TABLE OF CONTENTS

- Nearly 70% of low-income households reporting hardship from high prices .......................... 2
- A report found that Amazon had increased prices on its most popular goods .................. 5
- S&P 500 companies report record profit margin and share repurchases ....................... 6
- Major clothing retailers reporting higher earnings thanks to raising prices ..................... 7
- The price increases allowed the companies to funnel profits to shareholders .................. 8
- Fashion Retailers continued to project prices hikes into 2022, some over 10% ............... 9
- Top executives at retail suppliers bragged about passing on costs to consumers .......... 10
- Investors are rewarding retail companies that increase prices ....................................... 12
- Walmart and Target were punished by investors for not raising prices more .................. 12
- Lowe’s and Home Depot were rewarded by Wall Street for hiking prices ..................... 13
- Lowe’s funneled over $10 billion back to investors in 2021 ............................................. 14
- A major supplier to Lowes and Home Depot reported raising prices over 20% ............ 14
- Hostess Brands suggested it would hike prices through the holidays ......................... 16
- Party City suggested it would hike prices through the holidays ..................................... 17
- Spectrum Brands, a pet and home good supplier, justified price increases by pointing to pent up consumer demand ................................................................. 17
- Best Buy reported billions in buybacks while hiking prices on appliances ................... 19
- **Mattel CFO said pricing actions were “going well,” with little consumer response** ..... 19
- Hasbro raised prices throughout 2021 citing costs and meeting revenue goals .......... 20
- Hasbro said the nature of their products allowed them to pass costs on easily .......... 21
- Hasbro deflected on pricing questions by stressing retailers “set the pricing” ........... 22
- Mattel reported a much higher increase in income than in costs ................................. 23
- **Kohl's reported shoveling over $900 million to shareholders as margins surged** .... 23
- **KROGER** ..................................................................................................................... 23
  - After calling inflation good for business, Kroger cited it justify price increases ......... 23
  - During the pandemic, Kroger spent over $1.5 billion on stock buybacks and dividends .......... 25
  - Kroger’s executives saw their pay increase during the pandemic, while their workers pay fell ... 25
- **WHIRLPOOL** ............................................................................................................. 26
  - Whirlpool announced price hikes days after authorizing $2 billion in stock buybacks .. 26
  - Whirlpool repeatedly connected price hikes to strong demand and used it to justify increased earnings guidance .......................................................... 27
  - Whirlpool spent hundreds of millions on stock buybacks and dividends during the pandemic ... 28
  - During the pandemic, Whirlpool's executive pay rose significantly along with the pay ratio between its CEO and median employee ........................................... 29
  - Whirlpool cited commodity prices to hike prices in 2018 as well ............................. 30
- **KIMBERLY CLARK** .................................................................................................. 30
Kimberly Clark said it was forced to raise prices after boasting of spending billions on stock buybacks and dividends.

Kimberly Clark's CEO pay continued to increase during the pandemic while worker wages stagnated.

Kimberly Clark previously blamed inflation for price increases in 2018, claiming customers would "understand".

**PROCTER & GAMBLE**

Procter & Gamble announced it would hike prices at the same time it increase stock buybacks buy an additional $1 billion.

Over the course of the pandemic, the pay ratio between Procter & Gamble’s CEO to its median employee increased.

In 2018, Procter and Gamble juiced its stock price by announcing price increases it blamed on commodity prices.

**PEPSICO**

Pepsi announced it would raise prices after raising earnings expectations, claiming “our products are worth paying more for.”

Before announcing price increases, Pepsi announced it would spend billions more on dividends after spending billions of stock buybacks and dividends in 2020.

PepsiCo’s CEO saw his compensation increase significantly during the pandemic.

Pepsi previously used a price increase in 2019 to beat profit expectations.

**GENERAL MILLS**

General Mills said it was forced to increase prices at the same time it boasted spending $1.5 billion on dividends and stock buybacks during the pandemic.

During the pandemic, the pay ratio between General Mills CEO and median employee increased.

In 2018 General Mills cited inflation to hike prices in order to protect its profit margin.

**PROCTER & GAMBLE**

Procter & Gamble credited price increases for higher revenues and sales, allowing for even more money to be funneled to shareholders.

The company predicted broad price increases on its products throughout 2022.

Procter & Gamble repeatedly stressed that consumers were not being deterred by price increases.

Procter & Gamble unintentionally showed how its diaper duopoly allowed the company to exploit price increases for consumers at every level.

Procter & Gamble’s CEO called pricing “an inherent part of our business model.”

Kimberly Clark’s earnings call showed how prices hikes were driven by profit margins.

On Kimberly Clark’s earnings call, the CEO stressed the company aggressively raised prices.

Kimberly Clark’s CEO predicted price increases would offset the majority of inflationary impact.

Kimberly Clark plans to continue raising prices throughout 2022.

The call made clear the price increases were driven by a desire to “restore” their profit margin.

Kimberly Clark’s CEO cited the “essential nature” of its products allowing price hikes.

**3M outperformed expectations after price increases**

3M saw profits decrease by less than expected after hiking prices on its products.

3M’s CEO called the price increases a “tailwind” that offset any inflationary costs.

3M executives repeatedly boasted at how hard they worked to raise selling prices.

Johnson & Johnson hiked prices despite profits from covid vaccine.
Johnson & Johnson’s business surged thanks to the covid vaccine
Despite vaccine revenue, J&J instituted price increases where it could easily pass on costs
Claiming it was restrained on pharmaceutical prices, J&J hiked prices on 29 drugs in 2022
Over 750 drugs have seen price increases this year
Johnson & Johnson’s CEO had a troubling quote on “underlying demand for healthcare”

**Steel Dynamics benefited from higher prices despite low inflation costs**
Steel Dynamics said “higher realized selling value” more than offset inflationary cost
Steel Dynamics claimed that it had not seen significant cost impacts from inflation

**McDonalds rose prices but was still punished for wage increases**
McDonalds reported over $1.6 billion in net income, but under performed investor expectations
McDonalds credited sales growth to menu price hikes that it worked to implement with franchisees
McDonalds effectively underperformed investor expectations because it had to pay workers more

**Marketplace interviewed experts who agreed corporations were exploiting price increases**
**A local TV report showed how small business suffered from corporate price increases**

**A grocery analyst found produce inflation spiking over the fourth quarter of 2021**
Raise corporate tax rates to fight corporate inflation profiteering

**Constellation Brands, producer of Modelo and Corona, said it raised prices as much as its “Hispanic” consumers would allow**

**ConAgra rose prices while benefiting from poorer workers and work-from-home**

**Chipotle CEO repeatedly boasted the company could boost prices further**
**Chipotle’s CEO repeatedly boasted the company was “fortunate” in its pricing power**
**Chipotle said ongoing pricing action would boost the company’s margins**

Despite expanding sales and profit margins, Chipotle’s CEO framed price hikes as a response to wage pressures

**Pfizer reaped tens of billions from covid, but still plans to hike drug prices**

**Johnson & Johnson raised prices on consumers despite huge profits from the covid vaccine**

**Johnson & Johnson’s business surged thanks to the covid vaccine**

Despite the vaccine revenue, the company still instituted price increases on its consumer health products where it could easily pass on costs

Johnson & Johnson has hiked prices on 29 drugs so far in 2022

**Krispy Kreme**

**Macy’s**
Nearly 70% of low-income households reporting hardship from high prices

A Gallup survey found that 45% of responding households reported being hurt by price increases, with 1 in 10 saying they were severe enough to impact their standing of living. “As prices creep higher for food, gasoline and other necessities, nearly half of U.S. households say they are feeling the financial strain, according to a Gallup survey released Thursday. Roughly 45 percent of households are being hurt by price increases, according to a survey of nearly 1,600 people conducted Nov. 3 to Nov. 16. About 1 in 10 said that hardship was severe enough to affect their standard of living, while 35 percent described the hardship as ‘moderate.’” [Washington Post, 12/2/2021]

Gallup reported that 71% of those making less than $40,000 said they experienced hardship due to higher prices. “The effects were most acute in lower-income households, with 71 percent of those making less than $40,000 a year saying they experienced hardship, compared with 47 percent for middle-income households and 29 percent of those considered upper-income. ‘Most low-income households are already hurting,’ said Mohamed Younis, editor in chief of Gallup. ‘You can only imagine what that’s going to look like in the next few months if this continues to get worse.’” [Washington Post, 12/2/2021]

PNC’s Christmas Price Index, which has tracked the items from “12 days of Christmas for 38 years” showed a 5.7% increase compared with 2019. PNC’s Christmas Price Index — which has tracked the cost of the items from the “12 Days of Christmas” for 38 years — shows a 5.7 percent increase compared with 2019, for a total of $41,205.58. While admittedly the cost of partridges and golden rings is not indicative of most family’s holiday purchases, the “lighthearted take on the BLS Consumer Price Index” nonetheless shows that inflation has become tough to avoid.” [Washington Post, 12/2/2021]

A report found that Amazon had increased prices on its most popular goods

Profitero, a data analytics company, reported that 1,600 of Amazon’s most popular products had increased an average of 7.5% in price between October 2020 and October 2021. “That is even true at Amazon, the e-commerce giant that says its algorithms meet or beat competitors’ pricing, according to Profitero, a data analytics company. Profitero tracks 20,000 of the company’s most popular items — and identified 1,600 products that were among the most popular in October 2020 and October 2021. The price of those products had increased an average of 7.5 percent over that time. The price increases are significant because Amazon — the dominant online retailer with more than 41 percent of e-commerce, according to eMarketer — influences prices across the Web, according to analysts and economists. Amazon’s algorithms
scrape online price tags across its rivals to match or beat the lowest prices.” [Washington Post, 11/26/2021]

A Bose portable home speaker that sold for $399 on Amazon in November had increased 9% in price since July alone. “Amazon’s prices rose in part because it started with lower prices, Profitero President Sarah Hofstetter said. Even with the price increases on Amazon, Profitero found that Walmart’s prices on the 20,000 items are 4 percent more than Amazon’s prices, and Target’s prices are 15 percent more expensive. Target and Walmart did not immediately respond to a request for comment. Across the board, however, prices are higher on some of those items. Take the Bose portable home speaker, an item that sold for $399 on Amazon, Walmart and Target sites last weekend. Profitero found that the average price for the speaker from July to October this year jumped 9 percent on Amazon compared to the same period a year ago. The price on the device jumped 3 percent at Target and 2.8 percent at Walmart.” [Washington Post, 11/26/2021]

S&P 500 companies report record profit margin and share repurchases

Business Insider reported the S&P 500’s record level of profit margins was proof “that inflation is at least partially the result of corporations padding their profit margins.” Walmart and Target are outliers among the S&P 500, which according to FactSet data, is tracking to record a net profit margin of 12.9%, compared to a five-year average of 10.9%. The only thing that’s below is the record high of 13.1% — and that just happened in the second quarter, as inflation gathered steam. It is increasingly clear that inflation is at least partially the result of corporations padding their profit margins, more than, say, the result of too much pandemic stimulus.” [Business Insider, 11/17/2021]

S&P 500 companies increased spending on share repurchases to $370 billion in the first six months of 2021, compared to $337 billion on capital spending. Spending on share buybacks increased much faster than capital expenditures in the first half of the year, after pullbacks in both categories last year amid the pandemic, S&P said in response to a Wall Street Journal data request. Share repurchases at companies in the S&P 500 increased to $370.4 billion, up 29% from the first six months of 2020. Capital spending—which usually goes toward assets such as land, buildings and technology—rose to $337.17 billion, up 4.8% from the year-earlier period. [Wall Street Journal, 9/14/2021]

S&P 500 companies announced 114 new share repurchase programs through September of 2021, authoring $358 billion in buybacks “Companies in the S&P 500 have announced 114 new share-repurchase programs so far this year, through Sept. 8, with 108 listing a financial target, S&P said. Those programs, many of which don’t have an expiration date, authorize $358.84 billion in buybacks. ‘Share repurchases are easier to pull back from,’ in contrast with other forms of capital use, said Howard Silverblatt, a senior index analyst at S&P Dow Jones Indices.” [Wall Street Journal, 9/14/2021]
Major clothing retailers reporting higher earnings thanks to raising prices

Macy’s and Kohl’s reported higher than expected third quarter earnings thanks to successfully passing higher costs onto customers. Whether you’ll open your wallet a bit wider depends on the category of retailer. Macy’s (M) and Kohl’s (KSS) have been successful in passing higher costs to customers and managing inventory. Both reported better-than-expected third-quarter earnings last week and boosted their outlook for the remainder of the year. Macy’s stock declined 4% on Wednesday to $32.14. Kohl’s was down about 2% to $55.32.” [Barrons, 11/25/2021]

Dollar Tree announced it would raise its base price to $1.25. “Dollar Tree (DLTR), which sells the majority of its products—including toys, home decor, kitchenware, and seasonal goods—for $1, said it’s raising prices to $1.25 by the start of 2022. The stock was up 1.3% on Wednesday.” [Barrons, 11/25/2021]

Macy’s said it was experimenting where it could get away with higher prices. Macy’s, which is primarily an apparel destination, said it has been running tests over the past three months to see which categories of goods consumers are more price sensitive toward and where shoppers are more willing to shell out a few more bucks. ‘We’ve clearly been through these inflationary cycles before, and so we have a lot of experience with it,’ Macy’s Chief Executive Jeff Gennette said in an interview. ‘And with fashion, sometimes you can pass that on, and you can get a higher ticket and a higher sale price.’” [CNBC, 11/19/2021]

Kohl’s CEO said the company was increasingly shifting to higher cost goods. “At Kohl’s, CEO Michelle Gass said its customers have gradually been gravitating toward higher-end goods, as the retailer changes up its merchandise assortment. She cited Nike and PVH-owned Tommy Hilfiger as two examples of more premium brands at Kohl’s that fetch bigger prices. ‘We still have those great promotions, but less of them, so that it’s simpler — especially for our new customers,” Gass said in an interview. “We’ve got sophisticated tools now on elasticity.’” [CNBC, 11/19/2021]

TJ Maxx’s CEO said the company had not seen any pushback on higher prices after reporting higher net sales. “TJX CEO Ernie Herrman told analysts on an earnings call Wednesday that the off-price chain hasn’t seen any pushback from consumers over prices going up, either. ‘We thought there would be a handful of items here or there that we would run into challenges with, but that has not been the case,’ he said. TJX’s comparable store sales for the quarter ended Oct. 30 rose 14% year over year, while its net sales climbed 24% to $12.5 billion. Its inventories were up slightly at $6.6 billion, compared with $6.3 billion two years earlier” [CNBC, 11/19/2021]

Victoria’s Secret reported increased revenues thanks to higher prices for bras and underwear.”Victoria’s Secret has also been selling more of its bras and underwear at higher price points, thereby boosting sales. Revenue in the third quarter rose 7% to $1.4 billion from $1.35
billion a year earlier. Its inventories ended up 4% compared with last year, and down 16% compared with 2019.” [CNBC, 11/19/2021]

The price increases allowed the companies to funnel profits to shareholders

August 2021: thanks to a strong second quarter profit, Macy’s said it planned to reinstate its dividend and approved $500 million in stock buybacks. “Macy’s on Thursday reported fiscal second-quarter profit and revenue that topped analyst estimates, as customers returned to its stores to buy denim, luggage and new dresses. The department store chain also hiked its outlook for 2021, heading into the back half of the year. Despite the uncertainty from the pandemic, Macy’s said its turnaround strategy is working and drawing in new shoppers. The company also said it reinstated its dividend and its board approved a $500 million stock buyback program.” [CNBC, 8/29/2021]

September 2021: One analyst reported Kohl’s was “in position to return a huge amount of cash to shareholders through dividends and share buybacks over the next few years.” “Last month, Kohl’s reported incredible earnings results for the second quarter of fiscal 2021. Earnings per share surged 64% over Q2 2019, reaching a second-quarter record of $2.48. While sales increased just slightly over this period, Kohl's capitalized on strong demand and an industrywide inventory shortage to cut back on discounts, driving its profit margin dramatically higher. Even more impressively, the company generated $1.25 billion of free cash flow last quarter. Strong cash flow, a solid balance sheet, and ample excess cash put Kohl's in position to return a huge amount of cash to shareholders through dividends and share buybacks over the next few years.” [Adam Levine-Weinberg, Motley Fool, 9/5/2021]

Thanks to surging profits, Kohl’s estimated it would spend $500-$700 million on share repurchases throughout the year. “With profitability and cash flow surging, though, Kohl's ramped up its buybacks last quarter. It repurchased $301 million of stock in the first half of fiscal 2021, surpassing its full-year plans. Moreover, it still ended the quarter with more than $2.5 billion of cash. That caused it to up its full-year share buyback target to a new range of $500 million to $700 million. Kohl's appears to have spent another $70 million to $80 million on buybacks in August. If it continued this pace for the rest of the fiscal year, it would surpass the high end of its updated share-buyback guidance. Moreover, Kohl's stock has pulled back in recent weeks despite the company's stellar earnings report. If anything, this will encourage management to accelerate the company's buybacks further.” [Adam Levine-Weinberg, Motley Fool, 9/5/2021]

June 2021: The holding company of TJ Maxx announced it would spend as much as $1.25 billion on share repurchases by January 2022 and reinstated its dividend. “The TJX Companies announced its Board of Directors has reinstated its share repurchase program. The
Company plans to repurchase approximately $1 billion to $1.25 billion of TJX stock during the fiscal year ending January 29, 2022, and currently has approximately $3 billion remaining under its existing stock repurchase programs. TJX also announced the declaration of a quarterly dividend on its common stock of $.26 per share payable September 2, 2021, to shareholders of record on August 12, 2021. The Company continues to see second quarter overall open-only comp store sales trends similar to the first quarter.” [TJX Companies, 6/1/2021]

Fashion Retailers continued to project prices hikes into 2022, some over 10%

A McKinsey report found that two-thirds of fashion executives interviewed expected to increase prices in 2022, with 15% of executives planning on increases of over 10%. “Owing to supply-chain snarls, two-thirds of fashion executives said they are expecting to increase prices in 2022, with an average price increase of 3% across all clothing and apparel, this year’s State of Fashion 2022 report by the Business of Fashion and McKinsey & Co. found. A worrying 15% of executives polled said they planned on increasing prices by more than 10% in 2022.” [Fortune, 12/2/2021]

The price increases were coming despite expected growth of 3 to 8%, surpassing 2019 levels. “The supply and demand crunch is expected to even out in 2022, and the fashion industry is set to grow by 3% to 8% in the next year—surpassing 2019 levels. Recovery is set to be strongest across China and the U.S., while Europe, still bogged down by lockdown restrictions and rising case numbers, will lag behind. The winners from this past difficult year had two things in common: digital strength and an Asia-Pacific focus.” [Fortune, 12/2/2021]

A survey of 51 senior level retail executives found 59% planning to pass on the costs of supply chain disruption to consumers through higher prices. “A survey of top retail executives finds 59 percent planning to pass on the costs of supply chain disruptions to consumers. Thirty-six percent were planning to absorb the hit and keep prices consistent. The survey of 51 senior-level executives fielded in October 2021 by First Insight in partnership with the Baker Retailing Center at The Wharton School found 68 percent expecting a margin hit of less than a 10 percent, but 27 percent saw a reduction of 10 to 20 percent, and five percent, more than 30 percent. Overall, 65 percent of respondents indicated they were changing their pricing in response to inflation.” [Retail Wire, 11/10/2021]

Top executives at retail suppliers bragged about passing on costs to consumers

Nestle’s CFO was open about their pricing strategy: “the idea is really to pass it on to the trade and to consumers whenever we receive it.” “François-Xavier Roger, Nestlé’s CFO,
projected in September that the company’s costs would rise even more in 2022 than they have this year. “We don’t know if this is going to be permanent. We don’t know if this will go even further into 2023. We will have a fairly pragmatic approach, and anyway you know what our strategy is, which is to offset anything that we receive through pricing. So the idea is really to pass it on to the trade and to consumers whenever we receive it.” Last month, Roger confirmed that the impact of inflation on the company’s costs is expected to be around 4% of the cost of goods sold in 2021.” [Fortune, 11/15/2021]

Procter and Gamble’s CFO said “we have not seen any material reaction from consumers” in response to their company’s price increases. Meanwhile, P&G’s CFO Andre Schulten said on the company’s latest earnings call that customers seemed unfazed by the company’s recent price increases: “For those price increases that have gone into the market in the U.S., most of them became effective middle of September, and we have not seen any material reaction from consumers in terms of volume offtake.” [Fortune, 11/15/2021]

Pepsi’s CEO suggested that consumers “might be paying less attention to price” because they may be “more emotionally attached” to Pepsi’s brand. Pepsi CEO Ramon Laguarta said during the latest earnings call that consumers seem to be looking at pricing a little bit differently than before. “Consumers are shopping faster in-store, and they might be paying less attention to pricing as a decision factor, and they might be giving more relevance to the brands or brands that they feel...closer to...more emotionally attached to, as our brand.” [Fortune, 11/15/2021]

