Q2 2022
CORPORATE PROFITEERING FINDINGS
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GROCERY & RESTAURANTS
**GROCERY & RESTAURANTS**

**CONAGRA**

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

**ConAgra’s CEO said the company benefited 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 food service 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. They are expected to increase at nearly twice the rate as at-home prices in calendar year 2022. Our aggressive modernization of the Conagra portfolio over the past several years has put us in a strong position to capitalize on these structural shifts. Our portfolio has shown its competitive advantage with excellent trial, depth of repeat and share gain performance. Overall, we believe Conagra is well positioned to leverage these shifts to create meaningful value for shareholders.” (Conagra Brands, Inc Q2 2022 Earnings Call, 1/6/2022)

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

**ConAgra’s CEO claimed its price increases were much lower than those of food-away-from-home and said the company benefited 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)

KRAFT HEINZ

*Kraft Heinz said the company was hiking prices to increase their margins, implying they would stick even as inflation decreases.*

Kraft Heinz’s CFO predicted the company’s margins would increase because “as we continue to price inflation, the inflation events that start to ease, that might put us in a better position for us to continue to recover the margin.” “Andre - Executive Vice President and Global Chief Financial Officer: Yeah. Thanks for the question. Look, this is by very far the highest impact. But other than the need that you have the growth efficiency. Remember that you have the $2 billion that (indiscernible) have communicated and that we are on track to deliver. We delivered the first two years in line with the expectation. And year three, which is now -- we continue to be on track. So, that certainly continues. Mix effect is relatively small. It's now in the quarter, slightly positive as we continue to accelerate the growth platforms where we have higher margins. But the number in the quarter is not significant. So, really in this quarter, it's about the dilutive effect. But again, moving forward, we should expect to continue to deliver the growth efficiencies. And as we continue to price inflation, the inflation events that start to ease, that might put us in a better position for us to continue to recover the margin. (Kraft Heinz Q2 2022 Earnings Call, 7/27/2022)

Kraft Heinz’s CFO bragged that some of its sales were up 14% from Q2 2019, saying “price also has a lot to do with the growth that that we're seeing in Q2.”“Andre Maciel - Executive Vice President and Global Chief Financial Officer: Thanks for the question. I think there are two things. One is, I want to highlight that was not in the prepared remarks that our Foodservice now in Q2 is 14% higher than Q2, 2019, which is really remarkable. There is a component of price, right? We've been pricing that channel consistent to what we've been doing in retail. So, price also has a lot to do with the growth that that we're seeing in Q2. But the volume continues to grow as we expand distribution. We have been getting market share in the -- where we have the information in developed markets in North America, Europe and Central.” (Kraft Heinz Q2 2022 Earnings Call, 7/27/2022)
HEALTHCARE
HEALTHCARE

JOHNSON & JOHNSON

Johnson & Johnson said it was benefitting from price increases that would continue through 2022

Johnson & Johnson said worldwide growth was “primarily driven by strategic price increases growth in OTC outside the U.S. due to a strong cold, cough and flu season and digestive health category recovery.” “Jessica Moore -- Vice President, Investor Relations: Operational sales growth, which excludes the effect of translational currency, increased 2.3% as currency had a negative impact of 3.6 points. Excluding the impact of acquisitions and divestitures, worldwide growth was 2.9%. Results were primarily driven by strategic price increases growth in OTC outside the U.S. due to a strong cold, cough and flu season and digestive health category recovery.” (Johnson & Johnson Q2 2022 Earnings Call, 7/19/2022)

Johnson & Johnson predicted higher growth thanks to more “strategic price increases in the back half of the year” “Jessica Moore -- Vice President, Investor Relations: Back to the current year. In terms of 2022 quarterly phasing considerations for your models, we continue to estimate that the back half will improve over the first half with a slight bias for higher growth in Q4 over Q3. In consumer health, we have seen quarter-over-quarter reduction in supply disruptions that we anticipate will continue. We also expect to see the benefit of recent strategic price increases in the back half of the year.” (Johnson & Johnson Q2 2022 Earnings Call, 7/19/2022)

Johnson & Johnson said it was able to hike prices even as consumers cut spending in other areas

Johnson & Johnson’s CFO justified “targeted price increases” even as consumers cut spending because “when it comes healthcare, better health, looking better, products like Aveeno, Neutrogena, Tylenol, Listerine, they seem to do really well, and consumers will prioritize those.”“Joe Wolk -- Executive Vice President, Chief Financial Officer: Sure. Yes. So the targeted price increases we referred to, Joanne, and thanks for the question. In consumer, that's kind of keeping consistent with the peer set to offset the inflationary pressures. We do know that while folks are looking to more generally cut back spending that's been in entertainment, dining out, when it comes healthcare, better health, looking better, products like Aveeno, Neutrogena, Tylenol, Listerine, they seem to do really well, and consumers will prioritize those. With specifically to MedTech, as you probably appreciate, a lot of our portfolio is really governed by contracts that are already in place with hospital systems. So it's difficult, unless there is certain inflationary clauses within those contracts. That's what we mean when we say targeted. It's very selective, and I would say it's probably not the majority of the hospital volumes or hospital contracting that you may say. Joaquin, you want to talk about volumes?” (Johnson & Johnson Q2 2022 Earnings Call, 7/19/2022)
Johnson & Johnson’s CEO warned analysts at length about Democratic drug pricing plans for Medicare.

Johnson & Johnson’s CEO warned that Senate drug pricing legislation “have a significant detrimental effect on the ability of the industry of the companies to be able to invest in R&D and to develop new medicines.” Joaquin Duato -- Chief Executive Officer: Thank you for the question and a great question. First, it's difficult for us to comment on the content of the legislation or the feasibility of that legislation passing. There's been a lot of ups and downs there. While we are very closely following the dynamics, the situation is still fluid. So it's difficult for us to comment on the actual legislation or in the feasibility. Now if we believe that the legislation is going to base on the language that we know from the Senate Finance Committee, as you pointed out, that will have a significant detrimental effect on the ability of the industry of the companies to be able to invest in R&D and to develop new medicines. Just for perspective, the biopharmaceutical industry invested about $120 billion in R&D in 2020. Johnson & Johnson, ourselves, in our pharmaceutical business, we invested $12 billion R&D in 2021.” (Johnson & Johnson Q2 2022 Earnings Call, 7/19/2022)

Johnson & Johnson’s CEO: “We can tell you that the type of legislation that was proposed by the Senate Finance Committee with Medicare price setting will have a chilling effect in innovation that will be translated in less new medicines for patients.” Joaquin Duato -- Chief Executive Officer: So as a company that invests heavily in R&D, we can tell you that the type of legislation that was proposed by the Senate Finance Committee with Medicare price setting will have a chilling effect in innovation that will be translated in less new medicines for patients. Again, for perspective, since 2000, the pharmaceutical industry has introduced about 1,000 new medicines. The impact that this will have may affect the advances that we have in multiple areas that are still needed to be able to advance patient care. So it's a very seamless situation that will affect innovation, will affect our ability to invest in R&D and to develop new medicines. “ (Johnson & Johnson Q2 2022 Earnings Call, 7/19/2022)

Johnson & Johnson’s CEO told analysts the company was “engaging with different stakeholders in trying to educate them about the impact of this type of legislation and innovation.” Joaquin Duato -- Chief Executive Officer: Now we are also engaging with different stakeholders in trying to educate them about the impact of this type of legislation and innovation. But at the same time, we also want to sit at the table and participate in discussions to address what we believe is the major issue, which is patient affordability and patient access, specifically in Part D. So we think that, that's something that the industry has to address with the relevant stakeholders, and we are very willing to sit at the table and shoulder the consequences of being able to address the patient affordability issue. Now I always have -- I always need to remember to you that in a price-constrained environment, Johnson & Johnson performs relatively better than most of our peers and competitors based on a number of factors. (Johnson & Johnson Q2 2022 Earnings Call, 7/19/2022)
Johnson & Johnson continued to benefit from the federally funded covid vaccine while lamenting alleged “single digit” price decreases in their pharmaceutical business.

Johnson & Johnson reported that the covid vaccine still represented roughly 4% of worldwide sales growth. Jessica Moore -- Vice President, Investor Relations: Operational sales growth, which excludes the effect of translational currency, increased 12.3% as currency had a negative impact of 5.6 points. Excluding the impact of acquisitions and divestitures, Worldwide growth was 12.4%. Excluding COVID-19 vaccine sales, Worldwide operational sales growth was 8.6%. Results in the quarter were impacted by unfavorable prior period adjustments, offset by favorable discounts.” (Johnson & Johnson Q2 2022 Earnings Call, 7/19/2022)

Johnson & Johnson’s CEO claimed the company’s pharmaceutical business was actually facing “mid-single-digit niche price decreases.” Joaquin Duato -- Chief Executive Officer: First, our diversification. Second, we have about half of our sales that come outside of the U.S. And third, specifically in the pharmaceutical business, we have been able to deliver above-market growth in the face of mid-single-digit niche price decreases. So we know how to grow in a difficult pricing environment.” (Johnson & Johnson Q2 2022 Earnings Call, 7/19/2022)

PFIZER

Pfizer’s CEO attacked planned drug pricing reform for singling out their industry.

Pfizer’s CEO attacked the proposed Inflation Reduction Act for implementing “price setting” and “forcing their will” on his industry. Albert Bourla -- Chairman and Chief Executive Officer: Thank you. I'm disappointed with what I'm reading in the newspapers. Of course, we can't know exactly what will happen because we have seen that this situation is very volatile. But everything that they are reporting, they are going to implement a price setting. In reality, it's not a price negotiation because they are forcing their will by implementing a 95% tax according to previous guidance. That will cause the industry significant. We estimate $270 billion over 10 years. There is a positive provision there that they are reducing the out-of-pocket cost for the patient. That's a significant one, but it's too little and too late. They could do way more because that will cost 10% of the $270 billion that they're going to collect. They are basically not doing that to alleviate patients’ cost because they could give all the money and then make significant, significant difference to the patient. They're just giving a part of that. And they want even to start it, if I understood well, from year 2025. So although the out-of-pocket is a very positive provision, but the (rest one) is a provision that I think will force the industry to reduce R&D if it goes the way that they are they are suggesting. So other than that, I don't have anything to add. We will wait to see how the -- what exactly in reality that means and we'll go from there.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)

Pfizer’s CEO said the legislation was “choosing to single out this industry. I think it’s wrong.” Albert Bourla -- Chairman and Chief Executive Officer: And also I want to say it is very disappointing that they are choosing to single out one industry. Everything in this bill, from what I understand, (indiscernible )that is affecting everyone. But then there are specific measures to
affect only the pharma industry, particularly when we are out of a pandemic, where this industry has proven the value that brings to public health and to the global economy. We would be in a very different point in this global economy if we didn't have the investments in the thriving life sciences sector. And they are choosing to single out this industry. I think it's wrong. And I hope that reason will prevail when these discussions goes to Congress. Let's move to the next question, please.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)

Pfizer’s CEO complained about the focus on pricing but admitted the company would raise prices more if the government didn’t organize large purchases.

Pfizer’s CEO complained, “every time I speak about pricing, it's becoming big news.” Albert Bourla -- Chairman and Chief Executive Officer: Thank you very much. Chris, we do not provide, let's say, forward-looking projections on pricing. And particularly, every time I speak about pricing, it's becoming big news. So I want to make sure that we respect that.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)

Pfizer’s CEO implied that while the company provided “special pricing” on large government orders, that prices would increase in a “normal market.” “Albert Bourla -- Chairman and Chief Executive Officer: I know what you are asking. And I can give a very high-level answer. Clearly, we are providing special pricing when we are contracting very, very big quantities with governments. That's also the incentive for the government to buy big quantities because the price is really, really very attractive. But if we move to a normal market, the prices would reflect both in vaccines and in antivirals, the prices of similar value, similar technology products that they are out there. And clearly, also when you move to private commercial markets, the complexities are getting way, way higher. We will need to go to single doses in the vaccines. So manufacturing complexities are very higher.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)

Pfizer’s CEO said the company would see “significant opportunities” in an “open market” because “that creates a very big complexity but also could be taken into consideration as we price our products at that time.” “Albert Bourla -- Chairman and Chief Executive Officer: We need to have distribution to small distribution centers, including physician offices. So all of that creates a very big complexity but also could be taken into consideration as we price our products at that time. And I want to emphasize that also those present significant opportunities for us. Because the open market, it is way more complex, way more diverse to have millions of customers rather than one or two. And this plays to our strengths in terms of having global presence or within the U.S., dramatic presence in every single territory of the country with thousands of people that they are calling physicians, hospitals, accounts, in payers’ accounts, etc., etc. So it's something that if we see a turn into this market, also we will see us being able to compete more of a position of strength than now.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)

Pfizer’s CFO crowed about the company’s “cash generation capabilities,” noting $25 billion has been funneled to their investors
Pfizer’s CFO: “Over the past few years, Pfizer’s cash generation capabilities have expanded significantly.”

“Dave Denton -- Chief Financial Officer: Over the past few years, Pfizer's cash generation capabilities have expanded significantly. And the efficient deployment of this capital is more critical than ever. It is clear to me the company is uniquely positioned for both growth and, at the same time, enhancing financial returns. And as we look to the future of the company, we are focused on three primary areas to drive significant shareholder value. First and foremost is our continued emphasis and investment in science and innovation. We are investing internally and externally to create breakthrough medicines, deploying more than $50 billion in this area in the past three years alone.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)

Pfizer said it had paid out more than $25 billion to shareholders recently, including over $6 billion in 2022 alone. “Dave Denton -- Chief Financial Officer: Our second priority is maintaining and growing Pfizer's dividend, paying out more than $25 billion to shareholders over this period. We recognize that our dividend represents an important component of returns for our investors. And finally, from time to time, we will return capital to shareholders through value-enhancing share repurchases. Over the past three years, the company has allocated nearly $9 billion in this area. Clearly, maximizing shareholder value will be a major focus. And I believe that all three areas will contribute to our success. More recently and year to date, we deployed more than $12 billion into innovation, paid dividends of $4.5 billion, and repurchased $2 billion worth of our shares. This demonstrates an ongoing commitment to our robust capital deployment framework.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)

Pfizer’s CFO said its performance was strong enough that it was increasing revenue expectations by $2 billion, a “65% operational growth at the midpoint compared to 2021.”

“Dave Denton -- Chief Financial Officer: Given our strong second quarter performance and our improving outlook for the year, we are increasing our operational expectations for both revenues and adjusted earnings per share. For the full year, we are increasing our operational revenue expectations by $2 billion, and operational adjusted diluted earnings per share expectations by $0.24. Unfortunately, given additional U.S. dollar strengthening since we last updated guidance in early May, foreign exchange negatively impacts revenues by approximately $2 billion, leaving our reported revenue guidance range unchanged at $98 million to $102 billion. This represents an operational growth rate of 29% at the midpoint compared to 2021, a 200-basis-point improvement over prior expectations. The improvement in our operational adjusted diluted earnings per share outlook of $0.24 is also negatively impacted by foreign exchange movements, compressing EPS by $0.19. The net impact of these cross-currents allows the company to raise the low end of its adjusted earnings per share outlook by $0.05 to $6.30 to $6.45 a share. This represents 65% operational growth at the midpoint compared to 2021.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)

Despite complaints about government price setting, Pfizer reported record profits thanks to federally funded covid drugs.
Pfizer predicted over $50 billion in revenue and sales between the covid vaccine and paxlovid. “Dave Denton -- Chief Financial Officer: Regarding our COVID-19-related revenues. We continue to expect the vaccine revenue for the year to be approximately $32 billion, unchanged compared to the prior guidance provided on May 3, despite the impact of approximately $1 billion of incremental negative foreign exchange. For Paxlovid, we expect sales of approximately $22 billion, keeping the guidance unchanged, again despite an incremental $300 million headwind due to FX. Our non-COVID-related revenues are absorbing approximately $700 million of impact from negative foreign exchange.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)

Pfizer reported that the company was seeing an all-time high in paxlovid usage, thanks to the Federal Government’s “Test to Treat program.” “Angela Hwang -- President, Pfizer Biopharmaceuticals: So I think that gives you a sense of how much demand is coming in from all of the states. And then every single week, our utilization of Paxlovid has also increased. In fact, most recently, we hit an all-time high of 389,000 doses of Paxlovid that were used just in one week. So that gives you a sense of sort of the increase and the momentum. What's really driving this is obviously the education and the familiarity and the experience now of physicians, as well as patients, but also the excellent work that is being done at the federal, as well as the state level -- at the state level, in terms of education and utilization. And I want to call out, in particular, the Test to Treat program that I think has been particularly effective and very positive. To date, more than 41,000 pharmacies are now Test to Treat centers. And that means that that just gives access to a tremendous amount of the population to be able to access Paxlovid." (Pfizer Q2 2022 Earnings Call, 7/28/2022)

A Pfizer executive said that currently it pushing paxlovid in an “unbranded” fashion but “ in a commercial setting, you could support through branded education and talk a lot more about the product.” “Angela Hwang -- President, Pfizer Biopharmaceuticals: And then I think, finally, even if you think about consumer education, today, we've really limited ourselves to unbranded in sort of disease awareness education. But again, in a commercial setting, you could support through branded education and talk a lot more about the product. And so all of these are things that actually Pfizer does and the commercial organization of Pfizer does really well. This is our sweet spot.” (Pfizer Q2 2022 Earnings Call, 7/28/2022)
HOUSING
D.R. Horton said it was strategically selling homes at a slower pace while passing price increases onto new home buyers without concern for contract cancelation.

