CORPORATE PROFITEERING FINDINGS
# TABLE OF CONTENTS

## PRICE INCREASES ARE REAL: EXPERTS AND FAMILIES AGREE

### GROCERY & RESTAURANTS

- CHIPOTLE: 19
- CONAGRA: 21
- CONSTELLATION: 25
- GENERAL MILLS: 26
- HERSHEY'S: 28
- HORMEL: 30
- HOSTESS: 32
- KELLOGGS: 35
- KRISPY KREME: 37
- KROGER: 38
- MCDONALDS: 42
- PEPSICO: 45
- TYSON FOODS: 48
- UTZ: 53
- WALMART: 54

### HEALTHCARE

- JOHNSON & JOHNSON: 58
- PFIZER: 60
<table>
<thead>
<tr>
<th>Category</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOUSING</td>
<td>63</td>
</tr>
<tr>
<td>LENNAR</td>
<td>63</td>
</tr>
<tr>
<td>PULTEGROUP</td>
<td>64</td>
</tr>
<tr>
<td>OIL &amp; GAS</td>
<td>68</td>
</tr>
<tr>
<td>CHEVRON</td>
<td>68</td>
</tr>
<tr>
<td>CONOCOPHILLIPS</td>
<td>72</td>
</tr>
<tr>
<td>CONTINENTAL RESOURCES</td>
<td>73</td>
</tr>
<tr>
<td>DELEK</td>
<td>75</td>
</tr>
<tr>
<td>DEVON</td>
<td>75</td>
</tr>
<tr>
<td>DIAMONDBACK ENERGY</td>
<td>79</td>
</tr>
<tr>
<td>EXXON MOBIL</td>
<td>83</td>
</tr>
<tr>
<td>MARATHON</td>
<td>83</td>
</tr>
<tr>
<td>OCCIDENTAL PETROLEUM</td>
<td>89</td>
</tr>
<tr>
<td>PHILLIPS 66</td>
<td>90</td>
</tr>
<tr>
<td>PIONEER NATURAL RESOURCES</td>
<td>92</td>
</tr>
<tr>
<td>VALERO</td>
<td>96</td>
</tr>
<tr>
<td>RETAIL</td>
<td>101</td>
</tr>
<tr>
<td>BEST BUY</td>
<td>105</td>
</tr>
<tr>
<td>COLGATE</td>
<td>106</td>
</tr>
<tr>
<td>HASBRO</td>
<td>109</td>
</tr>
<tr>
<td>KIMBERLY CLARK</td>
<td>112</td>
</tr>
<tr>
<td>KOHLS</td>
<td>119</td>
</tr>
</tbody>
</table>
LOWES & HOME DEPOT  120
MACY’S  123
MATTEL  124
NIKE  125
PARTY CITY  128
PROCTER & GAMBLE  128
SPECTRUM BRANDS  136
WALMART & TARGET  137
WHIRLPOOL  138
3M  142
MISCELLANEOUS  143
FED EX  146
SEALED AIR  147
PRICE INCREASES ARE REAL: EXPERTS AND FAMILIES AGREE

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]

*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 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)
GROCERY & RESTAURANTS
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]

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]

CHIPOTLE

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
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)

Chipotle CEO repeatedly boasted the company could boost prices further & 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 Burrito 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)

**CONAGRA**

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

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 “Millennial and Gen Z consumers are earlier in their careers and earning less than the older generations of working-age people...bodes well for food-at-home trends.”

“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 2022Our 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 claimed its price increases were much lower than those of food-away-from-home and said 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)

**CONSTELLATION**

*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)
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 nonqualifed 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 nonqualifed 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%. (General Mills 2020 Proxy Statement, 8/10/2020; General Mills 2021 Proxy Statement, 8/16/2021)

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]

HERSHEY’S

Hershey’s CEO said the company’s price increases “have seen a little bit better performance versus historical” price elasticity, suggesting consumers were accepting hikes. “Michele Buck - CEO: Let me start and answer your elasticity question. I’ll give it to Steve to do the disaggregation. Nik, what we are assuming for this year is historical elasticities. To date on our pricing we have seen a little bit better performance versus historical. As we go into this year, we want to carefully keep our eye on the potential impact of broad inflation on the consumer. We know that there’s been reduction, obviously, in government stimulus and SNAP, and with the inflation across the board it’s just a top of mind watch out area for us, and that’s why we really chose to say historical price elasticities is what we think is a smart and prudent planning move for us.” (Hersey Q4 2021 Earnings Call Transcript, 2/3/2022)

Hershey’s CEO: “I think we also think we’ve gotten smarter about pricing, where we have multiple levers on list price and price pack architecture that we can utilize.” “Michele Buck - CEO: At the same time, we also did implement a number of new strategies in our business over the years that we think have also helped us. We really tried to do a better job of balancing innovation and the core to get more sustainable growth. And we have seen that, that had an impact on the business. I think we also think we’ve gotten smarter about pricing, where we have multiple levers on list price and price pack architecture that we can utilize. So I guess I’d tell you, we believe that there’s part of both of that. (Hersey Q4 2021 Earnings Call Transcript, 2/3/2022)

Hershey’s CFO: “we would probably not be taking as many price increases as we’ve taken, but for the need to cover the costs that we have coming through both commodities and the rest of the P&L.” “Steve Voskuil - CFO: Sure. Even that’s kind of hard, Ken, because if I start at the very top, we would probably not be taking as many price increases as we’ve taken, but for the need to cover the costs that we have coming through both commodities and the rest of the P&L.
And so even at that very top line level, it’s hard to say how the construction then below the rest of the P&L would flow through.” (Hersey Q4 2021 Earnings Call Transcript, 2/3/2022)

**Hershey’s predicted “ricing will offset the majority of our inflation.”** “Steve Voskuil - CFO: Yes, a couple of things. In general pricing will offset the majority of our inflation. If I look at our commodity basket, we’ve got the biggest increases year-over-year in places like sugar and dairy and packaging materials and specialty ingredients. We have pretty good visibility into that. We’ve talked in the past about our hedging program and that gives us a pretty good picture. We’ve also got inflation from a labor standpoint, and as one of the things that Michele said, labor and manufacturing value proposition is one area that we’re leaning in pretty strongly this year. That’s a differential investment than what we’ve done in the past. And so, to answer your question, yes, pricing offsets the majority of the inflationary pieces, but it doesn’t fully offset the additional investment that we’re also making to improve the value proposition for employees.” (Hersey Q4 2021 Earnings Call Transcript, 2/3/2022)

**Hershey’s CEO: “we’ve always focused on pricing pretty aggressively is one of the tools in our toolkit to deliver our P&L and to deliver our business.”** “Michele Buck - CEO: Secondly, we have had great analytics over the years. We’ve always had a big focus on our elasticity models. You know that over time we’ve always focused on pricing pretty aggressively is one of the tools in our toolkit to deliver our P&L and to deliver our business. And I think we just continued to try and take that capability to the next level all the time as we’ve broadened it to, okay, we can get the insights on pricing in our category. Then we started to look at cross-category price elasticity so we could understand any trade-offs that could occur between our category and other categories. Then we started to invest in price pack architecture and look at how could we generate price realization without a list price but by changing the game.” (Hersey Q4 2021 Earnings Call Transcript, 2/3/2022)

**Hershey’s CFO suggested that overall price increases for 2022 would be 5-6%.”** “Pamela Kaufman - Morgan Stanley: ‘I wanted to see if you can elaborate on what level of pricing growth is embedded into your guidance for 2022. And in terms of demand elasticity, it seems you experienced some elasticity in Confectionary, but this wasn’t as evident in Snacks. Do you have different expectations for demand elasticity within Salty Snacks versus Confectionary? And how will pricing growth vary across the North America segments?’ Steve Voskuil - CFO: ‘I’ll take the first one. Overall pricing that we’ve assumed in the plan is 5 points to 6 points. In terms of the difference with the Salty Snacks business, really not a big difference from an elasticity standpoint is the way we look at that and plan for that. Those two are pretty similar. The last question I might have missed. Was there a third one? Or was that it?’” (Hersey Q4 2021 Earnings Call Transcript, 2/3/2022)
Hormel raised prices to boost margins and said the hikes are “by and large to stay”

Hormel CEO: “The other thing to remember in all of this that we’ve talked about many times is our Grocery Products pricing is very sticky and so the pricing that we’ve taken and that we’re in the midst of executing the additional price increase, that pricing will will by and large to stay.” “Jim Snee -- Chairman of the Board, President, Chief Executive Officer: Eric, I mean, it really is more of a timing issue. So you think about where we are right now in Q1. And so we have priced to those uncommon markets that you described. And I think we have-we will watch the market and see what happens. And if the -- if the commodity markets become volatile again, we'll be prepared to react if we need to. The other thing to remember in all of this that we've talked about many times is our Grocery Products pricing is very sticky and so the pricing that we've taken and that we're in the midst of executing the additional price increase, that pricing will will by and large to stay.” (Hormel Foods Corporation Q4 2021 Earnings Call, 12/9/2021)

Hormel CEO: “Compared to pre-pandemic levels in 2019, all channels grew by over 25%, driven by strong demand and pricing action in almost every category. It's all time record performance was led by further acceleration in our foodservice businesses.” “Jim Snee -- Chairman of the Board, President, Chief Executive Officer: Sales increased 43% and organic sales increased 32%. Volume increased 14% and organic volume increased 8%. We grew sales in every segment and every channel for the quarter. Compared to pre-pandemic levels in 2019, all channels grew by over 25%, driven by strong demand and pricing action in almost every category. It's all time record performance was led by further acceleration in our foodservice businesses. Our foodservice teams across the organization posted 72% sales growth for the quarter, 33% higher than pre-pandemic levels. This followed second quarter growth of 28% and third quarter growth 45%. ” (Hormel Foods Corporation Q4 2021 Earnings Call, 12/9/2021)

Hormel CEO: “we expected margins to improve as pricing actions took effect. Indeed, margins improve sequentially in all four segments.” “Jim Snee -- Chairman of the Board, President, Chief Executive Officer: From a bottom line perspective, fourth quarter earnings were a record $0.51 per share, a 19% increase compared to 2020, an acceleration in our top line results and the addition of the Planters business led to the earnings growth. As we said in the third quarter, we expected margins to improve as pricing actions took effect. Indeed, margins improve sequentially in all four segments. Pricing actions, improved promotional effectiveness and a more profitable mix, all contributed to the improvement. We started to see relief in key raw materials in the fourth
quarter compared to prior quarters. However, labor rates, freight, supplies and raw material costs remain above year-ago levels and in the case of freight, increased further.” (Hormel Foods Corporation Q4 2021 Earnings Call, 12/9/2021)

Hormel Executive: “We anticipate growth from all four segments, driven by continued elevated demand for our products, the impact from our pricing actions…” Jacinth Smiley – Group Vice President of Corporate Strategy: As Jim mentioned, allow me to share a bit more commentary regarding key drivers to our fiscal 2022 outlook. Building on the momentum we established during the second half of the year and the strategic investments we have made throughout the pandemic, we expect to generate sales and earnings growth in fiscal 2022 above the long-term goals we announced at our Investor update in October. We anticipate growth from all four segments, driven by continued elevated demand for our products, the impact from our pricing actions, improve production throughput, new capacity for key categories such as pizza toppings and dry sausage, and the full-year contribution of the Planters business. We also expect operating margins to show improvement throughout the year similar to the dynamic, we experienced in the fourth quarter.” (Hormel Foods Corporation Q4 2021 Earnings Call, 12/9/2021)

Hormel CEO: “The demand has held up really well across the entire portfolio. And really where we are in our pricing journey, we've got another round of pricing in our Grocery Products portfolio that is in the midst of being implemented, executed right now.” Jim Snee – Chairman of the Board, President, Chief Executive Officer: Yeah, good morning, Rupesh. We've not seen the elasticity that we typically would have seen pre-pandemic. The demand has held up really well across the entire portfolio. And really where we are in our pricing journey, we've got another round of pricing in our Grocery Products portfolio that is in the midst of being implemented, executed right now. On the Refrigerated side, that's a pricing model that ebbs and flows and so we've seen some relief in commodity markets. We're watching it closely. But at this point in time, don't have any additional pricing scheduled for that part of our business. But in Grocery Products, we do have -- have another round that's getting implemented right now.” (Hormel Foods Corporation Q4 2021 Earnings Call, 12/9/2021)

Hormel CFO: “I think we've done a great job with our pricing. I think it's been very effective.” Jim Sheehan – Executive Vice President, Chief Financial Officer: Yeah, Eric, the term you used volatility is the keyword. The volatility, as we've talked before can move earnings between quarters depending on the timing. But if you take out the spikes and you just look at the trends of the increased costs that we've been faced with over the last last year, we've done a remarkable job of price feed into that -- into those rising markets and the demand for our products really have it failed. So I think we've done a great job with our pricing. I think it's been very effective. We will have times that volatility will help you and hurts you at times, but you really have to look at this as a long-term trend. And over the long-term trend, it really shows that the value of Hormel products are accepted by the consumer and that we are able to price effectively
into the marketplace. So I think it's been a great success." (Hormel Foods Corporation Q4 2021
Earnings Call, 12/9/2021)

Hormel CEO: “We feel really good as Jim said about the pricing that we've taken so far, and
we're always ready to take additional pricing actions as the market conditions warrant.” “Jim
Snee -- Chairman of the Board, President, Chief Executive Officer: Yeah, So, Eric, I think couple of
things there. We feel really good as Jim said about the pricing that we've taken so far, and we're
always ready to take additional pricing actions as the market conditions warrant. Through all of
this, we still have to be very aware of consumer retention, right. We want to make sure that we're
not losing consumers through all of this. But in terms of the pricing that I described earlier, really
think about it as a second quarter on a fact that it's being, again timing varies, but it's -- think
about it from the second quarter on or the GDP portfolio." (Hormel Foods Corporation Q4 2021
Earnings Call, 12/9/2021)

Hormel CEO: “the pricing here is key. So our ability to get the pricing through when we did
was very, very important.” “Jim Snee -- Chairman of the Board, President, Chief Executive Officer:
Yeah, I mean, what you're describing, Michael, is exactly right. I mean, we'll get the benefit of
some of the raw material declines that we've seen. But the pricing here is key. So our ability to
get the pricing through when we did was very, very important. I think we've demonstrated a track
record of being able to expand margins on the other side of this -- these market declines, which
we expect to be able to do again. So it is -- it's a combination of both of those things.” (Hormel
Foods Corporation Q4 2021 Earnings Call, 12/9/2021)

HOSTESS

Hostess boasted of its “pricing power,” saying “When all prices go up, it helps.”

Hostess CEO boasted to analysts and investors about the company’s “proven pricing power.”
“Andy Callahan -- President and Chief Executive Officer: We have not just faced unprecedented
volatility in consumer buying patterns and our supply chain, but also a historically high inflationary
environment, particularly in the last 12 months. Even with that, we were able to maintain our gross
margins during this period, one of the very few food companies to achieve this. This is all a
testament not just to the tremendous nimbleness and agility of our supply chain, as we talked
about a few minutes ago, but also to our premium portfolio, proven pricing power, and our
superior operating model, driving our ability to maintain industry-leading EBITDA margins. We are
very proud of our strong and sustainable best-in-class margin structure and see it as a key
enabler of the next phase of our growth.” (Hostess Brands Q4 2021 Earnings Call Transcript,
3/1/2022)
Hostess CEO: “Our success at retail has come during a period in which we implemented multiple pricing actions.” Andy Callahan -- President and Chief Executive Officer: Our success at retail has come during a period in which we implemented multiple pricing actions. We have continued to upgrade our data, analytics, and shopper insight capabilities. And that's clearly visible in the agility, nimbleness, and timeliness with which our sales team proactively and successfully engaged with our retail customers for multiple pricing actions in a fast-paced inflationary environment. We are proud of our top-line growth, and we are equally proud of our strong margins during a period of unprecedented inflationary headwinds, labor challenges, and supply shortages.” (Hostess Brands Q4 2021 Earnings Call Transcript, 3/1/2022)

Hostess CFO: “We expect our revenue growth to be driven primarily by price mix... We expect relatively stronger growth in the first half of the year given the wraparound benefit of pricing actions taken in the second half of 2021.” Mike Gernigin -- Interim Chief Financial Officer and Chief Accounting Officer: We are encouraged by our strong performance in 2021 and expect this momentum to continue in 2022. For 2022, we expect net revenue growth of 5% to 8%, adjusted EBITDA to be between $280 million and $290 million, and adjusted EPS of $0.93 to $0.98 per share. We expect our revenue growth to be driven primarily by price mix, along with flat to positive volume for the full year. We expect relatively stronger growth in the first half of the year given the wraparound benefit of pricing actions taken in the second half of 2021 and continued favorable consumer trends.” (Hostess Brands Q4 2021 Earnings Call Transcript, 3/1/2022)

Hostess CEO: “We're also seeing the consumers experience a lot of disruption. And it's a large range of variability as we flow throughout the year. They're losing benefits. They're moving to a normalized COVID environment. They haven't fully recognized they were absorbed pricing.” Andy Callahan -- President and Chief Executive Officer: We're also seeing the consumers experience a lot of disruption. And it's a large range of variability as we flow throughout the year. They're losing benefits. They're moving to a normalized COVID environment. They haven't fully recognized they were absorbed pricing. Our guide, as a reminder, is at the high end of our long-term algo as we sit here this year, but we still haven't seen everything that consumers have absorbing. Now admittedly, we are off to a strong start to the year. We're certainly seeing that. But we expect as time goes on and we normalize, we expect that to get closer to normal. If we're off, we'll adjust that in May when we talk to you more, which we've typically done.” (Hostess Brands Q4 2021 Earnings Call Transcript, 3/1/2022)

Hostess CEO: “Pricing, by definition, is a change model. It's temporary. Consumers get used to it. When all prices go up, it helps.” Andy Callahan -- President and Chief Executive Officer: Hey, Bill, thanks for joining us. I'm going to let Mike take the pricing, but just a real quick thing on pricing, at least the way we look at it. Pricing, by definition, is a change model. It's temporary. Consumers get used to it. When all prices go up, it helps. So there's a relative pricing thing that I think every food business has experienced. It's also just one component, so price is short term.
The macro trends that we're seeing that are giving tailwinds to our occasion model, they last forever. So we're in a real good place. We're experiencing very good consumer volume-driven growth despite our pricing, but I'll let Mike talk about the way we think about it with single-serve and multipack.” (Hostess Brands Q4 2021 Earnings Call Transcript, 3/1/2022)

**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 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 marketplace because of the previous investments that we've made.[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]