Colgate-Palmolive’s CEO bragged that “what we are very good at is pricing...we have found ways over time to recover that in our margin line.” “As companies reported third quarter earnings in recent weeks, several have appeared to brag about their ability to reach into your wallet without scaring you off. ‘What we are very good at is pricing,’ Colgate-Palmolive CEO Noel Wallace said. ‘Whether it’s foreign exchange inflation or raw and packing material inflation, we have found ways over time to recover that in our margin line.’” [Business Insider, 11/2/2021]

Unilever reported that it was able to grow profits despite dipping sales by raising prices 4-5%: “We find that taking several small price increases is more effective than one large price jump.” “Unilever, which owns a staggering number of household brands, reported that while the number of sales dipped slightly across several of its major segments, it was still able to grow profits by raising prices by roughly 4%-5%. ‘Consumer-facing price is the last lever we normally use to manage inflation,’ Unilever CFO Graeme Pitkethly said before describing how they did it: ‘We find that taking several small price increases is more effective than one large price jump.’” [Business Insider, 11/2/2021]

Kroger’s CFO said “We’ve been very comfortable with our ability to pass on the increases that we’ve seen at this point. And we would expect that to continue to be the case.” “Some of the retailers that sell many of those companies' products also weighed in on their buck-passing
ability. 'We’ve been very comfortable with our ability to pass on the increases that we’ve seen at this point,’ Kroger CFO Gary Millerchip said. 'And we would expect that to continue to be the case.’” [Business Insider, 1/2/2021]

The CEO of Coca Cola said “Recent price actions to offset higher input costs have been effective, with lower-than-expected price elasticities to date.” “James Quincey, CEO at Coca-Cola, said on Oct. 30, ‘Recent price actions to offset higher input costs have been effective, with lower-than-expected price elasticities to date, and promotional levels remain below 2019.’” [Retail Wire, 11/10/2021]

Unilever’s CEO told analysts that “there is more pricing still to come...We expect a net benefit to top line from the pricing actions we’re taking. “Alan Jope, Unilever’s CEO, said on Oct. 28, ‘There is more pricing still to come, but our pricing actions are thoughtfully planned and carefully executed. We expect a net benefit to topline from the pricing actions that we’re taking.’” [Retail Wire, 11/10/2021]

Procter & Gamble said it expected more price increases during the winter and holiday season, saying they did not see changes in consumer behavior. Andre Schulten, Procter & Gamble’s CFO, said on Oct. 19, ‘We expect pricing to be a larger contributor to sales growth in coming quarters as more of our price increases become effective in the market. As this pricing reach[es] the store shelves, we’ll be closely monitoring consumption trends. While it’s still early in the pricing cycle, we haven’t seen multiple changes in consumer behavior.”’ [Retail Wire, 11/10/2021]

Wayfarer’s CEO said their strategy was to keep price levels such that consumers don’t “want to leave and go elsewhere.” “On Wayfair’s quarterly call on Nov. 6, Niraj Shah, CEO, remarked about the online home furnishing retailer’s pricing strategy. ‘What we’re focused on is how do we make sure the customers stay on our platform and the price levels aren’t such that they want to leave and go elsewhere.’” [Retail Wire, 11/10/2021]

The CEO of J.M. Smucker, the coffee/snack/pet food manufacturer, reported the company outperformed expectations thanks to “net pricing actions” and “lower than anticipated elasticity. “MARK T. SMUCKER, CEO, PRESIDENT & DIRECTOR, THE J. M. SMUCKER COMPANY: In the second quarter, net sales increased 1% versus the prior year. Excluding non comparable net sales from divestitures and foreign exchange, net sales grew 8%, with every business outperforming our expectations. Organic net sales grew 6% on a 2-year CAGR basis, demonstrating growth across all 3 of our U.S. retail segments. We continue to successfully implement net pricing actions across our businesses and benefited from lower-than-anticipated elasticity. Strong demand for our brands was supported by our improved commercial execution and innovative marketing. As a result, adjusted earnings per share increased 2% benefiting from the top line growth and favorable spending, partially offset by increased costs.’”[Q2 2022 J M Smucker Co Earnings Call, 11/23/2021]
One retail industry expert and consultant wrote “Show me a retailer that will willingly absorb cost increases to the detriment of their own profitability, and I'll show you a pig that can fly.” “Show me a retailer that will willingly absorb cost increases to the detriment of their own profitability, and I'll show you a pig that can fly,” wrote Jenn McMillen, chief accelerator at Incendio. [Forbes, 11/16/2021]

Investors are rewarding retail companies that increase prices

Stock prices rose for retailers like Macy's, Kohl's, TJ Maxx, and Victoria Secrets after the companies touted their increased pricing powers. “But if you're in the business of selling a lot of apparel, it's a different story. Shares of department store operators Macy's and Kohl’s, TJ Maxx owner TJX and lingerie retailer Victoria's Secret rallied as the companies touted their pricing power to Wall Street and reported leaner inventories. Macy's shares jumped 21% on Thursday, at one point hitting a three-year high of $37.95. Kohl’s shares rose more than 10%, while Victoria’s Secret shares climbed nearly 15%. TJX’s stock hit a 52-week high of $76.94 on Wednesday. [CNBC, 11/19/2021]

One analyst credits each “of these stock prices” due to higher prices. “Everyone got all concerned about supply chain and inflation,” said BMO Capital Markets analyst Simeon Siegel. “But that literally is the same thing as tight inventory and higher prices.” “Each of these stock pops represents that recalibration back from concerns around inflation into excitement around low discounting,” Siegel said.” [CNBC, 11/19/2021]

Walmart and Target were punished by investors for not raising prices more

Both Walmart and Target surpassed Wall Street expectations with record third quarters, but were punished by investors for not raising prices more. “Walmart and Target put up strong third-quarter performances this week, beat Wall Street’s expectations and spoke of holiday shoppers already starting to splurge on gifts and gatherings this season. Yet the investor response was swift: A brutal sell-off. Target shares closed down about 5% Wednesday. Walmart closed down nearly 3% on Tuesday, after its earnings report. Shares continued to drop Wednesday, erasing all its gains year-to-date. The two sides are at odds on the retailers’ strategy of absorbing some of the rising costs of shipping, labor and materials rather than passing them on to customers with higher prices. Both Walmart CEO Doug McMillon and Target CEO Brian Cornell have drawn a clear line. Their strategy: Keep prices low in a bid for customer loyalty — even if it means a hit to profits. The pushback they’re hearing is: Why not charge shoppers more? Americans have had a ravenous appetite for shopping. They socked away money during the pandemic and the holiday forecasts are rosy.” [CNBC, 11/17/2021]
Another analyst noted that Target and Walmart had a harder time raising prices because of their focus on essentials like groceries, where people are more attuned to price. “On the other hand, margins for Target and Walmart fell in the latest quarter, in part because they have a harder time raising prices. Much of their sales come from essentials such as groceries, D.A. Davidson analyst Michael Baker noted. Consumers are very attuned to groceries because they buy them every week, so they notice higher prices right away. People only buy tools and appliances once in a while, so they don’t feel as strongly about how much those items should cost, Mr. Baker said.” [Wall Street Journal, 11/17/2021]

**Lowe’s and Home Depot were rewarded by Wall Street for hiking prices**

Lowe’s beat Wall Street expectations by increasing sales and lifting overall revenue to nearly $23 billion thanks to raising prices - and was rewarded by investors. “Wall Street analysts had projected that Lowe’s comparable sales, a metric that strips out the effects of store openings and closures, would be down by 1.3% in the fiscal third quarter, according to FactSet. Instead, comparable sales rose 2.2%, including a 2.6% gain in the U.S. That helped lift overall revenue to $22.92 billion, from $22.31 billion a year earlier. Walmart Inc. and Target Corp. joined the home-improvement stores in posting higher comparable sales this week. Both also raised forward-looking guidance. Lowe’s improved its margins in part by raising prices, its finance chief, David Denton, said on a conference call. He said the company’s average transaction size rose by about 10% year over year, with some of that gain coming from higher product prices.” [Wall Street Journal, 11/17/2021]

Lowe’s and Home Depot’s stock price rose after reporting higher earnings with higher prices, while Target and Walmart’s stock price fell after resisting to raise prices even higher. “That distinction may explain why investors sold shares of Target and Walmart this week, Mr. Baker added. Target shares have fallen about 4% since Monday’s close, while Walmart shares are down about 3%. Lowe’s and Home Depot shares are both trading higher this week. “Because of the supply-chain issues and how much that’s been a focus, it feels like investors are more attuned to gross margin relative to sales,” Mr. Baker said.” [Wall Street Journal, 11/17/2021]

One analyst said that Lowe’s increasing profit margins were a big surprise and credited Lowe’s and Home Depot’s ability to pass costs onto consumers. “With supply-chain concerns top of mind for investors, the sector’s profit-margin performance was the key driver of the bullish trading in home-improvement this week, Bank of America analyst Liz Suzuki said.”Margins were the biggest source of positive surprise versus expectations,” Ms. Suzuki said. Companies such as Lowe’s and Home Depot have leeway to pass on costs to consumers because they sell a broad range of products whose prices they can tactically tweak, Ms. Suzuki said. If the cost of stocking paint goes up quickly for Lowe’s, it can react by making paint, paint brushes and trays all a little
bit more expensive, for example. That way, shoppers face less sticker shock on individual items. [Wall Street Journal, 11/17/2021]

Lowe’s funneled over $10 billion back to investors in 2021

Lowe’s spent over $6 billion on share repurchases during the first six months of 2021, compared to only $846 million on capital expenditures. “While share repurchases aren’t a “high priority” for Hormel Foods, Mr. Sheehan said—the company bought back no stock during the first half—they are a welcome use of cash for Lowe’s. The Mooresville, N.C.-based company spent $6.16 billion on repurchasing shares during the first six months of the year, according to S&P, compared with $846 million on capital expenditures.” [Wall Street Journal, 9/14/2021]

Lowe’s CFO said that the company was “we’re investing as much as the company can absorb...This business throws off a lot of cash.” “It’s not so much a capital constraint problem as it is there’s only so many projects that we can take on and make sure that we deliver on these projects successfully,” Dave Denton, Lowe’s CFO, said. ‘We’re investing as much as the company can absorb,’ he said, adding that the main bottleneck for the business is management’s bandwidth for such projects. The company, which is spending on its supply chain as well as its online shopping channels, lifted its annual capital investment threshold to $2 billion for the year ending in January 2022, up from $1.5 billion in 2020, Mr. Denton said. Lowe’s also refinanced its debt and is paying a dividend. “This business throws off a lot of cash,” he said.” [Wall Street Journal, 9/14/2021]

November 2021: An analyst at the Motley Fool reported that Lowe’s had increased its stock buybacks for 2021 by an additional $3 billion for a total of $12 billion. “On that note, the company raised its stock buyback target and now predicts it will spend $12 billion on stock buybacks in 2021, up $3 billion from its prior forecast. Investors will have to wait until its late May report next year to find out the size of Lowe’s dividend hike. However, thanks to its surging earnings, shareholders should see another significant boost even following this year’s 33% dividend hike.” [Motley Fool, 11/18/2021]

A major supplier to Lowes and Home Depot reported raising prices over 20%

Hillman Group, a major hardware product supplier for Lowes and Home Depot, told analysts it planned to raise prices by over 20% by early 2022. “DOUG CAHILL, CHAIRMAN, PRESIDENT & CEO, THE HILLMAN GROUP: These unprecedented cost increases are being passed on to our retail customers and consumers. And thankfully our product categories are not seasonal nor are they overly price sensitive and our customers are experiencing these types of increases across the board. Our issue is timing. As we discussed in our last earnings call we successfully
implemented our first price increase of roughly 7% to 8% effective in June. Working together with our retail partners we’ve been successful across the board with our second increase of roughly the same percentage, 7% to 8% that will go into effect in October, November of this year. That puts us up around 15% after the first two increases and when we complete our planned third increase, which should go in effect January, February of 2022, we will be above 20% price increase when you add the three together and that's what we think we will need with what we know today to cover our cost increases.” [Q3 2021 Hillman Solutions Corp Earnings Call, 11/3/2021]

Hillman said the price increases were primarily focused on their “hardware solutions” business. “DAVID MANTHEY: Okay. And when you're referring to that 7% to 8% type number, is that just on the hardware solutions? Is that across the board of the Company? I'm trying to understand how that -- what that number means relative to the numbers you report. DOUG CAHILL: Yes, when I talk about the 7 -- lets it called 7.5% plus 7.5% and then eventually getting over 20 by February, Dave, that's in the tank -- the hardware business. We're also raising prices on things like keys, we're raising pricing on things like everyday work gloves but not as significant. And if you really just think about the math, when you've got a three inch screw I mean or a three inch bolt there's just not a whole lot of other costs other than steel and freight. So that one is what I was referring to when I said 7.5%, 7.5% and eventually getting over 20. Other businesses are raising but not at that level.” [Q3 2021 Hillman Solutions Corp Earnings Call, 11/3/2021]

Hillman’s CEO told an analyst that the company was confident the market could sustain price increases of over 20%, rewarding the company with accelerating growth. “BRIAN BUTLER: Just -- I guess we talked a lot about the supply noise that's out there. Can you give, maybe, some color on demand? Is -- is that now back at some normalized level now that, you know, you're looking at kind of that two year stack? You know, can we talk about where that is and how that -- that you could remind us how that flips out across, you know, your algorithm of the 6% revenue and 10% EBITDA growth for the -- the segment? DOUG CAHILL: Yes, it -- it -- Brian, it is. And so as you think about, you know, that two year stack that we talked about in HS, you know, in the quarter up 16, year-to-date up 19. ...Now, the one -- the one item that we will tell you as you think about north of 20% price, there's always some pressure on the market when you do that. So you think about a local hardware store, they've got, you know, unlimited amount of money to buy. Now that isn't going to mean they buy 20% less. It might mean they buy a couple percent less. And so we feel -- as you think through it and you think about only 1% price on our normal algorithm, we feel real confident that we -- our top-line can be at or above, you know, that -- that mid-single digits as we think about '22 and '23 with all the price we're taking.” [Q3 2021 Hillman Solutions Corp Earnings Call, 11/3/2021]
Hostess Brands suggested it would hike prices through the holidays

Hostess Brands CEO said their profit margins remained stable despite inflation thanks to “taking pricing actions across our portfolio and customer base.” “ANDREW P. CALLAHAN, PRESIDENT, CEO & DIRECTOR, HOSTESS BRANDS, INC.: Switching gears, our executional excellence extends to our supply chain, which has enabled us to hold our margins relatively stable despite labor challenges and very high inflation. We are taking pricing actions across our portfolio and customer base. These pricing actions began to flow through our P&L during the quarter and will provide increasing benefit in Q4 and into 2022. We are actively monitoring the operating environment and are prepared to take additional pricing as necessary. We are continuing to experience strong consumer demand for our brands despite higher retail prices. Although it's still early and retail shelf price resets by our customers continue to increase to fully reflect the new prices.” [Q3 2021 Hostess Brands Inc Earnings Call, 11/9/2021]

Hostess Brands CEO credited pricing for increased sales and nearly $100 million in additional gross profit for Q3 alone. “ANDREW P. CALLAHAN, PRESIDENT, CEO & DIRECTOR, HOSTESS BRANDS, INC.: Now I'll turn to the quarterly financial results and our revised outlook in greater detail. Third quarter net sales increased 10.4% to $288 million. The increase was primarily due to continued strength in Sweet Baked Goods, which increased by 10.6% during the quarter, in addition to a 9% increase in cookies. Year-to-date, consolidated adjusted net revenues increased by 10.1% and showcasing our remarkably consistent top line momentum, reflecting year-to-date growth of 9.5% in Sweet Baked Goods and 15.6% in cookies. Adjusted gross profit of $99.3 million increased by 8.9% for the quarter as higher volume, favorable product mix, pricing and productivity more than offset transportation and input cost inflation. As expected, adjusted gross margin declined approximately 45 basis points to 34.5% as higher Sweet Baked Goods gross margins were modestly offset by Voortman due to the timing of pricing actions. On a year-to-date basis, adjusted gross margins were essentially flat at 35.5%.” [Q3 2021 Hostess Brands Inc Earnings Call, 11/9/2021]

Hostess said it would see “an increasing benefit of our pricing as we're moving into Q4,” suggesting further price increases throughout the holiday season. “ANDREW P. CALLAHAN: Yes. So we haven't quantified the pricing, but we have priced in the mode. If you look at the first half, our pricing was a component of some of our growth, but a lot of that was really driven by volume and mix. We'll see an increasing benefit of our pricing as we're moving into Q4, and that will be more balanced with the pricing on the margin side and a little bit more driving growth on the revenue side. Relative to pricing and managing our margins over time, we have a full toolbox to be able to do that. We look at pricing, we look at managing our productivity, revenue management toolbox. And we see inflation, as I said, approaching 10% in the back half, and we'll be prepared to price as needed, and we believe our -- that our brands can sustain that in the
Party City suggested it would hike prices through the holidays

Party City's CEO said the company was “exercising our pricing power in the celebrations market by expanding our already strong understanding of where the consumer is receptive to increased prices.” “BRADLEY MORGAN WESTON, PRESIDENT, CEO & DIRECTOR, PARTY CITY HOLDCO INC.:Given the still dynamic operating environment, we will remain flexible and agile with our learnings from this year, which gives us increased confidence in the trajectory of our business as well as our inflation mitigation strategy. To that end, as we sit here today, we anticipate supply chain headwinds to persist into 2022. Importantly, we are heavily invested in delivering an improved customer experience as well as exercising our pricing power in the celebrations market by expanding our already strong understanding of where the consumer is receptive to increased prices. We have seen success already on this front as reflected in our strong recent results.” [Q3 2021 Party City Holdco Inc Earnings Call, 11/3/2021]

Party City said it planned to keep increasing prices through the rest of the holiday season and into 2022. “KARRU MARTINSON, ANALYST, JEFFERIES LLC, RESEARCH DIVISION: Supply chain starting to normalize as we come up for the seasonally slow first quarter, do you see yourself catching up at that point? And how would we think about pricing going into ‘22? BRADLEY MORGAN WESTON: Yes. So supply chain -- regarding the supply chain disruptions, I think we all know that it's pretty broadly discussed issue in the industry. And what we see is the bottleneck really created by the pandemic. So it will subside eventually. The big swings in supply and demand kind of need to smooth themselves out in each of the touchpoints and the logistics process. It's hard to say exactly how long it will last. However, we're making supply chain investments to help partially mitigate the impact and the teams are doing an excellent job of navigating the difficult supply chain environment. And as Todd mentioned, as we sit here today, we anticipate supply chain headwinds to persist into 2022. And we continue to use price to mitigate those headwinds. We started that price work in Q3, which had a positive impact on netting those mitigation costs down. We'll see additional impact through price in Q4, and that will increase as we move into ‘22.” [Q3 2021 Party City Holdco Inc Earnings Call, 11/3/2021]

Spectrum Brands, a pet and home good supplier, justified price increases by pointing to pent up consumer demand

The CFO of Spectrum Brands reported increasing prices throughout 2021 and into 2022. JEREMY W. SMELTSER, EVP & CFO:: We expect the current step-up in inflationary pressures to continue throughout fiscal 2022 and that the year-over-year impact will be more acute in our first half reporting of the year. We have implemented price increases in fiscal '21, and we have put in
place further price actions in the first half of this year to counter these headwinds. Our goal is to achieve approximately 70% to 80% price coverage for inflation by the end of fiscal '22. But we do expect our first half margins to be pressured due to the timing of these price increases. [Q4 2021 Spectrum Brands Holdings Inc Earnings Call, 11/12/2021]

**Spectrum Brands reported that profit and gross margins increased thanks in part to higher prices.** JEREMY W. SMELTSER, EVP & CFO: Gross profit increased $157 million and gross margins of 34.5% increased 100 basis points, driven by favorable pricing, mix and improved productivity from the company's GPIP program, partially offset by commodity and freight inflation. We are very pleased with the gross margin performance despite the inflationary headwinds. Adjusted EBITDA increased 21%, primarily driven by volume growth, including acquisitions, as well as productivity improvements and positive pricing, partially offset by margin pressure from commodity and freight inflation. [Q4 2021 Spectrum Brands Holdings Inc Earnings Call, 11/12/2021]

**Spectrum Brands told analysts that it had “implemented further pricing increases with our retail partners in Q4 and are actively engaged in taking additional price...”** JEREMY W. SMELTSER, EVP & CFO: We have also implemented further pricing increases with our retail partners in Q4 and are actively engaged in taking additional price in the first half of FY '22 to offset further incremental inflation. While we will continue to make incremental investments to growth initiatives such as consumer insights, R&D and marketing across each of the businesses, we believe supply chain improvement and resiliency must continue to be an area of focus for us in fiscal '22 as we work to improve product availability while simultaneously finding ways to mitigate the cost pressures coming through the global supply chain. [Q4 2021 Spectrum Brands Holdings Inc Earnings Call, 11/12/2021]

