Q3 2022
CORPORATE PROFITEERING FINDINGS
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AIRCINES
**Airlines**

**Delta**

*Delta boasted to analysts of having their best performing quarter ever*

Delta Airlines CEO proudly told analysts their “results mark clear financial progress as we report the highest quarterly revenue in Delta's history.” “Ed Bastian -- Chief Executive Officer: Delta will continue to support our people and our communities the recovery and rebuilding. The demand for air travel remains very strong, and that is reflected in today's results and outlook. We generated earnings of $1.51 per share in the September quarter. Our results mark clear financial progress as we report the highest quarterly revenue in Delta's history, 3% above the third quarter of 2019 and $1.5 billion of operating income, generating a 12% margin.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

*Delta executives agreed with Wall Street analysts that higher prices and fees were here to stay*

An analyst pressed Delta on if prices and fees would remain elevated, asking if “there's a structural shift in the way airlines think about pricing and the consumer takes that price?” Sheila Kahyaoglu -- Jefferies -- Analyst Good morning, guys. Thank you for the time. Maybe I wanted to ask a big picture question, Ed. Industry unit revenues are up fairly substantially over the long-term trend due to a number of factors you guys have talked about. I know you don't want to comment on forward pricing trends for you, but broadly about the industry. Do you think that through the pandemic -- with the growth of expansion of premium, growth of loyalty products and other shifts, do you think that there's a structural shift in the way airlines think about pricing and the consumer takes that price?” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

Delta's President responded affirmatively, saying “the industry has done a good job historically now in recovering the higher cost in both fuel and nonfuel. And I don't see anything that would indicate that that's not going to be the case moving forward.” “Glen Hauenstein -- President: Yes. I don't -- we don't ever comment on forward pricing. And I think what you've seen is that the industry has done a good job historically now in recovering the higher cost in both fuel and nonfuel. And I don't see anything that would indicate that that's not going to be the case moving forward.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

An analyst pressed Delta on whether the company was “maintaining capital discipline,” noting “ investor concerns about that tension between adding capacity to lower cost versus potentially adding too much capacity and tipping over the fair cart?” “David Vernon -- AllianceBernstein -- Analyst: Hey, good morning, guys. Thanks for taking the question. So Dan, you mentioned the cost of adding incremental capacity right now is very low as we get through to '23. '24. Can you talk about how low that is relative to the average? And then, maybe as a follow-on, Ed or Glen, can you talk to the topic of maintaining capacity discipline, right? Obviously, if there's a way to unlock cost, you want to unlock the cost, but you also don't necessarily want to
flood the market. How could -- how would you suggest we kind of sue the investor concerns about that tension between adding capacity to lower cost versus potentially adding too much capacity and tipping over the fair cart?” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

Delta's President said the company was seeking to grow capacity “to ensure that our margins stay where we need them to be.” “Glen Hauenstein -- President: On capacity, we are just going to continue to monitor it as we move forward. And each one -- each market is different. And when we look at it not at an aggregate level, but at a market level to ensure that our margins stay where we need them to be. And so, I think that's our -- has been our approach historically. It's worked quite well. And our approach moving forward is that it's -- it's actually a very granular thing. And what we've seen is demand has come back very different in 2022 than it left in 2019. Although the aggregates are now above where we were in '19, where people are flying and why they're flying is very different. And so, that's where we're going to continue to focus on, seeing opportunities and capitalizing them in '23 as we move forward with our rebuilt.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

Delta's CEO responded to analyst asking about the importance of profitability over market share: “It's always about profitability and margins.” “David Vernon -- AllianceBernstein -- Analyst: So is it fair to say that profitability is more important than achieving some unit costs and market share goal? ‘Ed Bastian -- Chief Executive Officer: Of course. It's always about profitability and margins. And that's why I said in my remarks, I think we are uniquely positioned to do both, to grow where we haven't had the opportunity to grow as quickly as others have grown with strong demand supporting that, coupled with a significant unit cost benefit as we move forward because we already own all the assets and we already have the full staffing numbers pretty much on property.”” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

Delta executives admitted that the company was raising prices by restraining capacity

Delta's CEO: “We're not operating at Delta anywhere close to what we used to operate in the past, and that's why the demand of our product and the pricing for the product has been so strong.” Ed Bastian -- Chief Executive Officer: We mentioned in our remarks that -- and I really do believe it. So the airline industry, not just Delta, is in a countercyclical recovery because we're still building back from where we were. And so, the amount of supply that's in the market probably has already taken into account somewhat of any recessionary risks. We're not operating at Delta anywhere close to what we used to operate in the past, and that's why the demand of our product and the pricing for the product has been so strong.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

Delta's CEO said the company was operating with 15% less capacity than in the summer of 2019: “the fleet we have has taken a pretty significant utilization hit as we've reduced supplying and bringing it back.” "Ed Bastian -- Chief Executive Officer: And Leslie, on your second question, this summer, we operated roughly 15% below where we were in the summer of '19. And we said our goal is for next summer to close that gap and have our network fully restored. So I think that's a ballpark number of 15%. That doesn't mean we're going to have 15% more people or 15% more planes. It's really just utilizing the people we already have because
we're already at pretty close to 2019 staffing levels. And the fleet we have has taken a pretty significant utilization hit as we've reduced supplying and bringing it back. So it's really using the assets and the people we already have more efficiently. That's going to generate a meaningful amount of that growth.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

**Delta reported a $1.5 billion operating profit on a network that was 17% smaller than 2019.**

“Dan Janki -- Chief Financial Officer: Thank you, Glen, and good morning to everyone. The September quarter demonstrated progress on our financial priorities to drive margin improvement and reduce debt. We reported a $1.5 billion operating profit, and that's on a margin of 11.6%, our second consecutive quarter with a double-digit operating margin. That is on a network that's 17% smaller than 2019.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

**Delta's CEO: “we're not going to fall in the trap we were last spring where we pushed ourselves too hard.”**

“Ed Bastian -- Chief Executive Officer: You can expect our network rebuild to be disciplined. It's going to steadily grow. But we're not going to fall in the trap we were last spring where we pushed ourselves too hard. So we learned from that. We're not going to accelerate it faster, and we're ready to deliver.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

**Delta executives stressed they were limiting lower fair options in favor of pushing tickets with higher costs and fees**

Delta's President appeared to admit that “basic economy” fares only existed as a ticket category to compete with lower cost airlines and weren't consistently available on flights.

“Glen Hauenstein -- President Basic economy is not a hard cabin. It's an availability of a fare, and we want to keep that in place. It's a very effective tool. We haven't used it as much historically because we've been so full. But as we get to a more normalized environment, there probably will be more basic economy in -- available in '23 than there were in '24. And we created that because the way that the ultra-low-cost carriers price their products where they don't show you all of the add-ons, they show you a very low intro fare and then add on everything from carry-ons to soda. And so, we wanted to have a relatively de-counted product, although it's still far superior to the product that you buy on the ULCCs. It doesn't have all the products and the upgradability that the higher fare structures do. And it's a very effective competitive tool. But as I mentioned earlier, it's -- the fare structures are there, and they're either available because there -- we're not selling out on airplanes or they're not. And so, that's the way we've created it, and it's not a cabinet in and of itself. Where the premium products are actually hard cabins.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

**Delta told analysts that in the past quarter “a record 54% of our total revenue was generated by premium products and diverse revenue streams. We expect this to grow to 60% by 2024.”**

“Glen Hauenstein -- President: Thank you, Ed, and good morning, everyone. I want to first thank our employees for their hard work restoring our operations and delivering for our customers during a very busy summer travel season. Demand for travel on Delta remains strong. Investments in our products, airport service and the liability are reshaping customer perceptions and driving record satisfaction scores. Brand affinity supports our revenue premium to the
industry, and we're making meaningful progress against our multiyear commercial strategy. September quarter results reflect momentum in premium products and loyalty, supporting continued diversification of our revenues. This quarter, a record 54% of our total revenue was generated by premium products and diverse revenue streams. We expect this to grow to 60% by 2024.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

Delta reported a quarter record revenue of $12.8 billion with unit revenues 23.4% higher than 2019, driven by “premium revenue growth.” “Glen Hauenstein -- President: September quarter revenues of $12.8 billion is a new quarterly record and 3% higher than 2019 on 17% less capacity. Hurricane Ian impacted revenues by approximately $70 million, with the impact evenly split between the third and fourth quarters. Total unit revenues finished 23.4% higher versus 2019, improving three points sequentially as international demand accelerated. Demand was strong throughout the quarter, with premium revenue growth outpacing main cabin by 10 points.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

Delta admitted the company had effectively priced out some customers by cutting supply and hiking fairs

Delta’s President said the company was aiming to reclaim customers who now “couldn’t get fares that were competitive on Delta because we didn’t have the seats to produce those.” “Glen Hauenstein -- President: So if you think about our core being approximately 20 points less restored than the coastal gateways, which are now fully restored or actually growing, maintain your core hub share or actually increase it, there was a lot of focus on that through the revenue management systems. So we choked off what I would say is more of our traditional flow in very key markets where Delta has historically been the leading carrier, particularly in the Southeast. And so, as we head into -- and these customers or our customers are in our loyalty program. But in a lot of cases, they couldn't get fares that were competitive on Delta because we didn't have the seats to produce those. And really, as we head into 2023, our task that we’ve assigned our team is to get those historical high-yield flow customers back on Delta. And that's really our -- what our rebuild phase for 2023 is all about.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

Delta’s CEO admitted that thanks to tight capacity and higher prices, “a lot of our customers are priced out of our product” “Ed Bastian -- Chief Executive Officer: And Scott, if I could wrap that, is that when you think about next year, obviously, we're going to be bringing a fair bit of capacity into the domestic system. That's going to help with what Glen mentioned earlier, a lot of our customers are priced out of our products. And so, we're going to be bringing more affordability, opening us up to additional buckets of demand. Yet at the same time, the incremental marginal cost of delivering that supply is substantially lower than any modest price adjustments we would see.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)

Delta criticized federal government regulations of fee transparency

A Delta executive told analysts the company opposed federal fee and pricing regulations because often the fees were “not relevant to the consumer.” “Peter Carter -- Executive Vice
President, Chief Legal Officer, and Corporate Secretary: Good morning, Dawn. It's Peter Carter. What I would say in response to the proposal is we think that customers do have access to fee and pricing information. Today, on the Internet, we think our pricing is transparent. We will be providing formal comment to the DOT because one of the challenges with the rule as proposed is the way they're viewing transparency, they're expecting a carrier to provide a moment of making the search every single potential fee or price without regard to who's actually searching. So it may be a fee that's not relevant to the consumer, which, of course, could create quite a bit of confusion for consumers. So we'll be providing that input to the DOT, and we hope that they obviously see that rule as something that's unnecessary to impose.” (Delta Air Lines Q3 2022 Earnings Call, 10/13/2022)
FINANCIAL SERVICES
FINANCIAL SERVICES

MASTERCARD

Mastercard’s revenue increased 23%, thanks to increased processing fees

Mastercard’s CEO reported their quarterly revenue had increased 23%. “Michael Miebach -- Chief Executive Officer: Thank you, Warren. Good morning, everyone. Let's get right into it. So the headline is that consumer spending remained resilient, and cross-border travel continues to recover. With this backdrop, we delivered strong revenue and earnings growth through the focused execution of our strategy. Third quarter net revenues were up 23% and adjusted operating income up 27%, both versus a year ago on a non-GAAP currency-neutral basis, excluding special items. Now the macroeconomic and geopolitical environment remains uncertain. Inflationary pressures have remained elevated and central banks are continuing to take aggressive steps to bring inflation in line.” (Mastercard Q3 Earnings Call, 10/27/2022)

Mastercard told analysts transaction processing fees were up 22% while transactions only grew 9%, and attributed the difference in part to “pricing.” “Sachin Mehra -- Chief Financial Officer: Transaction processing fees were up 22%, while switched transactions grew 9%. The 13-ppt difference is primarily due to favorable mix, FX-related revenues, and pricing. Other revenues were up 22%, including a 2-ppt contribution from acquisitions. The remaining growth was driven primarily by our cyber and intelligence and data and services solutions.” (Mastercard Q3 Earnings Call, 10/27/2022)

Mastercard’s CFO admitted “our transaction processing fees are growing faster than the underlying driver, one of which is the mix change.” “Jamie Friedman -- Susquehanna International Group -- Analyst: Hi. Sachin, transaction processing fees increased 15%, but switched transactions increased 9%. I know you called out in your prepared remarks mix changes. I was just wondering if you could elaborate on that. Sachin Mehra -- Chief Financial Officer: Sure. So there are a few things going on right there where our transaction processing fees are growing faster than the underlying driver, one of which is the mix change. And really, remember, when we make cross-border revenues, we make cross-border revenues on a basis-point basis, as well as on a sales per transaction. And the component, which is on basis points since and cross-border volume fees and there's some component of cross-border related sales per transaction that sits in terms of the number of transactions which we process with the same transaction processing fees, which is where the mix effect comes through.” (Mastercard Q3 Earnings Call, 10/27/2022)

Mastercard use its profit to spend over $2 billion on stock buybacks in the past quarter

Mastercard spent over $2 billion on stock buybacks in the past quarter. “Sachin Mehra -- Chief Financial Officer: Operating expenses increased 17%, including a 3-ppt increase from acquisitions. Operating income was up 27%, which includes 1-ppt decrease related to acquisitions. EPS was up 22% year over year to $2.68, which includes a $0.06 contribution from share repurchases. During
the quarter, we repurchased $1.6 billion worth of stock and an additional $505 million through October 24, 2022.” (Mastercard Q3 Earnings Call, 10/27/2022)

Mastercard’s CFO admitted the company benefitted from inflation increasing prices

Mastercard’s CFO admitted that the company benefits from inflation: “the reality is you’re very correct about the fact that we charge our basis points in cents per transaction. Our basis points are of nominal value of spend and that reflects the impact of inflation in there.” “Sachin Mehra -- Chief Financial Officer: Yeah, Darrin, I'll take that question. I guess to your point around inflation. Look, I mean, persistent in place for long periods of time, which causes for a shift in share of wallet away from carded categories into non-product categories would be the one area I would actually flag as a potential headwind as it relates to our business model. But putting that issue aside, the reality is you’re very correct about the fact that we charge our basis points in cents per transaction. Our basis points are of nominal value of spend and that reflects the impact of inflation in there. So the reality is, as we've said in the past, modest inflation and inflation in carded categories, we're generally -- we kind of -- our business model accounts for that because depending on if it's carded, it doesn't matter, like Michael said, whether it's happening in travel or it's happening in food and building, those are carded categories, and you kind of get the benefit of that come through. Look, I mean, as it relates to your question on expenses, we've always remained disciplined on expenses. The thing which we always keep in mind is a few things.” (Mastercard Q3 Earnings Call, 10/27/2022)
GROCERY & RESTAURANTS
Coca-Cola boasted to analysts the company had increased their sales by hiking prices

Coca-Cola’s CEO boasted of strong revenue growth “driven by pricing actions and robust volume growth.” “James Quincey -- Chairman and Chief Executive Officer: And we saw renewed pandemic-related mobility restrictions in China. Inflationary forces are driving costs, pricing, and interest rates higher, resulting in currency volatility in many parts of the world. Against this backdrop, our industry remains healthy and is growing both in value and volume, which continues to include some benefit from cycling COVID-related impacts from the prior year. In the third quarter, we delivered strong organic revenue growth across all operating segments. This was driven by pricing actions and robust volume growth. We had share gains overall and across most categories, as well as within both at-home and away-from-home channels. We accomplished this by investing in our business and providing the right portfolio of brands and packages to retain and add consumers. Notably, we drove revenue growth ahead of transactions growth, which is also ahead of volume growth in the quarter, reflecting the strength of our revenue growth management capabilities.” (Coca-Cola Q3 2022 Earnings Call, 10/25/2022)

Coca-Cola’s CFO informed analysts “our price/mix of 12% was driven primarily by pricing actions across operating segments.” “John Murphy -- Chief Financial Officer: Thank you, James, and good morning, everyone. Today, I'll comment on our third quarter performance and provide considerations for our updated guidance to this year. I'll also provide some early commentary on 2023 and what actions we are taking to drive a top-line-led growth equation to navigate this dynamic environment. We are encouraged with the continued momentum of our business, and we delivered another set of strong results in the third quarter. We grew organic revenue 16%, unit cases grew 4%, with broad-based growth across most operating segments and targeted investments in the marketplace. Concentrate sales were in line with unit cases for the quarter. Our price/mix of 12% was driven primarily by pricing actions across operating segments, along with revenue growth management initiatives, further improvement in away-from-home channels in most markets and positive segment mix. Comparable gross margin for the quarter was down approximately 190 basis points versus the prior year.” (Coca-Cola Q3 2022 Earnings Call, 10/25/2022)

Coca-Cola executives predicted price hikes would continue into 2023

Coca-Cola’s CFO credited “smart pricing” for driving revenue and that it was “something that we expect to be able to generate into 2023.”“John Murphy -- Chief Financial Officer: And to your second question on ongoing price increases, I think it links back to some of James' comments earlier. The name of the game is to optimize our revenue equation over the next 12 to 18 months. That's going to be a combination of smart pricing, understanding the mix, both from a channel and package perspective, and being able to utilize the many levers that we have inside of the RGM toolkits that our bottlers have. So again, I think at this stage, it's still early to say what the
exact numbers will be for each of those topics. But I think the broader point is that the top-line momentum that we've enjoyed here today, that we see continuing to hold through the rest of the year, is something that we expect to be able to generate into 2023.” (Coca-Cola Q3 2022 Earnings Call, 10/25/2022)

Coca-Cola’s CEO: “at the moment, we're in a period where there's more price/mix than there is volume, and that seems that seems likely to continue into next year.” “James Quincey -- Chairman and Chief Executive Officer: Yeah, Chris. I think, yes, clearly, it's likely that next year price/mix will run ahead of volume in a similar way it has this year. I mean our long-term growth algorithm has assumed a relative balance between price and mix. Clearly, at the moment, we're in a period where there's more price/mix than there is volume, and that seems that seems likely to continue into next year. It is also true that this year, there has been some benefit from the channel mix on the reopening. The reopening benefit that was obviously a reopening cost in the previous year in price/mix is now largely done. And so that kind of tailwind won't be there last -- next year. Are all the channels away from home completely reopened? No.” (Coca-Cola Q3 2022 Earnings Call, 10/25/2022)

As prices increases, Coca-Cola said it was exploring selling smaller packages

Coca-Cola said the company was exploring “having smaller bottles or smaller multipacks of less cans per multipack” to offset higher prices. “James Quincey -- Chairman and Chief Executive Officer: Yes. Absolutely. I mean value packs or ensuring affordability for the consumer is one of the core pieces of RGM. It's about extending the price ladder and, in recessionary times, about making sure the entry price point, whether it would be on the larger packs or on the smaller packs becomes as low down in the price spectrum, the actual out-of-pocket as possible. As I talked about in the last answer, one of the recession behavior tends to be to try and reduce the dollar outlay of the basket, and therefore, the price point becomes even more important than the price per liter. And so around the world, that's absolutely what we're pursuing, whether it's in the U.S., having smaller bottles or smaller multipacks of less cans per multipack; or the example I used in Japan, where we took the 500 mL and split it into 350 and 700. Of course, around the world in a number of countries, we leverage our capabilities with returnable bottles. Given the economics of returnables particularly in the developing markets, that is a way of generating a lower price point because, of course, in effect, you don't pay for the packaging because it comes back again.” (Coca-Cola Q3 2022 Earnings Call, 10/25/2022)

Coca-Cola's CEO said the company was creating "small cans or sleek cans to really stretching out the pricing ladder, not just putting all the bets on the affordable end."“James Quincey -- Chairman and Chief Executive Officer: But of course, that will also have its other side of the coin which is to try and ensure there are some perhaps more premium options for those that still have plenty of disposable income. Not everyone will have exactly the same effect in this period. So likely to see continued push, for example, in the U.S. on small cans or sleek cans to really stretching out the pricing ladder, not just putting all the bets on the affordable end. And we will continue with the brand and the product innovation. I don't know if you went to the NACS. There was a lot of innovation on show -- the Convenience Store Conference for the North America, there was a lot of innovation on display there, both package and product. And so we will be
approaching '23 with a broad innovation agenda, but with some slight weighting to packaging to stretch on the price ladder.” (Coca-Cola Q3 2022 Earnings Call, 10/25/2022)

**KRAFT HEINZ**

*Kraft executives marveled at the success of their price hikes*

*Kraft Heinz’s CFO: “we have executed a new price increase in the month of August. And the elasticities turned out to be stronger than what is anticipated.”* “Andre Maciel, Executive Vice President and Global Chief Financial Officer: So, Andrew, first of all, we -- as Miguel said at the beginning, I think we feel very excited and pleased with the results we achieved in the quarter. And I’ll tell you that a lot of things happened in our favor towards the month of September. First of all, if you might remember, we have executed a new price increase in the month of August. And the elasticities turned out to be stronger than what is anticipated, which resulted in strong top line. Shipments were very good. I think our team did a great job in the month of September to be able to ship in a much better pace than earlier in the quarter, which also helped us. We end up spending less promotion also that we have initially anticipated, which is fine, as well that we're being very prudent to put all the promotions and expense in our portfolio.” (The Kraft Heinz Company Q3 2022 Earnings Call, 10/26/2022)

*Kraft Heinz’s CFO noted that while their prices were up 17%, private label prices had increased 16% as well.* “Andre Maciel, Executive Vice President and Global Chief Financial Officer: Third, the private label have been increasing the price together with the rest of the players. So as recent as the last 4 weeks, including already 3 weeks of October looking at sellout data, our sellout price is about 17% up, whereas private label is 16% up. So price gaps are widely preserved. You might have seen as well in 1 of this calendars we provided that comparing Q2 to Q3, the price gap with private label remains the same. So we do not see any category where our price gap expanded versus private label except to Ketchup and Lunchables, which honestly the interaction is limited, and we gained share in both of these categories. So yes, I think we feel good about that.” (The Kraft Heinz Company Q3 2022 Earnings Call, 10/26/2022)

*A Kraft Heinz executive boasted their brands had “pricing power.”* “Carlos Abrams-Rivera, Executive Vice President and President, North America Zone: Yes. And I think what I would say is we have continued to invest in the equity of our brands, which if we think about the fact that companies really don't have pricing power brands, have pricing -- pricing power. So the investments we have made with the quality of the marketing we have improved here at Kraft Heinz and the commitment we have to continue to invest in our brands going forward, also give us some confidence as we continue to manage through the current environment.” (The Kraft Heinz Company Q3 2022 Earnings Call, 10/26/2022)