**KELLOGGS**

Kellogg’s CEO told CNBC it was hiking prices: “our goal is to cover all of those input costs with pricing and productivity, and we think we’re in very good shape to do that.” “Kellogg may raise prices and increase productivity to offset the skyrocketing inflation it’s seeing for input costs, CEO Steve Cahillane told CNBC on Thursday. ‘As we enter 2022, we are still seeing double-digit cost inflation,’ Cahillane said on “Squawk on the Street” ‘We’re going to see the wraparound benefits of the pricing that we took in 2021 into 2022 … but our goal is to cover all of those input costs with pricing and productivity, and we think we’re in very good shape to do that.’”(CNBC, 2/10/2022)

Kellogg’s CEO: “We don’t want prices to get too high, but we’re in an environment where it’s broad-based, it’s across everything, but we’ve been able to cover it. Our pricing performance has been very solid.” “Implementing price hikes last year helped boost the company’s profits and combat the inflationary pressures it was experiencing. Cahillane said customers have been willing to pay up even with higher price tags, but Kellogg still plans to be cautious about marking up prices this year. ‘We don’t want prices to get too high, but we’re in an environment where it’s broad-based, it’s across everything, but we’ve been able to cover it. Our pricing performance has been very solid,’ he said.” (CNBC, 2/10/2022)

Kellogg impressed Wall Street by announcing it had raised profit expectations thanks to increased prices. “Kellogg, however, expects adjusted full-year profit per share to grow by 1% to 2% on a currency-neutral basis thanks to increased prices for its breakfast cereals and snacks such as Pop-Tarts and Pringles. Analysts on average expected a 0.1% rise, according to Refinitiv IBES data. The company said its forecast accounted for further inflationary pressures and the impact of the workers' strike. Shares of the Michigan-based company rose about 3.5% in morning trading.” (Reuters, 2/10/2022)

Kellogg’s CFO bragged about sales growth thanks to “strong price realization around the world.” “Amit Banati - CFO: These factors, along with lapping the year ago quarter's extra week, reduced year-on-year declines in currency-neutral adjusted basis, operating profit and earnings per share. Meanwhile, though organic basis net sales growth remained very strong led by sustained momentum in key businesses and brands, along with strong price realization around the world. So aside from transitory supply-related factors, the business remained in good shape through quarter four.” (Kellogg Company Earnings Call, 2/20/2022)
Kellogg’s CFO said the company benefited from “revenue growth management actions we took all year as we endeavour to cover rising cost inflation.” “Amit Banati - CFO: Price/mix growth for the year was more than 5%. This reflects the revenue growth management actions we took all year as we endeavour to cover rising cost inflation. This price/mix growth accelerated to nearly 9% in quarter four, giving you an idea of just how much our cost inflation has accelerated and just how well, we are executing revenue growth management.” (Kellogg Company Earnings Call, 2/20/2022)

Kellogg’s CFO said it covered inflation thanks to “very effective revenue growth management actions that enabled us to realize price early and sufficiently.” “Amit Banati - CFO: Allow me to wrap up with a brief summary on Slide number 41. What you have seen from us this year should give you confidence of what we can do going forward. Firstly, we executed well through what were extraordinarily challenging business conditions, overcoming obstacles to deliver on full year guidance that we had already raised earlier this year. We faced a rapid acceleration in market-driven input cost inflation, and you saw us substantially cover it with productivity and with very effective revenue growth management actions that enabled us to realize price early and sufficiently.” (Kellogg Company Earnings Call, 2/20/2022)

Kellogg’s said it would continue to manage inflation and cover their margin with “ revenue growth management initiatives.” “Amit Banati - CFO: Yes. So I think in terms of inflation, I'll start there, it's continued to accelerate, and we've seen that through '21. So we are expecting double-digit inflation in 2022, and bulk of it is market-driven. So I think that's our planning stance. We're seeing inflation in ingredients and packaging, oil, corn, wheat, and on the packaging side, cans, carton. So we're seeing broad-based inflation across our ingredients We're about 70% hedged on our exchange-traded commodities. So where we can hedge, we are at around a 70% hedged. So that's kind of typical of where we are at this time of the year. We will look to cover the gross margin impact of all the market-related pricing – inflation through our productivity initiatives, through our revenue growth management initiatives.” (Kellogg Company Earnings Call, 2/20/2022)

Kellogg said it had taken “significant pricing, double-digit pricing” in some markets, but “elasticity has been better than expected.” “Amit Banati - CFO: Yes. I think, Alexia, the driver for that is really -- I mean we're seeing commodity inflation. We're seeing currency inflation. So I think a lot of that is driven by pricing. And if you look at markets, Multipro is a good example, where we've -- we're taking significant pricing, double-digit pricing, multiple rounds of that to cover the currency and the commodity. I'd say elasticity has been better than expected. So the elasticity has held up, and volumes have held up. What you're seeing in some of the volume declines is also the impact of supply constraints.” (Kellogg Company Earnings Call, 2/20/2022)

Kellogg’s CEO stressed: “what we've seen so far is much better than historical elasticity performance. So much more inelastic.” “Steve Cahillane - CEO: Yes, Michael. So what we’ve
seen so far is much better than historical elasticity performance. So much more inelastic. We don't forecast for that to continue. Obviously, inflation continues to rage on. We are very pleased with the price/mix that we've seen, but we are forecasting a more return-to-normal elasticities as the year progresses. I don't know, Amit, if you want to...

(Kellogg Company Earnings Call, 2/20/2022)

Kellogg's predicted “most of our -- if not all of our net sales growth for 2022 would be driven by price/mix.” “Amit Banati - CFO: Yes. I think most of our -- if not all of our net sales growth for 2022 would be driven by price/mix. So I think, as I mentioned, right, we're seeing double-digit inflation into 2022. And so I think we're working through plans, both productivity as well as revenue growth management, to counter that and to hold margins. So, you will see most of the sales being driven by price/mix. And RGM activity will continue to be a focus into 2022." (Kellogg Company Earnings Call, 2/20/2022)

**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)
Kroger said it benefited from inflation because it was still cheaper to eat at home

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, 11/2/2021)

Kroger CFO: “while food at home inflation is higher, actually relative to other inflation and how I need to manage my budget, food at home is more attractive in terms of helping me be able to manage my budget and manage my dollars.” “Gary Millerchip -- Chief Financial Officer: The only other thing I would add that -- Rodney shared this earlier in the QA, but we are seeing customers tell us that as inflation is certainly higher in food, which obviously we're all focused on, but inflation is obviously higher pretty much everywhere in the economy right now. And actually, whereas maybe a few months ago, customers were telling us they were eating more food at home because of concerns around COVID, some of that shifted more to -- while food at home inflation is higher, actually relative to other inflation and how I need to manage my budget, food at home is more attractive in terms of helping me be able to manage my budget and manage my dollars.” (Kroger Q4 2021 Earnings Call, 3/3/2022)

Kroger CEO: “we operate successfully in every operating environment, whether it's inflationary or deflationary....what we're finding is we get a bigger part of their overall household spend.” “Rodney McMullen -- Chairman and Chief Executive Officer: If you look at -- as Gary mentioned, we would expect inflation in the second half of the year to moderate just because it's cycling the inflation from the second half of this year -- or last year, I guess, now. Overall, as you know, we operate successfully in every operating environment, whether it's inflationary or deflationary. And we're doing everything we can to minimize the impact on our customers. If you look at overall, we would expect the business to continue to grow. And part of that is really the seamless ecosystem. Altogether, what we're finding is we get a bigger part of their overall household spend. We also -- if you look at total households, we had good numbers on total households for the fourth quarter versus 2020 and 2019. And we would -- and what we find is that once we get a new customer, we're able to move them up the loyalty ladder over time because of the experience they get from our associates on the customer experience, the seamless ecosystem, fresh and good value, plus we're able to start personalized rewards for them.” (Kroger Q4 2021 Earnings Call, 3/3/2022)
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, Krogers 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,

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,

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,

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

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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)

MCDONALDS

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.” (McDonalds Corp Q4 2021 Earnings Call, 1/27/2021)

**McDonalds disappointed investors because it raised wages for workers**

**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)

**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.” (McDonalds 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)

PEPSICO

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

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)

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)

After raising prices, PepsiCo increased their stock buybacks and dividends, continuing a pattern of funneling pandemic profits back to investors

In February 2022, PepsiCo announced it would increase their dividend and authorized $10 billion in stock buybacks. “For 2022, we expect to deliver 6 percent organic revenue growth, which is at the high-end of our long-term target range and implies a strong acceleration in our organic revenue growth on a two-year basis. Additionally, we expect to deliver 8 percent core
constant currency earnings per share growth, which reflects the impact of inflationary pressures across our value chain and planned investments in our business. We also announced a 7 percent increase in our annualized dividend, starting with our June 2022 payment which represents our 50th consecutive annual increase, and our Board has authorized the repurchase of up to $10 billion of PepsiCo common stock through February 2026.” (PepsiCo, 2/10/2022)

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)
A Tyson Food executive said “we're pleased with the market performance that we're seeing despite the price increases” and “we believe we have the right building blocks in place on our path to deliver sustainable double-digit margin.” “Noelle O'Mara - Group President, Prepared Foods: I can give you a bit of context to what we're currently seeing. So demand continues to be strong across both retail and foodservice driven by our strong equities in our diverse portfolio. And as you said, we're pleased with the market performance that we're seeing despite the price increases, which is really due to the strength of our brands and the strong partnership and relationships that we've built with our customers. Elasticity has been less than the historical models that Donnie has mentioned, but it's clearly something that we're watching closely. And so we're constantly reviewing our pricing and revenue management strategies. As the landscape changes, we'll continue to take thoughtful approaches on those critical levers. As you also heard in the comments, we're taking significant actions to transform our cost base and we're creating good momentum there. And so on the year, we continue to feel good about the 7% to 9% range that we've given, and we believe we have the right building blocks in place on our path to deliver sustainable double-digit margin.” (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)

Thanks to price increases, Tyson Foods more than offset costs of inflation and reported a record operating profit margin for the company. “The average price charged per customer for beef was up 32 per cent year on year, pork 13 per cent and chicken 20 per cent. While wages, along with meat and logistics prices have risen substantially, Tyson’s pricing power more than made up for those higher production costs. The company recorded an operating profit margin of 11.3 per cent — only the fourth time since 1990 that this figure has been in the double digits, according to data from S&P Global.” (Financial Times, 2/7/2022)

Tyson Foods’ operating income was up 40% compared to the same quarter the previous year. “Stewart Glendinning - CFO: First quarter operating income of $1.4 billion was up 40% relative to the same quarter last year due to increased earnings in Beef, Pork and Chicken. Driven by the strength in operating income, first quarter earnings per share grew 48% to $2.87. Higher operating income led to higher adjusted earnings per share compared to the same period last year. And first quarter EPS also benefited from lower interest expense and taxes.” (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)
The CEO of Tyson Foods: “We’re also making sure that our pricing incorporates inflationary cost pressures on our business.” “Donnie King - President and Chief Executive Officer: We're also making sure that our pricing incorporates inflationary cost pressures on our business. In the quarter, our cost of goods sold was up 18% relative to the same period last year. We are seeing higher costs across our supply chain, including higher input costs, such as feed and ingredients. We're also managing higher cost of labor, transportation due to strong demand and limited availability. With these higher costs, we work closely with our customers to achieve a fair value for our products.” (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)

Tyson Foods’ CFO said sales increasing 24% was “largely a function of our pricing initiatives to offset inflationary pressures.” “Stewart Glendinning - CFO: Thank you, Donnie. Let me turn first to a summary of our total company financial results. We're pleased to report a strong overall start to the year. Our sales were up approximately 24% in the first quarter, largely a function of our pricing initiatives to offset inflationary pressures. Volumes were also up slightly, although impacted by continued labor challenges. (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)

Tyson Foods executives repeatedly stressed that they saw no impact on demand from price hikes

The CEO of Tyson Foods said “customer demand continues to outpace our ability to supply products.” “Donnie King - President and Chief Executive Officer: Still, customer demand continues to outpace our ability to supply products. So we have targeted actions in each segment to improve volumes. This is key to delivering on our commitments. To realize our volume goals, we must be able to fully staff our plants across the company. We continue to take meaningful action toward becoming the most sought after place to work.” (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)

Tyson Foods CEO said it was “exciting” that price elasticity was “less or lower than what they have historically been.” Donnie King - CEO: Well, let me start off with and tell you that we really got off to a good start in Q1. And there are a number of factors with Q1 and what we saw in Q1 and our optimism as we look to the balance of the year. We've adjusted a number of pricing mechanisms to be more variable in nature. We've seen prior elasticities, for example, in Prepared Foods being less or lower than what they have historically been, which is exciting there. We've been able to maintain volume in this inflationary environment. (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)

A Tyson Food executive said “we're pleased with the market performance that we're seeing despite the price increases” and “we believe we have the right building blocks in place on our path to deliver sustainable double-digit margin.” “Noelle O’Mara - Group President, Prepared
Foods: I can give you a bit of context to what we're currently seeing. So demand continues to be strong across both retail and foodservice driven by our strong equities in our diverse portfolio. And as you said, we're pleased with the market performance that we're seeing despite the price increases, which is really due to the strength of our brands and the strong partnership and relationships that we've built with our customers. Elasticity has been less than the historical models that Donnie has mentioned, but it's clearly something that we're watching closely. And so we're constantly reviewing our pricing and revenue management strategies. As the landscape changes, we'll continue to take thoughtful approaches on those critical levers. As you also heard in the comments, we're taking significant actions to transform our cost base and we're creating good momentum there. And so on the year, we continue to feel good about the 7% to 9% range that we've given, and we believe we have the right building blocks in place on our path to deliver sustainable double-digit margin. *(Tyson Foods Q1 2022 Earnings Call, 2/7/2022)*

**Tyson Food’s CEO wouldn’t answer if they were expecting changes in elasticities due to price hikes.** “Michael Lavery - Piper Sandler: The inflation headwinds are obviously clear and certainly a driver of the pricing. But just maybe expect to some of your assumptions on the elasticities. Maybe, at a very high level, do you assume they revert to more normal levels or that they can hold at sort of what we're seeing currently? Donnie King - CEO: They are where they are right now. And I know that's not a very good answer. I mean there is a price point where it could be impactful. But at Tyson, we play across the spectrum from the most value-added products to the most commodity of commodity products and we meet the consumer wherever they are on the value chain. And so we intend to continue to grow our business and serve those consumers wherever they are. *(Tyson Foods Q1 2022 Earnings Call, 2/7/2022)*

**Despite record margins, Tyson executives characterized price hikes as asking customers to “pay for inflation”**

**Tyson Foods CEO:** “We're not asking customers or the consumer ultimately to pay for our inefficiencies. We're asking them to pay for inflation.” “Donnie King- CEO: Yes. I would add this to what Noelle said, we have seen a lot of inflation. But I would remind you that cost of food in the U.S., while it is higher, is relative to the balance of the world. Labor costs have been up 20%, cattle costs are up -- have been -- they're up 22%. Grain has been up 29% this year and freight, I mentioned earlier, is up 32%. We're not asking customers or the consumer ultimately to pay for our inefficiencies. We're asking them to pay for inflation. And the rest of what we do is we try to find ways to be more productive, to lower cost and increase throughputs and so forth. And we feel good about our ability to do a lot of that while serving our customers. *(Tyson Foods Q1 2022 Earnings Call, 2/7/2022)*
Tyson Food’s CEO noted that freight costs had increased but “we have been successful in being able to get the transportation and we've asked our customers to pay us for that and pay us for freight, and we've been successful in doing so.” Donnie King - CEO: Let me start with that one. Let me start with simply saying that freight costs are up 32% for us. I talked about some of the technology we use to -- in my opening remarks, where we would intersect between our private fleet contract fleet outside carriers and try to optimize how we do that. And we’ve seen a lot -- we've had a lot of success. It took like a lot of the inflation happened so rapidly. It took a bit to get on top of that. But thus far, we have been successful in being able to get the transportation and we’ve asked our customers to pay us for that and pay us for freight, and we've been successful in doing so. (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)

Tyson Foods CEO: “this freight being up 32%, that's what it cost to get the product moved and delivered to a customer, and we're asking our customers to pay for that.” Donnie King - CEO: Not -- as I look around the room and from all those leading the businesses, I don't think if you’re a branded portfolio versus a more commodity-oriented business, I don't think that really matters. What we tried to do with our customers is say, freight is freight and the price of the product and the price of the product, and we don’t -- we try not to blend the 2. And so I don't -- I wouldn't say one is any easier than the other. But I think the fact of the matter is what -- this freight being up 32%, that's what it cost to get the product moved and delivered to a customer, and we're asking our customers to pay for that. Anything to add? (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)

Tyson executives committed to ongoing stock buybacks

Tyson Foods’ CEO boasted the company paid out over $500 million through in dividends and share buybacks in the previous quarter. “Donnie King - President and Chief Executive Officer: And we continue to return cash to shareholders. During the quarter, we returned over $500 million in dividends and share repurchases.” (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)

Tyson Food’s CFO: “we are committed to returning cash to shareholders through both dividends and share buybacks.” “Stewart Glendinning - CFO: Finally, as our track record has demonstrated, we are committed to returning cash to shareholders through both dividends and share buybacks. We finished the quarter with a powerful balance sheet and continued capital allocation optionality.” (Tyson Foods Q1 2022 Earnings Call, 2/7/2022)

In 2021 Tyson executives noted their price hikes more than offset cost inflation they were experiencing

Tyson CEO: “we have relationships with customers that allow us to be able to take to them part of our inflation that we see in the marketplace and be able to pass that on ultimately to
the consumer. “ “Donnie King - President and Chief Executive Officer: Around pricing and responsiveness and we don't expect customers to pay for inefficiencies. But we'd like to think that we have relationships with customers that allow us to be able to take to them part of our inflation that we see in the marketplace and be able to pass that on ultimately to the consumer. And so that's the way we thought about our model. That's how we've adjusted our model and it's been a year-long really a year-long we've doing that and we are in a pretty good place right now.” (Tyson Foods Inc Q4 2021 Earnings Call, 11/15/2021)

Tyson CEO: “Our sales gains were largely driven by higher average sales price. Average sales price trends reflect successful pricing strategies during the ongoing inflationary environment...” “Donnie King - President and Chief Executive Officer: Now turning to financial results, let me give you some highlights overall. I was pleased with both a strong quarter and full year. Sales improved 20% in the fourth quarter and 11% during the full year. Our sales gains were largely driven by higher average sales price. Average sales price trends reflect successful pricing strategies during the ongoing inflationary environment, but we still have opportunities specifically in prepared foods where we delivered softer results than anticipated. Like many other companies, we were faced with a range of higher levels of inflation notably higher grains, labor, meat and transportation cost.” (Tyson Foods Inc Q4 2021 Earnings Call, 11/15/2021)