**Spectrum Brands CEO: “Right now, there's a very favorable macroeconomic backdrop. The consumers got $2 trillion, $2.5 trillion of excess liquidity. And the consumer so far continues to spend despite price increases. That's just a fact. It's the reality of the current environment.”** DAVID M. MAURA, CEO: Yes. I'm going to let Randy take it. But I mean, look, it's a very fluid and dynamic situation out here at the moment. And we are confident in 2021 -- 2022, and we're giving you guidance. But look, it's -- you can't just raise prices without looking at consumer demand. Right now, there's a very favorable macroeconomic backdrop. The consumers got $2 trillion, $2.5 trillion of excess liquidity. And the consumer so far continues to spend despite price increases. That's just a fact. It's the reality of the current environment. [Q4 2021 Spectrum Brands Holdings Inc Earnings Call, 11/12/2021]

**Spectrum Brands reported its pricing power was strongest in Pet Care, Home and Garden, and Home Personal Care.** “JEREMY W. SMELTSER, EVP & CFO: So from a subcategory perspective, there are definitely some wide fluctuations. From a business unit perspective, the variations are smaller. But I think it's been mentioned here, we feel that overall, our pricing power with consumers is probably strongest in Global Pet Care, followed by Home & Garden and then
followed by HPC. But all 3 businesses have done an excellent job in our mind of communicating well with our retail customers, good partnerships. It's all about strategizing together to figure out what the right way is to handle these macro issues coming at us, and all 3 businesses are getting priced that I think we're pleased with thus far.” [Q4 2021 Spectrum Brands Holdings Inc Earnings Call, 11/12/2021]

**Best Buy reported billions in buybacks while hiking prices on appliances**

**Best Buy’s CFO said the company “flowed” the increased prices of appliances onto the consumers.** “Matt Bilunas, CFO, Best Buy: Yeah. Specifically, to appliances, that is one of the areas where it's been pretty well noted that prices have gone up. And so we -- and that's probably an area where, in most cases, we've flowed those prices on to the consumer. So, those prices have -- or sales prices have increased. That's not to say that that happens in all circumstances and in a lot of categories where you still want to make sure you're very competitive with your pricing. Even if costs do go up, you're actually being thoughtful about serving them in the best way possible.” [Best Buy Q3 2022 Earnings Call, 11/23/2021]

**At the same time, Best Buy reported it would spend over $2.5 billion on share repurchases in 2021.** “During the quarter, we returned a total of $577 million to shareholders through share repurchases of $405 million and dividends of $172 million. With a year-to-date share buyback spend of $1.7 billion, we still expect to spend more than $2.5 billion in share repurchases this year. Let me next share more color on our guidance for the fourth quarter, which remains very similar to the implied guidance we provided last quarter. We expect comparable sales growth to be in the range of down 2% to up 1% to last year, which is on top of our 12.6% comparable sales growth in the fourth quarter of last year. Like other companies, we continue to monitor the evolving impacts of the pandemic and supply chain pressures driven by global demand.” [Best Buy Q3 2022 Earnings Call, 11/23/2021]

**Mattel CFO said pricing actions were “going well,” with little consumer response**

**Mattel's CFO said the company was offsetting costs by increasing prices and planned to continue increasing prices through the end of 2021.** “Anthony DiSilvestro, Chief Financial Officer: Sure. As we said in the remarks, pricing did have a benefit of 110 basis points in Q3, but that does not not yet reflect all the incremental pricing actions that we’re implementing in the second half. So, we should have a greater pricing benefit in Q4. That being said, our gross margin guidance implies a decline of about 300 basis points of gross margin in Q4. Obviously, the biggest driver of that is cost inflation, which we expect to partly offset with the pricing actions we’re implementing, as well as continued savings from our Optimizing for Growth program. It’s a little early to talk about 2022, and we look forward to providing guidance for ’22 on our fourth
quarter earnings call. And lastly, I'll just add, I mean, as Ynon stated in the remarks, we do expect to exceed $1 billion of adjusted EBITDA in 2022. [Mattel Inc (MAT) Q3 2021 Earnings Call, 10/21/2021]

Mattel's CFO: “... we are implementing those pricing actions. It's going well. We haven't seen any negative response in terms of consumer purchases that will continue to implement those programs.” Anthony DiSilvestro, Chief Financial Officer: “We're not going to get specific on the magnitude of the pricing action, for competitive regions -- reasons, but we are implementing those pricing actions. It's going well. We haven't seen any negative response in terms of consumer purchases that will continue to implement those programs.” [Mattel Inc (MAT) Q3 2021 Earnings Call, 10/21/2021]

Hasbro raised prices throughout 2021 citing costs and meeting revenue goals

April 2021: Hasbro announced it planned to raise prices to counter high material costs. “Hasbro Inc (HAS.O) said on Tuesday it would raise prices of toys and games to counter higher raw material costs as the company sees surging demand for its Nerf blasters and board games from families spending more time at home. Shares of the Monopoly maker, which late on Monday announced the sale of Entertainment One Music to Blackstone Group Inc (BX.N) for $385 million, rose 1% in morning trading.” [Reuters, 4/27/2021]

Hasbro's CFO said that the price increases came amidst surging demand for its products. "Freight and input cost increases have become more pronounced over the past several months, and we have plans in place to help mitigate those costs, including price increases for the second half of the year," Hasbro Chief Financial Officer Deborah Thomas said. Demand for toys has remained robust more than one year into the pandemic, with the company reporting a 14% rise in first-quarter sales in its consumer products unit.” [Reuters, 4/27/2021]

July 2021: Hasbro’s CEO said the company planned to continue increase prices through the year as part of their plan to “meet our full year targets” Holiday season is right around the corner, and toy and game maker Hasbro warned of increased prices in the months leading up to it. "We successfully established price increases that go into effect during the third quarter and provide an offset to the rising input and freight costs in the business," CEO Brian D. Goldner said in a quarterly earnings call Monday. "These supply chain pressures are meaningful, but given the strength in our business, the actions we have taken, combined with our global footprint, we continue to believe we can meet our full-year targets.” [Business Insider, 6/27/2021]

Hasbro's CEO said he expected robust demand despite hiking prices, which would take full effect during the fourth quarter or holiday season. “Hasbro CEO and chairman Brian Goldner expects robust demand for toys to continue even though the company is hiking prices to offset
increased shipping and other costs. 'For example, on average, ocean freight is about four times more expensive than it was a year ago,' Goldner said in an interview on CNBC’s 'Squawk on the Street' Monday. Hasbro expects worldwide price increases will take full effect during the fourth-quarter as the company experiences higher costs.” [CNBC, 7/26/2021]

**Hasbro’s CEO said the price increases would allow them “to cover our costs and to maintain our gross margin and to ensure we can achieve a 15% or better operating profit margin.”** Hasbro said it is continuing to see strong demand for its Dungeons & Dragons and Magic: The Gathering games. Goldner anticipates that consumers will remain interested in these and other products and sales won’t be hurt by the higher prices it is putting in place “That is to cover our costs and to maintain our gross margin and to ensure we can achieve a 15% or better operating profit margin that we set as our target for the year,” Goldner said. Hasbro said it expects revenue to grow at a double-digit pace this year and position it for profitable growth this year. [CNBC, 7/26/2021]

**Hasbro’s suggested the average price increase would be less than 10%.** “An analyst asked about specifics of the hike, but Goldner said only that a 10% increase would be "a bit high," suggesting a single-digit increase is more likely. "We are implementing price increases for toys and games during the third quarter," CFO Deb Thomas said. "We expect this to offset the rising costs in freight and commodities we continue to see across the business." [Business Insider, 6/27/2021]

**Hasbro said the nature of their products allowed them to pass costs on easily**

**October 2021: Hasbro’s CFO said that “the beauty of our consumer products product line is new every single year. So we can engineer our product to hit certain price points.”** “Fred Wightman -- Wolfe Research -- Analyst: Hey, guys. Good morning. Deb, I just wanted to follow up on your commentary about the medium-term operating margin getting back to over 16%. When you look at a lot of what you've dealt with this year in terms of the input costs, how are you viewing those as far as transitory versus structural? And what do you think that means for pricing going forward? Could we need to price a little bit more over the next few years to offset that? How does that all shake out for that margin trajectory going forward? Deb Thomas -- Chief Financial Officer: Good morning, Fred. Yeah, you're right. Everyone -- the whole world, I think, is seeing input costs going up right now. Trends have been good lately. We've seen them coming down a bit in the last short period. However, the beauty of our Consumer Products product line is -- a lot of that product line is new every single year. So we can engineer our product to hit certain price points. That being said, we do believe that there's going to be that group of cost inflation we've seen is going to continue for a period of time. [Hasbro Q3 2021 Earnings Call, 10/26/2021]
Hasbro’s CFO: “we do have the opportunity to reinvent our product line -- the majority of our product line every year, and therefore, we can just take cost out of it as we do that.” “Deb Thomas -- Chief Financial Officer: Looking at inflation, we're dealing in inflationary markets in most places. And again, I'll go back to what I could find on the shelves at the grocery store was more expensive, right? So it's a matter of, I think, the -- all industries are facing a bit of this right now. But we do have the opportunity to reinvent our product line -- the majority of our product line every year, and therefore, we can just take cost out of it as we do that. We've been working very closely with our manufacturing partners to ensure they've got the right components to make the product, and we'll have it. That's what's most important. And then we'll ensure that it's made the right way and priced appropriately for the market as well.” [Hasbro Q3 2021 Earnings Call, 10/26/2021]

Hasbro deflected on pricing questions by stressing retailers “set the pricing”

October 2021: When asked about the opportunity to pass more costs onto consumers, Hasbro’s Interim CEO deflected by saying “remember...retailers set the pricing.” ““Alok Patel -- Berenberg Capital Markets -- Analyst: Hi. Thanks for taking my question. I was wondering if you guys can comment a little bit on some of the price increases that were supposed to be in effect in Q3? How have they materialized versus expectations? And with POS up strong, is there more room to pass on some of the cost to the consumers and the retailers? Rich Stoddart -- Interim Chief Executive Officer: Yes. So the first thing I'd say is just to remember, right, retailers set the pricing. But we did -- those price increases went into effect in August. And so we're really seeing the full impact of that pricing in Q4.” [Hasbro Q3 2021 Earnings Call, 10/26/2021]

Hasbro’s CFO also repeated “The retailer actually sets the price to the consumer, we don't. So we won't be taking further price increases in 2021.” “Deb Thomas -- Chief Financial Officer: Yes. I agree, Rich. I think you hit it on the head. The retailer actually sets the price to the consumer, we don't. So we won't be taking further price increases in 2021. That would be very disruptive to our retail partners as well as if you think about the cost of running a company to implement something like that at this point is very difficult, right? So we want our retailers to have predictability for their season as well. However, they set the ultimate price to the consumer, and there’ll be plenty of Hasbro toys and games for the consumer to buy this holiday season.” [Hasbro Q3 2021 Earnings Call, 10/26/2021]

Mattel reported a much higher increase in income than in costs

In October 2021, Mattel reported that it’s third quarter net income surged 161% over the previous year, while costs had increased by 14%. “Third-quarter net income jumped 161% year-over-year to $812.6 million, or $2.29 per share, bolstered by a $510 million noncash benefit
from the release of reserves on some deferred tax assets. Costs for the company increased 14% from a year ago to $919.8 million, which the company attributed to inflation. Those costs were slightly offset by higher pricing, the company said.” [Barron’s, 10/21/2021]

Kohl’s reported shoveling over $900 million to shareholders as margins surged

November 2021: Kohl’s reported it had its highest third quarterly margin in nine years. “Operating margin of 8.4% in Q3 2021, the highest Q3 operating margin in 9 years” [Kohl’s Q3 2021 Results Presentation, 11/18/2021]

Kohl’s reported spending over $900 million on shareholders through buybacks and dividends through the first three quarters of 2021. “Repurchased $807M of shares, including 10M shares for $506M in Q3...Paid $114M in dividends to our shareholder.”[Kohl’s Q3 2021 Results Presentation, 11/18/2021]

KROGER

After calling inflation good for business, Kroger cited it justify price increases

In June 2021, Kroger’s CEO said it would benefit from rising prices, saying “Our business operates the best when inflation is about 3% to 4%...A little bit of inflation is always good in our business.” Leading grocery chains such as Kroger (KR) and Albertsons have said in recent days that they expect to benefit from rising prices. Sales boomed at these chains and other grocers during the early stages of the pandemic, but have slowed down in recent months as more people return to eating meals out. ‘Our business operates the best when inflation is about 3% to 4%,” Kroger CEO Rodney McMullen said on an earnings call with analysts Thursday. "A little bit of inflation is always good in our business.’ Kroger can pass off costs to consumers when inflation hovers around that mark, McMullen said, and ‘customers don't overly react to that.’” [CNN, 6/18/2021]

In September 2021, Kroger cited inflation to increase prices and said it was “passing along higher costs to the customer where it makes sense to do so. “Grocery prices are headed higher later this year, according to the U.S.’s largest supermarket by sales. Cincinnati-based Kroger Co., which had $132 billion in sales last year, says inflation is running hotter than management previously anticipated and that expectations are now for prices to rise 2% to 3% over the second half of this year. Kroger is "passing along higher costs to the customer where it makes sense to do so," said CFO Gary Millerchip on the company's second-quarter earnings call on Friday.” [Fox Business, 9/12/2021]
Kroger also blamed the impact of “organized crime” to justify price increases passed along to consumers. “Kroger grocery chain will raise food prices from 2-3% this year, more than what they expected, Rodney McMullen, the Kroger grocery chain’s chief executive officer, says. On Kroger’s earnings report call on Friday, the chief financial officer, Gary Millerchip, said higher supply chain costs, rising levels of theft, and increasing food prices all will play roles. ‘We are being more aggressive,’ Millerchip said on the call. ‘Our general counsel is also working with some trade associations to try to start working on it in a broader group, not just Kroger-specific, when you look at organized crime.’” [WISH TV, 9/13/2021] After a temporary pay bump for workers, Kroger has funneled profits back to shareholders and even closed stores to avoid pay increases.

Kroger reported record earning during the pandemic, redirecting that money to investors and shareholders. “Kroger has tallied record earnings as the pandemic has encouraged more Americans to stay at home, boosting food and other grocery sales. The company recorded more than $2.9 billion in operating profits through the third quarter of 2020, taking in an extra $1.2 billion in earnings compared with a year earlier. Kroger is redirecting some of that money to investors, with a $1 billion in stock repurchase announced in September. On February 5, the company announced a $147 million dividend payment and said it expects to increase its dividend over time.” [CBS, 2/3/2021]

Kroger ended a temporary $2 per hour “hero” pay increase in May 2020, but went on to authorize $1 billion in stock buybacks in September 2020. “Some major retailers are continuing a controversial practice known as share buybacks in the pandemic, despite ending hazard pay for their workers or not providing any at all. Kroger (KR) bought back more than $200 million of shares during its latest quarter ending Aug. 15, and its board authorized $1 billion in additional repurchases on Friday. The grocery chain in May halted a $2 per hour pay bump it gave to its workers for doing their jobs in the pandemic.” [CNN Business, 9/12/2020]

In February 2021, Kroger announced it would close two stores in California rather than temporarily pay some employees $4 an hour more in ‘hazard pay.’ “Kroger is closing two stores in California rather than pay grocery workers an extra four dollars an hour for working at the nation’s largest supermarket chain during the coronavirus pandemic. The company blamed a decision by local officials who recently approved a temporary wage increase for some supermarket employees. Kroger said it will close the stores, a Ralphs and a Food 4 Less, in April because of the law, passed in January by the Long Beach city council. With a handful of cities across California weighing whether to mandate "hazard pay" for grocery workers, Kroger also warned that it could shut more stores. Long Beach last month became the first city in California to approve a hazard pay ordinance, with the law requiring grocery stores with at least 300 workers nationwide and more than 15 employees within Long Beach to pay an extra $4 an hour for a 120-day period.” [CBS, 2/3/2021]
During the pandemic, Kroger spent over $1.5 billion on stock buybacks and dividends

YCharts reported Kroger spent $1.498 billion on stock buybacks between April 30, 2020 and July 31 2021. [Kroger, YCharts, accessed 9/15/2021]

Kroger reported spending $534 million on dividends in 2020. “In total, Kroger returned $1.9 billion to shareholders in 2020. Kroger repurchased $1.32 billion of shares in 2020 under its board authorizations. Kroger increased the dividend by 13 percent, from 64¢ to 72¢ per year, marking the 14th consecutive year of dividend increases, which resulted in a payout of $534 million.” [Kroger, Q4 Earnings Report, 3/4/2021]

Kroger reported spending $274 million on dividends in the first six months of 2021. [Kroger, Q2 Earnings Report, 9/10/2021]

Kroger’s executives saw their pay increase during the pandemic, while their workers pay fell

For 2020, Kroger reported that its CEO’s total compensation had increased to $22.3 million while median employee had decreased to $24,617 or a ratio of 909 to 1. “As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information regarding the ratio of the annual total compensation of our Chairman and CEO, Mr. McMullen, to the annual total compensation of our median employee. As reported in the Summary Compensation Table, our CEO had annual total compensation for 2020 of $22,373,574. Using this Summary Compensation Table methodology, the annual total compensation of our median employee for 2020 was $24,617. As a result, we estimate that the ratio of our CEO’s annual total compensation to that of our median employee for fiscal 2020 was 909 to 1.” [Kroger 2021 Proxy Statement, 5/13/2021]

Average compensation for Kroger’s top five executives increased 15% in 2020, including a 6% increase for its CEO. “In 2020, five Kroger executives received on average a compensation package of $10M, a 15% increase compared to previous year. W. Rodney McMullen, Chief Executive Officer, received $22M in total, which increased by 6% compared to 2019. 49% of McMullen’s compensation, or $11M, was in stock awards. McMullen also received $769K in bonus, $1.8M of change in pension value and nonqualified deferred compensation earnings, $4.9M in non-equity incentive plan, $2.1M in option awards, $1.3M in salary, as well as $577K in other compensation.” [ExecPay, 5/13/2021]

While Kroger’s CEO pay increased by 6% in 2020, pay for the median employee fell by 8%. “In early 2020, as the coronavirus swept across the U.S., McMullen announced a $2 hourly hazard increase, or “Hero Bonus,” for store and warehouse workers. Two months later, the company ended the raise -- even as critics pointed out that the hazard remained. McMullen, meanwhile,
collected a $22.4 million pay package for 2020 -- his largest haul since he became Kroger’s boss in 2014. The package, disclosed Thursday in a regulatory filing, rose almost 6% from the prior year thanks to a bigger bonus, a larger package of stock awards and a salary increase. Pay for Kroger’s median employee fell 8% to $24,617. [Bloomberg, 5/13/2021]

For 2019, Kroger reported its CEO had a total compensation of $21 million compared to $26,790 for its median employee or a ratio of 789 to 1. “As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information regarding the ratio of the annual total compensation of our Chairman and CEO, Mr. McMullen, to the annual total compensation of our median employee. As reported in the Summary Compensation Table, our CEO had annual total compensation for 2019 of $21,129,648. Using this Summary Compensation Table methodology, the annual total compensation of our median employee for 2019 was $26,790. As a result, we estimate that the ratio of our CEO’s annual total compensation to that of our median employee for fiscal 2019 was 789 to 1.” [Kroger 2020 Proxy Statement, 5/12/2020]

In 2019, Kroger reported average executive compensation of $8.7 million, which was a 46% increase from 2018. “Kroger reported fiscal year 2019 executive compensation information on May 12, 2020. In 2019, six Kroger executives received on average a compensation package of $8.7M, a 46% increase compared to previous year.” [ExecPay, 5/12/2020]

Kroger’s CEO took home $21 million in 2019, a 76% increase from 2018. “W. Rodney McMullen, Chief Executive Officer, received $21M in total, which increased by 76% compared to 2018. 40% of McMullen’s compensation, or $8.4M, was in stock awards. McMullen also received $7M of change in pension value and nonqualified deferred compensation earnings, $2M in non-equity incentive plan, $2.1M in option awards, $1.3M in salary, as well as $349K in other compensation.” [ExecPay, 5/12/2020]

WHIRLPOOL

Whirlpool announced price hikes days after authorizing $2 billion in stock buybacks

In April 2021, Whirlpool announced it had authorized $2 billion in additional share repurchases as well as an increase in dividends. “Today the board of directors of Whirlpool Corporation has authorized an additional $2 billion share repurchase program. The new authorization is in addition to the $531 million unused portion of the previous program as of December 31, 2020. The Company’s board of directors also approved a $0.15 increase in the quarterly dividend on the Company's common stock to $1.40 per share from $1.25 per share. The dividend is payable June 15, 2021, to stockholders of record at the close of business on May 21, 2021. ‘I am pleased to announce that we are increasing our dividend for the ninth consecutive year and have approved a significant expansion of our share repurchase program,’ said Marc Bitzer, chairman and chief executive officer of Whirlpool Corporation. ‘These actions highlight the
confidence we have in our business to continue generating strong levels of cash and reflect our continued commitment to creating strong shareholder value.’” [Whirlpool, 4/19/2021]

- (Note: a share repurchase authorization is not actual spending, but the permission to do so)

