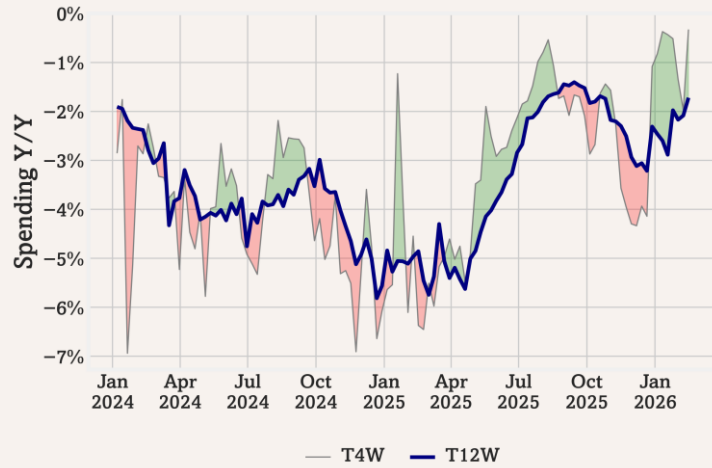


Hard Discounters Ticket

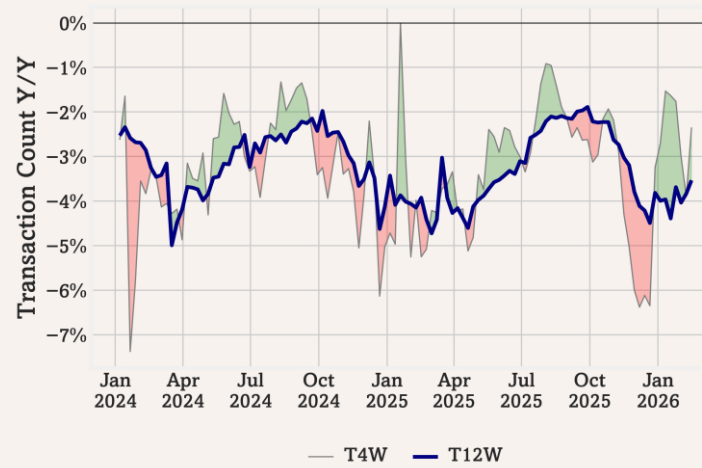


Pet channel (PetSmart & Petco) spending growth positively inflecting as ticket growth leads; E-commerce (including AMZN) still taking total spending share with positive & accelerating transaction growth.

Pet Spending



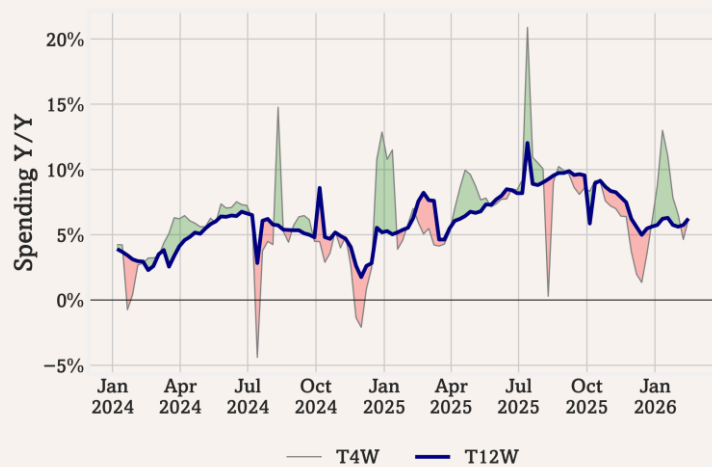
Pet Transactions



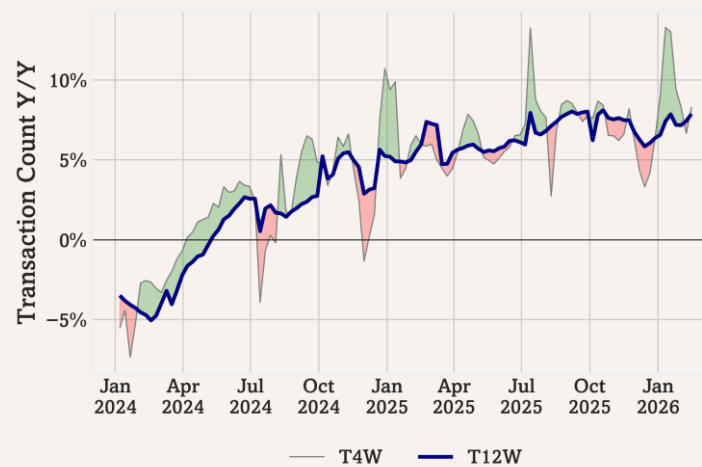
Pet Ticket



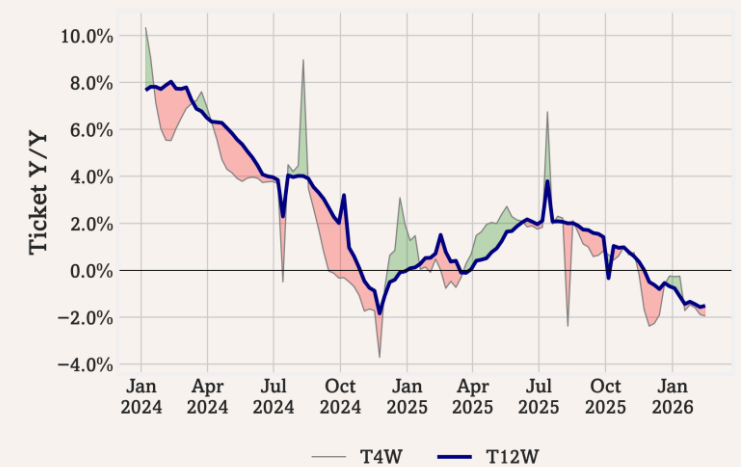
E-commerce Spending



E-commerce Transactions



E-commerce Ticket

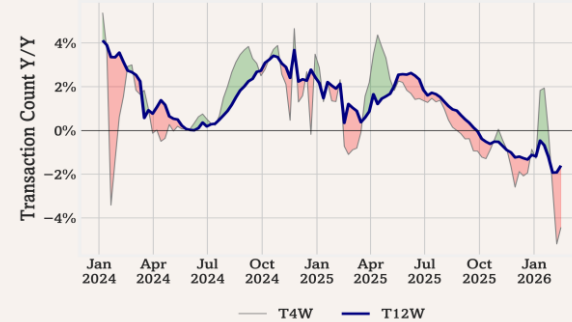


Spending growth negatively inflecting across the board for food away from home despite continued ticket growth. Fast food gaining share with deceleration in fast casual & casual dining.

**Fast Food Spending**



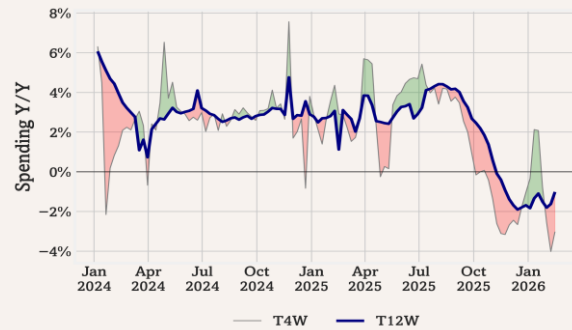
**Fast Food Transactions**



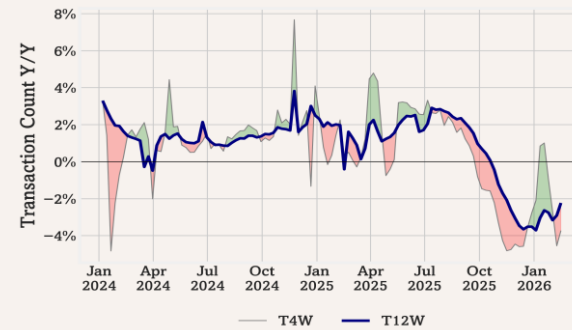
**Fast Food Ticket**



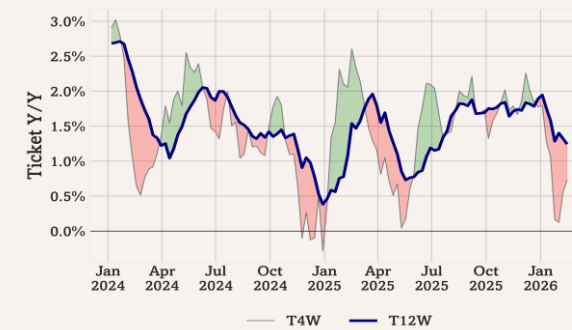
**Fast Casual Spending**



**Fast Casual Transactions**



**Fast Casual Ticket**



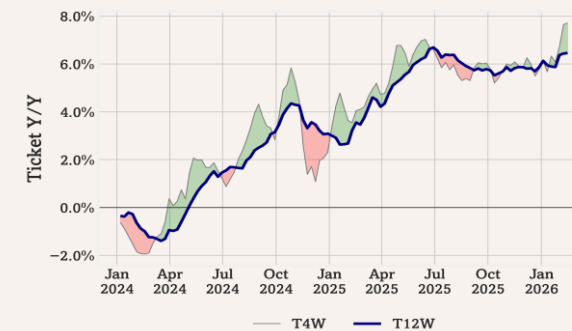
**Casual Dining Spending**



**Casual Dining Transactions**

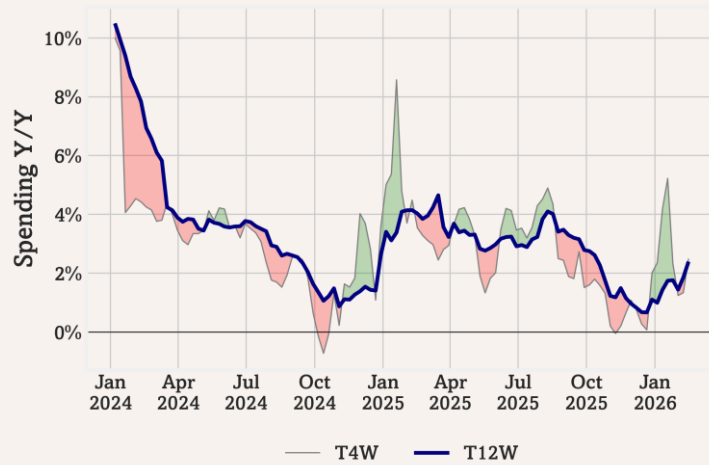


**Casual Dining Ticket**

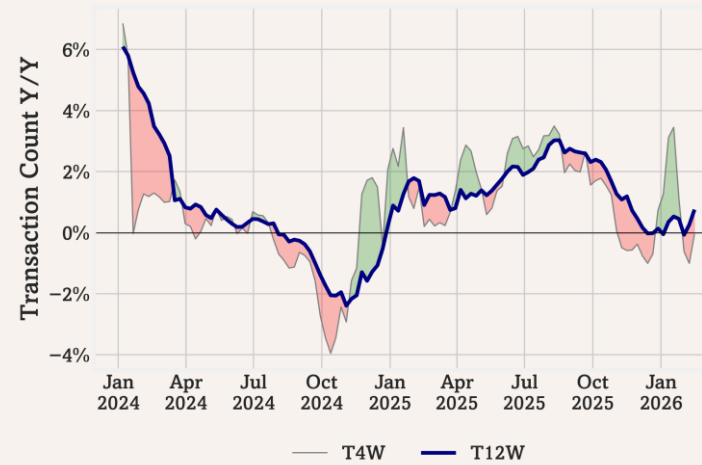


Coffee spending growth inflecting positively (ticket & spending across all constituents but BROS a standout).  
 Pizza spending pressured despite accelerating ticket growth (DPZ a leader in industry).

Coffee Spending



Coffee Transactions



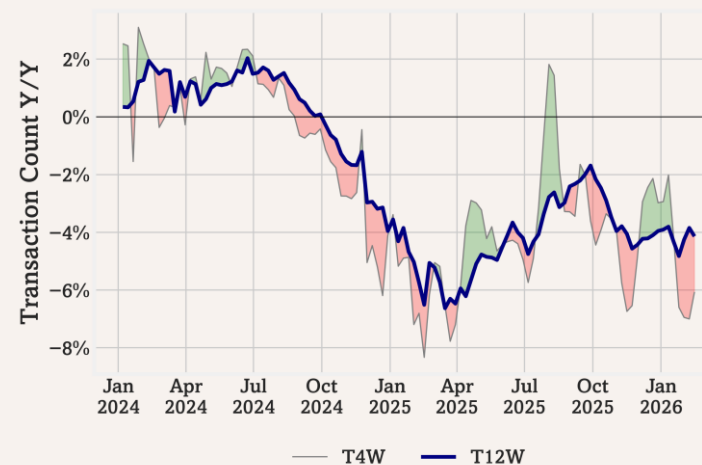
Coffee Ticket



Pizza Spending



Pizza Transactions



Pizza Ticket

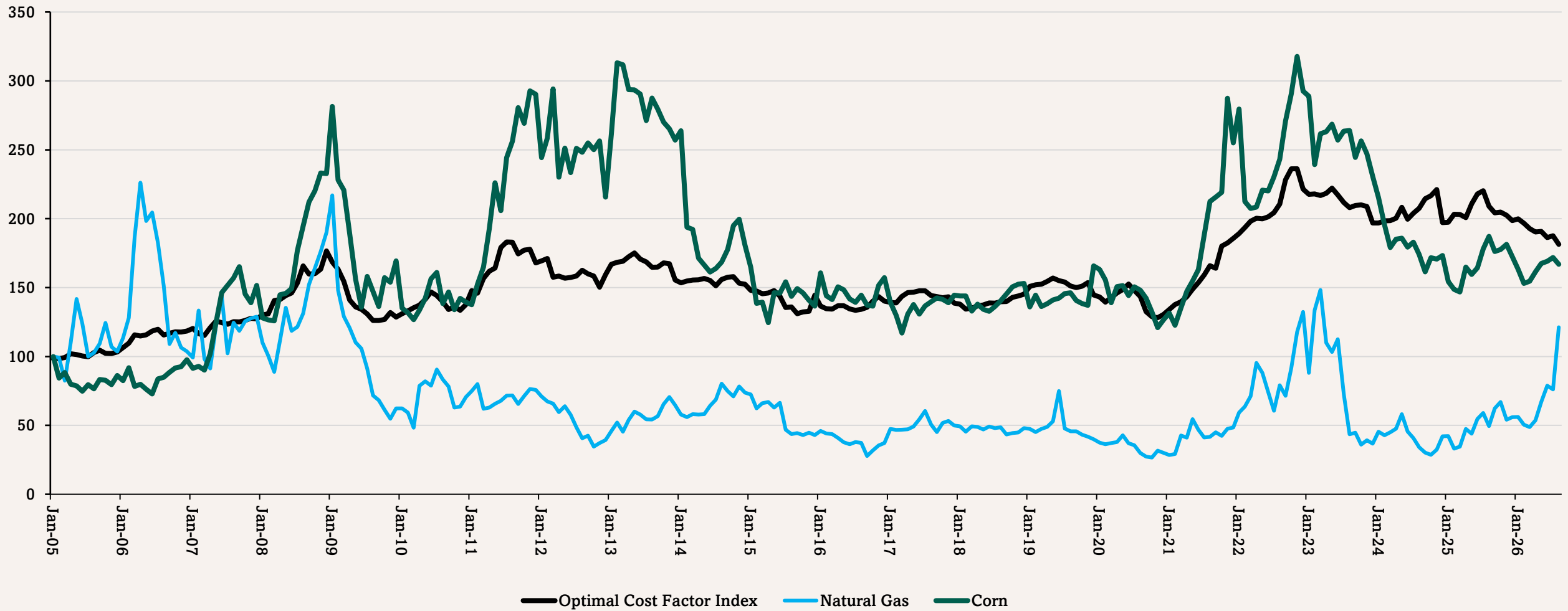


# Proprietary Cost Analysis

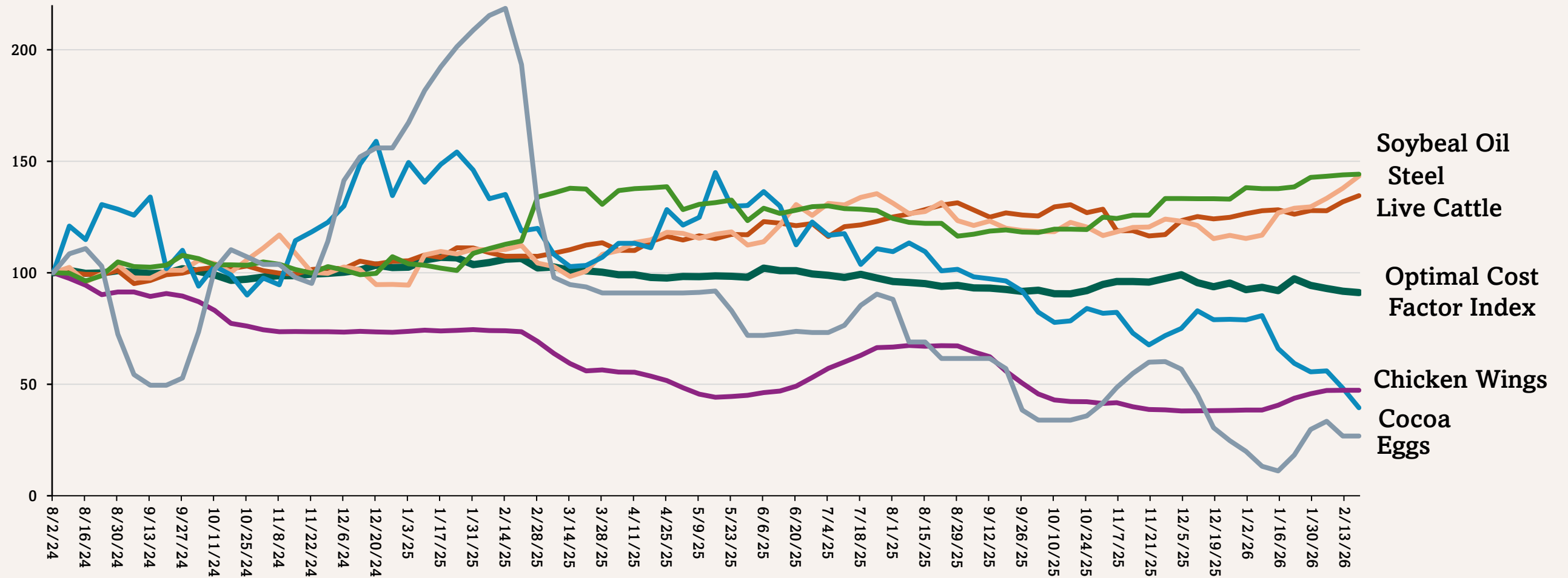
Our Optimal Cost Factor tracks companies' U.S. input cost risk via proprietary weightings; lower proteins & softs prices leading cost tailwinds, minor near-term headwind from oilseeds.