D.R. Horton’s CEO crowed to analysts that their revenues had increased 24%. “David Auld -- President and Chief Executive Officer: Thank you, Jessica, and good morning. I am pleased to also be joined on this call by Mike Murray and Paul Romanowski, our executive vice president and co-chief operating officers; and Bill Wheat, our executive vice president and chief financial officer. D.R. Horton team delivered an outstanding second quarter, highlighted by a 59% increase in earnings to $4.03 per diluted share. Our consolidated pre-tax income increased 60% to $1.9 billion on a 24% increase in revenues. And our consolidated pre-tax profit margin of 520 basis points to 23.5%. Our homebuilding return on inventory for the trailing 12 months ended March 31st was 40.3%, and our consolidated return on equity for the same period was 34%. “ (D.R. Horton Q2 2022 Earnings Call Transcript, 4/26/2022)

D.R. Hortons COO: “Our average closing price for the quarter was $378,200, up 21% from the prior-year quarter, while the average size of our homes closed was down 1%.” “Mike Murray -- Executive Vice President and Co-Chief Operating Officer: Earnings for the second quarter of fiscal 2022 increased 59% to $4.03 per diluted share compared to $2.53 per share in the prior-year quarter. Net income for the quarter increased 55% to $1.4 billion, compared to $930 million. Our second quarter home sales revenues increased 22% to $7.5 billion on 19,828 homes closed, up from $6.2 billion on 19,701 homes closed in the prior year. Our average closing price for the quarter was $378,200, up 21% from the prior-year quarter, while the average size of our homes closed was down 1%. “ (D.R. Horton Q2 2022 Earnings Call Transcript, 4/26/2022)

D.R. Horton’s COO said their average sales price was up over 20% from 2021 and “We are continuing to sell homes later in the construction cycle to better ensure the certainty of the home close date for our homebuyers with virtually no sales occurring prior to the start of home construction.” “Paul Romanowski -- Executive Vice President and Co-Chief Operating Officer: Our net sales orders in the second quarter decreased 10% to 24,340 homes, while the value increased 10% from the prior year to $9.7 billion. Our average number of active selling communities increased 1% from the prior-year quarter and was up 4% sequentially. The average sales price of net sales orders in the second quarter was $400,600, up 23% from the prior-year quarter. The cancellation rate for the second quarter was 16%, compared to 15% in the prior-year quarter. New home demand remains very strong despite the recent rise in mortgage rates. We are continuing to sell homes later in the construction cycle to better ensure the certainty of the home close date for our homebuyers with virtually no sales occurring prior to the start of home construction. We expect to continue managing our sales pace in the same manner for the rest of the year. Bill? “ (D.R. Horton Q2 2022 Earnings Call Transcript, 4/26/2022)
D.R. Horton’s CFO: “The strong demand for homes, combined with a limited supply has allowed us to continue to raise prices and maintain a very low level of sales incentives in most of our communities.” “Bill Wheat -- Executive Vice President and Chief Financial Officer: Our gross profit margin on home sales revenues in the second quarter was 28.9%, up 150 basis points sequentially from the December quarter. The increase in our gross margin from December to March reflects the broad strength of the housing market. The strong demand for homes, combined with a limited supply has allowed us to continue to raise prices and maintain a very low level of sales incentives in most of our communities. On a per square foot basis, home sales revenues were up 4.8% sequentially. While stick and brick cost per square foot increased 2.5% and our lot cost increased 2.8%. We expect our cost will continue to increase. However, with the strength of today’s market conditions, we expect most cost pressures to be offset by price increases in the near term. We currently expect our home sales gross margin in the third quarter to be slightly better than the second quarter.” (D.R. Horton Q2 2022 Earnings Call Transcript, 4/26/2022)

D.R. Hortons said it slowed “sales orders based on production capacity... we made the decision in several of our geographies to delay the release of homes until we could give a better delivery date to those customers.” “Mike Murray -- Executive Vice President and Co-Chief Operating Officer: Carl, I think it was all our decision to slow sales orders based on production capacity. I think we saw and continue to see very good demand and more buyers, qualified buyers out there for our homes today when we release them for sale. But we did see during the quarter that our cycle times continue to extend, and we made the decision in several of our geographies to delay the release of homes until we could give a better delivery date to those customers and provide a better experience for them in the backlog process. So we saw a very strong demand in the quarter, but we did see the cycle times elongate.” (D.R. Horton Q2 2022 Earnings Call Transcript, 4/26/2022)

A D.R. Horton’s executive noted that even if cancelations increased, “for those buyers that do unfortunately fall out because they can't qualify, there's no shortage of buyers behind them to take their place.” “Jessica Hansen -- Vice President, Investor Relations: Sure, Anthony. I mean we look at a 1% change in our cancellation rate is essentially flat. It's still abnormally low -- historically low. We typically run in the high teens to low 20s. And that's a can rate we're very comfortable running at. The main reason continues to be that buyers can't ultimately qualify for the home purchase. So that 15%, 16%, 17% wherever it falls out each quarter, really no concerns from us on that end. In terms of the rate sensitivity analysis, we did run the same sensitivity as we've talked to each of the last few quarters. I think rates have already kind of run-up to where that was run at a couple of weeks ago, as we prepped for this call, but it had only ticked up to, call it, roughly 10% of buyers and backlog today would be at risk. As I mentioned earlier in answer to another question, all of April is already rate locked if we’re going through a mortgage company. So that piece wouldn't be at risk. And then we also would work to look to move people from a different loan product or see if they could document additional income. And then to kind of second some things that the guys have already said today, for those buyers that do unfortunately fall out because they can't qualify, there's no shortage of buyers behind them to take their place.” (D.R. Horton Q2 2022 Earnings Call Transcript, 4/26/2022)
D.R. Horton’s CFO: “We have seen consistent ability to raise prices through the quarter, seeing consistent increases in our sales order pricing that then flow through our backlog and through our closing pricing.”

“Bill Wheat -- Executive Vice President and Chief Financial Officer: Mike, we have seen consistent ability to raise prices through the quarter, seeing consistent increases in our sales order pricing that then flow through our backlog and through our closing pricing. That’s what gives us the confidence to say that our margins are going to be slightly better next quarter because we can see those sales prices coming through in our closings in the next quarter. So to date, we have not seen a change in our ability to raise prices. I think naturally as we look for a little bit longer term with the impact of rates and impact of overall price increases. At some point, we would expect that to moderate. But at this point, we have not seen any signs of that as of yet.”

(D.R. Horton Q2 2022 Earnings Call Transcript, 4/26/2022)

D.R. Horton reported spending over $600 million on share buybacks and dividends over the fiscal year and authorized another $1 billion in buybacks. “Bill Wheat -- Executive Vice President and Chief Financial Officer: At March 31st, our stockholders’ equity was $16.8 billion, and book value per share was $47.66, up 33% from a year ago. For the trailing 12 months ended March, our return on equity was 34%, compared to 27.1% a year ago. During the first six months of the year, our cash used in homebuilding operations was $416 million, which reflects our increased homes and inventory to meet demand and the impact of extended construction cycle times. During the quarter, we paid cash dividends of $79.1 million, and our board has declared a quarterly dividend at the same level as last quarter to be paid in May. We repurchased 3.1 million shares of common stock for $266 million during the quarter for a total of 5.8 million shares repurchased fiscal year to date for $544.2 million, an increase of 30% compared to the same period a year ago. Subsequent to quarter end, our board authorized the repurchase of up to $1 billion of our common stock, replacing our prior authorization. The new authorization has no expiration date. We now expect to reduce our outstanding share count by 3% during fiscal 2022. ”

(D.R. Horton Q2 2022 Earnings Call Transcript, 4/26/2022)

KB HOMES

KB Homes called the market “healthy” thanks to significant price increases and limited supply

KB Homes CEO bragged to analysts “we significantly stepped up our profitability, expanding our homebuilding operating margin by more than 400 basis points to over 15%.”

“Jeff Mezger -- Chairman, President, and Chief Executive Officer: Thank you, Thad. Good afternoon, everyone. We delivered strong financial results in our second quarter with 19% year-over-year growth in revenues. Alongside our increased scale, we significantly stepped up our profitability, expanding our homebuilding operating margin by more than 400 basis points to over 15%. As a result, we grew our diluted earnings per share by 55% to $2.32. With a backlog of more than 12,300 homes at a value of over $6.1 billion, we are well situated as we have sold all the homes that we need to achieve our delivery and margin expectations for the year. We are also beginning to shape our fiscal 2023 and have most of our first quarter deliveries and backlog as well. The size and
composition of our backlog provide us with good visibility toward achieving our guidance midpoint of about $7.4 billion in revenues and roughly 26% gross margin, contributing to a return on equity of over 27% this year. (KB Homes Q2 2022 Earnings Call, 6/23/2022)

KB Homes CEO: “we believe the factors underlying long-term demand continue to be healthy, particularly with respect to demographics and the work-from-home trends, coupled with an ongoing under-supply of new homes and low existing home inventory” “Jeff Mezger -- Chairman, President, and Chief Executive Officer: Order rates are moderating from the exceptional levels that the industry experienced beginning in late 2020, as higher interest rates and increased home prices along with other inflationary pressures are impacting current demand. That said, we believe the factors underlying long-term demand continue to be healthy, particularly with respect to demographics and the work-from-home trends, coupled with an ongoing under-supply of new homes and low existing home inventory. Our net orders were 3,914, down 9% versus a year ago when we reported the highest second quarter net orders in the prior 14 years. While our gross orders were flat year over year, a higher cancellation rate created the negative net order comparison as some buyers were affected by the larger monthly payments from the increase in mortgage rates.” (KB Homes Q2 2022 Earnings Call, 6/23/2022)

KB Homes COO: “In the second quarter, our overall average selling price of homes delivered increased to $494,000 from $410,000 in the prior year period, reflecting the strong housing market conditions over the past 12 months, which supported the successful opening of new communities and enabled us to raise prices across our operational footprint.” “Jeff Kaminski -- Executive Vice President and Chief Financial Officer: In the second quarter, our overall average selling price of homes delivered increased to $494,000 from $410,000 in the prior year period, reflecting the strong housing market conditions over the past 12 months, which supported the successful opening of new communities and enabled us to raise prices across our operational footprint. Average selling prices were higher in each of our four regions with year-over-year increases ranging from 18% in our Southwest region to 23% in our Southeast region. For the 2022 third quarter, we are projecting an overall average selling price of $495,000. We believe our ASP for the full year will be approximately $500,000. (KB Homes Q2 2022 Earnings Call, 6/23/2022)

KB Homes said their profit margin was improving thanks to their “success in offsetting input cost inflation with selling price increases... we have been able to largely mitigate the impact of cost inflation during the construction process.” “Jeff Kaminski -- Executive Vice President and Chief Financial Officer: Our housing gross profit margin for the second quarter expanded to 25.3%, up 390 basis points from the prior year period. The current quarter metric reflected the favorable pricing environment and lower amortization of previously capitalized interest, partially offset by higher construction costs and increased expenses supporting future growth. Our continued gross margin improvement trend demonstrates our success in offsetting input cost inflation with selling price increases. In addition, with our strategy of locking material and labor costs when we start each home, we have been able to largely mitigate the impact of cost inflation during the construction process. (KB Homes Q2 2022 Earnings Call, 6/23/2022)

KB Homes said prices were increasing every quarter and “even through April, we were continuing to lift prices in the majority of our divisions and communities.” “Rob McGibney --
Executive Vice President and Chief Operating Officer: Yes. I think it's just the ongoing price lift that we've seen. It's been increasing sequentially quarter-over-quarter. I don't know, I would expect that that does not continue on the pace that it's been on as affordability challenges with rate and everything keep moving up. So I would expect that to level off. But Yes, I don't know that it's really driven by anything regionally other than just ongoing price lift that we've had. And even through April, we were continuing to lift prices in the majority of our divisions and communities, less so in May, and don't really expect that to continue going forward with some of the challenges that we've talked about. But I think that's why we're seeing that, Steve. (KB Homes Q2 2022 Earnings Call, 6/23/2022)

KB Homes CEO: “our pricing is up dramatically. We're selling at margins above what we just reported and have been, so we have a lot of room to navigate.” Jeff Mezger -- Chairman, President, and Chief Executive Officer: And through that all, as Rob just observed, our pricing is up dramatically. We're selling at margins above what we just reported and have been, so we have a lot of room to navigate without -- while continuing to generate above average returns and above average operating margins and we have a lot of communities we're going to be opening that we tied up three years ago and you know what's happened to price in the last three years versus when we underwrote those assets. So we really like our position and we think between all and rotating left we have all the tools we need to be competitive, to hold our absorption paces, and maybe they come off from six and go down to five, but at the margins were at, they go to four, we'll work to optimize the price and the pace at the right margin. And we think we've got all the tools we need to navigate through this thing right now. (KB Homes Q2 2022 Earnings Call, 6/23/2022)

KB Homes said that lumber prices were coming down and they were seeing “definite benefit on the lumber side.” “Rob McGibney -- Executive Vice President and Chief Operating Officer: Yes. I mean lumber has been the main driver of the cost increases, certainly, everything has moved up, but not to the degree that lumber has. And lumber has dropped drastically over the last few months. We're seeing the benefit of that in starts today, but we won't see that in our closings until first part of 2023. Just kind of order of magnitude, I mean framing, just material component of framing in Q2 of '21 versus '22 was up -- it was up roughly $25,000 in framing material up to $41,000, so substantial increase. Now those have come back down, we're seeing random link composites that we're tracking in the fives now versus in the 12,000 just a few months ago. So there is some definite benefit coming on the lumber side. As far as the other increases, usually there is a lag between what we're seeing out there on the sales side and starts to -- when we start seeing the cost decreases that we're definitely pursuing that and we expect that there'll be some tailwinds coming from cost there as well. (KB Homes Q2 2022 Earnings Call, 6/23/2022)

KB Home CFO said that even when home contracts were canceled, the homes “are fairly quickly reselling and in most cases reselling at higher prices than they were originally sold at.” “Jeff Kaminski -- Executive Vice President and Chief Financial Officer: Right. The main changes in the guidance this quarter were just really a tightening of the ranges which just reflects less time period and higher level of confidence in the next couple of quarters on our part. The advantage we have right now is the large backlog and the assurance and the quality of the backlog, frankly,
that we'll be able to close those homes. So we know the prices, we know the costs. In the vast majority of the cases we have customers that are very well qualified, a lot of those cases are actually have locked mortgage interest rates. So we don't expect to see a lot of volatility in that. And on the other side of it, if we do see some spike in can rate for example on started homes or homes that are supposed to close either in the third or fourth quarter, we've been very successful reselling homes as we've gone through this latest cycle and there is still very, very thin layer of inventory that we have in our system out there. So any homes that are coming off can or otherwise are fairly quickly reselling and in most cases reselling at higher prices than they were originally sold at." (KB Homes Q2 2022 Earnings Call, 6/23/2022)

KB Homes reported spending nearly $300 million on dividends and share buybacks in 2022. “Jeff Mezger -- Chairman, President, and Chief Executive Officer: Over the past year, in addition to the land investments that I just mentioned, we returned nearly $300 million to stockholders. This included our regular quarterly cash dividends of over $53 million and nearly $240 million in stock buybacks, as we repurchased over 6 million shares or roughly 7% of our shares outstanding. With strong profitability and an anticipated tightening of our land investments in response to the changing market conditions, we expect that we will have opportunities to continue to redeploy capital to stockholders. Before I wrap up, I would like to thank the entire KB Home team for their hard work and ongoing commitment to serving our homebuyers. (KB Homes Q2 2022 Earnings Call, 6/23/2022)

LENNAR

Lennar told analysts the company was continuing to benefit from the low housing supply and was still raising prices

A Lennar executive noted that the housing market was benefitting from the fact that “supply remains limited across the country and the need for affordable workforce housing continues to be at crisis levels.” “Stuart Miller -- Executive Chairman: Buyers are seeking shelter from inflationary pressures as scarce rentals drive rents higher. Supply remains limited across the country and the need for affordable workforce housing continues to be at crisis levels. Clearly, production must catch up to the growing household numbers as production of dwellings over the past decade has lagged prior decades by as many as 5 million homes. Nevertheless, the rapid increase in interest rates, together with price appreciation have created at least sticker shock and perhaps a more structural cooling of demand.” (Lennar Q2 2022 Earnings Call, 6/21/2022)

A Lennar executive said the company uses a “dynamic pricing model week by week to price products to current market conditions in order to maximize pricing and margin, pricing and margin while we maintain a carefully limited inventory level.” “Stuart Miller -- Executive Chairman: As we have noted many times in the past, whether the market is improving or declining, we deploy our dynamic pricing model week by week to price products to current market conditions in order to maximize pricing and margin, pricing and margin while we maintain a carefully limited inventory level. As the market moves, we will continue to be responsive. In
sync with selling homes, we will continue to leverage our extraordinary management team across the country and improve our cost of doing business. We have seen quarter-over-quarter improvements in our SG&A over the past years, and we expect to drive efficiencies through technology and process improvement to offset market adjustments wherever possible.” (Lennar Q2 2022 Earnings Call, 6/21/2022)

Lennar's Co-CEO said housing markets like Dallas and Houston were “benefiting from extremely low inventory;” “Rick Beckwitt -- Co-Chief Executive Officer and Co-President: During the second quarter and so far in June, we had 19 markets that continue to perform well. These include our six Florida markets, New Jersey, Maryland, Charlotte, Indianapolis, Chicago, Dallas, Houston, San Antonio, Phoenix, San Diego, Orange County and the Inland Empire. All of these markets are benefiting from extremely low inventory, and many are benefiting from strong local economy, employment growth and in migration. While these markets have continued to be strong, our sales pace and pricing power has started to flatten or has flattened in each of these markets. To maintain sales momentum, we have offered mortgage buydown programs and normalized market incentives.” (Lennar Q2 2022 Earnings Call, 6/21/2022)