*Kraft Heinz’s CFO: “in Q2 and now in Q3, price was in line with inflation and price plus gross efficiencies was ahead of inflation.”* “Andre Maciel, Executive Vice President and Global Chief Financial Officer: Sure. Thanks for the question. Look, we have been -- as we said all along, have pricing to protect the dollar inflation, so dollar for dollar, and we have been doing that now for the
second quarter in a row. So both in Q2 and now in Q3, price was in line with inflation and price plus gross efficiencies was ahead of inflation. Given that we had in Q3 as we initially said back in September, some incremental pressure in selected places and we took action already on it, there is this continuous lag in effect. So we expect Q3 to be the bottom of our gross margin, and you should expect to see a sequential improvement in Q4 in comparison to Q3.” (The Kraft Heinz Company Q3 2022 Earnings Call, 10/26/2022)

MONDELEZ

Mondelez’s CEO boasted that the company seeing sales increase even as it hiked prices

Mondelez’s CEO boasted of 12% revenue growth thanks in part to “strong pricing” and “resilient demand for our brands.” “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: Turning to Slide 5. You can see that our strategy is continuing to drive a virtuous cycle. We are well positioned to deliver a strong full year ‘22 performance and long-term revenue growth. This quarter, our revenue growth was 12.1%, which means 11.2% growth year-to-date. The revenue was generated through continued volume growth as well as strong pricing necessary because of ongoing cost inflation, and it demonstrates the resilient demand for our brands. That revenue growth is fueling our gross profit, which is growing 12.8% for the quarter and 10.8% year-to-date.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez CEO: “Volume remained solid relative to much of the sectors as consumers continue to choose our trusted and beloved brands even as we implement necessary pricing.” “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: As you can see on Slide 6, we delivered 12.1% organic net revenue growth in Q3. Volume remained solid relative to much of the sectors as consumers continue to choose our trusted and beloved brands even as we implement necessary pricing. We view our performance in the third quarter and year-to-date as further evidence that our long-term strategy continues to pay off. Since the launch of our new growth plan in 2018, we have consistently over-delivered on net revenue growth through a virtuous cycle of increasing investment, strong local execution and targeted incentives. We remain confident that this strategy will continue to deliver attractive growth in the quarters and years to come.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez told analysts that “year-to-date, we have delivered nearly $900 million in absolute gross profit dollar growth, a record high for our business.” “LUCA ZARAMELLA, EXECUTIVE VP & CFO, MONDELEZ INTERNATIONAL, INC.: Now turning to Page 15. In Q3, we posted gross profit dollar growth of plus 13% and plus 10% for EBIT. Year-to-date, we have delivered nearly $900 million in absolute gross profit dollar growth, a record high for our business. This dollar growth enables us to continue investing in brand-building to drive our virtuous cycle of growth. Although organic top line and profit dollar growth are key focus areas, cost excellence remains an important part of our DNA and an enabler in this environment. To that end, we continue to make good progress around digitizing the enterprise and realizing efficiencies, reducing nonessential overhead spend and driving simplification.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)
Mondelez told analysts it benefited from price hikes in both North America and Europe

Mondelez's CFO: “North America grew 12% in Q3, driven by higher pricing in biscuits, strong candy growth and robust increases from our ventures businesses, particularly Tate's and Give & Go.” “LUCA ZARAMELLA, EXECUTIVE VP & CFO, MONDELEZ INTERNATIONAL, INC.: North America grew 12% in Q3, driven by higher pricing in biscuits, strong candy growth and robust increases from our ventures businesses, particularly Tate's and Give & Go. Volume/mix was roughly flat. North America OI increased by more than 20% during the quarter due to higher pricing that was implemented in Q2 as well as some benefits related to the factory closings last year and the addition of Clif. AMEA grew 14.6% for the quarter with strong volume/mix growth of 8.5 points and broad-based growth across all of our business units in the region.” Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022

Mondelez said that in Europe especially the company was benefitting from consumers spending less money on dining out and entertainment. “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: Looking forward to the Christmas season, the majority of European consumers say they plan to spend the same amount over the holidays, if not more, as in 2021. They also say they plan to spend more money at home and on gifting with less money spent on dining out and entertainment. These category dynamics combined with the enduring strength of our trusted and beloved brands give us confidence that we will continue to successfully navigate inflationary periods like today.” Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022

Mondelez said the company was expecting “margin recovery” for Europe thanks to conclusions of pricing negotiations. “LUCA ZARAMELLA, EXECUTIVE VP & CFO, MONDELEZ INTERNATIONAL, INC.: Turning to regional performance on Slide 16. Europe grew 5.2% during the quarter. This includes nearly 5 points of volume/mix decline entirely linked to customer disruptions from a round of pricing negotiations during Q3. Importantly, as I already said, we have successfully implemented virtually all of the price planned. We continue to support our brands with meaningful investments in the region to ensure consumers stay loyal to our categories and franchises. OI dollar for the quarter declined by 7.4%, driven by customer volume disruption and ongoing commodity pressure. Now that pricing has been implemented, we expect margin recovery for Europe in Q4.” Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022

Mondelez used those price hikes to spend over $3 billion on stock buybacks and dividends for investors

Mondelez told analysts the company returned “$3.3 billion to shareholders year-to-date through share repurchases and dividends.” “LUCA ZARAMELLA, EXECUTIVE VP & CFO, MONDELEZ INTERNATIONAL, INC.: Turning to Slide 18. We remain focused on generating strong free cash flow. Year-to-date, we have generated $1.9 billion, including a onetime expense of $300 million related to the Clif acquisition and buyout of the non-vested employee stock ownership plan. This was part of the originally disclosed purchase price, but as it relates to the ease up for employees and deemed compensation, it is reflected in cash flow. This strong free cash flow
performance has enabled us to return $3.3 billion to shareholders year-to-date through share repurchases and dividends.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez stressed more price hikes were coming even if input prices declined

Mondelez’s CEO told analysts “we have announced further pricing actions across numerous markets across the globe, including the United States, which takes effect in December ’22, and we are preparing for ’23 negotiations in other markets.” “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: Additionally, we have announced further pricing actions across numerous markets across the globe, including the United States, which takes effect in December ‘22, and we are preparing for ‘23 negotiations in other markets. We also continue to take appropriate action to hedge our commodity costs with greater flexibility while continuing to advance our ongoing productivity initiatives.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez’s CFO: “We also expect a significant contribution from pricing, and we continue to plan for double-digit cost inflation.” “LUCA ZARAMELLA, EXECUTIVE VP & CFO, MONDELEZ INTERNATIONAL, INC.: We continue to expect broad-based growth in our core categories and markets. We also expect a significant contribution from pricing, and we continue to plan for double-digit cost inflation. We have just announced another round of pricing in the U.S. to reflect continued inflation and positive impact of our commodities coverage in 2022 seizing current spot levels in 2023. While we successfully concluded our European pricing with disruption below our anticipated levels, inflation continues to be a concern in Europe, particularly with energy, that despite some EU-driven measures is still a significant headwind.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez’s CEO: “On pricing, where we stand is that we’ve just gone through our second round of pricing this year in Europe. We’ve announced a third round of pricing in the U.S., which will take effect in December.” “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: I think we also are benefiting from the fact that we have strong brands in which we continue to invest quite significantly. That's part of our thinking, and I think that is helping us in our results. Pricing, of course, played a role. On pricing, where we stand is that we've just gone through our second round of pricing this year in Europe. We've announced a third round of pricing in the U.S., which will take effect in December. And we are starting our negotiations in Europe for the typical beginning of the year 2023 pricing round.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez’s CEO said that while “we’ve seen some commodities showing signs of pulling back but we still expect significant inflation in ’23 and hence, the pricing rounds we have to go through.” “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: From an elasticity perspective, maybe I would say that, that remains below expectations. It is lower than it was last year even, certainly lower than it was pre COVID. In our forecast, we are foreseeing higher elasticity effects because we believe that eventually, there will be a bigger effect, but so far, we’re not quite seeing that. And then from a cost perspective, we’ve seen some commodities
showing signs of pulling back but we still expect significant inflation in ’23 and hence, the pricing rounds we have to go through.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez’s CFO: “ reality is pricing for more than 50% has already been taken or announced. And so as a matter of pricing for next year, you have to think about carryover of announced pricing being for more than 50% done.” “LUCA ZARAMELLA, EXECUTIVE VP & CFO, MONDELEZ INTERNATIONAL, INC.: Look, reality is pricing for more than 50% has already been taken or announced. And so as a matter of pricing for next year, you have to think about carryover of announced pricing being for more than 50% done. Obviously, as we said, there is the U.S. coming as of December, and that will add to the 50%.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez’s CEO: “ The good news about the third round of pricing in the U.S. is that it’s been announced and it’s been accepted by the clients...So we have good confidence that this price increase will go through.” “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: Your assumption is right. It's a combination of everything you said. So our approach to pricing is that the additional costs we see every year, which could be from a commodity perspective, packaging, labor, transportation, we are trying to price away. So we do have a number of hedges that are coming off. We are careful on the hedging for next year because it could, to our opinion, go both ways. Prices could -- or cost could still go up. We want to hedge the right way against that, but we also need to be careful that commodity costs don't come down and that we can benefit from that. And so the short answer to what you said, it's all of the above. The good news about the third round of pricing in the U.S. is that it's been announced and it's been accepted by the clients. We will see how the consumer reacts, but so far, the 2 previous price increases, we have not seen a major impact on consumer offtake and penetration and frequency; [volume growth] and so on is all still very strong. So we have good confidence that this price increase will go through. And then we should be okay unless something happens in our cost picture.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez:“Chocolate is highly desired. We see more and more signs that consumers are saying it's the snack they cannot live without.”

Mondelez’s CEO: “ Chocolate is highly desired. We see more and more signs that consumers are saying it's the snack they cannot live without.” “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: Chocolate is highly desired. We see more and more signs that consumers are saying it's the snack they cannot live without. And so I would say, concern, short term from consumers, relatively optimistic and they keep on buying our categories, which is reflected in the numbers that you saw, which includes, as I said before, some client disruption. I hope this gives you an idea, Bryan.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

Mondelez’s CEO: “ We see signs that consumers really want to continue to consume chocolates and biscuits. I think our pricing execution is now really coming through.” “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: Yes, yes. Thank you, Bryan. Well, first, on the results, I would say we have a very strong top line performance, which I think is a testimony to the resilience of our categories, which is important to take into account. We see
signs that consumers really want to continue to consume chocolates and biscuits. I think our pricing execution is now really coming through. And on top of all that, we have volume growth, which is quite unique in today's world.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

**Mondelez's CEO:** “We see more and more signs that consumers continue to see or increasingly see our categories as an affordable indulgence. We see consumers saying that chocolate is really something they cannot live without.” “DIRK VAN DE PUT, CHAIRMAN & CEO, MONDELEZ INTERNATIONAL, INC.: Of course, developed markets, we see a very mixed picture, challenged in Europe, as we all know, relatively optimistic in the U.S. In the middle of all that, as I already said, our categories, we expect to continue a strong buy. We see more and more signs that consumers continue to see or increasingly see our categories as an affordable indulgence. We see consumers saying that chocolate is really something they cannot live without. And so we believe that the spending decrease that we will see from consumers eventually, as inflation keeps hitting them, is going to be probably more in the big ticket items. Grocery seems to be doing overall pretty well, I would say.” (Q3 2022 Mondelez International Inc Earnings Call, 11/1/2022)

**PEPSICO**

*PepsiCo marveled at how much they were able to hike prices to boost their sales*

PepsiCo's CFO's described their company as benefitting from a “combination of high pricing right now as well as relatively low elasticity.” “HUGH F. JOHNSTON, PepsiCo, Inc. - Vice Chairman, Executive VP & CFO: Yes. Dara, it's Hugh. A couple of things. Number one, you know our long-term guidance on revenue is 4% to 6%. And as Ramon and I have talked about in the past, we've always been pushing ourselves to how do we get to the upper end of the range on that on a more consistent basis. Given the combination of high pricing right now as well as relatively low elasticity, it’s difficult to figure out exactly how that might project going forward. And that’s sort of a long-term comment. I'm not going to get into '23 on today's call, as is our practice. We'll talk about that in February. But our aspiration remains the same, which is we want to go and push hard on top line. We think it's great for the organization. We think it ultimately creates more value than any other strategy. But no change in terms of long-term guidance at this point. It's just been -- the times are just so interesting, it's hard to figure out what that projects forward into.” (Q3 2022 PepsiCo Inc Earnings Call, 10/12/2022)

**PepsiCo's CEO on their 16% increase in sales:** “With a lot of pricing we don't think that's a sustainable performance for the business.” “RAMON LUIS LAGUARITA, PepsiCo, Inc. - Chairman & CEO: So when you compare to the average of food, you should assume we'll do better and hopefully will do better than our categories. Those are the variables that we look at every month as we assess our performance. And as Hugh was saying, our long-term 4% to 6%, I think remains valid. Clearly, a 16% quarter is an outstanding quarter. With a lot of pricing we don't think that's a sustainable performance for the business. But obviously, we're aspiring to beat our long term as many quarters as possible.” (Q3 2022 PepsiCo Inc Earnings Call, 10/12/2022)
PepsiCo’s CFO: “Obviously, we try to price through inflation and we always set that out as a goal...our plan is to be able to do exactly that, gain share, ideally price through inflation.”

“HUGH F. JOHNSTON, PepsiCo, Inc. - Vice Chairman, Executive VP & CFO: Right. And I'll build on that, Bonnie. One of our goals clearly is to both gain share and to grow margins. And frankly, that's something that I think we can do. I don't view it as an either/or, I view it as an and. We ought to be able to do both. Obviously, we try to price through inflation and we always set that out as a goal. We were a little bit short of that in the quarter. Gross margins were down by about 20 basis points as I'm sure you've noted. But then we also focus on the balance of the cost structure, making sure that we're as efficient as we can possibly be and try and to eliminate waste wherever we can find it. We were successful on that in the third quarter as well. So operating margins were up about 30 basis points. So our plan is to be able to do exactly that, gain share, ideally price through inflation. If we're a little bit short of that, we're going to continue to focus on driving the balance of the cost structure so that if the revenue growth does start to soften up a little bit, we'll still be in a position to deliver superior financial results.” (Q3 2022 PepsiCo Inc Earnings Call, 10/12/2022)

PepsiCo’s CFO: “I still think we're capable of taking whatever pricing we need.” “HUGH F. JOHNSTON, PepsiCo, Inc. - Vice Chairman, Executive VP & CFO: Regarding pricing, we increased prices at the beginning of the fourth quarter based on what we knew at that point. And going forward, with the investments that we've made in brands, I still think we're capable of taking whatever pricing we need.” (Q3 2022 PepsiCo Inc Earnings Call, 10/12/2022)

PepsiCo’s CEO said their priority was “trying to create brands that can stand for higher value to consumers and consumers are willing to pay more for our brands.” “RAMON LUIS LAGUARTA, PepsiCo, Inc. - Chairman & CEO: I mean if you look at the majority of our conversation with our customers, center around growth and how do we develop our categories, continue to bring consumers into the category, continue to bring new occasions into the category, and that's the role I think we play to our customers and to the -- how we create value for the company long term. So we'll continue with that focus, trying to create brands that can stand for higher value to consumers and consumers are willing to pay more for our brands. We'll continue with that philosophy. And we'll see where the cost environment goes in the coming years. Obviously, we're -- if anything, that these last 2 years have taught us is that we really want to become more agile and more nimble and more flexible, and that's what we're doing across the company.” (Q3 2022 PepsiCo Inc Earnings Call, 10/12/2022)

PepsiCo used those price hikes to pay for $7.7 billion in dividends and stock buybacks

PepsiCo announced it had funneled $7.7 billion in dividends and stock buybacks to investors so far this year. “And we continue to expect: A core annual effective tax rate of 20 percent; and Total cash returns to shareholders of approximately $7.7 billion comprised of both $6.2 billion in dividends and $1.5 billion in share repurchases.” (PepsiCo Q3 2022 Prepared Management Remarks, 10/12/2022)

PepsiCo credited price hikes for driving sales in all of their North American divisions
PepsiCo’s Frito-Lay North America division saw revenue and profit increases of roughly 20% in the past quarter “primarily driven by effective net pricing.” “FLNA 12 Weeks: Net revenue grew 20%, primarily driven by effective net pricing. Unit volume declined 2%, primarily reflecting a double-digit decline in our Sabra joint venture products and a mid-single-digit decline in variety packs, partially offset by low-single-digit growth in trademark Doritos and Cheetos and double-digit growth in trademark Popcorners. Operating profit increased 17%, primarily reflecting the effective net pricing and productivity savings. These impacts were partially offset by certain operating cost increases, including strategic initiatives, and a 20-percentage-point impact of higher commodity costs, primarily cooking oil, potatoes and corn.” (PepsiCo, Form 10-Q, 10/11/2022)

PepsiCo’s Quaker Foods North America division saw revenue and profit increases of roughly 15% in the past quarter “primarily driven by effective net pricing.” “QFNA 12 Weeks: Net revenue grew 15%, primarily driven by effective net pricing, partially offset by a decrease in organic volume. Unit volume declined 4%, primarily reflecting a mid-single-digit decline in oatmeal, a double-digit decline in pancake syrups and mixes, a high-single-digit decline in bars and a mid-single-digit decline in rice/pasta sides, partially offset by double-digit grth in lite snacks. Operating profit grew 15%, primarily reflecting the effective net pricing and productivity savings. These impacts were partially offset by a 50 percentage-point impact of higher commodity costs, primarily grains and packaging materials, certain operating cost increases, including incremental transportation costs, the organic volume decline and higher advertising and marketing expenses.” (PepsiCo, Form 10-Q, 10/11/2022)

PepsiCo’s PepsiCo Beverages North America division attributed 4% revenue growth in the past quarter as “primarily driven by effective net pricing.” “PBNA 12 Weeks: Net revenue increased 4%, primarily driven by effective net pricing and an increase in organic volume. The Juice Transaction reduced net revenue growth by 9 percentage points. Unit volume increased 1%, driven by a 4% increase in our non-carbonated beverage (N CB) volume, partially offset by a 2% decrease in carbonated soft drink (CSD) volume. The NCB volume increase primarily reflected a double-digit increase in Gatorade sports drinks and a high-single-digit increase in our juice and juice drinks portfolio (adjusted for the impact of the Juice Transaction), partially offset by a double-digit decrease in our energy portfolio and a low-single-digit decrease in our overall water portfolio.” (PepsiCo, Form 10-Q, 10/11/2022)

TYSON FOODS

Tyson Foods told analysts it was seeing higher sales thanks to higher prices for chicken and prepared foods.

Tyson Foods’ CEO told analysts that their improvement in sales was “largely driven by higher average sales price in chicken and prepared foods.” “Donnie King -- President and Chief Executive Officer: Sales improved 8% for the third quarter and 16% year to date compared to the prior period. Our sales gains were largely driven by higher average sales price in chicken and prepared foods. Average sales price increased in these segments in response to persistent
increase in the cost of goods. Prices were lower in beef, in line with expectations, and pork segment versus the same quarter last year.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022) Tyson Foods CFO reiterated that “Sales were up for both the third quarter and year to date, benefiting from our pricing initiatives to offset the increase in the cost of goods.” “Stewart Glendinning -- Executive Vice President and Chief Financial Officer: Thank you, Donnie. Let me turn first to a summary of our total company financial performance. We're pleased to report solid results in the third quarter and year to date. Sales were up for both the third quarter and year to date, benefiting from our pricing initiatives to offset the increase in cost of goods. Volumes were down both for the third quarter and year to date due to supply constraints and a challenging macroeconomic environment impacting consumer demand. Looking at our sales results by channel. Retail drove $173 million of top-line improvement in the third quarter relative to the same quarter last year. In the third quarter, the ongoing recovery in the foodservice channel drove an increase of $165 million.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022) Tyson Foods CFO: “Our pricing actions, which partially offset the higher input costs, led to higher sales during the quarter.” “Stewart Glendinning -- Executive Vice President and Chief Financial Officer: Our pricing actions, which partially offset the higher input costs, led to higher sales during the quarter. We saw continued increases in cost of goods across the business, in some instances, up to 15%. Notable examples were labor, feed ingredients, live animals, and freight costs. SG&A was $20 million unfavorable to the same period last year due to increased investment in advertising and promotional spend and technology-related costs, partially offset by lower commission costs incurred by selling direct to customers rather than via brokers.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022) Tyson Foods’ CFO noted that sales increased in their prepared foods “despite a volume decline driven by higher average sales prices.” “Stewart Glendinning -- Executive Vice President and Chief Financial Officer: Moving now to prepared foods. Sales were approximately $2.4 billion for the quarter, up 5% relative to the same period last year and up 9% year to date at $7.2 billion. Sales increased despite a volume decline driven by higher average sales prices. Note, part of the volume decline in the quarter was driven by the sale of our pet treats business. Our brand strength and category relevance has enabled continued strong performance across multiple categories. Operating margin for the segment was 7.6%, or $186 million for the quarter, up versus last year. Year to date, operating margin is 8.9% and flat, compared to the prior year at $635 million. Cost of goods continues to increase, pressuring our cost of production.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022) Tyson Foods told analysts it had shifted its “pricing mechanisms,” allowing it to raise prices more quickly. Tyson Foods CFO specifically credited “our shift in pricing mechanisms to more variable structure” when describing higher prices for chicken. “Stewart Glendinning -- Executive Vice President and Chief Financial Officer: Moving into the chicken segment's results. Sales were $4.4 billion for the quarter, up 26%. Year to date, sales are up 25% at $12.3 billion. Average sales price increased in the quarter compared to the same period last year. Our shift in pricing mechanisms
to more variable structures has reduced risk by allowing us to be more agile in response to increasing cost of goods. Chicken delivered adjusted operating income of $269 million in the third quarter representing an operating margin of 6.2%. Quarterly operating income increased over the same quarter last year due to higher average sales price and efficiency improvements, partially offset by increased cost of goods.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022)

Tyson Foods told analysts, “we're pricing quarterly now versus what we would have done previously from a 52-week standpoint. So it's given us a lot more flexibility in what we do.”

“David Bray -- Group President, Poultry: Yes. I think one other thing to mention to that, Ben, and it's despite what we're seeing from an inflationary standpoint, and despite what we're seeing from an overall grain volatility standpoint, we're continuing to progress as planned. And a large part of that was changing the way that we worked with our great customers across the country and pricing more closer to what's going on within the market as well as inflation. And we're pricing quarterly now versus what we would have done previously from a 52-week standpoint. So it's given us a lot more flexibility in what we do. But again, there's a lot of other things that we are doing that will put us in a position to win. And again, the volume unlock that we will see coming into this quarter will go a long way to help us build a much more sustainable model.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022)

After being pressed on when it would spend more on stock buybacks, Tyson Foods noted it had increased by over ten times compared to 2021.

A Goldman Sachs analyst pressed Tyson Foods on whether it would increase share repurchases given their “excess cash building on the balance sheet.”