Tyson CEO: “Our teams have worked together with our customers to pass along that inflation through price increases. “ “Donnie King - President and Chief Executive Officer: Our teams have worked together with our customers to pass along that inflation through price increases. On volume, we saw improvement in the second half relative to the same period last year. Volumes were up 3% for the second half or nearly 350 million pounds. Although we are working diligently to achieve optimal throughput across our segments, labor challenges are still impacting our volumes and ability to achieve optimal mix across our processing footprint.” (Tyson Foods Inc Q4 2021 Earnings Call, 11/15/2021)

Tyson CFO: “Our pricing actions and strength in the beef segment led to approximately $5.6 billion of sales price mix benefit, which more than offset the higher COGS price-mix of $4.6 billion.” “Stewart F. Glendinning -- Executive Vice President and Chief Financial Officer: Slide 12, bridges year-to-date operating income which was about $1.3 billion higher than fiscal 2020. As I mentioned previously, volumes were down slightly during the year primarily result of a challenging labor environment. Our pricing actions and strength in the beef segment led to approximately $5.6 billion of sales price mix benefit, which more than offset the higher COGS price-mix of $4.6 billion. We saw inflation across the business, notable areas where in wages, grain cost, live animal costs and pork, meat cost and prepared foods and freight costs across the enterprise.”
Utz was explicit their price increases had “stickiness” that would boost profit margins even after inflation slows

Utz CEO: “we took significant pricing actions throughout 2021 with an additional round of pricing already taken in February of 2022, with two more rounds of pricing actions planned in the late second and third quarter of 2022.” “Dylan Lissette -- Chief Executive Officer: Our full year results reflect these trade-offs, as organic net sales growth accelerated meaningfully throughout the year, and we delivered a strong finish to 2021. While our topline performance was strong, our earnings reflect higher-than-anticipated supply chain costs as we prioritized customer service to ensure we met growing demand. Servicing our customers to the best of our abilities has always been a hallmark of Utz' commitment to our partners. To offset these higher supply chain costs, we took significant pricing actions throughout 2021 with an additional round of pricing already taken in February of 2022, with two more rounds of pricing actions planned in the late second and third quarter of 2022.” (Utz Brand Q4 2021 Earnings Call, 3/2/2022)

Utz CFO: “our actions around pricing and productivity have stickiness to them. While they address margin gaps in the near term, they will drive margin enhancement when inflation stabilizes.” “Ajay Kataria -- Chief Financial Officer: Before I turn the call over to Dylan, I would like to revisit our long-term margin opportunity. We believe that our ability to expand margins remain strong for several reasons. First, our actions around pricing and productivity have stickiness to them. While they address margin gaps in the near term, they will drive margin enhancement when inflation stabilizes. Second, our supply chain capabilities are improving as we accelerate productivity programs and optimize manufacturing and logistics processes to increase throughput and unlock efficiencies.” (Utz Brand Q4 2021 Earnings Call, 3/2/2022)

Utz CFO: “So we are not seeing any elasticity right now. Demand is outweighing supply.” “Ajay Kataria -- Chief Financial Officer: And third, we consider elasticities in the second half. So we are not seeing any elasticity right now. Demand is outweighing supply. But we think at some point, elasticity will come into play. So we baked a little bit of that into our outlook as well.” (Utz Brand Q4 2021 Earnings Call, 3/2/2022)

Utz CFO: “we are very prepared now with the team, the tools, everything coming together and being in place to proactively go out and take pricing.” “Ajay Kataria -- Chief Financial Officer: So I'll take that. So there are a couple of questions in there. So first, the couple of rounds of pricing we have talked about, they are built into our outlook, and they're not based on what's happening in the last two weeks. What we are doing is really looking at the inflation that's in front of us. Anything that's known to us and reacting that way. From the situation constantly evolving the environment being dynamic. To your other question, we are very prepared now with the team,
the tools, everything coming together and being in place to proactively go out and take pricing. We are watching what the competition is doing, and we are working our entire portfolio, not just on the typical pricing levers, but also looking at optimization and our SKU portfolio, etc., to enhance margins.” (Utz Brand Q4 2021 Earnings Call, 3/2/2022)

Utz CFO: “there will be some of the benefit of pricing that we are taking now going into 2023... we have very strong reasons to believe that when inflation stabilizes, things are going to start to improve in terms of margins.” “Ajay Kataria -- Chief Financial Officer Yeah, thank you for the question. So the way to think about that is look at it from a rolling time period, and there will be some of the benefit of pricing that we are taking now going into 2023. And as we think about it, we talked about this in our prepared remarks that we have very strong reasons to believe that when inflation stabilizes, things are going to start to improve in terms of margins. And part of that is because that once inflation stabilizes, there will be some overlapping pricing benefit going forward.” (Utz Brand Q4 2021 Earnings Call, 3/2/2022)

WALMART

Walmart US CEO told investors that they’re “seeing opportunities” for price rollbacks despite the inflationary environment. “John Furner -- President, Chief Executive Officer, Walmart U.S.: When it comes to pricing, we really take a long-term view on this. And we manage pricing for both customers and shareholders. We're constantly monitoring our share, our price gaps to competitors. And we'll continue to do that as we move forward. And then what we're seeing right now is not only gaps that we're proud of that are valuable for our customers, but we're also seeing the opportunity to increase some of our rollbacks in stores. And we're really proud of the team. We're seeing about the same number of rollbacks now that we had at the end of Q1 last year. So, while we have supply chain challenges and other costs coming through, the teams are doing a nice job managing mix and pricing, and looking after both our customers and our shareholders.” (Walmart Q4 2022 Earnings Call, 2/17/2022)

Walmart CEO: “during periods of inflation like this, middle-income families, lower-middle-income families, even wealthier families become more price sensitive. And that's to our advantage. “ “Doug McMillon -- President, Chief Executive Officer, Walmart: And, Michael, you started by saying that the Walmart U.S. customer looks like the U.S. population, and it does to a really large degree. And so, we'll serve everybody. And during periods of inflation like this, middle-income families, lower-middle-income families, even wealthier families become more price sensitive. And that's to our advantage. So, we've been through this before. You know, and we run with inflation around the world all the time. Inflation is a different environment in the U.S. right now than it has been in recent times for sure. But we've been dealing with inflation in South America and Mexico and other places and just to kind of understand what that looks like.” (Walmart Q4 2022 Earnings Call, 2/17/2022)
Walmart US CEO explained that price rollbacks allowed them to compete for customers concerned about inflationary pressure. “John Furner -- President, Chief Executive Officer, Walmart U.S.: Hey, Ben. It's John. Thanks for the question. On, you know, the rollback, this is all about making sure the customers see value. At a time when prices are rising in so many parts of the economy, being able to offer customer value and find inflation is what we do. It's what our merchants do. And, you know, that will continue. As I said earlier, the counter-rollbacks today is up pretty significantly from the end of the third quarter and about to where it was at the end of the first quarter last year. So, I'd say I was just -- I was in the store across the street early this morning, and we've got rollbacks in consumer electronics and parts of dry grocery. And those values really matter as customers become more concerned and they think more about inflationary pressures. So, we'll continue to be an everyday-low-price retailer. That's our platform. We want to offer great values with price gaps to deliver for shareholders as well each and every day that we operate. But we'll make sure that customers see value in key categories as we get into this year.” (Walmart Q4 2022 Earnings Call, 2/17/2022)

Walmart’s CEO: “we use rollbacks to communicate not only the reality of prices are coming down at some places, but the emotion or perception we want customers to have about us.” “Doug McMillon -- President, Chief Executive Officer, Walmart: Good. You know, around the world, Scot, retailers are all having to manage this. And we talk about price gaps, our price leadership position for a reason because prices are relative. And it's more fluid in an inflationary environment like this, so we have to spend more of our time paying attention to that. We do mix across categories. We think about things like opening price points and protecting for a lower-income family some of the things that they need from a staples point of view. And then as John mentioned, we use rollbacks to communicate not only the reality of prices are coming down at some places, but the emotion or perception we want customers to have about us being there for them and earning their trust during a period of time like this. So, I wouldn't say that we're unique in having to work through that.” (Walmart Q4 2022 Earnings Call, 2/17/2022)
HEALTHCARE
JOHNSON & JOHNSON

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)

PFIZER

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)
HOUSING
Lennar’s CEO told analysts it would not increase their housing starts: “we're already planning on maintaining a very disciplined approach to our start pace”

"Jon Jaffe -- Co-Chief Executive Officer and Co-President: Yes, we’re very comfortable that we'll be able to look at ’22 as an increase in starts over ’21. So some of that typical seasonality with Q2 being our strongest start quarter. But I think as we look across our platform, we are well positioned with our relationship with our trade partners to be able to manage a very healthy start pace. And to the extent that we do see more stabilization relative to the supply chain. I think what you'll see is a tightening of the cycle time more than an increase in start pace. I mean, we're already planning on maintaining a very disciplined approach to our start pace what we'll pull in is the cycle time from the extended periods that we're seeing now.” (Lennar Q4 2021 Earnings Call, 12/16/2021)

Lennar's CEO: "We have continued to strategically sell our homes later in the construction cycle to maximize sales prices and to offset potential cost increases. To that end, we have slowed sales to generate higher profits." “Rick Beckwitt -- Co-Chief Executive Officer and Co-President: Thanks, Stuart. As you can tell from Stuart's opening comments, the housing market is very strong. Our team is extremely well coordinated, and our financial results continue to benefit from a solid execution of our core operating strategies. Key to that has been running a fine-tuned homebuilding machine where we carefully match homebuilding production with sales on a community-by-community basis. We have continued to strategically sell our homes later in the construction cycle to maximize sales prices and to offset potential cost increases. To that end, we have slowed sales to generate higher profits. Our fourth quarter results prove out the success of this strategy as we achieved gross margin increases of 300 basis points year over year and 70 basis points sequentially. During the fourth quarter, we started 4.5 homes per community, sold 4.3 homes per community, and we ended the quarter with less than 160 completed unsold homes across our entire footprint.” (Lennar Q4 2021 Earnings Call, 12/16/2021)

Lennar's CEO: “We continue to achieve price increases and saw strength in all product cost categories from entry level to move up, and in our active adult communities.” “Rick Beckwitt -- Co-Chief Executive Officer and Co-President: This production, margin-driven and sales-focused program will continue to improve margin, and lead to increased deliveries and profits in fiscal 2022. In the fourth quarter, new orders, deliveries, gross margins were solid in each of our operating regions. We continue to achieve price increases and saw strength in all product cost categories from entry level to move up, and in our active adult communities. Here's some color on some of the stronger markets across the country.” (Lennar Q4 2021 Earnings Call, 12/16/2021)
Lennar’s CEO predicted “you'll continue to see good (Average Sales Price) growth.” Rick Beckwitt -- Co-Chief Executive Officer and Co-President: Well, it's a combination of all those things. As we move out to some other markets that are a little bit further out, those are generally lower priced compared to sort of the more infill sales. We are adjusting and building a smaller footprint in many of our markets. And where Jon and I constantly balance with the team, pace and price. And you'll continue to see good ASP growth. (Lennar Q4 2021 Earnings Call, 12/16/2021)

Lennar’s CEO said the company wouldn't seek to accelerate new housing starts: “I don't see a lot of upside in terms of increasing start pace.” Jon Jaffe -- Co-Chief Executive Officer and Co-President: So I think, Steve, we’ve just taken a straight shot look at what we know today about our cycle times and projected production. As I said in my response to the prior question, if we do see the stabilization, I think what you'll see is a reduction in our cycle time versus a material pickup in our start pace. And if that does happen, we should lead to a pickup in closings. Relative to sales, as Stuart has commented, as Rick commented, we see a very strong sales environment. So to the extent that we change our start pace, not our closing pace for our start pace, we would adjust our sales pace to match that. But as I said, I don't see a lot of upside in terms of increasing start pace. So I would think our sales would remain pretty consistent with the way that we planned them.... And just don't see any reason to sell ahead of how we're starting homes.” (Lennar Q4 2021 Earnings Call, 12/16/2021)

Lennar's CEO: We could sell another 1,000 homes in the quarter if we wanted to without too much effort. It just doesn't make sense to do that.” Rick Beckwitt -- Co-Chief Executive Officer and Co-President: Yes. We could sell another 1,000 homes in the quarter if we wanted to without too much effort. It just doesn't make sense to do that. Jon and Stuart are exactly right. It doesn't make sense to get over our skis that we’re good skiers. The market starts to improve a little bit and the supply chain normalizes itself out, we'll close more homes. That's just the reality of the situation.” (Lennar Q4 2021 Earnings Call, 12/16/2021)

PulteGroup

PulteGroup’s CEO: “…we raised prices in 2021 and actively restricted new home sales through lot releases or similar practices….we raised prices in effectively all our communities.” Ryan Marshall -- President and Chief Executive Officer: The reality is that these numbers could have been significantly higher, but COVID and other challenges impacted our availability of lots, labor and materials, which caused us to intentionally slow sales. As part of our response strategy to these resource constraints, we raised prices in 2021 and actively restricted new home sales through lot releases or similar practices. We continue to implement these actions in the fourth
quarter as we raised prices in effectively all our communities. At the same time, we continue to restrict sales in more than half of our communities.” (PulteGroup Q4 2021 Earnings Call, 2/1/2022)

**PulteGroup President:** “The limited supply of new and existing homes allowed prices to increase by double digits last year…” “Ryan Marshall -- President and Chief Executive Officer: In other words, we enter 2022 with tremendous momentum. While demand conditions are strong, the supply side of the equation has been extremely challenging, with no clear signs as to when things will get better. The limited supply of new and existing homes allowed prices to increase by double digits last year, but labor shortages and significant disruptions in the supply chain are limiting production and extending build cycles. Our suppliers and partners are working hard to provide needed resources, but key products that are under allocation must be ordered months in advance or are simply not available.” (PulteGroup Q4 2021 Earnings Call, 2/1/2022)

**PulteGroup’s CFO said his company saw a 10% in the average sales price for its homes.** “Bob O'Shaughnessy -- Executive Vice President and Chief Financial Officer: Home sale revenues in the fourth quarter increased 38% over last year to $4.2 billion. Higher revenues for the period were driven by a 26% increase in closings to 8,611 homes, along with a 10% increase in average sales price to $490,000. The higher ASP in the quarter reflects double-digit pricing gains from all buyer groups, while closings came in slightly above guidance, thanks to the tremendous effort on the part of our homebuilding and financial services teams. Consistent with comments made throughout 2021, favorable supply and demand dynamics for housing supported the strong price appreciation we experienced across all markets and from all buyer groups.” (PulteGroup Q4 2021 Earnings Call, 2/1/2022)

**PulteGroup CFO:** “If the supply of labor and materials does not allow for increased production, we'll continue to emphasize price over pace, restrict sales as needed as we focus on driving the best returns within each community.”“Bob O'Shaughnessy -- Executive Vice President and Chief Financial Officer: If the favorable demand conditions allow us to sell in an even higher year-over-year growth rate, we'll have to see if the supply of materials and labor will be equally supportive. Based on what occurred in 2021, we want to be confident we can deliver a high-quality and complete home at closing. If the supply of labor and materials does not allow for increased production, we'll continue to emphasize price over pace, restrict sales as needed as we focus on driving the best returns within each community. As we move through 2022, we are well positioned to meet buyer demand, given our expectations for sequential increases in our community count throughout the year.” (PulteGroup Q4 2021 Earnings Call, 2/1/2022)

**PulteGroup's CFO:** “strong demand and pricing conditions in 2021 resulted in higher prices across all buyer groups, which has resulted in our average sales price in backlog increasing by 22% compared to last year.” “Bob O'Shaughnessy -- Executive Vice President and Chief Financial Officer: For the coming four quarters, we project our average community count to be 790 in Q1, 815 in Q2, 840 in Q3 and 870 in Q4. Given the land investments we've made, we
expect this trend to continue and see further community count growth in 2023. As mentioned, strong demand and pricing conditions in 2021 resulted in higher prices across all buyer groups, which has resulted in our average sales price in backlog increasing by 22% compared to last year. Given the price of homes in backlog and the mix of homes we anticipate closing, we expect our average sales price to be between $500,000 and $510,000 in the first quarter. Our average sales price should move higher as we move through the year and we currently expect our full year average sales price to be approximately $515,000. As always, the ultimate mix of deliveries can influence the average sales price we realized in any given quarter.” (PulteGroup Q4 2021 Earnings Call, 2/1/2022)

PulteGroup’s CEO said the company had “very regimented pricing discipline in the way that we break down what the competitive set is, both from a resale and a new environment, both what's on the ground as well as what we see coming into the pipeline.” “Ryan Marshall -- President and Chief Executive Officer: Yeah. Carl, it is more than local. It's probably hyper local. All of our pricing decisions are made on a community-by-community basis. But that's a company philosophy. We've got very regimented pricing discipline in the way that we break down what the competitive set is, both from a resale and a new environment, both what's on the ground as well as what we see coming into the pipeline over the next six to 12 months. So I think the tools, the methodology, the proprietary pricing algorithms that we have, we think it served us very well and we've gotten very good results from that. I think Carl, we always try to be prudent in what we do and never get too far over our skis. I think the industry has seen over the years, if you push things too far, the consumer will be pretty quick to tell you that you've gone too far and it will shut down. So in the face of potentially some more inventory coming online with some higher rates, we're going to continue to run our playbook, but take into consideration all the data that's available.” (PulteGroup Q4 2021 Earnings Call, 2/1/2022)
Even with high oil prices, oil companies are following the orders of their investors and limiting supply

The Wall Street Journal reported that three of the largest shale companies “are reporting huge profits but plan to keep oil production in low gear this year, adhering to an agreement with Wall Street.” “America's largest frackers are reporting huge profits but plan to keep oil production in low gear this year, adhering to an agreement with Wall Street, even as prices approach the $100-a-barrel mark for the first time since 2014. Three of the largest shale companies, Pioneer Natural Resources Co., Devon Energy Corp. and Continental Resources Inc., this week reported their highest annual profits in more than a decade for 2021. The companies said they collected record amounts of extra cash by hanging on to the money they earn selling oil and natural gas and reinvesting only what they needed to keep output roughly flat. All three said they would continue to limit production growth this year. (Wall Street Journal, 2/18/2022)

Devon Energy’s CEO said the company was going to keep production flat to focus on shareholders: “I want to be clear that there is no change to our cash-return playbook.” “Oklahoma-based Devon, the top performer in the S&P 500 last year, said it has expanded a share-buyback program by 60% and raised its dividend to a record level. The company also said it collected $2.8 billion in profit last year, its highest since 2007. Devon expects costs to rise 15% because of inflation and supply-chain disruptions but aims to pump about the same amount of oil as last year. ‘I want to be clear that there is no change to our cash-return playbook,’ Devon Chief Executive Richard Muncrief told investors Wednesday. ‘It will be more of the same.’” (Wall Street Journal, 2/18/2022)

One oil investor: “The only question investors should ask is why on earth would they want any U.S. (oil producer) to grow?” Ben Dell, managing partner at Kimmeridge Energy Management Co., an investor and advocate for oil companies to keep pumping flat and return cash to shareholders, said there is no reason to stray from that strategy. “The only question investors should ask is why on earth would they want any U.S. (oil producer) to grow?” Mr. Dell said. “The sector has been working. Cash flow is getting returned. This is not the time to change the (new) business model.” (Wall Street Journal, 2/18/2022)

One oil investor: “The upstream industry is not a public service industry... industry is profitable for two months, the argument is that we’re supposed to price down the product or give away margins to support the consumer.” “The upstream industry is not a public service industry,” said Ben Dell, founder of Kimmeridge Energy Management. “For 10 years we made no money. The industry is profitable for two months, and the argument is that we’re supposed to price down the product or give away margins to support the consumer.” (Bloomberg, 3/11/2022)
Chevron’s CEO told analysts the company had cut back on capital spending in favor of share buybacks and expanded dividends.