W/W		Today / T4W Average		Today T4W / YAGO T4W	
<b>COMPANIES</b>					
Index	-0.6%	Index	-1.5%	Index	-12.0%
Headwinds (Greatest)		Headwinds (Greatest)		Headwinds (Greatest)	
KHC	1.5%	LANC	1.1%	CELH	0.1%
LANC	1.4%	KHC	0.7%	CPB	-0.7%
CAG	1.0%	CAG	0.7%	MNST	-3.2%
Tailwinds (Least)		Tailwinds (Least)		Tailwinds (Least)	
HSY	-4.1%	HSY	-5.7%	HSY	-35.9%
CHD	-2.5%	CHD	-4.8%	LW	-26.1%
LW	-2.1%	CLX	-4.1%	MDLZ	-24.0%
<b>COMMODITIES</b>					
Index	-0.6%	Index	-1.5%	Index	-12.0%
Headwinds (Greatest)		Headwinds (Greatest)		Headwinds (Greatest)	
DAIRY	4.4%	OILS/OILSEEDS	2.9%	OILS/OILSEEDS	7.0%
MEATS/PROTEINS	2.6%	DAIRY	2.6%	PACKAGING	2.8%
GRAINS	1.9%	MEATS/PROTEINS	2.2%	GRAINS	-9.2%
Tailwinds (Least)		Tailwinds (Least)		Tailwinds (Least)	
SOFTS/SWEETENERS	-3.0%	ENERGY/FREIGHT	-5.1%	MEATS/PROTEINS	-33.6%
ENERGY/FREIGHT	-2.2%	SOFTS/SWEETENERS	-5.0%	SOFTS/SWEETENERS	-30.1%
PACKAGING	-0.3%	PACKAGING	-0.3%	DAIRY	-24.9%
<b>FOOD SERVICE</b>					
Index	-0.6%	Index	-1.5%	Index	-12.0%
Headwinds (Greatest)		Headwinds (Greatest)		Headwinds (Greatest)	
FAST FOOD MEXICAN	1.7%	FAST FOOD BURGER	1.1%	FAST CASUAL MEXICAN	-5.4%
FULL SERVICE UPSCALE	1.6%	FAST FOOD MEXICAN	1.1%	FAST FOOD MEXICAN	-6.2%
Tailwinds (Least)		Tailwinds (Least)		Tailwinds (Least)	
ALL WINGS	-0.1%	ALL WINGS	-0.5%	ALL WINGS	-17.5%
FAST CASUAL MEXICAN	1.5%	FAST CASUAL UPSCALE	0.6%	FAST CASUAL UPSCALE	-12.2%

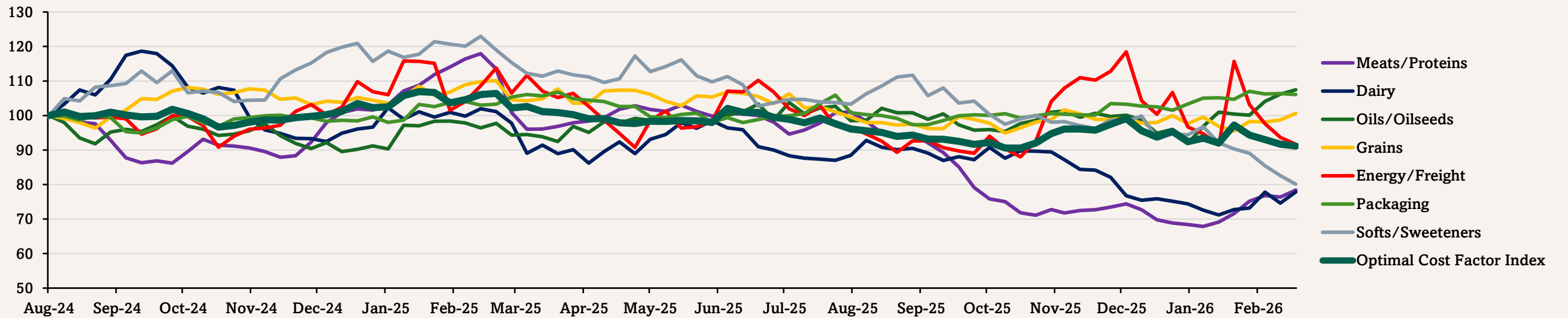
The Optimal Cost Factor (OCF) incorporates cost exposure to 30 commodities, with natural gas and corn the most influential in recent months (OCF shown 6 months forward to approximate lag).



Largest cost headwinds & tailwinds shown below (August 2024 = 100).



Tailwinds for producers as meats/proteins costs down paired with lower energy costs that lead cost headwinds last month.



Category	Value at 2/19	Value at 2/12	W/W %	Most Recent T4W	YAGO T4W	T4W / YAGO T4W %	12 Mo Low	Increase Since 12-Mo Low
Meats/Proteins	78.4	76.4	2.6%	76.7	115.5	-33.6%	67.9	15.5%
Softs/Sweeteners	80.1	82.6	-3.0%	84.3	120.7	-30.1%	80.1	0.0%
Dairy	77.9	74.6	4.4%	75.9	101.0	-24.9%	71.2	9.4%
<b>Optimal Cost Factor Index</b>	91.2	91.7	-0.6%	92.5	105.2	-12.0%	90.6	0.7%
Energy/Freight	91.6	93.7	-2.2%	96.5	107.0	-9.8%	88.0	4.1%
Grains	100.6	98.7	1.9%	99.0	108.9	-9.2%	94.9	6.1%
Packaging	106.1	106.4	-0.3%	106.4	103.5	2.8%	97.3	9.0%
Oils/Oilseeds	107.5	106.2	1.2%	104.5	97.6	7.0%	91.9	16.9%

Putative impacts of recent changes in input costs on margin; actual realization depends on timing & hedging.

Ticker	Value at 2/19	LTM Avg	Today T4W / YAGO T4W	Inputs % of COGS	Gross EBIT % Impact	TTM Avg Gross Margin	Gross Pricing Need
HSY	61.4	83.5	-35.9%	65%	23.3%	40.1%	-14.0%
LW	64.6	78.9	-26.1%	70%	18.3%	21.7%	-14.3%
MDLZ	67.5	77.6	-24.0%	65%	15.6%	32.5%	-10.5%
BRBR	54.8	60.7	-18.8%	60%	11.3%	35.4%	-7.3%
SMPL	52.0	57.5	-18.1%	60%	10.9%	37.4%	-6.8%
MKC	75.8	81.0	-15.7%	65%	10.2%	38.5%	-6.3%
GIS	77.2	81.1	-15.6%	65%	10.1%	34.3%	-6.6%
POST	67.3	70.0	-15.2%	65%	9.9%	29.2%	-7.0%
THS	74.1	81.3	-14.5%	70%	10.1%	16.9%	-8.4%
CHD	47.5	52.4	-13.4%	55%	7.3%	44.5%	-4.1%
KDP	61.4	66.3	-13.1%	55%	7.2%	54.9%	-3.3%
CLX	51.2	55.7	-12.7%	60%	7.6%	45.2%	-4.2%
CAG	92.8	95.9	-12.3%	60%	7.4%	25.9%	-5.5%
PEP	84.2	86.8	-11.9%	60%	7.2%	54.4%	-3.3%
FLO	75.3	75.5	-11.5%	65%	7.5%	49.4%	-3.8%
KHC	75.1	77.3	-10.7%	65%	6.9%	34.3%	-4.6%
SJM	57.4	59.5	-9.8%	65%	6.4%	35.1%	-4.1%
FRPT	54.9	58.6	-9.6%	60%	5.8%	40.8%	-3.4%
PG	58.5	61.9	-7.7%	65%	5.0%	51.2%	-2.4%
SAM	78.0	81.0	-6.0%	60%	3.6%	46.5%	-1.9%
TAP	78.0	81.0	-6.0%	60%	3.6%	38.8%	-2.2%
ABI	80.7	83.4	-5.8%	60%	3.5%	55.7%	-1.5%
JJSF	78.4	77.6	-5.7%	65%	3.7%	29.7%	-2.6%
KO	68.6	68.9	-5.6%	60%	3.3%	61.4%	-1.3%
LANC	80.9	79.4	-5.1%	60%	3.1%	23.9%	-2.3%
HRL	70.4	71.0	-3.6%	70%	2.5%	16.3%	-2.1%
EPC	57.0	58.9	-3.5%	60%	2.1%	42.2%	-1.2%
MNST	56.9	57.9	-3.2%	70%	2.3%	55.2%	-1.0%
CPB	72.1	72.7	-0.7%	60%	0.4%	30.4%	-0.3%
CELH	50.1	50.3	0.1%	70%	-0.1%	50.5%	0.0%

# Valuation Snapshot

## Beverage Comps

*Note: SAM with a lower EV/GP than TAP – seems like an opportunity.*

Ticker	Name	Stock Price	EV (\$mm)	Market Cap (\$mm)	CY EBITDA (\$mm)	CY+1 EBITDA (\$mm)	Net Debt (\$mm)	Debt/EBITDA	EV/EBITDA	EV/GROSS PROFIT	EV / Fwd. EBITDA	EV / Fwd. GROSS PROFIT
KO	COCA-COLA	\$80.53	\$379,185	\$345,671	\$16,063	\$17,282	\$31,408	2.0	23.6	12.6	21.9	12.2
PEP	PEPSICO INC	\$168.53	\$273,660	\$230,021	\$18,363	\$19,484	\$43,498	2.4	14.9	5.4	14.0	5.1
ABI	ANHEUSER BUSCH INBEV SA	\$80.32	\$233,690	\$162,306	\$21,223	\$23,065	\$60,935	2.9	11.0	7.1	10.1	6.5
MNST	MONSTER BEVERAGE CORP	\$84.76	\$80,168	\$82,729	\$2,518	\$2,850	-\$2,561	N.A.	31.8	17.8	28.1	16.0
DEO	DIAGEO	\$102.20	\$80,187	\$57,075	\$7,422	\$6,492	\$21,024	2.8	10.8	6.7	12.4	6.7
HEIA	HEINEKEN	\$92.14	\$73,251	\$53,134	\$7,415	\$8,175	\$17,024	2.3	9.9	7.3	9.0	4.3
CCE	COCA COLA EUROPEAN PARTNERS	\$108.20	\$60,463	\$48,486	\$4,183	\$4,615	\$11,427	2.7	14.5	7.2	13.1	6.6
KDP	KEURIG DR PEPPER INC	\$30.66	\$58,859	\$41,405	\$4,868	\$5,314	\$16,836	3.5	12.1	6.5	11.1	5.9
STZ	CONSTELLATION BRANDS	\$158.71	\$38,271	\$27,470	\$3,508	\$3,486	\$10,511	3.0	10.9	7.8	11.0	8.1
PRNDY	PERNOD RICARD	\$20.08	\$39,783	\$25,397	\$3,395	\$3,520	\$13,149	3.9	11.7	6.0	11.3	6.0
CARL.B	CARLSBERG	\$157.35	\$31,118	\$21,078	\$2,845	\$3,148	\$9,589	3.4	10.9	5.1	9.9	4.6
BFA	BROWN FORMAN CORP	\$30.80	\$16,424	\$14,096	\$1,139	\$1,197	\$2,328	2.0	14.4	7.1	13.7	7.1
BFB	BROWN FORMAN CORP	\$30.32	\$16,424	\$14,096	\$1,139	\$1,197	\$2,328	2.0	14.4	7.1	13.7	7.1
CELH	CELSIUS HOLDINGS INC	\$49.87	\$14,624	\$12,808	\$548	\$700	\$56	0.1	26.7	13.3	20.9	9.1
TAP	MOLSON COORS BREWING	\$49.46	\$15,254	\$9,326	\$2,315	\$2,165	\$5,616	2.4	6.6	3.5	7.0	3.6
PRMB	PRIMO BRANDS	\$19.23	\$12,378	\$7,100	\$1,368	\$1,480	\$5,277	3.9	9.1	6.2	8.4	5.9
SAM	BOSTON BEER INC CLASS A	\$226.04	\$2,198	\$2,407	\$208	\$230	-\$210	N.A.	10.6	2.3	9.6	2.3

## Food Comps

*Note: center store food EV/GP still relatively high relative to present organic GP trajectory.*

Ticker	Name	Stock Price	EV (\$mm)	Market Cap (\$mm)	CY EBITDA (\$mm)	CY+1 EBITDA (\$mm)	Net Debt (\$mm)	Debt/EBITDA	EV/EBITDA	EV/GROSS PROFIT	Fwd. EV / Fwd. EBITDA	Fwd. EV / Fwd. GROSS PROFIT
NESN	NESTLE SA	\$107.42	\$342,372	\$277,973	\$21,752	\$23,250	\$64,116	2.9	15.7	6.8	14.7	6.5
MDLZ	MONDELEZ	\$60.76	\$97,918	\$77,885	\$6,432	\$6,918	\$19,980	3.1	15.2	8.9	14.2	7.5
BN	DANONE	\$85.12	\$67,890	\$58,107	\$5,675	\$5,846	\$9,722	1.7	12.0	4.2	11.6	4.0
HSY	HERSHEY FOODS	\$227.82	\$50,936	\$46,123	\$1,404	\$2,999	\$4,813	3.4	36.3	13.1	17.0	10.2
KHC	KRAFT HEINZ	\$24.58	\$47,431	\$29,209	\$5,755	\$5,016	\$18,097	3.1	8.2	5.7	9.5	5.9
GIS	GENERAL MILLS INC	\$45.36	\$37,302	\$24,238	\$3,529	\$3,358	\$13,051	3.7	10.6	5.9	11.1	6.0
TSN	TYSON FOODS INC	\$62.99	\$29,361	\$22,137	\$3,540	\$3,646	\$7,084	2.0	8.3	8.9	8.1	6.2
MKC	MCCORMICK & CO	\$69.53	\$22,816	\$18,658	\$1,325	\$1,549	\$4,127	3.1	17.2	8.8	14.7	7.6
HRL	HORMEL FOODS CORP	\$25.68	\$16,452	\$14,116	\$1,282	\$1,363	\$2,322	1.8	12.8	8.7	12.1	8.2
SJM	JM SMUCKER	\$109.59	\$19,622	\$11,725	\$1,847	\$2,107	\$7,898	4.3	10.6	6.5	9.3	6.1
SFD	SMITHFIELD FOODS	\$25.44	\$11,856	\$9,981	\$1,577	\$1,647	\$1,618	1.0	7.5	5.9	7.2	5.9
CAG	CONAGRA BRANDS INC	\$19.14	\$16,721	\$9,144	\$1,977	\$1,738	\$7,577	3.8	8.5	6.0	9.6	6.2
CPB	CAMPBELL SOUP	\$27.22	\$15,253	\$8,112	\$1,862	\$1,706	\$7,139	3.8	8.2	5.1	8.9	5.1
LW	LAMB WESTON HOLDINGS INC	\$47.62	\$10,477	\$6,615	\$1,237	\$1,078	\$3,862	3.1	8.5	7.5	9.7	8.1
POST	POST HOLDINGS INC	\$106.00	\$12,278	\$5,088	\$1,587	\$1,550	\$7,180	4.5	7.7	5.1	7.9	5.1
LANC	LANCASTER COLONY	\$165.58	\$4,378	\$4,541	\$296	\$315	-\$163	N.A.	14.8	9.3	13.9	8.9
FRPT	FRESHPET INC	\$81.43	\$4,229	\$4,012	\$196	\$217	\$217	1.1	21.6	9.4	19.5	8.5
FLO	FLOWERS FOODS INC	\$10.24	\$4,237	\$2,169	\$535	\$477	\$2,068	3.9	7.9	1.6	8.9	1.8
BRBR	BELLRING BRANDS INC	\$18.31	\$3,270	\$2,150	\$447	\$431	\$1,121	2.5	7.3	4.5	7.6	4.3
FDP	FRESH DEL MONTE PRODUCE	\$41.72	\$2,304	\$1,977	\$300	\$267	\$313	1.0	7.7	5.8	8.6	5.9
JJSF	J & J SNACK FOODS	\$85.44	\$1,724	\$1,630	\$183	\$206	\$95	0.5	9.4	3.7	8.4	3.5
SMPL	SIMPLY GOOD FOODS	\$16.98	\$1,835	\$1,577	\$264	\$280	\$257	1.0	7.0	3.6	6.5	3.5
DOLE	DOLE	\$15.76	\$2,727	\$1,503	\$397	\$397	\$1,084	2.7	6.9	3.8	6.9	3.7
THS	TREEHOUSE FOODS	\$24.43	\$2,845	\$1,233	\$341	\$374	\$1,612	4.7	8.4	4.8	7.6	4.7

## HPC Comps

*Note: Estee Lauder EV/GP seems low for relative organic GP growth potential given volume & GMROI.*