“Adam Samuelson -- Goldman Sachs -- Analyst: OK. All right. And then maybe another question for Stewart. If I look at the balance sheet trends in the quarter, net debt to EBITDA, you bought back a little bit of stock in the fiscal third quarter. But I guess, just looking forward into the next -- over the next 12 to 24 months, I mean, I'm just -- the balance sheet is kind of comfortable with your leverage target. You're already investing quite aggressively on the organic CAPEX side. And so I guess I'm just trying to make sense of kind of the comfort level you have with the balance sheet kind of where it is versus what it would take to a significant releveraging event, but maybe a bigger step-up in share repurchase that there isn't continued excess cash building on the balance sheet from here. So any added color that you could provide just in priority of share repurchase moving forward?” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022)

Tyson Foods’ CFO defended the company, saying “I mean, last year, this time, we spent about $50 million on buybacks. This year, we've got almost $700 million.”

“Stewart Glendinning -- Executive Vice President and Chief Financial Officer: Sure, of course. Well, look, first, I mean, we're very pleased with the strength of our balance sheet. When you look at our leverage levels, we haven't seen leverage levels like these since 2011, that sort of time frame. So we're pleased with having come through COVID and put ourselves in a place where we've got a rock-solid balance sheet. With respect to the capital allocation, our capital allocation approach, we've got a very good balanced approach. And that is strengthening our balance sheet, which we've done investing in our business, which you pointed out. We have ramped up our spend on CAPEX, and
that is good spend because it's coming in at strong returns. And it's helping to grow our business. And then, of course, your question really about why don't we go to the share buyback, I mean, last year, this time, we spent about $50 million on buybacks. This year, we've got almost $700 million. And part of that is catching up on the dilution that we had from last year. So we'll see how that goes, but we're very pleased with where we are from a balance sheet standpoint.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022)

Tyson Foods said “drought conditions” were causing “herd liquidations,” which would likely lead to higher beef prices in coming years.

Tyson Foods’ CFO told analysts that beef prices were lower due to less demand for premium cuts. “Stewart Glendinning -- Executive Vice President and Chief Financial Officer: Moving to the beef segment. Sales were approximately $5 billion for the third quarter, flat versus the same period last year, but up 15% year to date at nearly $15 billion. Sales in the quarter remained strong, supported by higher volume but offset by lower average sales price driven by softer consumer demand for premium cuts of beef. Global consumer demand for beef products remain strong, and we expect volume to continue to improve in the fourth quarter as improved labor participation supports higher plant productivity.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022)

Tyson Foods CFO noted that it had spent nearly $500 million more on live cattle but “higher herd liquidation due to drought conditions” provided “sufficient livestock” “Stewart Glendinning -- Executive Vice President and Chief Financial Officer: On expenses, we incurred greater costs during the third quarter versus the comparable prior-year period as live cattle costs increased approximately $480 million in the quarter. We had sufficient livestock available in the quarter driven by higher herd liquidation due to drought conditions.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022)

Tyson Foods CEO predicted that there could be higher prices for beef in 2023 and 2024 because “with the herd liquidation, there's going to be fewer -- there's going to be fewer cattle in the harvest.” “Donnie King -- President and Chief Executive Officer: Based on what was quoted in the prior call, USDA is reporting a 1%, maybe a flat; I think that's probably realistic. I think our demand is going to be stronger than that as we go into '23. And from a beef perspective, with the herd liquidation, there's going to be fewer -- there's going to be fewer cattle in the harvest. And you're going to have more and more packers chasing those heads, particularly the -- those which have better genetics that grade better that provide additional revenue and margin opportunity. And so that's going to become very tight. And as we move into '23 and even into '24, beef is going to see some -- you're going to see some higher cutouts and higher-priced cattle in the marketplace.” (Tyson Foods Q3 2022 Earnings Call, 8/8/2022)
Heathcare

Johnson & Johnson

Johnson & Johnson hiked prices to boost their margins and help funnel billions to their shareholders

Johnson & Johnson told analysts that their sales increase “were primarily driven by strategic price increases.” “Jessica Moore -- Vice President, Investor Relations: Beginning with consumer health. Worldwide consumer health sales of $3.8 billion decreased 0.4%, with an increase of 2.1% in the U.S. and a decline of 2.3% outside the U.S. Excluding translational currency, worldwide operational sales growth increased 4.7%. And outside the U.S., operational sales growth increased 6.7%. Excluding the impact of acquisitions and divestitures, worldwide growth was 4.8%. Results were primarily driven by strategic price increases; growth in OTC due to a strong cold, cough, and flu season; and OUS growth in Neutrogena and Aveeno due to market growth and new product launches. This growth was partially offset by supply constraints in the U.S. and suspension of sales of personal care products in Russia” (Johnson & Johnson Q3 2022 Earnings Call, 10/18/2022)

Johnson & Johnson said their “consumer health margins improved from 24.2% to 24.3% despite inflationary pressures, driven by price actions and investment prioritization.” “Jessica Moore -- Vice President, Investor Relations: MedTech margins remained flat at 25.5%. Commodity inflation and increased investment in research and development were offset by supply chain efficiencies in sales, marketing, and administrative leveraging. Finally, consumer health margins improved from 24.2% to 24.3% despite inflationary pressures, driven by price actions and investment prioritization. This concludes the sales and earnings portion of the Johnson & Johnson third quarter results.” (Johnson & Johnson Q3 2022 Earnings Call, 10/18/2022)

A Johnson & Johnson EVP told analysts “Our strategy is working. Our pricing actions were realized, supply chain constraints eased, and we are also against easier prior-year comparables.” “Thibaut Mongon -- Executive Vice President, Worldwide Chairman of Consumer Health: Thank you, Joe, and good morning to all of you. We are indeed very proud of the achievements we have completed so far in 2022. As we shared with you throughout the year, we told you that consumer health would deliver improved performance starting in the second half of the year, and that is exactly what you saw with our good performance in the third quarter. Our strategy is working. Our pricing actions were realized, supply chain constraints eased, and we are also against easier prior-year comparables. Our third quarter results reflect those dynamics and really demonstrate our ability to achieve results despite the macroeconomic environment that Joe referenced and that continues to be volatile. And all of this thanks to the strength of our brands and the quality of our teams.” (Johnson & Johnson Q3 2022 Earnings Call, 10/18/2022)

Johnson & Johnson used their price hikes to pay for $13 billion in stock buybacks and dividends for their investors.”Joe Wolk -- Executive Vice President and Chief Financial Officer: Yeah. Larry, regarding M&A, well, first off, let me start with just reiterating the strong free cash flow that we have year to date, over $13 billion. Also very proud of the fact that we've been able to
distribute nearly $11 billion to shareholders through the form of our dividend program, as well as the repurchase program that was announced just mid last month. So we feel really good on that front. But as you likely noticed in today's comments, we still hold $34 billion of cash, which positions us extremely well to continue exercising that lever of capital allocation around acquisitions or significant collaborations going forward. So our priorities have not changed. In fact, maybe we’re even a little bit more bullish and eager to do something. But as folks come to know us, we're not going to do anything haphazardly.” (Johnson & Johnson Q3 2022 Earnings Call, 10/18/2022)

PFIZER

Pfizer executives crowed to Wall Street analysts that their covid treatments would be a long term multi-billion franchise

Pfizer’s CEO: “we believe our COVID-19 franchises will remain multibillion-dollar revenue generators for the foreseeable future which should serve as a buffer for any unforeseen challenges” “Albert Bourla -- Chairman and Chief Executive Officer: And of course, we have many more potential vaccines and medicines in our pipeline with numerous launches expected in the '24 to '30 time line. These include gene therapy candidates for hemophilia A, B, and Duchenne muscular dystrophy; our oral GLP-1 for diabetes and obesity; a potential combo vaccine that would cover flu and COVID-19 in one shot and many, many more. With regard to our COVID-19 products, while their sales may fall from our expected 2022 levels of approximately combined $55 billion, we believe our COVID-19 franchises will remain multibillion-dollar revenue generators for the foreseeable future which should serve as a buffer for any unforeseen challenges with other products in our portfolio. Our confidence to execute this plan stems from the depth of our financial resources and the firepower it gives us to pursue business development opportunities, the power brand equity we have built up over the past 170 years and further enhanced in the past two years” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Pfizer’s CFO told analysts it expected annual covid vaccine revenue to reach $34 billion, and Paxlovid sales to reach $22 billion. “Dave Denton -- Chief Financial Officer: The net impact of these cross-currents result in increases to the midpoint of our revenue and adjusted diluted earnings per share guidance ranges. These revised ranges reflect operational growth rates of 31% for revenues and 70% for adjusted diluted earnings per share at the midpoint compared to 2021. And this was up from our previous operational growth expectations for revenues and adjusted diluted earnings per share of 29% and 65%, respectively. Regarding our COVID-19-related revenues, we now expect the vaccine revenue for the year to be approximately $34 billion, up by $2 billion compared to our prior guidance. For Paxlovid, we expect sales of approximately $22 billion, keeping the guidance range unchanged despite the negative incremental impact of changes in FX. “ (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Pfizer's CFO on covid: “the franchise is going to be a multibillion-dollar franchise in the respect that this is going to be somewhat like a flu, sustained flu, but actually more deadly
than the flu.” “Dave Denton -- Chief Financial Officer: Yes. Thank you, Albert. Maybe let me discuss the stage as it relates to COVID and the COVID franchise. I think if you look out longer term, the franchise is going to be a multibillion-dollar franchise in the respect that this is going to be somewhat like a flu, sustained flu, but actually more deadly than the flu. So, therefore, I think the products, both from a vaccine and the therapy perspective that Pfizer has developed, they're going to be quite relevant for many years to come. Having said that, when we provide guidance for 2023, when it's appropriate to do so, we will give investors a perspective on what our expectations are for the year. We will break out that guidance specifically so you can hold us accountable for delivering on those revenue promises when the time comes. (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Pfizer CEO: “ is it unthinkable -- is it unreasonable to think that we could have a $15 billion franchise?” “Albert Bourla -- Chairman and Chief Executive Officer: Thank you, Mikael. Before I turn to Dave to answer the question about the sales of Nurtec in the third quarter, let me make a comment on Comirnaty and Paxlovid and the franchise. Clearly, we said they will provide us a good picture of what we expect to be the sales for next year. Now you're asking about year 2030, which is even more challenging. But also, the way you are asking the question, is it unthinkable -- is it unreasonable to think that we could have a $15 billion franchise? Well, taken that it is 55 right now, it's not unreasonable to think that in year 2030 could be that. But it's not clear that it will be done. So that will depend on the virus and how it saves. Will depend on if it will become a standard practice to vaccinate together with flu. If we will have a combination product, clearly, that will enhance this direction. So I think it's a little bit too early, but no, it's not unreasonable to think given where we are right now. “ (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Pfizer emphasized that it would benefit as covid treatments moved to commercial payment models

Pfizer's CEO predicted that covid treatments “government model into a commercial model for vaccines and therapeutics” would “bring both therapeutics and vaccines into a multibillion-dollar franchise.” “Albert Bourla -- Chairman and Chief Executive Officer: Now when we move to COVID, we expect '23 will be a transition year with likely in the U.S. moving from government model into a commercial model for vaccines and therapeutics. The timing is not certain. So we are ready to do either side, but will be phased over the years. And it likely will not be the same for Paxlovid or Comirnaty. And clearly also, there will be some stuff that will have to be depleted in '23. And clearly, there will be new price dynamics as we are moving to '23. So probably will be a little bit more of a transitional year in '23 until it will be established into more like flu volumes type of market, but of course, with different price points and different severity of the disease, that will bring both therapeutics and vaccines into a multibillion-dollar franchise, but we are not going to predict now what will be the number for the years out, but we will try to be as accurate as possible for our '23 numbers when we will provide guidance.” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Pfizer’s CEO stressed their covid vaccine was moving to more expensive variable pricing, but “people wouldn't see the difference because there's no copay.” “Albert Bourla -- Chairman and
Chief Executive Officer: Yes. I can answer both of them. Look, I think what was very bold and the right absolutely decision was to price the Paxlovid during the pandemic at a very, very, very low price. Clearly, the price that -- excuse me, the vaccine at a very, very low price. That was the right thing to do, and we did it and we maintained that for the years to come. Now that we are coming to the end of this period, and as we are moving to very different products, which is very different presentations, which are -- now we are moving to single instead of mass viral multi-dose vial, we are pricing the vaccine according to the cost effectiveness, and the cost effectiveness of the current vaccine. The way that CDC is pricing, it is way, way, way below than what the price that we have set. Also keep in mind that people will not see any difference and the system will get the benefit of a cost-effective product. And the people wouldn't see the difference because there's no copay.” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

_Pfizer’s CEO repeatedly noted its vaccines benefitted from being zero-copay, so patients didn’t notice price hikes_

Pfizer's CEO stressed that its vaccination products would have “zero co-pay,” with only insurers bearing the cost. “Albert Bourla -- Chairman and Chief Executive Officer: Drew, thank you. In the interest of time, let me give the first answer. Yes, you are right. As long as the product is recommended by CDC, and we believe with this part of efficacy will be recommended, there is zero co-pay. The relevance of the insurance, if it is commercial or if it is public, their obligation is zero co-pay from the payers, and they have to cover it.” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Pfizer’s CEO contrasted vaccine with antibody treatments: “antibodies are quite expensive, and you do have co-pays.” “Albert Bourla -- Chairman and Chief Executive Officer: Thank you very much. And of course, Andrew made also the point, with vaccines, we do not have co-pays. And antibodies are quite expensive, and you do have co-pays.” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

_Pfizer singled out RSV and migraines as other multi-billion “franchises”_

Pfizer predicted their maternal RSV vaccine could become a “multibillion-dollar peak revenue opportunity if approved.” “Albert Bourla -- Chairman and Chief Executive Officer: We are also excited about the potential for our maternal RSV vaccine candidate. Globally, each year, RSV [Inaudible] more than 6.5 million infants under six months old and kills approximately 45,000. As announced this morning, our maternal RSV study met the success criterion for one of the two primary endpoints. Vaccine efficacy of 81.8% was observed against severe medically attended lower respiratory tract illness due to RSV in infant's birth through the first 90 days of life. And high efficacy of 69.4% was demonstrated through the first six months of life. So there is the potential that, subject to regulatory approval, by late 2023, early 2024, we could have the only RSV maternal vaccine in the market, along with an RSV vaccine for older adults, that has high efficacy, and it is well tolerated with no safety concerns. Combined, the two indications represent a potential multibillion-dollar peak revenue opportunity if approved, especially with our
high-respected primary care sales force executing these launches.” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Pfizer CEO: “for RSV, I would say, clearly, we think that could become like flu. I think all respiratory diseases eventually will have coverage like we have right now in flu.” “Albert Bourla -- Chairman and Chief Executive Officer: All right. And then for RSV, I would say, clearly, we think that could become like flu. I think all respiratory diseases eventually will have coverage like we have right now in flu. The question is how often that will happen. And that will depend on several factors. Education, of course, of the people and their physicians, but also the availability of combination programs and products that could significantly bring all three of them together, RSV, COVID, and flu.” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Pfizer predicted their “migraine franchise” could become a $6 billion business. “Albert Bourla -- Chairman and Chief Executive Officer: Lastly, let's look at migraine. Following our acquisition of Biohaven in early October, we are now aiming to build the world's leading global migraine franchise with the potential to impact 1 billion patients around the world. Migraine is a debilitating disease and has 11.6% prevalence worldwide. In the U.S. alone, there are 40 million patients with migraine, and one out of five women are migraine sufferers right now. The economic burden is significant at $36 billion per year. We believe our portfolio, including Nurtec ODT, Vydura, and zavegepant could meet the range of needs in the market, allowing physicians and patients to decide how to appropriately monitor migraine treatment and prevention. As a result, we see the potential to reach more than $6 billion in peak revenue altogether.” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Pfizer executives explained they were using their “cash generation capabilities” to drive M&A and consolidation

Pfizer’s CFO described how the company was using its profits to consolidate the industry by spending tens of billions buying other drug makers: “As you know, Pfizer's cash generation capabilities has expanded significantly over the past several years...” “Dave Denton -- Chief Financial Officer: Thank you, Albert, and good morning. I'll begin this morning with a few comments regarding how the company continues to deploy capital in a disciplined manner in support of long-term growth and, importantly, enhanced shareholder returns. As you know, Pfizer's cash generation capabilities has expanded significantly over the past several years and the efficient deployment of this capital is more critical than ever. During the first nine months of 2020, the company has deployed and committed capital in three main areas: First, we've invested $7.8 billion in internal R&D as we continue to support our growing pipeline of innovative medicines. These investments are squarely focused on driving revenue growth through 2030. Secondly, in the first three quarters of this year, we have invested approximately $8 billion in completed business transactions. Additionally, early in the fourth quarter, the company completed investments for more than $18 billion in transactions, including both Biohaven and GBT, which brings us to approximately $26 billion in capital deployed for business development transactions thus far in 2022 alone. “ (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)
A Pfizer executive stressed “cost synergy-driven deals is not where our focus is going to be. We’re going to be focused on driving growth through our (business development).” “Aamir Malik -- Chief Business and Innovation Officer: Thanks for the question, Colin. The BD priorities remain consistent with what we’ve articulated before. And principally, we are most excited about scientific substrate that has the potential for patient breakthroughs. That’s going to continue to be our north star. We’re looking for deals that accelerate our top-line growth in the back half of the decade. And importantly, we’re focused on opportunities where we can add substantial value, and that can come in the form of either shaping the science or also accelerate in our commercial momentum. And if you look at the deals that we announced and closed in 2022 including Arena, Biohaven, Array, GBT, they would all be very consistent with those priorities. We’ve said that we are agnostic to size of transaction. But you’ve also heard us be very clear about the fact that cost synergy-driven deals is not where our focus is going to be. We’re going to be focused on driving growth through our BD.” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)

Thanks to covid profits, Pfizer spent nearly $9 billion dividends and stock buybacks

Pfizer used its pandemic fueled profits to funnel nearly $9 billion to investors through dividends and stock buybacks. “Dave Denton -- Chief Financial Officer: And finally, we have returned nearly $9 billion of capital to shareholders through a combination of both dividends and value-enhancing share repurchases. Clearly, maximizing shareholder value through prudent capital allocation will continue to be a major focus for Pfizer. So with that, let me briefly review our financial results for the quarter. I’ll limit my remarks largely to adjusted and operating growth figures.” (Pfizer Q3 2022 Earnings Call Transcript, 11/2/2022)
HOUSING
American Homes 4 Rent suggested rising interests rates and low housing supply were a good sign for his company

American Homes 4 Rent’s CEO said rising interest rates were leading to housing disruption, while “the resiliency of the single-family rental asset class is on full display.”  “David Singelyn - Chief Executive Officer: But first, I will discuss the macro environment. This country is in an uncertain economic period. Elevated inflation has been persistent and has forced the Fed to significantly raise interest rates. Today, the housing market is showing signs of disruption like it did in the 1980s and the global financial crisis. In this environment, the resiliency of the single-family rental asset class is on full display. Our national platform and strong balance sheet position us to capitalize on any opportunities that may arise. Cyclical durability has been at the core of the American Homes 4 Rent thesis from day one. Housing is a bedrock need and single-family rental fundamentals are supported by favorable long-term supply and demand dynamics.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent’s CEO said the housing shortage was “supplemented by the fact that renting today is significantly more affordable than homeownership.” “David Singelyn - Chief Executive Officer: On the supply side, our country has a housing shortage. This is only getting worse as projections for single-family housing permits continue to decline. On the demand side, our business continues to benefit as the value proposition of high-quality housing without the headaches of homeownership becomes more appreciated. Recently, this demand trend has been supplemented by the fact that renting today is significantly more affordable than homeownership. Using recent John Burns data, it is about 15% cheaper to rent versus own across our top 20 markets.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent CFO: “remember that our business is built on the fundamental need of housing, which continues to be in short supply with growing demand across our diversified footprint.”  “Christopher Lau - Chief Financial Officer: And before we open the call to your questions, I would like to leave you with three key takeaways from our comments this morning. First, Dave is right. These are uncertain economic times. But remember that our business is built on the fundamental need of housing, which continues to be in short supply with growing demand across our diversified footprint.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent predicted “significant opportunities” thanks to “challenging times” and “housing disruption”

American Homes 4 Rent’s CEO: “With borrowing rates remaining elevated, challenging times may be ahead for private portfolios, homebuilders and landowners. This will likely result in significant opportunities for American Homes 4 Rent.”  “David Singelyn - Chief Executive
Officer: With borrowing rates remaining elevated, challenging times may be ahead for private portfolios, homebuilders and landowners. This will likely result in significant opportunities for American Homes 4 Rent. Today, there is inventory of tens of thousands of builder homes and a growing backlog of homes on the MLS as days on market continue to elongate. While the majority of these homes are in secondary and tertiary markets or do not meet our quality standards, we are beginning to see price reductions on those homes that do. Today, these homes do not fit our yield requirements. But overtime, I believe we will see opportunities to acquire high-quality, well-located homes. While we are excited about these opportunities, our development program remains the best avenue for consistent growth.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent called it an “encouraging sign” that vacant developed lots were becoming available for acquisition. “David Singelyn - Chief Executive Officer: Today, we see two encouraging signs. First, high-quality and well-located lands becoming available, including vacant developed lots that are ready for vertical building. We continue to see price adjustments and remain patient and disciplined in our land acquisition program. Second, with homebuilders slowing their development programs, we are seeing favorable price movements in construction materials and labor.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent’s CEO: “I remind you that our asset class was born out of an opportunity created by a housing disruption... the big picture here is that long-term opportunities will present themselves.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent predicted that it would be able to acquire home builder inventories as builders are forced to lower prices: “we will be prepared to take advantage of those opportunities when they do come about.” “David Singelyn - Chief Executive Officer: Turning to your direct question about builder inventories and are they available to acquire. There is significant builder inventories in the marketplace. They are in the tens of thousands of homes that we have seen. To-date, the majority of them don’t meet our location or quality requirements. But many of them do. But those today are not priced at a point that we believe are attractive prices for us to be acquiring those homes. Today, the builders are continuing to protect their backlog. And when that backlog is resolved, then they will be lowering prices. That could be later this year; it could be early next year. And we will be prepared to take advantage of those opportunities when they do come about.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent told analysts it was looking at 20,000 to 30,000 homes in backlog that could potentially be turned into rentals. “David Singelyn - Chief Executive Officer: Yes. Sorry, if I misunderstood. But on that point, you are correct. A number of the homes that builders have, they are looking at alternative ways of resolving their backlog and they are turning some of
them into rentals. I remind you that the majority of these homes are in secondary and tertiary markets, not located where our homes are located. So they are not direct competitors to us. I would also remind you that over the last 10-years, we have seen single-family rental inventory increase by four million homes from 13 million to 17 million homes. That is 400,000 homes on average per year. And the backlog we are looking at is 20,000 to 30,000 homes. Those homes that 400,000 per year were absorbed well. Occupancies remain very, very strong. Demand for single-family rentals is higher today than we have ever seen. So while they may have a very short-term impact on absorption they will be absorbed and they will not have an impact to the long-term viability of single-family rentals.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent boasted over raising rental rates while admitting it was seeing more move outs in response