Chevron’s CEO touted a “higher dividend,” share buybacks, and a “a disciplined capital program, well below budget” as their 2021 financial priorities. “Mike Wirth -- Chairman and Chief Executive Officer: Chevron is an even better company today than we were just a few years ago. We’re showing it through our actions and our performance, which we expect to drive higher returns and lower carbon. And we intend to keep getting better. Our record free cash flow enabled us to strongly address all four of our financial priorities in 2021: a higher dividend for the 34th consecutive year; a disciplined capital program, well below budget; significant debt paydown with a year-end net debt ratio comfortably below 20% and another year of share buybacks, our 14th out of the past 18 years.” (Chevron Q4 2021 Earnings Call, 1/28/2022)

Chevron’s CEO bragged “In just two years, capex was reduced by almost half from Chevron and Noble’s pre-COVID total.” “Mike Wirth -- Chairman and Chief Executive Officer: I expect 2022 will be even better for cash returns to shareholders with another dividend increase announced this week and first quarter buybacks projected at the top of our guidance range. We’re optimistic about the future, focused on continuing to reward our shareholders while investing to grow our businesses and maintaining a strong balance sheet. We made the most of this challenging period, transforming Chevron through a well-timed acquisition and an enterprise-wide restructuring into a leaner and more productive company. In just two years, capex was reduced by almost half from Chevron and Noble's pre-COVID total.” (Chevron Q4 2021 Earnings Call, 1/28/2022)

Chevron’s CEO said the company had gone through a “structural downshift” in capital spending: "Our production guidance has not changed. And so what we have is a portfolio... which allows us to return more capital to shareholders." “Mike Wirth -- Chairman and Chief Executive Officer: Yes. It's the capital efficiency is the big driver, Alastair. So you're right. The commodity price environments in those two years are pretty similar. Cash from ops, pretty similar, although there can be some moving parts in there that are not necessarily just commodity price. But we have capital spend that is significantly down from that period of time, which means free cash flow is significantly higher. And our belief going forward, our capital guidance going forward is $15 billion to $17 billion for the next five years. It has come down from $19 billion to $22 billion pre-COVID. So that's a structural downshift. Our production guidance has not changed. And so
what we have is a portfolio that is generating free cash flow and future cash flows in a much more capital-efficient manner which allows us to return more capital to shareholders. So that's the simple story.” (Chevron Q4 2021 Earnings Call, 1/28/2022)

**Chevron's CEO:** “the last two quarters have been the best two quarters the company has ever seen. And last year was 25% higher than the best year in our history. So we increased the dividend.” “Mike Wirth – Chairman and Chief Executive Officer: Yes. We will talk about that more in March, Phil. But our longer-term view on the pricing environment hasn't changed a lot. There's a lot of resource out there that can be produced economically at prices lower than what we see today. And our breakeven reflects that. And so we are in a period of time here where cash flow is strong. As we mentioned in our comments, the last two quarters have been the best two quarters the company has ever seen. And last year was 25% higher than the best year in our history. So we increased the dividend. Debt came down significantly. And we've guided to the high end of our share repurchase range. If we continue to see an environment like this, the balance sheet doesn't need to be a lot stronger than it is today. And we've already increased the dividend and we're going to be disciplined on capital. And so that really leaves one lever left. And I think over time, you should expect us to be consistent with our history, which is returning cash through share repurchases. And at least in an environment like this, we've got ample cash to do that and sustain that well into any kind of a correction that we eventually will see. (Chevron Q4 2021 Earnings Call, 1/28/2022)

**Chevron's CEO** said “we pulled the handbrake pretty hard in 2020, we throttled a lot of things down” and that it would take time to adjust. “Mike Wirth – Chairman and Chief Executive Officer: And on 2021, Devin, there's nothing noteworthy in the profile of capex and what it was that drove the ultimate outcome, which was a little below what we had guided to. There's a lot of inertia in some of these things. And as we pulled the handbrake pretty hard in 2020, we throttled a lot of things down. And as we start to bottom out and turn that back around a little bit as we will in 2022, this system just needs to adjust to that. And so I wouldn't call out anything there that's unique or especially noteworthy. (Chevron Q4 2021 Earnings Call, 1/28/2022)

Chevron’s CEO said high prices would not lead them to raise production

**Chevron’s CEO** said “we're not going to get out ahead of ourselves chasing anything as we bring activity back up... I don't think we're going to be tempted by the price of the day to put that at risk by doing more.” “Mike Wirth -- Chairman and Chief Executive Officer: In theory, the answer to that five years ago was yes. The answer to that today is yes. We've been very focused on execution efficiency and returns. And as I said, we laid out in March of last year a profile that showed strong production growth, long plateau, strong returns and capital efficiency. We'll update that again here in the new year at March. But this is an asset that just continues to look as
good as we’ve portrayed it to you, and we’re not going to get out ahead of ourselves chasing anything as we bring activity back up from $2 billion last year to $3 billion. That's a 50% increase in capital spend. I mentioned that we're going to see a 50% increase in wells put on production in '22 versus ‘21. That is a meaningful step-up in activity, and we want to execute that well. And so I don't think we're going to be tempted by the price of the day to put that at risk by doing more. And I think Pierre already addressed inflation. I don't know, Pierre, if there's anything else you'd like to say on either of those topics. (Chevron Q4 2021 Earnings Call, 1/28/2022)

When pressed on whether Chevron would invest more in production, the CEO demurred: “we intend to stay within that range as we've guided.” “Mike Wirth -- Chairman and Chief Executive Officer: And on longer-term capex, if I caught your question, Jason. Look, we give this range of $15 billion to $17 billion we've put out there. We're at the low end of the range this year. Now that's a 30% step-up from where we finished 2021. And as I mentioned earlier, in a place like the Permian, it's a 50% step-up. So it's not a trivial change, but it's still a very disciplined approach to that business. And we intend to stay within that range as we've guided. Can we move around within it? Yes.” (Chevron Q4 2021 Earnings Call, 1/28/2022)

Chevron CEO: “I think the overarching message that investors should take away is, we're going to stay disciplined on capital. We're not chasing price.” “Mike Wirth -- Chairman and Chief Executive Officer: Can that include additional short cycle? Yes. And as the project in Kazakhstan winds down, that opens up some capacity within that range to allocate capital to other high-return investments. And so we’ve got plenty of levers to pull. But I think the overarching message that investors should take away is, we’re going to stay disciplined on capital. We're not chasing price. We're improving returns and you can count on us to continue to do that. And we should generate very strong free cash flow in this environment.” (Chevron Q4 2021 Earnings Call, 1/28/2022)

Chevron’s CEO told Bloomberg: “We could afford to invest more. The equity market is not sending a signal that says they think we ought to be doing that.” “One reason executives are wary to plow investment dollars into new supply is shareholders haven’t shown they’re in their corner. They want cash returned to them immediately rather than seeing it re-invested in new developments. Although soaring commodities markets are “signaling we could invest more,” equity prices are sending boardrooms a different sign, Wirth said. “There are two signals I’m looking for and I’m only seeing one of them” right now, he said. “We could afford to invest more. The equity market is not sending a signal that says they think we ought to be doing that.”” (Bloomberg, 9/15/2021)
ConocoPhillips said it was seeking a “disciplined kind of growth” in their oil production

ConocoPhillips said the company was not seeking to increase production quickly: “companies like ours and other large companies kind of think more of a sustainable growth rate.” Tim Leach -- Executive Vice President of Lower 48: Yeah. I don't really have a whole lot to add other than to just remind you that underlying decline rate on the Permian is pretty substantial. And so, the increase in activity that we've seen from the privates and such will generate more production, and you've seen that show up in the numbers. But I think companies like ours and other large companies kind of think more of a sustainable growth rate because that's really where you get your efficiency is a disciplined kind of growth that allows you to move down the learning curve and lower your cost of supply. ” (ConocoPhillips Q4 2021 Earnings Call, 2/3/2022)

ConocoPhillip’s CEO said he was “concerned” and “worried” about the possibility of increasing oil supply in the US

A Wall Street analyst asked ConocoPhillips “are you concerned about the U.S. going back to that level of growth, given the recent history of growth for growth's sake?” Doug Leggate -- Bank of America Merrill Lynch -- Analyst: Thank you. Good morning. Happy New Year, everybody. Ryan, I want to come back to your comments about the Permian. And I just want to ask you philosophically, are you concerned about the U.S. going back to that level of growth, given the recent history of growth for growth's sake? And we all know how Saudi responded to that in that global market, which despite the post-COVID recovery, still has a relatively pedestrian long-term growth outlook. And how does that play into your strategy? ” (ConocoPhillips Q4 2021 Earnings Call, 2/3/2022)

ConocoPhillips CEO: I am absolutely concerned...certainly, if we're getting back to the level of growth in the U.S. that if you're not worried about it, you should be and be thinking about.” Ryan Lance -- Chairman and Chief Executive Officer: Yeah. Doug, thanks. No, I am. I think that sits very -- not so much at the back of our mind, but right at the front of our mind, I am absolutely concerned about. I think the one change maybe relative to late 2014 and '15, the last time we were kind of at these levels is just what is the spare capacity sitting in the OPEC+ group. It was quite a different number back at that point in time, and you can -- we can all debate what that number is. And the fact that the inventories are down quite a bit globally and certainly here in the U.S. So, I think there's a little bit of time that we have associated with that. But certainly, if
we're getting back to the level of growth in the U.S. that if you're not worried about it, you should be and be thinking about. ” (ConocoPhillips Q4 2021 Earnings Call, 2/3/2022)

The analyst replied “Yes. Well, I hope your peers are listening.” “Doug Leggate -- Bank of America Merrill Lynch -- Analyst: Yes. Well, I hope your peers are listening. ” (ConocoPhillips Q4 2021 Earnings Call, 2/3/2022)

ConocoPhillips stopped hedging so shareholders could “fully capture the upside of” high oil prices

ConocoPhillips CEO said the company was no longer hedging prices because “shareholders ought to expect full exposure to the upside that we're experiencing to date.”“Ryan Lance -- Chairman and Chief Executive Officer: Yeah, we're unhedged, Neal. We think shareholders buy our shares because of the upside that it represents in the commodity price and the torque that we have to the upside in the way we set up the company. So, no, we prefer to remain unhedged, and frankly, hedging would do little help. So, we have a very strong balance sheet, which helps us on the downside, and shareholders ought to expect full exposure to the upside that we're experiencing to date.” (ConocoPhillips Q4 2021 Earnings Call, 2/3/2022)

ConocoPhillips's CEO said the company was no longer hedging for lower prices: “we expect to fully capture the upside of the current price environment.” “Ryan Lance -- Chairman and Chief Executive Officer: Now, demonstrating this point and appreciating that it's helpful for the market to have an accurate sense of our stronger CFO generating capacity, at a WTI price of $75 a barrel with a $3 differential to Brent and a Henry Hub price of $3.75, we estimate our 2022 full-year cash from operations would be approximately $21 billion, which reflects us reentering a tax-paying position in the U.S. this year at those price levels. And our free cash flow for the year would be roughly $14 billion. And of course, we continue to be unhedged across our global diverse production base, so we expect to fully capture the upside of the current price environment. ” (ConocoPhillips Q4 2021 Earnings Call, 2/3/2022)

CONTINENTAL RESOURCES

Continental Resources's CEO said the company was limiting production growth and warned of oversupply

Continental Resources CEO: “We will maintain our capital discipline, and we project generating flat to 5% annual production growth over the next 5 years.”“WILLIAM B. BERRY,
CEO & DIRECTOR, CONTINENTAL RESOURCES, INC: First, we are committed to expanding return of capital to shareholders and continuing to deliver industry and S&P 500 competitive ROCE. In 2021, we delivered record free cash flow and a 14.6% ROCE, which is significantly above the S&P 500 average. In 2022, we are positioning ourselves to deliver another exceptional year with a projected 21% return on capital employed. Our highly accretive acquisitions are further expanding our high-quality inventory and continues to deliver what our investors want: geologic and geographic diversity and commodity optionality that makes our company both competitive and unique. We will maintain our capital discipline, and we project generating flat to 5% annual production growth over the next 5 years, as we have previously noted.” (Continental Resources Q4 2021 Earnings Call, 2/15/2022)

Continental Resources CEO: “we don't see any reason for anybody to be able to produce in an oversupplied market... you're still seeing that there is excess production capacity that's out there.” “WILLIAM B. BERRY: Yes, I think in the past, Nitin, if you look at what the comments we've made in this respect is that we don't see any reason for anybody to be able to produce in an oversupplied market. And historically, that's been the case, and you're still seeing that there is excess production capacity that's out there. I know we're all trying to understand what's happening with Russia and what it's up to. There's been a bit of a war premium in there that maybe has driven the price up a little bit. That's not good for the world. It's not good for the industry. But that is something that we look at continuously, what's the right approach. And you see us move from commodity to commodity, oil versus gas, and sometimes we'll move it back and forth as far as a BOE reduction basis. But we're real comfortable in that 0% to 5% range. That's probably the appropriate range for us to be looking at long term.” (Continental Resources Q4 2021 Earnings Call, 2/15/2022)
Continental Resources said their production growth plan was based on $35 a barrel oil. “JACK H. STARK, PRESIDENT, CONTINENTAL RESOURCES, INC.: Our recent expansion into the oil-weighted Permian and Powder River Basin has increased our geologic and geographic diversity of our portfolio, adding over 2,000 net undeveloped locations and over 1.5 billion barrels of net resource potential to our already robust inventory. As it stands today, our existing inventory can grow our production at 5% per year for the next 10 years at an average cost of supply of $35 per barrel. This is approximately $5 lower than our average cost of supply 3 years ago, which demonstrates the operating and capital efficiencies our teams have achieved and the increasing performance of our inventory. (Continental Resources Q4 2021 Earnings Call, 2/15/2022)

DELEK

Delek executives told analysts the industry was being disciplined about production

Delek US Holdings: “The producers are saying that they are going to be disciplined. I honestly think that they will be a little more disciplined than in the past.” “EZRA UZI YEMIN: I think you actually said it right, all aspects. All I need to say is yes, but let me make it a little broader. If we see what happened in 2015, 2016, we go by history, when -- we all remember that Thanksgiving Day when the Saudis decided to flood the market, and that was the day that we started to see crude coming down. Then in -- oil prices coming down. And then when they change their strategy, producers start to bring rigs back, and production went up. And that led to our best year so far in 2017, '18 and '19, of course, because differentials were very strong, $10, $12, $14. We are in overbuilt situation of, call it, 2 million barrels right now. The producers are saying that they are going to be disciplined. I honestly think that they will be a little more disciplined than in the past.” (Delek US Holdings Q4 2021 Earnings Call, 2/24/2022)

DEVON

Devon executives mentioned “capital discipline,” focusing their resources on “margin enhancement”

Devon’s CEO touted the company’s “unyielding commitment to capital discipline, and the groundbreaking deployment of our industry-leading cash return business model.” “Rick Muncrief -- President and Chief Executive Officer: Thank you, Scott. It's great to be here this morning. We appreciate everyone taking the time to join us on the call today. For Devon Energy, 2021, as a transformational year that can best be defined by our willingness to be a first mover
and pursue bold strategic consolidation. Our operational excellence and unyielding commitment to capital discipline, and the groundbreaking deployment of our industry-leading cash return business model, underpinned by our fixed plus variable dividend.” (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

Devon’s CEO: “These margin expansion efforts, combined with a disciplined capital allocation framework that prioritize value over volumes, resulted in Devon generating the highest level of free cash flow in our prestigious 50-year history.” “Rick Muncrief -- President and Chief Executive Officer: These margin expansion efforts, combined with a disciplined capital allocation framework that prioritize value over volumes, resulted in Devon generating the highest level of free cash flow in our prestigious 50-year history. With this powerful stream of free cash flow, we delivered on exactly what our shareholder-friendly business model was designed for, and that is to leave the industry in cash returns.” (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

A Devon executive said “while 2021 was a record-setting year for Devon, the setup for 2022 is even better,” noting that they could sustain current production if prices reached as low $30 a barrel. “Now turning to slide six, while 2021 was a record-setting year for Devon, the setup for 2022 is even better. With the operational momentum we’ve established, we have designed a capital program to efficiently sustain production at a ultra-low WTI breakeven funding level of around $30 a barrel. Combined with the full benefit of merger-related costs synergies and a vastly improved hedge book, we’re positioned to deliver free cash flow growth of more than 70% compared to 2021. As you can see on the graph, the strong outlook translates into a free cash flow yield of 14%, assuming an $85 WTI price. Play will run through the details of our operating plan later but simply put, we expect 2022 to be another great year for Devon. Turning your attention to slide seven, with this significant stream of free cash flow, the top priority for our free cash flow is the funding of our fixed plus variable dividend.” (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

Devon executives said the company used profits to expand buybacks and dividend

Devon’s CFO bragged about the company’s dividend, saying “This payout represents the highest quarterly payout in Devon’s history.” “Jeff Ritenour -- Chief Financial Officer: As Rick covered earlier, in conjunction with our earnings report, we announced a fixed plus variable dividend of $1 per share that is payable in March and includes the benefit of our 45% raise to the fixed dividend. This payout represents the highest quarterly payout in Devon’s history. Another avenue that we’re returning cash to shareholders through is the execution of our share repurchase program. Since we initiated the program in November, we’re off to a great start by repurchasing $14 million shares at a total cost of $589 million.” (Devon Energy Q4 2021 Earnings Call, 12/31/2021)
Devon's CEO: “we felt like the clear thing for us to do is to double down on our share repurchases.” “Rick Muncrief – President and Chief Executive Officer: Well, that's always an interesting question. And today, once again, I'll go back to the curve. If you're a seller, I mean, you're wanting to sell at today's prices. If you're a buyer, you have to honor that curve. And that's it's kind of an interesting time. So that's why as we talked here among this management team and with our board, we felt like the clear thing for us to do is to double down on our share repurchases. As we think about assets, it might be out in the market. Gosh, we just don't see anything that really competes with what we have. And so that's why we've doubled down on it.” (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