Ticker	Name	Stock Price	EV (\$mm)	Market Cap (\$mm)	CY EBITDA (\$mm)	CY+1 EBITDA (\$mm)	Net Debt (\$mm)	Debt/EBITDA	EV/EBITDA	EV/GROSS PROFIT	Fwd. EV / Fwd. EBITDA	Fwd. EV / Fwd. GROSS PROFIT
PG	PROCTER & GAMBLE	\$165.76	\$411,712	\$384,855	\$23,222	\$24,333	\$25,814	1.1	17.7	9.6	16.9	9.1
OR	L'OREAL	\$476.97	\$257,176	\$254,710	\$12,106	\$13,261	\$2,407	0.2	21.2	7.0	19.4	6.3
UNA	UNILEVER PLC	\$74.48	\$192,344	\$162,625	\$12,880	\$13,862	\$27,305	2.1	14.9	7.1	13.9	6.6
CL	COLGATE-PALMOLIVE	\$97.24	\$85,348	\$77,878	\$4,977	\$5,152	\$7,159	1.4	17.1	7.1	16.6	6.6
RB	RECKITT BENCKISER	\$87.16	\$67,554	\$56,092	\$5,100	\$5,519	\$11,413	2.2	13.2	6.1	12.2	5.6
EL	ESTEE LAUDER INC CLASS A	\$117.25	\$49,875	\$43,567	\$2,214	\$2,521	\$6,308	2.8	22.5	4.5	19.8	4.5
HEN3	HENKEL	\$97.78	\$42,849	\$41,174	\$4,170	\$4,480	\$1,367	0.3	10.3	3.6	9.6	3.6
KMB	KIMBERLY CLARK CORP	\$110.79	\$43,758	\$36,764	\$3,536	\$3,967	\$6,866	1.9	12.4	7.4	11.0	6.8
KVUE	KENVUE INC	\$18.98	\$43,994	\$36,382	\$3,437	\$3,560	\$7,612	2.2	12.8	5.0	12.4	4.8
BEI	BEIERSDORF	\$129.61	\$26,683	\$31,458	\$1,840	\$2,039	-\$4,789	N.A.	14.5	4.2	13.1	3.9
CHD	CHURCH AND DWIGHT INC	\$105.35	\$26,911	\$24,938	\$1,419	\$1,455	\$1,973	1.4	19.0	9.6	18.5	9.3
CLX	CLOROX	\$127.12	\$18,513	\$15,363	\$1,365	\$1,400	\$2,990	2.2	13.6	6.2	13.2	6.0
ELF	ELF BEAUTY INC	\$93.87	\$6,265	\$5,536	\$358	\$359	\$729	2.0	17.5	5.7	17.5	4.8
REYN	REYNOLDS CONSUMER	\$24.89	\$6,785	\$5,248	\$667	\$668	\$1,537	2.3	10.2	7.5	10.2	7.3
SMG	SCOTTS MIRACLE GRO	\$71.77	\$7,017	\$4,182	\$580	\$609	\$2,835	4.9	12.1	7.0	11.5	8.0
COTY	COTY INC CLASS A	\$2.63	\$5,568	\$2,323	\$957	\$881	\$2,827	3.0	5.8	1.5	6.3	1.5
PRGO	PERRIGO	\$14.62	\$5,405	\$2,011	\$795	\$671	\$3,394	4.3	6.8	3.6	8.1	3.2
SPB	SPECTRUM BRANDS	\$79.75	\$2,394	\$1,843	\$274	\$293	\$551	2.0	8.7	2.4	8.2	2.4
ENR	ENERGIZER HOLDINGS	\$23.25	\$4,794	\$1,583	\$590	\$605	\$3,211	5.4	8.1	4.0	7.9	4.0
EPC	EDGEWELL PERSONAL CARE	\$22.62	\$2,387	\$1,057	\$280	\$269	\$1,330	4.7	8.5	2.7	8.9	2.7

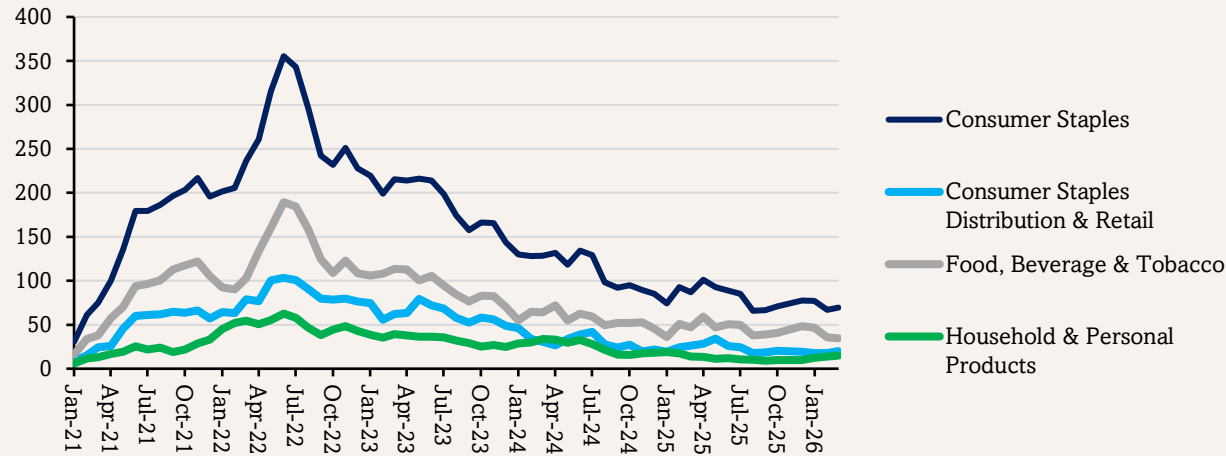
## Ingredients Comps

Ticker	Name	Stock Price	EV (\$mm)	Market Cap (\$mm)	CY EBITDA (\$mm)	CY+1 EBITDA (\$mm)	Net Debt (\$mm)	Debt/EBITDA	EV/EBITDA	EV/GROSS PROFIT	Fwd. EV / Fwd. EBITDA	Fwd. EV / Fwd. GROSS PROFIT
GIVN	GIVAUDAN SA	\$4,080.05	\$42,524	\$37,854	\$2,113	\$2,356	\$4,630	2.2	20.1	10.9	18.0	9.9
ADM	ARCHER DANIELS MIDLAND	\$67.47	\$41,532	\$32,527	\$3,657	\$3,963	\$8,711	2.4	11.4	8.3	10.5	7.3
BG	BUNGE	\$120.79	\$39,477	\$23,447	\$2,737	\$3,499	\$14,512	5.3	14.4	11.6	11.3	8.4
IFF	INTERNATIONAL FLAVORS & FRAGRANCES	\$83.32	\$26,803	\$21,399	\$2,086	\$2,101	\$5,404	2.6	12.8	6.9	12.8	6.9
KRZ	KERRY GROUP PLC	\$88.50	\$16,801	\$14,291	\$1,366	\$1,502	\$2,508	1.8	12.3	4.7	11.2	4.4
INGR	INGREDION	\$117.01	\$8,332	\$7,366	\$1,250	\$1,265	\$938	0.8	6.7	4.6	6.6	4.4
GL9	GLANBIA	\$20.29	\$5,698	\$4,936	\$531	\$514	\$762	1.4	10.7	5.2	11.1	4.7

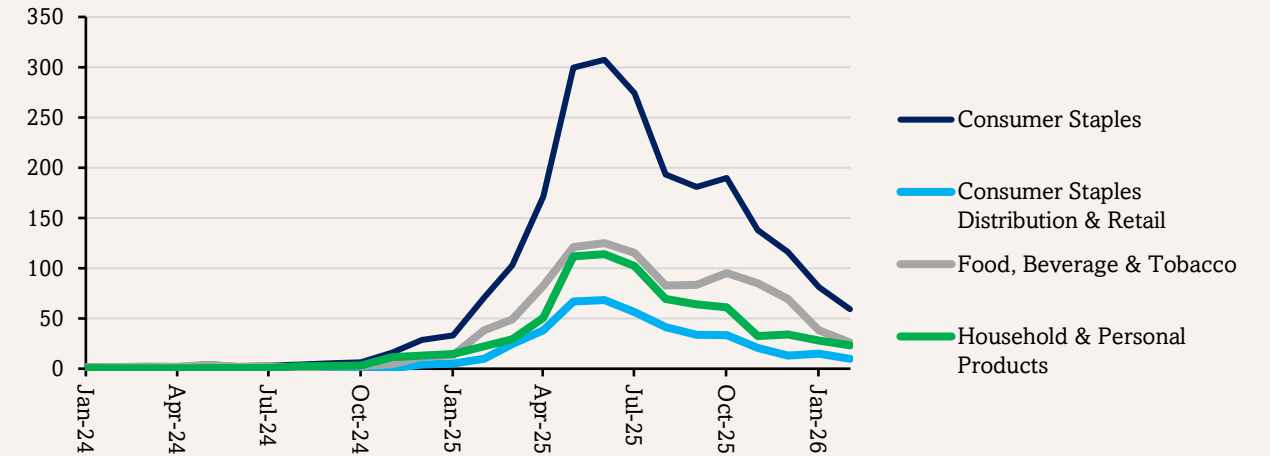
# Thematic Analysis

Across constituents of the Russell 3000, Optimal tracks key themes in EPS transcripts; tariff mentions decelerating on a T3M average, but a noticeable spike around SCOTUS tariff ruling. Material cost mentions decreasing in the last 2 months in line with the Optimal Cost Factor.