Two days later, Whirlpool’s CFO said it would raise prices worldwide in response to commodity price increases. “Doing business amidst a global recovery from a pandemic that is sending all sorts of commodities prices higher — and triggering an inflationary semiconductor shortage — is getting costlier for appliance giant Whirlpool (WHR). And now it's going to ask consumers to pay more. ‘We took price increases in every region of the world, and range from 5% to 12%,’ Whirlpool CFO Jim Peters told Yahoo Finance Live. ‘Those are driven by commodity cost increases, and it's something we have done historically.’” [Yahoo News, 4/22/2021]

Whirlpool repeatedly connected price hikes to strong demand and used it to justify increased earnings guidance

Whirlpool connected the price increases to commodity inflation, but also strong consumer demand for its appliances. “Key commodities for Whirlpool have surged since March 2020 — steel and oil prices alone are up about 75% and 90%, respectively, over that time period. Hence, it's not a shock to see an industry such as Whirlpool raise prices to try to protect its bottom line. Peters said the price increases and strong demand for appliances as people continue to upgrade their homes during the pandemic are two of the main reasons Whirlpool lifted its full-year guidance on Wednesday after the close of trading.” [Yahoo News, 4/22/2021]

Thanks to price increases, Whirlpool reported a 134% increase in operating profits in the first quarter of 2021 over the previous year. “Home appliances company Whirlpool Corp announced on Wednesday that its operating profit jumped 134.9 percent in the first quarter, led by a price hike and strong sales of home appliances during the pandemic. The Q1 2021 results smashed the estimates and raised the forecast for profits for the entire year, as the company has benefitted from the spike in demand for home goods and appliances. The operating profit of the appliance maker in Q12021 climbed to $618 million from $263 million in the same period last year. Whirlpool's net sales have increased 23.9 percent to $5,358 million from $4325 million.” [The Electronics, 4/22/2021]

In July 2021, Whirlpool’s CFO said the company was considering additional price increases, calling it “one of the tools we haven’t hesitated to use in the past.” “Whirlpool Corp., which manufactures washing machines, KitchenAid mixers and other home appliances, is considering additional price increases should inflation outpace its forecasts. The Benton Harbor, Mich.-based company earlier this year raised sale prices for its products by 5% to 12%, depending on the market, to compensate for increased raw material costs, including for steel and plastics, and it could lift prices again if necessary, Chief Financial Officer Jim Peters said Wednesday. Pricing is ‘one of the tools we haven’t hesitated to use in the past,’ he said, adding that additional price
Whirlpool expects $1 billion in additional raw material costs this year. [Wall Street Journal, 7/22/2021]

Whirlpool emphasized that it didn’t expect higher prices to reduce demand. “Whirlpool, which reported a 31.7% increase in net sales to $5.32 billion for the second quarter from a year earlier, doesn’t expect higher sale prices to dent demand for its products, Mr. Peters said. “The only thing they are comparing is the competitive set,” he said, referring to consumers.” [Wall Street Journal, 7/22/2021]

In an interview with Bloomberg, Whirlpool’s CFO said while the company faced higher costs “pricing actions offset everything we see in front of us.” “Whirlpool Corporation has announced Q2 sales up by 32% thanks to ‘sustained customer demand and cost-based pricing initiatives’. In an interview with Bloomberg, chief financial officer Jim Peters, said Whirlpool had been able to offset higher costs for everything from steel to shipping and labor by raising prices by as much as 12% earlier this year. He said he expected cost pressures to continue, saying: “We do feel that there will be some carry over from this year to next year, but pricing actions offset everything we see in front of us.” [KBB Review, 7/22/2021]

Whirlpool raised its earnings guidance following the “successful implementation of our previously announced cost-based pricing initiatives.” “Commenting on the Q2 results, chairman and chief executive Mark Bitzer said: ‘We are significantly raising guidance to reflect the strength of our business driven by sustained consumer demand and the successful implementation of our previously announced cost-based pricing initiatives. Our Q2 results together with our record performance over the past three years impressively demonstrate our ability to perform in a volatile environment.’” [KBB Review, 7/22/2021]

Whirlpool spent hundreds of millions on stock buybacks and dividends during the pandemic

Whirlpool spent $121 million on stock buybacks and $300 million on dividends in 2020. “While the environment around us was constantly changing, our commitment to delivering strong returns for our shareholders did not. We raised our dividend for the eighth consecutive year and repurchased $121 million of common stock, returning over $425 million to shareholders in 2020. These actions reflect the confidence we have in our business in both the short- and long-term.” [Whirlpool, 2020 Annual Report]

For the first six months of 2021, Whirlpool reported paying out $167 million in dividends. [Whirlpool, Second Quarter 10-Q, 6/30/2021]

Whirlpool reported spending $200 million on stock buybacks in the first six months of 2021. “On July 25, 2017, our Board of Directors authorized a share repurchase program of up to $2 billion. On April 19, 2021, our Board of Directors authorized an additional share repurchase program of up to $2 billion, which has no expiration date. During the six months ended June 30,
2021, we repurchased 981,676 shares under these share repurchase programs at an aggregate price of approximately $200 million. As of June 30, 2021, there were approximately $2.3 billion in remaining funds authorized under this program.” [Whirlpool, Second Quarter 10-Q, 6/30/2021]

**During the pandemic, Whirlpool’s executive pay rose significantly along with the pay ratio between its CEO and median employee**

For 2020 Whirlpool reported it’s CEO compensation had increased to $17 million while the median employee was $22,113, a ratio of 772 to 1.” For 2020, The median of the annual total compensation of all of our employees, other than Mr. Bitzer, was $22,113. Mr. Bitzer’s annual total compensation was $17,064,835. This amount is the same amount as reported in the Total column of the 2020 Summary Compensation Table, except that this amount includes the company-paid portion of health insurance premiums, which are normally excluded for Summary Compensation Table purposes. Based on this information, the ratio of the annual total compensation of Mr. Bitzer to the median of the annual total compensation of all employees is estimated to be 772 to 1.” [Whirlpool 2021 Proxy Statement, 3/5/2021]

In 2020 the average compensation of Whirlpool’s top five executives increased 19% while its CEO’s compensation specifically increased 22%. “In 2020, five Whirlpool executives received on average a compensation package of $7.2M, a 19% increase compared to previous year. Marc R. Bitzer, Chief Executive Officer, received $17M in total, which increased by 22% compared to 2019. 38% of Bitzer’s compensation, or $6.4M, was in stock awards. Bitzer also received $2M of change in pension value and nonqualified deferred compensation earnings, $4.2M in non-equity incentive plan, $3M in option awards, $1.3M in salary, as well as $173K in other compensation.” [ExecPay, 3/5/2021]

For 2019 Whirlpool reported the total compensation of its CEO was $14 million compared to a median employee of $20,765, a ratio of 675 to 1. “We are disclosing the relationship of the annual total compensation of our employees to the annual total compensation of Marc Bitzer, our Chairman and CEO. For 2019, The median of the annual total compensation of all of our employees, other than Mr. Bitzer, was $20,765; Mr. Bitzer’s annual total compensation was $14,011,663. This amount is the same amount as reported in the Total column of the 2019 Summary Compensation Table, except that this amount includes the company-paid portion of health insurance premiums, which are normally excluded for Summary Compensation Table purposes; Based on this information, the ratio of the annual total compensation of Mr. Bitzer to the median of the annual total compensation of all employees is estimated to be 675 to 1.” [Whirlpool 2020 Proxy Statement, 3/6/2020]

In 2019, the average compensation of Whirlpool’s top five executives increased 7% while its CEO’s compensation increased 18%. “In 2019, five Whirlpool executives received on average a compensation package of $6.1M, a 7% increase compared to previous year. Marc R. Bitzer, Chief Executive Officer, received $14M in total, which increased by 18% compared to 2018. 45% of Bitzer’s compensation, or $6.3M, was in stock awards. Bitzer also received $1.2M of change in pension value and nonqualified deferred compensation earnings, $2.3M in non-equity incentive
plan, $2.7M in option awards, $1.3M in salary, as well as $187K in other compensation.” [ExecPay, 3/6/2020]

**Whirlpool cited commodity prices to hike prices in 2018 as well**

In 2018, Whirlpool also raised prices citing higher raw materials experiences. “Whirlpool Corp WHR.N said on Thursday it expects about $300 million in costs related to higher raw materials expenses and tariffs, and plans to counter that by raising prices and exiting some loss-making businesses. The U.S. home appliances maker will exit its domestic sales operations in Turkey and Hotpoint-branded small appliance business in EMEA, as well as explore a sale of its South Africa operations, it said on a call discussing its third-quarter earnings report. The company said prices of steel, a key raw material used in appliances, are expected to drop slightly in 2019.” [Reuters, 10/25/2018]

**KIMBERLY CLARK**

**Kimberly Clark said it was forced to raise prices after boasting of spending billions on stock buybacks and dividends**

In March 2021, Kimberly Clark announced it would increase prices in order to “help offset significant commodity cost inflation.” “Kimberly-Clark Corporation (NYSE: KMB) announced today that it is notifying customers in the U.S. and Canada of plans to increase net selling prices across a majority of its North America consumer products business. The increases will be implemented almost entirely through changes in list prices and are necessary to help offset significant commodity cost inflation. The percentage increases are in the mid-to-high single digits. Nearly all of the increases will be effective in late June and impact the company's baby and child care, adult care and Scott bathroom tissue businesses.” [Kimberly Clark Press Release, 3/31/2021]

At the beginning of 2021, Kimberly Clark announced a 6.5% increase in its quarterly dividend and authorized a new $5 billion stock buyback program. “On January 25 Kimberly-Clark approved a 6.5% increase in its quarterly dividend, marking is its 49th consecutive annual dividend increase. KMB paid $1.14 to its shareholders for the first quarter of 2021, bringing its forward dividend up to $4.56 and its dividend yield to 3.45%. The company's board of directors also authorized a new $5 billion share repurchase program a few weeks ago, emphasizing KMB's efforts to return cash to shareholders.” [Schaeffer's, 2/17/2021]

Kimberly Clark boasted that it was able to “return” $2.15 billion to shareholders through dividends and stock buybacks in 2020. “Chairman and Chief Executive Officer Mike Hsu said, ‘In 2020, we grew organic sales 6 percent, with healthy underlying performance and increased demand because of COVID-19. We also significantly increased brand investments and improved our market share positions. In addition, we achieved $575 million of cost savings and returned $2.15 billion to shareholders through dividends and share repurchases. Finally, we grew adjusted
earnings per share 12 percent, well above our medium-term objective. I'm extremely proud of what our teams accomplished while staying relentlessly focused on employee health and safety and meeting the needs of our consumers during this unprecedented time period.” [Kimberly Clark, 1/25/2021]

2020 was the tenth consecutive year that Kimberly Clark returned over $2 billion to shareholders through dividends and buybacks. “Other than paying a hefty dividend, Kimberly Clark returns cash to investors through its share repurchase program. In 2020, the company’s dividends and share repurchases totaled $2.2 billion, marking the 10th consecutive year that Kimberly Clark stock returned at least $2.0 billion to shareholders.” [Income Investors, 7/5/2021]

In July 2021, Kimberly Clark reported planning to spend at least $400 million on stock buybacks for 2021. “Second quarter 2021 share repurchases were 1.2 million shares at a cost of $161 million. The company now plans for full-year repurchases of $400 to $450 million, below the original target range of $650 to $750 million. Total debt was $9.1 billion at June 30, 2021 and $8.4 billion at the end of 2020.” [Kimberly Clark, 7/23/2021]

YCharts reported that between April 1 2020 and June 30 2021 Kimberly Clark spent $817 million in stock buybacks. [Kimberly Clark, YCharts, accessed 9/15/2021]

Kimberly Clark’s CEO pay continued to increase during the pandemic while worker wages stagnated

For 2020, Kimberly Clark reported its CEO total compensation was $13.465 million compared to $47,549 for its median employee or a ratio of 283 to 1. “In accordance with the Dodd-Frank Act and applicable SEC rules, we are providing the following information about the relationship of our Chief Executive Officer’s compensation to the compensation of all our employees. For 2020: the total compensation of our median employee was $47,549; the total compensation of our Chief Executive Officer, as reported in the Summary Compensation Table, was $13,465,320; the ratio of our Chief Executive Officer’s total compensation to the median employee total compensation was 283 to 1.” [Kimberly Clark 2021 Proxy Statement, 3/8/2021]

In 2020 the average compensation for Kimberly Clark’s top six executives decreased by 2%, but the compensation for its DEO increased by a further 12%. “In 2020, six executives at Kimberly-Clark received on average a compensation package of $6.7M, a 2% decrease compared to previous year. Michael D. Hsu, Chief Executive Officer, received $13M in total, which increased by 12% compared to 2019. 45% of Hsu's compensation, or $6M, was in stock awards. Hsu also received $3.4M in non-equity incentive plan, $2.3M in option awards, $1.3M in salary, as well as $498K in other compensation.”

For 2019 Kimberly Clark reported its CEO total compensation was $12 million compared to its median employee of $47,328, a ratio of 254 to 1. “In accordance with the Dodd-Frank Act and applicable SEC rules, we are providing the following information about the relationship of our Chief Executive Officer’s compensation to the compensation of all our employees. For 2019: the
total compensation of our median employee was $47,328; the total compensation of our Chief Executive Officer, as reported in the Summary Compensation Table, was $12,028,120; the ratio of our Chief Executive Officer’s total compensation to the median employee total compensation was 254 to 1.” [Kimberly Clark 2020 Proxy Statement, 3/6/2020]

In 2019, the average compensation for Kimberly Clark’s top five executives increased 22% while its CEO’s compensation increased 77%. “In 2019, five executives at Kimberly-Clark received on average a compensation package of $6.8M, a 22% increase compared to previous year. Michael D. Hsu, Chief Executive Officer, received $12M in total, which increased by 77% compared to 2018. 50% of Hsu's compensation, or $6M, was in stock awards. Hsu also received $2.7M in non-equity incentive plan, $1.7M in option awards, $1.3M in salary, as well as $328K in other compensation.” [ExecPay, 3/6/2020]

**Kimberly Clark previously blamed inflation for price increases in 2018, claiming customers would “understand”**

Kimberly Clark previously announced price increases in 2018 in order to offset “significant commodity cost inflation.” “Kleenex tissues, Cottonelle toilet paper and Huggies diapers will be more expensive as parent company Kimberly-Clark raises prices on most of its products to combat higher pulp costs. The Dallas, Texas-based company announced Wednesday it plans to raise prices on most paper products by the “mid-to-high single digits” later this year to offset “significant commodity cost inflation.” The price hikes will also affect Scott bathroom tissue, Viva paper towels and Pull-Ups training pants, the company said in a press release.” [CNBC, 8/15/2018]

On an earnings call, Kimberly Clark’s COO said “…I think our customers understand that. And we do have to recover and improve our net revenue realization. “When you have a commodity impact as large and significant as it is right now, I think our customers understand that. And we do have to recover and improve our net revenue realization. And so we are going to take the appropriate actions,” Kimberly Clark's Chief Operating Officer told analysts in a recent earnings call.” [CNBC, 8/15/2018]

**PROCTOR & GAMBLE**

Procter & Gamble announced it would hike prices at the same time it increase stock buybacks buy an additional $1 billion

In April 2021, Procter & Gamble announced it would hike prices in response to higher commodity costs. “Procter & Gamble announced on Tuesday it will hike prices on baby care, feminine care and adult incontinence products in September to respond to higher commodity costs….P&G said its price increases will vary by brand but will be in the range of mid-to-high single digits. ‘This is one of the bigger increases in commodity costs that we’ve seen over the period of time that I’ve been involved with this, which is a fairly long period of time,’ Chief Operating Officer Jon Moeller told analysts.” [CNBC, 4/20/2021]
In the same release announcing price increases, Procter and Gamble announced it would increase share buybacks for FY 2021 from $10 billion to $11 billion. “P&G expects to pay more than $8 billion in dividends in fiscal 2021. The Company increased its outlook for common stock repurchase from up to $10 billion to approximately $11 billion in fiscal 2021. Combined, P&G now plans to return about $19 billion of cash to shareowners in this fiscal year. The Company added that it has started the process of implementing price increases on its Baby Care, Feminine Care and Adult Incontinence product categories in the United States to offset a portion of the impact of rising commodity costs. P&G said the exact amount of the price increase will vary by brand and sub-brand in the range of mid-to-high single digit percentages and will go into effect in mid-September. [Procter & Gamble, 4/20/2021]

In July 2021, Procter & Gamble reported that it paid $19 billion to shareholders for FY 2021, including increasing dividends by 10% to $8 billion. “David Taylor, Chairman, President and Chief Executive Officer said, ‘We delivered another year of strong results with balanced top and bottom-line growth and strong cash generation, exceeding each of our in-going targets. We built strong momentum prior to the pandemic and have strengthened our position further. As we look forward to fiscal 2022, we expect to continue to grow top-line and bottom-line and to deliver another year of strong cash return to shareholders despite a challenging cost and operating environment.’ Core earnings per share grew 11% for the year. Currency neutral Core EPS was also up 11%. We increased our dividend by 10% during the year and returned $19 billion dollars of value to shareowners – $8 billion in dividends, and $11 billion in share repurchase.” [Procter & Gamble, 7/30/2021]

Over the course of the pandemic, the pay ratio between Procter & Gamble’s CEO to its median employee increased

For FY 2019-20, Procter & Gamble reported its CEO’s total compensation was $22.9 million compared to its median employee of $68,883 or a ratio of 333 to 1. “As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of our employees and the annual total compensation of Mr. David S. Taylor, our Chairman of the Board, President and Chief Executive Officer. The pay ratio was calculated in a manner consistent with Item 402(u) of Regulation S-K and based upon our reasonable judgment and assumptions. For FY 2019-20, the median of the annual total compensation of all employees of the company (other than our CEO) was $68,883, and the annual total compensation of our CEO was $22,905,128. Based on this information, the ratio of the annual total compensation of Mr. Taylor to the median of the annual total compensation of employees was 333 to 1.” [Procter & Gamble 2020 Proxy Statement, 8/28/2020]

For FY 2020-21, Procter & Gamble reported its CEO’s total compensation increased to $23.9 million compared to its median employee of $69,671 or a ratio of 343 to 1. “As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the
annual total compensation of our employees and the annual total compensation of Mr. Taylor, our Chairman of the Board, President and Chief Executive Officer. The pay ratio was calculated in a manner consistent with Item 402(u) of Regulation S-K and based upon our reasonable judgment and assumptions. For FY 2020-21, the median of the annual total compensation of all employees of the company (other than our CEO) was $69,671, and the annual total compensation of our CEO was $23,900,381. Based on this information, the ratio of the annual total compensation of Mr. Taylor to the median of the annual total compensation of employees was 343 to 1.” [Procter & Gamble 2021 Proxy Statement, 8/27/2021]

In 2018, Procter and Gamble juiced its stock price by announcing price increases it blamed on commodity prices

In Fall 2018, Procter & Gamble announced price hikes on its products from 5 to 10%. “Procter & Gamble Co. intends to raise the prices of more products sold in the United States early next year, chief financial officer Jon Moeller said today. The Cincinnati-based maker of consumer goods such as Dawn dish soap, Crest toothpaste and Old Spice deodorant (NYSE: PG) didn’t disclose specific figures, but the increases will be in the 5 percent to 10 percent range depending on the category or product. Affected will be P&G Home Care products such as dish soap, Oral Care products such as toothpaste and Personal Care products such as deodorants. The increases are to take effect in the first quarter of 2019.” [Cincinnati Business Courier, 10/19/2018]

Procter & Gamble blamed commodity prices for the 2018 price increase announcement. “As commodity prices and foreign exchange rates move, we will take pricing when the degree of cost impact warrants it and competitive realities allow it,” Moeller told market analysts before the stock market opened. ‘There will be volatility with these pricing moves,’ Moeller said. ‘Competition may attempt to take advantage of our moves for short-term market share gains. Overall category consumption may be negatively impacted. We’ll simply have to adjust as we go and as we learn.’” [Cincinnati Business Courier, 10/19/2018]

Procter & Gamble announced the price increases after reporting strong profits and earnings, causing a sharp increase in its stock price. “Procter & Gamble reported better-than-expected quarterly profit and sales, and said it was raising prices on several products around the world, sending shares up on Friday by their most in a decade.” [Reuters, 10/19/2018]

PEPSICO

Pepsi announced it would raise prices after raising earnings expectations, claiming “our products are worth paying more for”

In July 2021, PepsiCo announced it would raise prices at the same time it raised its full year earnings forecast in response to “surging demand.” “PepsiCo Inc (PEP.O) will increase the prices of its products this year, the company said on Tuesday after it raised its full-year earnings forecast on surging demand for its sodas from pandemic-weary people flocking to restaurants
and theaters. A host of factors, including disruptions in global supply chains and rising demand, has pushed up raw-material prices, forcing packaged food companies such as PepsiCo and rival Coca-Cola Co (KO.N) to pass on costs to consumers.” [Reuters, 7/13/2021]