*Devon executives said the company was no longer seeking to expand production*

Devon’s CEO said the company was not focused on increasing production: “we've been so focused on remaining very, very disciplined, keeping our budget volumes flat, operating in a maintenance capital standpoint. I think that's the right till we get some real clear indication otherwise.” “Rick Muncrief – President and Chief Executive Officer So that's why we've been so focused on remaining very, very disciplined, keeping our budget volumes flat, operating in a maintenance capital standpoint. I think that's the right till we get some real clear indication this otherwise. So, Clay, you may add anything to that.” (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

Devon’s COO: “remember that we are growing in the Permian, at the same time, we're keeping our overall production flat.” Clay Gaspar – Chief Operating Officer: Yeah, appreciate that. What I was just going to add, I remember that we are growing in the Permian, at the same time, we're keeping our overall production flat. And I think it's kind of, you have to watch the headlines and what's the overall trend? I believe that's the right mix for us with our assets, with our portfolio. Specific to Permian growth, because that's definitely the hot basin.” (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

Devon’s CFO said the company had “fundamentally changed” from the time when “we were spending all of our cash flow in an attempt to grow at a double-digit type rate.” “Jeff Ritenour – Chief Financial Officer: “Yeah, thanks, Paul. Great question and I would tell you really no material change to our philosophy from what we talked about on the last call back in the fall. Just to give you a little bit of a foundation for where we sit today, we're roughly about 25% hedged on oil, and about 30%, 35% percent on gas. We think that's an appropriate level given our financial strength and the margin of safety that we have on with our low reinvestment rate of our kind of our base business model, so you've heard me talk about that in the past. The thing that's fundamentally changed in our business versus 2, 3, 4 years ago, is in the past we were spending all of our cash flow in an attempt to grow at a double-digit type rate, which was competitive with the broader
sector. Today, with the lower reinvestment ratio and the steady-state level of activity, it just creates a margin of safety for us in our business to where even if prices pull back, it doesn't alter our activity." (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

A Wall Street Analyst praised Devon’s CEO for promising to limit production growth

A Wall Street Analyst asked if the company would remain committed to “sub 5% oil growth if commodity prices stay at today's levels into 2023 and beyond?” “Nittin Kumar -- Wells Fargo Securities -- Analyst: Hi. Good morning, Rick, and congrats on the successful quarter. You've come a long way since the merger as you said in your prepared remarks, but you're generating about $60 per barrel in free cash. Given your breakevens, you've talked about a market-leading yield for income investors. Imagine wellhead economics are pretty attractive to raise prices. So the question I have is, how committed are you to sub 5% oil growth if commodity prices stay at today's levels into 2023 and beyond? And maybe when do you think you have the license to grow again? (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

Devon’s CEO: “the 5% that we laid out at the time of the announcement of the merger, that still holds, that's the max.” “Rick Muncrief -- President and Chief Executive Officer: Well, that's a good question. I think that and what I would just point to is and I try to articulate this, pretty routinely, is if we do put a lot of we would do put a lot of faith into the shape of the curve, and sometimes you can debate where the absolute points on a curve are. But when you see such steep backwardation, and you start thinking about trying to add activity, by the time you bring old barrels on, I mean, let's face it, it is going to be a while down the road. So we think for us, the 5% that we laid out at the time of the announcement of the merger, that still holds, that's the max. And we really, to be honest with you, there's so much uncertainty, probably as you look out in the outer years, I think for us, look, we'll stick to our knitting and maintain that makes that 5%” (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

The analyst responded: “Great, I think that's the answer most people want to hear.” “Nittin Kumar -- Wells Fargo Securities -- Analyst: Great, I think that's the answer most people want to hear.” (Devon Energy Q4 2021 Earnings Call, 12/31/2021)

DIAMONDBACK ENERGY

Diamondback Energy's CEO said high prices and “capital discipline” had accelerated returns to shareholders
Diamondback’s CEO: 2021 was a great year for Diamondback and our industry with higher product prices, allowing the vast majority of our industry to... accelerate returns to shareholders”  “Travis Stice -- Chairman and Chief Executive Officer: Thank you, Adam, and welcome to Diamondback’s fourth quarter earnings call. 2021 was a great year for Diamondback and our industry with higher product prices, allowing the vast majority of our industry to: one, repair and improve balance sheets quickly; two, accelerate returns to shareholders; and three, make significant progress on environmental objectives. At Diamondback, we reduced our absolute debt by $1.3 billion, increased our base dividend every quarter, initiated a return of capital framework and announced ambitious environmental goals designed to help us earn our environmental license to operate. In the fourth quarter alone, buoyed by commodity price strength, Diamondback generated $772 million of free cash flow with production and capital, both positively exceeding expectations.” (Diamondback Energy Q4 2021 Earnings Call, 12/31/2021)

Diamondback’s CEO: “We are at the beginning of an incredible period of value creation for the industry, and I’m confident that the capital discipline demonstrated by us and our peers in 2021 will continue, putting returns and, therefore, shareholders first.” “Travis Stice -- Chairman and Chief Executive Officer: We returned 67% of this free cash flow to stockholders, which was above our commitment to return at least 50% of our free cash flow to shareholders quarterly. We are at the beginning of an incredible period of value creation for the industry, and I’m confident that the capital discipline demonstrated by us and our peers in 2021 will continue, putting returns and, therefore, shareholders first. We believe this is the best near-term path to equity value creation as our shift from a consumer of capital to a net distributor of capital cements itself as our long-term business model. (Diamondback Energy Q4 2021 Earnings Call, 12/31/2021)

Diamondback’s CFO said investors were driving capital spending: “our large shareholders universally have said they want a base dividend that's protected below $40 oil.” “Kaes Vant Hof -- President and Chief Financial Officer: Yes. We look at it more on the breakeven side. So pre-dividend breakeven right now, $30 a barrel. I think that number stays fairly consistent here over the coming years as capital efficiency stays strong, base declines are reduced. And then above that, our large shareholders universally have said they want a base dividend that's protected below $40 oil. Right now, the base dividend was protected at $35. That will go up over time, but you also might have less shares over time, less debt. So that frees up some more cash to go to the dividend. (Diamondback Energy Q4 2021 Earnings Call, 12/31/2021)

Diamondback repeatedly said no plan to increase production, saying it could risk shareholder returns
Citing potential Iranian oil, Diamondback’s CEO said “we have no reason to put growth before returns. Our shareholders, the owners of our company, agreed. And as a result, we will continue to be disciplined, keeping our oil production flat this year.” “Travis Stice -- Chairman and Chief Executive Officer: However, the global balance remains tenuous at best with up to one million barrels per day of additional Iranian barrels potentially coming online sometime this year and U.S. growth expectations continuing to climb higher, led by private companies and more importantly or more recently majors. Both of these supply factors could be bearish signals for oil. Therefore, Diamondback’s team and board believe that we have no reason to put growth before returns. Our shareholders, the owners of our company, agreed. And as a result, we will continue to be disciplined, keeping our oil production flat this year. As such, our plan for this year is simple. Maintain oil production of approximately 220,000 barrels per day by spending between $1.75 billion and $1.9 billion. (Diamondback Energy Q4 2021 Earnings Call, 12/31/2021)

Diamondback’s CFO: “We’re certainly doing our part, not growing. I wish other people would grow less in the Permian too but that’s a different topic.” “Kaes Vant Hof -- President and Chief Financial Officer: Yes. I mean I think, Arun, unlike the past, I think we have the size and scale now to contribute to pipelines and make sure it happens. We’re certainly doing our part, not growing. I wish other people would grow less in the Permian too but that’s a different topic. (Diamondback Energy Q4 2021 Earnings Call, 12/31/2021)

Diamondback’s CEO: “even with the announced growth from the majors, I’m not sure that the total barrels that they’re producing are growing into the global equation. So that’s kind of a plus.” “Travis Stice -- Chairman and Chief Executive Officer: Well, look, I pointed out that on a global sense, the supply demand is pretty tenuous. And even with the announced growth from the majors, I’m not sure that the total barrels that they’re producing are growing into the global equation. So that’s kind of a plus. Now right here to look out my window, I know that the Permian is running about 300 rigs right now. We’re probably on the way to 350 or 400 rigs by the end of this year. And a large portion of that, of those rigs have been operated by Permian. But I think some of the growth you’re seeing on a go-forward basis will be from the majors. We’ve already talked about gas pipeline takeaway issues and a little bit on the NGLs, which I think Diamondback has been on our front foot, getting some strategic alliances there, and oil take away is in great shape, but it is going to create inflationary pressures.” (Diamondback Energy Q4 2021 Earnings Call, 12/31/2021)

Diamondback’s CEO: “I don’t know what the right level of growth will be or when it’s going to occur. I can tell you definitively right now, what’s being valued by our investors is a shareholder return program. And no one wants to see that shareholder return program put at risk with volume growth.” “Travis Stice -- Chairman and Chief Executive Officer: Yes. I don’t know what the right level of growth will be or when it’s going to occur. I can tell you definitively right now, what’s being valued by our investors is a shareholder return program. And no one wants to
see that shareholder return program put at risk with volume growth, not for Diamondback specifically for our industry in total. So look, the world will be calling for oil growth at some point in the future. And our industry is going to have to figure out the right way to respond while not putting the shareholder return program at risk. We've spent the last decade consuming capital and now we've got a little bit of sunshine in us where we can return that capital to our investors that have been waiting patiently and sometimes impatiently for this return. So it's a good question to ask, Leo, but I can't give you the time at which Diamondback or the industry is going to respond to growth. But I'll tell you, when we do, it's going to be in conjunction with creating unreasonable value for our shareholders. (Diamondback Energy Q4 2021 Earnings Call, 12/31/2021)

Diamondback’s CEO defended pessimistic projections on the price of oil: “the other thing is if we're wrong and oil price is higher, we're going to generate a lot of free cash flow, and our investors are going to get a lot of that return to them.” “Travis Stice -- Chairman and Chief Executive Officer: Yes. We asked that question every day. But one of the things that's -- when I ask that question, one of the responses I got was, what do you think the average price was for the last seven years, and that's $53 a barrel. It's really easy to get you fork about $90-plus oil. And in fact, I've seen -- I think I'm seeing some of that for you in our industry right now, certainly in the commentary that's out there. But we know geopolitically, there's dollars that are in today's oil price that God willing will be resolved without arms conflict. We know that there's Iranian barrels that are probably coming on, I said, by the end of the year, but it may be at the end of this month. And we've got this further in the Permian Basin that's continuing to lift U.S. production forecast. And while OPEC hasn't performed up to their 400,000 barrels per day per month production increases, but I think they're getting closer to it. And I don't know what their surplus is, but it's not zero yet. So all of those things, to me, you add them together actually seem to be a little bit more bearish for crude than it does to be optimistic. And the other thing is if we're wrong and oil price is higher, we're going to generate a lot of free cash flow, and our investors are going to get a lot of that return to them. And if I'm right, then we've protected our investments, and we've made the right decisions. So $60, I don't know that it's a hard and fast number, but it's kind of the aperture at which we start all of our decisions on investments, whether it's M&A or drilling wells or share buybacks.” (Diamondback Energy Q4 2021 Earnings Call, 12/31/2021)

Diamondback called for industry consolidation

Diamondback’s CEO called for further industry consolidation: “I wish I could articulate clearly what the catalyst is going to be that allows consolidation to occur because it's needed in our industry.” “Travis Stice -- Chairman and Chief Executive Officer: Yes, Neil. That's a good question. And it's really hard for me to see how kind of the excess of G&A that still exists in the Permian, how all of that gets consolidated. I wish I could articulate clearly what the catalyst is going to be
that allows consolidation to occur because it's needed in our industry. That being said, there's a
lot of companies that had one foot in the -- whistling through the graveyard with one foot in the
grave. And now a couple of years later, oil is at $90 a barrel and they're expecting to sell out and
get value on future cash flows at $90 a barrel.” (Diamondback Energy Q4 2021 Earnings Call,
12/31/2021)

*Diamondback said it had cut production to reduce methane flaring, calling on others to
do the same*

Diamondback's CFO: “One thing to add is we also deferred 0.5 million barrels of oil last year. I
mean we're trying to do our part here,” citing the issue of flaring. “Kaes Vant Hof -- President
and Chief Financial Officer: Yes. One thing to add is we also deferred 0.5 million barrels of oil last
year. I mean we're trying to do our part here, Derrick. We deferred 850,000 BOEs, 0.5 million
barrels of oil because of flaring. We're just kind of asking that both sides, midstream and
upstream get together to solve this industry issue.” (Diamondback Energy Q4 2021 Earnings Call,
12/31/2021)

Diamondback's CEO: “We deferred over 0.5 million barrels last year just to avoid flaring. And
that's a behavior that represents a substantial pivot for Diamondback.” “Travis Stice --
Chairman and Chief Executive Officer: And that shouldn't be lost, Derrick. That's a very key point.
Think about that. We deferred over 0.5 million barrels last year just to avoid flaring. And that's a
behavior that represents a substantial pivot for Diamondback and a substantial pivot if our peers
follow suit for our industry. And what I believe you're seeing, Derrick, is you're seeing
environmental stewardship more of -- more companies are viewing it as an operating philosophy
as opposed to an expense, which it was historically or hit the volumes.” (Diamondback Energy Q4
2021 Earnings Call, 12/31/2021)

**EXXON MOBIL**

*Exxon Mobil emphasized the firm's “capital discipline”*

ExxonMobil's CEO bragged about their “capital discipline,” saying their breakeven price was
now as low as $35 a barrel. “Darren Woods -- Chairman of the Board and Chief Executive
Officer: We maintained our disciplined approach to investments, focused on competitively
advantaged low cost of supply opportunities, and on growing our portfolio of high-value
products. Capex was $16.6 billion for the year, which was near the low end of our guidance. As a
result of our cost reductions, improved efficiency, and capital discipline, we've lowered our Brent
breakeven price to $41 per barrel. We're continuing to drive that down even more, expecting to average $35 a barrel between now and 2027.” (ExxonMobil Q4 2021 Earnings Call, 2/1/2022)

ExxonMobil used high prices to expand share buybacks and dividends

ExxonMobil’s CFO said the of the “continued positive market environment, that would cause us to increase the pace of the share repurchase program.” “Kathy Mikells -- Senior Vice President, Chief Financial Officer: Sure. So, look, our capital allocation priorities remain the same, right? First, let's make sure we're investing in the high-return assets and products across the business from Guyana to chemical performance products to biofuel. Second, really continuing to strengthen the balance sheet I talked about on the third quarter. And we continue to look out to our term debt maturities with an eye to paying those down in 2022 and continuing to sustain the strong dividend that we have, and then, obviously, returning further available cash to shareholders. We would have started the 10 billion share repurchase program at the beginning of the year, what I would have described as an equal pay against the 24-month, you know, longer-term time frame. As we assess both our year-end results, where we ended up in terms of net debt looking at the continued positive market environment, that would cause us to increase the pace of the share repurchase program. You know, and as I stand here today, I'd say increasing the pace with the faster end of that 12- to 24-month pace in mind. We will continue to evaluate the program and the pace throughout the year.” (ExxonMobil Q4 2021 Earnings Call, 2/1/2022)

ExxonMobil’s CEO: “we increased the annual dividend for the 39th consecutive year and announced a $10 billion share repurchase program that started last month.” “Darren Woods -- Chairman of the Board and Chief Executive Officer: Cash flow from operating activities increased to $48 billion, the highest since 2012. We used the available cash to restore our balance sheet, essentially paying back what we borrowed in 2020, reducing our debt-to-capital ratio to about 21%. As a result of our restored financial strength, we increased the annual dividend for the 39th consecutive year and announced a $10 billion share repurchase program that started last month. Overall, a strong list of accomplishments.” (ExxonMobil Q4 2021 Earnings Call, 2/1/2022)

MARATHON

Marathon’s CEO told analysts the company chose to focus on returns to investors over increasing production
Marathon’s CEO boasted “Our cash flow-driven return of capital framework uniquely prioritizes our shareholders as the first call on cash flow generation, not the drill bit.” “Lee Tillman -- Chairman, President, and Chief Executive Officer: There are a few key messages I want to highlight today. First, after accelerating our balance sheet objectives through gross debt reduction, fourth quarter transitioned to a focus on returning a compelling amount of capital to our equity investors. Our cash flow-driven return of capital framework uniquely prioritizes our shareholders as the first call on cash flow generation, not the drill bit. And our recent actions underscore both our commitment to prioritizing our shareholders and the power of our portfolio in a constructive price environment. ” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon’s CEO touted its returns to investors: “While others in our space may once again be focused on growing their production, we are focused on growing the per share financial metrics that matter most to our equity valuation, our cash flow per share and our free cash flow per share. “Lee Tillman -- Chairman, President, and Chief Executive Officer: The outcomes speak for themselves. During the fourth quarter, we returned over 70% of our cash from operations or more than $800 million to our equity investors, significantly exceeding our minimum 40% commitment. To clarify, that 70% of our cash flow from operations, not our free cash flow. That $800 million actually equates to around 90% of our free cash flow during the fourth quarter. In total, we have now executed $1 billion of share repurchases since October, driving an 8% reduction to our outstanding share count in just four and a half months. While others in our space may once again be focused on growing their production, we are focused on growing the per share financial metrics that matter most to our equity valuation, our cash flow per share and our free cash flow per share. Further, we continue to believe buybacks remain an excellent use of capital. Dane will discuss our perspective in more detail, but to summarize, we see good value in our shares.” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon’s CEO implied high oil prices were a reason to funnel even more money to investors: “we must deliver truly outsized free cash flow and return of capital versus the S&P 500 when we experienced constructive commodity price support as we are seeing today.” “Lee Tillman -- Chairman, President, and Chief Executive Officer: As I’ve said before, for our company and for our sector to attract a broader universe of investors, we must deliver competitive financial performance with other investment opportunities in the market as measured by free cash flow generation and return of capital even when commodity prices are much lower than they are today, all the way down to $40 to $50 WTI range. We believe we have built that type of resilience into our business. And we must deliver truly outsized free cash flow and return of capital versus the S&P 500 when we experienced constructive commodity price support as we are seeing today. Our 2021 results are a strong testament to this mandate.” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)
Marathon Oil executives cited the company’s “disciplined capital allocation framework” the limited production growth

Marathon’s CEO: “Our $1.2 billion 2022 capital program is fully consistent with our disciplined capital allocation framework that prioritizes sustainable free cash flow generation and per share accretion over production growth.” “Lee Tillman -- Chairman, President, and Chief Executive Officer: My third key message today is that this peer-leading financial and operational performance we have been delivering is sustainable. Our $1.2 billion 2022 capital program is fully consistent with our disciplined capital allocation framework that prioritizes sustainable free cash flow generation and per share accretion over production growth. We expect to deliver over $3 billion of free cash flow at a reinvestment rate of less than 30%, assuming $80 WTI and $4 Henry Hub prices at a discount to the current forward curve. ” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