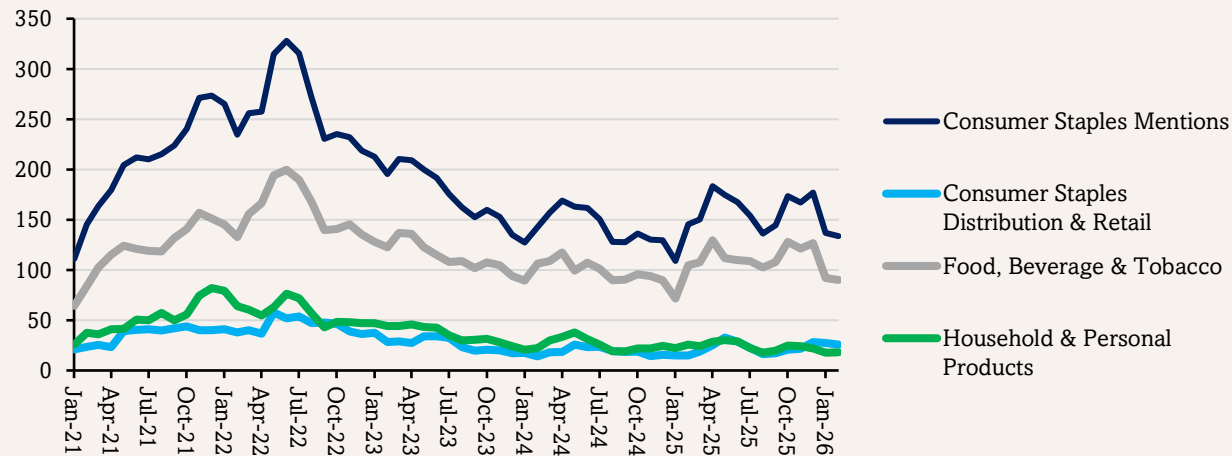
**Inflation Mentions**



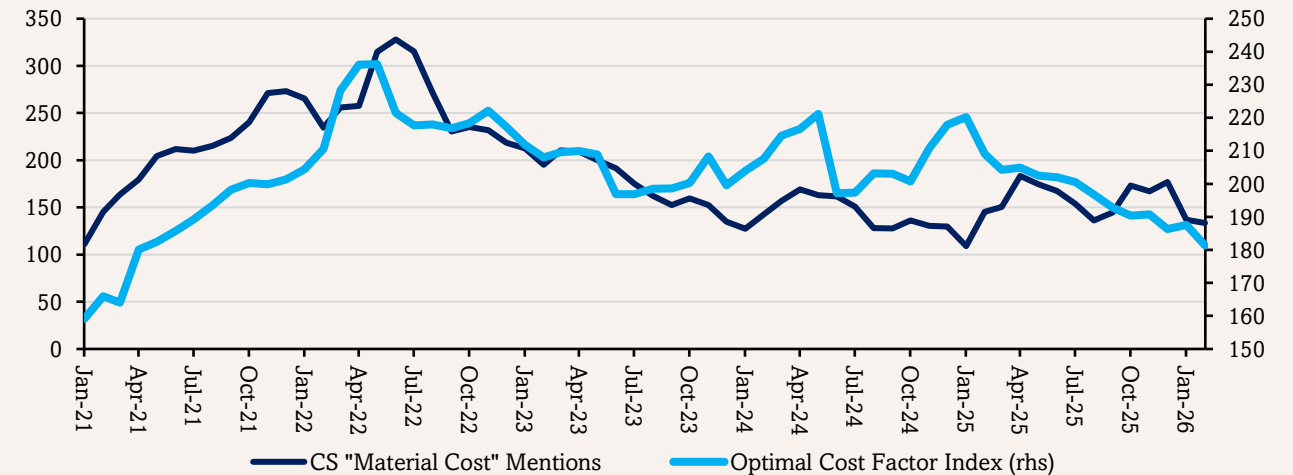
**Tariffs Mentions**



**Material Cost Mentions**

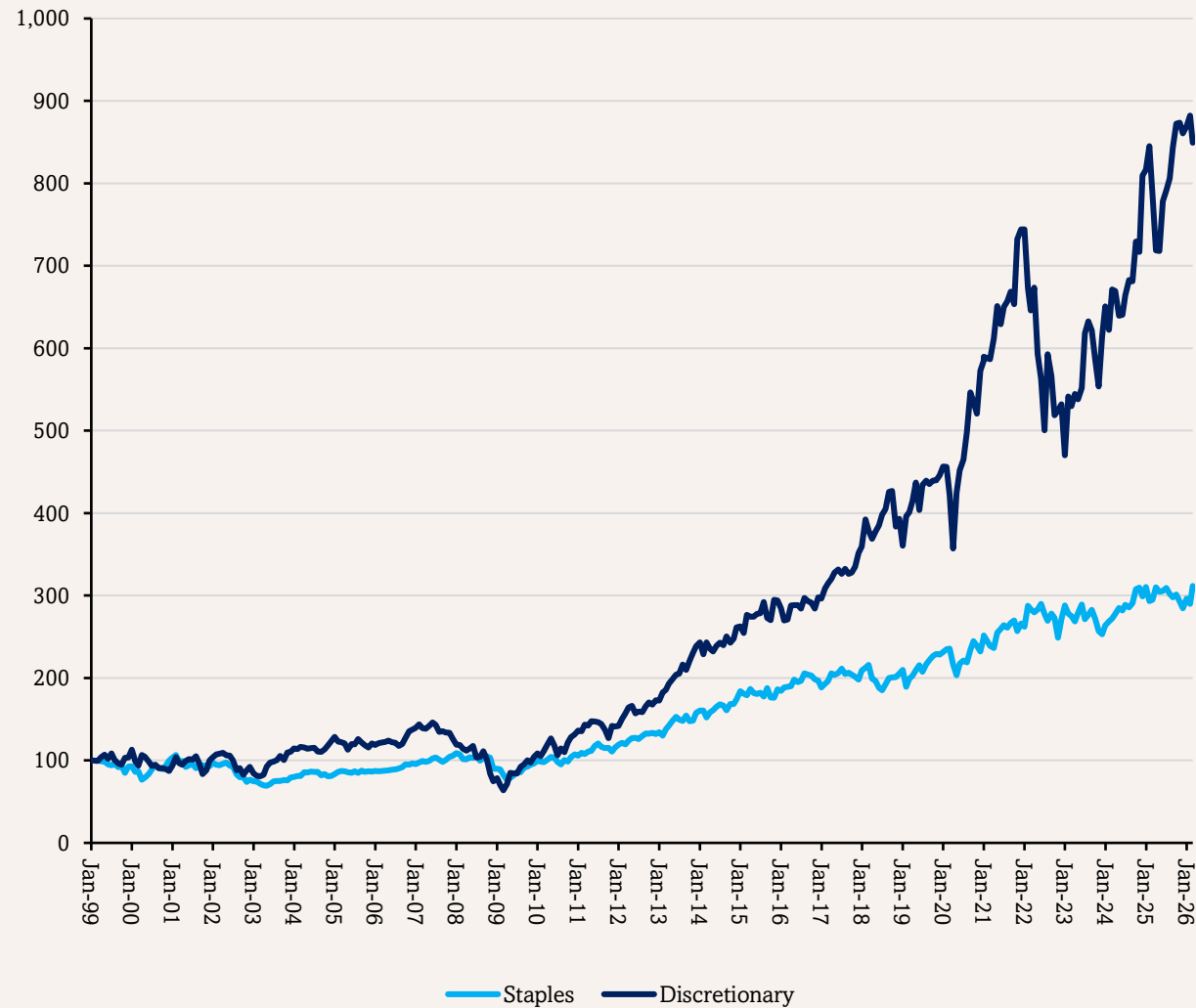


**Cost Factor vs. Material Cost Mentions**

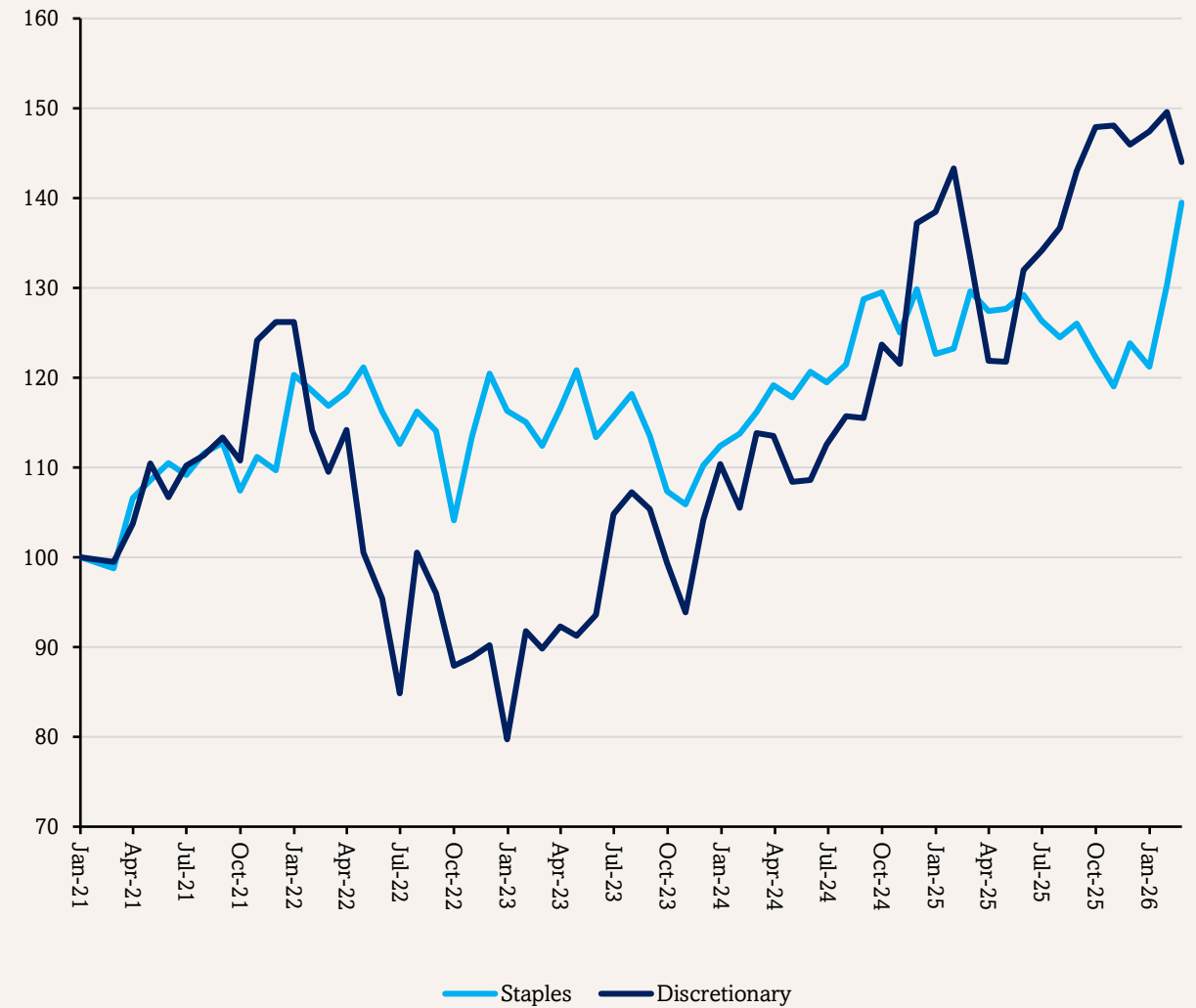


Discretionary outperformed Staples from 2010-2020. Despite a strong finish to 2025, discretionary is currently lagging Staples performance to start 2026 YTD and converging.

Sector Equity Returns (Jan 1999 = 100)

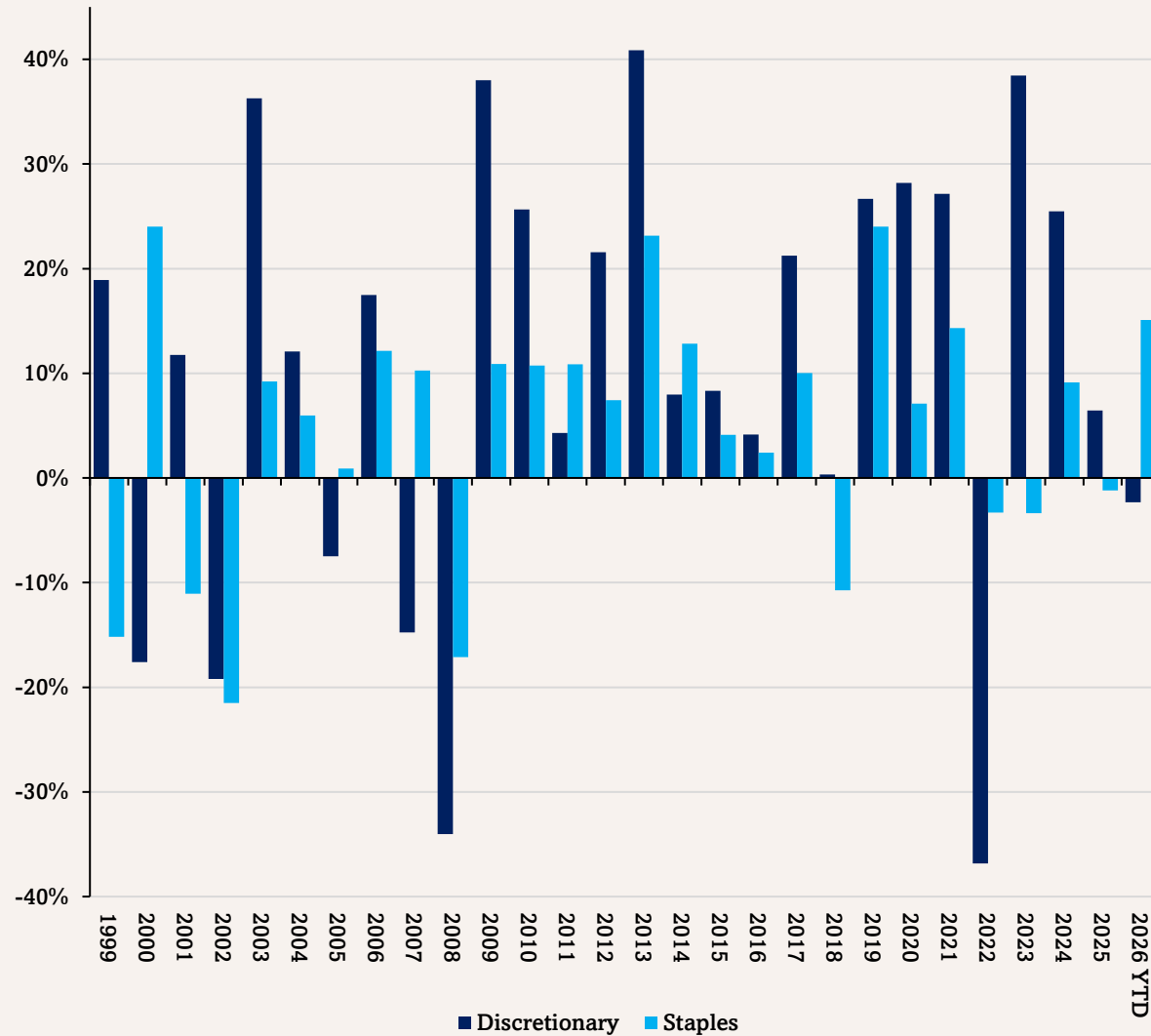


Sector Equity Returns (Jan 2021 = 100)

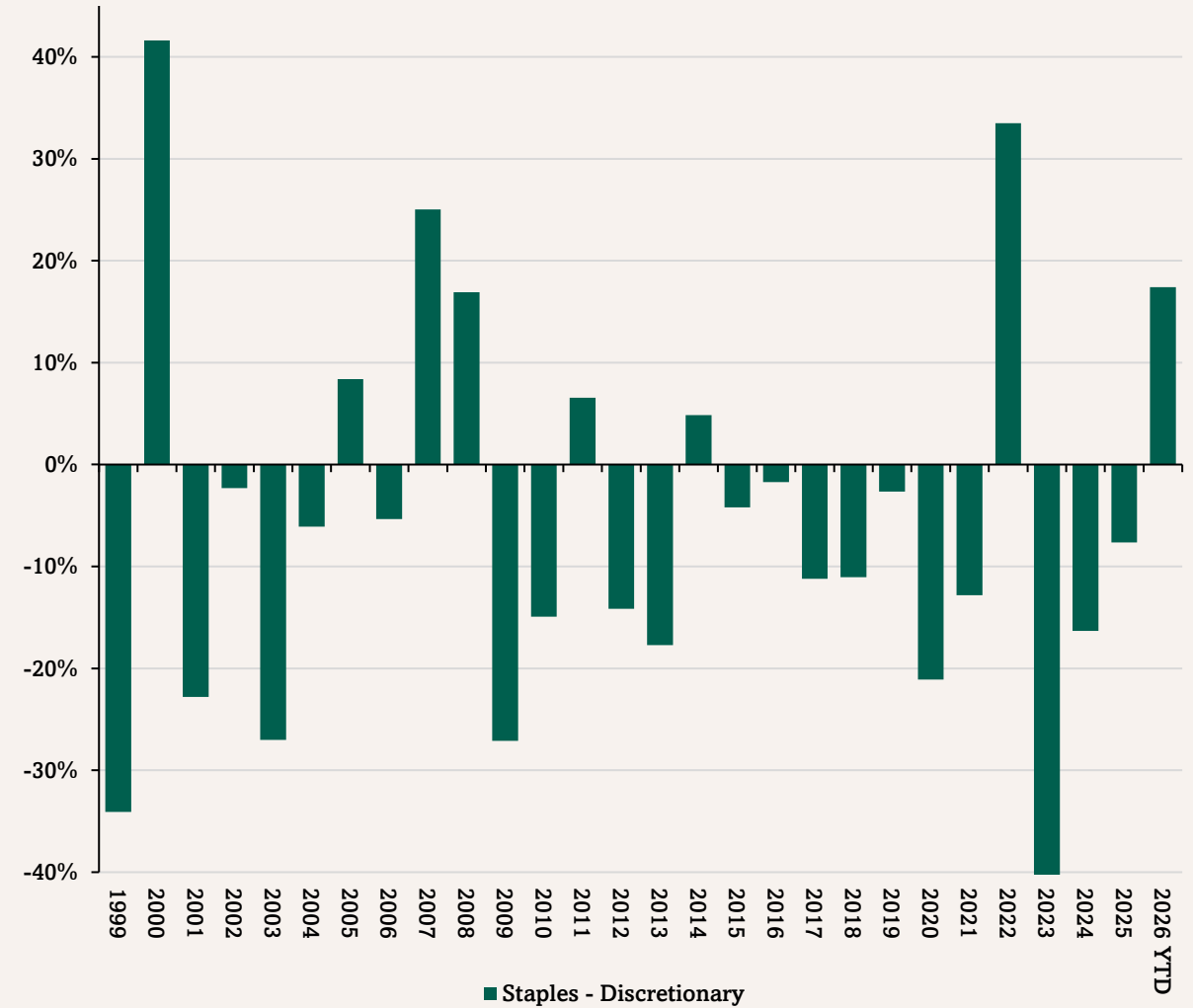


To start 2026, the SPDR Staples ETF (XLP) has increased (+15.1%) ahead of Consumer Discretionary ETF (XLY) has returned -2.3%.

Annual Returns of XLP (Staples) and XLY (Cons. Disc.)



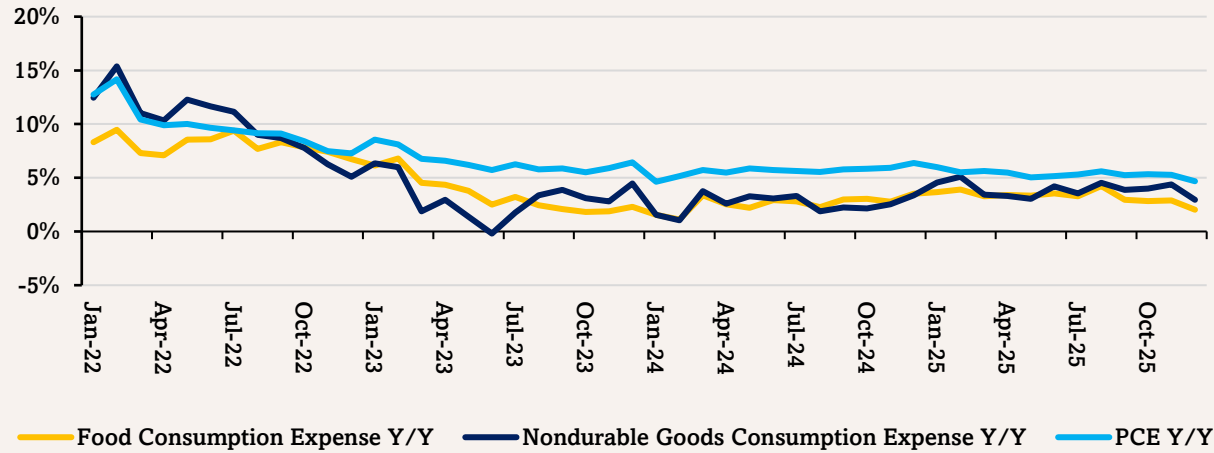
Annual Staples Performance Relative to Discretionary



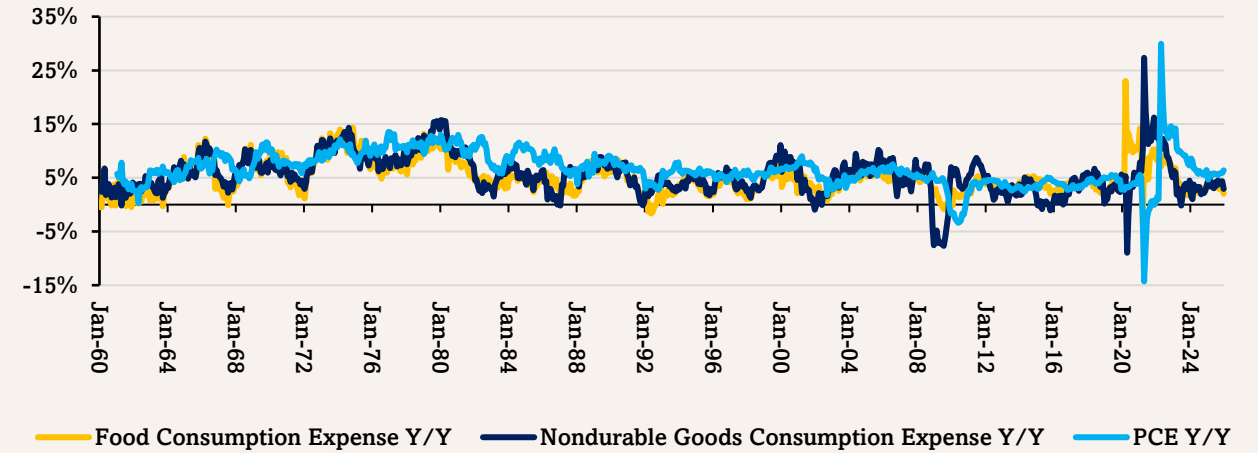
# Consumer Staples Macro

Food expenditure as a percentage of PCE and ND goods seems to have reached a floor

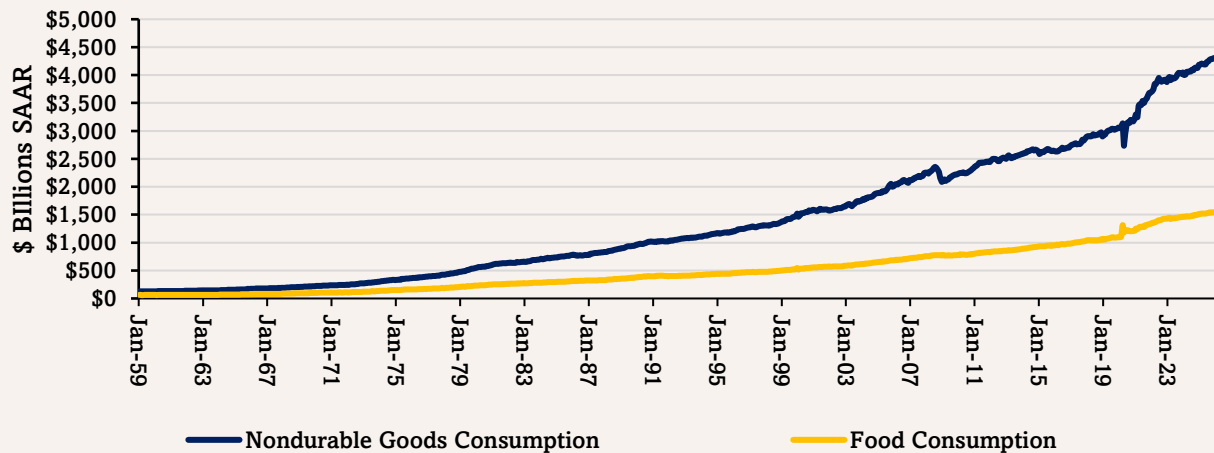
Nondurable & Food Expense Growth Running Below PCE