**PepsiCo said the price increase was being used to offset “higher advertising and marketing costs.”** “PepsiCo’s move to raise prices, likely after Labor Day, will also be used to offset higher advertising and marketing costs, which rose 30% in the quarter as the company looked to take advantage of a reopening U.S. economy, Chief Financial Officer Hugh Johnston told Reuters. Net revenue from beverage sales to schools, restaurants, stadiums and other such businesses in North America doubled in the second quarter. ‘Performance in the food service channels was very sudden after three quarters of negative growth,’ Johnston said. ‘It opened up very rapidly and there was a lot of desire for people to get out as they got vaccinated.’” [Reuters, 7/13/2021]

A PepsiCo executive told Yahoo Finance that “we do think our products are worth paying more for, and we think consumers will.” “The way we think about pricing is really a reflection of the investments we make in our brands and the innovation that we have because those are the things consumers are willing to pay more for. We think of it as connected to delivering value to consumers. Obviously with cost pressures it puts that much more pressure on pricing,’PepsiCo vice chairman and CFO Hugh Johnston said on Yahoo Finance Live. ‘In fact, we will be taking pricing post Labor Day. It varies by business as to how much it will be in Quaker vs. Frito Lay vs. the beverage business. What I would point out in the second quarter our pricing was up about 5% in the North America businesses. I think you will see us take good, strong price increases which are really reflective of the fact that even through the pandemic we kept investing in the business, building the brands and building capacity to fulfill sales,’ Johnston added, ‘So we do think our products are worth paying more for, and we think consumers will.”’ [Yahoo Finance, 7/13/2021]

**Before announcing price increases, Pepsi announced it would spend billions more on dividends after spending billions of stock buybacks and dividends in 2020**

In February 2021, PepsiCo reported it planned to spend $5.8 billion on dividends and $100 million on stock buybacks in 2021. “On February 11, 2021, we announced a 5% increase in our annualized dividend to $4.30 per share from $4.09 per share, effective with the dividend expected to be paid in June 2021. We expect to return a total of approximately $5.9 billion to shareholders in 2021, comprised of dividends of approximately $5.8 billion and share repurchases of approximately $100 million. We have recently completed our share repurchase activity and do not expect to repurchase any additional shares for the balance of 2021.” [PepsiCo, 2020 Annual Report]

In April 2020, PepsiCo reported that it planned to spend $7.5 billion on stock buybacks and dividends for 2020. PepsiCo said core earnings for the three months ending in March were pegged at $1.07 per share, up 10.3% from the same period last year and 4 cents ahead of the Street consensus forecast. Group revenues, PepsiCo said, rose 7.8% to $13.88 billion, again
topping analysts’ estimates of a $13.2 billion tally. PepsiCo said it will scrap its 2020 earnings guidance, which had called for 4% organic revenue growth and 7% core earnings growth, but noted that it will continue to buy back shares and pay a cash dividend, with the collective returns amounting to around $7.5 billion this year.” [The Street, 4/28/2020]

In 2019, PepsiCo reported spending $8.3 billion on stock buybacks and dividends. “In 2020, net cash provided by financing activities was $3.8 billion, primarily reflecting proceeds from issuances of long-term debt of $13.8 billion, partially offset by the return of operating cash flow to our shareholders through dividend payments and share repurchases of $7.5 billion, payments of long-term debt borrowings of $1.8 billion and debt redemptions of $1.1 billion. In 2019, net cash used for financing activities was $8.5 billion, primarily reflecting the return of operating cash flow to our shareholders through dividend payments and share repurchases of $8.3 billion, payments of long-term debt borrowings of $4.0 billion and debt redemptions of $1.0 billion, partially offset by proceeds from issuances of long-term debt of $4.6 billion.” [PepsiCo, 2020 Annual Report]

PepsiCo’s CEO saw his compensation increase significantly during the pandemic

For 2020, the total compensation of PepsiCo’s CEO increased to $21.4 million compared to a median employee of $46,546, a ratio of 462 to 1. “The following ratio of Mr. Laguarta’s annual total compensation to the median employee’s for our last completed fiscal year is a reasonable estimate calculated in a manner consistent with applicable SEC rules. The median employee’s total compensation was $46,546. The total compensation was calculated in the same manner in which we determine the compensation shown for our NEOs in the Summary Compensation Table, including the value of retirement benefits. As reported in the Summary Compensation Table on page 68, our CEO’s compensation was $21,486,982. Based on this information, the ratio of Mr. Laguarta’s annual total compensation to the median employee compensation for 2020 was estimated to be 462 to 1.” [PepsiCo 2021 Proxy Statement, 3/24/2021]

For 2019, PepsiCo reported the total compensation of its CEO to be $16.9 million compared to $45,896 for its median employee, a ratio of 368 to 1. “The following ratio of Mr. Laguarta’s annual total compensation to the median employee’s for our last completed fiscal year is a reasonable estimate calculated in a manner consistent with applicable SEC rules. • The median employee’s total compensation was $45,896. • The total compensation was calculated in the same manner in which we determine the compensation shown for our NEOs in the Summary Compensation Table, including the value of retirement benefits. ...• As reported in the Summary Compensation Table on page 61, our CEO’s compensation was $16,870,817. Based on this information, the ratio of Mr. Laguarta’s annual total compensation to the median employee compensation for 2019 was estimated to be 368 to 1.” [PepsiCo 2020 Proxy Statement, 3/20/2020]
Pepsi previously used a price increase in 2019 to beat profit expectations

In October 2019, PepsiCo announced it exceeded Wall Street profit expectations following price increases on its drinks and snacks. “PepsiCo Inc. is getting a boost from higher prices on its drinks and snacks, a sign U.S. consumers still feel good amid recent indicators of a looming economic slowdown. The snack and beverage giant said Thursday it will meet or exceed its full-year revenue growth after sales and profit both topped Wall Street estimates for last quarter. The results showed that once again consumers were willing to pay more for its products, sending the shares up as much as 3.5%, the biggest intraday gain in more than five months. ‘The consumer right now in the U.S., at least in terms of our business, is doing really well,’ Hugh Johnston, the company’s chief financial officer, said in an interview.” [Bloomberg, 10/13/2019]

GENERAL MILLS
General Mills said it was forced to increase prices at the same time it boasted spending $1.5 billion on dividends and stock buybacks during the pandemic

June 2021: General Mills said in response to cost increases that it would raise prices on nearly all of its grocery products, “no one wants to increase prices, but we’ve had to.” “General Mills Inc. said it is raising prices across nearly all its grocery categories around the world, as the maker of Cheerios cereal and Betty Crocker cake mix says it faces its highest costs in a decade. More expensive ingredients, packaging, trucking and labor will push General Mills’ overall costs about 7% higher over the next year or so, executives said. ‘Consumers see costs going up all around them, not just at the grocery store, but with automobiles, at restaurants,’ General Mills Chief Executive Jeff Harmening said in an interview Wednesday. ‘No one wants to increase prices, but we’ve had to.’” [Wall Street Journal, 6/30/2021]

General Mills reported spending $1.5 billion on dividends and stock buybacks in fiscal year 2021, which ended May 30 2021 - a 29% increase to shareholders over FY 2020. The company resumed dividend growth and share repurchase activity; total cash returned to shareholders increased 29 percent to $1.5 billion.....Dividends paid increased 4 percent to $1.25 billion. General Mills repurchased approximately 5 million shares of common stock in fiscal 2021 for a total of $301 million. Average diluted shares outstanding increased 1 percent to 619 million.” [General Mills Press Release, 6/30/2021]

During the pandemic, the pay ratio between General Mills CEO and median employee increased

For Fiscal Year 2020, General Mills reported its CEO’s compensation was $15.8 million compared to its median employee at $77,414 or a ratio of 205 to 1. “Pursuant to Item 402(u) of Regulation S-K, the company is required to disclose the ratio of the annual total compensation of
our CEO to the annual total compensation of the median employee of the company (the “Pay Ratio Disclosure”). For fiscal 2020: The total compensation of our median employee was $77,414; The total compensation of our CEO was $15,837,590; and The ratio of our CEO’s total compensation to the median employee’s total compensation was 205 to 1.” [General Mills 2020 Proxy Statement, 8/10/2020]

In Fiscal Year 2020, General Mills' top six executives say their compensation increase by 45% while its CEO's compensation increased by 61%. “General Mills reported fiscal year 2020 executive compensation information on August 10, 2020. In 2020, six executives at General Mills received on average a compensation package of $6.7M, a 45% increase compared to previous year. Jeffrey L. Harmening, Chief Executive Officer, received $16M in total, which increased by 61% compared to 2019. 33% of Harmening's compensation, or $5.3M, was in stock awards. Harmening also received $4.2M of change in pension value and nonqualified deferred compensation earnings, $3.7M in non-equity incentive plan, $1.2M in option awards, $1.2M in salary, as well as $235K in other compensation.” [ExecPay, 8/10/2020]

For Fiscal Year 2021, General Mills reported its CEO's compensation was $15.57 million compared to its median employee at $75,101 or a ratio of 207 to 1. “Pursuant to Item 402(u) of Regulation S-K, the company is required to disclose the ratio of the annual total compensation of our CEO to the annual total compensation of the median employee of the company (the “Pay Ratio Disclosure”). For fiscal 2021: The total compensation of our median employee was $75,101; The total compensation of our CEO was $15,572,682; and The ratio of our CEO’s total compensation to the median employee’s total compensation was 207 to 1.” [General Mills 2021 Proxy Statement, 8/16/2021]

In Fiscal Year 2021, General Mills' top six executives say their compensation decreased by 7% while its CEO's compensation decreased by 2%. “General Mills reported fiscal year 2021 executive compensation information on August 17, 2021. In 2021, five executives at General Mills received on average a compensation package of $6.2M, a 7% decrease compared to previous year. Jeffrey L. Harmening, Chief Executive Officer, received $16M in total, which decreased by 2% compared to 2020. 34% of Harmening's compensation, or $5.3M, was in stock awards. Harmening also received $5.2M of change in pension value and nonqualified deferred compensation earnings, $2.5M in non-equity incentive plan, $1.1M in option awards, $1.3M in salary, as well as $219K in other compensation.” [ExecPay, 8/17/2021]

- From FY2020 to FY2021 General Mills median employee’s compensation decreased by 2.9%.

In 2018 General Mills cited inflation to hike prices in order to protect its profit margin

In March 2018, General Mills announced price increases after it said inflationary pressures and shipping costs were ‘eating into profits.’ “General Mills Inc. will raise prices on some meals and snacks to reflect higher ingredient and shipping costs, as food companies battle inflationary pressures that are eating into profits. The maker of Cheerios cereal and Yoplait yogurt said freight
costs in North America were near 20-year highs in February and food prices were also higher than expected, prompting the conglomerate to lower its earnings expectations for the year.” [Wall Street Journal, 3/21/2018]

**In 2019, General Mills boasted price increases on its groceries had successfully protected its profit margin.** “General Mills, the owner of supermarket staples Cheerios, Haagen-Dazs ice cream and Progresso soup, said Wednesday that its latest earnings topped forecasts — largely because of higher prices. The company, which also owns Wheaties, Lucky Charms and Annie’s, said that the actual sales volume of its products fell in North America and Europe during the quarter, although they did rise in Asia. But thanks to price increases — as well as a boost from buying pet food maker Blue Buffalo last year — total sales still rose 8% compared to a year ago. General Mills needed to raise prices to protect its profit margins, which were threatened by rising dairy inflation, Chief Financial Officer Donal Mulligan told analysts Wednesday. The company owns Yoplait, the yogurt maker.” [CNN, 3/20/2019]

**PROCTER & GAMBLE**

Procter & Gamble credited price increases for higher revenues and sales, allowing for even more money to be funneled to shareholders

Procter & Gamble reported that price increases for its products drove revenue 6% higher from the previous year and predicted more price increases to come. “Shoppers shrugged off rising prices last year on products like Pampers diapers and Charmin toilet paper, Procter & Gamble said on Wednesday in announcing a jump in its second-quarter earnings. The consumer goods giant reported that price increases for products like Crest toothpaste and Tide detergent helped drive revenue 6 percent higher from a year earlier, to $21 billion, in the three months that ended Dec. 31. Earnings rose 9 percent to $4.2 billion in the quarter. Shares of Procter & Gamble rose 4.6 percent in midday trading to $163.98. The company added that it expected more price increases throughout the year, starting in February on fabric care products like Gain, Bounce, and Downy. Prices for personal care products will go up beginning in April.” [New York Times, 1/19/2022]

Despite record inflation, Procter & Gamble raised its sales outlook for the year on the back of higher prices. “December saw the biggest 12-month gain in inflation since 1982. On Wednesday, Procter & Gamble Co. raised its sales outlook for the year to the end of June on the back of higher prices. In the three months to Dec. 31, organic sales (which exclude the impact of currency movements, acquisitions, and disposals) rose 6%. This was split equally between volume gains and price increases. The company, which owns brands including Pampers diapers and Gillette razors, also lifted its forecast of full-year organic sales growth from 2-4% to 4-5%. The shares rose about 4% in early trading. [Bloomberg, 1/19/2022]
Procter & Gamble increased their plans to send more cash to shareholders, planning on $17-18 billion in repurchases and dividends over the course of the fiscal year. “Andre Schulten — Chief Financial Officer: We are increasing our outlook for adjusted free cash flow productivity to 95%, and we are raising our guidance for cash return to shareowners. We continue to expect to pay over $8 billion in dividends, and we now plan to repurchase $9 billion to $10 billion of common stock, combined with a plan to return $17 billion to $18 billion of cash to shareowners this fiscal year. This outlook is based on current market growth rate estimates, commodity prices, and foreign exchange rates. Significant additional currency weakness, commodity cost increases, geopolitical disruption, major supply chain disruptions, or store closures are not anticipated within the guidance ranges.” [Procter & Gamble Earnings Call, 1/19/2022]

The company predicted broad price increases on its products throughout 2022

On Procter & Gamble’s earnings call, the company’s CFO said “we are thoughtfully executing tailored price increases. “Andre Schulten — Chief Financial Officer: Building on the strength of our brands, we are thoughtfully executing tailored price increases. We closed a couple of price increases with innovation to improve consumer value along the way. The strategic need for investment to continue to strengthen the superiority of our brands, the short-term need to manage through this challenging cost environment, and the ongoing need to drive balanced top and bottom-line growth, including margin expansion underscore the importance of ongoing productivity.” [Procter & Gamble Earnings Call, 1/19/2022]

Procter & Gamble’s CFO announced price increases in all 10 product categories: “Baby Care, Feminine Care, Adult Incontinence, Family Care, Home Care, Hair Care, Grooming, Oral Care, Skincare” “Andre Schulten — Chief Financial Officer: Foreign exchange rate have also moved against us since our last guidance. We now expect FX to be a $200 million after-tax headwind to earnings for the fiscal year. We will offset a portion of these cost pressures with price increases and with productivity savings. We’ve now announced price increases in each of our 10 product categories in the U.S., increases in Baby Care, Feminine Care, Adult Incontinence, Family Care, Home Care, Hair Care, Grooming, Oral Care, Skincare are now effective in the market. We also increased prices on mid-tier liquid detergents and powder detergents over the last few months. In mid-December, we announced to retailers that effective February 28 we are increasing pricing on the balance of our Fabric Care portfolio. This includes Tide, Gain, Downy, Bounce, and Unstopables and includes all forms: liquid and unit-dose detergents, scent beads, liquid fabric softeners, and dryer sheets. Just yesterday, we announced to retailers that we are increasing pricing on certain Personal Health Care brands in the U.S. effective mid-April. The degree and timing of these moves are very specific to the category, brand, and sometimes the product from within a brand. This is not a one-size-fits-all approach.” [Procter & Gamble Earnings Call, 1/19/2022]
Procter & Gamble’s CFO said a “majority of the price increases are still coming into effect” and would continue to benefit Procter & Gamble’s margins throughout 2022. “Andre Schulten — Chief Financial Officer: Good morning, Steve. All right. So from a gross margin perspective, a couple of things will come to play here. If you assume that the existing commodity foreign-exchange rate and transportation and warehousing pressures remain at this level, which is our basis for planning, we will benefit from more pricing flowing through the P&L. Most of our price increases, as you’ve seen in our prepared remarks, have gone or some have gone into effect in September and October, but the majority of the price increases are still coming into effect over December, Q1, Q3, and Q4. So the contribution of pricing both to the gross margin recovery as well as to the price mix line within the top line is going to increase sequentially as we go through the fiscal year.” [Procter & Gamble Earnings Call, 1/19/2022]

Procter & Gamble repeatedly stressed that consumers were not being deterred by price increases

Procter & Gamble told analysts that consumers were reacting favorably to price increases and trading up for more premium products. “Consumers clearly aren’t balking at having to pay more for their groceries. In fact, P&G said that so far, they were reacting to price increases more favorably than in the past. Instead of pulling in the purse strings, consumers are trading up. For example, in its Oral-B business, more Americans are opting for more expensive teeth whitening options. In diapers, more parents are choosing premium ranges.” [Bloomberg, 1/19/2022]

Procter & Gamble’s CFO called price increases sustainable as consumer reaction was “benign” and “price elasticity has generally been lower than what we would have seen historically.” “Andre Schulten — Chief Financial Officer: In the pricing contribution versus volume contribution, I expect the price to become a bigger part, as I said, logically because of the timing of the price increases that we have announced. And in terms of the ability to sustain the pricing, for the price increases where we have sufficient read period at this point in time, we have seen a more benign reaction of the consumer. The consumer is healthy generally and is preferring our brands. We’re starting with strong superiority, and price elasticity has generally been lower than what we would have seen historically, which also speaks to the fact that we hope will continue to see volume growth in combination with stronger price growth in the back half.” [Procter & Gamble Earnings Call, 1/19/2022]

Procter & Gamble’s CFO stressed, “we see a lower reaction from the consumer in terms of price elasticity than what we would have seen in the past.” “Andre Schulten — Chief Financial Officer: I’ll start by saying the consumer continues to favor our brands. Our categories, again, daily-use essential needs of the consumer and health, hygiene, and cleaning, and the efficacy of our products and brands really helps us with superiority that we can provide to trade the consumer up within our portfolio. And as we take pricing, we see a lower reaction from the
consumer in terms of price elasticity than what we would have seen in the past to give you some concrete data. In the U.S. we see on those brands where we’ve taken pricing in September and October which are normally highly-priced elastic, we’ve seen price elasticity in the range of 20% to 30% lower than what we would have expected based on historic data. So we take comfort in the strength of our brands, the broad-based growth of the portfolio globally, the broad-based growth of the portfolio across categories, and the short term reaction of the consumer as we take pricing, and our ability to combine that pricing with innovation which actually then stimulates the consumer to trade-up in everything that we’ve seen.” [Procter & Gamble Earnings Call, 1/19/2022]

**Procter & Gamble unintentionally showed how its diaper duopoly allowed the company to exploit price increases for consumers at every level**

Procter & Gamble’s CFO said the company had “strong price ladders,” and explained how the company’s control over diapers allowed it to benefit from price increases at every level. “Andre Schulten — Chief Financial Officer: Secondly, starting with a portfolio that is 75% superior by our assessment and reflected probably in the market share results and trends that we’re seeing, we also over time have built much stronger price ladders. So we have offerings for the consumer at different price points and different cash outlays. When you think about diapers, you can get a large diaper for $0.15 a diaper, Swaddlers at $0.30 or a Pure diaper at $0.38, and that’s generally true across all categories, across all brands. So that means the consumer has a choice within our portfolio. So in that sense, I think we are set up well from a starting point to deal with inflation and related pricing.” [Procter & Gamble Earnings Call, 1/19/2022]

**Procter & Gamble and Kimberly-Clark control 70% of the US diapers market.** “On top of that, diapers are taxed in 36 states anywhere between 2.5% and 7%, according to the National Diaper Bank Network, an advocacy group. A diaper duopoly makes the impact almost inescapable. The world’s most popular brands — Huggies, Luvs, Pampers, and Pull-Ups — are all made by Kimberly-Clark Corp, and Procter & Gamble Co. Those companies account for 70% of the U.S. diaper market and they are protecting their margins as the cost of raw materials soars.” [Bloomberg, 7/9/2021]

**July 2021: The average unit price of diapers was 14% the previous year.** “The average unit price of diapers was up 14% year over year in January and has remained elevated ever since, according to data from Nielsen. Packages that cost about $25 last year now can cost $40 — and there are fewer inside. Indeed, baby-care items from rash salves to wipes have seen double-digit increases, and companies have said prices will rise again.” [Bloomberg, 7/9/2021]
Procter & Gamble’s CEO called pricing “an inherent part of our business model”

Procter & Gamble's CEO said one explanation for the pricing situation is “there's no doubt at present that demand is stronger than supply.” “Jon R. Moeller — President and Chief Executive Officer: But directionally, Nik, which is what leads you to your question, there’s no doubt at present that demand is stronger than supply. Andre is absolutely right. I don’t know how to quantify it either. But as we address some of the opportunities, and that’s how I view it, within the supply community, there should be an upside beyond our internal forecast and what you might expect. That's assuming of course that that demand continues at current levels.” [Procter & Gamble Earnings Call, 1/19/2022]