A Marathon executive emphasized “our disciplined capital allocation framework that prioritizes corporate returns and free cash flow generation over production model.”“Mike Henderson -- Executive Vice President of Operations: Thanks, Dane. In 2022, we fully expect to once again deliver peer-leading financial and operating results. Our $1.2 billion capital program with details summarized on Slide 13, is fully consistent with our disciplined capital allocation framework that prioritizes corporate returns and free cash flow generation over production model. We expect our 2022 program to deliver over $3 billion of free cash flow at a reinvestment rate of less than 30%, assuming $80 WTI and $4 Henry Hub. As Dane just mentioned, by staying disciplined and maintaining a low reinvestment rate, we expect to exceed our minimum return of capital commitment of 40% of cash flow from operations. ” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon CEO said “we don't expect to pay U.S. federal cash income taxes until the second half of the decade, an advantaged outlook versus most peers.” “Lee Tillman -- Chairman, President, and Chief Executive Officer: Our focus will remain on free cash flow generation, return of capital and per share financial metrics. Second, we have an attractive hedge book that preserves our cash flow upside. And third, we don't expect to pay U.S. federal cash income taxes until the second half of the decade, an advantaged outlook versus most peers. ” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon Oil repeatedly said their top priority was sending as much cash to to its shareholders as possible
Marathon’s CFO stressed “our shareholders will get the first call on cash generation.” “Dane Whitehead -- Executive Vice President and Chief Financial Officer: As a reminder, our framework calls for delivering a minimum of 40% of cash flow from operations to our equity holders when WTI is at or above $60. This represents a return of capital commitment at the top of our E&P peer space and that is competitive with any sector in the S&P 500. Importantly, as Lee mentioned, our return on capital targets are based on our cash flow from operations and not on our free cash flow. This is purposeful, intended to make clear that our shareholders will get the first call on cash generation. “ (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon’s CFO: “By staying disciplined and by maintaining a low reinvestment rate, we protect a significant percentage of our CFO for shareholder distributions.“ “Dane Whitehead -- Executive Vice President and Chief Financial Officer: Additionally, it's consistent with our reinvestment rate-driven approach to capital spending. By staying disciplined and by maintaining a low reinvestment rate, we protect a significant percentage of our CFO for shareholder distributions. While frameworks and commitments are important, we believe establishing a consistent track record of delivery quarter in and quarter out, is ultimately key to building and maintaining trust and credibility with the marketplace. We have a multiyear track record of returning significant capital to our shareholders and are especially proud of our accomplishments in 2021. “ (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon’s CFO predicted they will “continue to repurchase shares through the cycle, including when we experienced commodity price pullbacks.” “Dane Whitehead -- Executive Vice President and Chief Financial Officer: We also believe the disciplined share repurchases offer clear strategic advantages. They can drive strong underlying growth in per share metrics that are correlated with shareholder value, including cash flow per share and free cash flow per share. We also offer clear synergies with our base dividend as the reduction in shares outstanding creates capacity, incremental base dividend growth without raising our free cash flow breakeven. And given the tremendous downside resilience we’ve built into our business, we can continue to repurchase shares through the cycle, including when we experienced commodity price pullbacks, and that’s a very different dynamic than during past cycles. “ (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon executives stressed they would not raise production in response to high oil prices

Marathon executive: “We are not allocating any production growth capital in 2022 and expect our total company oil and oil equivalent production to be flat with the 2021 full year averages.” “Mike Henderson -- Executive Vice President of Operations: Included within our Permian program is the continued disciplined progression of our emerging Texas Delaware oil
fleet with a planned four-well appraisal plan later in the year. I'm excited about the restart of a more steady activity level in both Permian and Oklahoma and the strong economics associated with these opportunities. We are not allocating any production growth capital in 2022 and expect our total company oil and oil equivalent production to be flat with the 2021 full year averages. Yet, while we aren't growing absolute production levels, the 8% reduction to our share count we've already achieved is driving significant growth to our production per share cash flow per share and free cash flow per share." (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

**Marathon:** “While we expect our full year 2022 average production for both oil and oil equivalent to be flat versus the prior year.” “Mike Henderson -- Executive Vice President of Operations: Metrics we believe are highly correlated with shareholder volume. While we expect our full year 2022 average production for both oil and oil equivalent to be flat versus the prior year. There will be some natural variability from one quarter to the next, largely a result of well timing that is typical for our short-cycle business. For any given quarter, it is reasonable to expect a plus or minus 5% variance around the midpoint of our full year production guidance.” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon executive: “I want to make clear that should commodity prices continue to surprise to the upside, we will remain disciplined and have no plans to allocate production growth capital.” “Mike Henderson -- Executive Vice President of Operations: I want to make clear that should commodity prices continue to surprise to the upside, we will remain disciplined and have no plans to allocate production growth capital. With a balanced exposure to oil, natural gas and NGLs, our company retains significant leverage to commodity price upside with a $1 per barrel increase in oil price, translating to around $60 million incremental free cash flow. We believe preserving this upside is important for our investors. The resilience of our 2022 program is underscored by a free cash flow breakeven well below $35 per barrel WTI, assuming conservative gas and NGL prices. A hedge book that preserves our upside commodity exposure and an advantaged U.S. cash tax position with no U.S. federal cash income taxes expected until the second half of the decade. I will now turn it over to Lee, who will provide an ESG update, and we'll close out our prepared remarks.” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon’s CEO bragged that executive compensation was no longer tied to production targets, but was now connected tp “free cash flow performance” to align with “shareholder value.” “Lee Tillman -- Chairman, President, and Chief Executive Officer: On governance, we believe we have taken a leadership role in aligning executive compensation with the most important drivers of shareholder value. I've covered the comprehensive changes we made for the 2021 compensation cycle previously, including quantum reductions and redesign short-term and long-term incentive programs. So I won't revisit all of those details today. However, I will remind everyone that we've eliminated production metrics from all scorecards and have included unique free cash flow performance stock units and our executive long-term incentive design. Finally, we
have also taken a leadership role in ensuring strong board of directors' oversight, refreshment, independence and diversity, highlighted by the addition of two new directors and the appointment of a new lead director in 2021. Before we move to our question-and-answer session, I want to wrap up with the compelling investment case for Marathon Oil. ” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon’s CEO: “If commodity prices continue to outperform, we won’t introduce production growth capital into our budget...When it comes to growth, our focus is not on growing production.” “Lee Tillman -- Chairman, President, and Chief Executive Officer: Second, we are committed to capital discipline. If commodity prices continue to outperform, we won’t introduce production growth capital into our budget. We will remain focused on free cash flow generation and return of capital. When it comes to growth, our focus is not on growing production.” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

Marathon’s CEO: “we're price takers, not price predictors... our strategy is predicated on really generating outsized free cash flow when we are in a constructive pricing environment.” “Lee Tillman -- Chairman, President, and Chief Executive Officer: Yeah. I believe right now, our focus, Scott, is really again on per share accretion, whether that be free cash flow, cash flow or even production on a per-share basis. We are going to be informed by the macro. But at the end of the day, we're price takers, not price predictors. And there's a wide range of potential outcomes that are going to be driven clearly by events, as well as supply and demand fundamentals. But our strategy is predicated on really generating outsized free cash flow when we are in a constructive pricing environment. And I don't really see that mantra changing as we move out in time. And I think, that the growth in per share metrics for us is the right approach, I think, for a mature business that is trying to attract more of a broad investor universe.” (Marathon Oil Q4 2021 Earnings Call, 2/17/2022)

**OCCIDENTAL PETROLEUM**

Occidental Petroleum said it would use high oil prices to send more money to investors rather than grow production

Occidental Petroleum’s CEO: “If oil prices remain supportive this year, our intent is to follow our cash flow priorities and capital framework that we will share with you today. We have no need and no intent to invest in production growth this year.” “Vicki Hollub -- President and Chief Executive Officer: Within six months or less, if necessary, we can reduce capital spending to sustaining levels. And if oil prices remain supportive this year, our intent is to follow our cash flow priorities and capital framework that we will share with you today. We have no need and no intent
Occidental Petroleum CEO: “The objective of strengthening our financial position remains the same: **Enable us to confidently increase the amount of capital that we may sustainably return to shareholders throughout the cycle.**”

"Vicki Hollub -- President and Chief Executive Officer:

With respect to cash flow priorities, our priorities for 2022 remain largely unchanged, with a continuing emphasis on reducing debt while maintaining our asset base integrity and sustainability. The objective of strengthening our financial position remains the same: Enable us to confidently increase the amount of capital that we may sustainably return to shareholders throughout the cycle. As we expect net debt to fall below $25 billion by the end of the first quarter, our focus has expanded to returning capital to shareholders, beginning with the increase in our common dividend to $0.13 per share and the reactivation and expansion of our share repurchase program. The increase in the dividend to $0.13 per share is consistent with our intention to initially increase the dividend to a level that approximates the yield of the S&P 500.”

(Occidental Petroleum Q4 2021 Earnings Call, 2/25/2022)

Occidental CEO: “we do not intend to grow production in 2022...Any future production growth will be limited to an average annual rate of approximately 5%.”

“We believe establishing framework for returning capital to shareholders through a sustainable common dividend, combined with an active share repurchase program and continued debt reduction, creates an attractive value proposition for shareholders while also improving the company's long-term financial position. For the first phase of our shareholder return framework initiated, we have the options in future years to invest in cash flow growth. We have the ability to grow oil and gas cash flow through higher production, but also have multiple investment opportunities across our other businesses. As evidenced by our guidance for 2022, we do not intend to grow production in 2022. At the point where it is appropriate to invest in future cash flow growth, we will only do so if supported by long-term demand. Any future production growth will be limited to an average annual rate of approximately 5%. I'll now turn the call over to Rob, who will walk you through our shareholder return framework.”

(Occidental Petroleum Q4 2021 Earnings Call, 2/25/2022)

Occidental CEO said “we try to design our capital programs to deliver the best returns... build the facilities that require a pace of development that delivers the maximum return.”

"Vicki Hollub -- President and Chief Executive Officer: Well, it really depends on the projects. And what we always do is we try to design our capital programs to deliver the best returns. And so, it's always -- as we develop our areas, it's always with that in mind and to build the facilities that
require a pace of development that delivers the maximum return. So we could have lumpy -- a little bit lumpy growth going out.” (Occidental Petroleum Q4 2021 Earnings Call, 2/25/2022)

**PHILLIPS 66**

*Phillips 66’s CEO cited their “capital discipline,” saying any cash should go to their shareholders*

**Phillips 66’s CEO touted their “commitment to capital discipline... As cash flow improves further, we'll prioritize shareholder returns and debt repayment.”** “Greg Garland -- Chairman and Chief Executive Officer: The 2022 capital program of $1.9 billion reflects our commitment to capital discipline. Approximately 45% of our growth capital this year will support lower carbon opportunities, including Rodeo Renewed. As cash flow improves further, we'll prioritize shareholder returns and debt repayment. In October, we increased the quarterly dividend to $0.92 per share. We remain committed to a secure, competitive, and growing dividend. We'd like to resume share repurchases this year and on our path toward getting back to pre-COVID debt levels over the next couple of years. We're taking steps to position Phillips 66 for the long-term competitiveness. Across our businesses, we're assessing opportunities for permanent cost reductions. (Phillips 66 Q4 2021 Earnings Call, 1/28/2022)

**Phillips 66’s CEO said the company was planning to “be very constrained on capital” so it could focus on shareholder returns.** “Greg Garland -- Chairman and Chief Executive Officer: And so I would say that we're probably on the upside of that. So given 6 to 7 billion of cash flow, our first dollar is always going to go to sustaining capital, that's $1 billion. Dividend is 1.6 billion, and then that leaves room for us. We can signal that the capital budget is going to be 2 billion or less, so we're 1.9 billion for this year. That's a deliberate signaling that for this year or next year, we're going to be very constrained on capital. That frees us up to pursue some debt repayment and get back to share repurchases while doing a little bit of growth. And so I think we make that all balance as we think about that. (Phillips 66 Q4 2021 Earnings Call, 1/28/2022)

**Phillips 66 CEO: “I want to get back to share repurchases. I mean, we've been out of share repurchases, and it's time to step back into those.”** “Greg Garland -- Chairman and Chief Executive Officer: OK. Paul, I think you're up to five questions now, but I'll try my best to start. At least I'll answer the ones I want to, how about that? So first of all, we -- I mean, historically, we've used 1.5 billion to 2.5 billion is growth capex. So I think that for many reasons, pandemic, one of them, the need to be structured around debt repayment and get back to share repurchases, we purposely signaled total capex budgets of 2 billion or less for this year and kind of next year. We'll see what happens going forward. But I do think we want to get the balance sheet back to
something over the next two years, approaching pre-COVID, so call it, 12 billion. I want to get back to share repurchases. I mean, we've been out of share repurchases, and it's time to step back into those. And so I think for all the right reasons, we want to keep capital constrained across the portfolio over the next couple of years (Phillips 66 Q4 2021 Earnings Call, 1/28/2022)

Phillips 66 CEO: “the whole idea is to free up more cash for debt repayment and getting back into share repurchases.” “Greg Garland -- Chairman and Chief Executive Officer: So there are certainly lots of growth still around the portfolio, allows us to be very structured about how we think about capital allocation. But to your point, the whole idea is to free up more cash for debt repayment and getting back into share repurchases. Kevin, if you want to take DCP, I'll let you take it.” (Phillips 66 Q4 2021 Earnings Call, 1/28/2022)

A Phillips executive suggested as much as 4.5 million barrels per day of refinery capacity has been cut

A Phillips 66 executive said “we've seen a total of about 4.5 million barrels a day of refining rationalization... When you look at last year, it was the first year in at least 30 years where there was more capacity rationalized out of the global fleet than there was capacity added. And so we are seeing that benefit.” “Jeff Dietert -- Vice President, Investor Relations: Yes, Doug, I think we've seen a total of about 4.5 million barrels a day of refining rationalization that's been announced and much of that has already occurred. When you look at last year, it was the first year in at least 30 years where there was more capacity rationalized out of the global fleet than there was capacity added. And so we are seeing that benefit. As we look forward, there's still pressure with higher natural gas prices in Europe on that -- those units' profitability. So we see that continuing to occur. We've also seen COVID delays, challenges getting labor in to execute new capacity additions so they're getting spread out. We've seen a reduction of capital spending and concerns over energy transition. So it's definitely impacting the supply side of the equation. (Phillips 66 Q4 2021 Earnings Call, 1/28/2022)

PIONEER NATURAL RESOURCES

Pioneer Natural Resources told analysts the company prioritized sending money to shareholders over reinvesting in the business

Pioneer Natural Resources' CEO said high oil prices wouldn't increase production: “$100 oil, $150 oil, we're not going to change our growth rate.”“Pioneer posted $2.1 billion in annual profit last year, the highest in at least two decades, according to FactSet, and it sent about $1.9 billion in
cash to shareholders through dividends and share repurchases. It plans to spend $3.3 billion to $3.6 billion in capital this year less than 35% of the cash it projects it will generate from operations. Pioneer CEO Scott Sheffield said his company won’t divert from its strategy of raising oil production 0% to 5% a year despite high oil prices. ‘There’s no change for us,’ Mr. Sheffield told investors Thursday. ‘$100 oil, $150 oil, we’re not going to change our growth rate.’” (Wall Street Journal, 2/18/2022)

A Pioneer Natural Resources executive said the company was focused on a “low reinvestment rate” so it could focus on returning money to investors. “NEAL H. SHAH, SENIOR VP & CFO, PIONEER NATURAL RESOURCES COMPANY: Going to Slide #5. Committed to significant return of capital. We remain committed to our core investment thesis, underpinned by low leverage, strong corporate returns and a low reinvestment rate, which generates significant free cash flow. Majority of this free cash flow was returned to shareholders in the form of base plus variable dividends with total shareholder return through dividends representing almost 80% of our free cash flow. At current strip prices, total dividends are expected to exceed $20 per share in ‘22, representing approximately 3x increase from 2021. We will continue to maintain a pristine balance sheet and supplement our compelling base plus variable dividend framework with opportunistic share repurchases under our new $4 billion share repurchase authorization. (Pioneer Natural Resources Q4 2021 Earnings Call, 2/17/2022)

Pioneer’s COO said the company only reinvested 35% of their cash flow, “with the large majority of the remaining 65% of cash flow being returned to investors.” “RICHARD P. DEALY, PRESIDENT & COO, PIONEER NATURAL RESOURCES COMPANY: Turning to Slide 12, looking at our program. You can see this slide really reiterates graphically our capital program, representing a reinvestment rate of 35%, with the large majority of the remaining 65% of cash flow being returned to investors through our base and variable dividend program and share repurchases that Scott discussed. Importantly, it also points out the quality of our high-margin asset base and the efficiency of our capital program, which, on a combined basis, drives breakeven, WT oil prices at approximately $30 to fund that program. And as I mentioned on the previous slide, 50% of our capital program is locked in protected from inflation. The remaining 50% of our capital budget includes approximately 10% of forecasted incremental inflation, which is embedded in the midpoint of our guidance range.” (Pioneer Natural Resources Q4 2021 Earnings Call, 2/17/2022)

A Pioneer executive said the company was willing to go as high as delivering 100% of cash flow to investors rather than investing it in expanding the business. “NEAL H. SHAH: Paul, it's Neal. You're right. I mean that's the purpose. And Scott and Rich and I have voiced many times one of the benefits of having a low net debt balance sheet and it's, again, similar to Neal Dingmann's question early on reducing gross debt is really to provide us that operational and...
financial flexibility. And as we articulate and I think we exemplified in 4Q, we're willing to go to that 100% of free cash flow. I think you saw that in 4Q. If you add in the base, the variable and the $250 million that we repurchased in the quarter, that was 101% of free cash flow. So I think given an opportunity, there's an opportunistic buyback or an opportunity there related to a pullback in the market. We'll step in. We won't be shy. And again, I think we've demonstrated that during 4Q. But the buyback, as we -- as Scott said, there will be a regular quarterly cadence associated with that. But over and above that, we will be opportunistic. So we were at 101% of free cash flow in 4Q, and we won't be shy to step in if provided with that opportunity again.” (Pioneer Natural Resources Q4 2021 Earnings Call, 2/17/2022)

**Pioneer said it would use high oil prices to pay shareholders, not try to increase supply**

**Pioneer CEO:** “We're not going to change, as I said. At $100 oil, $150 oil, we're not going to change our growth rate. We think it's important to return cash back to the shareholders.”