Lennar's Co-CEO said labor costs were responsible for all their costs increases while “Material costs were lower due to the lower priced lumber from starts in the second half of last year.” “Jon Jaffe -- Co-Chief Executive Officer and Co-President: There are still challenges that occur, but we are managing them effectively as evidenced not only by this flattening of cycle time, but also by being above the high end of our guidance for second quarter closings. Our direct introduction costs in the second quarter were up 1.6% sequentially and 20% year over year, both lower than the comparable increases for the same period in the first quarter and fourth quarter of 2021. Rise in labor costs accounted for all of the increase in the second quarter. Material costs were lower due to the lower priced lumber from starts in the second half of last year.” (Lennar Q2 2022 Earnings Call, 6/21/2022)

Lennar's Chairman: “at the end of the day, we're probably going to push more people from homeownership toward rental.””Stuart Miller -- Executive Chairman: So let me say, Steve, that the entire rental market is interesting right now. We've talked a lot over the quarters about housing shortage. The fact is that even as interest rates go up, people still need a place to live, household formation remains strong. I know you've covered a lot of these dynamics. And at the end of the day, we're probably going to push more people from homeownership toward rental. That will mean multifamily, traditional multifamily as well as single family for rent. And I think there's going to be some dynamic shifting that moves around in all of these areas to the extent that we move more people out of home ownership and toward rental, it increases the demand for an already supply constrained component of the market. That's the rental market, both SFR and traditional rentals. If you look at rental rates and where they have been moving over the past year, both on the traditional rentals and the single family for rent, you've seen pretty aggressive movement upward in rental rates. That is a function of limited supply and growing demand.” (Lennar Q2 2022 Earnings Call, 6/21/2022)

Lennar's Co-CEO: “we strategically have, as we've done in the last several quarters, sold our homes later in the construction cycle, which works very effectively in this market.” “Rick Beckwitt -- Co-Chief Executive Officer and Co-President: The other thing that is behind the
numbers is that we’ve been -- we strategically have, as we’ve done in the last several quarters, sold our homes later in the construction cycle, which works very effectively in this market because our buyers want to lock their loan closer to the time that they’re going to be closing on the home. And as a result, we’ve limited presales or early sales, which makes the start pace a little bit higher than the sales space.” (Lennar Q2 2022 Earnings Call, 6/21/2022)

Lennar’s Co-CEO: “in many of these markets, net pricing and gross pricing is up 40% to 50% over the year-ago period….reality is that the markets have very limited inventory. We’re seeing rent growth in all of these markets.” “Rick Beckwitt -- Co-Chief Executive Officer and Co-President: Well, as I said in my remarks, we’re adjusting pricing on a home-by-home basis. And in many of these markets, net pricing and gross pricing is up 40% to 50% over the year-ago period. So it takes relatively modest price adjustments to move the needle in order to spur some activity in these markets. What buyers are really focused on right now is just sticker shock. There’s been an increase in mortgage rates, and that combined with the economic headwinds, people just are concerned, are they making the right decision at this point in time. The reality is that the markets have very limited inventory. We’re seeing rent growth in all of these markets. So folks are really just trying to make sure that they don’t feel that when they talk to their neighbor that there’s a downward pull.” (Lennar Q2 2022 Earnings Call, 6/21/2022)

Lennar reported spending over $400 million on share buybacks and dividends in Q2 2022. “Diane Bessette -- Chief Financial Officer: We are still on track to reach our goal of 2.75 years owned and 65% homesites controlled by year-end. And we remain committed to our focus on increasing shareholder returns. As we mentioned during the quarter, we repurchased 4.1 million shares totaling $321 million. Additionally, we paid dividends totaling $111 million during the quarter.” (Lennar Q2 2022 Earnings Call, 6/21/2022)

TOLL BROTHERS

Toll Brothers told analysts that revenues were booming while it successfully increased prices beyond the cost of inflation

Toll Brothers’ CEO bragged to analysts their home sales revenues was 19% higher than Q2 2021. “DOUGLAS C. YEARLEY, CHAIRMAN & CEO, TOLL BROTHERS, INC: We are very pleased with our second quarter performance as we met or exceeded our guidance on all key metrics. We delivered a record 2,407 homes in the second quarter at an average price of approximately $908,000, resulting in record home sales revenue of $2.2 billion. This was an increase of 19% compared to last year's second quarter revenue. Our teams did a great job delivering homes in what continues to be a very challenging production environment.” (Q2 2022 Toll Brothers Inc Earnings Call, 5/25/2022)

In May 2022, Toll Brothers' CEO said “we have continued to raise prices in a limited number of communities,” noting the home market was benefiting from low supply and rising rents. “DOUGLAS C. YEARLEY, CHAIRMAN & CEO, TOLL BROTHERS, INC: Despite the recent moderation, the housing market remains healthy. Even over the past month, we have continued
to raise prices in a limited number of communities, and we are running successful best and final sealed bid processes in about 15% of our communities. The many fundamental drivers that had supported the housing market in recent years remain firmly in place. These include favorable demographics with 150 million millennials and baby boomers experiencing life events that are driving home demand; the supply-demand imbalance resulting from over a decade of underproduction; tight retail inventories; migration trends driven by more flexibility in the workplace; and an overall greater appreciation for homes and, in particular, new homes. In addition, the for-sale housing market is benefiting from an ongoing and significant increase in rents for single- and multifamily dwellings. We believe these trends will continue to support housing demand in the long term.” (Q2 2022 Toll Brothers Inc Earnings Call, 5/25/2022)

Toll Brothers CEO said the company had increased its average delivered price by $15,000 per home. “DOUGLAS C. YEARLEY, CHAIRMAN & CEO, TOLL BROTHERS, INC: As our industry continues to be challenged by supply chain disruptions, labor shortages and municipal delays, we have revised our full year deliveries guidance. We now expect full year deliveries to be between 11,000 and 11,500 homes, a reduction of about 375 homes at the midpoint. However, we have increased our average delivered price guidance by $15,000 per home to reflect the strong pricing in our backlog. As a result, we expect full year 2022 homebuilding revenues of approximately $10.1 billion at the midpoint of our guidance or 20% growth compared to fiscal year 2021.” (Q2 2022 Toll Brothers Inc Earnings Call, 5/25/2022)

Toll Brothers’ CFO said the average selling price of their homes was up nearly $200,000 from Q2 2021.”MARTIN P. CONNOR, SENIOR VP & CFO, TOLL BROTHERS, INC.: Thanks, Doug. In our second quarter, we delivered 2,407 homes and generated homebuilding revenues of $2.2 billion, up 6% in units and 19% in dollars from 1 year ago. The average selling price of our 2,874 signed contracts in fiscal year 2022 second quarter was $1,075,000, up nearly $200,000 compared to last year’s second quarter and up $53,000 over Q1. Our second quarter pretax income was $296 million compared to $170 million in the second quarter of fiscal 2021. Net income was $221 million or $1.85 per share diluted compared to $128 million and $1.01 per share diluted 1 year ago. Our second quarter adjusted gross margin was 26.1% compared to 24.4% in the second quarter of 2021 and 60 basis points better than we had projected. The improvement was due primarily to price, reflecting the strong demand environment over the last year.” (Q2 2022 Toll Brothers Inc Earnings Call, 5/25/2022)

Toll Brothers CEO said the company had been increasing prices by 5% per quarter and also used a “best and final offer process where we let the clients decide how much they're willing to pay, and they bid against each other and drive the price up even higher.”DOUGLAS C. YEARLEY: Yes. So for the last 1.5 years, we’ve been running an approximately 5% price increase per quarter. That's not exact to every quarter, but that's what it averages out to. Part of that is this best and final offer process where we let the clients decide how much they're willing to pay, and they bid against each other and drive the price up even higher. But a lot of it is our own increases to our price sheet. We do not expect it to continue at that pace. We still have some pricing power. We are still raising prices today in a limited number of locations. As I’ve mentioned several times now, we still have the best and final offer sealed bid process going at 15% of our communities. But we don't expect at the moment, particularly as we head into the summer, and we talked about
seasonality, we don't expect to continue that cadence of 5% price increase a quarter. (Q2 2022 Toll Brothers Inc Earnings Call, 5/25/2022)

Toll Brothers CEO: "we have more than exceeded cost increases through our pricing over the last 18 months, hence the increase in margin and the increase in guidance on margin in '23."

"DOUGLAS C. YEARLEY: With respect to whether we are offsetting cost increases through our pricing, we have more than exceeded cost increases through our pricing over the last 18 months, hence the increase in margin and the increase in guidance on margin in '23. We'll have to see how it plays out through the summer as to how much pricing power we have. While costs are going up, we do feel like we have good control over those costs. I mentioned that we have increased our contingencies. And that's not just for the land buying I mentioned, but we've increased our contingencies on our open communities and are still comfortable with our ability to drive that gross margin higher. So I think we'll have to wait and see what develops over the -- let's call it, the next 3 months to know how that pricing power will relate to cost pressures." (Q2 2022 Toll Brothers Inc Earnings Call, 5/25/2022)

Toll Brothers reported spending over $350 million on share buybacks in dividends since the start of their fiscal year.

"DOUGLAS C. YEARLEY, CHAIRMAN & CEO, TOLL BROTHERS, INC: We also remain focused on improving our return on equity. In the second quarter, we repurchased $106.5 million of our common stock and another $16 million so far in our third quarter. Since the beginning of the fiscal year, we have repurchased about $308 million or 4.6% of our year-end share count. We have also paid $44 million in dividends year-to-date, and we retired $410 million of long-term debt in our first quarter. In March, our Board approved an 18% increase in our quarterly dividend and, just last week, refreshed our share repurchase authorization to 20 million shares or nearly $900 million based on current prices. These actions reflect our confidence in the business and our commitment to delivering returns to our shareholders." (Q2 2022 Toll Brothers Inc Earnings Call, 5/25/2022)

Toll Brothers CEO told analysts he bought his first home with assistance from his parents, a trend he expected to continue today.

"DOUGLAS C. YEARLEY: Sure, John. We -- as we told you in the past, and it's pretty consistent this quarter, about 30% of our buyers are first-time homebuyers. Now they're buying more expensive homes than what I'd call a traditional starter home. As we talked about, it's our 3 Series BMW. And I don't -- I can't give you that answer. I'm not sure whether our mortgage team -- Marty can get that. I'm not sure we know exactly where it comes from. But I'm with you. I think mom and dad are helping out a lot. I bought my first house at 27, and my amazing father and mother guaranteed my mortgage because I didn't have -- I was just getting out of law school, so I couldn't -- the mortgage company maybe was impressed by my diploma on the wall but not by my income. So that's absolutely happening. And I'll have the team offline and see if we can put -- give you some more specifics on that." (Q2 2022 Toll Brothers Inc Earnings Call, 5/25/2022)
Chevron reported one of its most profitable quarters ever even though their overall oil production had decreased.

Chevron’s CFO celebrated that the company had one of its best quarters since 2008, over $5 billion more than the previous quarter, “primarily on higher refining margins.” “Pierre Breber -- Chief Financial Officer: Thank you, Roderick, and thanks, everyone, for joining us today. We delivered another strong quarter, another quarter of strong financial results with ROCE over 25%, the highest since 2008. Special items this quarter include asset sale gains of $200 million and a $600 million charge to terminate early a long-term LNG regas contract at Sabine Pass. C&E for the quarter was nearly $4 billion, including inorganic spend to form our JV with Bunge. With the acquisition of REG, our total investment was $6.8 billion, more than double last year’s quarter. Strong cash flow enabled us to fund this higher level of investment, pay down debt for the fifth consecutive quarter, and returned more than $5 billion to our shareholders through dividends and buybacks. Adjusted second quarter earnings were up more than $8 billion versus last year. Adjusted upstream earnings increased mainly on higher realizations partially offset by lower liftings from the end of concessions and Indonesia and Thailand. Adjusted downstream earnings increased primarily on higher refining margins. Compared with last quarter, adjusted earnings were up nearly $5 billion. Adjusted upstream earnings increased primarily on higher realizations, partially offset by tax and other items, including higher withholding taxes on TCO dividends and cash repatriations. Adjusted downstream earnings increased primarily on higher refining margins and a favorable swing in timing effects.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

Despite the massive increase in profits, Chevron said their oil production actually decreased by about 7%. “Jay Johnson -- Executive Vice President, Upstream: Thanks, Pierre. Second quarter oil equivalent production decreased about 7% year on year due to expiration of our contracts in both Indonesia and Thailand, the sale of our Eagle Ford asset, and CPC curtailments impacting TCO during April. This was partially offset by shale and tight growth, primarily in the Permian. In the Permian, we’re delivering on our objectives of higher returns and lower carbon.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron described its engagement with the White House as “constructive and productive,” saying US-based production was up 7%. “Pierre Breber -- Chief Financial Officer: Manav, we won’t comment on the specifics of our engagements. I think you’re right that we’re -- it’s constructive and productive. I'll point out our U.S. oil and gas production in the first half of the year was up 7% versus last year. Our U.S. refined product sales up 10% versus last year. The administration wants energy supplies to increase, we're doing that. Our investment globally, up 80% first half of the year. If you look at the U.S., more than double when you include REG. So Chevron is growing energy supply, increasing investment, and we're engaging constructively with Congress and this administration. Thanks, Manav.” (Chevron Q2 2022 Earnings Call, 7/29/2022)
Chevron announced it was increasing its stock buybacks guidance to $15 billion for the year. “Pierre Breber -- Chief Financial Officer: In downstream, planned turnarounds are primarily at our California refineries. We do not expect significant dividends from TCO or Angola LNG until the fourth quarter. Our full year guidance for affiliate dividends is unchanged, with upside potential beyond the top of the range depending on commodity prices. Also, we increased the top end of our share buyback guidance range to $15 billion per year and expect to be at that rate during the third quarter.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron’s CFO emphasized their share buyback guidance was $15 billion per year and “we intend to maintain buybacks at this annual rate for a number of years across the commodity cycle.” Pierre Breber -- Chief Financial Officer: And as you said, we just increased the guidance to -- we just increased the top of the range of our guidance to $15 billion a year. That represents about 1% of our shares each quarter. The $15 billion annual rate is based on our current outlook. It was tested against a number of scenarios. The rate is consistent with our Investor Day upside leverage case, which was a $75 (Inaudible) flat nominal price over five years. As we’ve said with previous buyback rates, we intend to maintain buybacks at this annual rate for a number of years across the commodity cycle. As a reminder, our net debt is well below our mid-cycle guidance range. So we'll continue buybacks even when the commodity cycle turns down and we'll lever back up our balance sheet closer to that 20% to 25% guidance range.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron’s CFO: “The first financial priority is to grow the dividend. We've done that for 35 consecutive years, and increased it by 6% earlier this year. It's up 20% since right before COVID, and it's doubled since 2010.” Pierre Breber -- Chief Financial Officer: Thanks, Neil. It's Pierre. I'll take that. I'll go through our financial priorities. They've been consistent for decades, literally. The first financial priority is to grow the dividend. We've done that for 35 consecutive years, increased it 6% earlier this year. It's up 20% since right before COVID, and it's doubled since 2010. The second is to invest and grow both traditional and new energy, and you saw that our total investments first half of the year were up 80% versus a year ago. The third is to maintain a strong balance sheet. For the fifth consecutive quarter, we paid down debt. Our net debt ratio is at 8%.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron emphasized it was not seeking to increase production significantly, but was “focused on generating returns”

Chevron told analysts the company “has been to be very disciplined, very focused on generating the returns and the efficiency that allow us to be profitable regardless of the prices. And so we're not responding to short-term price.” Jay Johnson -- Executive Vice President, Upstream: Yep. I'll start out with that and then Pierre can finish if he's got any other thoughts. The Permian -- our approach to the Permian, as you know, for many years, has been to be very disciplined, very focused on generating the returns and the efficiency that allow us to be
profitable regardless of the prices. And so we're not responding to short-term price, but we are increasing our activity levels since the turn down during COVID. And so we have seen our investment go up. This year, it's $1 billion higher than it was last year. (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron said it was expecting a 15% increase in Permian oil production and “then I would expect to see it relatively flat after that as we just maintain an efficient operation across the Permian.” “Jay Johnson -- Executive Vice President, Upstream: And we also see the number of wells that we’re putting on production going up, we expect to do over 200 (inaudible) this year. And so we’re looking for about a 15% increase in our Permian production. And then I would expect to see it relatively flat after that as we just maintain an efficient operation across the Permian. We also have non-operated activity, and we currently have about 9 net rigs running on the non-op side. And so that also contributes significantly to our production profile. Our guidance remains unchanged. We'd expect to see about 1.2 million to 1.5 million barrels a day of production ultimately as our plateau. But as we continue to gain insights and knowledge and as we look at our efficiencies, as we look at our portfolio and world demand, that can change as we go forward. That's our guidance as we see it today, and we’ll continue to update you as we move forward in time.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron's EVP: “ think we've accomplished a mindset shift in Chevron, and this is throughout our workforce, being very focused on returns, not chasing a production target, but continuing to run this as a business and thinking about the returns we can get.” “Jay Johnson -- Executive Vice President, Upstream: Thanks for the question, and it's pretty exciting. I mean the one bad thing about retirement is you don't get to be part of the next steps, and I'm excited about them. I would start by just saying, I think we've accomplished a mindset shift in Chevron, and this is throughout our workforce, being very focused on returns, not chasing a production target, but continuing to run this as a business and thinking about the returns we can get. Scale is important, but it's an outcome of the opportunity set that we have and the investments and capital that we choose to invest. (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron downplayed inflation and recession costs, saying the company was focused on “more free cash flow for shareholders”