Procter & Gamble’s CEO: “Remember, pricing is an inherent part of our business model...So while the level of pricing we're talking about here, to be fair, is typically a different level, this is not a dynamic that we're unfamiliar with.” “Jon R. Moeller — President and Chief Executive Officer: So I just have a couple closing comments. One on pricing. Remember, pricing is an inherent part of our business model. As an innovation-centered company, we aim to create products that address better everyday consumer needs and problems and can typically command some pricing while increasing the overall value of proposition to consumers with those more efficacious offerings. Pricing has been a positive component of our top line for 42 out of the last 45 quarters and 17 out of the last 18 years. So while the level of pricing we’re talking about here, to be fair, is typically a different level, this is not a dynamic that we’re unfamiliar with. And as Andre said earlier, we certainly have significant historical and recent experience in developing markets. None of that’s a guarantee, but this is not new territory.” [Procter & Gamble Earnings Call, 1/19/2022]

Kimberly Clark’s earnings call showed how prices hikes were driven by profit margins

On Kimberly Clark’s earnings call, the CEO stressed the company aggressively raised prices

Kimberly Clark’s CEO: “we took decisive action to offset the impact of higher costs with significant pricing actions.” “Mike Hsu, CEO: While our overall financial results were disappointing, we took decisive action to offset the impact of higher costs with significant pricing actions. These actions, which began in the first half, helped us deliver organic sales growth and improved net selling prices in the second half of the year, including strong fourth quarter performance.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)
Kimberly Clark’s CEO said they had “executed multiple rounds of pricing” globally. Mike Hsu, CEO: Yes. Thanks, Lauren. Yes, a couple of things. One, we have executed multiple rounds of pricing. And I would say globally and generally, our pricing is on track. We announced – I’ll just give you an example in North America. I think we announced in March, in August, in November and then I think we may have had another announcement in December as well. So there have been multiple rounds. I will tell you – and that’s happened globally in most markets around the world for us.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

Kimberly Clark’s CEO described its pricing increases as “pretty significant moves.” Andrea Teixeira: And in terms of like when you said mid-single digits on top of like low-single digit, call it, three to four you already implemented, is that the way we should be thinking? But in total, between 2021 and 2022, you are going to hit high single digit price increase? Is that the way to think? Mike Hsu, CEO: Yes, in general. Again, yes, we – again, as I mentioned, we’ve made multiple rounds. And if you could go back and look at our kind of maybe what’s happened in pricing in North America already, pretty significant moves.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

Kimberly Clark’s CEO predicted price increases would offset the majority of inflationary impact

Kimberly Clark’s CEO: “We have taken significant pricing actions and expect pricing to offset a majority of the impact of cost inflation.” Mike Hsu, CEO: We are committed to recovering and eventually expanding our margins and we expect to make progress this year. We have taken significant pricing actions and expect pricing to offset a majority of the impact of cost inflation. We are confident in our ability to restore our margins to pre-pandemic levels over time. We remain confident in the potential of our brands and categories and in our ability to create meaningful shareholder value, while we work to achieve our purpose of Better Care for a Better World.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

Kimberly Clark’s CEO reiterated his expectation for pricing to offset inflation, saying it had executed mid to high single digit increases for 60% of its consumer business. Mike Hsu, CEO: Hey, Dara, yes, just as a policy, though, I’ll just clarify. I’ll talk about the pricing we’ve implemented. I will not talk about any future pricing actions. Although I’ll say, I take as an approach, I do expect pricing to offset a significant portion of inflation. So that’s just kind of a principle that I’ll kind of put out there. But I’ll talk about what’s already occurred, and I’ll focus on
North America as a starting point. We announced mid to high single-digit increases in March, largely in our Personal Care business in North America, but in about 60% of our consumer business last March. We took some further action primarily in tissue on count back in August, and that was effective this quarter. And then we took additional actions that were announced in Q4, generally about a mid-single-digit list increase across most North American consumers. So that kind of should give you a sense of kind of what’s been happening in the marketplace, at least in North America. I would say, in the international market, similar, multiple rounds in Europe, multiple rounds, in some cases, monthly in Latin America, unfortunately and of course, in Asia as well. So it’s pretty extensive.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

**Kimberly Clark plans to continue raising prices throughout 2022**

**Kimberly Clark’s CEO answered affirmatively to the question of whether to expect “pretty broad price increases in 2022 incrementally.”**“Dara Mohsenian: Okay. And it sounds like it’s generally broadly across the board. I don’t know if you want to – it sounds like you don’t want to get into too much specifics. But generally, we’re expecting pretty broad increases in 2022 incrementally. Is that fair? Mike Hsu,CEO: Well, yes, I think that’s the case. And we’re expecting that the pricing that we have in the flow through substantively.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

**Kimberly Clark said it expected mid to high single digit increases on pricing over 2022.**“Mike Hsu, CEO: Yes. Just on the pricing, Andrea, I would expect over the course of the year, mid to high single-digit increases on pricing. And that could vary a little bit based on conditions. But again, that’s kind of what we are marching against. And thus far, as I mentioned earlier, we’ve executed multiple actions, and they are generally on track. And so we feel good about that progress. And obviously, we’re keeping a close eye on that. In terms of private labels, I think – and maybe I’ll talk to North America differently. I’d still say private labels are still down in most categories. I think it was up a little bit in bath tissue, but down in most of the other categories. It’s something we’re going to continue to be very focused on. But we’re very pleased with our brand momentum.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

**The call made clear the price increases were driven by a desire to “restore” their profit margin**

Kimberly-Clark’s CEO promised analysts “we are going to restore our margins with both price and cost initiatives. And we expect our teams to cover the majority of inflation with pricing.”
“Mike Hsu, CEO: Yes. So Chris, maybe I will just tack on. I mean historically, what we see is a quick reversion in our commodities, like typically, in 2018, right, the big driver of our increase was pulp. And so that quickly receded in 2019 and 2020 to some extent. And so that’s typically what we will see in our categories. We will see reversion. It always happens in our categories. And so I expect – fully expect over time pulp to come down and the resin-based, whether it’s super board absorbents or non-wovens to come back down. But this cycle is a little different, because the peak is higher, it’s broader and it’s longer. And so regardless of what’s happening with the cycle, we are going to restore our margins with both price and cost initiatives. And we expect our teams to cover the majority of inflation with pricing.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

Kimberly Clark’s CEO said while they expected a “reversion” in commodity prices, they were not going to wait “for commodities to come down to drive margin recovery.” “Mike Hsu, CEO: Hi Dara, the other thing I will add is the fundamentals would suggest in our core commodities, there is going to be reversion. But I do not want our teams waiting for commodities to come down to drive margin recovery. And so our plan is to work to recover margins. And then if the commodities – when they do revert, then that will affect – that will change the timing and hopefully move it up.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

Kimberly Clark’s CEO said margin recovery would allow them to reallocate more cash to shareholders through dividends and buybacks. “Mike Hsu, CEO: Yes. As soon as we have got the excess cash flow that will allow us to do it, so again, we are in the tough part of the cycle here in terms of capital allocation. Nothing on capital allocation, how we think about it has changed. And those steps are to invest in the business, look to grow the dividend, which I am pleased to say we will do again for the 50th consecutive year. And then beyond that, with the remaining cash flow, we are always looking at M&A. But assuming there is nothing there, then it goes to share buybacks. So, when the margins recover – let me start at the top, right. We are expecting strong top line growth in our business. We are expecting the margins to recover. And when those two things happen, we will get back to the cash generation levels that will enable us to do share repurchases. So, we are committed to shareholder-friendly capital allocation practices as we have done in the past. And we are at about – I think we finished with leverage at 2.3x, excluding restructuring. That’s ahead of the kind of the 2.0 that the agencies like to see for the single A rating. And we do remain committed to the single A rating. So, at this point in time, the way the numbers line up, we don’t have the cash within the rating to do buybacks, but I very much look
Kimberly Clark’s CEO cited the “essential nature” of its products allowing price hikes

Kimberly Clark’s CEO: “I would say the categories – our categories are essential. And I think the demand that we saw in the fourth quarter kind of highlights the essential nature of our categories. And despite the price increases, we are seeing good volume performance.” “Mike Hsu, CEO: That said there is significant pricing in the plan. And so there will be an elasticity impact, which we have estimated. So, we have volume down a little bit, offsetting some of the organic growth that’s being driven by the commercial programming. And so the reality is, thus far, I would say the categories – our categories are essential. And I think the demand that we saw in the fourth quarter kind of highlights the essential nature of our categories. And despite the price increases, we are seeing good volume performance. And so I’d love to see that our elasticity assumptions are a little conservative and potentially, there could be a little upside. Generally, in our categories, if the other – if the market moves in the direction, generally elasticities are a little lower.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

Kimberly Clark’s CEO: “The consumer demand reflects the essential nature of our categories...We expect to make progress on recovering our margins.” Mike Hsu, CEO: But as I mentioned to Chris, the consumer demand reflects the essential nature of our categories. And so we expect to make progress on pricing. We expect to make progress on recovering our margins. And as a principle, I would say we are expecting our teams to be able to price to offset the majority of the inflation.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

Kimberly Clark’s CEO responded to questions of demand elasticity by saying: “we recognize that we are putting significant pricing out there...we’re seeing the impact of the essential nature of our categories.” Mike Hsu, CEO: Yes. Tough question because the trick of the elasticity modeling is we’re beyond the range of estimation. So that’s the difficult part of it, Steve. And so you’re kind of estimating what’s happened historically and the price points are higher than they have been. That said, our past experience is, in our last round of pricing, elasticities have come back. The market generally moved in a direction, and elasticities were a little less than we initially estimated, and that’s been our kind of recent history. And so that’s what we’re going on. I think the important thing is we’ve got a very strong growth playbook. I'm working hard. We’ve gotten very good commercial programming across both our professional and consumer businesses. And
so there is really good underlying brand momentum. And so we expect that to continue. And we recognize that we are putting significant pricing out there. And – but I think as I mentioned earlier, we’re seeing the impact of the essential nature of our categories.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

Kimberly Clark’s CEO said their personal care business, which had significant price increases, was “up double digits.”“Mike Hsu, CEO: And then our personal care business globally is doing very, very well, as you can see in the fourth quarter, being up double digits. And we are expecting continued growth there. The offset really from us is we are pushing prices at a pretty high level. And so that's going to have an effect. And we hope that our elasticity assumptions prove to be a little conservative.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

Kimberly Clark said Personal Care was “half of our company” and “grew operating profit” for the last two quarters.Mike Hsu, CEO: But then going to the profit dollars, I call out in 2021, consumer tissue, for all the reasons that we have talked about, that was 75% of the operating profit decline. So, there were very specific dynamics that caused it. It was the big driver of the profit decline. But if you look at our personal care business, which is half of our company, strong growth, strong market shares. It actually grew operating profit in the fourth quarter. It also grew in the third quarter. So the second half of the year, the Personal Care segment, which is very healthy, is actually growing operating profit and in the near-term, I will take the dollars, recognizing in the long-term I have to get the margin structure to the right place. So, I just thought I would give a little bit more color by segment there.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

3M outperformed expectations after price increases

3M saw profits decrease by less than expected after hiking prices on its products

3M saw flat sales and a 4.7% drop in profit in Q4 2021, a better than expected performance the company credited to price increases. “For its fourth quarter ending Dec. 31, 3M posted flat sales and a 4.7% drop in profit compared to the same period a year ago, a better performance than company leaders anticipated. ‘I am pleased with how we effectively managed production operations to meet customer demand, despite ongoing logistics and raw material challenges that are impacting many companies,’ chief executive Mike Roman told investors on a conference call Tuesday morning. The industrial giant's sales increased 0.3% for the three-month period as it raised prices for its products by 2.6%. ‘We implemented big price increases in the fourth quarter,’
said Monish Patolawala, 3M’s chief financial and transformation officer. ‘If we see the need in 2022, we’ll do the same.’” (Star Tribune, 1/25/2022)

**Price increases helped 3M “offset the increased cost of doing business.”**”A semiconductor shortage, challenges with shipping, warehousing and labor, the pandemic and last February’s major winter storm all contributed to ‘inflationary pressures throughout the year,’ Patolawala said. Price increases helped offset the increased cost of doing business. ‘I think the first half is going to be tougher than the second half of 2022 when it comes to inflation,’ he said. ‘We are still seeing sequential increases, but slower, which is good.’” (Star Tribune, 1/25/2022)

**3M’s CEO called the price increases a “tailwind” that offset any inflationary costs**

The CEO of 3M said increasing price hikes would serve as a “tailwind” for the company in 2022. "Mike Roman -- Chairman and Chief Executive Officer: In addition, our selling price actions continued to gain traction with a year-on-year increase of 2.6% in Q4 versus 1.4% in Q3. We expect this to be a tailwind for the full year in 2022. Overall, demand remains strong across our market-leading businesses, and we are continuing to prioritize growth investments in large attractive markets." (3M Q4 2021 Earnings Call Transcript, 1/25/2022)

**3M’s CEO said price hikes increased throughout 2021 and “offset raw material and logistics cost inflation.”**”Mike Roman -- Chairman and Chief Executive Officer: All in, these impacts lowered operating margins by 2.4 percentage points and earnings per share by $0.33 year on year. Moving to price and raw materials. As expected, our selling price actions continue to gain traction as we went through the quarter. On a year-on-year perspective, Q4 selling prices increased 260 basis points as compared to 140 basis points in Q3 and 10 basis points in Q2. In dollar terms, higher year-on-year selling prices offset raw material and logistics cost inflation in Q4, which resulted in an increase in earnings of $0.03, however, remained a headwind of 20 basis points to operating margins.”(3M Q4 2021 Earnings Call Transcript, 1/25/2022)

**3M executives repeatedly boasted at how hard they worked to raise selling prices**

3M’s CEO: “We also worked hard to raise selling prices, control spending, and drive improvements in operating rigor...” “Mike Roman -- Chairman and Chief Executive Officer: We also worked hard to raise selling prices, control spending, and drive improvements in operating rigor through daily management, leveraging data and data analytics while continuing to execute
on our restructuring actions. These actions, combined with strong organic growth, helped to deliver full-year operating margins of 20.8% or down 50 basis points year on year on an adjusted basis. This result included an 80-basis-point headwind from raw materials and logistics inflation net of selling price actions, along with increased spending to advance our sustainability efforts and higher legal-related expenses.” (3M Q4 2021 Earnings Call Transcript, 1/25/2022)

3M’s CFO: “The team has done a marvelous job in driving price. Price has gone up from 0.1% to 1.4% to 2.6%. Mike had talked about that also in his opening remarks that we see that to be a tailwind.” “Monish Patolawala -- Chief Financial Officer: The team has done a marvelous job in driving price. Price has gone up from 0.1% to 1.4% to 2.6%. Mike had talked about that also in his opening remarks that we see that to be a tailwind. Team has done a good job on executing on restructuring so there’s approximately $70 million of carryover of restructuring benefits for the year. Auto and electric growth, right now, sequentially from a build rate is showing flat for the year of 2022. It's a 9% increase. I think the chip shortage and where that ends up will have an impact on the auto business.” (3M Q4 2021 Earnings Call Transcript, 1/25/2022)

Johnson & Johnson hiked prices despite profits from covid vaccine

Johnson & Johnson had a “mixed” fourth quarter earnings, despite a 10% revenue increase thanks to its covid vaccine that should provide billions more in sales in 2022. “Johnson & Johnson on Tuesday projected that its Covid vaccine would generate $3 billion to $3.5 billion in sales in 2022, after posting a mixed fourth-quarter report that slightly beat on earnings estimates but missed on revenue.... On an unadjusted basis, J&J’s fourth-quarter profit surged to $4.74 billion, almost triple the $1.74 billion it earned during the same quarter the previous year. Its revenue of $24.8 billion rose 10.4% from $22.48 billion during the same quarter in 2020, mostly driven by $1.82 billion in international sales of its Covid vaccine.” (CNBC, 1/22/2021)

Johnson’s & Johnson’s pharmaceutical business saw a 14.3% increase in revenue, while consumer health had a 4.1% increase in revenue.“J&J reported $93.77 billion in sales in 2021, a 13.6% increase over the prior year. The company’s pharmaceutical division generated $52.08 billion in revenue, a 14.3% year-over-year increase. J&J’s medical devices business reported sales of $27.06 billion in 2021, a 17.9% increase compared with 2020. The consumer health section posted $14.63 billion in revenue, a 4.1% increase.” (CNBC, 1/22/2021)
Despite vaccine revenue, J&J instituted price increases where it could easily pass on costs

Johnson & Johnson’s CFO: “Similar to competitors, we are instituting price increases across our consumer health portfolio in 2022, enabling us to remain competitive...” “Joe Wolk -- Executive Vice President, Chief Financial Officer: In consumer health, we are confident that our well-balanced portfolio positions us well. Consistent with current global macroeconomic trends, we are experiencing the impact of inflationary pressures, including higher input costs across our business and more significantly with respect to consumer health. These external challenges include availability and cost of certain commodities, labor and transportation. Similar to competitors, we are instituting price increases across our consumer health portfolio in 2022, enabling us to remain competitive as we continue to deliver the products that consumers love and trust.” (Johnson & Johnson Q4 2021 Earnings Call Transcript, 1/25/2022)

Johnson & Johnson’s CFO: “We are, like the competitors in the consumer space, offsetting some of those costs with select price increases in our portfolio, where we can still provide those trusted brands and products to people without really impacting the elasticity or the demand of those products overall.” “Joe Wolk -- Executive Vice President, Chief Financial Officer: Yes. So Matt, let me start with some of the inflationary pressures that we’re seeing and how we’re offsetting those. So in consumer, there's, I would say, select products within the portfolio, think skin health and beauty, as mentioned in the prepared remarks, where lubricants and things of that nature are in shorter supply. There are some, I'd say, probably increased labor costs with respect to third-party manufacturers, and we're obviously seeing heightened transportation costs. We are, like the competitors in the consumer space, offsetting some of those costs with select price increases in our portfolio, where we can still provide those trusted brands and products to people without really impacting the elasticity or the demand of those products overall. We think we can strike that right balance as others have.” (Johnson & Johnson Q4 2021 Earnings Call Transcript, 1/25/2022)

Johnson & Johnson’s CFO: “So where we can, specifically in consumer, we're looking to pass some of those cost increases on.” “Joe Wolk -- Executive Vice President, Chief Financial Officer: So where we can, specifically in consumer, we're looking to pass some of those cost increases on. In other spots, we continue to have supply chain initiatives, manufacturing initiatives that have been in place really for a number of years as part of our overall cost management program.” (Johnson & Johnson Q4 2021 Earnings Call Transcript, 1/25/2022)
Claiming it was restrained on pharmaceutical prices, J&J hiked prices on 29 drugs in 2022

Johnson & Johnson’s CFO said it was restrained in how it could increase prices on medical devices and pharmaceuticals, claiming their “stellar performance... was the sixth consecutive year where we actually had a negative price.” “Joe Wolk -- Executive Vice President, Chief Financial Officer: In medical devices, I would say it's around the labor input costs and some of the staffing related to COVID-19, I would say in the sense of overstaffing to some degree. But those are costs that are clearly managed. Theirs, much like pharmaceuticals, are not prices that we can increase. And then, in fact, the stellar performance that you saw in pharmaceuticals was the sixth consecutive year where we actually had negative price. So the growth that you see is more than 100% of volume due to the innovation and the ability to address unmet medical needs. And then, with medical devices, most of those, specifically in the US, are contractual by nature, so there's limited opportunity there as well.” (Johnson & Johnson Q4 2021 Earnings Call Transcript, 1/25/2022)

Johnson and Johnson has raised prices on 29 drugs this year, with an average increase of 4.98%. (GoodRx Health, 1/6/2022)

Over 750 drugs have seen price increases this year

So far in January 2022, GoodRX has tracked 765 brand drug price increases by an average of 4.5%. (GoodRx Health, 1/6/2022)

So far in January 2022, GoodRX has tracked 19 brand drug price increases by an average of 12.6%. (GoodRx Health, 1/6/2022)

Johnson & Johnson’s CEO had a troubling quote on “underlying demand for healthcare”

Johnson & Johnson’s CEO: “We remain optimistic on the fact that -- as I commented before when I was talking about med tech, the strong underlying demand for healthcare is there. And there's still lots to do in multiple diseases in order to address suffering and death there. So there's a strong underlying demand for medical care.” "Joaquin Duato -- Chief Executive Officer: I would add to that that just we take into consideration some of the headwinds related to the pandemic and also macroeconomic headwinds like inflation, and that's something that we take into consideration when we build our guidance. At the same time, we remain very optimistic on multiple fronts. We remain optimistic on the fact that -- as I commented before when I was talking
about med tech, the strong underlying demand for healthcare is there. And there's still lots to do in multiple diseases in order to address suffering and death there. So there's a strong underlying demand for medical care. And at the same time, both in med tech and in biopharmaceuticals, you see significant opportunities for scientific progress in terms of new treatment modalities that will give us the opportunity to enrich our pipelines and get to more patients. So we are optimistic about the underlying fundamentals of the new Johnson & Johnson.” (Johnson & Johnson Q4 2021 Earnings Call Transcript, 1/25/2022)

Steel Dynamics benefited from higher prices despite low inflation costs

**Steel Dynamics said “higher realized selling value” more than offset inflationary cost**

Steel Dynamics’ CFO said their record warning results were “driven by materially higher realized selling value, which more than offset escalated average steel – steel input costs.”