“SCOTT DOUGLAS SHEFFIELD: No, there's no change for us. Long term, we're still in that 0% to 5%. It's going to vary. We're not going to change, as I said. At $100 oil, $150 oil, we're not going to change our growth rate. We think it's important to return cash back to the shareholders. In regard to the industry, it's been interesting watching some of the announcements. So far, the public independents are staying in line. I'm confident they will continue to stay in line. The private independents, a few of them, as we all know, are growing -- they've announced growth rates in the 15% to 25% per year range. As I've stated, eventually, they're going to run out of inventory as written by the Wall Street Journal article that came out in the last 2 weeks. People that are growing at 15% to 20% are going to run out of inventory fairly quickly. (Pioneer Natural Resources Q4 2021 Earnings Call, 2/17/2022)

**Despite earlier warnings about low prices, Pioneer's CEO predicted “oil can easily go to $150” and called $60 a barrel “probably the bottom end of where oil prices are going to bottom out over the next several years.”**

“SCOTT DOUGLAS SHEFFIELD: Yes, you have to realize it's totally different. Oil -- I think you've seen enough articles, oil could easily go to $150. Demand is stronger than it ever has been in the world. And OPEC and OPEC+ is going to run out of capacity by the end of '22. That's even been stated by several OPEC and OPEC+ countries. So that's ignoring the Iran and the Ukraine situation. Both of them, obviously, there's no reason putting on a hedge when it's obvious that things could easily move up north. Secondly, the hedges are -- the oil strip is totally in backwardation. So right now, we're in the low $90s. It drops about $20 a barrel when you go out 5 years. So if you could buy a $100 put for 5 years, that's a different question, you can't. And so you can only buy a $70 or $60 put. That's probably the bottom end of where oil prices are going to bottom out over the next several years. So it doesn't make sense to put on a put at $60. So that's -- hope that answers your question, Nitin. (Pioneer Natural Resources Q4 2021 Earnings Call, 2/17/2022)
A Pioneer executive boasted that “every $5 change in oil now is an incremental $750 million of cash flow for us. So that really would offset any real move in inflation.” “NEAL H. SHAH: And Charles, I'm going to chime on to Rich's comment and also point out one other thing. If you look at our hedge position now at 0% hedged on oil. If you're talking about a $90 price environment, every $5 change in oil now is an incremental $750 million of cash flow for us. So that really would offset any real move in inflation. And that's one of the reasons where Scott kind of opened up in the discussion early on in talking about our 0 hedges on oil that would really benefit us vis-Ã -vis the peers. So while they think inflation may impact them more so relative to their cash flow, our cash flow in a $90 oil environment is higher as well. (Pioneer Natural Resources Q4 2021 Earnings Call, 2/17/2022)

Pioneer’s CEO predicted that companies growing their production “will significantly reduce their inventory fairly quickly.” “SCOTT DOUGLAS SHEFFIELD: Also, they're experiencing -- there's been articles written by some of you all on the call. There is -- we're not experiencing but a lot of companies, a lot of the privates, are experiencing labor issues, cost issues, can't get equipment so that's going to prevent the rig ramp up. So I'm hoping at the end of the day -- and the 2 majors, I know that they are balancing their other entire portfolio. They've announced higher growth rates than 5% in the Permian Basin. One has a significant amount of DUCs. Those DUCs will go down over time. I don't think those companies can continue to grow at those type of rates or they will significantly reduce their inventory fairly quickly.” (Pioneer Natural Resources Q4 2021 Earnings Call, 2/17/2022)

A Wall Street Analyst praised Pioneer for holding the line on refusing to expand production

One Wall Street analyst said it’s “been one of the delights of this earnings season that the large public independents are staying in line” on limiting production and asked if there was “tension” with private producers. “CHARLES ARTHUR MEADE, ANALYST, JOHNSON RICE & COMPANY, L.L.C., RESEARCH DIVISION: Scott, I want to go back to comments you got into a bit in response to Neil's question. So we see the same thing you're seeing. It's been one of the delights of this earnings season that the large public independents are staying in line. But there is that -- there seems like there's this tension between what the PXD and its peers are doing and the acceleration of both the majors and the independents. So that seems like a tension that it's going to have to break one way or another. And I think you answered this, but I want to make sure I understand your thinking. The concern on the part of investors is that it's -- with $90 oil, it's going to break in the form of the large independents returning to spending more and growing more. But that's not -- if -- well, could you offer your opinion on how you see that tension
Pioneer's CEO said the “only tension is that the world doesn't need the extra oil.... we may need the extra barrels today. The question is, will we need them in '23 and '24?” “SCOTT DOUGLAS SHEFFIELD: Yes, it's only tension is that the world doesn't need the extra oil. And so the question is how long will that go on and you get into their inventory issues, like I said earlier, and it's all back to demand. So as I said, we're seeing record demand in this country. We're seeing record demand in several other countries around the world. And everybody has demand increasing 3.5 million to 4 million barrels a day in 2022. When you look at all the various reports around, it ranges between 3.5 million and 4 million. Once that happens, OPEC is at -- they have no extra capacity -- in OPEC+. And so we have never been there before. It's going to test at the end of this year. And so we may need the extra barrels today. The question is, will we need them in '23 and '24? And what do those companies do?” (Pioneer Natural Resources Q4 Earnings Call, 2/17/2022)

**Pioneer’s CEO called for private oil drillers to be regulated for methane emissions**

Pioneer's CEO criticized private fracking companies for flaring: “we need to rein in the privates through regulation, whether it's EPA, state, investors, bond investors...” “SCOTT DOUGLAS SHEFFIELD: And then I made the point about the privates. The privates need to be reined in because they are the biggest flares in the Permian Basin. And somehow, we need to rein in the privates through regulation, whether it's EPA, state, investors, bond investors, but the privates are -- need to be reined in, in the Permian Basin (Pioneer Natural Resources Q4 2021 Earnings Call, 2/17/2022)

October 2021: Pioneer Natural Resources CEO told the FT that “All the shareholders that I've talked to said that if anybody goes back to growth, they will punish those companies.” “But Scott Sheffield, chief executive of Texas-based Pioneer Natural Resources, said America's once-prolific shale producers would keep using their burgeoning cash piles to pay shareholders, not fund new drilling. ‘Everybody’s going to be disciplined, regardless whether it’s $75 Brent, $80 Brent, or $100 Brent,’ Sheffield said. ‘All the shareholders that I’ve talked to said that if anybody goes back to growth, they will punish those companies.’I don’t think the world can rely much on US shale,’ he said. ‘It's really under Opec control.’” (Financial Times, 10/3/2021)
On earnings calls, Valero executives repeatedly highlighted the upside of cutting refining supply

Valero's CEO talked up the “the refining capacity rationalization that's taken place in the last two years.” “Joe Gorder -- Chairman and Chief Executive Officer: Product inventories were low as a result of the refining capacity rationalization that's taken place in the last two years and weather-related impacts from Winter Storm Uri and Hurricane Ida. On the crude oil side, OPEC+ increased production throughout the year with improving demand, supplying the market primarily with sour crude oils, resulting in wider sour crude oil discounts to Brent crude oil. As a result of all these dynamics, we saw a steady recovery in margins throughout the year, particularly for our complex refining system. In regards to our ethanol segment, ethanol prices were near record highs in the quarter, supported by strong demand and low inventories. (Valero Energy Q4 2021 Earnings Call, 1/27/2022)

Valero's CEO: “we remain optimistic on refining margins. with low global light product inventories, strong product demand, global supply tightness due to significant refining capacity rationalization and wider sour crude oil differentials.” “Joe Gorder -- Chairman and Chief Executive Officer: Looking ahead, we remain optimistic on refining margins. with low global light product inventories, strong product demand, global supply tightness due to significant refining capacity rationalization and wider sour crude oil differentials. We also remain optimistic on our low-carbon businesses, which we continue to expand with the growing global demand for lower carbon-intensity products. We've been leaders in the growth of these businesses and maintain a competitive advantage with our operational and technical expertise. (Valero Energy Q4 2021 Earnings Call, 1/27/2022)

A Valero executive said they were “very bullish gasoline” since they are trying to feed high demand “with significantly less refining capacity.” “Garry Simmons -- Executive Vice President and Chief Commercial Officer: And so with where gasoline inventories, are very bullish gasoline moving forward. As you already pointed out, we expect to see gasoline demand back to 2019 levels, which was close to peak gasoline demand and we'll be trying to feed that demand with significantly less refining capacity. So we expect the gasoline markets to be very tight. When you move to diesel, of course, diesel inventories are not only low in the United States, but they're low globally. (Valero Energy Q4 2021 Earnings Call, 1/27/2022)

A Valero executive predicted diesel inventories would remain low in part due to “the rationalization that's occurred.” “Garry Simmons -- Executive Vice President and Chief Commercial Officer: Diesel demand actually in our system has been about 7% of where it was in
2019. So some of those factors, in particular, weather, that are negatively impacting gasoline are actually having a positive impact on diesel demand. So we see very strong diesel demand. And we actually don't see a clear path in the near future to be able to restock those investors with turnaround activity that's occurring in the industry, along with the rationalization that's occurred. (Valero Energy Q4 2021 Earnings Call, 1/27/2022)

Valero's CFO said with “where margins are now, the call on capacity is pretty much max.”

“Lane Riggs -- President and Chief Operating Officer: Hey, Sam. It's Lane. So we are trying to study the data right now because what we see the similar issue in terms of what -- where utilization is and versus closures. And again, it's just sort of what we're sort of preliminarily deciding or looking at as we think that there's probably some slowdowns that are occurring maybe because of maintenance deferrals or turnaround deferrals in the industry. We don't -- that's not something we know, but it's a theory as to what you're seeing. And certainly, where margins are now, the call on capacity is pretty much max. So other than the turnarounds and the outages, the refinery utilization ought to be in this 90% to 95% range. Once you get all the DOE data worked out to make sure all the refineries that you think shouldn't be in and everything. But that's kind of where we see it as well.” (Valero Energy Q4 2021 Earnings Call, 1/27/2022)

Valero’s CEO: “we continue to have a favorable outlook on refining margins as a result of low global product inventories, continued demand recovery, and global balances supported by the significant refinery capacity rationalization seen over the last year and a half.” “Joe Gorder -- Chairman and Chief Executive Officer: Looking ahead, we continue to have a favorable outlook on refining margins as a result of low global product inventories, continued demand recovery, and global balances supported by the significant refinery capacity rationalization seen over the last year and a half. In addition, the expected high natural gas prices in Europe and Asia through the winter should further support liquid fuels demand as power generation facilities, industrial consumers, and petrochemical producers see incentives to switch from natural gas to refinery oil products for feedstock and energy needs. (Valero Energy Q3 2021 Earnings Call, 10/21/2021)

Valero estimated it had lost 675,000 barrels per day in capacity with no plans to expand

In October 2021, Valero said they had 675,000 barrels per day less refining capacity than pre-pandemic.“Gary Simmons -- Executive Vice President and Chief Commercial Officer: So that's nice to see. At that level, your kind of overall total light product demand is about 300,000 barrels a day below where it was in 2019, but you've got 675,000 barrels a day less refining capacity. So already really tighter supply demand balances, at least domestically than we were pre-pandemic. And then we are seeing encouraging signs on the jet side.” (Valero Energy Q3 2021 Earnings Call, 10/21/2021)

Valero’s CEO said the company was not planning to “invest in additional refining capacity.”

“Joe Gorder -- Chairman and Chief Executive Officer: And so, although we continue to look at
what's in the market just to be sure we don't miss opportunities, I wouldn't anticipate that you should expect us to be doing anything on that front. I'd rather invest in the assets that we know, continue to optimize the assets that we have, and build the renewables business right now than invest in additional refining capacity. (Valero Energy Q3 2021 Earnings Call, 10/21/2021)

**Despite high demand, Valero reported cut additional refinery capacity for maintenance in 2021.** “With total US light product inventories at 5-year lows and product demand recovering to over 95% of 2019 levels, Valero reported Q3 refinery utilization of 91%, running at higher-than-forecast run rates. Valero's current gasoline sales are holding at 95% of 2019 levels, while diesel sales have risen to 10% over 2019 levels. However, Valero plans to cut runs in the fourth quarter at its West Coast refineries and two North Atlantic refineries due to unspecified planned work.” (S&P Global, 10/21/2021)

*Valero said it was going to use profits and high prices to send more cash to shareholders*

**Valero CFO: “getting on to buybacks and the return of cash to shareholders. As you said, things are looking better now.”** “Jason Fraser -- Executive Vice President and Chief Financial Officer: But getting on to buybacks and the return of cash to shareholders. As you said, things are looking better now. For 2021, the payout was 50% with just the dividend and some minimal buybacks related to the employee plans. But with the margin increase in the fourth quarter and they're continuing to be strong during the first quarter so far, if this pattern of recovery does continue, we do anticipate we'll be doing buybacks this year to meet our target. And we feel we can both continue to our pattern, our goal of having aggressive debt paydown this year and also meet our shareholder return commitment via projects -- via buybacks, I'm sorry. We definitely don't think they're mutually exclusive. And it's all driven by our framework and targets we've had in place for several years. (Valero Energy Q4 2021 Earnings Call, 1/27/2022)

**Valero predicted no change in their capex budget, so “as we end up with extra, as you said, excess cash flow, we have our commitment to shareholders to return to 40% to 50%.”** “Jason Fraser -- Executive Vice President and Chief Financial Officer: OK. Yeah, on capex, I mean, our capex budget going forward, we're forecasting to be pretty consistent with as we've done in the past, so really no change there. Then as we end up with extra, as you said, excess cash flow, we have our commitment to shareholders to return to 40% to 50%. That really hasn't changed. We have our dividend, which we think is in a pretty good place relative to the peers, and then we'll have buybacks to make up to our target. Then cash beyond that, we are going to look at deleveraging a bit. That's a commitment we made. We bought back the $575 million of floater rate notes just last month, and we're looking to do more next week -- I mean, sorry, next year as we move forward. (Valero Energy Q3 2021 Earnings Call, 10/21/2021)
RETAIL

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 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

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)

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)

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)

Wayfair’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 accelerant at Incendio.” (Forbes, 11/16/2021)

Investors rewarded retail companies that increased 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)
**BEST BUY**

*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)

In March 2022, Best Buy announced another $5 billion in stock buybacks. “The surge of activity has continued in March. Amazon.com Inc. said last week that it would buy back as much as $10 billion in shares, while Colgate-Palmolive Co. and Best Buy Co. unveiled $5 billion plans.” (Wall Street Journal, 3/15/2022)

**COLGATE**

*Colgate introduced a new $10 toothpaste as part of its strategy to raise prices overall*

Colgate recently introduced a $10 toothpaste, a premium product the CEO called “vital” to the Company’s ability to raise prices. “Colgate-Palmolive Co (CL.N) CEO Noel Wallace said last week at an industry conference that the household goods maker sees its new Optic White Pro Series toothpaste as the type of premium product ‘vital’ to its ability to raise prices, which will help drive profit growth this year. His remarks come when many consumer products companies are hiking prices as much as they can to offset their own rising costs, a trend that could continue due to the
conflict between Russia and Ukraine, whose economic risks include driving up gasoline prices.” (Reuters, 3/1/2022)

Colgate defended the pricing, with their trade association claiming there was “incredible appetite for our products” because “we make essentials.” “A Colgate spokesperson said in a statement that the company has a wide portfolio of products at different price points, and touted its new $10 toothpaste as the first with 5% hydrogen peroxide, with ‘demonstrated efficacy to whiten teeth.’ Consumer goods companies last year started hiking prices in response to rising raw material costs and labor shortages due to the pandemic. read more. 'There is incredible appetite for our products,' said Katie Denis, a spokeswoman for the Consumer Brands Association, a trade group for consumer packaged goods companies including Colgate. ‘We make essentials. And there is no option of not delivering.’” (Reuters, 3/1/2022)

Colgate executives told analysts had a lot of “experience taking quite significant price increases” by highlighting “innovation”

A Colgate executive told investors: “We have announced significant pricing across all of our categories in North America, which will be implemented throughout Q1 and into Q2.” “John Faucher - Chief Investor Relations Officer: A few comments on our divisional performance. North America net sales declined 1% in the fourth quarter, with organic sales down 1.5% as the division lapped high single-digit growth in the year ago period, with liquid hand soap providing a greater than 3 percentage point headwind in the quarter. In toothpaste, our consumption was ahead of shipments, as our all-outlet market share was up 50 basis points in the quarter. We have announced significant pricing across all of our categories in North America, which will be implemented throughout Q1 and into Q2.” (Colgate Palmolive Company Q4 2021 Earnings Call, 1/28/2022)

Colgate's CEO: “we’re particularly pleased with the reception to our new products in 2022 that we’ve introduced as well as the acceptance of the pricing across North America.” “Noel Wallace - CEO: So overall, Oral Care was good. I mentioned the strong exiting the market shares in Europe, which were very, very strong. We stabilized the shares in North America and actually saw some all outlet growth in the fourth quarter, driven by untracked channels, which was terrific. And we’re particularly pleased with the reception to our new products in 2022 that we’ve introduced as well as the acceptance of the pricing across North America. So we’re quite confident in terms of where we’re – how we’re setting ourselves up for continued growth in ‘22.” (Colgate Palmolive Company Q4 2021 Earnings Call, 1/28/2022)

Colgate’s CEO said the company “had a lot of experience taking quite significant price increases” and said they were balancing it with the “promotional cadence” of highlighting
“innovation.” “Noel Wallace - CEO: Yes, thanks. Early days. Obviously, as you mentioned, we’ve had a lot of experience taking quite significant price increases around the world, particularly as we went through periods of significant foreign exchange headwinds. As I mentioned earlier, I think the big difference here is that the price increases are coming across the entire market in all categories. And as a result, you tend to see a little less elasticity when that happens. But we’re very prepared for that. As I mentioned earlier, very cognizant of our promotional cadence in terms of how to balance that, very cognizant of our need to bring value to our innovations to ensure that the pricing is executed successfully. But we feel pretty good about at least what we’ve seen in early days again, relative to elasticity, time will tell. But my sense is we will be able to weather this quite well given the whole market is moving, and we have a strong innovation and promotional strategy in place to continue to ensure the consumer is valued.” (Colgate Palmolive Company Q4 2021 Earnings Call, 1/28/2022)

Colgate’s CEO spoke of “pricing ladders,” and stressed “innovation that will not only get us pricing, but brings value add to the consumer should there be any temptation to trade down, particularly in the premium side of the business.” “And we will pivot as necessary as we see what’s happening in the marketplace. As I mentioned earlier, it’s not only just taking pricing, it’s how we go about executing that in the market relative to our promotional cadence, relative to our new product cadence. And that really fits into the second part of your question, which is the pricing ladder. One of the aspects of our business that we feel very good about is how we have clear distinction at price tiers and value add across the multiple price tiers in which we compete. And we have innovation planned across all those price tiers. Innovation that will not only get us pricing, but brings value add to the consumer should there be any temptation to trade down, particularly in the premium side of the business. But the important piece there is that we are looking to innovate across all of our price tiers to ensure that we continue to bring value to those consumers as they address obviously, a significant headwind around inflation in their markets.” (Colgate Palmolive Company Q4 2021 Earnings Call, 1/28/2022)