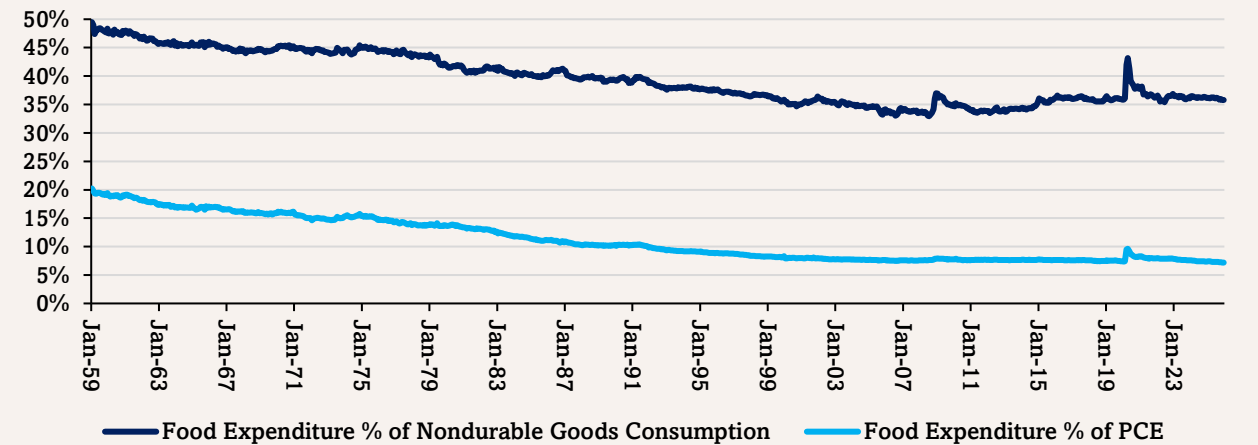
Long Term Consumption Growth



Nominal Dollars of Consumption

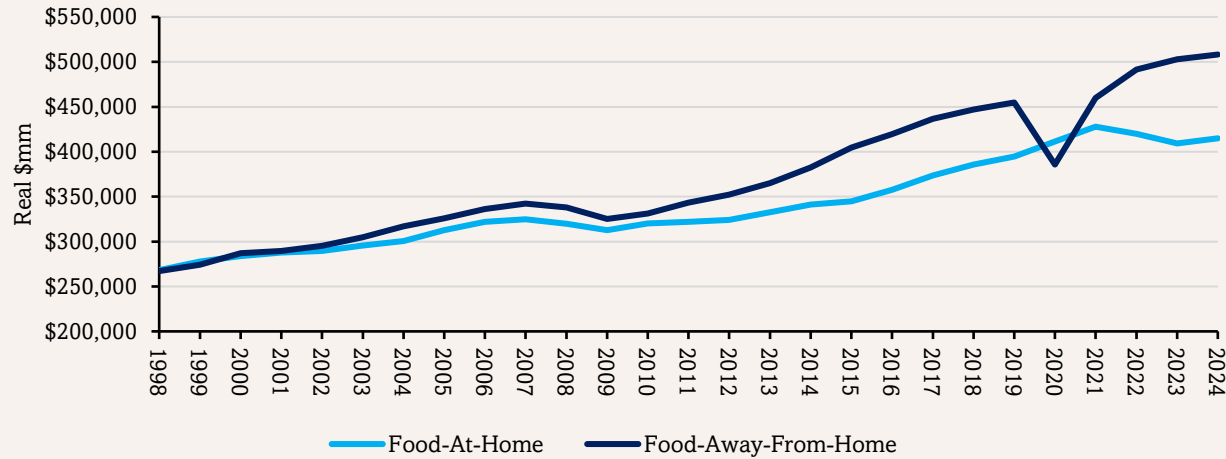


Proportionate Food Consumption

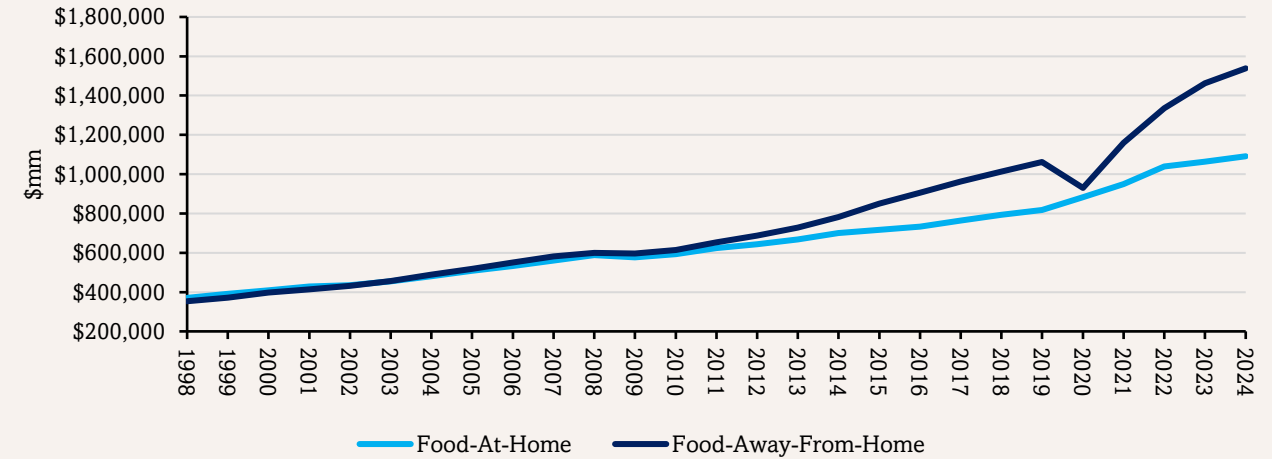


Food-at-home has lagged other spending, lost share to away-from-home (and a lot of other spending categories) over the long-term.

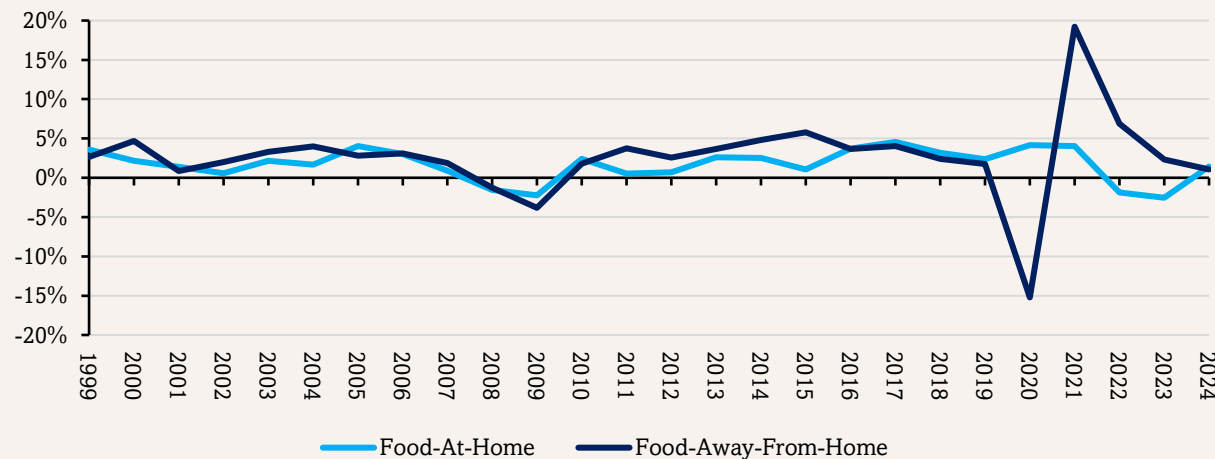
Long Term Food Spend REAL (1988 Base Year)



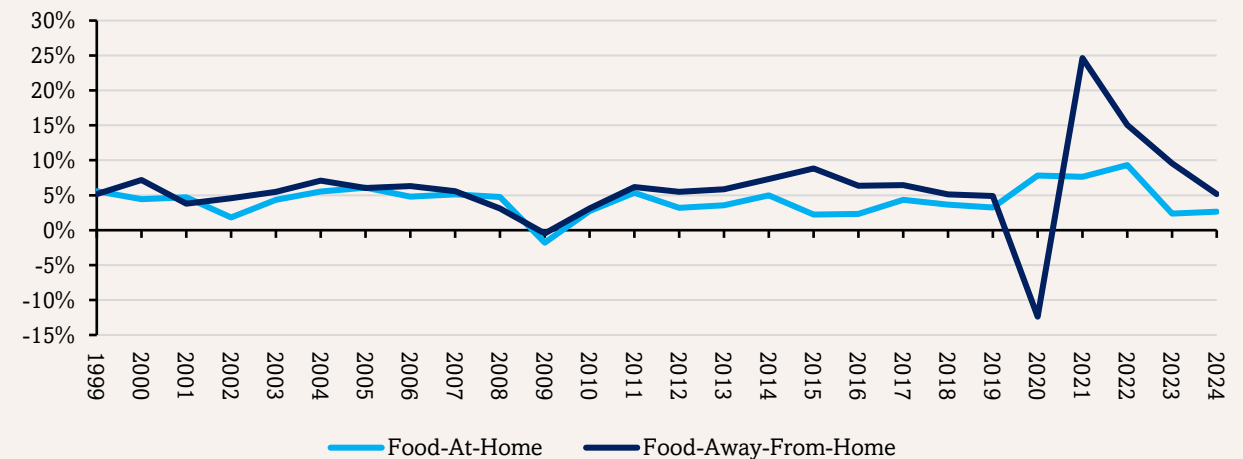
Long Term Food Spend



Food Spend REAL Growth (1988 Base Year)

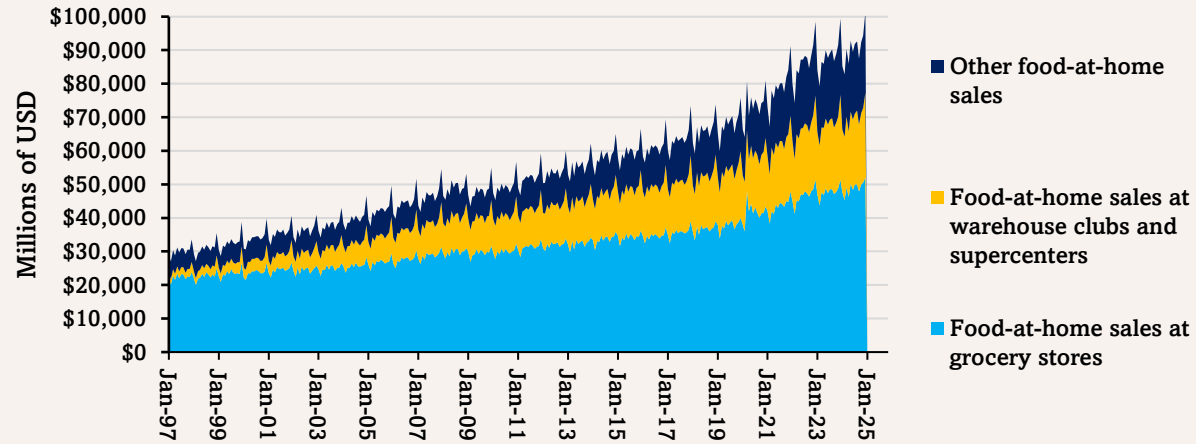


Food Spending Growth

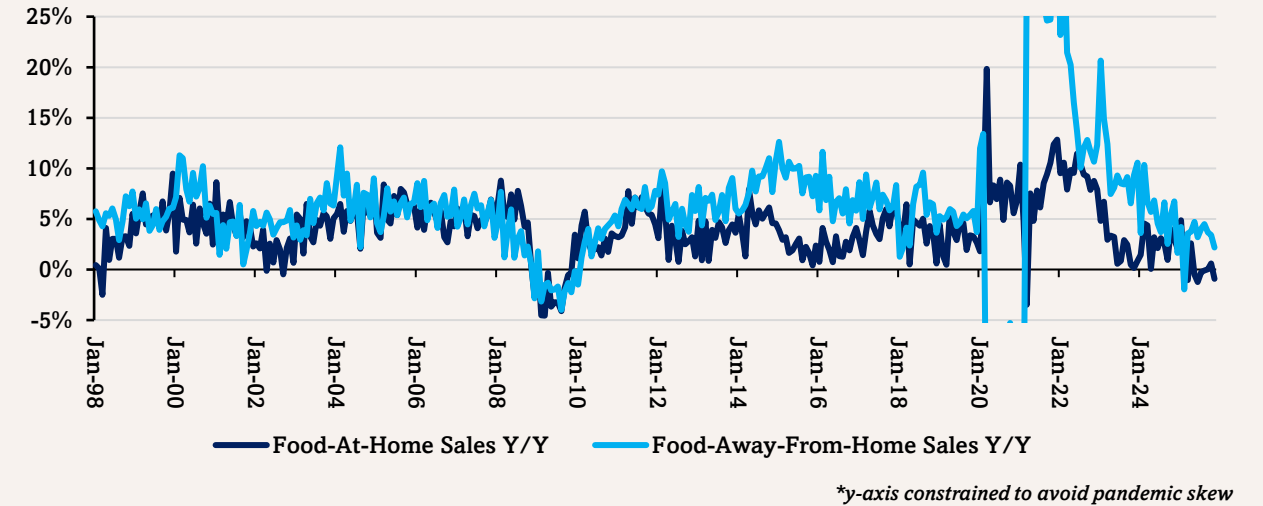


Food-away-from-home sales gaining share, driven by full and limited-service restaurants.

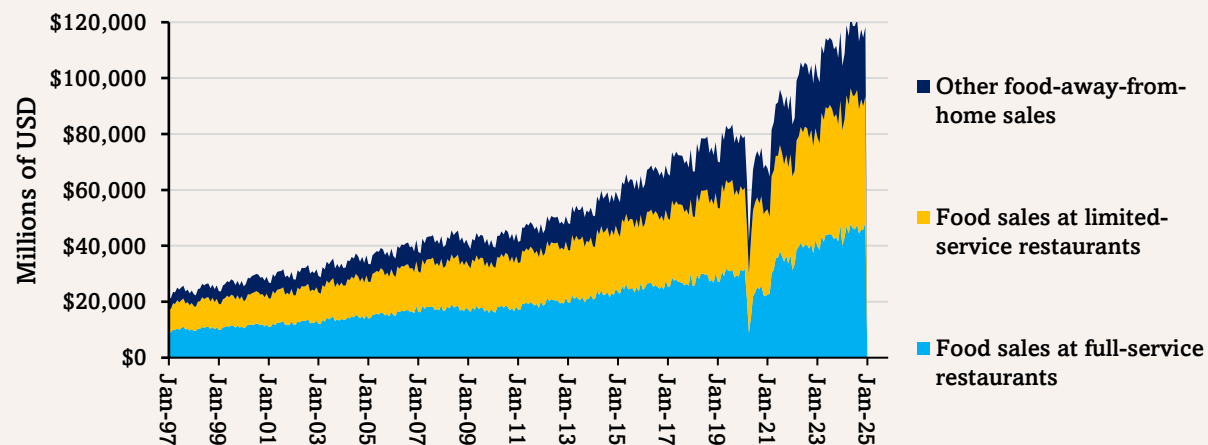
Monthly Food-At-Home Sales by Outlet



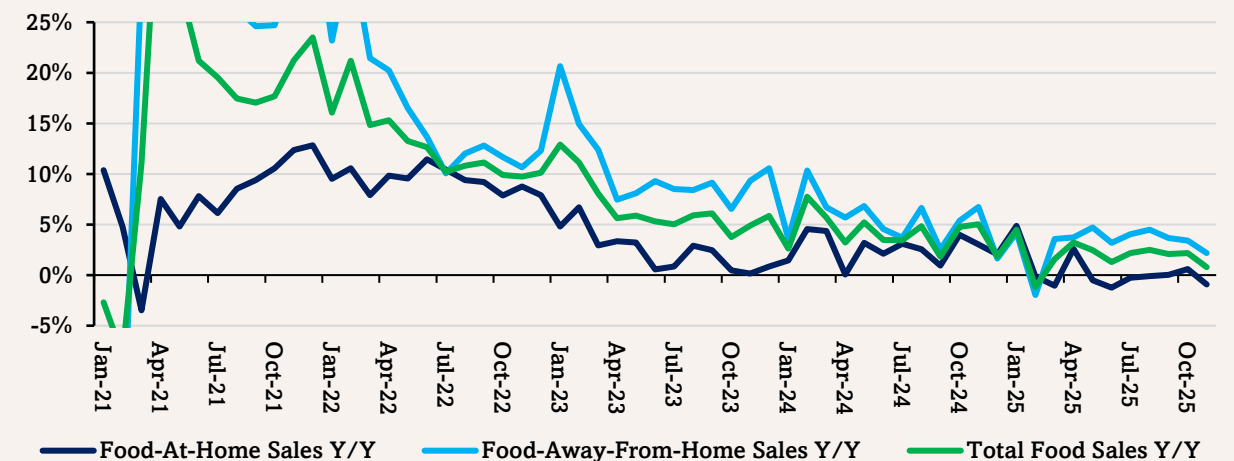
Food-At-Home vs. Away-From-Home Growth



Monthly Food-Away-From-Home Sales by Outlet

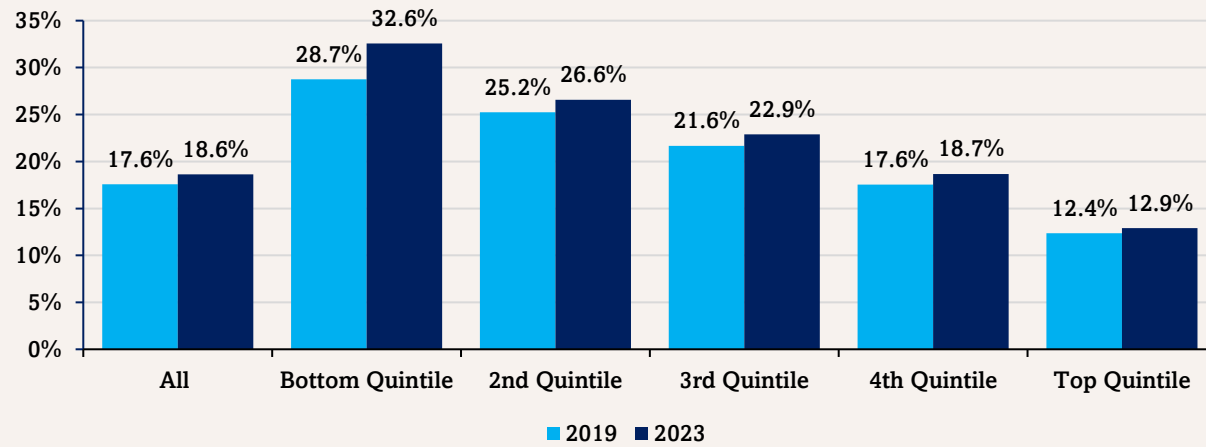


Short Term Food Sales Growth

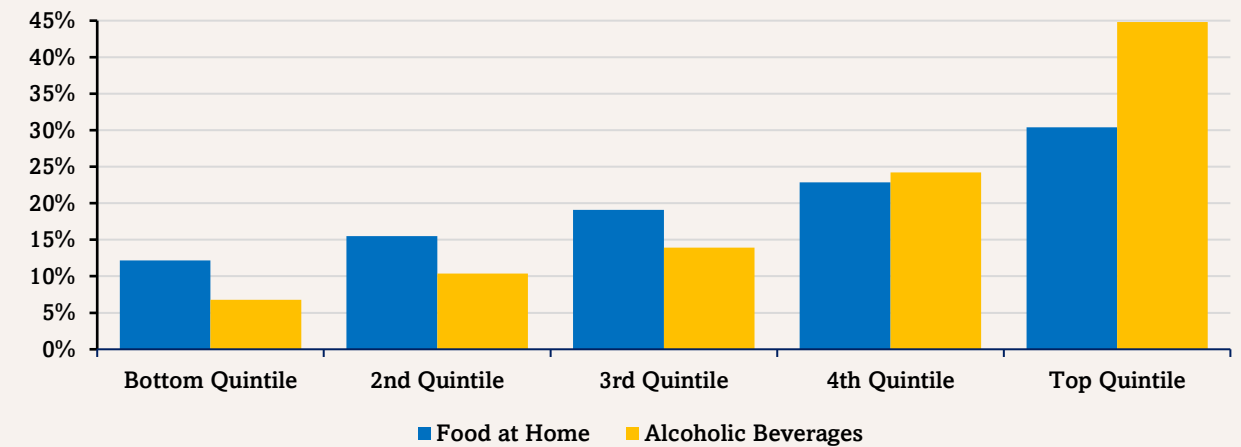


FAH a pressure point for lower income consumers; note alcohol spend skews higher-income.