“Theresa Wagler, CFO: Our steel fabrication operations also achieved record operating income in the quarter of $238 million, 2.5 times record third quarter results, driven by materially higher realized selling value, which more than offset escalated average steel – steel input costs. For the full year 2021, our steel fabrication platform achieved another record year with operating income of $365 million and record volumes of 789,000 tons, both steel sheets )ph). Congratulations to the team.” (Steel Dynamics Inc Q4 2021 Earnings Call Transcript, 1/25/2022)

Steel Dynamics told analysts the company would be able to maintain dividends and share repurchases thanks to its performance. “Theresa Wagler, CFO: Regarding shareholder distributions, we maintained our quarterly cash dividend of $0.26 per common share after increasing at 4% in the first quarter of 2021. We also repurchased $330 million of our common stock in the fourth quarter, representing 3% of outstanding shares. On December 31, we had $383 million remaining on the price for repurchasing under that program. (Steel Dynamics Inc Q4 2021 Earnings Call Transcript, 1/25/2022)

Steel Dynamics claimed that it had not seen significant cost impacts from inflation

The CEO of Steel Dynamics said the company was “not impacted dramatically” by inflation... we're not seeing a massive inflationary impact to our cost structure.” “Mark Millett, CEO: Well, I think the -- we can't speak to the overall impact of inflation on the domestic economy. But relative to SDI, I think we're not impacted dramatically. Obviously, scrap will ramp to the marketplace. But
from a cost of sort of conversion, we’re relatively under control. We have been impacted a little by our cost and we’ve been impacted by the zinc cost over the last 12, 18 months moving up, but most of which is passed through -- the hourly cost, which sell is higher at our engineered bar division than any other mill, again, that tends to be passed to the customers. So we’re not seeing a massive inflationary impact to our cost structure.” (Steel Dynamics Inc Q4 2021 Earnings Call Transcript, 1/25/2022)

Steel Dynamics said it was not facing cost pressures from labor “with items that are passed through to the customer.”“Theresa Wagler, CFO: I would add -- and Andreas, I know you know this. As it relates to wages where a lot of people are seeing a really significant increase because we have so much of our compensation across the entire team that's performance-based, and it naturally fluctuates. So, we’re not seeing the same pressure from a wage perspective because there’s so much of the performance bonus compensation that's structurally in place. So I think Mark said it perfectly that we're not seeing a lot of pressure with items that are passed through to the customer.” (Steel Dynamics Inc Q4 2021 Earnings Call Transcript, 1/25/2022)

McDonalds rose prices but was still punished for wage increases

McDonalds reported over $1.6 billion in net income, but under performed investor expectations

McDonalds reported $1.64 billion in net income in Q4 2021, but underperformed expectations because of higher costs. “McDonald’s on Thursday reported quarterly earnings and revenue that missed analysts’ expectations as higher costs weighed on its profits. It marks the fourth earnings miss for the company in eight quarters. Shares of McDonald’s fell slightly in afternoon trading....The burger chain reported fourth-quarter net income of $1.64 billion, or $2.18 per share, up from $1.38 billion, or $1.84 per share, a year earlier. Excluding charges related to the sale of McD Tech Labs to IBM and other items, McDonald’s earned $2.23 per share, falling short of the $2.34 per share expected by analysts surveyed by Refinitiv.” (CNBC, 1/27/2022)

McDonalds credited sales growth to menu price hikes that it worked to implement with franchisees

Net sales rose 13% to $6.01 billion thanks to “menu price hikes.” “Net sales rose 13% to $6.01 billion, missing expectations of $6.03 billion. The company’s same-store sales climbed 12.3% from a year ago and 10.8% on a two-year basis. Menu price hikes that were implemented to combat
rising costs helped boost sales. In McDonald’s home market, same-store sales rose 7.5%, topping StreetAccount estimates of 6.9%. On a two-year basis, U.S. same-store sales climbed 13.4%. In addition to higher menu prices, the company credited its growing loyalty program and promotional menu items like the McRib for the market’s strong performance. McDonald's loyalty program counts 21 million members as active users.” (CNBC, 1/27/2022)

**McDonalds credited strong sales and average sale amount growth “driven primarily by strategic menu price increases.”** “Kevin Ozan, CFO: In the U.S., we finished the year strong with comp sales up 7.5% for the quarter and over 13% on a 2-year basis. We saw positive comps across all dayparts, which are still benefiting from average check growth, driven primarily by strategic menu price increases. Our MCD pillars continued to drive U.S. comps as strong marketing efforts behind McRib and the Crispy Chicken Sandwich were complemented with digital adoption by our customers.” (McDonalds Corp Q4 2021 Earnings Call, 1/27/2021)

**McDonalds’ CFO said franchisees “decide pricing” but were advised by a “third party” that helped “take small increments of pricing at various times.”** “Kevin Ozan, CFO: From a pricing perspective, our franchisees, I think you know they obviously decide pricing for their individual restaurants. They're advised by a third party, and the pricing mechanism or methodology that's used is a consumer-based research approach. We take into account market conditions, economic environment, competitive landscape, et cetera, and generally try to take small increments of pricing at various times versus taking a lot at one time.” (McDonalds Corp Q4 2021 Earnings Call, 1/27/2021)

**McDonalds said pricing was up little over 6%, compared to a 4% increase in commodity costs.**“Kevin Ozan, CFO: From a pricing perspective, in the U.S. in 2021, consistent with what I had been saying kind of for the first 9 months, we ended up with pricing for the year a little over 6% or so. Again, that was to deal with the 4% commodity price increases or food and paper increases we had as well as labor inflation and just the competitive environment. That was relatively similar to where food-away-from-home was for the year in 2021.” (McDonalds Corp Q4 2021 Earnings Call, 1/27/2021)

**McDonalds said despite price increases customers believed the company was providing a good value for money.** “Kevin Ozan, CFO: And really, the most important thing that we're trying to balance is cost pressures with making sure that we provide good value to our customers and that our customer ratings on value remain high. We do keep a close eye on that. Our customer ratings have continued to score well on the idea of providing good value for money, and that's a
really important metric for us because, obviously, a lot of our customers are looking to make sure that they're getting value as inflation rises. So that's some of the pricing dynamics that go on.” (McDonald's Corp Q4 2021 Earnings Call, 1/27/2021)

**McDonalds effectively underperformed investor expectations because it had to pay workers more**

Operating costs and expenditures rose by 14% driven by rising compensation and more expensive ingredients.” Operating costs and expenses rose by 14% in the quarter. Those higher costs include wage hikes by McDonald's and many of its franchisees to attract and retain workers in a tough labor market. The ingredients for menu staples like Big Macs and McNuggets are also becoming more expensive.” (CNBC, 1/27/2022)

McDonald's CEO said there had been labor cost inflation in the “mid-teens.” “Christopher Kempczinski, CEO: I think for us, part of what we've needed to do in 2021 to be able to leave the year with expanded roster size, as you've certainly seen that there has been labor inflation. And we announced, as you know, back in April of last year, a move from McOpCos, where we were going to take up the average wage in McOpCos, we are -- had about low teens, I'd say, increases at that point. We went up probably a tick higher as the year progressed on that in McOpCos. And our franchisees similarly saw inflation, call it, in the mid-teens from a labor standpoint.” (McDonalds Corp Q4 2021 Earnings Call, 1/27/2021)

McDonald’s CEO said the company worked with franchisees on benefits like paid leave, tuition reimbursements, and employee value propositions “beyond wages.” “Christopher Kempczinski, CEO: One of the things that we also did though, and I think Joe and the U.S. team did a lot of good work with our franchisees on this, is talking about our employee value proposition, and beyond wages, other things that we can be doing to make sure that we've got the best proposition to get people in our restaurants. Things like paid time off, Archways and what we do around tuition reimbursement. And just a focus on making sure the reward and recognition is there. All of those things cumulatively, wages, focus on the employee value proposition and just engaging with the crew is what allowed us to make the progress.” (McDonald's Corp Q4 2021 Earnings Call, 1/27/2021)

McDonald’s CFO suggested large wage increases were now past and the company would not have a “one time big bang.” “Kevin Ozan, CFO: Yes. So to Chris’ point, we had kind of this one time, if you will, adjustments or concerted effort to adjust people's wages. Right now, there isn't a
specific plan to have a one time event like that in 2022. But what we do need to do is continue to make sure that our folks are being paid at a similar level compared to industry, as the intent was last year. So that will continue to have some pressure, but we won't have kind of the onetime big bang, if you will.” (McDonalds Corp Q4 2021 Earnings Call, 1/27/2021)

**Marketplace interviewed experts who agreed corporations were exploiting price increases**

A senior Vice President at Moody’s said Procter & Gamble was able to hike prices because it sold essential goods. “Linda Montag, senior vice president at Moody's, told Marketplace’s Justin Ho that companies like P&G sell essential household items people need to clean their homes and take care of their families, which means they can hike prices with little pushback in response. Montag also noted that consumers have stayed loyal to name brands, which has helped companies like P&G.” (Marketplace, 1/20/2022)

A Professor at Columbia Business schools said groceries were better able to hike prices: “You’re able to not only pass the inflated food costs on to the customer, you’re also maybe adding a tiny premium to that.” Shivaram Rajgopal, an accounting and auditing professor at Columbia Business School, agreed that many companies posting high profits, like some groceries, can do so because they have pricing power. ‘You’re able to not only pass the inflated food costs on to the customer, you’re also maybe adding a tiny premium to that,’ Rajgopal. ‘That goes into your profit line.’ Rajgopal added companies that sell items like eggs and tomatoes have an easier time passing on costs, perhaps with a premium. These are relatively inelastic products, he said, whose demand won’t change with a bump in price.” (Marketplace, 1/20/2022)

A Finance Professor at the University of Michigan-Dearborn said investors expected companies not to absorb higher costs. “Vivek Singh, a finance professor at the University of Michigan-Dearborn, said over email one could debate whether companies have the ability to ‘absorb higher costs at the expense of lower profits,’ but this is not what investors expect. ‘The (stock) market expects higher profits from these dominant firms, and any less would depress their share prices,’ Singh wrote.” (Marketplace, 1/20/2022)

Professor Emeritus of Economics at University of Massachusetts: “They've become so focused on just getting their stock prices up.” William Lazonick, professor emeritus of economics at the University of Massachusetts, Lowell, said the companies raising prices are large enterprises that
should know how to solve their supply chain issues — and one way to do that is invest in people and pay them equitable wages. ‘They've become so focused on just getting their stock prices up,’ Lazonick said.” (Marketplace, 1/20/2022)

**A local TV report showed how small business suffered from corporate price increases**

A local news broadcast in Cincinnati featured consumers complaining after Procter & Gamble increased prices citing the need to preserve profits. “P&G said it will raise prices on Tide and Gain laundry detergent, Bounce and Downy softener and personal health items by eight percent. In October, P&G raised prices on baby, family, home and fabric care brands. CEO Jon Moeller said Americans do not seem to mind the higher prices. ‘No, no, I will look for better quality, and do the best I can,’ said Sharon Harris as she shopped in Cincinnati Thursday. ‘I'm going to leave the Tide alone then.’ P&G blamed the price of production and preserving profits.” (WCPO, 1/20/2022)

Procter & Gamble passed some of the blame, saying “pricing at the store shelf is at the sole discretion of the retailer.” “In its statement, P&G said it is working to find cost savings within other areas of its business. ‘And, where we need to pass on some costs, we’re pairing those price increases with innovation wherever possible to continue to deliver great value for our consumers,’ the statement says. ‘What we shared is that consumers continue to favor brands that deliver value. Additionally, pricing at the store shelf is at the sole discretion of the retailer.’” (WCPO, 1/20/2022)

A grocery store manager said he was at times now forced to eat the price increase and cut into his own margins, rather than Procter & Gamble. “Jayne Tomlin manages a local grocery store called Country Fresh Farm Markets. ‘Sometimes the price is just too high, and we can watch, and if things aren’t moving, that’s a good indication that the price is high,’ Tomlin said. ‘And sometimes, we do have to lower it even if it means us just not making the margin or any margin at all.’” (WCPO, 1/20/2022)

One Shopper: “You’re making me spend more money, and you are giving me less of a product” “Shoppers like Harris are seeking out local stores, arguing corporate giant prices are not worth the quality. ‘You’re making me spend more money, and you are giving me less of a product,’ said Harris.” (WCPO, 1/20/2022)
A grocery analyst found produce inflation spiking over the fourth quarter of 2021.

A grocery analyst said the three biggest food categories showing inflation were produce, meat/seafood, and condiments, sauces, and spices. Jennifer Strailey: Which categories on the dashboard are the most sensitive to inflation? Ben Reich: Based on the dashboard, the top three categories demonstrating dramatic price inflation year over year are produce (12.1%), meat and seafood (9.7%) and condiments, sauces and spices (8.7%) as of Jan. 12, 2022. These three categories have seen notable spikes through Q4 of 2021 and continue to rise in January 2022. Thus far in January 2022, the condiments, sauces and spices category has increased year over year the most at 21.3%, followed by the candy category at 20.3%.” (Winsight Grocery Business, 1/19/2022)

Inflation for produce increased from 1.6% to 19.6% over the fourth quarter of 2021, suggesting weather and covid impacts on the supply chain. “What is the most interesting or surprising data point to emerge from the inflation dashboard? Inflation for the produce category increased from 1.6% to 19.6% from the beginning of Q4 to the end of Q4 (October through December), demonstrating the continued volatility in the supply chain and labor issues.” (Winsight Grocery Business, 1/19/2022)

Suburban Propane’s CEO said the company was able to offset lower demand and achieve higher earnings thanks to “effective selling price management.” “At Suburban Propane, we were able to offset the impact of lower heat-related demand during the first quarter and certain inflationary factors driving higher operating costs with effective selling price management and a prudent hedging and risk management strategy in a very volatile commodity price environment. The improvement in earnings is also a testament to the hard work and dedication of our operations personnel in maintaining their focus on delivering outstanding service to our customers while continuing to contend with the challenges of operating the business through the COVID-19 pandemic. And also reflects the positive results from our customer base growth and retention initiatives.” (Suburban Propane LP Q1 2022 Earnings Call, 2/3/2022)

Suburban Propane’s CEO credited the company’s margins due to “maintaining a good focus on our selling price management” “And as well as our selling price management, we've done a
great job in a very, very challenging commodity environment. And in a very competitive environment, as the propane industry always is, we've done a great job of maintaining a good focus on our selling price management to be able to ensure that our margins are appropriately at a point to cover the increase in cost of the business.” (Suburban Propane LP Q1 2022 Earnings Call, 2/3/2022)

Raise corporate tax rates to fight corporate inflation profiteering

November 2021: Jason Furman said US price inflation was 4% higher than Europe and blamed “poorly designed” covid relief. “The current inflation has many causes, including a post-pandemic reallocation of labor, a spending shift from services to goods, lingering supply-chain disruptions, and rising global oil and gas prices. These international factors don’t tell the whole story. Inflation in the U.S. was similar to what the euro area experienced going into the pandemic, but prices have risen a cumulative 4% more in the U.S. over the past two years. The oversize and poorly designed $2.7 trillion fiscal stimulus passed in December and March is at least partly to blame for the divergence.” (Jason, Wall Street Journal, 11/15/2021)

Peterson Institute for International Economics expert Olivier Blanchard admitted profits were spiking with prices and it may “make sense to tax some of these extra profits.” “When demand hits a vertical supply curve, the price increases and so do profits. It is not useful to call this price gouging. (It may still make sense to tax some of these extra profits, but this is a different issue)” (Olivier Blanchard, Twitter, 2/7/2022)

By cutting the corporate rate to 21%, the Trump tax cut lowered the top marginal rate faced by corporations to its lowest level since 1940 “Going into the Great Depression, which served as the impetus for the New Deal, corporations faced top rates of 10% to 14%. That climbed to 19% by 1938, and up to 40% in the 1940s, to help pay for World War II. Going into the Great Depression, which served as the impetus for the New Deal, corporations faced top rates of 10% to 14%. That climbed to 19% by 1938, and up to 40% in the 1940s, to help pay for World War II.” (Motley Fool, 12/26/2017)

Corporate profits after taxes are at their highest level in 70 years.

S&P 500 stock buybacks reached nearly $850 billion in 2021, higher in pure dollar terms than the record set in 2018 after the Trump tax cuts. “Buybacks are surging. After cratering in the first
half of 2020, buybacks have increased six quarters in a row and are poised for a record year. S&P 500 stock buybacks:

- Q1 20: $199 billion
- Q2 20: $89 billion
- Q3 20: $102 billion
- Q4 20: $131 billion
- Q1 21: $178 billion
- Q2 21: $199 billion
- Q3 21: $234.6 billion
- Q4 21 (est.) $238 billion

Source: S&P Dow Jones Indices At nearly $850 billion, total buyback volume for 2021 would exceed the record $806 billion seen in 2018." (CNBC, 12/30/2021)

**Constellation Brands, producer of Modelo and Corona, said it raised prices as much as its “Hispanic” consumers would allow**

**Constellation Brands is a beer, wine, liquor distributor that owns the Modelo and Corona brands.** "Bill Newlands -- Chief Executive Officer: We extended our leadership position as the top share gainer in the high end of the US beer market behind the strength of our Modelo and Corona brand families, while improving our inventory position. Our strong performance to date gives us confidence to increase top and bottom-line guidance for our beer business in fiscal ‘22. Second, we continue to see significant runway for growth for our core imported beer portfolio in the years ahead, and we’re investing in the next increment of capacity additions required to sustain our momentum as this represents one of the most compelling value-creating opportunities for our company and our shareholders. Third, our wine and spirits business has made solid progress in transforming both its brand portfolio and financial profile." (Constellation Brands Q3 2022 Earnings Call, 1/6/2022)

**Constellation’s CFO told investors that “we've determined that we can take more pricing than we typically have.”** “Garth Hankinson -- Chief Financial Officer: Yes. Thanks, Vivien. And as you know, our typical range for price increases in any given year is kind of in that 1% to 2%. So what we do as we go through the year, we’re looking at our portfolio, we’re looking at the competitive
set and we’re looking at individual markets. We take our price increases on a brand by brand and on a market-by-market basis. And so we do this and as I say in a very disciplined approach. Given the current economic environment, this year, we’ve determined that we can take more pricing than we typically have, and that’s what’s driving us to say really slightly above the 2%. Keep in mind, we have to make sure that we're balancing the right level of price increases with what's going on with our consumer.” (Constellation Brands Q3 2022 Earnings Call, 1/6/2022)

Constellation’s CFO noted their consumer “skews a bit more Hispanic” and lower income, but stressed “we want to make sure that we're not leaving any pricing on the table. We want to take as much as we can.” “Garth Hankinson -- Chief Financial Officer: As you know, we have a consumer set that skews a bit more Hispanic than some of our competitors. And in times of economic downturn, if you will, or weakness, they tend to get hit a little bit harder and they recover a little bit slower. So we want to make sure that we're not leaving any pricing on the table. We want to take as much as we can, but we also don't want to take so much pricing that we impair the performance of our brands or impair the growth of our brands. (Constellation Brands Q3 2022 Earnings Call, 1/6/2022)

Constellation’s CFO said “we'll take as much pricing as we think the consumer can absorb.” “Garth Hankinson -- Chief Financial Officer: Sure, and thanks for the question. Like, look, we’re in the middle of our annual planning process. And so we're taking a look at what we think we can cover next year. As you heard in my prepared remarks, we continue to think that inflation is going to be a big factor for us next year, and we still intend to take a significant amount of pricing. Where that falls within our range, that remains to be seen. But that pricing that we do get, as I said in my script, it's likely not to cover all of our inflationary headwinds next year. But just like we did this year, we're going to look at this on a market-by-market, brand-by-brand basis, and we'll take as much pricing as we think the consumer can absorb.” (Constellation Brands Q3 2022 Earnings Call, 1/6/2022)

ConAgra rose prices while benefiting from poorer workers and work-from-home

ConAgra is a prepared food manufacture, below is a sample of the brands they own from an 2019 investor presentation
ConAgra CEO said the company was benefitting from “inflation-driven pricing actions and lower-than-expected elasticities.” “Sean Connolly -- President and Chief Executive Officer:

Thanks, Brian. Good morning, everyone and thank you for joining our second quarter fiscal 2022 earnings call. Today, Dave and I will discuss our results for the quarter, our updated outlook for the remainder of the year and why we believe that Conagra continues to be well positioned for the future. I'd like to start by giving you some context for the quarter. First, as you all know, the external environment has continued to be highly dynamic. But our team remained extremely agile in the quarter and executed the Conagra Way playbook. We navigated the ongoing complexity and delivered strong net sales growth anchored in elevated consumer demand that continued to exceed our ability to supply, inflation-driven pricing actions and lower-than-expected elasticities. While our net sales exceeded our expectations, margin pressure in the second quarter was also higher than expected driven by three key factors.” (Conagra Brands, Inc Q2 2022 Earnings Call, 1/6/2022)