American Homes 4 Rent reported that thanks to high demand “new renewal and blended rental rate growth was 12.5%, 8.3% and 9.5%, respectively.” “Bryan Smith - Chief Operating Officer: Moving on to operations. Demand for single-family rentals remained strong. In the third quarter, we received nearly 250,000 inbound leasing inquiries. Website traffic was up 21% year-over-year and most importantly, our distinct showings per rent ready property remains 60% higher than pre-pandemic averages. Same-home average occupied days was 97.1% and new renewal and blended rental rate growth was 12.5%, 8.3% and 9.5%, respectively, which drove 8.1% same-home core revenue growth for the quarter. Core operating expenses came in at 6.1% resulting in 9.3% same-home core NOI growth. We have another outstanding quarter.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent said it was seeing more move outs due to rising rent. “Bryan Smith - Chief Operating Officer: The reasons are consistent with what they have been in the past, maybe the proportions have changed slightly. Move out to buy is still the number one reason. The rest of them are smaller in nature life changes and so forth. We are increasing renewal rates a little bit. So that reason has gone up, too.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent was critical of rent control and rental aid assistance

American Homes 4 Rent’s CEO criticized rent control measures and said it was having “discussions with the appropriate people” about them. “David Singelyn - Chief Executive Officer: One thing I will tell you is we have seen in other forms where there is either rent control measures or other ways that impact housing, in the long-term, those provisions get reviewed in many cases, adjusted or repealed. The most recent one we can look at is November of 2021, very recent St. Paul, Minnesota, passed a rent control measure limiting rents to 3%, 8% on re-leasing. And today, they are seeing their housing stock and their ability to grow their economy being impacted. That provision is being reviewed today. And so these type of actions do have a negative impact in the long-term. We are working through our channels to have discussions with
the appropriate people. But I would tell you, it is too early to have a firm answer.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent’s CFO: “we have continued to see a reduction in rental assistance payments and that has been paralleled by improving collections more broadly.” “Christopher Lau - Chief Financial Officer: Great question, Steve. Look, on collections, more broadly, I would say collection trends have continued to hold strong with third quarter bad debt, as you saw, landing in the low 1% area, which was pretty consistent with our expectations. And just unpacking that a bit, as expected, we have continued to see a reduction in rental assistance payments and that has been paralleled by improving collections more broadly.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

American Homes 4 Rent’s CFO: “Look, at this point, rental assistance has done its job.” “Christopher Lau - Chief Financial Officer: Look, at this point, rental assistance has done its job. Rental assistance has been very successful in helping to bridge households in need. But it is been winding down for some time now, just to give you some context. In the third quarter of this year, rental assistance was down in the $3 million area. And if you recall, that compares to $7 million to $9 million per quarter towards the second half of 2021. So we have already seen that winding down. We have already seen that, again, paralleled by improving collections more broadly. It is too early for me to comment specifically on the shape of all of that into 2023. But so far, we have felt and seen - we have seen positive information, felt good about the improving collections situation alongside rental assistance tapering off.” (American Homes 4 Rent Q3 2022 Earnings Call, 11/4/2022)

AVALONBAY

AvalonBay executives crowed to analysts about how much their were increasing rent

AvalonBay reported a nearly 10% increase in their lease rental rates. “Sean Breslin - COO: Moving to slide 7. Our strong Q3 revenue growth of 11.8% was primarily driven by higher lease rates, which increased 9.5% year-over-year, the reduced impact of concessions, which contributed 240 basis points and other more modest contributions from other rental revenue and underlying bad debt trends. As noted on the chart, rent relief was 140 basis-point headwind for the quarter as we recognized $5.7 million versus the $12.7 million from Q3 2021.” (AvalonBay Communities, Inc. Q3 2022 Earnings Call, 11/4/2022)

AvalonBay’s COO: “we realized a double-digit rent increase on the unit inventory we leased and occupied during the quarter.” “Sean Breslin - COO: Turning to slide 8. Same-store trends during the quarter remained quite strong relative to historical norms. Starting with chart 1, turnover increased a little more than we anticipated as we pushed through healthy rent increases, but was still well below pre-pandemic levels. As a result of the increased turnover, physical occupancy ticked down to 96%, but remained roughly 20 basis points above our typical experience during the quarter. Additionally, as noted in the 2 charts at the bottom of the slide, while our availability increased relative to the last few quarters, we realized a double-digit rent
increase on the unit inventory we leased and occupied during the quarter, a very favorable outcome that sets us up well for 2023.” (AvalonBay Communities, Inc. Q3 2022 Earnings Call, 11/4/2022)

AvalonBay’s COO saw “plenty of opportunity to benefit from renewal rent increases as leases expire throughout 2023.” “Sean Breslin - COO: In addition to the baked-in revenue growth outlined in chart 1, our loss-to-lease is currently running at roughly 6% and is depicted in chart 2, providing plenty of opportunity to benefit from renewal rent increases as leases expire throughout 2023.” (AvalonBay Communities, Inc. Q3 2022 Earnings Call, 11/4/2022)

AvalonBay admitted it was seeing more move outs due to rent increases, calling it “not surprising”

AvalonBay’s COO: “we have some people that are moving out, as I just mentioned, due to rent increase. Given the numbers we’ve been pushing through, that’s not surprising” “Sean Breslin - COO: Yes. No. Good question, Adam. I think the right way to think about it is the comment that I made earlier in that when you look at new move-ins in the third quarter, for this year compared to last year, the household income associated with those move-ins is up around 11%. And if you look at the move-in value associated with those move-ins, it was up about 10%. So these, basically, people are kind of trading at a consistent level from -- if you think of it from a rent to income perspective. So, we have people moving in with that much higher income and our rents are up about that much. It sort of makes sense overall. Certainly, we have some people that are moving out, as I just mentioned, due to rent increase. Given the numbers we’ve been pushing through, that’s not surprising. But we continue to source demand that is comfortable paying what we are expecting and their incomes appear to support it.” (AvalonBay Communities, Inc. Q3 2022 Earnings Call, 11/4/2022)

AvalonBay talked up the end of eviction moratoriums, saying it was forcing out more tenants in response

AvalonBay saw a “tailwind” from the end of eviction moratoriums, as it was more able to force out tenants behind on rent. “Sean Breslin - COO: Shifting to the bottom of the slide, chart 3, our collection rate from residence continues to improve. At the beginning of the year, bad debt was trending in the high 4% range but has declined by roughly 200 basis points as the years progressed. As eviction moratoria has expired and the courts are continuing to make progress processing new cases, we expect the overall downward trend to continue as we move into 2023, providing a tailwind for revenue growth. Of course, as indicated in chart 4, we'll likely experience immaterial amounts of rent relief in 2023 as compared to the $35 million we’ve recognized in 2022, presenting a headwind for ‘23 revenue growth.” (AvalonBay Communities, Inc. Q3 2022 Earnings Call, 11/4/2022)
AvalonBay told analysts it was increasing evictions and seeing more moveouts in anticipation of court dates. “Sean Breslin - COO: And then, the other piece that really is out there is I talked about the underlying bad debt trend improving, which is a function of a number of variables. One of those is more evictions as we move through the court process or people who are just skipping out because they know they’re getting to their court date. So, a little bit of a pickup there. Those are really the only two that had any kind of pickup in terms of reasons for move out. The others came down in terms of relocation, obviously came down as it relates to home and condo purchase as you might expect, things of that sort, all came down.” (AvalonBay Communities, Inc. Q3 2022 Earnings Call, 11/4/2022)

CENTURY COMMUNITIES

Century Committees said rising mortgage rates were hurting home sales and it would build less in response

Century Communities told analysts their home sales declined as “the rapid increases in mortgage rates and overall economic uncertainty kept many homebuyers on the sidelines.” “Dale Francescon - Chairman and Co-Chief Executive Officer: Our backlog at quarter-end consisted of 3,455 sold homes valued at $1.4 billion. Net new contracts declined to 1,318 homes with weakness across all our regions as we believe the rapid increases in mortgage rates and overall economic uncertainty kept many homebuyers on the sidelines. The summer season for home buying is typically the slowest period of the year and this trend was especially pronounced this year as many potential homebuyers simply took the summer off. Regarding trends in the quarter, net new contracts increased each month throughout the quarter, with this improvement in sales pace continuing into October. In fact, the sales activity we experienced this last weekend was the strongest we have seen in over six months. However, we expect home sales will continue to be pressured by the volatility that we are seeing in interest rates.” (Century Communities, Inc. Q3 2022 Earnings Call, 10/26/2022)

Century Communities told analysts that “our plan is to continue to match our starts with our sales... and not start building up significant backlog until we see a sustainable improvement in demand.” “Dale Francescon - Chairman and Co-Chief Executive Officer: Homebuyers are continuing to look for homes that are closer to completion in order to lock in their interest rates, and our sales continue to be impacted by the fact that we simply did not have a significant number of homes available for a near-term move-in. Going forward, our plan is to continue to match our starts with our sales, focus our sales efforts on homes with more near-term completions and not start building up significant backlog until we see a sustainable improvement in demand.” (Century Communities, Inc. Q3 2022 Earnings Call, 10/26/2022)

Century Communities Co-CEO: “we think existing home sales will be constrained going forward as buyers will be very reluctant to walk away from the extremely attractive interest rates that they secured over the past several years.” “Rob Francescon - Co-Chief Executive
Officer and President: Additionally, we think existing home sales will be constrained going forward as buyers will be very reluctant to walk away from the extremely attractive interest rates that they secured over the past several years. The homebuilding industry continues to be challenged by municipal and utility delays, supply chain issues, and trade shortages though these pressures are slowly getting better.” (Century Communities, Inc. Q3 2022 Earnings Call, 10/26/2022)

Century Communities CFO: “as our sales have come down the last couple of quarters, we have really pulled back on the starts.” “David Messenger - Chief Financial Officer: Yes. So, we have pulled back on our starts. I think probably two quarters ago and I know definitely last quarter on our calls, we had mentioned that we had begun matching our start with our sales. And so as our sales have come down the last couple of quarters, we have really pulled back on the starts. And so, you can see that over the next couple of quarters as we deliver the homes that we have under construction, and the homes that we have in our backlog, you're going to see our inventories come down pretty significantly. So, I think that what we're starting now we are looking far enough ahead that we're trying to prevent the problem of getting into a position where we've got a community with too many specs that's not going to be able to meet demand.” (Century Communities, Inc. Q3 2022 Earnings Call, 10/26/2022)

Century Communities still reported a year over year increase in sales and home prices

Century Communities reported a 22% year over year increase in home sales thanks to an 8% increase in average sales price to $425,000.”David Messenger - Chief Financial Officer: Thank you, Rob. During the third quarter of 2022, net income increased 27% year-over-year to $144.5 million from $114 million, while earnings per diluted share of $4.44 increased 34% from $3.31 in the year ago period. Pretax income was $172.1 million, a year-over-year increase of 18%. Home sales revenues for the third quarter grew to $1.1 billion, a 22% increase, compared to year ago levels. This improvement in revenues was driven by an 8% year-over-year increase in our average sales price to 425,000 and home deliveries of 2,630, a 13% year-over-year increase.” (Century Communities, Inc. Q3 2022 Earnings Call, 10/26/2022)

EQUITY RESIDENTIAL

Equity Residential's CEO said the company was benefitting from low supply, high prices, and rising rates

Equity Residential's CEO described low supply, high prices, and rising mortgage rates as “positive factors for our business.” “Mark Parrell - President and Chief Executive Officer: In addition, other housing alternatives remain expensive and in low supply. Though they have been declining of late, current single-family home prices continue to be at record levels, while rising mortgage rates have further stressed affordability, particularly for first-time homebuyers. Single-family housing starts are declining, existing homeowners are more reluctant to sell due to
low locked in mortgage rates along with minimal and expensive for sale replacement options and competition for homes from investors remain strong. Going against these positive factors for our business is a significant impact of inflation on the economy, where job growth goes in response to the Federal Reserve's actions as well as volatility in the capital markets, the continuing impact of the war in Ukraine and a myriad of other uncertainties. We are currently in an excellent spot but acknowledge that the risks and uncertainties are more elevated than usual.” (Equity Residential Q3 2022 Earnings Call, 10/26/2022)

**Equity Residential's CEO said current market conditions “may turn into a nice opportunity to acquire assets” at discounted prices.** “Mark Parrell - President and Chief Executive Officer: For us, this may turn into a nice opportunity to acquire assets in these expansion markets, not necessarily at fire sale prices, but at better values than prevailed in the first half of 2022 when we felt the market was overheated and chose to stay on the sidelines. We continue to see our strategy of having more balanced portfolio between our established and expansion markets as appropriate as we follow our Affluent Renter to these new markets and mitigate regulatory and resiliency risks, from overconcentration in any market or in any state.” (Equity Residential Q3 2022 Earnings Call, 10/26/2022)

**Equity Residential’s COO boasted that “we clearly benefited from a supercharged spring leasing season with more robust pricing power.”** “Michael Manelis - Chief Operating Officer: Thanks, Mark, and thanks to everybody for joining to us today. I'm going to give some brief comments regarding current market conditions, and then we can turn it over to the operator for question and answers. We just completed one of the best leasing seasons in our history. Strong demand across our markets produced high occupancy as well as continued pricing power. As we think about the trajectory of our pricing for the full year, we clearly benefited from a supercharged spring leasing season with more robust pricing power that started earlier in the spring in many markets than we have traditionally seen. This strength led us to adjust our same-store revenues upward in July and to set our current expectations slightly above the midpoint or at 10.6% for the full year 2022 which is the best same-store revenue growth in our history.” (Equity Residential Q3 2022 Earnings Call, 10/26/2022)

*Equity Residential was pushing nearly 10% increases in rents, saying any tenant leaving because of this was “by design”*

**Equity Residential's COO said the company had “a pretty strong degree of confidence that we're going to continue to achieve” 8-9% rental increases for their lease renewals.** “Michael Manelis - Chief Operating Officer: Yes. Nick, this is Michael. So I think when you're looking at the renewal performance, again, our quotes for the balance of the year have already been issued. So we have all of those quotes out there. And right now, we're seeing improving retention. We're negotiating a little bit more, but that's clearly typical for the fourth quarter and have a pretty strong degree of confidence that we're going to continue to achieve about 8% to 9% in growth from the renewals. So we remain very optimistic about the renewal performance and clearly are seeing the trends of improving stickiness but that is a common trend to see in the fourth quarter that, that retention continues to grow.” (Equity Residential Q3 2022 Earnings Call, 10/26/2022)
Equity Residential's COO said more tenants were moving out because of rising rents: “Part of that was by design...we were going to be fairly aggressive in July and August kind of pushing these renewals and holding the line and getting people up to market.” “Michael Manelis - Chief Operating Officer: And then in terms of kind of the reasons for move out, I mean you alluded to the home buying, you’re absolutely correct. That number is materially down. During the third quarter, we’re at like 8% of our move-out sited, home buying is the reason for move out. That's compared to like a 12% norm. But we did see a tick up in that rent is too expensive as a reason we're up at like 25%. Part of that was by design. We said this at the end of the second quarter that we were going to be fairly aggressive in July and August kind of pushing these renewals and holding the line and getting people up to market.” (Equity Residential Q3 2022 Earnings Call, 10/26/2022)

Equity Residential's COO noted that in California their tenants were accepting 10% rent increases because “those folks typically stuck around because they didn't have a lot of options.” “Michael Manelis - Chief Operating Officer: Not a huge difference. I'll tell you in California where you had 1482 and you had some of the CPI plus 5 caps, maybe a little bit less, we're citing that because they were going out at 9% or 10% increases against the market that was up 19% or 20%. So those folks typically stuck around because they didn't have a lot of options.” (Equity Residential Q3 2022 Earnings Call, 10/26/2022)

*Equity Residential said the end of rental assistance would improve “resident behavior”*

Equity Residential's COO: “The lack of governmental rental assistance in '23 compared to the $31 million we will receive in 2022 will require continued improvement in resident behavior -- payment behaviors.” (Equity Residential Q3 2022 Earnings Call, 10/26/2022)“Michael Manelis - Chief Operating Officer: On the occupancy side, general demand trends, including improving retention, supports strong occupancy above 96% for the balance of 2022 and should carry through into 2023, unless there is a substantial loss of jobs in our target renter demographic. Outside of occupancy and the core revenue drivers that I just discussed, bad debt net will likely continue to play a role in revenue growth as we expect the trend of reduced levels of resident delinquency to continue into 2023. The lack of governmental rental assistance in '23 compared to the $31 million we will receive in 2022 will require continued improvement in resident behavior -- payment behaviors in order to return us closer to historical norms and contribute positively to revenue growth.” (Equity Residential Q3 2022 Earnings Call, 10/26/2022)

*Equity Residential said accelerated evictions would benefit the company’s plan to bring in new tenants it could charge more*

Equity Residential's COO said if eviction court proceedings could be accelerated it “would actually be a huge positive to us given the strength in the demand and the confidence we have in being able to fill those units with paying residents.” “Michael Manelis - Chief Operating Officer: We are still in the very early stages of this eviction court process. And we are starting to see some traction where the courts are actually moving through and following through kind of
with lockouts. Overall, this level of eviction activity in the portfolio is just -- it's not that material, and we typically average less than like 1% of our move-outs from -- for this reason. So I would tell you, even if everything was accelerated through the court system today, the volume would be more than manageable and would actually be a huge positive to us given the strength in the demand and the confidence we have in being able to fill those units with paying residents.”
(Equity Residential Q3 2022 Earnings Call, 10/26/2022)

**Equity Residential's COO:** "these new residents moving in are clearly going to be able to absorb kind of future increases that we push through into the portfolio." **Michael Manelis - Chief Operating Officer:** I look at like overall, I will tell you, when you just look and Mark alluded to this in his prepared remarks, is the health of the new residents moving into this portfolio from an income standpoint, our income -- rent as a percent of income is right in line at 19%, which, to me, kind of points to this fact that these new residents moving in are clearly going to be able to absorb kind of future increases that we push through into the portfolio.”
(Equity Residential Q3 2022 Earnings Call, 10/26/2022)

**Equity Residential's CEO was critical of rent control and over building**

**Equity Residential's CEO was critical of rent control as a “political risk” and warned about “supply risk” from more building.** "Mark Parrell - President and Chief Executive Officer: Yes. Great question, Rich. It's Mark. So it would require us to think about another risk differently, too, and that's political risk because one of the things that our coastal markets have, I think, more of though maybe not quite as much of as we may have thought, is risk of rent control, risk of activity by politicians that's job destroying and growth destroying. So from our perspective, we'd have to be balancing that differently as well. There is no risk-free apartment market. So if you're in Texas market, you probably have less political risk, but you may have more resiliency risk and you certainly have a lot more supply risk than a lot of our markets.”
(Equity Residential Q3 2022 Earnings Call, 10/26/2022)

**INVITATION HOMES**

**Invitation Homes boasted to analysts that rising rates was making their single family rental model even stronger**

**Invitation Homes CEO:** “one could obviously argue if the cost of owning a home is 60% higher today than it was in January of earlier this year that's a net windfall to single-family rental one would assume.” **Dallas Tanner - President & Chief Executive Officer:** That being said I think we're also early in where the impact of mortgage rates are and what that could mean for our business both in how we capture existing demand in the marketplace, because one could obviously argue if the cost of owning a home is 60% higher today than it was in January of earlier this year that's a net windfall to single-family rental one would assume.”
(Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)
Invitation Homes CEO told analysts their single family rental model was more valuable as “elevated interest and mortgage rates haven't helped as seen by the pullback from builders in the last month's further decline in starts for single-family home” “Dallas Tanner - President & Chief Executive Officer: To start we believe professionally managed single-family homes for lease are an important part of the housing solution in the United States. We still face a housing supply shortage in this country by as many as several million units from some accounts. Today's elevated interest and mortgage rates haven't helped as seen by the pullback from builders in the last month's further decline in starts for single-family home. It’s also harder for those thinking of buying a home in the near term. Recent reports have noted that monthly payments on new mortgages have increased by as much as 60% since the start of this year due to higher mortgage rates.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

Invitation Homes CEO noted that rising mortgage rates “contributes to a cost of homeownership that is over 20% higher on average than leasing across Invitation Homes markets.” “Dallas Tanner - President & Chief Executive Officer: According to last month’s data from John Burns, this contributes to a cost of homeownership that is over 20% higher on average than leasing across Invitation Homes markets. That works out to an average difference of roughly $600 a month in savings from leasing a home. So, leasing remains a preferred choice for many families combining convenience and flexibility as well as value. These advantages further fan the favorable tailwinds of demographics especially among millennials who are just beginning to approach our average resident age of 39 years old.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

*Invitation Homes said it was rising rental rates by 10% and admitted increasing move outs with renters who were behind*

Invitation Homes boasted to analysts the company was seeing 10% increases in their the lease rental rates. “Charles Young - Chief Operating Officer Next, I'll cover third quarter leasing trends. New lease rates grew 15.6% and renewal rates grew 10.2%. This resulted in blended rent growth of 11.6% or 100 basis points higher than the third quarter of 2021. Given that we're nearing the end of the year, I'll also touch on how things are shaping up for October. We expect new lease rate growth for this month to come in at 9% or better, and renewal increases to come in at 10% or better. We sent out renewals for November and December in the mid-10% range. All told, these are strong increases that we believe underscore the current health of the single-family fundamentals.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

Invitation Homes COO told analysts “We’re seeing good demand and healthy rent growth...Blended rent growth with the strength of renewals are really strong.” “Charles Young - Chief Operating Officer: Yes. No great question. Look we -- 97.5% ended Q3 really strong. We know that it's Q4 as Dallas mentioned that we're seeing the seasonality return to the market that wasn't there the last couple of years. And so, this is typical as we go into Q4 and it's a push for the holidays. So the -- we're running limited concessions on select homes as really a push before Thanksgiving just to secure and make sure that we keep occupancy at a healthy rate which it is or 97%-plus for this time of the year is amazing. We're seeing good demand and healthy rent
growth with the numbers that I gave you. Blended rent growth with the strength of renewals are really strong. So this is really just making sure we go into the slow period highly occupied as high as we can and then set us up well for 2023.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

*Invitation Homes said it was pushing harder on evicting residents who were behind on rent*

*Invitation Homes COO noted a 15% increase in “turnover expenses” due to a “rise in the number of move-outs of residents, who are not current with their rent.”*  
“Charles Young - Chief Operating Officer: Returning to our same-store results for the quarter. Core operating expenses increased 7.6% year-over-year, primarily driven by a 3.8% increase in fixed expenses, a 15.4% increase in repair and maintenance expense and a 15.2% increase in turnover expenses. These increases were attributable to the continued inflationary pressure -- pressures and a rise in the number of move-outs of residents, who are not current with their rent. Our teams are working hard to leverage our procurement relationships, our scale and our technology to combat these pressures where we can.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