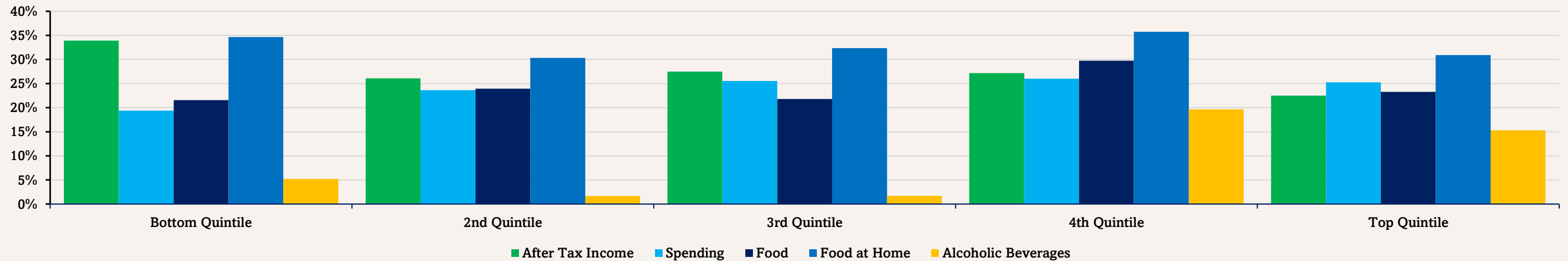
FAH Spend % of Discretionary Spending by Income Quintile



2023 Proportion of total spending on FAH & Alcohol

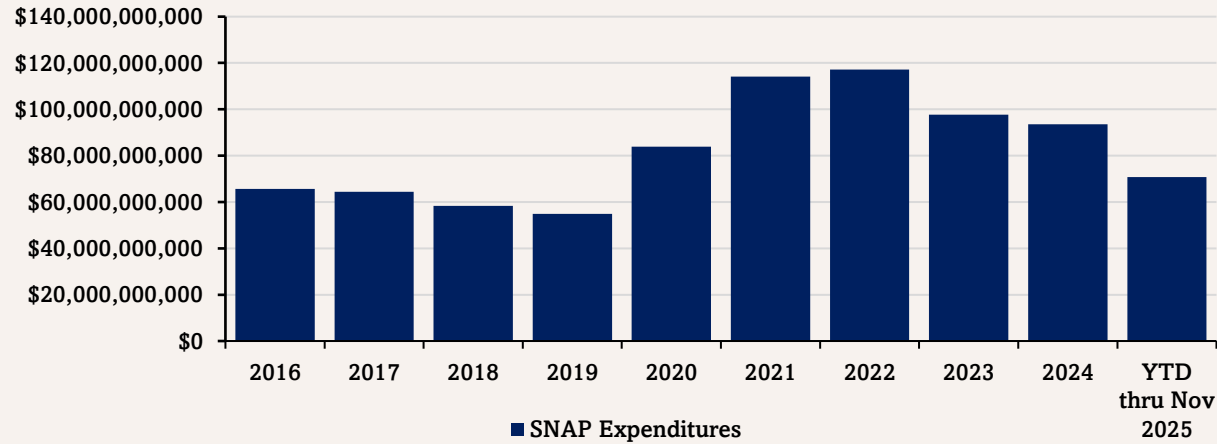


2023 vs 2019 Growth in Spending by Income Quintile

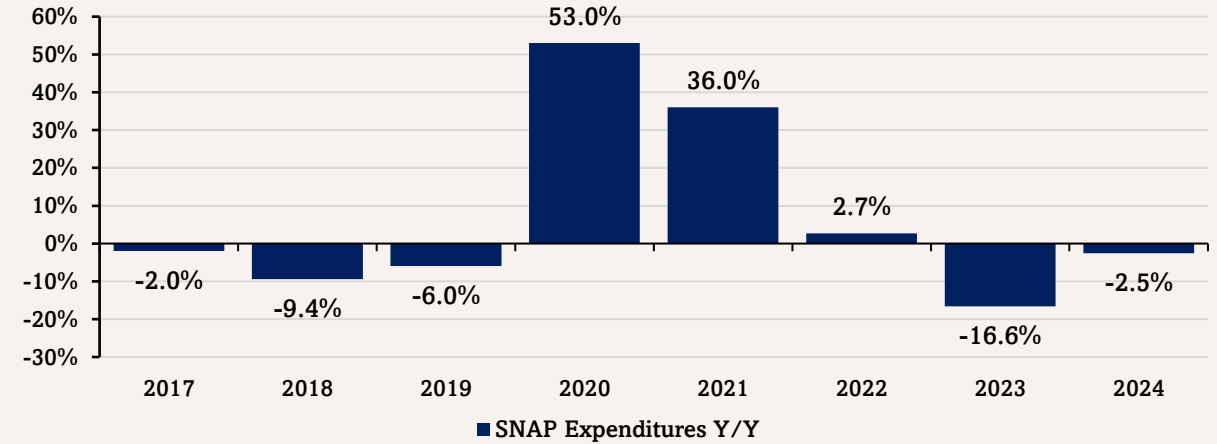


SNAP participation was ~20% lower in 2025 vs. 2024. The headwind is mostly in the base.

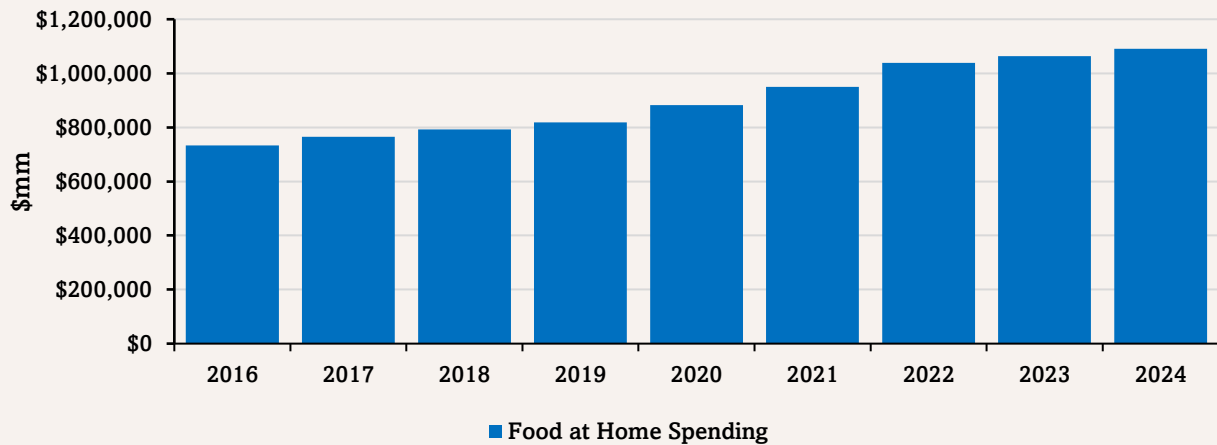
TTM Cost of SNAP Benefits



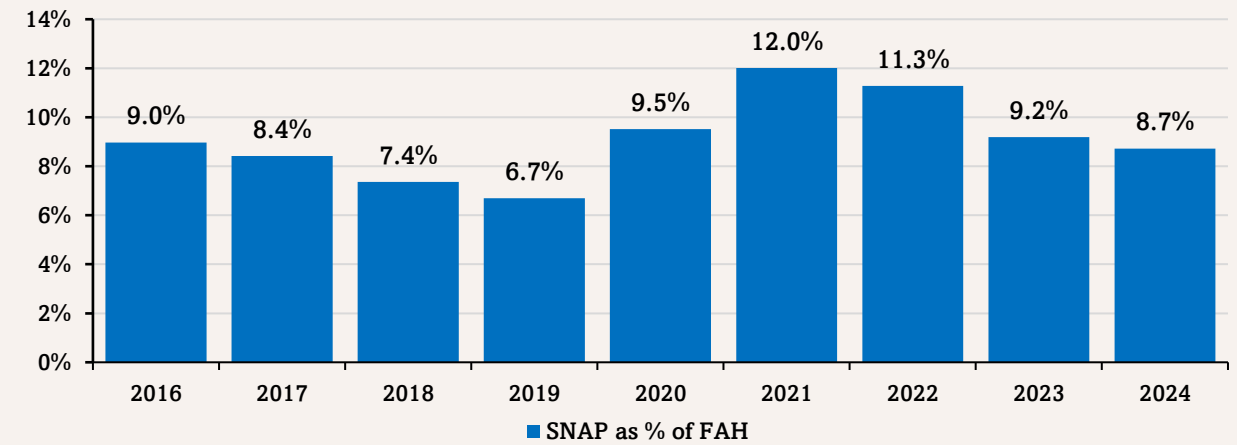
SNAP Expenditures Y/Y



FAH Spending Annualized

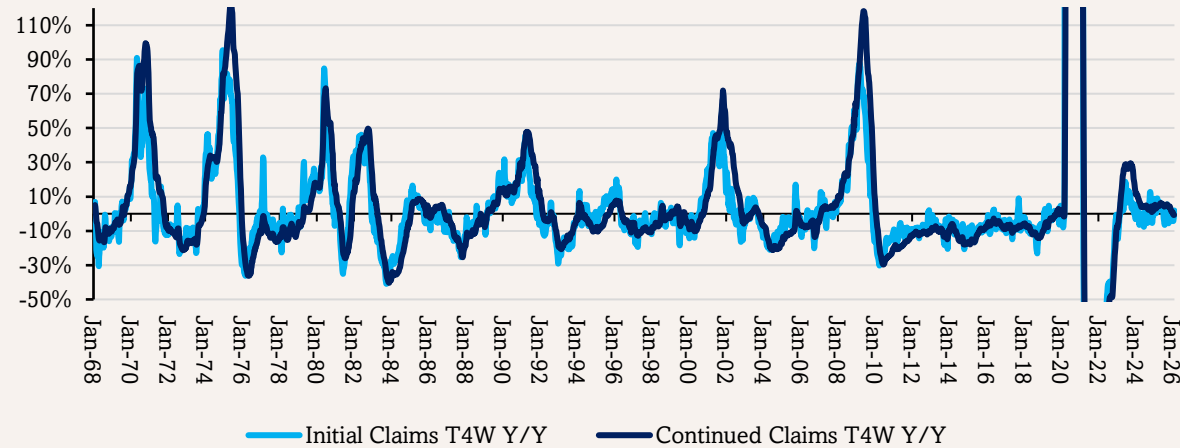


SNAP as a % of FAH Spend

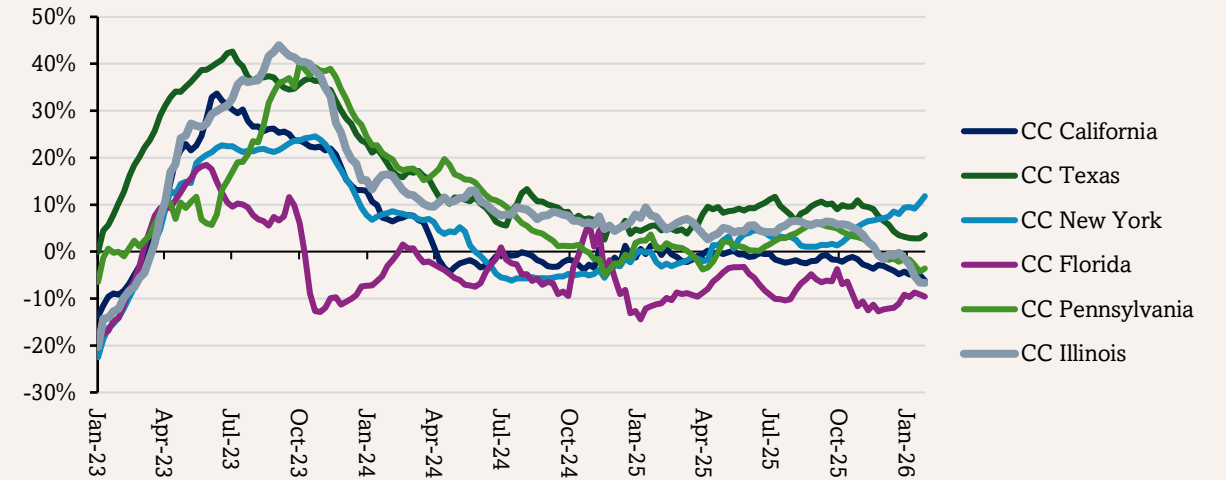


National continued and initial claims moving lower in recent weeks. Continued claims running down -0.7% y/y over T4W while initial claims running up +1.9% y/y. We note a significant uptick in claims in New York (the 2<sup>nd</sup> largest state by claims). Initial claims running up +28% y/y while continued claims up +12% y/y over T4W.

Unemployment Claims T4W Y/Y



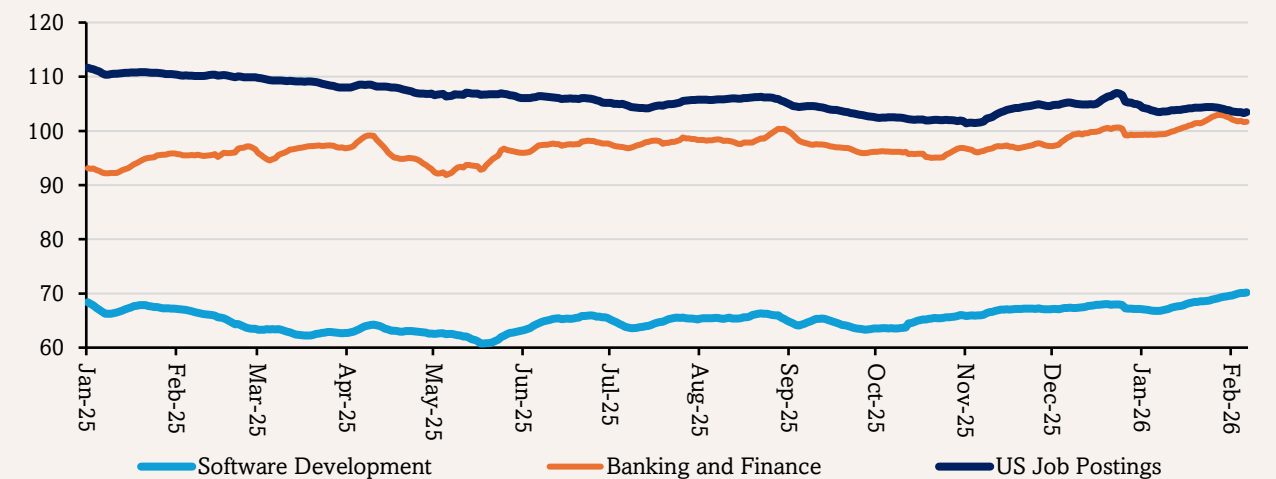
State Continued Claims T4W Y/Y



Industry Indeed Job Postings Leaders & Laggards

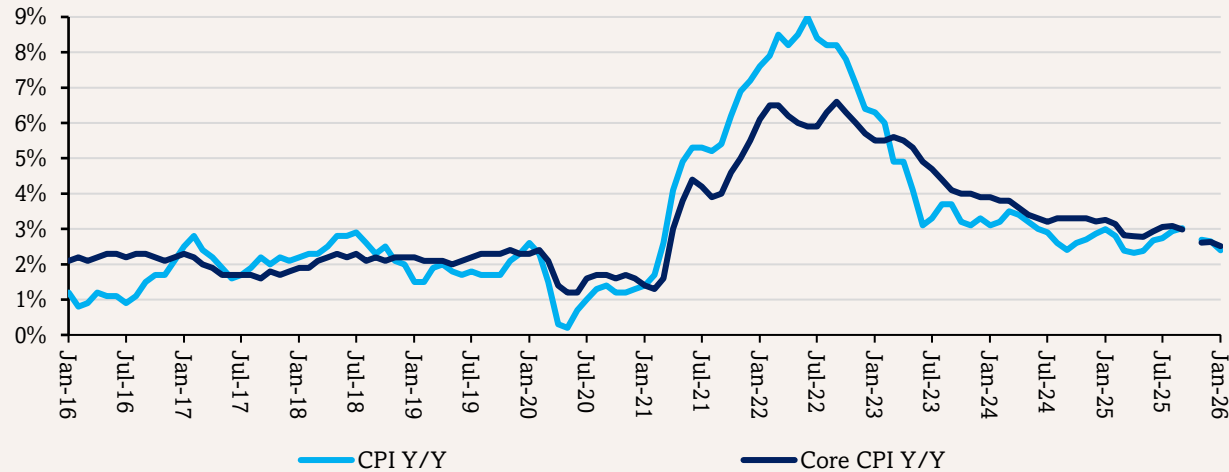
Industry	Posting Level Relative, Pre-Pandemic = 100	Y/Y Job Postings
Driving	107.31	-23.6%
Logistic Support	114.58	-15.3%
Scientific Research and Development	72.21	-15.1%
Childcare	99.28	-13.6%
Retail	85.9	-13.2%
<b>US Job Postings</b>	<b>103.45</b>	<b>-6.1%</b>
Production and Manufacturing	115.09	4.7%
Software Development	70.17	5.2%
Banking and Finance	101.7	6.4%