Chevron’s EVP said the company was less affected by inflation thanks to multi-year contracts and years of infrastructure investment. “Jay Johnson -- Executive Vice President, Upstream: It's difficult for me to really do that definitively. What I can say, though, is I think we have a competitive advantage in the Permian. We have a couple of things working in our favor. We maintain a global supply chain and we’re able to tap suppliers of both equipment and materials, goods, and services over a much broader range than maybe some of our competitors. We also do multiyear contracts and other mechanisms commercially that allow us to mitigate some of the inflationary pressures that we see today. And then, of course, our focus on driving for improved productivity, improved efficiency has really helped us continue to counter the inflationary pressures. I think the other area that we have a distinct advantage is we’ve been building out our infrastructure in the Permian. And so just as a proof point, the last 800 wells over the last five
years, to produce those 800 wells, we had to build 40 central tank batteries. As we look forward, the next 800 wells, we only need to build an additional four central tank batteries. So while others are having to invest in this high inflationary period, we're largely using infrastructure that was built over the past five years with very small incremental surface facilities required. And I think that's going to be hard for others to match.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron’s CFO said the company had “seen cost inflation this year in the single digits,” with lower inflation outside of the US. “Pierre Breber -- Chief Financial Officer: Thanks, Paul. I'll take the first, and then I'll hand it to Jay on the second. On the onshore U.S., we've seen cost inflation this year in the single digits. We've been able to mitigate a part of that through good planning, smart procurement, and good relationships with suppliers. And as Jay pointed out, we've been able to also get more efficient with our drilling and completion operations, which also partially offsets it. Outside of the U.S., we're seeing much more modest inflation, and we talked about our Gulf of Mexico offshore rigs, which are contracted at a time when the rig rates were lower. As we're looking toward 2023, we're doing that work right now. We're confident that we'll be able to secure all the goods and services that were needed for our program.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron downplayed recession predictions, saying that demand was “more recession resilient going forward.” “Pierre Breber -- Chief Financial Officer: I mean what's interesting is there's obviously concerns around the recession. In terms of tailwinds, we still have very low unemployment, and we have a consumer that wants to spend money to go out and do things they haven't been able to do for a couple of years. When prices were higher in the second quarter, they made some choices. And if you look at that demand response on gasoline, that's in line or even higher than some past recession. So it's not clear. I guess what I'd say is demand, I think, will be much more recession resilient going forward just because we've seen a little bit of that response in the second quarter. And again, diesel will be tied to underlying commercial activity.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

Chevron’s CFO: “our upstream business is much more capital efficient than it's ever been. And has a mindset of how do we deliver business results with less capital. And if we do that, there's more free cash flow for shareholders.” Pierre Breber -- Chief Financial Officer: And of course, all the activities we're doing to grow new energies. We can do all of that within the guidance. And as we recognize, Jay, one of the things he deserves a lot of credit for is our upstream business is much more capital efficient than it's ever been. And has a mindset of how do we deliver business results with less capital. And if we do that, there's more free cash flow for shareholders.” (Chevron Q2 2022 Earnings Call, 7/29/2022)

EXXON MOBIL

*Exxon told analysts it expected $30 billion in buybacks in 2022 and 2023*

*Exxon funneled $7.6 billion to shareholders in buybacks and dividends in the past quarter.*”Darren Woods -- Chairman of the Board and Chief Executive Officer: Cash flow from
operations was $20 billion, further strengthening our balance sheet. Our net debt-to-capital ratio declined to about 13%, while the growth ratio is now at 20%, at the low end of our target range. We returned $7.6 billion to shareholders during the quarter in the form of dividends and share repurchases. The increase in distribution reflects the confidence we have in our strategy, performance we are seeing across our businesses and renewed strength of our balance sheet.”

(ExxonMobile Q2 2022 Earnings Call, 7/29/2022)

Exxon told analysts it expected $30 billion in stock buybacks in 2022 and 2023. “Kathy Mikells -- Senior Vice President, Chief Financial Officer: Sure. I'm happy to take that. So look, as you know, our first priority is to continue to invest in the business. And we talked last quarter about the fact that we expect it to build our cash balance to between $20 billion to $30 billion, which gives us both a strong balance sheet and a strong cash balance, which we view as a competitive advantage that provides us flexibility through the cycle. We're trying to strike the right balance in terms of share repurchases and dividends. As you know, we raised our quarterly dividend by $0.01 in the fourth quarter of 2021. And last quarter, we tripled the size of our share repurchase plan, which is now up to $30 billion of share repurchases this year and next. So we're definitely focused on being efficient as we look to return capital to shareholders. And obviously, the share repurchase program has a secondary benefit of reducing the nominal size of our dividend. So I'd say we're trying to strike the right balance. Our board reviews this pretty regularly, and we feel good about where we're at right now.” (ExxonMobile Q2 2022 Earnings Call, 7/29/2022)

Exxon blamed refinery margins on low investment by the oil industry and predicted higher prices for years

Exxon’s CEO blamed low refinery capacity and high margins on the fact “prior to the pandemic, industry investments were below historical levels” ”Darren Woods -- Chairman of the Board and Chief Executive Officer: Margins in North America tightened during the quarter as product prices continue to lag the steep increases in ethane feedstock cost, consistent with higher gas prices. Before recapping our financial results, let me touch on the market environment that underpins them. As I mentioned in my prerecorded remarks, large annual investments in oil and gas production are required to offset normal depletion, even more is required to grow net production. Prior to the pandemic, industry investments were below historical levels. The economywide shutdowns during the pandemic exacerbated the problem. We are now experiencing tight markets across most of our businesses as supply lags demand recovery. We clearly see the tightness in supply in refining, where the closure rate during the pandemic was 3x the rate of the 2008 financial crisis. Given the long investment cycle times, growing supply will not happen overnight.” (ExxonMobile Q2 2022 Earnings Call, 7/29/2022)

Exxon’s CEO: “we've got this gap, demand recovers, and we don't have the capacity to meet that, which has led to a record, record-high refining margins.”Darren Woods -- Chairman of the Board and Chief Executive Officer: Sure. Happy to do that, Stephen. Thanks for calling in. Yes, you say it's a volatile area. I think the thing that's really changed in the refining landscape, which has impacted -- we're seeing that impact across a lot of industries and parts of our business is the
pandemic. If you go back since 2020 and as we've mentioned in our prepared presentation, 3 million barrels a day of refining capacity has come out of the circuit since the pandemic. And what has typically happened, which is three times the rate of historical levels. And typically, historical levels have been offset by new builds coming in. And of course, a lot of those new builds got pushed out because of the pandemic and the lack of revenue in the extremely negative and poor refining margins. And so, we've created this hole with a lot more capacity coming off-line without a whole lot of new capacity, typically out and developing in parts of the world in Asia and the Middle East. That capacity is not coming on. So we've got this gap, demand recovers, and we don't have the capacity to meet that, which has led to a record, record-high refining margins.”

(ExxonMobile Q2 2022 Earnings Call, 7/29/2022)

Exxon’s CEO said that while new refinery capacity was coming on line, it’s “still fairly short of the capacity that came off. And so, our view is we’re going to see what I say, the tighter supply and demand balance.” “Darren Woods -- Chairman of the Board and Chief Executive Officer: And it's one that takes advantage of the utilities and the units that we already have and the connection that we have with the Permian. So a very advantaged project coming onto the market at a really good time. Outside of that, I don't see a whole lot of additional expansions here in the U.S. And then, as we mentioned in the presentation, over the next two years, probably 1 million barrels a day of capacity, including the 250 at our site coming on in the marketplace, which is still fairly short of the capacity that came off. And so, our view is we’re going to see what I say, the tighter supply and demand balance. One of the real question marks out there is what happens with demand. I would tell you, even at 2019 levels, the market is relatively tight. And so, I expect a tighter market and maybe elevated margins versus what the historical norm is.” (ExxonMobile Q2 2022 Earnings Call, 7/29/2022)

Exxon’s CEO predicted, “this will be a few-year price environment.” “Darren Woods -- Chairman of the Board and Chief Executive Officer: But I would expect much lower than what we've experienced here in the second quarter. And then, with time, we'll see that capacity come back on out in Asia and the Middle East. And the world market is very efficient, and those barrels will flow to the demand centers and balance things off. And so, I think this will be a few year price environment, and we'll get back to what I think is a more typical refining industry structure.” (ExxonMobile Q2 2022 Earnings Call, 7/29/2022)

Exxon’s CEO told analysts that countries were recognizing renewables were not sufficient and that fossil fuels were part of the energy equation

Exxon’s CEO said of renewables “there's a recognition that there are deficiencies in those technologies. And while they offer an important solution and are necessary, they're not sufficient.” “Darren Woods -- Chairman of the Board and Chief Executive Officer: You bet, Jason. I think the short answer is yes. It's incentivizing, I think, both of those. And I think that's appropriate to look where there's an opportunity to take advantage of what I'll call the natural endowments in terms of sun and wind to deploy those technologies and renewable technologies to generate power. But at the same time, I think there's a recognition that there are deficiencies in those
technologies. And while they offer an important solution and are necessary, they’re not sufficient. And so, I think at the same time, a recognition that we need to do more, particularly with gas given its cleaner footprint.” (ExxonMobile Q2 2022 Earnings Call, 7/29/2022)

**Exxon’s CEO: “the challenge here is emissions. Not oil and gas itself, it's the combustion of oil and gas and the emissions associated with that.”** "Darren Woods -- Chairman of the Board and Chief Executive Officer: And I think a recognition as it was just speaking with Sam about, that the challenge here is emissions. Not oil and gas itself, it's the combustion of oil and gas and the emissions associated with that. And so, dealing with emissions through carbon capture and storage is another opportunity to address the problem at a much lower cost and in a much quicker time frame. And so, my sense and the conversations I'm having with governments around the world is a recognition of this broader approach, a basket of technologies are going to be needed and emphasis should be put on all the ones for the right reasons at the right time and consciously and explicitly recognizing the deficiencies and making sure that we're mitigating those deficiencies. It was just in Europe and having a conversation with some of the government leaders there and clearly recognize the challenge associated with renewables, wind and solar and the intermittency issue and a recognition that gas and gas fired power gen will be an important backstop to address that. So I think there's a much more holistic approach being taken and a more thoughtful one, and I think that's encouraging.” (ExxonMobile Q2 2022 Earnings Call, 7/29/2022)

**Exxon’s CEO called emissions the “real challenge with the energy transition,” as that “opens up the door for additional oil and gas and the receptiveness of oil and gas coming on the marketplace.”** "Darren Woods -- Chairman of the Board and Chief Executive Officer: Yes. Well, I think, Roger, it's a complicated space you're asking about, but a good one. I do think if over time, policymakers focus on what I think the real challenge with the energy transition is, which is dealing with emissions and the broader door opens for, say, carbon capture and storage or hydrogen and specifically blue hydrogen that that opens up the door for additional oil and gas and the receptiveness of oil and gas coming on the marketplace, which I think frankly, is important just given the costs associated with the transition. If you can find ways to use existing infrastructure and don't have to rewire your entire industrial processes and power generation systems, that's going to be a win for society as we bring down emission.” (ExxonMobile Q2 2022 Earnings Call, 7/29/2022)

**HESS CORPORATION**

The Hess Corporation said high oil prices were the result of oil companies choosing not to invest in production for the past five years

The Hess Corporation blamed oil prices on the fact that “oil supply has been struggling to keep up with demand, predominantly as a result of more than 5 years of industry under-investment.” “John Hess - CEO: In terms of global oil demand, there has been a V-shaped recovery due to various government financial stimulus programs and accommodative monetary policies. Global oil demand has returned to pre-COVID levels of approximately 100 million barrels
per day. On the other hand, the global oil supply has seen more of a U-shaped recovery. Global oil supply has been struggling to keep up with demand, predominantly as a result of more than 5 years of industry under-investment. As a consequence, we have seen 7 consecutive quarters of draws on global oil inventories so much so that global oil inventories today are approximately 400 million barrels less than pre-COVID levels.” (Hess Corporation Earnings Call Q2 2022, 7/27/2022)

Hess Corporation: There is very little spare capacity left in the world.” “John Hess - CEO: As we look to the second half of the year, we expect global oil demand to increase by 1 million to 1.5 million barrels per day as a result of China's economy reopening after COVID lockdowns and increasing air travel. In terms of global oil supply, shale producers have enabled the U.S. to grow oil production by approximately 1 million barrels per day over the year -- in the last year. There is very little spare capacity left in the world. With demand growing, supply lagging and the potential for further sanctions on Russian oil exports, we expect a tight global oil market to get even tighter over the balance of the year.” (Hess Corporation Earnings Call Q2 2022, 7/27/2022)

Hess Corporation executives said they planned to exploit high oil prices to funnel more to investors

The Hess Corporation said the company planned to use its cash flow “to increase the return of capital to our shareholders through further dividend increases and share repurchases.” “John Hess - CEO In summary, we continue to successfully execute our strategy to deliver industry-leading cash flow growth and financial returns to our shareholders, while safely and responsibly producing oil and gas to help meet the world's growing energy needs. We increased our regular quarterly dividend by 50% in March and during the second quarter, commenced a share repurchase program, reflecting the financial strength of our business and our commitments to shareholders. As our portfolio becomes increasingly free cash flow positive, we will continue both to invest to grow our company's intrinsic value and to increase the return of capital to our shareholders through further dividend increases and share repurchases.” (Hess Corporation Earnings Call Q2 2022, 7/27/2022)

Hess Corporation said it funneled over $300 million to shareholders in the second quarter alone. “John Rielly - CFO: In the second quarter, we commenced common stock share repurchases with the purchase of approximately 1.8 million shares for $190 million under our existing $650 million board-authorized stock repurchase program. We intend to utilize the remaining amount under the stock repurchase program by the end of this year. Total cash returned to shareholders in the second quarter amounted to $306 million, including dividends. Net cash provided by operating activities before changes in working capital was $1.46 billion in the second quarter compared with $952 million in the first quarter primarily due to higher realized selling prices and sales volumes.” (Hess Corporation Earnings Call Q2 2022, 7/27/2022)

Hess Corporation's CFO said the company was committed to funneling 75% of cash flow to shareholders and going even farther than that in 2022 and 2023 thanks to “this favorable commodity prices environment.” John Rielly - CFO: Yes. Thanks, Arun. So just to remind you what our -- the capital return framework is our framework is set up on an annual basis. So we look at
our annual free cash flow and we are planning to return -- and we are committed to return up to 75% of that free cash flow. And that free cash flow is reduced for debt reductions, which we did have that $500 million in the first quarter. So as we said, with our $650 million authorized in the $190 million done in the second quarter, you can expect the remainder to be done throughout the rest of this year, and it's actually going to be above the 75% framework because of where commodity prices are, our discussions with the Board our favorable balance sheet position and look with Guyana ramping up and Bakken ramping up our free cash flow is improving, as you see from our second quarter results, so that we can give more than 75% this year with this favorable commodity price environment. And so then coming to 2023, you really should think about, look, we just are starting capital return program. This is just the beginning, and we plan to continue it. So as we move into 2023, we are committed to that 75% framework. Again, if commodity prices are favorable, we can do more than that next year. But you should begin to think this is going to be a continued program.” (Hess Corporation Earnings Call Q2 2022, 7/27/2022)

Hess Corporation’s CFO said the company’s goal was to use its growing cash flow to increase dividends to attract “income-oriented investors.” “John Rielly - CFO: Sure. So I mean John did give a good explanation on that, but that's clearly what we're looking to do continual increases here. And John did mention it that we'd like to get our dividend to a level that is attractive to income-oriented investors. So I think the yield is an output, but you can think about the yield that the income-oriented investors are looking at. So with our ability here, again, as I mentioned, Bakken growing to 200,000 barrels a day and then Guyana, Payara coming in late 2023 and then almost an FPSO a year here as we move out the next couple of years, we're going to have a significant free cash flow that we're able to continue to increase the dividend and we can kind of move that dividend as our cash flow grows. But actually, the bigger part of our return will be share repurchases because that growing free cash flow when you put that 75% against that as we -- we will grow that dividend. We want to make it sustainable in a low oil price environment, but the bigger portion ultimately will be share repurchases.” (Hess Corporation Earnings Call Q2 2022, 7/27/2022)

Hess Corporation executives were explicit they weren’t planning to increase production when they could just benefit from high oil prices now

When asked by an analyst if Hess Corporation planned to increase production in the Gulf of Mexico, the COO said the goal was to “hold it flat.”

Ryan Todd - Piper Sandler & Co., Research Division: Maybe just a couple of quick follow-ups on other questions. On the Gulf of Mexico, as you were talking about medium-term strategy, if you were to -- I know this varies on a lot of things, but if you were to do that plan a couple of wells a year. Is the general outlook that you'd probably hold production flat there over the medium term in the Gulf of Mexico that you could drive modest growth? Or how do you think about as you look out over the next few years, the trajectory of production there in the Gulf of Mexico?

John Hess - CEO: Greg?
Gregory Hill - COO: Sure. I think for the next couple of years, you could assume our objective is really to hold it flat and we'll do that through these infills and ILX, infrastructure-led exploration wells that are quick tiebacks. Beyond that, we're also going to be doing some hub class exploration prospects obviously, those wouldn't feature those wouldn't come in as growth until later in that period. So short term, hold it flat as a minimum longer-term grow it, assuming success from some of these sub-class exploration prospects.

(Hess Corporation Earnings Call Q2 2022, 7/27/2022)

**Hess Corporation's CFO said it wasn't planning to increase shale production because**

“obviously, at current prices, those returns are fantastic...it becomes this massive cash annuity for the portfolio at that 200,000 barrels a day.”