*Invitation Homes CFO: “the bigger issue with the turnover is, as we are having some success as Charles talked about in dealing with residents who aren’t paying rent, those churns tend to be more expensive when someone comes out.”*  
“Ernie Freedman - Chief Financial Officer: Yes. No, Dennis, we continue to have inflationary pressures on both the -- with regards to repairs and maintenance and on terms. With churn, I would call out, we also do expect turnover to be maybe slightly higher than at last year. But the bigger issue with the turnover is, as we are having some success as Charles talked about in dealing with residents who aren’t paying rent, those churns tend to be more expensive when someone comes out.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

*Invitation Homes COO said that “in 2022, we purposely were focused in on getting back to our typical enforcement of the lease where we legally could.”*  
“Charles Young - Chief Operating Officer: Hi Haendel, it's Charles. Thanks for the question. Let me just step back and kind of set context around the environment. As we talked about on prior calls since early in the pandemic we were very conscious of working with residents that face the closer hardship and helped thousands of residents with flexible payment plans and the like. But in 2022, we purposely were focused in on getting back to our typical enforcement of the lease where we legally could. But what we're seeing in the process -- and it has been working is -- what we're seeing in the process though however is the states are taking -- and it varies by state they’re taking two or three times longer to process non-payers through the system.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

*Invitation Home executives repeatedly praised the end of rental aid as improving tenant “behavior”*
Invitation Homes CFO said that thanks to the decline in rental aid assistance “we have gotten better at being able to collect rent on normal non-rental assistance and that our residents are also seeing that,” calling it a “perverse incentive.” “Charles Young - Chief Operating Officer: That being said, at the same time, rental assistance has been a big part of what we’ve done to help our -- support our residents. And today we’ve supported over 12,000 residents secure rental assistance. And in 2022 alone, we’ve secured over $57 million to help them. And we knew that that rental assistance would slow down towards the back half of the year, but that acceleration in Q3 was a little faster than we thought it would be. The good news is, as that acceleration has come we have gotten better at being able to collect rent on normal non-rental assistance and that our residents are also seeing that. And we’re starting to see them step up in terms of recognizing that kind of perverse incentive that they were waiting on the rental systems to show up that they need to pay now.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

Invitation Homes CFO: “People are getting -- they understand that rent assistance, isn't going to be available for them anymore...we've seen better behavior in terms of people then making up for the fact.” “Ernie Freedman - Chief Financial Officer: So from the second quarter to the third quarter, we saw rent assistance payments drop for us by $9 million from $23 million to $14 million. Bad debt went up $5 million from the second quarter to third quarter. So, one might have thought that if we're going to lose $9 million of rent assistance, bad debt would have been up $9 million. It's only up $5 million, and that's because of what Charles talked about. People are getting -- they understand that rent assistance, isn't going to be available for them anymore. And people are starting to get back on I'd say, what we saw pre-pandemic in terms of keeping more current with their rents. So we would expect going forward maybe a similar type thing, where you see rent assistance continue to drop off and fade away and likely be gone as we -- it may be a little bit trickles into the first quarter of 2023, but we're not counting on very much there at all. But for the last couple of quarters, we've seen better behavior in terms of people then making up for the fact, that we've had a little bit of a dropoff there.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

Invitation Homes COO: “we've seen improvement in terms of how residents are paying. A lot of it is just the psychology effect of them getting back to understanding we are at our normal way in which we enforce the lease.” “Charles Young - Chief Operating Officer: Yes. As I said on earlier question, the flexibility that we were showing while we're waiting and supporting the residents, with rental assistance and how we've been tightening this year, we're just going to continue to do that as residents recognize that the rental assistance going away. The partial payments and all that stuff, we're going really back to where we were before. And as Ernie just mentioned, we've seen improvement in terms of how residents are paying. A lot of it is just the psychology effect of them getting back to understanding we are at our normal way in which we enforce the lease. And we'll continue to do that to execute while the rental assistance, wanes and we're starting to see good improvement and we'll continue to push. And it will be like I said, a little bit of a transition period as we work through back to normal eventually.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)
Invitation Homes predicted opportunities to buy as the housing market declined, comparing it to the 2008 crash

Invitation Homes CEO discussed the possibility of buying more homes for rent as the market declined: “we would view this as a very opportunistic moment for us say over the next year or two where we should be able to lean in.” “Dallas Tanner - President & Chief Executive Officer: So, I imagine a lot of the near-term inventory can get taken care of through kind of the use of buying down rate. Also, obviously, selling scattered sites to operators, like ourselves, we have done some of that. I think over the last couple of years, we've picked up a couple of hundred homes that way. So, we're going to continue to invest in it. It's part of our thesis. We have over 2000 homes in our pipeline that we're doing with Pulte and other partners. And we would view this as a very opportunistic moment for us say over the next year or two where we should be able to lean in and be a good partner with not only our current partners but maybe future partners down the road. (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

Invitation Homes CEO said “we're viewing the next, call it, a couple of years as a great opportunity for growth," comparing it to the aftermath of the 2008 housing crisis. “Dallas Tanner - President & Chief Executive Officer: So, from our advantage point, we've seen this once before. While my current belief is that we're not going to see housing move backwards like we did in 2007 and 2008. I think it could be a great opportunity for Invitation Homes over time to make additional meaningful investments that will add to our already, what I would call industry-leading scale and performance. So, we're viewing the next, call it, a couple of years as a great opportunity for growth.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

Invitation Homes’ CEO said he didn’t see any suggestion housing prices would decline significantly

Invitation Homes CEO: “You have to take a step back in these moments and also remember, on a fundamental basis, we don't have enough housing units in this country.” “Dallas Tanner - President & Chief Executive Officer: So, we would expect our business to hold up pretty well given any of the downcycle some of the embedded loss at least that Ernie talked about and the overall limitations around supply. You have to take a step back in these moments and also remember, on a fundamental basis, we don't have enough housing units in this country. Specifically, if you look at our portfolio and where we're lined up, you still are going to have household formation and demographic growth that's almost 2.5 times the US average.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

Invitation Homes CEO told analysts “we're not seeing anything that's suggesting wholesale changes in the housing market right now outside of maybe new listings coming into the space and decelerating, which should support home prices in the near-term.” “Dallas Tanner - President & Chief Executive Officer: No. Our top of funnel has felt pretty consistent in terms of call it the type of customer coming into our business today. And it lines up with things that we generally would see in normal years around this time of the year. Now that being said and I think
It's important to emphasize, we're not seeing anything that's suggesting wholesale changes in the housing market right now outside of maybe new listings coming into the space and decelerating, which should support home prices in the near-term.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

Invitation Homes CEO that there was little sign of increasing housing supply, “so we view the overall landscape as quite favorable.” “Dallas Tanner - President & Chief Executive Officer: We're not seeing anything on the supply side that's suggesting that we're going to have a tremendous amount of inbound to put pressure on our existing supply. So we view the overall landscape as quite favorable, but we're also being realistic that it's still pretty early in terms of where mortgage rates are providing impact. But we'll obviously keep everybody updated on our thoughts as we go forward.” (Invitation Homes Inc. Q3 2022 Earnings Call, 10/27/2022)

LENNAR GROUP

The Lennar Group told analysts the Fed’s moves were weakening the housing market, but limited supply still drove demand

Lennar Group’s Executive Chairman: “the Fed's use of its interest rate tool to curtail inflation is certainly having the desired effect on the for-sale housing market.” “Stuart Miller -- Executive Chairman: The housing market has continued to weaken as expected in response to the Fed's too late but now very rapid and aggressive reaction to inflation. Homebuilding finds itself once again at the forefront of all that is happening in the economy, and the Fed's use of its interest rate tool to curtail inflation is certainly having the desired effect on the for-sale housing market. The market is now adjusting. The interest rate movements were very sudden and adjusted very quickly, and that suddenness has always led to a pullback in housing demand.” (Lennar Q3 2022 Earnings Call, 9/23/2022)

Lennar Group’s Co-CEO said that because of mortgage rate increases “our new sales orders declined by 12% from the prior year on a 1% lower year-over-year community count.” “Rick Beckwitt -- Co-Chief Executive Officer and Co-President: Thanks, Stuart. As you can tell from Stuart's opening comments, the overall housing market has been reacting to significant increases in mortgage rates, continued inflation and a volatile stock market, all of which has impacted affordability and homebuyer confidence. While we continue to have some strong markets, in our more challenging areas, we've had to adjust prices and increase incentives to regain sales momentum. Our sales strategy has been to find the market clearing price for each of our homes on a community-by-community basis as quickly as possible and price our homes accordingly. This has required a detailed understanding of traffic trends, inventory levels, community and product-specific pricing, financing programs and buyer sentiment. During the third quarter, our new sales orders declined by 12% from the prior year on a 1% lower year-over-year community count.” (Lennar Q3 2022 Earnings Call, 9/23/2022)
Lennar Group's Chairman said demand for housing remained strong because “there's still very limited inventory.” “Stuart Miller -- Executive Chairman: There's still very limited inventory, and there's very little exposure to traditional inventory overhangs like foreclosures and speculators. Additionally, buyers are still seeking shelter from inflationary pressures on rentals as scarce rentals and increased demand from those who would otherwise purchase drive and keep rents higher. As we bring prices down and incentives up, demand is still there. And these fundamentals give us assurance that while there is short- and medium-term reconciliation, the long-term prospects for housing continue to be strong.” (Lennar Q3 2022 Earnings Call, 9/23/2022)

The Lennar Group said in response to the Fed it would slow new builds

Lennar Group told analysts the company was planning to “maintain our starts pace without building up excess inventory.” “Jon Jaffe -- Co-Chief Executive Officer and Co-President: As Stuart noted, our operators use our dynamic pricing model to help them understand the timing of inventory as it moves through the construction process. This tool gives us visibility into sales pace and associated pricing by community and even by plan, allowing us to maintain our starts pace without building up excess inventory. Our inventory position at the end of the quarter was just over 500 completed unsold homes or 0.4 homes per community. Next, I want to discuss our land focus in the third quarter.” (Lennar Q3 2022 Earnings Call, 9/23/2022)

The Lennar Group predicted institutional investors would buy more homes for single family rentals as the market weakened

Lennar Group predicted that institutional investors would move into the housing market to buy single family rentals as housing prices declined. “Stuart Miller -- Executive Chairman: Great. I'm going to ask Rick to jump in after. I'm going to give a first comment and say that I do believe that single-family for rent is going to continue to grow and be a meaningful part of the housing market. I've learned over the years that SFR has always been a part of the market more dominated by the mom-and-pop participants. Now it's been professionalized, and more institutional buyers are a significant part of the market. But that part of the market has pulled back as interest rates have gone up, as prices have come down and it has moderated. So it is still a very small part of our production and our sales program overall. And I have no question that as prices moderate, the SFR business will push in and become more of a significant part of the recovery.” (Lennar Q3 2022 Earnings Call, 9/23/2022)

Lennar Group's Co-CEO predicted ongoing investments in single family rentals, noting that while “some of the investment in that space has slowed down, but rents are continuing to maintain.” “Rick Beckwitt -- Co-Chief Executive Officer and Co-President: Yes. Stuart, as you mentioned, as rates have risen, several of the SFR players use leverage that's floating in order to underwrite and finance their deals. Accordingly, some of the investment in that space has slowed down, but rents are continuing to maintain. And as a result, they'll get -- they'll ultimately get their embedded yields that they're looking for. For us as a company, we had about 1,000 homes that we sold to the single-family rental space in the last quarter. It's probably underestimated because
there were some additional sales in our communities that other folks are investing in and renting that aren't captured in that number. But it was about 1,000, and our SFR program itself was a little bit more than 700 during the quarter.” (Lennar Q3 2022 Earnings Call, 9/23/2022)

**MID AMERICA APARTMENTS**

Mid America Apartments boasted of soaring rents, citing the unaffordability of single family homes

**Mid America Apartments reported double digits rent increases on its properties and predicted further large increases in 2023.** “Tim Argo - Executive VP, Chief Strategy and Analysis Officer: Thank you, Eric and good morning everyone. Same-store performance for the quarter was once again strong and ahead of our expectations. We saw broad-based strength and pricing performance across the portfolio. During the third quarter, with blended lease-over-lease pricing achieved up 13.9%. As a result, effective rent growth or the growth on all in-place leases for the third quarter was 16.7% versus the prior year and 5.6% sequentially from the prior quarter. Based on our forecast for in-place rents at the end of 2022, we expect our earned in or baked in rent growth for 2023 to be in the 6% range before considering any new rent growth that may occur in 2023. Alongside the robust pricing performance, average daily occupancy for the quarter remained strong at 95.8%.” (Mid-America Apartments Communities Q3 2022 Earnings Call Transcript, 10/27/2022)

Mid America Apartments’ CEO cited “the stress of single-family affordability” as a reason he predicted “positive rent growth.” “Eric Bolton - Chairman and CEO: Well, thanks, Neil. What I would tell you is that as we start to think about the next year 2023, I'm pretty encouraged still about our ability to continue to drive top line performance that's going to be well above our long-term averages. As Tim alluded to, based on where we sit today, we think the earn-in to next year based on the rent trajectories that we've captured over the last number of months is baked in next year is going to be 6% and then you start to think about what sort of market rent growth we're going to get on top of that next year. And as we sit here today and think about the drivers of demand surrounding the employment markets, the stress of single-family affordability and these net continued positive migration trends that we see across our markets, we continue to see an expectation lease I have a positive rent growth next year on top of the earn-in that we're getting.” (Mid-America Apartments Communities Q3 2022 Earnings Call Transcript, 10/27/2022)

**Mid America Apartments saw a 2008 like opportunities for large scale acquisitions**

Mid America Apartments told analysts it was preparing for large scale acquisitions as it had done after the 2008 crash. “Brad Hill - Executive VP, Chief Investment Officer: Just for perspective, in the acquisition side of things, after the last recession for a three-year period, 2010 to 2012, we executed on almost 10,000 units, single transactions, 9,500 units. And if we were able that similar type environment plays out over the next year, two years, three years. that's
10,000 units and at today's pricing even at a discount, that's $3 billion to $4 billion. And so that's what we're really preparing for is for an environment where we're able to execute on opportunities. It may or may not be that size of opportunities." (Mid-America Apartments Communities Q3 2022 Earnings Call Transcript, 10/27/2022)

Mid America Apartments pointed the large amount of construction started in 2020 and 2021 that developers were seeking to unload as opportunities. “Brad Hill - Executive VP, Chief Investment Officer: But to your point, the amount of construction that started in 2020, 2021 in our region of the country was significant. And as you mentioned, the cost to refinance that, the cost to extend loans, banks are not going to be willing to do that. They want to clear these loans off their books at this point. So I think you will see, as you get into next year, a number of these merchant developers will need to transact. And I also think the basis of these developments that went under construction in 2020, 2021 still have profit in them. So, I do think a market will be made on these assets, and there will be an opportunity for us to step in and execute in that area.” (Mid-America Apartments Communities Q3 2022 Earnings Call Transcript, 10/27/2022)

Mid America Apartments was dismissive of rent control measures

A Wall Street Analyst asked if Mid America Apartments would be able to “educate voters on the downfalls of rent control” “John Kim, : Okay. So, it's in placement versus what you signed versus the market, which may or may not be the same number. My second question is the concept of rent control has almost been an overnight potential risk in Orlando, one of your top five markets. And I'm wondering if you're concerned that this may actually be tasked given it was just put on the ballot as a few weeks ago, and you may not have enough time to educate voters on the downfalls of rent control.” (Mid-America Apartments Communities Earnings Call Transcript, 10/27/2022)

Mid America Apartments General Counsel predicted rent control ordinances wouldn't stand and that it violated the law. “Rob DelPriore - Executive VP, CAO and General Counsel: Hey John, this is Rob. Yes, I think if it gets on the ballot, I think it's okay. The one court that's actually looked at the ordinance itself effectively said that they consider that it violates for a law. So even if it passes, ultimately, I don't think that it will be upheld as an effective ordinance. And then if you look at it for us, we've got nine properties in Orange County, seven in same-store, and it's about 4.4% of our third quarter same-store NOI.” (Mid-America Apartments Communities Earnings Call Transcript, 10/27/2022)

Mid America Apartment’s General Counsel: “we think it probably doesn't pass, and we think it's not material to us overall anyway.” “Rob DelPriore - Executive VP, CAO and General Counsel: And we went back and looked at it as it were in place in 2022, and it would really only have an 18 basis point impact on same-store revenue and about a 17 basis point impact on total revenue. So overall, not that material to us as we think about it. So, we think it probably doesn't pass, and we think it's not material to us overall anyway. And also that was in some of the highest growth rate rent increases that we've had over this period in Orange County compared to until recently, a relatively low CPI.” (Mid-America Apartments Communities Earnings Call Transcript, 10/27/2022)
The PulteGroup told analysts the Fed’s moves were discouraging buyers and home sales

PulteGroup’s CEO told analysts interest rate hikes were discouraging potential home buyers, “some because they can no longer afford a home and others because they were unsure if now it’s truly the best time to buy a home.” “Ryan Marshall - President & Chief Executive Officer: As we move throughout the quarter, you could almost see demand ebb and flow with the movement of interest rates. Softness in July’s home buying demand eased as mortgage rates fell in August. The positive trend in demand was short-lived, however, as interest rates surged higher in September in response to Federal Reserve actions and hawkish commentary from Chairman Powell. The pullback in demand was widespread across geographies and consumer groups as potential home buyers move to the sidelines, some because they can no longer afford a home and others because they were unsure if now it’s truly the best time to buy a home.” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

PulteGroup’s CEO: “As the Fed clearly desires, new home sales rates and selling prices are in the process of adjusting lower in response to higher interest rates.” “Ryan Marshall - President & Chief Executive Officer: Housing this front and center in the Federal Reserve’s battle against inflation. As the Fed clearly desires, new home sales rates and selling prices are in the process of adjusting lower in response to higher interest rates. With home sales slowing, we are adjusting how we approach ongoing land investment.” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

PulteGroup’s CEO: “We're absolutely seeing buyers that can no longer afford, we’re also seeing buyers that still can't afford, but they've gotten cold feet for whatever reasons.” “Ryan Marshall - President & Chief Executive Officer: Yeah, Ivy, thanks for the questions. I appreciate it. In terms of the cancellations that we’re seeing, it’s both. We’re absolutely seeing buyers that can no longer afford, we’re also seeing buyers that still can’t afford, but they’ve gotten cold feet for whatever reasons. And in many cases, they’re walking away from pretty sizable earnest money deposits that economically don’t make a ton of sense, but that’s where you really get into the psychology. They’re just not confident in making a purchase.” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

The PulteGroup reported rising deal cancelations and less investments in future home building

PulteGroup’s CEO: “as it relates to forward starts of new inventory, we've significantly slowed that, and we're matching that to what our sales rate is.” “Ryan Marshall - President & Chief Executive Officer: Yeah, Ivy, thanks for the questions. I appreciate it. In terms of the cancellations that we’re seeing, it’s both. We’re absolutely seeing buyers that can no longer afford, we’re also seeing buyers that still can’t afford, but they’ve gotten cold feet for whatever reasons. And in many cases, they’re walking away from pretty sizable earnest money deposits that economically don’t make a ton of sense, but that’s where you really get into the psychology. They’re just not confident in making a purchase.” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

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Executive Officer: The last thing and I highlighted in my prepared remarks, as it relates to forward starts of new inventory, we've significantly slowed that, and we're matching that to what our sales rate is. So we think we've done exactly what we said we were going to do and we've made additional adjustments based on how we see market conditions at the moment.” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

PulteGroup’s CEO said rising mortgage rates were the main reason their cancelations had increased 24% in the past quarter. “Ryan Marshall - President & Chief Executive Officer: The impact of consumers dealing with issues of financing or fear also extended to our backlog as cancellation rates increased 24% in the quarter. While there are a number of factors influencing housing demand, the rise in mortgage rates has likely had the most significant impact on today's consumers. Based on their commentary, expectations are that the Federal Reserve will continue to aggressively raise rates to control inflation for at least the remainder of 2022 and then likely hold rates higher for longer. Given these market dynamics, we continue to meaningfully adjust our operating practices as we adapt to today's more challenging market conditions.” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

PulteGroup told analysts that in response to slowing sales it had canceled agreements on 14% of their lots and $800 million of future land acquisition. “Ryan Marshall - President & Chief Executive Officer: At the end of the second quarter, we controlled 130,000 lots under auctions. Given the more challenging demand conditions we face today, we are re-underwriting our land deals using price, pace and cost assumptions based on current market conditions, with a view towards assessing whether expected returns still achieve or exceed our required hurdle rates. As a consequence of these reviews, in the third quarter, we canceled agreements accounting for approximately 19,000 lots or 14% of the lots we held via option at the end of the second quarter. In taking these actions, we walked away from almost $800 million of future land acquisition spend. No one wants to write off $24 million of deposits and pre-acquisition spend, but the flexibility to exit these transactions reaffirms the strategic importance of building more optionality into our land pipeline.” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

PulteGroup told analysts that new net orders for homes declined 28% in the third quarter, primarily because of higher interest rates. “Bob O’Shaughnessy - Executive Vice President & Chief Financial Officer: Net new orders in the third quarter totaled 4,924 homes, which is a decrease of 28% from last year. The year-over-year decline in orders reflect softer demand, resulting primarily from higher interest rates as our absorption pace fell to 2.0 homes per month, down from three homes per month for the same period last year. Along with a slower pace of sales, our reported net new orders in the third quarter were impacted by a significant increase in cancellations. Our cancellation rate for the third quarter was 24%, which compares with 10% in the third quarter of last year and 15% in the second quarter of this year.” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

Despite rising interest rates the PulteGroup reported billions in sales at higher prices, funding nearly $1 billion in buybacks
PulteGroup still reported $3.8 billion in home sales in the third quarter, 16% over the previous year, at average sales price of $545,000, 15% over the the previous year. Bob O'Shaughnessy - Executive Vice President & Chief Financial Officer: Thanks, Ryan, and good morning. There's a lot to review this quarter, so I'll dive right in. Home sale revenues for our third quarter totaled $3.8 billion, which represents an increase of 16% over the same period last year. Higher revenues for the quarter were driven primarily by a 15% increase in our average sales price to $545,000. The year-over-year increase in average sales price of $71,000 was driven by improved pricing across all buyer groups as first time was up 20%, move-up gained 16% and active adult was up 15%. Unit closings in the quarter increased by 1% over last year to 7,047 homes. (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

PulteGroup reported spending nearly $1 billion on stock buybacks in nine months thanks to higher net income. Bob O'Shaughnessy - Executive Vice President & Chief Financial Officer: In total, PulteGroup's reported net income for the third quarter increased to $628 million or $2.69 per share. The company's prior year net income was $476 million or $1.82 per share. In the third quarter, we continued our share repurchase activity, buying 4.4 million shares or another 2% of our outstanding common shares for $180 million or an average price of $41.20 per share. Through the first nine months of the year, we have repurchased approximately 9% of the shares we had outstanding at the beginning of the year for $975 million. Along with buying back stock, we invested $1.3 billion in land acquisition and development in the quarter, of which 56% was for the development of existing land assets. As Ryan discussed, in response to changing market conditions, we are re-underwriting every land transaction based on current price, pace and cost dynamics. (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

The PulteGroup indicated that with less money invested in home building, more could be spent on buybacks and dividends

One Wall Street Analyst asked PulteGroup if less investments in home building meant “could you be more aggressive on buybacks or continue to be aggressive on buybacks?” John Lovallo, Analyst: Good morning, guys. Thank you for taking my questions as well. The first one is just given the more cautious near-term stance, pulling back on land spend, which is clearly prudent in our view. I mean, where do you intend to allocate the capital? I mean, could you be more aggressive on buybacks or continue to be aggressive on buybacks?” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

PulteGroup’s CFO agreed with the assessment because “spend is going to be down...we think we're going to be cash flow positive,” “Bob O'Shaughnessy - Executive Vice President & Chief Financial Officer: Yeah. We'll go through the same exact exercise we always have. It's interesting we highlighted in this call. We are out on our revolver, which is -- we started borrowing a little bit last quarter. We're actually out on the line today first and foremost, we'll pay that off. Our expectation is that we'll be able to do that in short order. Then what we always do is look at what the next several years. So it's not a point in time, capital generation and usages and we'll consider investment in land. We've highlighted that we think spend is going to be down, we'll be building and monetizing our backlog. So we think we're going to be cash flow positive. And so
we'll look at the capital base that we've got and what to do. And we'll have choices. We can – we will obviously continue our dividend. We can look at share repurchases. We will also be looking at our leverage.” (PulteGroup, Inc Q3 2022 Earnings Call, 10/25/2022)

**TAYLOR MORRISON HOME CORP**

*Taylor Morrison echoed other home builders by saying it was seeing less sales and building less in response*

Taylor Morrison's CEO told analysts “higher mortgage rates and uncertainties surrounding the economy has pushed many potential homebuyers and all consumer cohorts to the sidelines.”