Daily Indeed Job Postings

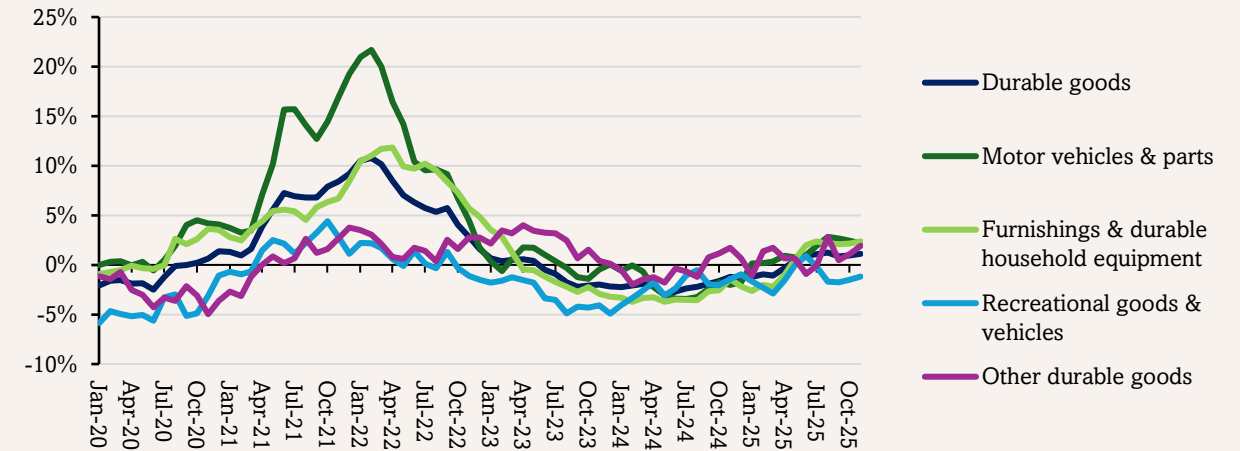


Despite missed data for October 2025, CPI y/y has moved lower at both the headline and core level. Headline CPI running up +2.4% as of January (lowest y/y level since Feb 2021). Core CPI has cooled to its lowest y/y level since early 2021, +2.5% y/y.

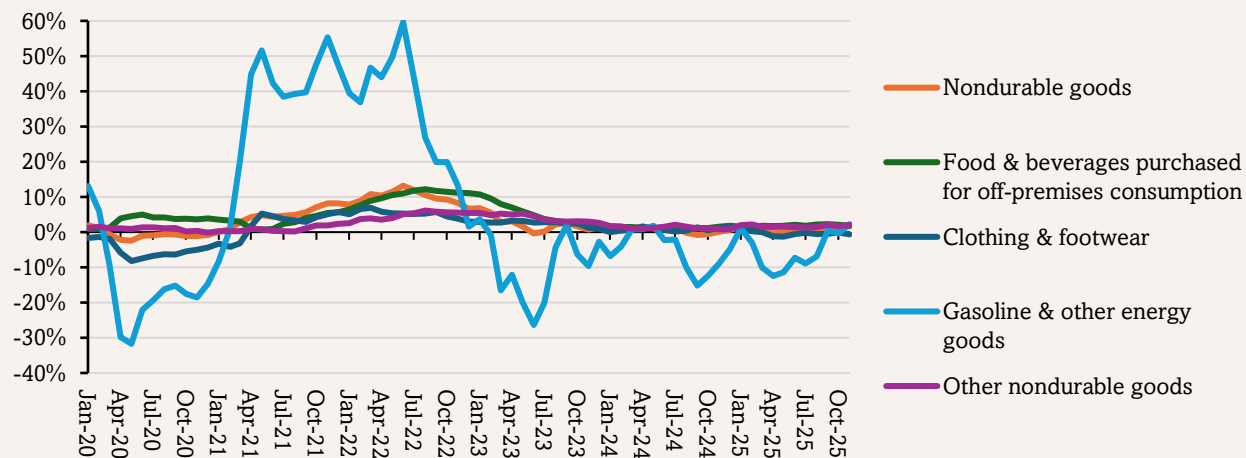
Consumer Price Index



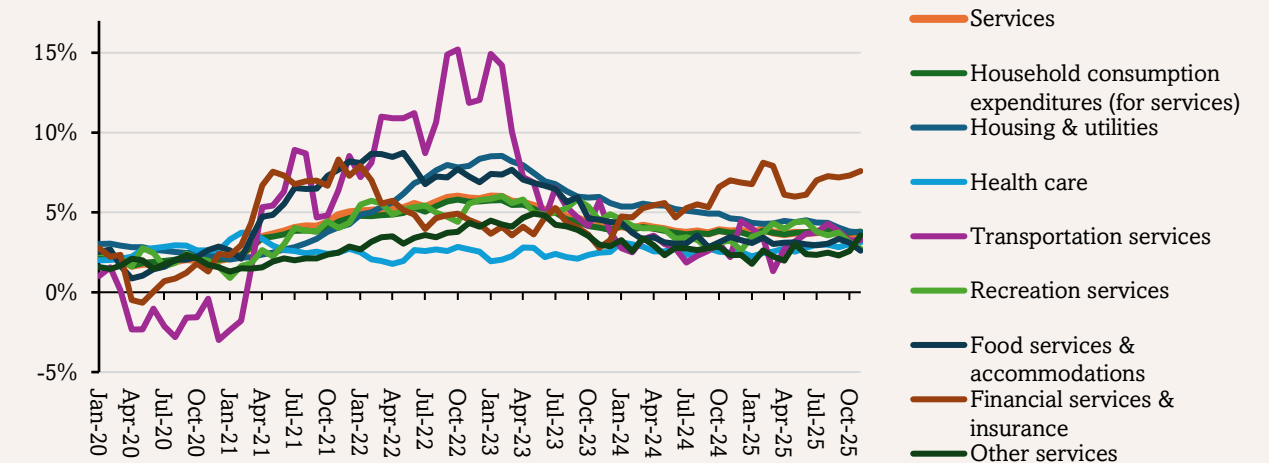
PCE Price Index: Durables



PCE Price Index: Nondurables

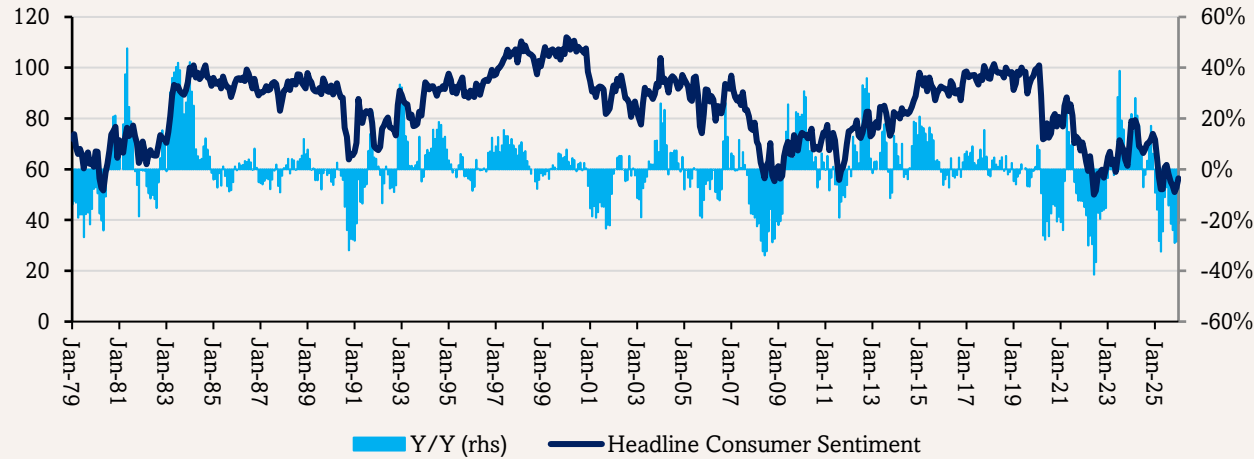


PCE Price Index: Services

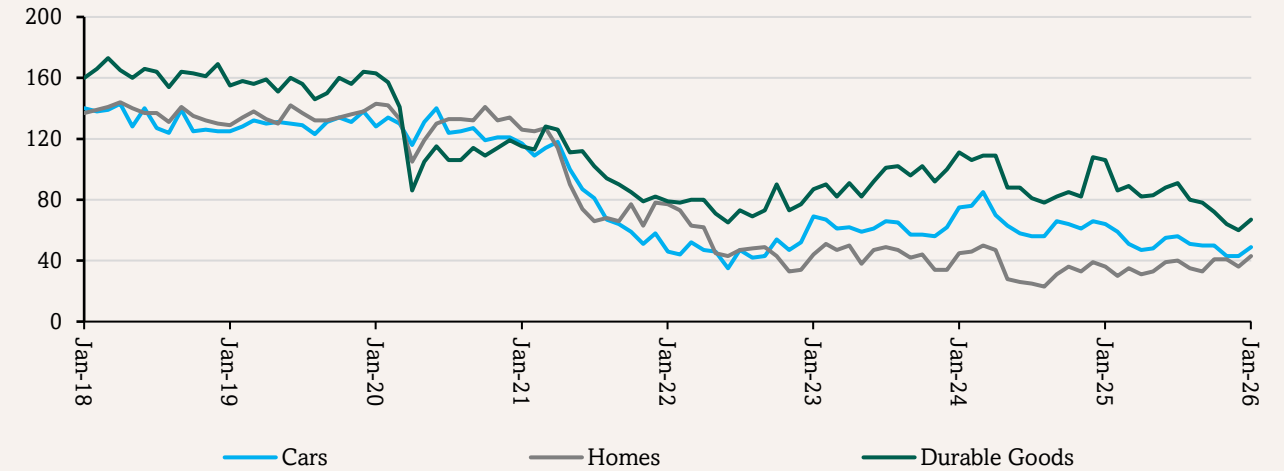


Headline Sentiment for February has continued to run down, but less negative than the last 5 months. Sentiment is now running -12.5% y/y. Declines are particularly strong among age 35-54 (-13.3% y/y) and lower-income (-20.3% y/y) respondents.

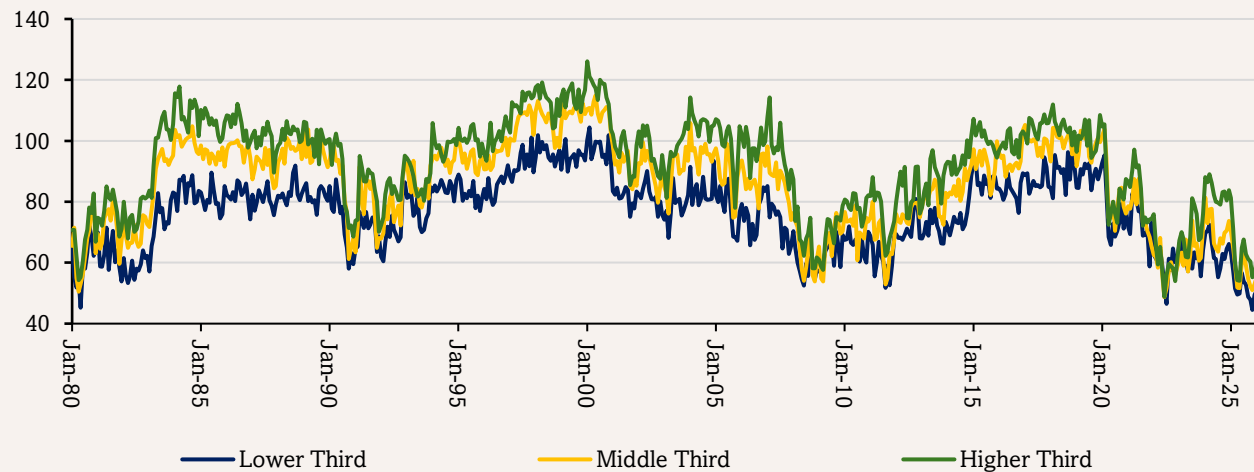
Headline Consumer Sentiment



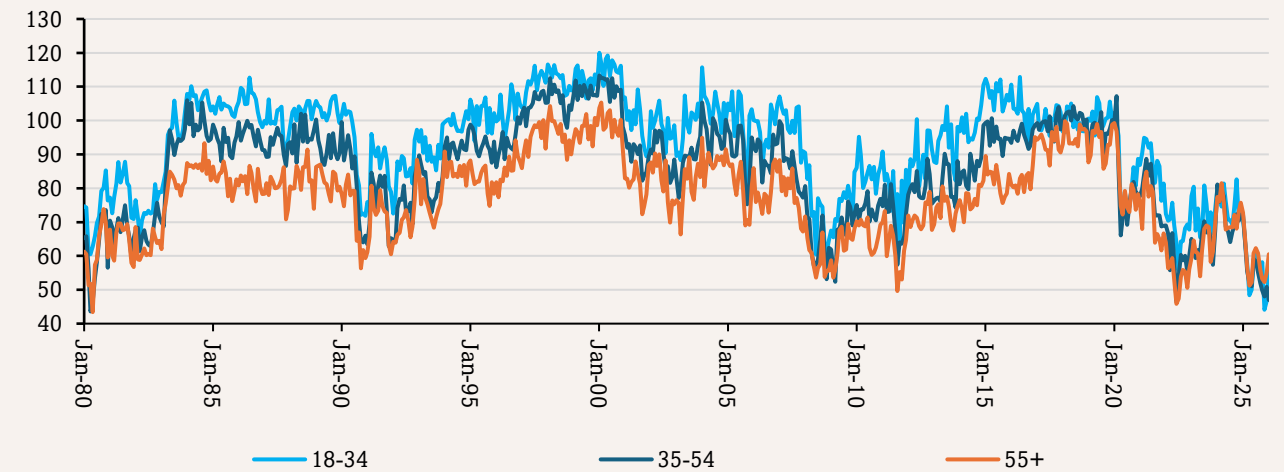
Purchasing Conditions



Consumer Sentiment by Income Terciles

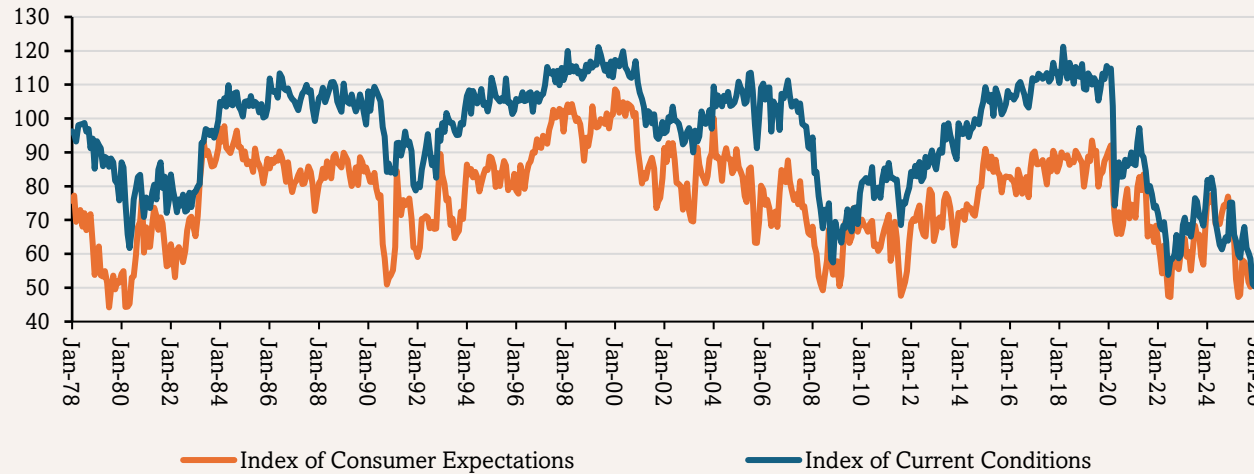


Consumer Sentiment by Age

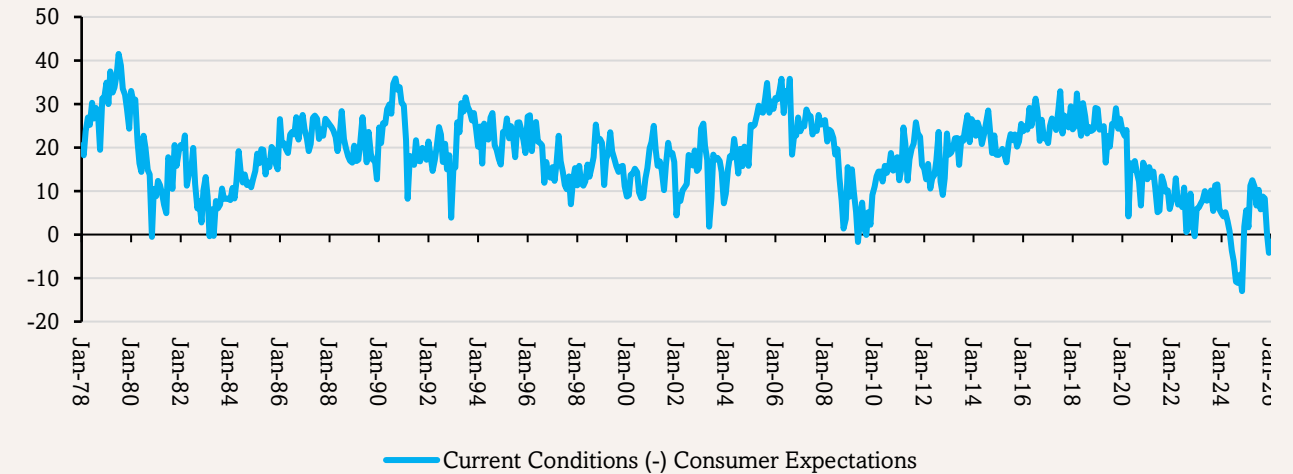


Survey respondents are pessimistic about current conditions. The index of current conditions is running below the index of expectations for only the 4<sup>th</sup> time since the '80s. Durable goods buying conditions are running down -22% y/y, and expected business conditions is running down -20% y/y.