“Gregory Hill - COO: No. Look, I think if you look at our portfolio, we've got 20 or more drilling locations that generate great returns at a $60 WTI. So obviously, at current prices, those returns are fantastic, right? And so certainly, the movement in the oil price from a return standpoint is outstripping any inflationary effects. And the 200,000 barrel a day kind of plateau rate, if you will, for the Bakken is absolutely the optimum place to be because it really fills up all the infrastructure that we have in place in the Bakken. So you need to think about future wells is almost like a tieback in the Gulf of Mexico. The infrastructure is already there. So the incremental returns are very high for those Bakken wells. So we'll hold that with the portfolio we have, we'll hold that for rigs and be able to hold that plateau at about 200,000 barrels a day for almost a decade, all the while, the Bakken generating significant amount of free cash flow during that period. So at $60, it generates over $1 billion of free cash flow. Obviously, at current price is much higher. So it becomes this massive cash annuity for the portfolio at that 200,000 barrels a day.” (Hess Corporation Earnings Call Q2 2022, 7/27/2022)

_Hess Corporation's CFO said that higher oil prices were more than outstripping any increase in costs from inflation_  

Hess Corporations CFO said that despite inflation and supply problems increasing costs, "with the higher oil prices, obviously, we're getting much higher returns in cash flow.” “John Rielly - CFO: Sure. So I mean we are seeing, Roger, that just like our competitors, we're seeing upward pressure onshore and offshore with steel prices, labor costs and rig rates. So there's no question we are seeing that. So we -- as you mentioned, we talked about Guyana. So onshore, you heard Greg mentioned that the D&C cost did go from 6.2% to 6.3% this year. We are seeing inflation coming from 2023, these things continuing. So I can't give the number. That's why we'll wait till the end of the year, but you should expect that 6.3% to be higher in 2023 when we get the full numbers in. Again, we're working hard to mitigate the effects through efficiency gains, working with our suppliers, contracts and all our relationships there. And with the strength of the oil prices, like you mentioned, I still think with that tightness going into 2023, we will continue to see that. But of course, with the higher oil prices, obviously, we're getting much higher returns in cash flow.” (Hess Corporation Earnings Call Q2 2022, 7/27/2022)
Phillips 66 reported massive profits thanks to tight refining capacity, allowing the company to increase its dividends

Phillips 66 told analysts that even as new refinery capacity was increasing, a large portion was still being taken offline, supporting higher margins. “Jeff Dietert -- Vice President, Investor Relations: Yeah. Doug, we have between 1.3 million and 1.5 million barrels a day of capacity growth per year in the ’22, ’23, ’24 time frame. Now that will be offset by about half as much capacity that's announced rationalizations that will be coming out of the market, including our Rodeo Renewed that we’re converting to a renewable diesel facility. So there will be some capacity growth, but the market's tight, as you know, from the cracks in the marketplace and the inventories today currently.”

Phillips 66 said that supply constraints were “supporting elevated refining margins,” leading to earnings over $3 billion.”Mark Lashier -- President and Chief Operating Officer: We’re focused on reliably providing critical energy products, including transportation fuels to meet demand. We’ve maintained strong operations in successfully completing our spring turnaround activities early in the second quarter. Even with global refineries running near max capacities, gasoline and distillate inventories remain low, supporting elevated refining margins. In the second quarter, we had adjusted earnings of $3.3 billion or $6.77 per share.”

A Phillips 66 executive said their refining income was $3.1 billion, “up from $140 million in the first quarter” and “Realized margins increased by 168% to $28.31 per barrel.” “Kevin Mitchell -- Executive Vice President and Chief Financial Officer: The $11 million improvement in Other mainly reflects lower employee-related expenses and higher capitalized interest related to growth projects. During the second quarter, we received $216 million in cash distributions from CPChem. Turning to refining on Slide 8. refining's second quarter adjusted pre-tax income was $3.1 billion, up from $140 million in the first quarter. The improvement was primarily due to higher realized margins across all regions. Realized margins increased by 168% to $28.31 per barrel. Pretax turnaround costs were $223 million, up from $102 million in the prior quarter. Crude utilization was 90% in the second quarter and clean product yield was 83%. (Phillips 66 (PSX) Q2 2022 Earnings Call, 7/29/2022)

Phillips 66 increased their dividend by 5%, over 11 times from its inception in 2012."Mark Lashier -- President and Chief Operating Officer: In May, we raised our dividend 5% to $0.97 per share. We've increased the dividend 11x since our inception in 2012, resulting in an 18% compound annual growth rate. Our strategy remains consistent, supported by a strong foundation of operating excellence and a high-performing organization. We’re focused on strategic return-enhancing growth investments in midstream, chemicals and emerging energy while selectively investing to increase returns in refining and marketing and specialties.” (Phillips 66 (PSX) Q2 2022 Earnings Call, 7/29/2022)
Shell executives repeatedly bragged that the company funneled more profits to their investors than ever before.

Shell's CEO said the company's earnings were up 65% from the last time the average price of oil was $108 and “this quarter our cash distributions were the highest ever.” "Ben van Beurden -- Chief Executive Officer: Now, the key similarity between today and how our operating environment looked in 2013 is the oil price. The average price of $108 a barrel for the first half of 2022 is almost what it was in the first half of 2013. But Shell has transformed since then, both financially and operationally. Over the first six months of this year, our adjusted earnings are up 65% compared for the first half of 2013. In the same period, comparatively, our organic free cash flow tripled and we have doubled our shareholder distributions. In fact, this quarter our cash distributions were the highest ever. And we have done all that safely and responsibly. Our teams achieved 83% fewer process safety incidents and 32% lower Scope 1 and 2 carbon emissions.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell announced a $6 billion share buyback just for the third quarter and predicted shareholder distributions would remain high. "Sinead Gorman -- Chief Financial Officer: Our trading and optimization results across our businesses was strong overall, especially in gas and power in our RES business. That brings me to our financial framework. The $6 billion share buyback program we announced today is expected to be completed by the time of our Q3 results announcement, and we expect our shareholder distributions to remain in excess of 30% of CFFO with the current energy sector outlook. Our net debt further decreased to $46.4 billion this quarter, and we will continue to strengthen our balance sheet, given where we are in the cycle.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell's CFO: "in Q2 we effectively distributed $7.4 billion between the buybacks that we did in the quarter in terms of cash and in terms of the dividends, and I believe that's the highest we've actually ever done." Sinead Gorman -- Chief Financial Officer: Thanks very much and, Lydia, good to hear from you. So indeed, we've chosen to go with $6 billion of share buyback this quarter. And the debate, of course, that happened in turning the same as what is on your mind at the moment is whether it should be a dividend or should it be buyback. And the way we looked at it was from an excess cash point of view, we want to allocate it according to value, and that's very important to us. And frankly speaking, where the share price is at the moment, it made sense to therefore go for the share buybacks. And that $6 billion, just because you added the question there, is specifically for Q3 and we expect that $6 billion of buyback to be executed by the Q3 results. So by the time we come out with it then. And I guess just one other point to remind you, of course, of is that in Q2 we effectively distributed $7.4 billion between the buybacks that we did in the quarter in terms of cash and in terms of the dividends, and I believe that's the highest we've actually ever done. (Shell plc Q2 2022 Earnings Call, 7/28/2022)
Shell's CFO talked up how much the company was funneling to shareholders: “You saw it last quarter with $7.4 billion of distributions and you're seeing it with what we're suggesting now, which is, of course, $6 billion of share buybacks and of course, the usual dividend of $1.8 billion to $1.9 billion as well. So these are significant sums of money. All in all, a quarter to be proud of.” “Sinead Gorman -- Chief Financial Officer: I think just a small add to that, Ben, which is Christyan, we've talked about 20% to 30% of distribution of CFFO through the cycle and that's very much what this is about. But what is effectively happening here, what we're saying is, in effect, we have a hard floor and we have a soft ceiling. And that's what you're seeing. When the appropriate moment is there, we distribute an awful lot more than that. You saw it last quarter with $7.4 billion of distributions and you're seeing it with what we're suggesting now, which is, of course, $6 billion of share buybacks and of course, the usual dividend of $1.8 billion to $1.9 billion as well. So these are significant sums of money. All in all, a quarter to be proud of.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell executives proudly noted that they were making far more profits despite producing less oil than the last time prices were as high.

Shell's CEO that the company had 21% less production than in 2013 but had almost doubled what it made per barrel. “Ben van Beurden -- Chief Executive Officer: That's emissions from our operations and the energy that we use to run them. So what changed? Well, we have high-graded our portfolio, divested around $80 billion worth of assets, and doubled down on integrated value delivery. And as a result, in our integrated gas business, we now sell over two times more LNG, while our CFFO per barrel increased more than five-fold over the same period, and our upstream portfolio is much more concentrated, leading to 21% lower production while our upstream CFFO per barrel increased by 74%. So yes, energy prices are very high today, but they have been so before. And the real difference is that today we are performing much better in a similar price environment, and we are confident about the future because we have a strong capital framework and an energy transition plan that our shareholders firmly supported at our annual general meeting in May. So we are increasing our shareholder distributions at a $6 billion share buyback program for the next quarter. Now Sinead can tell you more about our results and these distributions.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell's CEO: “we actually reduced production compared to 2013 by 21%” while increasing cash flow from barrels by 74%. “Ben van Beurden – Chief Executive Officer: So I would say, yes, there is more running room when it comes to the performance going forward. On the field decline, I'm not entirely sure, but I got your question to right spirit. So therefore, I would also add to ask you to add. If you look back on the upstream side, we actually reduced production compared to 2013 by 21%. That's not field decline, of course. There's also portfolio, but it's also taking into account a very significant acquisition with BG. So in other words, again, you see that we have significantly upgraded the portfolio in terms of production because at 21%, we have -- coincides with 74% CFFO per barrel increase. I think in general, field declines, I don't have the number off the top of my head, but it -- but I don't think we see surprises there.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)
Shell's CFO: “So what we are seeing is significantly lower production, but we're really the value over volume coming through and it's really working.” “Sinead Gorman -- Chief Financial Officer: No, indeed. And post-Permian, what we expect to see between now and 2025 is run by 1% to 2% decline coming through. I mean, but what I would say is, I mean, you look at our upstream business at the moment and you look at 4.9 billion of adjusted earnings in this quarter, which just shows you that -- and that, by the way, is significantly -- actually, the last time I think we got near that was 2011. So it's even beyond the dates that we're looking at, and now it's similar prices. So what we are seeing is significantly lower production, but we're really the value over volume coming through and it's really working. So quite relaxed from that perspective, all that as well. And you asked a little bit about the sort of the capex as well coming through. So we're spending $7 billion to $9 billion.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell executives emphasized that they were benefiting from high prices caused by low supply and the war in Ukraine

Shell's CEO said the company was “quite bullish…the market is very tight and there's not a lot of spare capacity around.”” Ben van Beurden -- Chief Executive Officer: Thanks, Christyan. Let me have a stab at both and then I'm sure that you may want to add a little bit on the first one. What I will cover on the first one, Christyan, is the sort of link between the macro that you referenced. So we -- particularly if you look at the energy outlook, we're actually quite bullish. If you look at where we are today with supply demand balances, the market is very tight and there's not a lot of spare capacity around. OPEC hardly has any spare capacity. You could think of a little bit more coming out of shales. Strangely enough, the SBR release has actually helped, but that's hardly a price management tool, of course. So we are running out of steam a little bit in coming with supply side solutions. And on the demand side, we haven't even seen a full recovery to 2019 type of demand. So my concern is that we will have a very tight situation and a lot of volatility now. Sometimes we can benefit a lot from volatility, but I think that will continue to persist. And the other thing to bear in mind, which may not be a very popular thing to say, but it is a fact is that the impact on Russia in terms of self sanctioning and all sorts of other actions that have been taken has actually been quite minimal. The volume of crude coming out of Russia has been diminished, but only with a few hundreds of thousands of barrels a day, not a sort of 2 million or 3 million that was originally foreseen. That might actually change in the new year when the real sanctions are starting to bite. So I think we're going to see a tight situation for some time to come.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell's CEO: “We do have a bullish outlook on oil and gas prices generally and then, of course, particularly, of course, in areas of greater stress like in Europe. And that is why we are also quite confident to say that, hey, if the conditions that we are witnessing today are persisting, then we -- yeah, we expect to be paying out more than 30% of our cash flow.” “Ben van Beurden -- Chief Executive Officer: OK. Very good. Thank you, Giacomo. And let me take the first question and Sinead will talk about LNG utilization and the normalization of the outages that you were referring to. And I think I already partly answered it in response to the previous question. So yes, indeed, we do have a bullish outlook on oil and gas prices generally and then, of course, particularly, of course, in areas of greater stress like in Europe. And that is why we are also
quite confident to say that, hey, if the conditions that we are witnessing today are persisting, then we -- yeah, we expect to be paying out more than 30% of our cash flow. And of course, this is the cash flow that is already significantly higher. So it is a higher percentage of a higher cash flow. And you will see indeed the effect that it has on numbers like the $7.4 billion record payout in Q2, which we're going to beat in this quarter. So indeed confidence in the macro should translate for you in confidence in payouts that we are going to be able to pay. And therefore, I do think that if you want to sort of come back to the dividend, the dividend is very sustainable. At a level, where it is, it's $7.5 billion a year roughly and a 4% growth. With the buybacks that we're doing, the absolute dividend content is actually declining. And therefore, I would like to add to the point that Sinead made just now. So we are building -- every time we do a significant buyback, we are building a significant capacity for a dividend per share increase. So the buybacks eventually will crystallize in terms of value in a DPS increase.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell's CEO: “we are very short refining and we are short products and that is largely because of Russia, of course, because a lot of Russian refining capacity is basically locked out.” “Ben van Beurden -- Chief Executive Officer: If you are referring to, well, but I can't work out and how much a rule of thumb you have come to the results that you booked, it is basically because extrapolations with the rule of thumb in a single quarter of a such a wide range simply don't work anymore. There are just too many variables in there for that to mathematically work out. It works a small range, but not in a large range. But what is really working or what is really happening in the refining business, Lucas, is of course that we are very short refining and we are short products and that is largely because of Russia, of course, because a lot of Russian refining capacity is basically locked out. It's constipated because they cannot get every stream of the refining system out of the country. That's part of the sanctioning -- self-sanctioning is working very well. But it's also because products like diesel, for instance, are difficult to place, particularly because they tended to go to Europe. The same with chemical feedstocks and therefore everything in that field is going to be very tight.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell’s CEO: “I think this tightness is going to persist for some time, not forever...at this point in time, yes, we are seeing a dislocation that we are indeed benefiting from.” “It is going to be very tight for a while to come. I think the refining segment is going to be driven for a long time by the availability of middle distance, so diesel, jet fuel, for which there is actually very limited price elasticity. But on top of it, we also see China not exporting for all sorts of reasons. So I think this tightness is going to persist for some time, not forever. So we're not in the golden age of refining. Or if it is a golden age, it will be a relatively short-lived one. So ultimately everything will revert back to the mean again. But at this point in time, yes, we are seeing a dislocation that we are indeed benefiting from, not only in our refining system but also because we have the most capable trading team to really take advantage of the opportunities that it brings.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell's CEO stressed “while indeed the war is a driver of a lot of the pricing that we are seeing,” their profits were not merely a “windfall because there happens to be a war on the continent here.” “Ben van Beurden -- Chief Executive Officer: So there's a lot of questions in there, Elaine, and it's -- let me have a go at some of them. I take your first question was really about comparing 2022 with 2013. Interesting, but what really can you do going forward from
2022? And I would say, well, first of all, it is very important to look back on how much we have strengthened this company. And the reason for doing it really is because there's also a narrative out there that the results we are seeing today are accidental or actually just a windfall because there happens to be a war on the continent here. And while indeed the war is a driver of a lot of the pricing that we are seeing, if you reference it back to the last time we saw this prize, of course, you cannot just explain it away by just a price effect. And indeed, we have significantly improved the portfolio. We have significantly improved the strength of the organization. We just picked out a number of indicators.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell's CEO played down an IEA report predicting an eventual decline in LNG as unrealistic: “Maybe this has to do something with demand not being decarbonized rather than supply not disappearing fast enough.” “Ben van Beurden -- Chief Executive Officer: Thanks, Martijn. I think you did a dividend question one more time, but this particular version of it. But let me first of all, talk a little bit about the IEA and the role of LNG in it. Yes, you're right. Of course, we have to bear in mind that the IEA is a normative scenario, Martijn. So it's, in other words, working back from a pre-ordained outcome. And I'm basically drawing a sort of linear line to how would you get to. So if you now look at that scenario, which is a bit over a year old and you sort of track the progress against how we are doing in that -- with that but at one year into it, then we are more than two and a half years behind already. So in other words, we are traveling in the opposite direction. So that shows a little bit how challenging it is to sort of turn the big ship around. And we may, of course, have wishes and hopes and expectations that it will get better, but for now it's not. So therefore, I don't want to put too much cold water on the IEA report, but I think it is important to have a reality check and just say, well, is this really happening? And if it's not happening, why would that be? Maybe this has to do something with demand not being decarbonized rather than supply not disappearing fast enough. (Shell plc Q2 2022 Earnings Call, 7/28/2022)

Shell played down the impact on their costs from inflation

Shell's CFO claimed that although materials like steel were facing 18% inflation, they had locked in prices, and “we don't see that full amount coming through.””Sinead Gorman -- Chief Financial Officer: Thanks, Biraj. And particularly sort of two parts in a way to that first question. So first of all, as we go into 2023, we are looking to, of course, start going through our planning cycle. We will start setting our capex for next year. As we've said, for 2022, very much within the $23 billion to $27 billion range. We are, of course, seeing inflationary pressures coming through. That is happening already. But of course, a company of our size has the benefits of being able to have the size and the volume that comes through. We're seeing things like steel being very much pressurized at the moment in terms of sort of 18% or so of inflation. But we run on framework agreements, which allow us to be able to lock in prices over a period of time and with certain volumes. So we don't see that full amount coming through as well. It means we have a very resilient supply chain, which allows us to mitigate some of those inflationary pressures.” (Shell plc Q2 2022 Earnings Call, 7/28/2022)
Valero’s CEO said their margins were boosted by “refinery capacity rationalization” and the Russia-Ukraine conflict limiting supply. “Joseph Gorder - CEO: Refining margins in the second quarter were supported by continued strength in product demand, coupled with low product inventories and continued energy cost advantage for U.S. refineries compared to global competitors. Product supply is constrained as a result of significant refinery capacity rationalization that was triggered by the COVID-19 pandemic, driving the shutdown of marginal refineries and conversion of several refineries to produce low carbon fuels. In addition, the Russia, Ukraine conflict intensified the supply tightness with less Russian products in the global market. However, product demand has been strong due to the summer driving season and pent-up demand for travel.” (Valero Q2 2022 Earnings Call, 7/28/2022)