*SHERYL DENISE PALMER, CHAIRMAN, PRESIDENT & CEO: And lastly, our entry-level communities continued to face the most pressure as we would expect given the greatest affordability constraints among these buyers. However we are still seeing healthy traffic activity at these lower price points and are working diligently on qualification solutions. Generally speaking, higher mortgage rates and uncertainties surrounding the economy has pushed many potential homebuyers and all consumer cohorts to the sidelines, and we continue to believe it will take some time for the market to find its new equilibrium as interest rates have most recently reached as high as 8%. This will require stabilization in pricing as much as an improvement in consumer confidence and buyer psychology led by clarity in the Federal Reserve's strategy.” (Taylor Morrison Home Corp Q3 2022 Earnings Call, 10/26/2022)

Taylor Morrison's CEO: “we will prudently manage our starts pace as evidenced by the moderation in our monthly starts to 1.5 homes per community during the quarter from 3.5 a year ago”

*SHERYL DENISE PALMER, CHAIRMAN, PRESIDENT & CEO: Second, we will prudently manage our starts pace as evidenced by the moderation in our monthly starts to 1.5 homes per community during the quarter from 3.5 a year ago. At quarter end, our inventory remained healthy with just over 2,500 unsold homes under construction, of which 0.5 per community were finished. Additionally, our teams are engaged with our suppliers and trade partners to reduce costs and rationalize expenses to current market conditions, with success likely to be based on each market's total starts activity.” (Taylor Morrison Home Corp Q3 2022 Earnings Call, 10/26/2022)

Taylor Morrison's COO told analysts the company saw a “nearly 70% year-over-year decline in our third quarter spend on new homebuilding land acquisitions.”

*ERIK HEUSER, EXECUTIVE VP & CHIEF CORPORATE OPERATIONS OFFICER: For deals in process, we are leveraging our strong relationships with land sellers to renegotiate timing, terms and/or price as appropriate. In fact, for the third quarter, 80% of our contemplated core business land spend progressing through the investment committee was restructured or terminated when underwriting no longer met our required thresholds. This resulted in $7.4 million of pre-acquisition walk-away expenses during the quarter. This highly scrutinizing approach was evident in the nearly 70% year-over-year decline in our third quarter spend on new homebuilding land acquisitions to $102 million, the lowest level since 2016.” (Taylor Morrison Home Corp Q3 2022 Earnings Call, 10/26/2022)
Tricon Residential told analysts rising interests rates were fueling demand for their rental homes

Tricon Residential CEO: “the demand for our high-quality professionally managed rental homes remains incredibly strong.” “GARY BERMAN, PRESIDENT, CEO & DIRECTOR: Thank you, Wojtek. Good morning, and welcome, everyone. I hope you're all doing well. Let me start by saying that we are living through some unprecedented times with geopolitical and financial experiments that have yet to run their course. But from where we sit today, this looks a lot more like a Wall Street recession than a Main Street recession. I would never suggest that we are a mean to macro-economic trends. But as we've seen in the past and continue to see, the demand for our high-quality professionally managed rental homes remains incredibly strong. Our business continues to be resilient and defensive, and I'm pleased to report that we delivered another solid quarter.” (Q3 2022 Tricon Residential Inc Earnings Call, 11/9/2022)

Tricon Residential: “in today's high mortgage rate environment is more compelling than ever to rent versus own a home.” “GARY BERMAN, PRESIDENT, CEO & DIRECTOR: Let me share with you some of our highlights on Slide 2. We continue to see exceptional demand for our homes. And in today's high mortgage rate environment is more compelling than ever to rent versus own a home. This is evident in our results as we delivered another operational quarter with single-family rental same home NOI growth of 10.2%, record high NOI margin of 68.5%, occupancy remaining close to 98%, turnover remaining at a low of 18.6% and blended rent growth consistently strong at 8.4%.” (Q3 2022 Tricon Residential Inc Earnings Call, 11/9/2022)

Tricon Residential's CEO: “Housing affordability in the U.S. is a significant problem, and that has been amplified by higher mortgage rates and chronic underbuilding with no end to sight to the supply shortage.” “GARY BERMAN, PRESIDENT, CEO & DIRECTOR: Let's move on to Slide 5 to talk about what we're seeing out there in the rental housing market. So far this year, market rents are up 6% nationally compared to last year, but with mortgage rates breaching 7%. It has never been more affordable to rent versus own a home. In fact, when we look at the national data, it costs about $700 more per month to own an entry-level home versus renting one. Housing affordability in the U.S. is a significant problem, and that has been amplified by higher mortgage rates and chronic underbuilding with no end to sight to the supply shortage. We take pride in knowing that providing quality rental homes at accessible price points and adding new construction to our build-to-rent program, we're helping to be part of the solution.” (Q3 2022 Tricon Residential Inc Earnings Call, 11/9/2022)

Tricon was slowing acquisitions of homes in preparation for more opportunities as the market declines further
Tricon Residential’s CEO said the company was slowing acquisitions “so we can buy new and existing homes at higher cap rates in the future and to position ourselves to buy larger portfolios at discounted prices.” “GARY BERMAN, PRESIDENT, CEO & DIRECTOR: We remain committed to growing our business over the long term in a strategic and responsible way. At this time, that means slowing the pace of our acquisitions until it makes sense to accelerate once more. To be clear, we are slowing down today so we can buy new and existing homes at higher cap rates in the future and to position ourselves to buy larger portfolios at discounted prices, and we do foresee such opportunities becoming available. The great part about our model is that we can scale our acquisition program up or down very quickly depending on market conditions, and we now have nearly $3 billion of dry powder, including liquidity on our own balance sheet and third-party unfunded equity commitments. We will lean in and deploy that capital when the time is right.” (Q3 2022 Tricon Residential Inc Earnings Call, 11/9/2022)

Tricon Residential’s CFO: “we’ve also decided to reduce our pace of acquisitions in order to preserve capital for more attractive opportunities in the future.” “WISSAM FRANCIS, EXECUTIVE VP & CFO: As Gary mentioned earlier, we’ve also decided to reduce our pace of acquisitions in order to preserve capital for more attractive opportunities in the future. As a result, our acquisition guidance moves from 8,000 homes down to 7,300 homes for the year. As we look ahead to the current year and beyond, we know that we have excluded our 2024 targets from this deck. We opted to withdraw these targets in light of the uncertain interest rate environment and economic outlook as well as our intent to be flexible with acquisitions. We aim to stay within our target leverage range of 8 to 9x debt to EBITDA and could potentially get an AFFO per share of $0.83 to $0.88 in 2024. But this is much more contingent on strong acquisition volumes, lower rate environment and launching a follow-on SFR joint venture.” (Q3 2022 Tricon Residential Inc Earnings Call, 11/9/2022)

Tricon Residential’s CEO: “no one's buying as many homes as we are in the country.” “GARY BERMAN, PRESIDENT, CEO & DIRECTOR: Jade, thanks for the question. I got to tell you, I'll do my best, but I think if I could truly predict HPA and interest rates

Tricon’s CEO expressed surprise that despite rising interest rates, limited supply was still pushing up home prices

Tricon’s CEO: " what I'd tell you is that it's really surprising that with mortgage rates moving up from the 2s to over 7% in a matter of months that home prices have been so stable... There's just no supply. “GARY BERMAN, PRESIDENT, CEO & DIRECTOR: Jade, thanks for the question. I got to tell you, I'll do my best, but I think if I could truly predict HPA and interest rates
probably wouldn't be sitting here, although I think we’re doing okay. I'll try my best. Look, what I'd
tell you is that it's really surprising that with mortgage rates moving up from the 2s to over 7% in a
matter of months that home prices have been so stable. It truly is. And I think Kevin just talked
about it, it's an indication of how tight the supply is in the market. There's just no supply.” (Q3 2022 Tricon Residential Inc Earnings Call, 11/9/2022)

Tricon Residential's CEO: “we've probably only seen home prices drop 3%, maybe 5% from the
peak in our 21 markets.” “And in this type of environment, when mortgage rates move that fast,
the market gets shocked and people stay in place. They're not going to sell their homes, right?
Because why would they sell their home if they've got a 2% or 3% mortgage. They're not going to
take on a 7% mortgage that just doesn't make any sense. So you end up getting a lot less listings
and less supply and that keeps prices steady. And so you end up getting a lot less listings and
less supply and that keeps prices steady. And so we've probably only seen home prices drop 3%,
maybe 5% from the peak in our 21 markets. That's it.” (Q3 2022 Tricon Residential Inc Earnings
Call, 11/9/2022)

UDR

UDR said it was passing on any inflation costs to residents and emphasized it it was aggressively raising rents

UDR's CEO: “. We like most every business are feeling the impact of inflation across our expense structure. Thus far, we have been able to pass these costs on to our residents in relatively short order”“Tom Toomey - Chairman and Chief Executive Officer: That said, we are fully aware of growing concerns over where the macro environment is trending and the challenges our business could face moving forward. Two areas to highlight include: first, elevated inflation. We like most every business are feeling the impact of inflation across our expense structure. Thus far, we have been able to pass these costs on to our residents in relatively short order given our standard 12-month lease structure.” (UDR, Inc. Q3 2022 Earnings Call, 10/27/2022)

UDR's CEO said the company was continuing “to push rental rate growth” admitted it resulted in higher turnover.“Tom Toomey - Chairman and Chief Executive Officer: Specific to the third quarter, a portion of our elevated expense growth was anticipated as we continue to push rental rate growth, which resulted in higher turnover and elevated repair and maintenance cost. However, building a better 2023 rent roll at the expense of short-term cost pressures is the value of creating trade for a 70% margin business like ours.” (UDR, Inc. Q3 2022 Earnings Call, 10/27/2022)

A UDR executive told analysts it was achieving higher than historical average rent increases, resulting in record earnings. “Mike Lacy - Senior Vice President, Operations: Key components of these results and our demand drivers included: first, year-over-year effective blended lease rate growth remained firmly above historical norms at 13.1%. We traded a nominal amount of
occupancy to achieve this rental rate growth, but also improved our 2023 rent roll and locked in more of our approximately 5% 2023 earning. This will be the highest earned in our history by at least 200 basis points. Second, our in-place residents are increasingly paying rent on time. Collection rates improved sequentially in the third quarter and the number of long-term delinquent residents in our portfolio continued to decline, which reduced our bad debt reserve and accounts receivable balances. Third, portfolio-wide rent-to-income ratios remain consistent with history in the low 20% range.” (UDR, Inc. Q3 2022 Earnings Call, 10/27/2022)

UDR’s CEO said the company was “trying to roll the rent roll up as strong as possible for ‘23.” “Tom Toomey - Chairman and Chief Executive Officer: Brad, this is Tom. I would emphasize the tie a couple of things together. I mean, Mike has done a fabulous job with respect to capturing the market rent that’s there. And you can see it in our numbers on a sequential basis with 4% – almost 5% revenue growth; second, nomination in the occupancy. So it was just trying to roll the rent roll up as strong as possible for ‘23. And when you walk into ‘23 and say, 5% already booked, we feel like we’re in a really good, strong position into that ‘23 window of no issues with the resident choosing the capital markets, yes.” (UDR, Inc. Q3 2022 Earnings Call, 10/27/2022)

A UDR executive agreed with an analyst’s assessment that the company was “pushing pretty hard on rent increases”

A Wall Street Analyst noted “you’re still pushing pretty hard on rent increases” and asked if that would continue. “Steve Sakwa, Analyst: Thanks. Hi, good morning. I guess maybe I wanted to start with Mike on just operations. And it sounds like you’re still pushing pretty hard on rent increases and occupancy has been very strong. And just trying to get your thoughts on kind of some of the looming dark clouds and potential slowdown and reduction in job growth? I guess how do you think about a potential pivot? And what are the sort of early warning signs you’d be looking to take your foot off the gas on rent increases and focus more on occupancy?” (UDR, Inc. Q3 2022 Earnings Call, 10/27/2022)

UDR responded “You’re right. We’ve been focused on this for a while now.” “Mike Lacy - Senior Vice President, Operations: Hey, Steve, that’s a great question. You’re right. We’ve been focused on this for a while now. In Q2, Q3 really driving our too. As we move forward, we’re going to see a little bit more of the team increase going on that 9% to 10% range through December at this point. They feel like they are sticking. We’re not seeing a lot of negotiations at this point. The leverage will be on the market rent side, and we will see where that shakes out. So to your point on kind of those warning signs, I said in my prepared remarks, we see a lot of green lights still today. The one thing we’re watching that’s outside of that is just the cancel and denials. We have seen that increase a little bit. And that’s one of those warning signs that we will watch closely. But again, we’re seeing occupancy in that 96.5% to 97% range. So we feel comfortable about pushing right now. And we think that we have more tailwinds as we go into next year with that.” (UDR, Inc. Q3 2022 Earnings Call, 10/27/2022)
UDR said rising mortgage rates meant renting was still cheaper compared to owning a home

A UDR Executive noted that “due to rising mortgage rates, renting an apartment is approximately 50% less expensive than owning a home versus 35% less expensive pre-COVID.” Mike Lacy - Senior Vice President, Operations: Employment and wage growth remains strong and we have seen no evidence to-date of residents choosing to double up. Fourth, traffic and applications remain above typical seasonal level, allowing us to continue to push rate growth. Fifth, concessions are de minimis across our portfolio, with exceptions being 1 to 2 weeks on average in specific submarkets of San Francisco, Washington, D.C. and Boston. And last, due to rising mortgage rates, renting an apartment is approximately 50% less expensive than owning a home versus 35% less expensive pre-COVID. During the third quarter, only 7% of residents that moved out did so to purchase a home. This is the lowest level we have seen and is 35% lower compared to a year ago” (UDR, Inc. Q3 2022 Earnings Call, 10/27/2022)

UDR told analysts that 75% of their behind rent tenants were now in the eviction process

UDR Said 75% of their behind rent tenants were now in the eviction process. “Joe Fisher - President and Chief Financial Officer: Yes. Hi Haendel. I will start and reverse on that one. So, we do expect improvement over time going from the mid-98% plus or minus collected on billed revenue. I can’t say necessarily is that going to occur next year. I think on the margin, it should because we are having success and whittling down those long-term delinquents. So, we have got a pretty active process on that of that excess kind of long-term delinquent we have today and say 75% of them are somewhere in the eviction process although eviction processes instead of being perhaps a 30 days to 60 days, in some cases, are more like four months to six months. And so we think we will continue to whittle that down and collections should improve and hopefully become more of a tailwind.” (UDR, Inc. Q3 2022 Earnings Call, 10/27/2022)
OIL & GAS
OIL & GAS

CHEVRON

Chevron spent more than $5 billion on dividends and buybacks in the past quarter alone

Chevron's CEO boasted the company returned over $5 billion to shareholders for the second quarter in a row. “Mike Wirth -- Chairman and Chief Executive Officer: Thank you, Roderick, and thanks, everyone, for joining us today. We continue to see a challenging and dynamic macroeconomic and geopolitical environment. Current events highlight the importance of balancing economic prosperity, energy security, and environmental protection. In line with these three imperatives, Chevron remains focused on our objective to safely deliver higher returns and lower carbon. During the third quarter, we continued to make progress by delivering return on capital employed in the mid-20s, returning more than $5 billion to shareholders for the second quarter in a row and investing to grow both our traditional and new energy businesses.” (Chevron Q3 2022 Earnings Call, 10/28/2022)

Chevron's CEO: “we've actually increased our rate of buybacks three times this year...we're at an all-time high in terms of the rate of share repurchases.” “Mike Wirth -- Chairman and Chief Executive Officer: Yes. John, we've actually increased our rate of buybacks three times this year. We announced the first one at the end of last year. So we've steadily moved the range up and the purchases up. And so we're at an all-time high in terms of the rate of share repurchases. And you're right. We've got strong cash flow right now, which allows us to support all of our financial priorities and maintain the strong balance sheet. I think the thing that I just would reemphasize is we want to maintain the buyback program throughout the cycle” (Chevron Q3 2022 Earnings Call, 10/28/2022)

Chevron told analysts it had increased its dividend 6%, calling that that their “first financial priority.” “Pierre Breber -- Chief Financial Officer: I'll just point out that we increased our dividend 6% earlier this year. We've been growing our dividend at a compounded annual growth rate of 6% for 15 years. And that is our first financial priority. So there's a lot of tension on the buyback, but it's clearly our fourth priority after sustaining and growing the dividend, investing to grow both traditional and new energy businesses, maintaining a strong balance sheet. And as Mike said, we intend to do it across the cycle for multiple years” (Chevron Q3 2022 Earnings Call, 10/28/2022)

Chevron told analysts that it was expecting low growth in their production despite spending billions on shareholders

Chevron spent more on funneling money to shareholders than the $3 billion it spent on Capital Expenditures, crowing the company was “on track to beat 2021's free cash flow record.”“Pierre Breber -- Chief Financial Officer: Thanks, Mike. Third quarter financial results were strong. Included in the quarter were $177 million of pension settlement costs and positive foreign currency exchange effects of $624 million. The appendix of this presentation contains a reconciliation of non-GAAP measures. We repurchased shares at the high end of our guidance
range and ended the quarter with a net debt ratio under 5%. Cash capex was $3 billion, up over 50% from last year. For the sixth consecutive quarter, Chevron's free cash flow exceeded $5 billion. We're on track to beat 2021's free cash flow record.” (Chevron Q3 2022 Earnings Call, 10/28/2022)

Chevron told analysts they were “seeing production level out” after an initial surge and predicted it would grow at the “lower end” of their range. “Mike Wirth -- Chairman and Chief Executive Officer: And you saw that through the back half of last year and certainly the first part of this year, which may have misled a little bit in terms of the rate of growth because this was this kind of surge capacity. We're back to Factor VIII drilling now. Our DUC inventory is kind of in line with what our plan would suggest it would be. And so we're seeing production level out at a growth rate that is more the kind of underlying rate that you should see. So we likely will be toward the lower end of the range. We get some nonratable bookings from our non-operated joint ventures. We give you a range because we expect to be in the range, but we don't always hit the high end of the range. So in this case, we'll be toward the lower end. But we're not changing guidance for this year or our forward guidance.” (Chevron Q3 2022 Earnings Call, 10/28/2022)

Chevron told analysts it was benefitting from a tight global market and predicted the industry would see even more consolidation

Chevron's CEO: “so you had a constraint or a reduction in refining capacity that occurred over the last couple of years in a way we really haven't seen previously. “Mike Wirth -- Chairman and Chief Executive Officer: Sure. It's been an interesting couple of years in the refining sector, Neil. With COVID, we actually saw through that period of time, some refineries shut down around the world that maybe at a rate greater than we would have expected before as the economics really collapsed, as demand collapsed. There were -- been some refineries in the U.S. that have been taken offline after storm damage or operating incidents that are not coming back. We see others being converted to renewable diesel. And so you had a constraint or a reduction in refining capacity that occurred over the last couple of years in a way we really haven't seen previously. And the other thing that happened is some of the new builds that are in various stages of development, primarily in the Middle East or Asia, slowed down during COVID.” (Chevron Q3 2022 Earnings Call, 10/28/2022)

Chevron's CEO predicted the refinery market would remain constrained for the near year: “we're in a market that we really haven't seen probably in my career in terms of the overall tightness on supply and demand.”“Mike Wirth -- Chairman and Chief Executive Officer: And a lot of the industry slowed activity until we had a better view on how we were going to come through that period of time. I think those will come back into developments and eventually online which will ease some of these global constraints. But the system is tight right now. And what you see is when you have some maintenance that runs along, some unplanned events, as we've seen on the West Coast, or when you see things like the strike that we've seen in France here recently, markets tighten up really quickly. And that sends a price signal to try to bring supplies in from further away. And so the entire refining complex right now is a little more tightly balanced than it
historically has been. And I think in the short term, if you want to call that the next year, plus or minus, probably stays that way, maybe a little bit longer to some degree. And then I think as you see some of this new capacity come online, we get back into a situation where it's not quite as finely balanced as it is today. But to no doubt, we're in a market that we really haven't seen probably in my career in terms of the overall tightness on supply and demand.” (Chevron Q3 2022 Earnings Call, 10/28/2022)