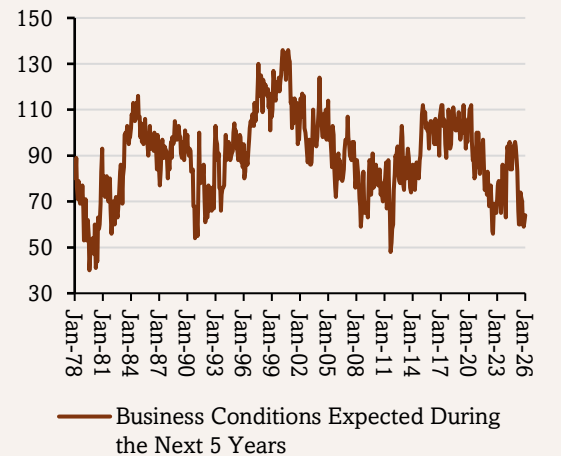
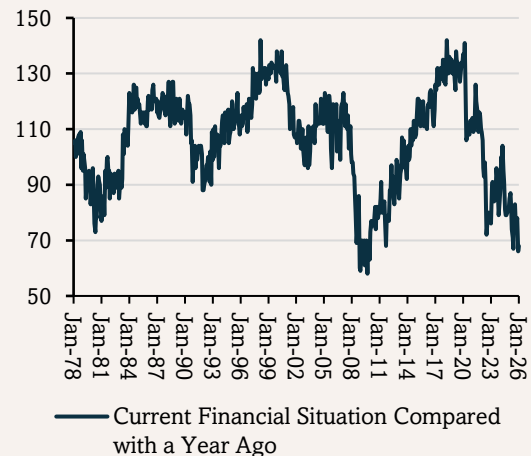
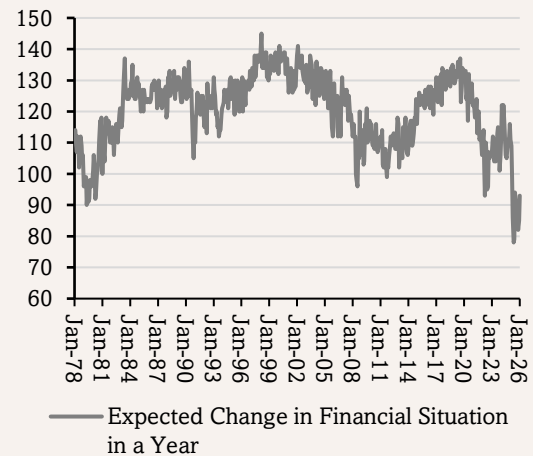
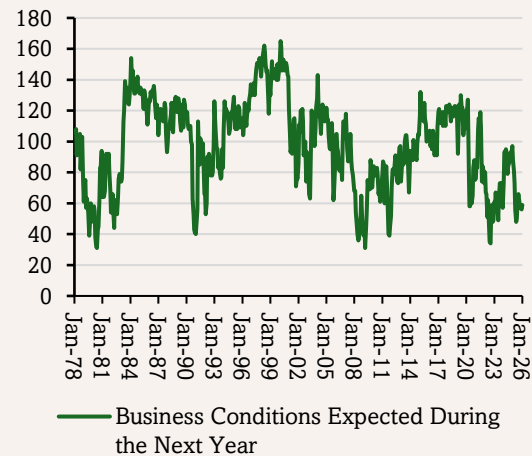
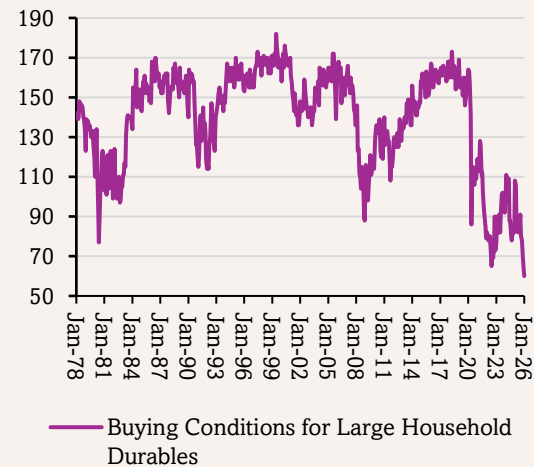
Expectations vs. Current Conditions



Current Conditions - Expectations

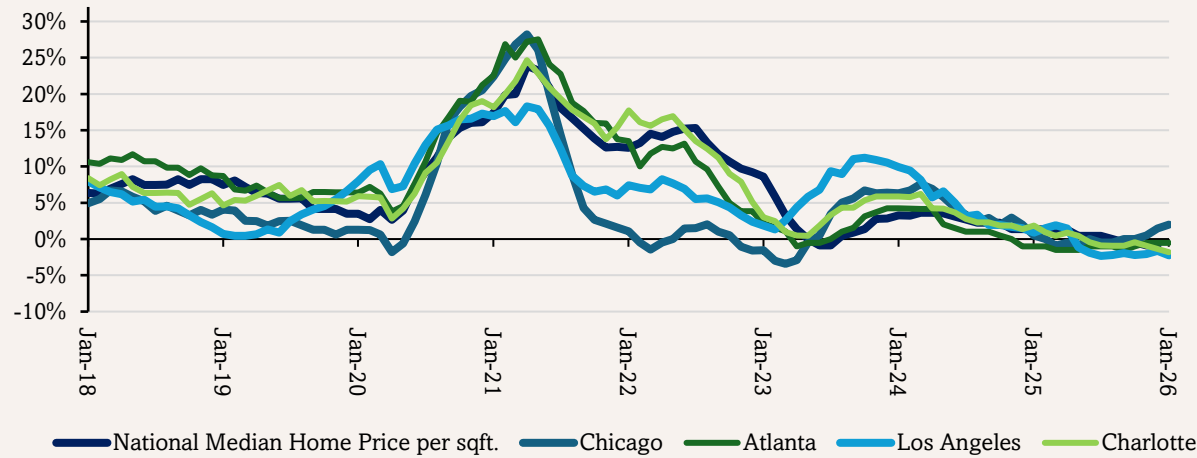


Components of Consumer Sentiment

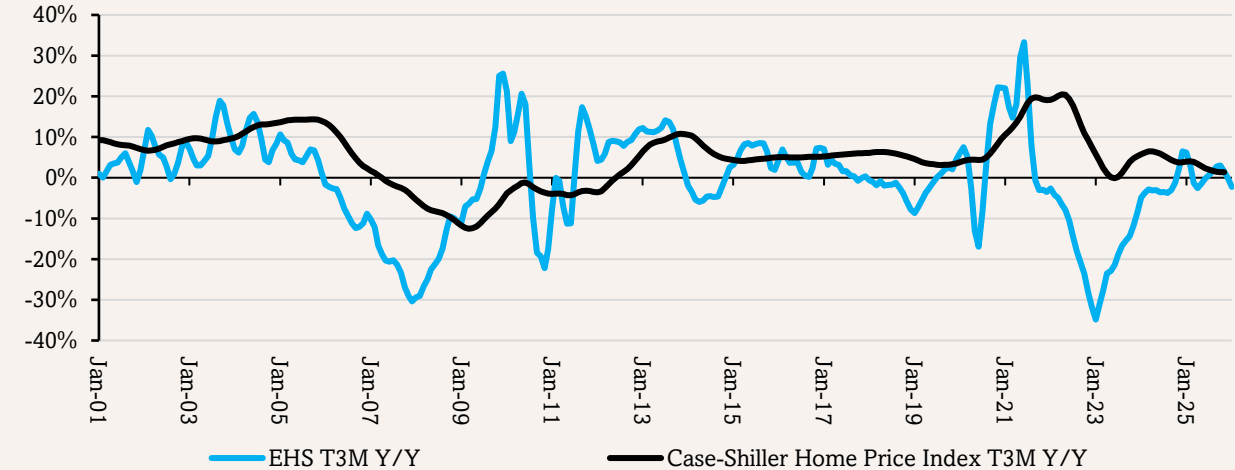


Mortgage rates have stabilized around 6% over the last 4 weeks. We note significant pickup in mortgage applications for home purchase (up 19% y/y) is an early sign of potential for more robust 2H26 activity. Roughly 18% of US GDP is related to the selling, budling, fixing, lending, and furnishing of homes – velocity matters for the broader economy.

Median Home Price Per Sqft. Y/Y



Existing Home Sales



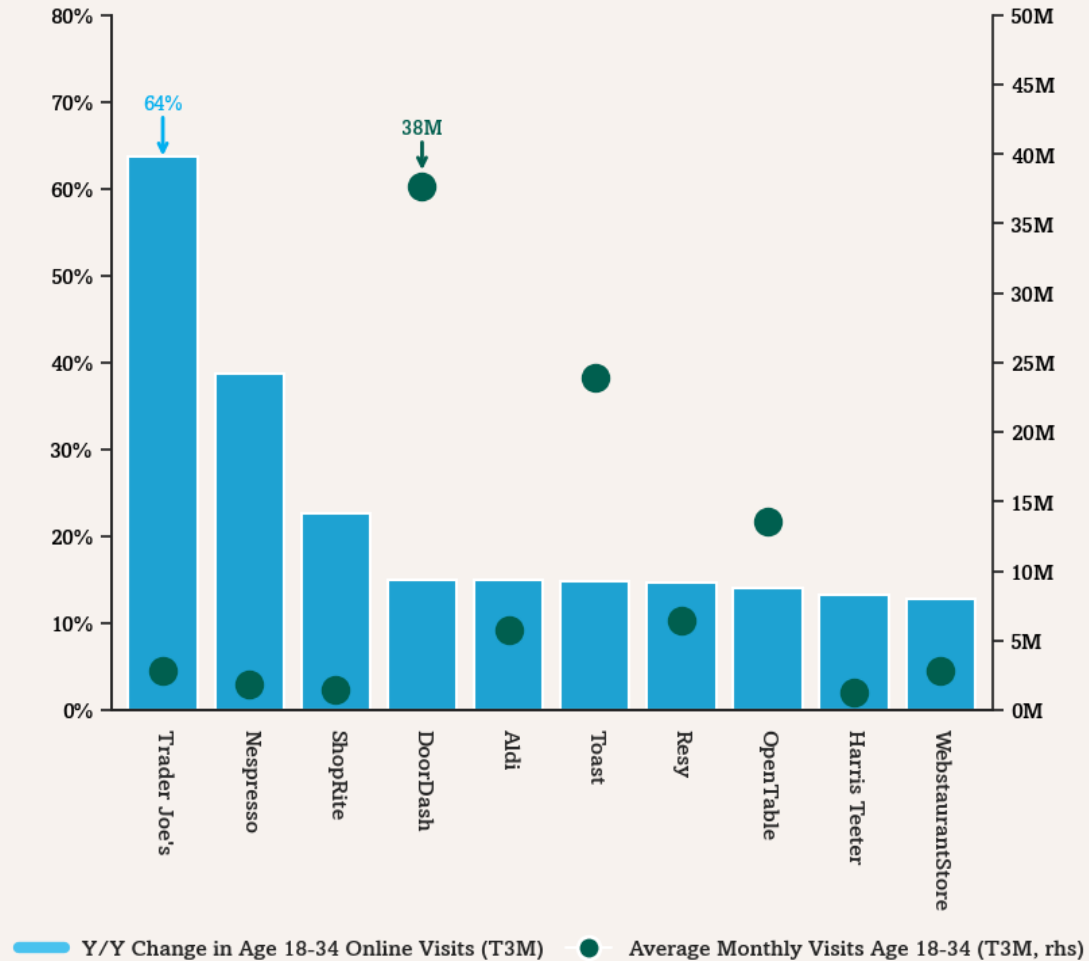
Metro Area Case Shiller Home Price Index Y/Y Heat Map

	Boston	Chicago	Denver	Las Vegas	Los Angeles	Miami	New York	San Diego	San Francisco	Washington, D.C.
Dec-24	6.4%	6.6%	1.5%	5.5%	3.5%	3.3%	7.6%	5.4%	2.8%	5.6%
Jan-25	6.6%	7.5%	1.9%	5.5%	4.0%	3.3%	8.2%	3.3%	3.0%	5.1%
Feb-25	5.9%	7.0%	1.6%	4.9%	4.4%	2.9%	7.9%	2.6%	3.1%	4.5%
Mar-25	4.7%	6.5%	1.4%	4.7%	4.1%	1.8%	8.2%	1.5%	1.6%	4.4%
Apr-25	3.9%	5.9%	0.8%	4.0%	2.5%	1.3%	8.1%	1.0%	0.2%	4.2%
May-25	4.7%	5.9%	0.0%	3.2%	0.9%	0.5%	7.6%	0.3%	-0.7%	3.2%
Jun-25	4.2%	6.0%	-0.6%	2.4%	0.0%	-0.2%	7.2%	-0.7%	-2.1%	2.2%
Jul-25	4.0%	6.0%	-0.6%	1.0%	0.1%	-1.3%	6.5%	-0.8%	-1.9%	1.3%
Aug-25	4.0%	5.8%	-0.8%	0.3%	0.1%	-1.6%	6.1%	-0.9%	-1.5%	0.9%
Sep-25	4.0%	5.4%	-0.8%	-0.7%	0.4%	-1.2%	5.4%	-0.9%	-0.9%	0.6%
Oct-25	3.0%	5.8%	-1.4%	-0.7%	0.2%	-1.0%	5.1%	-0.5%	0.2%	0.4%
Nov-25	1.9%	5.8%	-1.3%	-0.4%	0.5%	-1.0%	5.1%	0.2%	0.7%	0.4%

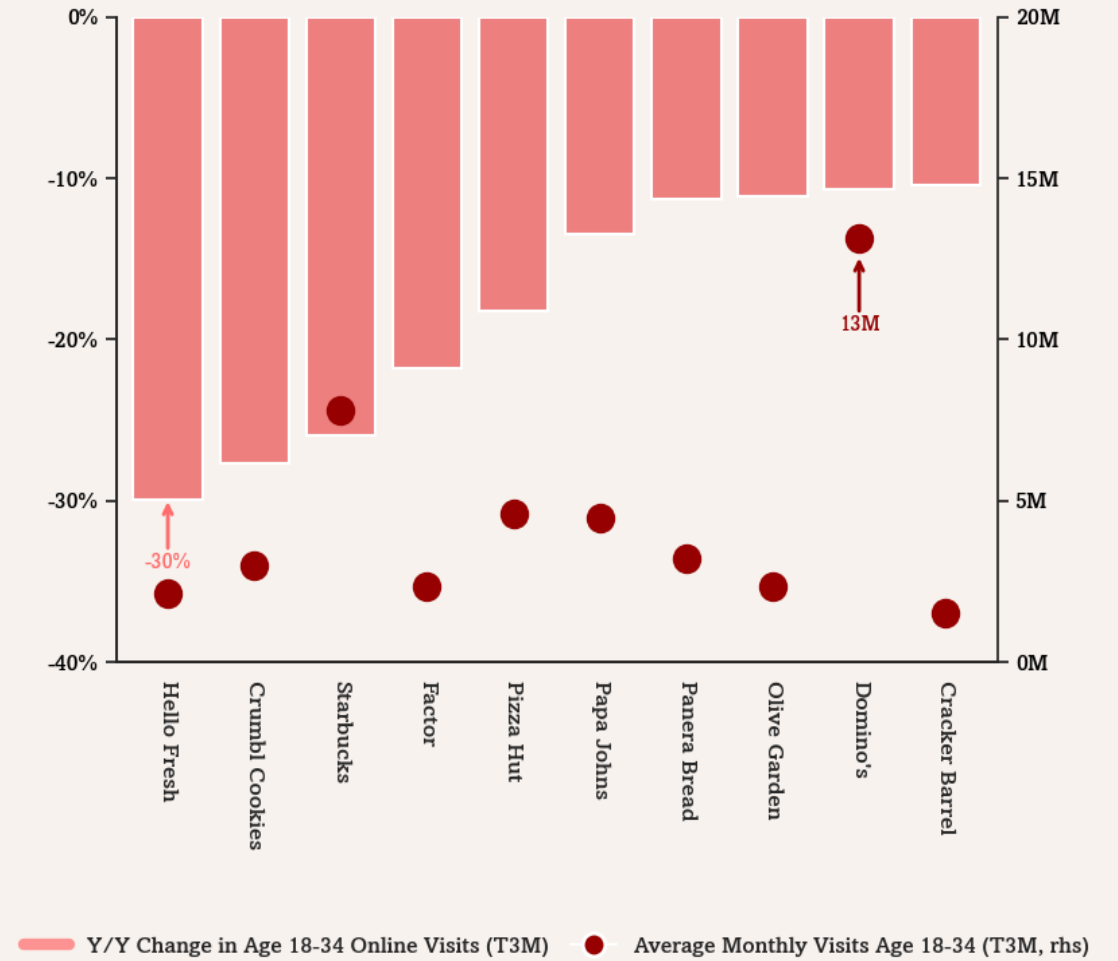
# Digital Inflections

Age 18-34 digital traffic to Trader Joe's, Nespresso, ShopRite, & DoorDash is breaking out, and is breaking down for Hello Fresh, Crumbl Cookies, Starbucks, & Factor

Age 18-34 Digital Brand Breakouts



Age 18-34 Digital Brand Breakdowns



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