Valero told analysts “there’s really no indication of any demand destruction.” Gary Simmons - Senior Key Executive: Manav, this is Gary. I can tell you through our wholesale channel, there's really no indication of any demand destruction. In June, we actually set barrels a day in the month of June, which surpassed our previous record in August of ’18 where we did 904,000 barrels a day. We read a lot about demand destruction mobility data showing in that range of 3% to 5% demand destruction. Again, we're not seeing it in our system. We did see a bit of a lull in the first couple of weeks of July, but our 7-day averages now are back to kind of that June level, with gasoline at pre- pandemic levels and diesel continuing to trend above prepandemic levels.” (Valero Q2 2022 Earnings Call, 7/28/2022)

Valero’s CEO predicted “ the margin environment is going to be higher for some time... well above what we would consider being a traditional mid-cycle,” suggesting it would lead to more dividends and buybacks. “Joseph Gorder - CEO: Yes. And, Roger, I agree completely with what Jason said. I mean we want to go ahead and get things cleaned up and get this balance sheet absolutely bulletproofed and carrying a bit more cash is something that makes a lot of sense to do. You'd like to have your maintenance and turnaround CapEx covered with cash on hand, the dividend covered with cash on hand. And then we'll see where we go. But anyway, I think for now, we're on the right course. And as Gary has stated, it looks like the margin environment is going to be higher for some time. It certainly is today, not what we experienced in the second quarter, but certainly, well above what we would consider to be a traditional mid-cycle. And if we continue to build cash, we'll continue to honor the payout, and it will probably move from the lower end to the higher end.” (Valero Q2 2022 Earnings Call, 7/28/2022)

Valero’s Chief Legal Officer said of the Inflation Reduction Act “there are some things in there that are helpful to our business,” particularly the SAF tax credit. Richard Walsh - Chief Legal Officer: Yes. This is Rich Walsh. I mean we just saw the bill came out late last night, 700 pages, we're looking through it. I mean there are some things in there that are helpful to our business. The tax credit, obviously, we're just talking about. There's also a SAF tax credit in there as well that we'll be looking at. And there's other things, too, we're trying to sort through. So I think it was a surprise to everybody that came out that quick. I don't think we really ever thought that the
blenders tax credit was going to be -- (inaudible) credit would be a problem we thought it would end up on one of these bills before the end of the year. But it's always good to see it looking stronger and on the forefront." (Valero Q2 2022 Earnings Call, 7/28/2022)
Colgate's CEO boasted of the company's sales despite significant price increases.

Colgate's CEO said that company was increasing sales projections, saying “we're showing the ability to take pricing because we have built healthier brands.”

“NOEL R. WALLACE, CHAIRMAN, CEO & PRESIDENT, COLGATE-PALMOLIVE COMPANY: But what really gives me confidence is the fundamental changes Colgate people have made to drive growth, which is why we are raising our organic sales growth guidance to 5% to 7% for 2022. Our second quarter results, including double-digit organic sales growth in Oral Care and Pet Nutrition, showed that the growth strategies we put in place 3 years ago are delivering on our objectives in how the power of our global portfolio is working. We're delivering growth across all of our divisions and all of our categories. We’re showing the ability to take pricing because we have built healthier brands. We have built up our innovation capabilities, so we can deliver more breakthrough and transformational innovation that can drive both category growth and market share.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

Colgate’s CEO said the company was seeing increasing thanks to “driving positive pricing and “a 500 basis point sequential acceleration in pricing growth.”

“NOEL R. WALLACE, CHAIRMAN, CEO & PRESIDENT, COLGATE-PALMOLIVE COMPANY: And crucially, in this operating environment, our revenue growth management tools are driving positive pricing and mix as our efforts to offset the significant raw material and logistics inflation we are seeing, along with the productivity and our ability to improve our price mix, which would enable us to rebuild our gross margin moving forward. And looking at the quarter, the second quarter marked our 14th consecutive quarter with organic sales growth either in or above our long-term target range of 3% to 5%, and that growth is broad-based. We delivered organic sales growth in all 6 of our divisions. We delivered organic sales growth in all 4 of our categories: Oral Care, Pet Nutrition, Personal Care and Home Care, with all 4 categories either in line with or above our long-term target range of 3% to 5%. As we discussed on the first quarter call, our execution on revenue growth management and premium innovation allowed us to deliver a 500 basis point sequential acceleration in pricing growth. Encouragingly, despite this pricing, our volume performance also improved sequentially in the quarter on both a 1- and a 2-year basis behind strong marketing plans, innovation and improved supply chain performance.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

Colgate’s CEO bragged that consumers were not being dissuaded despite “more and more pricing going into the market”

“NOEL R. WALLACE: Yes, sure. Thanks for the question. If you scan your -- at least the numbers we're looking around the world, you continue to see pretty good vitality at the consumer level. Emerging markets growing mid-single digits. Obviously, some slowdown in the developed world, particularly out of Europe where you saw some sluggishness in the categories. But specifically to your question on emerging, it looks pretty good. Now a lot of pricing, as you can imagine, going through. But if we come back to our overarching strategy and as we really laid out in the first quarter that we would continue to take pricing, coupled with
Colgate’s CEO said their competitors were being “constructive” and “rational” about pricing, meaning prices would remain elevated even as inflation decreased

Colgate’s CEO said their competitors were acting “constructive relative to how we've seen competitors behave” in not seeking price decreases. “NOEL R. WALLACE: Sure. In terms of just an overarching statement on competition, clearly, it's been constructive relative to how we've seen competitors behave. And I don't pretend to understand their strategies, or quite frankly, react to them. We're very focused on executing our strategies in the marketplace. And as we laid out again early on the first quarter call that we would be taking and leading pricing in some of the markets. And ultimately, we expected, given the inflation that's impacting everyone, we would see competition follow as well, and that's been the case by and large around the world. “ (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

Colgate's CEO: “Obviously, the pricing in the market needs to hold...if inflation holds, the big determinant will be will pricing hold. And my sense is that given where we see the marketplace today, that will be the case. So the answer is, longer term, yes, we absolutely believe that we can rebuild gross margins”” NOEL R. WALLACE: Yes, it depends on a couple of things, Bryan. First and foremost, we believe that over the longer term, our focus is on rebuilding gross margins, and we feel quite confident that we could do that, particularly in the current environment, given the strength of our brand, the investment we're putting behind the brands, and the innovation grid that we have in front of us. A couple of things that need to happen. Obviously, the pricing in the market needs to hold. As you see inflation come down, it's a real question of where competitors will go with pricing. We think it's been quite rational to this stage. We think that given the unprecedented levels, that you'll see constructive moves around pricing and promotion moving forward, but we're prepared for that. It's really the flex of our portfolio across different price points that we need to manage very, very carefully. So in my view, if inflation holds, the big determinant will be will pricing hold. And my sense is given where we see the marketplace today, that will be the case. So the answer is, longer term, yes, we absolutely believe that we can rebuild gross margins.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

Colgate’s CEO: “ If inflation becomes more benign, there may be a decision by others to decide to put that into promotion and get some volume. But as I mentioned earlier on, I think the market seems to be acting quite rationally. This is an unprecedented environment for all
CPG relative to levels of inflation. And so my instinct is you're not going to see a lot of people chasing volume by discounting price.” "NOEL R. WALLACE: The competitive environment may change for sure. If inflation becomes more benign, there may be a decision by others to decide to put that into promotion and get some volume. But as I mentioned earlier on, I think the market seems to be acting quite rationally. This is an unprecedented environment for all CPG relative to levels of inflation. And so my instinct is you're not going to see a lot of people chasing volume by discounting price. They’re going to try to regain margin in the P&L. You know Colgate is very focused on gross profit. We will continue to be focused on getting pricing into the P&L as that allows us to maintain the advertising support to drive the top line and make sure we get our innovation well suited in the marketplace. And I don't really see that changing over the foreseeable future. We will flex our portfolio accordingly. And the good news is we compete across so many price points across all of our categories that we feel that buffers us a bit against any trade down that we see in the marketplace.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

Colgate’s CEO emphasized a “constructive environment relative to pricing,” citing the company's new “premium” toothpaste. "NOEL R. WALLACE: So overall, a constructive environment relative to pricing. In terms of the Americas, obviously, you've seen strong turnaround in our North America business. Again, we highlighted that we were taking pricing and saw momentum build in the first quarter, and that continued as we mentioned in the first quarter call through April. And obviously, you see now with the performance of the North America business, a good performance overall. I would call out that obviously, they saw strong consumption across the categories. The innovation is certainly taking hold. Excited to see the takeaway on Pro Series, which is at the premium end of the toothpaste. You've seen the market share in scanner performance, with scanner data in the U.S. up in 8 of 11 categories over the last 13 weeks, which, again, I think, shows the turnaround of that business and importantly, the performance of some of our innovation coming in broad-based across all the categories in which we compete. So overall, good. We're watching this closely.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

Colgate predicted that price increases might decrease the volume of sales, but said the company was positioned to benefit from any oncoming “deflation.” “NOEL R. WALLACE But I do expect, as we get more pricing in the market, volumes will be a little bit soft year to go, but we'll manage that very, very closely. On commodity specifically, again, coming back to the first quarter, we talked about $1.2 billion of raw material inflation. We have adjusted that up to $1.3 billion this quarter. Most of that will come in the second quarter, but we'll get a little of that coming back through the back half of the year. We have used spot rates, as you mentioned, and we've seen obviously some commodities come down, but we're pretty much locked in for the third quarter. Any benefit to any deflation that we see, we'll get a little bit of that in the fourth quarter, possibly more of that coming in 2023. But we will look to obviously continue to take pricing given the unprecedented environment that we're seeing both on raw materials and logistics and make sure that we have the marketing plans to execute that effectively.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)
Colgate predicted more price increases were on the way as the company remained “laser-focused on recovering gross profit”

Colgate’s CEO: “the good news is, we’ve taken pricing, we have more pricing planned across the world moving into the back half.” “NOEL R. WALLACE: It's an unpredictable environment relative to where we see consumers evolving, where we see inflation evolving. But the good news is, we’ve taken pricing, we have more pricing planned across the world moving into the back half, and we'll watch the consumer impact of that very carefully.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

Colgate's CEO: “we will continue to be laser-focused on recovering gross profit as we move through the balance of this year and into 2023.” “NOEL R. WALLACE: Yes. Thanks, Chris. You have known our company for many years, how focused we are on gross profit, and we will continue to be laser-focused on recovering gross profit as we move through the balance of this year and into 2023. The pricing and innovation strategies and revenue growth management discipline that we have across the organization is clearly focused and tailored towards getting our teams equipped to find innovative ways to drive category growth, get value into the categories through pricing and other innovation initiatives, and that will clearly be the road map moving forward. And we feel quite confident given the health of our brands, the investment that we've been putting behind our brands that we'll have the ability to continue to take pricing in the marketplace. We'll watch it very closely, as I mentioned. But recognize that we have a very broad portfolio of products. We compete at the high end and at the low end of the market. And historically, we have been able to flex our portfolio quite well in markets where we've had difficult economic circumstances. So we will continue to innovate across all price points and be sure that we're capturing any trade down, if that happens, which we have not seen at this stage, but ultimately, I would expect you will see some trade down moving forward, and we'll continue to innovate at the top end to drive the premiumization opportunity that we see.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

Colgate's CEO: “We're pleased with how we're getting pricing executed...I would say that we will continue to be pushing pricing.” “NOEL R. WALLACE: So overall, we're pleased with the balance of pricing and volume. We're pleased with how we're getting pricing executed. And more importantly, we're pleased with the innovation that's going into the market across multiple price points in order to sustain that moving forward. Moving forward, I would say that we will continue to be pushing pricing. And my expectation is we'll see some pressure on volume in the year to go, but that's to be expected as we get more pricing in the market. The important part is the balance of innovation across all price points to mitigate that.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

Colgate's CEO: “We're seeing, obviously, good consumption, obviously, an unprecedented environment around pricing.” “NOEL R. WALLACE: Well, thanks, everyone. Again, broad-based growth across the company, executing and transferring knowledge across our core categories. We're seeing, obviously, good consumption, obviously, an unprecedented environment around pricing. We'll continue to be focused on revenue growth management, our funding the growth
initiatives and our global productivity initiative as we go into the back half.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

**Colgate’s CEO said the last two-quarters of price increases were comparable to 2 years' worth, “which looks terrific for us.”**  
NOEL R. WALLACE  
Revenue growth management will be critically important to our success moving forward. I think the discipline that we have on the ground quarter-to-quarter gets better? Are we where we need to be? No. But the pricing you see reflected over the last 2 quarters where you see at least a 2-year stack on pricing, which looks terrific for us, I think is a testament to the fact that we’re finding ways to build off the strength of our brands and get value executed in the marketplace. So not a lot of changes, more focus on revenue growth management, more focus on our productivity initiatives and in terms of funding the growth and our global productivity program, which you're well aware of, getting that executed in the back half and early ’23. So again, let's focus on what we do best, get on our front foot and continue to execute.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

**Colgate’s CEO: “ We expect pricing will accelerate as we look at our organic growth composition through the balance of the year. That means, obviously, that we'll have new pricing executed in the back half of the year,”**

NOEL R. WALLACE: So on pricing, let me just make it more on a global basis. Clearly, with the inflation that we've seen, as we talked about in the first quarter, and we were very clear in laying out visibility in the first quarter around where we saw pricing evolve through the quarter. Obviously, it accelerated in the back half of the first quarter and into April. We expect pricing will accelerate as we look at our organic growth composition through the balance of the year. That means, obviously, that we'll have new pricing executed in the back half of the year. And that will be pretty broad-based across the world. I'm not going to get into specific regions, but I will say that we will be taking pricing across both the developed and developing world in the back half of the year. And that will be dependent on categories, and competitive situations, and we're looking at each of that very closely. But broad-based, we're taking pricing across the world.” (Q2 2022 Colgate-Palmolive Co Earnings Call, 7/29/2022)

**COLUMBIA SPORTSWEAR**

*Columbia predicted further price increases on top of what the company had already taken*

Columbia Sportswear CFO told analysts the company had increased prices and anticipated “further price increases” for Spring 2023.

Jim Swanson -- Executive Vice President and Chief Financial Officer: Yes, as it relates to price versus unit, Paul. If you look at the second quarter as an example where we grew 2%, that's going to be -- units are going to be down a bit, knowing that our pricing for the spring season was up a mid-single-digit percentage.
Paul Lejuez -- Citi -- Analyst: And how about for the spring season? Is that seeing same dynamic pricing up units down?