Chevron’s CEO: “I think in the oil and gas business, there's likely to be some more consolidation. You need fewer and stronger companies that normally happens at the bottom of the cycle rather than at the top of the cycle.” “Mike Wirth -- Chairman and Chief Executive Officer: And so we don't need to do a deal unless it really improves on what we expect to deliver otherwise. So I would just say we're going to continue to be very disciplined. We don't have an open checkbook even when times are good like this, especially when times are good like this. We walked away from a deal a few years ago rather than chase value out of it. We've sold assets out of our portfolio at well times. And as you say, the last couple of deals were done at a pretty good time. So over time, I think in the oil and gas business, there's likely to be some more consolidation. You need fewer and stronger companies that normally happens at the bottom of the cycle rather than at the top of the cycle.” (Chevron Q3 2022 Earnings Call, 10/28/2022)

CONOCOPHILLIPS

ConocoPhillips expanded its stock buyback authorization after planning to spend $15 billion on dividends and buybacks in 2022

ConocoPhillips CEO boasted of the record oil production and increasing their stock buyback authorization by $20 billion. “Ryan Lance -- Chairman and Chief Executive Officer: As further evidence of this commitment, our third quarter results demonstrated record total company production. Lower 48 production hit a milestone in over 1 million barrels of oil equivalent per day, and we anticipate further growth in the fourth quarter. On returns, we generated a trailing 12 month ROCE of 27%. We increased our ordinary dividend by 11% to $0.51 per share. And we announced a $0.70 per share VROC for the first quarter of 2023, and we increased our share buyback authorization by $20 billion. Additionally, we'll return 15-day in the capital for 2022, which represents over 50% of our projected CFO, well in excess of our greater than 30% annual commitment. Now, we believe that our CFO-based returns framework differentiates us relative to peers.” (ConocoPhillips Q3 2022 Earnings Call, 11/3/2022)

ConocoPhillips predicted a similar amount of cash distributions to investors in 2023. “Ryan Lance -- Chairman and Chief Executive Officer: Yeah, Stephen, I think if we have a macro environment today that's similar to next year, that's similar to the average over the course of 2022, I think you should expect a similar level of distributions. And I think we, you know, signaled that a little bit with setting the first quarter of VROC at $0.70 a share. You know, that this 10 seconds, we look at the macro. And if it's going to be similar next year, you ought to expect a similar level of distributions, which is in excess of our 30% commitment. But, you know, we're going to watch the macro because we think it's going to be incredibly volatile. But we think we've
got the right value proposition and combination of VROC, base dividend, and how we’re thinking about buying our shares back, that it’s well set up for the kind of volatility we may see. But that would be sort of my comment as you think about going into 2023.” (ConocoPhillips Q3 2022 Earnings Call, 11/3/2022)

ConocoPhillips planned to funnel $15 billion to shareholders through dividends and buybacks in 2022. “Bill Bullock -- Executive Vice President and Chief Financial Officer: Yeah, sure. Jeanine, this is Bill. So, first, based on our four prices, we’d expect to end the year with roughly $10 billion of cash. Also, the same -- roughly the same amount that you noted for the end of third quarter. And that's a -- I know it is predicated on us achieving our $15 billion of distributions to shareholders this year. Now, the framework of how we think about allocation of cash balance really hasn’t changed. It’s continuing to be guided by our priorities of having a competitive shareholder distribution, strong balance sheet strength, and efficient organic and inorganic capital allocations. And the framework that we’ve laid out of intending to carry $1 billion for operating cash, $3 billion of reserve cash, and anything above that is strategic cash, continues to be the way that we think about that.” (ConocoPhillips Q3 2022 Earnings Call, 11/3/2022)

ConocoPhillips told analysts it had no plans to significantly increase oil production

ConocoPhillips CEO told analysts they could “ramp more” production but “in this environment, it just doesn't make sense to be doing that right now.” “Ryan Lance -- Chairman and Chief Executive Officer: Yeah. Thanks, Neal. No, I think, you know, we’ve tried to describe that in the release. We feel like, you know, obviously, we could ramp more in the Lower 48. But in this environment, it just doesn’t make sense to be doing that right now. We just want to run efficient, stable programs right there. We do have opportunities to invest in more medium- and longer-cycle projects. We describe those around Willow and Sempra, and then the Qatari projects as well. So, you know, we are leaning into -- you know, we’re going to need to supply long term as an industry. And we think these are important, and we believe our company, with our global diverse portfolio, has the kind of opportunities that are low cost to supply, fit our GHG emissions intensity profile, and our reductions that we’re trying to make in that particular area. And these are going to be needed assets that we want to invest in to ensure that the supply is there long term.” (ConocoPhillips Q3 2022 Earnings Call, 11/3/2022)

DIAMONDBACK ENERGY

Diamondback stressed to analysts that the company was focused on increasing returns to investors

Diamondback’s CEO: “we increased our return of capital commitment and stated that beginning this quarter, we would return at least 75% of free cash flow back to our shareholders, up from at least 50% previously. At 75%, total capital return was nearly $875 million.” “Travis Stice -- Chairman and Chief Executive Officer: Our capex was once again within our guidance range, leading to free cash flow of nearly $1.2 billion. As we previously announced,
we increased our return of capital commitment and stated that beginning this quarter, we would return at least 75% of free cash flow back to our shareholders, up from at least 50% previously. At 75%, total capital return was nearly $875 million, with dividends totaling $403 million or $2.26 per share. The remaining $472 million went toward our opportunistic share repurchase program, where we bought back nearly 4 million shares at an average price of approximately $120 a share.” (Diamondback Energy Q3 2022 Earnings Call, 11/8/2022)

Diamondback’s CEO told analysts the company had spent roughly $1.2 billion of their $4 billion stock buyback authorization. “Travis Stice -- Chairman and Chief Executive Officer: To date, we've spent approximately $1.2 billion of our $4 billion buyback authorization, repurchasing nearly 6% of our shares outstanding since September of last year when we initiated our program. In October, we announced the pending acquisition of the assets of FireBird Energy, a company with a large, contiguous position in the Midland Basin. We feel FireBird has right balance of cash flow and inventory and the acquisition is immediately accretive on all relevant per-share financial metrics while providing a long runway of high-quality drilling opportunities. With over 350 locations, we expect to have well over a decade of run room at our projected one-rig development phase.” (Diamondback Energy Q3 2022 Earnings Call, 11/8/2022)

Diamondback’s CEO: “I will say that in conversations with our long-only shareholders. A lot of those guys prefer to get the cashback.” “Travis Stice -- Chairman and Chief Executive Officer: Look, we've seen the volatility in the market that every quarter, we've had the opportunity to buy shares back. And when that opportunity presents itself, we'll do so aggressively. I think the key to any of those questions is the ability to generate free cash flow. And that's certainly what our focus is, and then maintaining the flexibility on how the return of that free cash flow gets prosecuted. I will say that in conversations with our long-only shareholders. A lot of those guys prefer to get the cashback. But again, we believe that we'll have opportunities to repurchase shares back.” (Diamondback Energy Q3 2022 Earnings Call, 11/8/2022)

Diamondback CEO said that public companies would prioritize investors over increasing production

Diamondback’s CEO predicted that “we’ll be able to generate low single-digit pro forma oil production growth next year.” “Travis Stice -- Chairman and Chief Executive Officer: All of this will provide operational momentum as we move into 2023 we expect to deliver the same operational results you've come to expect from Diamondback. While we won't be giving detailed for the 2023 guidance today, we believe that we'll be able to generate low single-digit pro forma oil production growth next year by maintaining our current stand-alone activity levels plus the one additional FireBird rig. It's not easy to operate in this environment, but our size, scale and quality of the inventory uniquely position us to deliver differentiated results and create meaningful value for our shareholders. Before I open up for questions, I want to address all the Diamondback employees that are on the phone.” (Diamondback Energy Q3 2022 Earnings Call, 11/8/2022)

Diamondback’s CEO: “I think for public companies, the continued discipline that we've all been demonstrating on shareholder returns versus a commitment to growth. I think all of those factors weigh into more of a muted production growth from U.S. shale going forward.”
Travis Stice -- Chairman and Chief Executive Officer: A lot to unpack in that question, Neal, but I think it's really all of the above. I think there is asset maturation. I think certainly, supply chain constraints are also limiting growth. I think for public companies, the continued discipline that we've all been demonstrating on shareholder returns versus a commitment to growth. I think all of those factors weigh into more of a muted production growth from U.S. shale going forward. That said, out here in the Permian, I think we're still continuing to hit production records every month, somewhere close to 5.3 million to 5.5 million barrels a day. But that's going to be challenged to continue to grow that into the future. Do we have the assets out here? Yes, we do. But some of those other topical constraints that I mentioned are going to be impediments to efficient growth assume we'll probably see at higher commodity prices some people try to grow, but they're allocating capital if they're very trailing into efficiency. So those also create headwinds as well for shareholders." (Diamondback Energy Q3 2022 Earnings Call, 11/8/2022)

EXXON MOBIL

*ExxonMobil planned to funnel as much as $30 billion back to their Wall Street investors in 2022*

Exxon's CFO said the company was on track to spend $15 billion on dividends and $15 billion on stock buybacks in 2022. “Kathy Mikells -- Senior Vice President, Chief Financial Officer:We’re in the process of executing a $30 billion -- up to $30 billion share repurchase program through 2023. We are on track to get $15 billion of that program done by the end of the year. We did about $10.5 billion in share repurchases through the third quarter. And if you look across the year, that would put us at $15 billion in dividends and about $15 billion in share repurchases. So I’d say both a pretty balanced return to our shareholders. And I think that puts us pretty well ahead of peers in terms of returning excess cash to shareholders. So we are mindful of our cash balance. We ended the quarter at about $30 billion. It is possible that our cash balance is going to float up a little bit from there depending on what the market environment continues to look like.” (ExxonMobil Q3 2022 Earnings Call Transcript, 10/28/2022)

*ExxonMobil said that it was benefiting from tight refinery capacity and it planning on “capital discipline”*

Exxon’s CEO said that refinery capacity was continuing to decline and predicted “we could see tight markets for some time to come.” “Darren Woods -- Chairman and Chief Executive Officer:And so if you look at where we are investing in refining it, it's for sites that have integrated chemicals, lubricants and fast-growing clean fuels business. And we think that gives us a structural advantage versus broader industry. This has been and always has been a thin margin business. And so you typically scratch through the thin low periods, which lasts for a very long time and then take advantage of some of the highs. And as a result of that thin margin business, if you look over time, certainly in the West, refining capacity has been on the decline. We actually showed a chart last quarter and again this quarter that shows that drop in refining capacity. If you look at some of the windfall taxes that are being talked about within Europe, that's going to put
additional pressure on refining margins. So there is certainly a scenario out there that says we continue to see under investment refining. We continue to see that capacity coming out of the market. And then depending on the build side of the equation and how much capacity gets built out in the Middle East, we could see tight markets for some time to come. Of course, we don’t plan for that. We plan for thin margins and very tough conditions and then hope for the best.” (ExxonMobil Q3 2022 Earnings Call Transcript, 10/28/2022)

Exxon’s CEO reiterated that capacity and production was restricted but stressed the company was only seeing investments that “high returns at low prices.” “Darren Woods -- Chairman and Chief Executive Officer: Yeah, sure. Well, I think the point you make are good ones. The market is tight. And I think generally, the industry -- there's not a lot of capacity as you look across the different steps required to bring on additional production. So I think that is tight. That will, obviously, with time loosen up a little bit. But I think, generally speaking, for the industry is constrained. Obviously, every company will have different degrees of freedom in that space. We have some degrees of freedom there, but I would just say we’re staying very firmly grounded in our philosophy of making sure that the investments that we make generate high returns at low prices.” (ExxonMobil Q3 2022 Earnings Call Transcript, 10/28/2022)

Exxon’s CEO stressed "capital discipline," saying the company would only invest in production that would be profitable “even in a down cycle.” “Darren Woods -- Chairman and Chief Executive Officer: And so the capital discipline -- my definition of capital discipline is making sure that you spend money that's advantaged and has generated good returns even in the down cycle. We're going to stay grounded in that. And so anything that we do on the margin has to, first and foremost, meet that criteria, that it's robust to a wide range of price environments, and that we'd be happy irrespective of what prices we're seeing out the window. We've got capacity to do that, frankly, in some space. So we will -- on the margin spend money to where we can see an opportunity to bring that on. But I wouldn't say -- if you look at kind of the range of capex that we've provided over the years, we gave ourselves that range, obviously, anticipated movement not only within the year, but across from one year to the next. And so we feel pretty good that -- in terms of the ranges that we've provided.” (ExxonMobil Q3 2022 Earnings Call Transcript, 10/28/2022)

Exxon’s CEO: “I think in the short term, everyone will squeeze what they can.” “Darren Woods -- Chairman and Chief Executive Officer: Yeah. Thanks, Roger. I think the industry has been historically pretty good at flexing on capacity to meet the demand. And so I'm optimistic that with time, the market -- and we've proven this, I think, over the years that the markets will come back into balance, but it is a function of time. I think in the short term, everyone will squeeze what they can. Certainly, you've seen us pushing as hard as we can to make sure that we're running reliably, and we're getting product to the marketplace to meet that need in the market. I know everyone else is trying to do the same. So I think that piece of it is sweating all the existing assets as hard as you can.” (ExxonMobil Q3 2022 Earnings Call Transcript, 10/28/2022)
PHILLIPS 66

Phillis 66 repeatedly told analysts the company was focused on shoveling money back to investors

Phillis 66 CEO: “We’re committed to strong shareholder distributions... During the quarter, we ramped up share repurchases in a meaningful way, purchasing almost $700 million of common stock.” “Mark Lashier -- President and Chief Executive Officer: Thanks, Jeff. Our third quarter results reflect the continued favorable market environment and our strong operating performance. We ran at high rates during the summer driving season to meet peak demand for critical transportation fuel. Our Refining business delivered improved market capture this quarter, supported by strong distillate cracks and wider discounts for heavy sour crudes. In the third quarter, we had adjusted earnings of $3.1 billion or $6.46 per share. We generated $3.1 billion in operating cash flow. We’re committed to strong shareholder distributions. During the quarter, we ramped up share repurchases in a meaningful way, purchasing almost $700 million of common stock. Including dividends, we returned $1.2 billion to shareholders. (Phillips 66 Q3 2022 Earnings Call Transcript, 11/1/2022)

Phillis 66 CFO told analysts that “we returned $1.2 billion to shareholders through $466 million of dividends and $694 million of share repurchases.” “Kevin Mitchell -- Executive Vice President and Chief Financial Officer: We generated $3.1 billion of operating cash flow. Capital spending for the quarter was $735 million, including the company’s $306 million investment in DCP Midstream, LLC associated with the merger, net of cash acquired. We returned $1.2 billion to shareholders through $466 million of dividends and $694 million of share repurchases. We ended the quarter with 473 million shares outstanding. Moving to Slide 5. This slide highlights the change in adjusted results by segment from the second quarter to the third quarter, including the impact of consolidating DCP Midstream, Sand Hills Pipeline and Southern Hills Pipeline effective August 18.” (Phillips 66 Q3 2022 Earnings Call Transcript, 11/1/2022)

Phillis 66 CEO: “we are committed to buybacks.” “Mark Lashier -- President and Chief Executive Officer: At a high level, John, we are committed to buybacks. We had to hold back in the second quarter due to a blackout period. And so that kind of held us back for a bit. But what you saw last quarter is just a signal that we are serious about buybacks. And I'll let Kevin talk about the balance between what it will require to execute the roll-up of DCP versus share repurchases. But we have got a solid plan. And like a broken record, I'll say you'll hear more about it at investor day.” (Phillips 66 Q3 2022 Earnings Call Transcript, 11/1/2022)

A Phillips 66 executive appeared to suggest the company was benefitting from refinery shutdowns and Russian sanctions

A Phillips 66 executive said that “overseas, the refinery down actually helped us and generally helps us” and the “shortage of Russian distillate in the market as well helped us internationally.”“Brian Mandell -- Executive Vice President, Marketing and Commercial: Sure, Roger. Brian again. Maybe I'll start by saying that our diverse geographic portfolio with business
both here in the U.S. and in Western Europe and our diverse channels of trade, we have unbranded, branded and retail help us when we think about our Marketing business. But Q3, a number of things that we saw that helped the business. In Germany, it was a tax holiday starting in January 1 and ending at the end of August. Also overseas, the refinery down actually helped us and generally helps us. We have alternative supply at MiRO Refinery there in the south of Germany, which helps us particularly in the south of Germany. And our exchange agreement terms also give us a competitive advantage. We had the general falling of spot prices, which helped us. Shortage of Russian distillate in the market as well helped us internationally. And then I would say, conversely, in the U.S., we actually saw margins come off in Q3 from Q2. But overall, we had a very good quarter.” (Phillips 66 Q3 2022 Earnings Call Transcript, 11/1/2022)

Phillips 66 dismissed talk of a windfall profits tax as political rhetoric

Phillips 66 CEO dismissed President Biden’s windfall profits tax: “You have to remember that there's an election next week, and I think that there's going to be a lot of rhetoric right up to that point in time.” “Mark Lashier -- President and Chief Executive Officer: Yes. Thanks, Paul. This is Mark. Your first question, we've been, along with the rest of our peers in the industry, engaged with the Biden administration around the challenges that they see in the marketplace. And it's earnings season, a lot of integrated oils are coming out with very, very solid results. And I think that's the target of the President's latest comments. Our view is when we get off of the public rhetoric and engage with them to address the issues of inventories and supply and cost and price, it's been constructive. And they know that they have to proceed with caution because things that they try to do could disrupt the markets even more. And they are listening, and they are taking into account the advice that we've been giving them along with our peers. You have to remember that there's an election next week, and I think that there's going to be a lot of rhetoric right up to that point in time.” (Phillips 66 Q3 2022 Earnings Call Transcript, 11/1/2022)

PIONEER NATURAL RESOURCES

Pioneer Natural Resources boasted of the billions it was shoveling to their investors

Pioneer Natural Resources's CEO told analysts the company had funneled roughly $7.5 billion back to shareholders in 2022 alone. “SCOTT DOUGLAS SHEFFIELD, CEO & DIRECTOR, PIONEER NATURAL RESOURCES COMPANY: Pioneer delivered strong results, generating over $1.7 billion in free cash flow during the third quarter, contributing to the return of $1.9 billion back to the shareholders. The majority of this capital is being returned through our base plus variable dividend of $5.71 per share, which will be paid in mid-December. Additionally, we continue to execute on opportunistic share repurchases, with $500 million of shares retired in the third quarter at an average price of $218, representing approximately 2.3 million shares. This strong return of capital through both dividends and share repurchases represents approximately 108% of our third quarter free cash flow. When including all repurchased to date and dividends to be paid in 2022, we will return approximately $7.5 billion to shareholders this year. This robust return clearly demonstrates our commitment to our investment framework that is supported by our
Pioneer repurchased $1.5 billion of their stock in the third quarter and had $3 billion remaining in authorized stock buybacks. “SCOTT DOUGLAS SHEFFIELD, CEO & DIRECTOR, PIONEER NATURAL RESOURCES COMPANY: Going to Slide 5. Supplementing our best-in-class dividend payout, we continue to repurchase our shares opportunistically and have executed $1.5 billion since the fourth quarter of 2021 at an average share price of $219. This represents a reduction of total shares outstanding by approximately 3% at a strong discount to our current share price. Of the 500 million repurchased during the third quarter at an average price of $218 per share, 250 million of stock was repurchased in the month of July at an average share price of $213 through our 10b5 program. To date, we’ve utilized $1.25 billion of our current $4 billion authorization, leaving nearly $3 billion remaining under the program.” (Q3 2022 Pioneer Natural Resources Co Earnings Call, 10/28/2022)

Pioneer stressed to analyst that their business model prioritized shareholder returns over production growth

Pioneer described their “core investment thesis as one that “delivers moderate oil production growth, but generates significant free cash flow.” “SCOTT DOUGLAS SHEFFIELD, CEO & DIRECTOR, PIONEER NATURAL RESOURCES COMPANY: Going to Slide #6. Our core investment thesis remains unchanged, underpinned by low leverage, strong corporate returns and a low reinvestment rate. This delivers moderate oil production growth, but generates significant free cash flow. Majority of this free cash flow was returned to shareholders through our strong and growing base dividend and our peer-leading variable dividend, which represents up to 75% of post-base dividend free cash flow.” (Q3 2022 Pioneer Natural Resources Co Earnings Call, 10/28/2022)

Pioneer's CEO boasted of their “low breakeven and moderate oil growth” which would generate substantial cash for investors even at lower prices. “SCOTT DOUGLAS SHEFFIELD, CEO & DIRECTOR, PIONEER NATURAL RESOURCES COMPANY: Going to Slide #7, Pioneer’s high-quality assets, low breakeven and moderate oil growth provides the ability to pay significant dividends from our peer-leading free cash flow through cycle. As seen on the graph, we’re able to deliver a compelling base plus variable dividend with the yield far exceeding the S&P average at oil prices of $60. Conversely, shareholders have significant upside to sustain higher oil prices as well, with a greater than 10% dividend yield at oil prices higher than $100 WTI.” (Q3 2022 Pioneer Natural Resources Co Earnings Call, 10/28/2022)

Pioneer’s COO: “This combination of robust free cash flow generation and decades of high-return inventory supports Pioneer’s ability to return significant capital to shareholders over a long period of time.” “RICHARD P. DEALY, PRESIDENT & COO, PIONEER NATURAL RESOURCES COMPANY: Turning to Slide 14. This slide highlights the powerful combination of Pioneer's highest free cash flow per BOE amongst our peers, combined with having the longest duration of high-quality inventory in the U.S. unconventional space. This combination of robust free cash flow generation and decades of high-return inventory supports Pioneer's ability to
return significant capital to shareholders over a long period of time and differentiates Pioneer from its peers.” (Q3 2022 Pioneer Natural Resources Co Earnings Call, 10/28/2022)

**VALERO**

*Valero told analysts the company was benefitting from tight capacity and it did not see the situation changing*

Valero’s CEO told analysts the company was benefitting from a situation where “global product supply remains constrained due to roughly 4 million barrels per day of global refining capacity being taken permanently off-line since 2020.” JOSEPH W. GORDER, CHAIRMAN & CEO, VALERO ENERGY CORPORATION: We’re pleased to report strong financial results for the third quarter, credited to our safe and reliable operational performance and continued strength in refining fundamentals. Refining margins remain supported by strong product demand, low product inventories and continued energy cost advantages for U.S. refineries compared to global competitors. Despite high refinery utilization rates, global product supply remains constrained due to roughly 4 million barrels per day of global refining capacity being taken permanently off-line since 2020 for a variety of reasons, including unfavorable economics or as part of planned conversions to produce low carbon fuels. Product demand across our system remains strong, with gasoline and diesel demand higher than pre-pandemic levels, and jet fuel demand steadily approaching 2019 levels. Our refining utilization increased to 95% in the third quarter as we continue to maximize refining throughput.” (Q3 2022 Valero Energy Corp Earnings Call, 10/25/2022)