ConAgra predicted further price increases in the first half of 2022. “Sean Connolly -- President and Chief Executive Officer: Now, let's turn to the path ahead. You can see on Slide 17 we currently expect gross inflation to be approximately 14% for fiscal 2022 compared to the approximately 11% we anticipated at the time of our first quarter call. This is a large increase and we're taking actions to offset the increase while still investing in the long-term health of our business. To help manage our increasing inflation, we're taking incremental pricing actions, including list price increases and modified merchandising plans. Many of these actions have already been announced to our customers. As a reminder, there is a lag in timing between the impact of inflation and our ability to execute pricing adjustments based on that inflation. As a result, the incremental price increases will go into effect in the second half of the year with the most significant impact during the fourth quarter. While it's easy to get caught up in the quarter-to-quarter impact of inflation and pricing, it's important to keep focused on the big picture.” (Conagra Brands, Inc Q2 2022 Earnings Call, 1/6/2022)

ConAgra's CEO said they are benefitting because “Millennial and Gen Z consumers are earlier in their careers and earning less than the older generations of working-age people.” “Sean Connolly -- President and Chief Executive Officer: First, let's talk about the near term. As you can see in the chart on the left, Millennial and Gen Z consumers are earlier in their careers and earning less than the older generations of working-age people. This is natural, but it bodes well
for food-at-home trends in the shorter term. We believe that even as foodservice bounces back, younger consumers will be value conscious in their food choices. Fewer younger consumers are expected to achieve the financial success of the generations before them. The data on the right suggests that Millennials are more likely to earn less than their parents. We believe this means that these savvy consumers will look to stretch their food dollars further even as they age. The data also shows that younger consumers are already eating more at home. Compared to the population as a whole, Gen Z and Millennials have decreased restaurant visits more and sourced a larger percentage of their meals at home. As these younger consumers have made the shift to at-home eating, the data shows that they’re finding comfort in the quality, reliability and familiarity that national brands provide. We believe this makes a lot of sense. National brands provide value while replicating many of the on-trend flavors and modern food attributes that consumers are used to experiencing in away-from-home dining.” (Conagra Brands, Inc Q2 2022 Earnings Call, 1/6/2022)

**ConAgra saw a long term benefit from a shift from away-from-home eating because food away-from-home remained much more expensive than food-at-home.** “Sean Connolly -- President and Chief Executive Officer: When consumers make trades like away-from-home to in-home eating, trust is paramount. In short, national brands, particularly modernized brands like those in our portfolio, deliver on this trust imperative and that's because they offer superior relative value versus other food options. As consumers seek to stretch their household balance sheets in the face of broad-based inflation, one of the single largest levers available to them is the reduction in spending on food away from home as food-away-from-home prices are typically over three and a half times more expensive than food-at-home prices. This trade will likely become even more important for consumers as food-away-from-home prices have already increased faster than at-home prices in calendar 2021 and they are expected to increase at nearly twice the rate as at-home prices in calendar year 2022 Our aggressive modernization of the Conagra portfolio over the past several years has put us in a strong position to capitalize on these structural shifts. Our portfolio has shown its competitive advantage with excellent trial, depth of repeat and share gain performance. Overall, we believe Conagra is well positioned to leverage these shifts to create meaningful value for shareholders.” (Conagra Brands, Inc Q2 2022 Earnings Call, 1/6/2022)

**ConAgra’s CEO said it did not control list prices used by retailers, but noted they usually passed ConAgra’s price increases onto their customers.** “Sean Connolly -- President and Chief
Executive Officer: Well, I would just say that I think the pricing is getting through. We have certainly been very upfront with our customers about the true cost inflation we are experiencing and what we believe is the justified action or in this case, actions -- consecutive actions to take price. And different -- we don't control what customers do with the price they put on the shelf. But I'd say, on average, they tend to pass it through pretty close to the way we pass it through to them. There may be some that take a small margin grab, equally there may be some that compress because they want to gain market share. So it tends to come out in awash and it tends to be pretty much in lockstep. But what I would say is keep following the scanner data, because we anticipate that the pricing actions that we take are going to show up in that scanner data. It's unfolded thus far, Jon, pretty consistently with what we expected." (Conagra Brands, Inc Q2 2022 Earnings Call, 1/6/2022)

ConAgra’s CEO specified its price increases were much lower than those of food-away-from-home and the company was benefitting from the transition to work from home. “Sean Connolly -- President and Chief Executive Officer: And then as we wrap pricing, that's when you start to see meaningful margin expansion. In terms of sales, Dave, I know you got some comments here for Rob. But I -- Rob, one thing I want to keep coming back to here is, the calculus on how the consumer determines value. Historically, it might be widget A versus widget B side-by-side on the shelf and if you see a $0.20 increase, it translates to meaningful elasticity. That's not the comparator today. The comparator today is we are selling a product that might have been $2.69 and it might go up to $2.89 or something like that versus the alternative is to go away-from-home where prices have increased even faster and it's $14.50. We are clearly a superior value proposition versus that and that is what the consumer is seeing. And part of that is being aided by the fact that they are working at home. A lot of these consumers are working at home now. They are not working in the office. So there's more structural stuff at play here than you would typically see and that's why we believe we have seen very little elasticity. We have seen some, but much lower than historical to-date and we don't see a whole lot of reasons that's going to change materially going forward.” (Conagra Brands, Inc Q2 2022 Earnings Call, 1/6/2022)
Chipotle CEO repeatedly boasted the company could boost prices further

Chipotle's CEO repeatedly boasted the company was “fortunate” in its pricing power

On CNBC, Chipotle's CEO said “We're pretty fortunate with the pricing power we have... So we have more room to take the price as we need to.” “CNBC HOST: Last quarter, we talked about pricing power and the ability that the company continues to have to increase cost. I'm curious how you're evaluating price hikes and if there are concerns about consumers potentially pulling back if things go too far. BRIAN NICCOLS: Yeah, look, we're pretty fortunate with the pricing power we have. I think we have talked about this in the past. Our brand is really strong, you know, we stand out with the commitment to food, the culinary, the customization. You really can't find that anywhere else. and the fact remains, even though we have taken some pricing to date, our chicken burrito is still less than $8 for most parts of the country. So we have more room to take price as we need to. Obviously, we want to take our time on doing that but when we see these price increases on our input costs being sticky, we will obviously need to figure out how we take advantage of our pricing power and find any efficiencies in our business so that we don't have to pass all of it on.” (CNBC Closing Bell, 2/8/2022)

Chipotle's CEO: “We'll have to take some additional pricing there. So it's really the last thing we want to do, but we're fortunate that we can pull it. And we see no resistance to date with the levels that we're currently at.” “Brian Niccol - Chairman & Chief Executive Officer: And then as Jack mentioned, beef and freight and some of these other things that continue to stay elevated. We don't see it abate. We'll have to take some additional pricing there. So it's really the last thing we want to do, but we're fortunate that we can pull it. And we see no resistance to date with the levels that we're currently at. And I think I mentioned this in my earlier remarks or maybe this was in the interview I did earlier. I mean, keep in mind, when we talk about these percentages, I'd like to run people the absolute dollar. The chicken Boorito for most parts of the country is still less than $8. Chicken bowls are still less than $8. And that's phenomenal value, especially when I see where, frankly, food that I would question the caliber not being what our caliber is, nor what the customization is right in that price point, if not higher. So we've got a lot of pricing power. Our customers appreciate the brand, and appreciate the culinary. And we're fortunate to be in that position.” (Chipotle Mexican Grill Q4 2021 Earnings Call, 2/8/2022)
Chipotle CEO: “pricing usually has something to do with your relative options.... We're kind of in our own space, and we're very fortunate to be in that space. And there's a lot of headroom from what we can tell. And I really hope we never have to use all of it, but we'll be judicious, and when we need to, we will.” “Brian Niccol - Chairman & Chief Executive Officer: Yes. So look, we do a couple of things. One, we have internal work where we're constantly evaluating the value strength of our brand through, call it, traditional market research. And we also do the analytical side of things, where after we take pricing, we really do analyze what happens to transactions. And the good news is we have so much data now with our loyalty database that we're able to understand are there any behavioral impacts from what we're seeing. And we see very little resistance there. And then obviously, we look out into the marketplace. You look at -- and all this stuff, right, pricing usually has something to do with your relative options. And when you look at the options, again, this is why I think we get such strong value scores to get our food with our customization, with our access, and frankly, the quantity that you're also able to get. We're kind of in our own space, and we're very fortunate to be in that space. And there's a lot of headroom from what we can tell. And I really hope we never have to use all of it, but we'll be judicious, and when we need to, we will.” (Chipotle Mexican Grill Q4 2021 Earnings Call, 2/8/2022)

Chipotle said ongoing pricing action would boost the company’s margins

Chipotle’s CFO: “The bottom line is that our underlying margin remains healthy, and we believe we still have pricing power to use as needed if inflation continues to rise going forward.” “Jack Hartung - Chief Financial Officer: The bottom line is that our underlying margin remains healthy, and we believe we still have pricing power to use as needed if inflation continues to rise going forward. Of course, we'll be thoughtful and patient as we consider these actions to make sure we continue to deliver an excellent value and dining experience to our guests. Now let me go through the key P&L line items, beginning with cost of sales. While our supply chain team continues to do an admirable job keeping our restaurants and supply key ingredients and managing the cost of doing so, external challenges were quite extreme in Q4, which led to food cost being 31.6%, an increase of 60 basis points from last year. As I just mentioned, inflation on beef and freight and to a lesser extent, avocado costs more than offset the leverage from our menu price increases.” (Chipotle Mexican Grill Q4 2021 Earnings Call, 2/8/2022)
Responding to a question on expected profit margins, Chipotle’s CEO said they were based on “it’s a combination of the sales growth and, obviously, pricing where we need to, when we need to.” “Dennis Geiger - UBS: Wanted to focus a little bit more on the margin. I guess both for kind of the 1Q, I think Jack and Brian, you talked to, I think a low to mid-23 sort of underlying. Wondering if you could just talk a little bit more about what goes into that. And just kind of the go forward, if you could kind of give any kind of color as we go through the year, what that margin trajectory looks like and related -- as it relates to that long-term algorithm you provided, if there's any change there or if it’s kind of consistent with what you’ve messaged prior. Brian Niccol - Chairman & Chief Executive Officer: Yes. So I'll start, Jack. To answer your question, the long-term algorithm, we still believe we will achieve it. And it's a combination of the sales growth and, obviously, pricing where we need to, when we need to. And then we've got a lot of initiatives going on, to make sure that we’re as efficient as possible. So long term, we've got 100% confidence in what we can achieve. To your specific question about some of the stuff happening in the short term, I'll turn that over to Jack.” (Chipotle Mexican Grill Q4 2021 Earnings Call, 2/8/2022)

Despite expanding sales and profit margins, Chipotle’s CEO framed price hikes as a response to wage pressures

Chipotle’s CEO said prices had increased 6% year over year, and suggested it was a result of wage pressure. “David Palmer - Evercore ISI: Question on pricing. Is the current year-over-year run rate 12% after that latest increment? And what's going to dictate your pricing strategy through the year? And in particular, I know people are curious about how you view your pricing power. What informs your view about Chipotle's pricing power? And basically, how does that dovetail with your pricing strategy? Brian Niccol - Chairman & Chief Executive Officer: Yes. So David, I think we're more in the 10% range right now as you look at Q1. And if we were to take any more pricing for the balance of the year, that ultimately ends up being about a 6% or more -- probably a little bit more than 6% for the year. To answer your question on when and why we would take pricing, Jack can touch on this. Like, we continue to see pressure on wages. We want to make sure that we continue to be competitive on that front. We feel like we're in a really good position right now. As a result, our restaurants are staffed better than they were pre-COVID and, frankly, better than they have been for the last 2 years through this whole COVID period. So we don't
want to slip on our wages. So we’re going to keep a close eye on that. And then obviously, we’ll look for any inefficiencies to help mitigate that, but we do have the pricing lever there.” (Chipotle Mexican Grill Q4 2021 Earnings Call, 2/8/2022)

**Pfizer reaped tens of billions from covid, but still plans to hike drug prices**

Pfizer predicted record high revenue in 2022 projecting over $50 billion in sales between the covid vaccine and paxlovid. “Pfizer projects it will generate record-high revenue in 2022, saying Tuesday it expects to sell $32 billion of its Covid-19 shots and $22 billion of its antiviral coronavirus treatment pill Paxlovid this year. However, the company posted mixed fourth-quarter results, beating on earnings but missing on revenue. Pfizer’s stock was down more than 5.7% in morning trading.” (CNBC, 2/8/2022)

Pfizer reported fourth quarter revenue doubling to $23 billion thanks to $12.5 billion in covid vaccine sales. “However, Pfizer’s fourth-quarter revenue more than doubled overall to $23.84 billion year-over-year, driven by $12.5 billion in sales of its Covid vaccine. The company’s antiviral pill that fights Covid, Paxlovid, contributed $76 million in U.S. sales during the fourth quarter. The Food and Drug Administration gave the pill emergency approval in December.” (CNBC, 2/8/2022)

Pfizer still disappointed analysts because of sales declines in “internal medicine” and flat “hospital sales.” “Pfizer’s miss on revenue was driven by lackluster sales in its internal medicine and hospital segments. Fourth-quarter internal medicine sales fell 3% year-over-year to $2.24 billion, while hospital sales were largely flat at $1.88 billion. Pfizer’s oncology sales expanded 7% to $3.24 billion compared with the year-earlier period.” (CNBC, 2/8/2022)

Pfizer has raised prices on at least 100 drugs in 2022 so far, with an average price hike of 4%. (GoodRx, accessed 2/11/2022)
Johnson & Johnson raised prices on consumers despite huge profits from the covid vaccine

Johnson & Johnson’s business surged thanks to the covid vaccine

Johnson & Johnson had a “mixed” fourth quarter earnings, despite a 10% revenue increase thanks to its covid vaccine that should provide billions more in sales in 2022. “Johnson & Johnson on Tuesday projected that its Covid vaccine would generate $3 billion to $3.5 billion in sales in 2022, after posting a mixed fourth-quarter report that slightly beat on earnings estimates but missed on revenue.... On an unadjusted basis, J&J’s fourth-quarter profit surged to $4.74 billion, almost triple the $1.74 billion it earned during the same quarter the previous year. Its revenue of $24.8 billion rose 10.4% from $22.48 billion during the same quarter in 2020, mostly driven by $1.82 billion in international sales of its Covid vaccine.” (CNBC, 1/22/2021)

Johnson’s & Johnson’s pharmaceutical business saw a 14.3% increase in revenue, while consumer health had a 4.1% increase in revenue. “J&J reported $93.77 billion in sales in 2021, a 13.6% increase over the prior year. The company’s pharmaceutical division generated $52.08 billion in revenue, a 14.3% year-over-year increase. J&J’s medical devices business reported sales of $27.06 billion in 2021, a 17.9% increase compared with 2020. The consumer health section posted $14.63 billion in revenue, a 4.1% increase.” (CNBC, 1/22/2021)

Despite the vaccine revenue, the company still instituted price increases on its consumer health products where it could easily pass on costs

Johnson & Johnson’s CFO: “Similar to competitors, we are instituting price increases across our consumer health portfolio in 2022, enabling us to remain competitive...” “Joe Wolk -- Executive Vice President, Chief Financial Officer: In consumer health, we are confident that our well-balanced portfolio positions us well. Consistent with current global macroeconomic trends, we are experiencing the impact of inflationary pressures, including higher input costs across our business and more significantly with respect to consumer health. These external challenges include availability and cost of certain commodities, labor and transportation. Similar to competitors, we are instituting price increases across our consumer health portfolio in 2022,
enabling us to remain competitive as we continue to deliver the products that consumers love and trust.” (Johnson & Johnson Q4 2021 Earnings Call Transcript, 1/25/2022)

**Johnson & Johnson’s CFO:** “So where we can, specifically in consumer, we’re looking to pass some of those cost increases on.” “Joe Wolk -- Executive Vice President, Chief Financial Officer: So where we can, specifically in consumer, we’re looking to pass some of those cost increases on. In other spots, we continue to have supply chain initiatives, manufacturing initiatives that have been in place really for a number of years as part of our overall cost management program.” (Johnson & Johnson Q4 2021 Earnings Call Transcript, 1/25/2022)

**Johnson & Johnson has hiked prices on 29 drugs so far in 2022**

Johnson and Johnson has raised prices on 29 drugs this year, with an average increase of 4.98%. (GoodRx Health, 1/6/2022)

**Krispy Kreme**

The CFO of Krispy Kreme: “we effectively ended the year with double-digit price increase for the year in the U.S., high single-digit on average across the world.” “John Glass -- Morgan Stanley -- Analyst: Thank you. And just finally, what is the full pricing now that you've taken a couple of price increases in the U.S., what -- in U.S. and Canada? What is that running now? And what is your assumption on overall inflation in the P&L in '22, so we can gauge how that offsets that inflation, please? Josh Charlesworth -- Chief Operating Officer and Chief Financial Officer: Yes. I mean, Q4 obviously has shown a fresh premium sweet treat business like ourselves. We can manage that inflationary environment that you referenced with price increases. After the November 1, we effectively ended the year with double-digit price increase for the year in the U.S., high single-digit on average across the world.” (Krispy Kreme, Q4 2021 Earnings Call, 2/22/2022)

The CFO of Krispy Kreme stressed they could have “further price increases to still grow our margins” and that they had “actually already covered” most of their input costs. “Josh Charlesworth -- Chief Operating Officer and Chief Financial Officer: The guidance we've given here today does assume that we're able to manage both from that price increase and if we so choose, if needed, further price increases to still grow our margins in 2022. More specifically to
your question, I mean, on wage inflation, we did see it accelerate through 2021. It's more stable now. We're assuming high single digit for 2022. And on the input cost side, we have a great line of sight of that because we have actually already covered more than half of the year. Sugar is fully covered for the year, oil and gasoline through 2023. So it means we have a lot of confidence in our ability to deliver on the margin increase that we've been talking about already.” (Krispy Kreme, Q4 2021 Earnings Call, 2/22/2022)

**Macy’s**

**Macy’s CFO said the company’s margins increased thanks to a 10% increase in the full price Average Unit Retail for Macy’s brand.** “Adrian Mitchell -- Chief Financial Officer: Merchandise margin increased 160 basis points from the fourth quarter of 2019. Leaner, more productive inventories and lower markdowns were the primary drivers. Our pricing initiatives also helped drive higher full-price sell-throughs and AURs. Versus 2019, full-price sell-throughs improved 660 basis points and full-price AURs increased 10% for the Macy’s brand.” (Macy’s (M) Q4 2021 Earnings Call, 2/22/2022)

**Macy’s CFO: “we are committed to continuing the discipline we demonstrated in 2021 to drive strong margin performance through our pricing initiatives for merchandise margin.”** “Adrian Mitchell -- Chief Financial Officer: We believe 2022 will be a transitional year as we move beyond the recovery and the market begins to normalize. At the same time, we expect high levels of inflation to erode consumer discretionary income. Our 2022 expectations reflect our strategic positioning and the associated risks in what may be a more challenging market. Despite these challenges, we are committed to continuing the discipline we demonstrated in 2021 to drive strong margin performance through our pricing initiatives for merchandise margin, our continued focus on delivery expense mitigation and our SG&A cost discipline.” (Macy’s (M) Q4 2021 Earnings Call, 2/22/2022)

**Macy’s CEO said the company “sought the most” price increases for “big ticket” items because “for the larger big-ticket items, we could pass on, we basically -- those cost increases led to higher retail prices and higher tickets. Customers accepted those.”** “Jeff Gennette -- Chairman and Chief Executive Officer: Yes. Oliver, it's a great question. And it's a different story,
depending on what category you're in and what brands you're in, and what the actual item is, whether or not it is a key item, an opening price, whether or not it is fashion. So all of them have different rules. What I'd say is that where we have done this, we sought the most in big ticket because big ticket, based on the supply chain challenges and just production, we were dealing with price increases really in the very beginning of '21 all the way through. And what we found is that you get into like some of the sectionals and some of the price points for the larger big-ticket items, we could pass on, we basically -- those cost increases led to higher retail prices and higher tickets. Customers accepted those.” (Macy’s (M) Q4 2021 Earnings Call, 2/22/2022)

Macy’s CEO said average unit retail prices were up 11% 2021 and “we expect it to be more in the 5% range across all of our categories in '22.” “Jeff Gennette -- Chairman and Chief Executive Officer: So we just have much more science and data analytics that are helping us in all of our pricing decisions that are mitigating some of the effects of where we are having higher tickets. To the question that Adrian answered earlier from Paul, we do expect more modest AUR increases in 2022. We were up a little over 11% in '21. We expect it to be more in the 5% range across all of our categories in '22.” (Macy’s (M) Q4 2021 Earnings Call, 2/22/2022)