Jim Swanson -- Executive Vice President and Chief Financial Officer: Looking at Spring ‘23? So my comment I just made was with regard to spring ‘22. Spring ‘23, I think, it would be premature at this point to provide any details with regard to how we're thinking about rate of growth and mix between price versus units. We're certainly continuing to operate in an inflationary environment. So there are further price increases that are contemplated in our Spring ’23 order book. (Columbia Sportswear Q2 2022 Earnings Call, 7/27/2022)

**KIMBERLY CLARK**

*Kimberly Clark repeatedly emphasized the company was planning on further price hikes*

Kimberly Clark’s CEO said the company had “taken further action to realize additional pricing” which they expected “to fully offset the effects of inflation over time.” “Mike Hsu -- Chairman and Chief Executive Officer: We remain committed to recovering and eventually expanding our margins, and thus we’ve taken further action to realize additional pricing and cost savings to mitigate these headwinds. We continue to expect pricing cost savings to fully offset the effects of inflation over time. Based on the strength of our top line, we're raising our full year organic sales outlook to increase 5% to 7%. We're maintaining our adjusted EPS guidance. However, based on current conditions, including our updated input cost outlook, we now expect to be in the lower end of that EPS range. We'll continue to manage our business with discipline as we navigate near-term headwinds based on the pace and breadth of our pricing actions, we anticipate some volume impact over the balance of the year. Still, we're encouraged by the overall health of our categories and our brands. Our brands remain essential.” (Kimberly Clark Q2 2022 Earnings Call, 7/26/2022)

Kimberly Clark's CEO: “We have taken additional pricing actions, that's globally. And we've taken a few actions since the beginning of the year. Actually, we announced another action in North America just last week. “ “Mike Hsu -- Chairman and Chief Executive Officer: So overall, I'd say it's a pretty good balance of both volume and price on the organic outlook. And then on the cost front, yeah, we're going to need it. We have taken additional pricing actions, that's globally. And we've taken a few actions since the beginning of the year. Actually, we announced another action in North America just last week. And so we continue to execute. And again, overall, philosophically, I've said in the past that, we expect pricing to generally offset the effects of inflation over time. It gets tougher as the increases come toward the middle or end of the year to kind of catch up to it.” (Kimberly Clark Q2 2022 Earnings Call, 7/26/2022)

**Kimberly Clark’s CEO: Overall, we feel like our pricing execution is going very well. We are driving the realization.**” Mike Hsu -- Chairman and Chief Executive Officer: Yeah. Thanks, Dara. I'll start and maybe Nelson can provide some additional color. But overall, I think the organic outlook and the increase in the outlook reflects both volume and price. Overall, we feel like our pricing execution is going very well. We are driving the realization. You can see it in the numbers. But the second part of it is also the volume is holding up a little bit better than we originally planned. And
I think that reflects, one, what we said before, which is resilience and the consumer overall, but also the strength of our brands. And we feel really great about the commercial execution that we have around the world. And that includes launches of innovation, improvements in product quality, our digital marketing programs, I think the execution we’re driving at shelf. And so overall, that’s still working despite the necessity for us to price our products to recover the costs and the margins.” (Kimberly Clark Q2 2022 Earnings Call, 7/26/2022)

Kimberly Clark told analysts their price hikes were about “prioritizing margin recovery”

Kimberly Clark’s CEO: “we are sensitive to the pricing, but we also do both, I would say, on both sides understand that we need to be able to profitably grow for the long term.” Mike Hsu — Chairman and Chief Executive Officer: And so I think with those two foundational points, we are sensitive to the pricing, but we also do both, I would say, on both sides understand that we need to be able to profitably grow for the long term. And so, again, we’re sensitive to the the pressure that’s out there. We read the similar news reports. We’ve had the discussions with our customers and we have been taking price, but we are doing it, I would say, thoughtfully and planfully. So maybe that’s part one. And then on the D&E question. Yeah, I think overall price, the pricing and volume strength really reflects the consumer resilience. I mean the essential nature of our categories overall. I would say, Dara, that, consumers, appear to be somewhat more resilient in developed markets.” (Kimberly Clark Q2 2022 Earnings Call, 7/26/2022)

Kimberly Clark’s CEO: “in the near term, we are prioritizing margin recovery and so our pricing is advanced.” Mike Hsu — Chairman and Chief Executive Officer: And you’re absolutely right. And we think, again, our broad portfolio of premium through value offering enables us to flex with demand. And I pointed out, in the near term, we are prioritizing margin recovery and so our pricing is advanced. And so we are watching the price gaps and we’ll make the appropriate adjustments as we go through the year.” (Kimberly Clark Q2 2022 Earnings Call, 7/26/2022)

Kimberly Clark’s CFO said that “significant” price hikes had allowed the company to increase its margins and “based on what we know today, we will continue to expand margins.” Nelson Urdaneta — Chief Financial Officer: Yeah. And adding to that, I mean, Peter, a couple of things. One, we did expand gross margins in Q2 by 40 basis points. I mean, we realized, significant pricing already versus Q1. So we saw that sequential improvement in Q2. And as we head into the back half and we don’t give guidance on quarterly margins, but we remain confident. And based on what we know today, we will continue to expand margins. I mean, the plans are in place. As a reminder, we will continue to realize pricing, and based on what we’ve got today and what we saw in Q2, that will play out in the second half. Secondly, we’ve got our FORCE cost savings, which will accelerate in the in the back half versus what we saw in the first half. And that’s the second component. And then, as you said, there is a more subdued year-over-year impact of the commodities in the back half.” (Kimberly Clark Q2 2022 Earnings Call, 7/26/2022)

Kimberly Clark’s CEO said the company is “prioritizing margin recovery in the near term…. We have to get pricing to improve the margins and restore our margins.” Mike Hsu — Chairman and Chief Executive Officer: I wouldn’t say that yet. I mean, again, overall, the well said, Jason, is I’m prioritizing and Nelson is prioritizing margin recovery in the near term. And what I will tell the
teams internally, the conversation is like I'm not after renting hallow share, right? And so, I don't really want to jerk our teams back and forth. We're trying to deliver balanced and sustainable growth for the long term. We have to get pricing to improve the margins and restore our margins. That's part one. We want to grow our shares over the long term sustainably, over a long term and so we're going to monitor that. But again, I'm not ready to shift back and forth, quite yet.”
(Kimberly Clark Q2 2022 Earnings Call, 7/26/2022)

*Kimberly Clark’s CEO said the company was surprised sales didn’t decrease “given all the pricing that we’ve taken”*

*Kimberly Clark’s CEO:* “I think we have said that the volumes have come in slightly better than our original expectation, given all the pricing that we’ve taken.”
*Mike Hsu -- Chairman and Chief Executive Officer:* And so that could shift up or down, right. And then the other wildcard probably is the volume side. And again, I think we have said that the volumes have come in slightly better than our original expectation, given all the pricing that we’ve taken. We could do a touch better in the second half, but that remains to be seen.”
(Kimberly Clark Q2 2022 Earnings Call, 7/26/2022)

*Kimberly Clark’s CFO:* “We were very encouraged by how our pricing came through. Our teams did pretty well in terms of executing the pricing in the second quarter.”
*Nelson Urdaneta -- Chief Financial Officer:* And then lastly, it's also our pricing. We were very encouraged by how our pricing came through. Our teams did pretty well in terms of executing the pricing in the second quarter, which sequentially was much better than what we had in the first quarter. And that's the other element that would bear in how we would see the second half playing out.”
(Kimberly Clark Q2 2022 Earnings Call, 7/26/2022)

**PROCTOR & GAMBLE**

*Procter & Gamble said their “strong results” were driven primarily by price hikes even as sales volumes decline*

*Procter & Gamble’s CFO said the company’s sales had increased 7%, driven by price hikes as volume actually decreased.*
*ANDRE SCHULTEN, CFO, THE PROCTER & GAMBLE COMPANY:* Moving to the April-June quarter. Organic sales grew 7%. Pricing contributed 8 points to organic sales growth as additional price increases reached the market. Mix was flat and volume declined 1 point, which is due to reduced operations in Russia. Volume for the balance of the business excluding Russia was up 1 point. These strong company results are grounded in broad-based category and geographic strength.”
(Procter & Gamble Q4 2022 Earnings Call, 7/29/2022)

*Procter & Gamble predicted a “strong price contribution” to growing sales even with “modest decreases in unit volume.”*
*ANDRE SCHULTEN, CFO, THE PROCTER & GAMBLE COMPANY:* We expect global market value growth in our categories to moderate back towards a range of around 3% to 4% with strong price contribution, offset by modest decreases in unit volume. With the strength of our brands and commitment to keep investing in the business, we continue to
expect to grow at or above underlying market levels, building aggregate market share globally. This leads to guidance for organic sales growth in the range of 3% to 5% for the fiscal ‘23.” (Procter & Gamble Q4 2022 Earnings Call, 7/29/2022)

**Procter & Gamble’s CFO:** “we expect pricing to be the main driver in that market growth with volumes slightly down. That is a logical consequence of the broad-based pricing that we are seeing in the market.”

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Procter & Gamble told analysts that consumers were responding well to price hikes, noting they “don’t deselect” their “daily use” products

**Procter & Gamble’s CEO:** “we’ll continue to offset a portion of the cost impacts with price increases... So far, elasticities in most categories where we’ve taken price increases have been better than our historical experience.”

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Procter & Gamble’s CFO noted that even with price hikes, “our categories being daily-use categories that consumers don’t deselect even when they see high levels of inflation.”

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JON R. MOELLER, PRESIDENT, CEO & CHAIRMAN OF THE BOARD, THE PROCTER & GAMBLE COMPANY: We’re committed to keep investing to strengthen the superiority of our brands across innovation, supply chains and brand equity to deliver superior value for consumers in every price tier in which we compete. Alongside our productivity work, we’ll continue to offset a portion of the cost impacts with price increases. Whenever possible, we’ll close a couple of those price increases with innovation. Those moves will be tailored to the market, category and brand. As consumers face increased pressure on nearly every aspect of their household budgets, we invest to deliver truly superior value in the combination of price and product performance to earn their loyalty every day. So far, elasticities in most categories where we’ve taken price increases have been better than our historical experience.” (Procter & Gamble Q4 2022 Earnings Call, 7/29/2022)

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ANDRE SCHULTEN: We have full confidence in our ability to compete in this environment. Our categories being daily-use categories that consumers don’t deselect even when they see high levels of inflation, our focus on Irresistible Superiority, our ability to make strong value claims based on that superiority, the breadth of our portfolio across the price letter and value tiers and across channels positions us well to compete in the environment. And most importantly, the strength in our innovation portfolio and the runway we have in driving household penetration and trade-up within the portfolio has us focused really on driving market growth. And that inherently drives share growth for us. That’s part of our assumption to market size and relative share growth.” (Procter & Gamble Q4 2022 Earnings Call, 7/29/2022)
Procter & Gamble’s CFO: “The reaction to those price increases from a retailer environment is what you would expect. Nobody is pleased about the continued inflationary trends that we're seeing, but it remains a constructive discussion.” “ANDRE SCHULTEN: The reaction to those price increases from a retailer environment is what you would expect. Nobody is pleased about the continued inflationary trends that we’re seeing, but it remains a constructive discussion on how to best execute what we need, both from a retailer standpoint and from a manufacturer standpoint, which is recovery of inflationary cost measures to the extent that cannot be covered by productivity. In terms of our ability to offset the latest inflationary trends across commodities and transportation, pricing is part of that. But the pricing we’re taking is not covering the entire breadth of increases that we’re seeing. That needs to be a combined effort between pricing, innovation and driving trade-up via innovation and productivity. But we feel good about every part of that equation. Our innovation portfolio is stronger than ever. Our productivity muscle is strong, and pricing dynamics and conversations remain productive.” (Procter & Gamble Q4 2022 Earnings Call, 7/29/2022)

Procter & Gamble said more price hikes were on the way and predicted the company would be able to “hold prices”

Procter & Gamble told analysts further price hikes were coming in August and September, “across most categories in the U.S.” “ANDRE SCHULTEN: The increases we're taking, and we've announced in June, July, are going into effect broadly in this quarter, July, August, September, towards the latter half of it. They are across most categories in the U.S. And we also announced pricing globally in the same ballpark, mid-single digits, but very differentiated. So in general, I would tell you, mid-singles -- probably mid- to high singles, but really tailored by country, by brand, by SKU to ensure that we do what I just described retailers are looking for, provide the best value for their relevant shoppers in terms of absolute price point, product performance and value tier..” (Procter & Gamble Q4 2022 Earnings Call, 7/29/2022)

Procter & Gamble refused to comment if further price hikes would come beyond what was announced. “ANDRE SCHULTEN: On pricing, my answer is going to be quick. What's announced is announced, and everything else we can't talk about. But it's going to be a combination of pricing, productivity and innovation. That's as much as I can tell you. And we're always evaluating pricing and the necessity for pricing in every market every day. So that's an ongoing discussion. In terms of innovation, fundamentally, our innovation pipeline looks out 5 years, 10 years. The innovation pipeline continues to be strong. It continues to drive superiority across the full portfolio because that's the definition of superiority. It's not just the premium end, and that doesn't really change.” (Procter & Gamble Q4 2022 Earnings Call, 7/29/2022)

Procter & Gamble’s CEO noted that private label price increases “are even higher in some cases than our own price increases,” suggesting it would help “the ability to hold prices.” “JON R. MOELLER: Just one additional point, Rob, the -- relative to the competitive environment. We're seeing price increases on private label brands and on mid-tier offerings that are even higher in some cases than our own price increases. I just offer that perspective as it relates to the ability to
Procter and Gamble paid shareholders $3.5 billion in the last quarter

Procter & Gamble reported it had funneled $3.5 billion to shareholders in the past quarter alone, calling it a “strong performance in very difficult operating conditions.” “ANDRE SCHULTEN: Core operating margin decreased 30 basis points as gross margin pressure were largely offset by sales leverage and productivity improvements in SG&A. Currency-neutral operating margin increased 20 basis points. Free cash flow productivity was 99%. We returned $3.5 billion of cash to shareowners this quarter, nearly $2.3 billion in dividends and nearly ($1.3 billion) in share repurchase. In summary, we met or exceeded each of our going-in target ranges for the year: organic sales growth, core EPS growth, free cash flow productivity and cash return to shareowners. Strong performance in very difficult operating conditions.” (Procter & Gamble Q4 2022 Earnings Call, 7/29/2022)

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 shareowners. We continue to expect to pay over $8 billion in dividends, and we now plan to repurchase $9 billion to $10 billion of common stock, combined with a plan to return $17 billion to $18 billion of cash to shareowners this fiscal year. This outlook is based on current market growth rate estimates, commodity prices, and foreign exchange rates. Significant additional currency weakness, commodity cost increases, geopolitical disruption, major supply chain disruptions, or store closures are not anticipated within the guidance ranges.” (Procter & Gamble Earnings Call, 1/19/2022)

The company predicted broad price increases on its products throughout 2022

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

Procter & Gamble’s CFO announced price increases in all 10 product categories: “Baby Care, Feminine Care, Adult Incontinence, Family Care, Home Care, Hair Care, Grooming, Oral Care, Skincare” “Andre Schulten — Chief Financial Officer: Foreign exchange rate have also moved against us since our last guidance. We now expect FX to be a $200 million after-tax headwind to earnings for the fiscal year. We will offset a portion of these cost pressures with price increases and with productivity savings. We’ve now announced price increases in each of our 10 product categories in the U.S., increases in Baby Care, Feminine Care, Adult Incontinence, Family Care, Home Care, Hair Care, Grooming, Oral Care, Skincare are now effective in the market. We also increased prices on mid-tier liquid detergents and powder detergents over the last few months. In mid-December, we announced to retailers that effective February 28 we are increasing pricing on the balance of our Fabric Care portfolio. This includes Tide, Gain, Downy, Bounce, and Unstopables and includes all forms: liquid and unit-dose detergents, scent beads, liquid fabric softeners, and dryer sheets. Just yesterday, we announced to retailers that we are increasing pricing on certain Personal Health Care brands in the U.S. effective mid-April. The degree and timing of these moves are very specific to the category, brand, and sometimes the product from within a brand. This is not a one-size-fits-all approach.” (Procter & Gamble Earnings Call, 1/19/2022)

Procter & Gamble’s CFO said a “majority of the price increases are still coming into effect” and would continue to benefit Procter & Gamble’s margins throughout 2022. “Andre Schulten — Chief Financial Officer: Good morning, Steve. All right. So from a gross margin perspective, a couple of things will come to play here. If you assume that the existing commodity
foreign-exchange rate and transportation and warehousing pressures remain at this level, which is our basis for planning, we will benefit from more pricing flowing through the P&L. Most of our price increases, as you've seen in our prepared remarks, have gone or some have gone into effect in September and October, but the majority of the price increases are still coming into effect over December, Q1, Q3, and Q4. So the contribution of pricing both to the gross margin recovery as well as to the price mix line within the top line is going to increase sequentially as we go through the fiscal year.” (Procter & Gamble Earnings Call, 1/19/2022)

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

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

Procter & Gamble’s CFO called price increases sustainable as consumer reaction was “benign” and “price elasticity has generally been lower than what we would have seen historically.”

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

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

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

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

Procter & Gamble’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)
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)

April 2022: Procter & Gamble’s CFO announced new price increases for feminine care following previous price increases in 2021. “ANDRE SCHULTEN, CFO, THE PROCTER & GAMBLE COMPANY: Since the start of the fiscal year, we've taken price increases in each of our 10 product categories in the U.S. You may recall, it was 1 year ago when we announced price increases in the Feminine Care and Baby Care categories. Over the last year, input costs have continued to increase substantially. And as a result, the Feminine Care business has announced an additional price increase in the U.S., which will be effective in mid-July. Also as a result of these increased cost headwinds, we recently announced price increases on certain items in the U.S. Home Care category that will be effective at the end of June and in the U.S. Oral Care business that will be effective mid-July. As always, each category in each market is continually assessing the cost impacts they face and the potential need for pricing. If there are decisions to price, the degree and timing of those moves will be very specific to the category, the brand and sometimes to the individual SKU. This is not a one-size-fits-all approach.” (Q3 2022 Procter & Gamble Co Earnings Call, 4/20/2022)

Procter & Gamble announced feminine care sales increased double digits, with more credit to price increases than increased volume sold. “ANDRE SCHULTEN, CFO, THE PROCTER & GAMBLE COMPANY: Starting with a few highlights on the March quarter. Organic sales grew 10%. Volume contributed 3 points of sales growth. Pricing added 5 points as additional price increases began to reach the market. Mix added 2 points to sales growth for the quarter. These strong company results are grounded in broad-based category and geographic strength. Each of the 10 product categories grew organic sales in the quarter. Personal Health Care grew more than 30%. Fabric Care was up low teens. Baby Care and Feminine Care grew double digits. Oral Care and Grooming up high singles. Home Care and Family Care up mid-single digits. Hair Care and Skin and Personal Care each grew low singles. Focus markets grew 9%, and enterprise markets were up 12%.” (Q3 2022 Procter & Gamble Co Earnings Call, 4/20/2022)

An analyst asked Procter & Gamble for more detail on supply problems and price increases for feminine care products. “OLIVIA TONG CHEANG, RESEARCH ANALYST, RAYMOND JAMES & ASSOCIATES, INC., RESEARCH DIVISION: Great. Just a little bit of a follow-up there. Could you just talk a little bit about where the supply constraints are most acute and where you’re starting to see potentially some more capacity coming back across the category, particularly amongst private label players? You mentioned pricing in Feminine Care, Home Care, Oral Care. Can you talk about -- a little bit about your decision as you consider future rounds of price increases? And what categories you could potentially -- how you think about what categories you could potentially move on further?” (Q3 2022 Procter & Gamble Co Earnings Call, 4/20/2022)
Procter & Gamble claimed it maintained over 90% “on-shelf availability” despite supply constraints and said it expected “more categories” to leave “managed supply.”