Colgate’s CEO said it was easier to raise prices “given that everyone is taking pricing” and said the company would continue to hike prices to raise their margins

Colgate’s CEO: “we expect that we will not see as much pricing elasticity in our business, specifically our own business, as we have seen in the past, given that everyone is taking pricing.” “Noel Wallace - CEO: Sure, Kevin. So again, let’s talk to pricing elasticity. It’s early days right now, as I mentioned. But we expect that we will not see as much pricing elasticity in our business, specifically our own business, as we have seen in the past, given that everyone is taking pricing, it seems pretty consistently across all of our categories and across the world. Time will tell on that, clearly. The elasticity assumptions that we built into the P&L are quite
conservative. I mean we wanted to be very careful there to ensure that we were able to adjust and have enough flex in the P&L based on how we saw the consumers react. So, my sense is we are covered there, but we shall watch this carefully to ensure that our assumptions are accurate.” (Colgate Palmolive Company Q4 2021 Earnings Call, 1/28/2022)

Colgate’s CEO: “we will continue to be bold and ambitious with our pricing because we believe getting the gross margin in the P&L... the goal is to drive EBIT margins.” “Noel Wallace - CEO: Now that may allow us to spend more against some of the opportunities we see or optimize our spending as we move forward. Likewise, as we talked about earlier – most of the call today is the pricing aspect of this. And we will continue to be bold and ambitious with our pricing because we believe getting the gross margin in the P&L, ultimately, the EBIT up is the way to continue to fuel the investment that we need to sustain the top line growth. So ultimately, the goal is to drive EBIT margins. Obviously, some challenges in the short-term that we have seen. But we think as we execute against our 2025 strategy, the category that we compete in today, the pricing, the innovation that we have in place, all will contribute to that. The program that we announced is all part of that, obviously, looking at ways to optimize our structure to ensure that we find ways to improve the profitability through the income statement.” (Colgate Palmolive Company Q4 2021 Earnings Call, 1/28/2022)

HASBRO

Hasbro raised prices throughout 2021 citing costs and 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)

**KIMBERLY CLARK**

*Kimberly Clark’s CEO repeated to analysts that 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 forward to being able to get back to doing so.” (Kimberly-Clark Q4 2021 Earnings Results Call, 1/26/2022)

**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)

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 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.” (Kimberly Clark 2021 Proxy Statement, 3/8/2021)

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)

KOHL'S

Kohl's said as national brands were raising prices, they could raise prices on top

Kohl's CFO: “We do have a great pricing elasticity model. So we do leverage that to make our pricing decisions. So for things that are not elastic like decor, fashion kids, we're going to be much more sensitive on price versus things that are inelastic -- or elastic like small electrics, toys and basics.” “Jill Timm -- Chief Financial Officer Sure. So first, in terms of the guidance with the pricing and promotion, obviously, value always has been a core tenet for Kohl's. And so as we look at pricing, we always want to take a thoughtful and strategic approach to make sure that we're serving our customer best. We do have a great pricing elasticity model. So we do leverage that to make our pricing decisions. So for things that are not elastic like decor, fashion kids, we're going to be much more sensitive on price versus things that are inelastic -- or elastic like small electrics, toys and basics.” (Kohl's Q4 2021 Earnings Call, 3/1/2022)

Kohl's CFO: “65% of our sales are national brands. So they're really the ones who are driving pricing and allows us to maintain competitive pricing through the market at that point in time.” “Jill Timm -- Chief Financial Officer: So that model works for us, and that's how we'll change those pricing. Remember, 65% of our sales are national brands. So they're really the ones who are driving pricing and allows us to maintain competitive pricing through the market at that point in time. And then last, just given our model of being promotional and kind of high-low, it gives us a lot of flexibility to take price through less promotions in terms of what we're on sale at. So if we're on 40% last year, we could be at 35% this year, and it affords us the opportunity to take price that way with the customer still seeing a great value in that sale.” (Kohl's Q4 2021 Earnings Call, 3/1/2022)

Kohl's CEO: “there are certain national brands that are taking pricing. We, like others, will be in a competitive -- same competitive environment as they take price. We'll, of course, be taking that along with them, but we'll stay close to it.” “Michelle Gass -- Chief Executive Officer: So everything from your more aspirational brand products to your opening price point. So if you take denim as an example, which is a trending category, we have a very big denim business. We have Levi's on one end, and we've got Sonoma jeans on the other and which is also great quality. So just making sure we can meet the customer where they are. As it relates to national brands,
there are certain national brands that are taking pricing. We, like others, will be in a competitive --
same competitive environment as they take price. We'll, of course, be taking that along with them,
but we'll stay close to it.” (Kohl's Q4 2021 Earnings Call, 3/1/2022)

*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)*

**LOWES & HOME DEPOT**

*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)*

![Groundwork Collaborative](https://example.com/logo.png)
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)
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 into 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)

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 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 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 Q4 2021 Earnings Call, 2/22/2022)

GROUNDWORK COLLABORATIVE
Macy’s CEO said average unit retail prices were up 11% in 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 Q4 2021 Earnings Call, 2/22/2022)

**MATTEL**

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 Q3 2021 Earnings Call, 10/21/2021)

**Mattel reported a much higher increase in income than in costs**

In October 2021, Mattel reported that its 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)

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 Q3 2021 Earnings Call, 10/21/2021)

NIKE

Nike raised prices in 2021 and continued to benefit from those hikes. In September 2021, Nike told investors it was taking advantage of the strong market by raising prices

Nike CFO: “We delivered strong growth in average selling price this quarter with continued improvement in full price realization." Matthew Friend -- Executive Vice President and Chief Financial Officer: And coming back to marketplace health for a moment, we delivered strong growth in average selling price this quarter with continued improvement in full price realization. This performance reflects our intentional efforts to manage the health of our product franchises as demand surges to move available inventory to serve demand in the right channels and to drive a more premium experience for consumers. This quarter, we exceeded our 65% full price sales realization goal, which reflects the expectations that we put forward at our last Investor Day.” (Nike Q1 2022 Earnings Call, 9/23/2021)

Nike CFO: “We still expect gross margin to expand 125 basis points versus the prior year...reflecting stronger than expected full price realization, the ongoing shift to our more profitable NIKE Direct business and price increases in the second half." “Matthew Friend -- Executive Vice President and Chief Financial Officer: Turning to the rest of the P&L. We still expect gross margin to expand 125 basis points versus the prior year, at the low end of our prior guidance, reflecting stronger than expected full price realization, the ongoing shift to our more profitable NIKE Direct business and price increases in the second half. This more than offsets roughly 100 basis points of additional transportation, logistics and airfreight costs to move inventory in this dynamic environment. We also expect a lower foreign exchange benefit now estimated to be a tailwind of roughly 60 basis points. And for the second quarter, we expect gross margin to expand at a rate lower than the full year due to higher planned airfreight investment for the holiday season.” (Nike Q1 2022 Earnings Call, 9/23/2021)

Nike CFO: “when you've got a strong brand and you've got a healthy pull market, what we're seeing is strong full price margins offsetting some of these transient costs that we're going to experience as we move product around the world.” “Matthew Friend -- Executive Vice President and Chief Financial Officer : As we look longer term, we're absolutely continuing to look toward that high 40% gross margin outlook that we provided last quarter. And in the short term, we're going to navigate through these transitory impacts. But when you're -- when you've got a strong brand and you've got a healthy pull market, what we're seeing is strong full price margins
offsetting some of these transient costs that we’re going to experience as we move product around the world.” (Nike Q1 2022 Earnings Call, 9/23/2021)

**Nike CFO:** “we’ve taken some pricing actions in the second half... the price increases that we’ve implemented in the second half are in the low single digit range.” “Matthew Friend -- Executive Vice President and Chief Financial Officer: Yes, so on the pricing question. We -- I mentioned in my prepared remarks that we've taken some pricing actions in the second half. And what I would say, Simeon, is that we evaluate price value of our products on a season by season basis and we consider a number of different factors that we incorporate to make a decision about what to do, but what I will tell you is that we take a long -- we have a long-standing relationship with our consumer and so we take a long-term view to these types of decisions. And so the price increases that we've implemented in the second half are in the low single digit range. And we feel it's appropriate given the marketplace we're operating in and there’s other factors that I referenced, considering we've got rising input costs and other factors that are impacting our business.” (Nike Q1 2022 Earnings Call, 9/23/2021)

*By December 2021, Nike said the benefit of higher prices and lower markdowns was the biggest driver of its margin expansion*

**Nike CFO:** “the biggest drivers of gross margin expansion this quarter, and frankly, the biggest driver relative to what we had guided 90 days ago was the level of full price realization and lower markdown rates versus what we had anticipated for a holiday season.” “Matthew Friend -- Executive Vice President and Chief Financial Officer: Sure, Laurent. As I mentioned in my prepared remarks, the biggest drivers of gross margin expansion this quarter, and frankly, the biggest driver relative to what we had guided 90 days ago was the level of full price realization and lower markdown rates versus what we had anticipated for a holiday season. And so, we were surprised by it. And its just reflective of the strength of the brand and the connections that we've got with consumers. As we look to the balance of the year, we are expecting full-price realization to stay high and above, especially in North America and EMEA, that goal that we provided at Investor Day a couple of years ago, and we expect discount rates to remain low. The impact, as you look at sequential quarters is that we started to see improvements in markdown rates in the second half of last year in those two geographies in particular. And so, the year-over-year impact from tighter supply, higher full price realization, lower markdowns has a lesser of an impact in the second quarter.” (Nike Q2 2022 Earnings Call, 12/21/2021)

**Nike CFO:** “Nike's second quarter financial results were in line with the expectations we established 90 days ago, fueled by continued Brand momentum, the strength of our product franchises with extraordinary levels of full price realization...” “Matthew Friend -- Executive Vice President and Chief Financial Officer: Nike's second quarter financial results were in line with the expectations we established 90 days ago, fueled by continued Brand momentum, the strength of
our product franchises with extraordinary levels of full price realization, and strong season-to-date Holiday sales, offset by lower levels of available inventory supply relative to marketplace demand.” (Nike Q2 2022 Earnings Call, 12/21/2021)

Nike CFO: “This quarter, our full price Digital business grew over 20%, resulting in a 30 point improvement in full prices sales mix, double-digit growth in AUR and improvement in markdown rates and promotions.” Matthew Friend -- Executive Vice President and Chief Financial Officer: This quarter, our full price Digital business grew over 20%, resulting in a 30 point improvement in full prices sales mix, double-digit growth in AUR and improvement in markdown rates and promotions. This contributed to strong year-over-year expansion in gross margin and return on sales profitability. (Nike Q2 2022 Earnings Call, 12/21/2021)

PARTY CITY

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)

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 stock buybacks 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 shareholders. 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 shareholders 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)

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)
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

123
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)

SPECTRUM BRANDS

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)

WALMART & TARGET

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)

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)

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 increases could apply to certain categories, rather than the company’s entire product range. 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 office 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)

3M

3M outperformed expectations after price increases & 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
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)
MISCELLANEOUS
FedEx crows about its ability to raise prices and impose extra surcharges on customers.

**FedEx President:** "Firstly, the first and most important point is the demand for our services is very robust. The pricing environment is very robust... So, we expect in the second half, our profit and operating margins to improve year-over-year and we get double-digit."  
**Raj Subramaniam -- President and Chief Operating Officer:** And Ken, let me add to that by saying this much. Firstly, the first and most important point is the demand for our services is very robust. The pricing environment is very robust. The labor headwinds start to recede in the second half. The investments that we have made get more efficient as we go into the second half and the technology investments that make us more efficient as well. So, we expect in the second half, our profit and operating margins to improve year-over-year and we get double-digit. So, I guess that answers that question." (FedEx Corporation Q2 2022 Earnings Call, 12/17/2021)

**FedEx CFO:** "Certain surcharges that we announced back in September, first of those hit in November. So, we only had one month in the second quarter, so that will hit the whole year, as well as the ongoing contract renewal."  
**Mike Lenz -- Executive Vice President and Chief Financial Officer:** So Chris, let me go at it this way. So, first the three key components for driving the second half of the year are the pricing initiatives, the labor aspects that we just covered, as well as the headwinds we had in second half of last year. So, as Brie mentioned, we're being very thoughtful about the various pricing levers and initiatives. So, recall that the GRI goes into effect in January and that the surcharges -- certain surcharges that we announced back in September, first of those hit in November. So, we only had one month in the second quarter, so that will hit the whole year, as well as the ongoing contract renewals. " (FedEx Corporation Q2 2022 Earnings Call, 12/17/2021)

**FedEx President:** "We are in the middle of a very robust market and a pricing environment."  
**Raj Subramaniam -- President and Chief Operating Officer:** The core business is very strong. We are in the middle of a very robust market and a pricing environment. As I've said before, on the e-commerce market growth, we are in the center of it. We are in the center of this ecosystem and this has got both volume and yield opportunities. Our core B2B business is very strong. In addition to that, we have three levers. One is the ability for us to optimize across our operating companies and to make sure the right package goes in the right network and be very smart about how we spread our assets and use our capacity. " (FedEx Corporation Q2 2022 Earnings Call, 12/17/2021)
FedEx EVP: “Just want to kind of just double-click on the pricing environment in the back half... We’re expecting a higher than normal capture of our general rate increase. We are making structural changes in all of our contracts as we move forward.” “Brie Carere -- Executive Vice President, Chief Marketing and Communications Officer: Yes, absolutely. Just want to kind of just double-click on the pricing environment in the back half. Yes, the comps are aggressive, but we still believe that there is upside from a revenue quality perspective. We’re expecting a higher than normal capture of our general rate increase. We are making structural changes in all of our contracts as we move forward. We're just over 50% now of our customer base that we have renewed, so we still have some work to do there and some upside potential.” (FedEx Corporation Q2 2022 Earnings Call, 12/17/2021)

FedEx EVP: “Constrained capacity has continued to support a favorable pricing environment. We are maintaining a brisk pace for repricing contracts, ensuring a high surcharge capture and yield improvements.” “Brie Carere -- Executive Vice President, Chief Marketing and Communications Officer: Thank you, Raj. Good afternoon, everyone. Q2 delivered our second consecutive quarter of 14% revenue growth, demonstrating the strong demand for our differentiated portfolio and our ability to drive revenue quality as a result. Constrained capacity has continued to support a favorable pricing environment. We are maintaining a brisk pace for repricing contracts, ensuring a high surcharge capture and yield improvements. We are working with large customers to identify opportunities, to move their volume from our national network to our regional and local networks, freeing up additional capacity for small business customers. (FedEx Corporation Q2 2022 Earnings Call, 12/17/2021)

FedEx EVP: “Our general rate increase will take place in January and we expect a strong capture rate. In January, the Ground Economy peak surcharge will be replaced by the new Ground Economy delivery surcharge at a $1, solidifying the price point for our Economy product.” “Brie Carere -- Executive Vice President, Chief Marketing and Communications Officer: Small businesses relied on our market-leading transit times in our seven-day a week network to compete. They cannot forward deploy inventory at the same scale as large retailers. Our domestic yield growth was 9.1% with fuel in Q2. Our general rate increase will take place in January and we expect a strong capture rate. In January, the Ground Economy peak surcharge will be replaced by the new Ground Economy delivery surcharge at a $1, solidifying the price point for our Economy product. And as a reminder, FedEx Ground Economy was formerly FedEx SmartPost.” (FedEx Corporation Q2 2022 Earnings Call, 12/17/2021)
SEALED AIR

Sealed Air admitted it was continuing price hikes even though input costs are going down & told investors it had “accelerated pricing actions” in 2021

Sealed Air CEO: “Starting in Q2 2021, in response to inflationary pressures, we accelerated pricing actions.” “Ted Doheny -- President and Chief Executive Officer: Protective volumes surged in the first half of 2021 on the heels of 2020 industrial shutdowns and growth in fulfillment around the world, particularly in EMEA. We faced tougher comps in the second half of 2021. However, fulfillment automation sales were up and industrial demand was favorable. Starting in Q2 2021, in response to inflationary pressures, we accelerated pricing actions.” (Sealed Air Q4 2021 Earnings Call, 2/17/2022)

When an analyst asked if lower input costs would change the planned hikes, Sealed Air executives admitted the price hikes would continue

An analyst noted the “declines in resin prices” and asked “how the formula pricing will be affected?”“Arun Viswanathan -- RBC Capital Markets -- Analyst: Great. Thanks for taking my question. We've seen quite a few declines in resin prices in the last couple of months, although the tide seems to be switching a little bit in the last couple of weeks, and then we also have increased feedstock costs on the energy side. I guess when you think about all of that, maybe you can just help us understand how the formula pricing will be affected? And is there any unusual impact on your European operations? Thanks. ” (Sealed Air Q4 2021 Earnings Call, 2/17/2022)

The Sealed Air CFO said “we're on top of it relative to the pricing actions” before admitting “there are certain improvements in some of that resin pricing.” “Chris Stephens -- Senior Vice President and Chief Financial Officer: Yeah. Thanks, Arun, for your question. So yes, I guess the volatility continues. I think we're on top of it relative to the pricing actions we talked about for the past three quarters now. But what we're seeing is, you're right, there are certain improvements in some of that resin pricing. But we get -- we have specialty resins. So it's not just on one, it's many. So you're talking about other resins that are increasing as well as chemicals. ” (Sealed Air Q4 2021 Earnings Call, 2/17/2022)

Sealed Air’s CFO said it had no plan to reduce resin prices: “Your point on formula-based pricing is that we're in the middle of that, and we would expect that to continue somewhat.” “Chris Stephens -- Senior Vice President and Chief Financial Officer: So we look at all of the raw material and just get a good sense of what we're anticipating for this year heading into it and making sure our pricing is as close as possible to that. Your point on formula-based pricing is that
we're in the middle of that, and we would expect that to continue somewhat. And it takes about six months for that to kick in and the same effect has when it does come down. We'll get the benefits over a six-month period. " (Sealed Air Q4 2021 Earnings Call, 2/17/2022)

Sealed Air's CFO: “ formula-based pricing is intact. We don't expect an immediate change anytime in the near future as it relates to that, even if there's improvement in that resin pricing.” “Chris Stephens -- Senior Vice President and Chief Financial Officer: So bottom line, formula-based pricing is intact. We don't expect an immediate change anytime in the near future as it relates to that, even if there's improvement in that resin pricing. And again, we buy multiple different grades of that and specialty type of resins that are embedded in our formulas. But Ted, maybe some other comments. " (Sealed Air Q4 2021 Earnings Call, 2/17/2022)