ANDRE SCHULTEN, CFO, THE PROCTER & GAMBLE COMPANY: All right, Olivia. Supply constraints -- maybe to start at the global level, supply constraints are only present in every potential bucket that you can think through. Being able to source raw and packed materials is still difficult in sufficient quantities. Getting raw and packed materials to the places we need to get them to continues to be costly and highly volatile. Labor availability is certainly a stretch, not for P&G directly, but more for our supplier base. And then getting finished product out to our retailers by being able to actually ship with truck availability in the U.S., for example, is difficult. So it's across all aspects of the supply chain. We are making progress. Our on-shelf availability continues to be stable at around 93%, 94% even as we grow at these levels that we are happy to report we're growing at in Q3 and fiscal year-to-date. We have more and more categories coming off managed supply in the U.S. over the next 2 months. So we are carefully working with our retail partners to ensure that we do this in the right way to ensure best service and best on-shelf availability with our retail partners. And we’re making progress.” (Q3 2022 Procter & Gamble Co Earnings Call, 4/20/2022)

Procter & Gamble’s CFO: “we expect to be in a better situation over the next, call it, 3 to 6 months, specifically in the U.S. moving out of managed supply.”

ANDRE SCHULTEN, CFO, THE PROCTER & GAMBLE COMPANY: Heavy -- the most investment in terms of capacity will be in our North America and European markets to ensure that we have sufficient capacity to keep up with increased demand we've seen. Those investments will take hold over the next 2 years. But we expect to be in a better situation over the next, call it, 3 to 6 months, specifically in the U.S. moving out of managed supply.” (Q3 2022 Procter & Gamble Co Earnings Call, 4/20/2022)

Procter & Gamble’s CFO connected price increases in feminine care and other categories to “commodity cost increases, transportation warehouse but also foreign exchange impacts.”

ANDRE SCHULTEN, CFO, THE PROCTER & GAMBLE COMPANY: There is no -- to your second part of the question on pricing. I -- there is no formula-based approach to pricing in any of these categories. So we’re carefully watching, number one, consumer behavior and the strength of our superiority relative to the market. We are looking at the cost pressures and cost headwinds that we are seeing. And you will have noticed that in our paper categories in Fem Care, in Baby Care, in Family Care and in our Fabric & Home Care categories, that's where we see the biggest impact from commodity cost increases, transportation warehouse but also foreign exchange impacts.” (Q3 2022 Procter & Gamble Co Earnings Call, 4/20/2022)

Procter & Gamble’s CFO said price increases were about juggling “cost pressures” with “innovation” and the need to “recover via pricing.”

ANDRE SCHULTEN, CFO, THE PROCTER & GAMBLE COMPANY: So the impacts are bigger. There is superiority, and then it becomes a matter of do we have the right innovation available. Or do we feel that it is right at this point in time to recover via pricing versus leveraging productivity and the balance between those 3 elements as we've talked before? So I wouldn't say there's any formulaic approach. But certainly, Fabric & Home Care and the paper categories are most exposed to the cost pressures. So the combination of all 3 elements needs to play out more aggressively in those categories than
maybe in some others. Jon, anything you want to add?” (Q3 2022 Procter & Gamble Co Earnings Call, 4/20/2022)

PROLOGIS

Prologis’ CEO said the company was continuing to benefit from Russia’s war on Ukraine

Prologis CEO: “Europe is as good as I remember Europe being because actually the war and sort of the excess population that's come out of Ukraine and in Central -- in the neighboring countries have actually increased demand and led to actually better market dynamics for unfortunate and tragic reasons but it simply has.” “Hamid Moghadam -- Chairman and Chief Executive Officer: Well, let me give you the general commentary on Europe. Europe is as good as I remember Europe being because actually the war and sort of the excess population that's come out of Ukraine and in Central -- in the neighboring countries have actually increased demand and led to actually better market dynamics for unfortunate and tragic reasons but it simply has. I would say the U.K. has slowed down a bit given what's going on with the politics. But Europe is generally a more muted market than the U.S., both on the supply and on the demand side. And that's why we're showing lower rental growth for Europe compared to the U.S. So that's not that unusual in terms of its historical relationship. Chris, do you have anything to add to that? “ (Prologis Q2 2022 Earnings Call, 7/18/2022)

Prologis boasted that tight supply was boosting rent growth in the US and worldwide

Prologis said it was benefiting from “exceptionally tight markets and availability,” specifically from e-commerce and the “emergence of supply chain resiliency.” “Tim Arndt -- Chief Financial Officer: But given exceptionally tight markets and availability, the fundamentals remain excellent. E-commerce represented 14% of new leasing, down from approximately 25% in 2021 and a shift we've long telegraphed. As noted, overall occupancy and leasing have continued to grow with take-up coming from a broad set of users, most notably transportation, healthcare and auto. E-commerce remains a positive long-term trend for our business. Clearly, COVID accelerated its adoption from a 15% share of retail sales pre-pandemic and running at 23% during. At 21% today, it is roughly 150 basis points ahead of our pre-COVID expectations. We are also seeing the emergence of supply chain resiliency as a secular and incremental demand driver for our business. We hear it from our customers both in daily dialogue as well as our advisory boards, including three events held this quarter.” (Prologis Q2 2022 Earnings Call, 7/18/2022)

Prologis called the US a “market leader” in rent growth and predicted 10-15% annual rent growth for the US. “Chris Caton -- Senior Vice President for Research: Yeah, I would add. Look, the U.S. has been a market leader, especially on the coast with rent growth meaningfully outperform lower barrier markets. We're talking about 10% to 15% annual rent growth. It's better on the coast. And outside the U.S., whether it's Europe, whether it's the U.K., whether it's Toronto, whether it's Mexico, vacancy rates are below two and a half percent and we're seeing some of the best market rent growth we've ever seen.” (Prologis Q2 2022 Earnings Call, 7/18/2022)
A Prologis executive told an analyst that supply was not growing enough “to damage rent growth.”

Bill Crow -- Raymond James -- Analyst: Good morning. Thanks. Within the context of the market rent growth that we're talking about and The Street expecting kind of four or five years' worth, are you seeing any markets where either sequentially or on a year-over-year basis, market rents are starting to come down from their peaks?

Hamid Moghadam -- Chairman and Chief Executive Officer: Go ahead, Chris.

Chris Caton -- Senior Vice President for Research: It's Chris Caton. I ran through the regional differences and the pace of growth this year is, in fact, higher than last year. So all the U.S. and those differentials. Europe as well is faster, not slower. So we are -- we have quite a bit of momentum. In terms of individual markets, we track our risk, our supply risk markets. And that list has not appreciably changed over the past year. We are watchful of supply in a handful of markets: Dallas, Indianapolis and Phoenix. But we would not rate that supply as too much to damage rent growth, but it's -- those are a couple of markets we are watching.

(Prologis Q2 2022 Earnings Call, 7/18/2022)

Prologis' CEO boasted how the company is able to tell customers to “take a hike” if they ask for a discount because of market conditions, as they eventually come back and end up paying more. “Hamid Moghadam -- Chairman and Chief Executive Officer: Yeah, let me just give you an example of dispo guidance. We had a portfolio that we had on the market, nothing to -- obviously, with Duke. And the buyer came back for a price discount. And we basically told them, they can take a hike. The same thing happened in the week that the world shut down because of COVID. A buyer came in, they were way down the road on the acquisition and they came back. This is two years ago for a price scale, OK? And we told them to go away. They came back a year and a half later, and they pay 15% more than they had the deal tied up on. So 20% more than where they were trying to drive the price down. I'm not saying the same thing will happen, but I'm just saying, look, at the end of the day, no level of disposition or acquisition or development is going to affect the company that's -- of this scale and diversity.” (Prologis Q2 2022 Earnings Call, 7/18/2022)

Prologis said that high construction costs acted as a “pricing umbrella” for rent growth and strained supply would continue

Prologis executives said the combination of low vacancies and high demand was boosting their rent growth forecasts to over 20%, with high construction costs serving as a “pricing umbrella for continued rent growth.” “Tim Arndt -- Chief Financial Officer: We expect that this need for safety stock will lift demand for years to come, although economic uncertainty could cause some delay this year. In light of very low vacancy and healthy demand, we are increasing our overall market rent growth forecast for the year to 23% on a global basis and 25% in the U.S.
This is due to a very strong first half where we see rents having increased 14% globally and 16% in the U.S. We continue to see increases in construction costs which provide a pricing umbrella for continued rent growth given the need to uphold expected yields before new spec development can be started.” (Prologis Q2 2022 Earnings Call, 7/18/2022)

Prologis' CEO said that construction delays had inflated the perception of incoming supply and that strained supply would continue for some period. “Hamid Moghadam -- Chairman and Chief Executive Officer: Yeah. The other thing that's going on and we're probably overkilling this response, but I think it's probably the single biggest area where we get questions on. Construction has not only become expensive, but also construction periods have been really stretched out because of limited availability of certain components. And by the way, we've been really good about ordering that stuff ahead of time. I'm talking about the market, not our situation in particular. So an extended construction period will make the pipeline of supply sound bigger. So if you're having a third longer construction period, which is sort of what we're estimating, with the same amount of supply, the numbers will just be a third bigger. That's just math. So again, a lot of confusion about this issue. I think it's a single biggest disconnect between investor perceptions and the reality on the ground.” (Prologis Q2 2022 Earnings Call, 7/18/2022)
A study found that Visa and Mastercard had raised fees by over $1 billion since 2021. “The changes coming in April 2022 are quite complicated, but only affect consumer credit card transactions within the programs outlined below. While these are the largest changes coming, it is not an exhaustive list, and there are other smaller changes coming as well. CMSPI estimates that the total impact of these changes are $475 million in annual increases. Bringing the whole picture together, $475 million from Visa and Mastercard is added to the changes that went into effect last year from Visa, which CMSPI estimated to be worth $698 million dollars, and a grand total of $1.17 billion in increased fees for merchants annually.” (CSMPI, 2/23/2022)

Visa executives have repeatedly said the company benefits from inflation pushing up ticket and transaction sizes. Visa’s CEO said that because “inflation typically lifts transaction size…historically, inflation has been positive for us.”

“Al Kelly -- Chairman and Chief Executive Officer: So there are -- the inflation has some puts and takes on our business. Service fees and international fees are basis points on volume. So inflation typically lifts transaction size. But offsetting that, incentives are also tied to volume, so there’s some offset to that lift. Fuel prices go up. But then on the other hand, sometimes consumers tend to moderate their buying in times of large increases in gas to the degree that, over time, if it was to happen, the dollar was to weaken, that increases inbound cross-border flows and the US inbound corridor is one of our largest and higher-yielding corridors. Expenses for personnel and marketing, professional fees could go up. But I’d say two things and then ask Vasant to add anything he wants. So far, we’re not -- as I said and I think Vasant said in his remarks, we’re really not seeing much impact that’s causing us any concern in our numbers. And then, the last thing I’d say, net-net, historically, inflation has been positive for us.” (Visa Q2 2022 Earnings Call, 4/27/2022)
Visa's CFO: “there are multiple impacts from inflation. Net-net, it's a positive for us. We have not seen any impact on discretionary spending that we can discern.” Vasant Prabhu -- Chairman and Chief Financial Officer: Yeah. Just to add to what Al said, I mean we clearly have seen -- we've seen ticket sizes go up in the US, in particular, in Europe, but it's not all inflation. Some of it is mix. It's mix driven by the fact that the card-present transactions, which often tend to be smaller transactions, have not yet fully come back. It's mix also because e-commerce transactions, even when you do everyday purchases, can be larger ticket sizes. We could even see ticket sizes go down in inflationary times as card-present comes back. So as Al said, there's multiple impacts from inflation. Net-net, it's a positive for us. We have not seen any impact on discretionary spending that we can discern. If anything, discretionary spending, especially from affluent consumers and credit cardholders has been going up quite healthily. So in general, there isn't any evidence impact -- evident impact on inflation, but obviously, we'll keep looking for it. (Visa Q2 2022 Earnings Call, 4/27/2022)
FedEx crowed 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 $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)

**HB FULLER**

*HB Fuller’s CEO crowed how the company’s price increases more than offset inflation and even expanded their margins*

**HB Fuller’s CEO told analysts the company “supported our margins by offsetting continued inflation in every element of our costs.”**

“JAMES J. OWENS, PRESIDENT, CEO & DIRECTOR, H.B. FULLER COMPANY: We maintained our strategic pricing rigor, which supported our margins by offsetting continued inflation in every element of our costs. Raw material and delivery costs were up in the first half of the year by about 15% from the fourth quarter of 2021. We expect raw material costs will continue to rise in the third quarter and full year raw material costs will be about 20% higher than the fourth quarter 2021 exit rate.” (HB Fuller Q2 2022 Earnings Call, 6/23/2022)
HB Fuller told analysts it “more than offset” inflation thanks to over $800 million in price increases since 2021. “JAMES J. OWENS, PRESIDENT, CEO & DIRECTOR, H.B. FULLER COMPANY: “We implemented approximately $130 million of pricing in the first quarter, over $200 million in the second quarter, and we are delivering additional pricing actions of over $175 million in the third quarter. When combined with about $450 million of annualized pricing executed in fiscal 2021, our total pricing actions are forecasted to more than offset raw material and delivery cost increases. We are closely monitoring supply costs and other inflation, and we’re prepared to implement further increases as necessary. Our second quarter performance again demonstrated our ability to consistently deliver outstanding operating results. (HB Fuller Q2 2022 Earnings Call, 6/23/2022)

HB Fuller’s CFO reported the company's profits were up double digits thanks to “solid volume growth and strong pricing gains.” JOHN J. CORKREAN, EXECUTIVE VP & CFO, H.B. FULLER COMPANY: Thanks, Jim. I'll begin on Slide 5 with some additional financial details on the second quarter. Net revenue was up 20% versus the same period last year. Currency had a negative impact of 4% and acquisitions had a positive impact of 2%. Adjusting for currency and acquisitions, organic revenue was up 22%, with volumes up 3.4% and pricing up 18.5%. All 3 GBU’s had double-digit organic growth versus 2021, with HHC up 25%, Engineering Adhesives up 22% year-on-year and Construction Adhesives up 14%. Adjusted gross profit was up 16.4% year-on-year on solid volume growth and strong pricing gains. Adjusted selling, general and administrative expense was down 130 basis points as a percentage of revenue versus last year, resulting from volume leverage, pricing gains and good expense management, offset by higher variable compensation expense. Adjusted EBITDA for the quarter of $139 million was up 14% versus the same period last year and adjusted earnings per share of $1.11 increased 18%, driven by strong volume growth, pricing gains, and good cost controls, offset by higher raw material costs. (HB Fuller Q2 2022 Earnings Call, 6/23/2022)

HB Fuller told analysts that its price increases were sticky and were unlikely to change even as costs went down

HB Fuller's CEO told an analyst the company expected “sizeable margin expansion” as costs declined because of “extremely sticky” prices and said the company would “push harder” on price increases.

JAMES J. OWENS, CEO: Yes. So yes, I think you would definitely expect to see more margin expansion in (Engineering Adhesives), especially as raw material slowdown. So I think the way to think of this for the whole company, right, as inflation peaks and at some point slows down, you should expect to see sizable margin expansion, and that's across each one of our segments. And more of that will happen in EA. So keeping EA at this 15%-ish range will show some very nice natural expansion as raw materials come down. So that would be fundamentally it. I think there's a little less opportunity to substitute, which we can do in HHC. That's been happening in the last couple of years, substitute alternate raw materials and maybe some more aggressive pricing in certain segments where the EA pricing is extremely sticky. So we try to manage that in a controlled
thoughtful approach. So it’s much better long-term sustainability of the margin growth. So I think the overall point, our long-term plan is to keep HHC in that 15-ish range and to see EA up closer to 18% to 20% range. And I think as you look at where the world is now and you project out what might happen in 2023, I think you’ll see us moving very much in that direction.

MICHAEL JOSEPH HARRISON: Just to be clear, when you talk about being a little more aggressive on pricing in EA, do you mean that you’re pricing lower to capture more share or your pricing pushing harder and (inaudible) potentially?

JAMES J. OWENS: I mean pushing harder, right? So I think in HHC, we have some things that are a little more indexed and some areas where there's been availability shortages that have driven more aggressive pricing.

(HB Fuller Q2 2022 Earnings Call, 6/23/2022)

HB Fuller’s CEO told analysts that “we don't reduce prices on the back end of these increases.”

ROSEMARIE JEANNE MORBELLI, FORMER RESEARCH ANALYST, G.RESEARCH, LLC: Congratulations also to Barbara. I will miss you and thank you for your help for all of those years. And of course, we welcome your replacement whoever that may be. I don't think -- I may have missed the press release. In addition -- so this being said, could you talk about John or Jim, the SG&A ratio, which has now declined to slightly below 16% of sales, is that sustainable? Or is it just during this environment that you are probably controlling expenses?

JAMES J. OWENS: Yes. No, well, at a very high level, I think it's a relatively sustainable level. As you know, Rosemarie, we don't reduce prices on the back end of these increases. So I wouldn't see a big reason for this to go in a different direction. John, do you want to comment further?”

(HB Fuller Q2 2022 Earnings Call, 6/23/2022)

HB Fuller’s CEO talked up how a recession would benefit the company by cutting their costs even more

HB Fuller’s CEO said “a nice light recession would be perfect for us” because it would bring raw material costs down even more. “JAMES J. OWENS, CEO: Yes. So -- and you followed the company a long time, David. I mean, we do relatively -- extremely well relative to most companies in terms of volume, mostly because of the diversity of our business, right? So we've got a lot of products that are across different cycles. Certainly, the consumer goods business has very limited impact. And all of that impact, if you look at our cash flow and our margins gets us to a point where the EBITDA is generally up even though we have downturns and cash flow expands, and that's because raw material prices come down. So -- so I think going into a recession, a nice light recession would be perfect for us, but even a heavy deep recession, I feel like we've shown in
2000, 2008, very good resilience in that environment. So -- and especially given how well we've managed pricing and margins, I think, we would fare extremely well.” (HB Fuller Q2 2022 Earnings Call, 6/23/2022)