Valero CEO: “refining fundamentals remain strong as global product supply remains constrained due to capacity reductions and high natural gas prices in Europe, which are setting a higher floor on margins.” JOSEPH W. GORDER, CHAIRMAN & CEO, VALERO ENERGY CORPORATION: Looking ahead, refining fundamentals remain strong as global product supply remains constrained due to capacity reductions and high natural gas prices in Europe, which are setting a higher floor on margins. In addition, we continue to realize the benefit from discounted sour crude oil and fuel oil feedstocks in our system. While geopolitical and macroeconomic factors may drive volatility in the market, we remain focused on what we can control, maximizing refinery utilization in a safe, reliable and environmentally responsible manner to provide essential products. We also remain committed to advancing the growth of our low carbon fuels businesses to increase profitability and further strengthen our competitive advantage.” (Q3 2022 Valero Energy Corp Earnings Call, 10/25/2022)

Valero’s COO predicted higher margins for refiners for the foreseeable future thanks to closures: “it'll be a higher call on refining capacity...we do believe the next mid-cycle will be higher than the last mid-cycle.” R. LANE RIGGS, PRESIDENT & COO, VALERO ENERGY CORPORATION: Yes, sure. Doug, it's Lane. From a work process, we define the mid-cycle as being sort of the average margin with a few tweaks that we think are market anomalies that go through the entire business cycle. So we're not through the next business cycle yet, but we do believe structurally, you've had entered a period where we've had refinery closures through the
pandemic. You're going to have probably not as much investment in the fossil fuel industry, in particular, refining going forward at the time when everybody is trying to understand exactly how the balances are going to work. But our view is, it'll be a higher call on refining capacity. So we're not prepared to quantify that, but we do believe the next mid-cycle will be higher than the last mid-cycle.” (Q3 2022 Valero Energy Corp Earnings Call, 10/25/2022)

Valero's COO: “Europeans and North America and everyone else is sort of under ESG pressure aren't really trying to increase refining capacity. “ “R. LANE RIGGS, PRESIDENT & COO, VALERO ENERGY CORPORATION: And then on a longer-term basis, just whether Europeans and North America and everyone else is sort of under ESG pressure aren't really trying to increase refining capacity. So if there is a region of the world that's going to raise refining capacity, that will probably be India and China.” (Q3 2022 Valero Energy Corp Earnings Call, 10/25/2022)
CSX told analysts that profits were growing despite increased labor costs thanks to higher pricing

CSX told analysts that their operating income grew 10% even after accounting for higher wages and benefits for workers. “JOSEPH R. HINRICHS: CSX moved nearly 1.6 million carloads in the third quarter and generated approximately $3.9 billion in revenue. Operating income increased 10% year-over-year to $1.6 billion, which includes the effect of additional labor and fringe expense related to the tentative agreements reached with our unions last month. Results this quarter also reflected lower real estate gains compared to last year. Earnings per share increased 21% to $0.52 a share. Our operating ratio for the quarter was 59.5%.” (Q3 2022 CSX Corp Earnings Call, 10/20/2022)

CSX reported quarterly revenue increased 18% thanks to “pricing that reflects rising cost inflation and higher fuel surcharge revenue.” “KEVIN S. BOONE, EXECUTIVE VP AND CHIEF OF SALES & MARKETING, CSX CORPORATION: Thank you, Joe. Turning to Slide 5. Third quarter revenue increased 18% year-over-year, with revenue growth across all markets. Overall volumes were up 2% as modest volume growth in merchandise and intermodal more than offset a minor decline in coal. Merchandise revenue increased 14% on 1% higher volumes, driven by pricing that reflects rising cost inflation and higher fuel surcharge revenue.” (Q3 2022 CSX Corp Earnings Call, 10/20/2022)

CSX said the company had a “heavy attrition rate” that allowed them to control costs

CSX said their business had a “natural attrition” of 8-10% annually for their workforce. “JAMIE J. BOYCHUK: Now when we talk about that, and as you mentioned, I mean, that pent-up demand has been discussed a number of times from Kevin and other folks. What is that pent-up demand that's out there? Is that 4%? Is that 5%? Is that 10%? I mean to put a number -- a different number of what that really can be out there. So if we see a dip in the economy, we expect to be able to start picking up some of that freight that we can't pick up today. And for us, we just need to have a -- stay with the forward-looking view on what's going to happen in not just next month or 2 months from now, but we want to look at 9 months from now, 10 months from now and really protect that T&E head count that we have. And if we get into any type of situation where we needed to do something different, there's natural attrition. Our natural attrition is 8% to 10% each year. And if we needed to pause classes, we're able to do that.” (Q3 2022 CSX Corp Earnings Call, 10/20/2022)

CSX said the “heavy attrition rate” gives the company a “natural way to control our costs.” “JAMIE J. BOYCHUK: So I mean, that is one example of costs that we can handle. And on our T&E side, it's important that we continue to build our T&E workforce where we need it to be. And if we get into a position where things get deeper or things look differently, that attrition, as you
mentioned, Chris, it is a heavy attrition rate, and we're able to use that as just a natural way to control our numbers. And by pausing classes, if we get to that, those numbers will take care of themselves. But we -- on the T&E side, and I'm going to keep emphasizing that, we -- it's a very important position like any other in the company, but it takes 4 to 6 months to make a train conductor. And if we get softening market and we come out of this, we are going to be prepared to handle all the traffic that comes back at us. And that's a commitment that we're making, and we're going to continue to follow through on that.” (Q3 2022 CSX Corp Earnings Call, 10/20/2022)

**CSX claimed it was trying to “possibly” provide schedules for workers**

**CSX told analysts the company was trying to “possibly” provide a schedule to workers to improve employee quality of life.** “JAMIE J. BOYCHUK: But as Joe mentioned, the relationships between our unions and as we continue to do things differently and improve those relationships, it's going to open up opportunity for us to retain employees like we haven't been able to before and provide possibly a schedule, and Jim has talked about this a number of times, provide a better schedule for our employees. So when they come to work, they come to work with a smile on their face. They come to work rested, they come to work being that facing -- the face that delivers cars to our customers to the docks and they have a positive attitude and they're wanting to grow this company. And believe me, our employees want us to grow. There is no question about it. They want us to give them the tools to grow and they want us to give them the opportunities to do that.” (Q3 2022 CSX Corp Earnings Call, 10/20/2022)

**UNION PACIFIC**

**Union Pacific reported record revenues thanks to higher prices and surcharges**

**Union Pacific reported operating income growth of 13% thanks to fuel surcharges and “strong core pricing gains.”** "LANCE M. FRITZ, CEO, CHAIRMAN, AND PRESIDENT, UNION PACIFIC CORPORATION: Our adjusted third quarter operating ratio of 58.2% is 190 basis points higher than 2021. Costs related to higher inflation and ongoing network inefficiencies were offset by fuel surcharge revenue, volume growth and strong core pricing gains to produce adjusted operating income growth of 13%. We made real progress during the quarter to increase network fluidity and better meet customer demand. And as you'll hear from the team, we're continuing to take steps in the fourth quarter to better meet that demand and drive costs from the network. While the year hasn't played out as originally planned, our volumes have outpaced our peers, demonstrating the growth mindset that we're instilling within our organization.” (Q3 2022 Union Pacific Corp Earnings Call, 10/20/2022)

**Union Pacific reported that revenue was up for most of its business thanks to “strong pricing gains” and fuel surcharges.** “KENYATTA G. ROCKER, EVP OF MARKETING & SALES - UNION PACIFIC RAILROAD COMPANY, UNION PACIFIC CORPORATION: Thank you, Lance, and good morning. Third quarter volume was up 3% compared to a year ago as carloads increased across
all 3 of our business segments. Although overall volume was up, we undoubtedly had less demand on the table as we continue to improve service across the network. Freight revenue was up 18% driven by higher fuel surcharges and strong pricing gains. Let's take a closer look at each of these business groups. Starting with bulk, revenue for the quarter was up 16% compared to last year, driven by a 14% increase in average revenue per car, reflecting higher fuel surcharges and solid core pricing gains. Volume was up 2% year-over-year. Coal and renewable carloads grew 5% year-over-year driven by continued favorable natural gas prices and 2 contract wins that started on January 1. Grain and grain products volume was up 3% with strong domestic feed grain and increased biofuel shipments for renewable diesel. ” (Q3 2022 Union Pacific Corp Earnings Call, 10/20/2022)

Union Pacific told analysts that “Operating revenue, operating income, net income and earnings per share were all quarterly records.” JENNIFER L. HAMANN, EVP AND CFO, UNION PACIFIC CORPORATION: Third quarter adjusted operating income totaled $2.7 billion, a 13% increase versus 2021. Other income increased $86 million driven by higher real estate income, including a $35 million gain on sale and pension benefit. Income tax expense increased 13% as a result of higher pretax income, partially offset by corporate income tax rate reductions in 3 of our operating states. As a result of those changes, we now expect our full year tax rate to be around 23%. Adjusted net income of $2 billion increased 18% versus 2021 and adjusted earnings per share was up 24% to $3.19. Operating revenue, operating income, net income and earnings per share were all quarterly records. (Q3 2022 Union Pacific Corp Earnings Call, 10/20/2022)

Union Pacific Executive: “we're going to cover inflation with price.” “KENYATTA G. ROCKER: Yes. I mean, we've said it, as a management team, we're going to cover inflation with price. But just to get a little granular here, our commercial leaders have done a really good job sitting now with customers, making adjustments to the rates real time, again, real-time discussions to reflect the inflationary environment that we're seeing to date. And so we're articulating the why behind the need for those adjustments with rates, especially in light of the capital that we're expending and then also the fact that sequentially our service is improving.” (Q3 2022 Union Pacific Corp Earnings Call, 10/20/2022)

Union Pacific used that revenue to funnel billions back to investors, while additional labor costs only grew $114 million.

Union Pacific funneled $7.9 billion to its shareholders through stock buy backs and dividends so far in 2022. “JENNIFER L. HAMANN, EVP AND CFO, UNION PACIFIC CORPORATION: Year-to-date, shareholders have received $7.9 billion through dividends and share repurchases. This level of cash returns demonstrates our firm commitment to rewarding shareholders with strong returns. Related to share repurchases, we now expect to buy back roughly $6.5 billion in 2022. Although we repurchased shares at a strong pace in the third quarter and expect that to continue for the remainder of the year, we have been impacted by higher-than-anticipated inflationary pressures and service costs.” (Q3 2022 Union Pacific Corp Earnings Call, 10/20/2022)

The cost of new labor agreements for Union Pacific was only $114 million. “JEFFREY ASHER KAUFFMAN, PRINCIPAL, VERTICAL RESEARCH PARTNERS, LLC: Jen, just a quick question. That
$114 million, does that represent an accrual on all outstanding labor contracts, including the ones not yet ratified? Or is that only for the agreements that have been ratified to this point? JENNIFER L. HAMANN: Yes. Thanks for that clarification. It is for all of the agreements, both ratified and tentative at this point because those are the deals that are literally on the table and that are waiting ratification. So that's what we know to be able to take the accrual for.” (Q3 2022 Union Pacific Corp Earnings Call, 10/20/2022)

Union Pacific admitted a huge portion of their employees were forced to work away from home for a week at a time

A Union Pacific executive admitted 40% of their BMWE unionized employees work away from home for 7 days at a time before getting to return. "LANCE M. FRITZ: A couple of things to note. We've got an agreed-upon status quo or maintained of status quo with BMWED while we're negotiating out what they take back to their membership, and one of the reasons, maybe we think the predominant reason for that original vote not to be ratified is that the PEB recommended both wages. And they also, for the BMWE, recommended a change in their compensation for travel to the work site because about 40%, sometimes more of that work team goes to away-from-home work sites, works for 7 days and then comes back. So a change in that travel allowance and a change in the per diem while they're away from home. That negotiation on UP property just finished up last week. And so as the members were ratifying the vote, there was a section of it that they really didn't have clarity to. We think that clarity makes that vote more straightforward. And so that's part of the negotiation that's happening. It is exactly what's going to be embedded in the agreement when it goes back out for ratification. Ultimately, I remain confident that we're going to get our temporary agreements ratified and be able to avoid a strike. That's still a possibility, but I don't think it's a probability.” (Q3 2022 Union Pacific Corp Earnings Call, 10/20/2022)
Hasbro told analysts that fans and collectors made it easier to raise prices

Hasbro’s CEO crowed about their MAGIC card game business: “we find the fans in the MAGIC segment and in our overall collector segment, they have a great personal balance sheet and a capacity to spend when they’re motivated and driving something that they really enjoy. “

“Chris Cocks -- Chief Executive Officer: Yes. So I’ll take that. And Cynthia, feel free to fill in anything that I might not cover. We're continuing to see the Wizards of the Coast business performing well, particularly the MAGIC business, which year to date is up 5%, whereas the general games category are down as low as much as negative 8%, depending on which source you look at. So MAGIC is a great fan base, very resilient. And we find the fans in the MAGIC segment and in our overall collector segment, they have a great personal balance sheet and a capacity to spend when they’re motivated and driving something that they really enjoy. And so that's kind of like underscoring the bullishness on our outlook on MAGIC moving forward. Our digital business has been a little softer year over year, in line with the rest of the Digital Gaming category. (Hasbro Q3 2022 Earnings Call Transcript, 10/18/2022)

Hasbro’s CEO suggested it was easier to raise prices on MAGIC fans and collectors: “we look at consumer segmentation. And so you have the mass consumer, and then you have the collector and the fan segment. Collector and the fans segment tends to be very price inelastic. It's a very resilient segment that's very passion-driven. “

“Chris Cocks -- Chief Executive Officer: Yes. Thanks for the question. No, I think it's a couple of things. So as we look at price, we look at a couple of different factors. First, we look at consumer segmentation. And so you have the mass consumer, and then you have the collector and the fan segment. Collector and the fans segment tends to be very price inelastic. It's a very resilient segment that's very passion-driven. And as long as you build a great product and a great play system and continue to invest behind it, we find our fans stick with us. And that's been a major driver of growth for us. Our two fastest-growing businesses this year are our Pulse business and MAGIC: THE GATHERING. And those are very high-margin businesses and very lucrative segments for us that we'll continue to lean in, in the years to come.”

Hasbro’s strategy for “mass consumers” was lower entry prices paired with “ladder up opportunities”

By contrast, Hasbro said their strategy for mass consumers was “ great opening price points” that “you pair that with ladder-up opportunities for great giftable items and great kind of stretch items.” “Chris Cocks -- Chief Executive Officer: On our mass side of the business, at our investor day, we talked about this concept of play systems and play system-based innovation. And really, that's a high-low strategy of product development, where you have great opening price points. And you pair that with ladder-up opportunities for great giftable items and great kind of stretch items for fans of all ages. And I think what you're going to see is us investing more and
more in both sides of those segments. And we think that will be on trend with where we see the market going.” (Hasbro Q3 2022 Earnings Call Transcript, 10/18/2022)

Hasbro credited their “strong brands” for easing price hikes: “we’re seeing pricing sticking”

Hasbro’s COO said that because the company benefitted from “strong brands” that “we're seeing pricing sticking and being able to be stronger through this environment.””“Eric Nyman -- President and Chief Operating Officer: Yes. I think if I could add to that, Fred, I think the other thing that you're seeing in the industry right now is that brands are a bit more resilient and private label is not. In fact, we've seen a lot of noise in the industry over the last, call it, quarter where retailers are closing out a lot of private label, shifting that private label to closeout shops around the country and around the world. So I think for us, we're clearly a branded house, and we have some very strong brands at Hasbro. And we're seeing pricing sticking and being able to be stronger through this environment. And as Chris mentioned, a lot of that is due to the consumer and the way that we segment our consumers.” (Hasbro Q3 2022 Earnings Call Transcript, 10/18/2022)

MATTEL

Mattel repeatedly told analysts the company was benefiting from price increases beyond the cost of inflation

Mattel’s CEO told analysts that the company was benefiting from “from pricing actions and cost savings, which more than offset significant cost inflation.” “YNON KREIZ, EXECUTIVE CHAIRMAN & CEO, MATTEL, INC.: Total company POS was essentially flat in the third quarter with growth in all international regions, offset by a decline in North America. Our 2022 price increases have been successfully implemented. While it is still early, we have not seen a meaningful impact on consumer demand. Adjusted EBITDA benefited from pricing actions and cost savings, which more than offset significant cost inflation. We are maintaining guidance for the full year 2022 Net Sales growth in Constant Currency of 8% to 10%, yet we do see a more challenging macroeconomic environment and increased volatility heading into the latter part of the year.” (Q3 2022 Mattel Inc Earnings Call, 10/25/2022)

Mattel’s CEO credited their profit margin increase “ as the benefit of pricing actions and cost savings more than offset cost inflation.” “ANTHONY P. DISILVESTRO, CFO, MATTEL, INC.: Thanks, Ynon, and good afternoon. As Ynon said, we achieved good results for the quarter, in the midst of a challenging macroeconomic environment. We generated Net Sales of $1.756 billion, flat to the prior year and up 3% excluding the negative impact of currency translation. Adjusted Gross Margin increased by 50 basis points as the benefit of pricing actions and cost savings more than offset cost inflation. Adjusted Operating Income was $398 million, declining 1% due primarily to an increase in advertising expense, mostly offset by the increased Adjusted Gross Margin percentage.” (Q3 2022 Mattel Inc Earnings Call, 10/25/2022)
**Mattel's CFO:** Adjusted Gross Margin increased 50 basis points to 48.3% as pricing and cost savings exceeded significant cost inflation. “ANTHONY P. DISILVESTRO, CFO, MATTEL, INC.: Quarter end retail inventory levels were up in both dollars and weeks of supply as we head into the holiday season. Inventory is of good quality, and we are working closely with our partners to meet the anticipated acceleration in POS. Adjusted Gross Margin increased 50 basis points to 48.3% as pricing and cost savings exceeded significant cost inflation. Here are the components of the increase in Gross Margin. On the positive side, pricing, primarily the benefit of our midyear actions, contributed 240 basis points. Savings from Optimizing For Growth added 140 basis points, and other factors added 30 basis points. These gains were partly offset by the impact of cost inflation, a negative 330 basis points; and royalties, negative 30 basis points, associated with the high growth of licensed properties.” (Q3 2022 Mattel Inc Earnings Call, 10/25/2022)

**PROCTOR & GAMBLE**

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)

SHERWIN WILLIAMS

Sherwin-Williams repeatedly told analysts it had boosted sales by hiking prices double digits

Sherwin Williams reported a record $6 billion in sales thanks to “double-digit” price increases.”JAMES R. JAYE, SVP OF IR & CORPORATE COMMUNICATIONS, THE SHERWIN-WILLIAMS COMPANY: Starting with the top line. Third quarter 2022 consolidated sales increased 17.5% to a record $6 billion. Pricing was in the low double-digit range. Consolidated gross margin increased to 42.8%. This was an improvement of 120 basis points year-over-year and 110 basis points sequentially, reflective of our pricing actions. Gross margin improved sequentially month-to-month in the quarter, with September increasing 650 basis points year-over-year. SG&A expense decreased to 25.3% of sales. Consolidated profit before tax increased $265.7 million or 43.5%.” (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)

Sherwin Williams told analysts it had increased prices from “high single digits” to “mid-teen” in its businesses.”JAMES R. JAYE, SVP OF IR & CORPORATE COMMUNICATIONS, THE SHERWIN-WILLIAMS COMPANY: Moving on to our operating segments. Sales in The Americas Group increased 21.4%, driven by double-digit volume growth across all architectural end markets and high single-digit price increases. Segment profit increased by $132.6 million and segment margin was 21.2%, which was about flat with last year and up 30 basis points sequentially. Sales in the Consumer Brands Group increased 8.5%, driven by a low double-digit price increase, which offset lower sales volumes primarily outside of North America. Continued tightness in alkyd resins impacted North America stain and aerosol sales. Adjusted segment margin was 16.2%, up 150 basis points year-over-year and 500 basis points sequentially. Sales in the Performance Coatings Group increased 13.7% and were driven by mid-teen price increases, partially offset by a less than 1% decrease in volume. Mid-single-digit sales from acquisitions were offset by a mid-single-digit unfavorable FX impact. Adjusted segment margin increased 590 basis points to 16.4% of sales due primarily to higher selling price increases. (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)

Sherwin William’s CEO: “Mid-teens volume growth and high single-digit pricing drove sales, which were up by a strong double-digit percentage in every end market we serve.” “JOHN G. MORIKIS, CHAIRMAN & CEO, THE SHERWIN-WILLIAMS COMPANY: Thank you, Jim, and good morning, everyone. As we've indicated since the start of the year, we expected 2022 would be a year of two contrasting halves, and that's exactly what we're seeing play out. We delivered strong
results in the third quarter, and I want to thank our entire leadership team and all 61,000 employees for their focus, their determination and drive in what remains a challenging operating environment. We continue to have great confidence in our strategy. Before moving on to our outlook, let me provide some additional color on our third quarter. In The Americas Group segment, we delivered record sales and PBT. Mid-teens volume growth and high single-digit pricing drove sales, which were up by a strong double-digit percentage in every end market we serve. The sales growth was led by DIY, which was compared to an extremely soft quarter a year ago, where we prioritized our Pro customers given limited product availability. (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)

Sherwin Williams’ CEO: “Sales in North America increased by a double-digit percentage, driven largely by price.”

JOHN G. MORIKIS, CHAIRMAN & CEO, THE SHERWIN-WILLIAMS COMPANY: Our Consumer Brands Group had a much improved quarter led by sales that exceeded our guidance. Sales in North America increased by a double-digit percentage, driven largely by price. DIY paint demand remained sluggish as inflation continued to pressure consumers, while continued tightness in alkyd resins impacted our ability to produce stains and aerosols. On a positive note, the Pros Who Paint segment again grew by a strong double-digit percentage. Sales in China were down by a double-digit percentage due mainly to the COVID-related lockdowns. Europe was also down double digits due to the slowing macroeconomic environment. Segment margin improved significantly, primarily due to selling price increases and good cost control, partially offset by lower sales volume, increased raw material costs and higher supply chain costs. (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)

Sherwin-Williams hiked prices even while admitting their raw costs were actually decreasing

Despite raising prices to grow their profit margins, Sherwin Williams told analysts “we were encouraged by a modest sequential decrease in raw material costs.”

JAMES R. JAYE, SVP OF IR & CORPORATE COMMUNICATIONS, THE SHERWIN-WILLIAMS COMPANY: Thank you, and good morning to everyone. Sherwin-Williams had an excellent performance in the third quarter, including high teens sales growth resulting in the first $6 billion sales quarter in company history, significant sequential and year-over-year gross margin improvement, record adjusted diluted earnings per share and strong cash flow. Demand remains strong in pro-architectural and North American industrial end markets in contrast to continuing softness in Europe and China. While year-over-year cost inflation remained very significant in the quarter, we were encouraged by a modest sequential decrease in raw material costs. The industry supply chain also continued to stabilize though conditions remain tight with some previously noted specialty resins in particular remaining in limited supply. Throughout the quarter, our team continued to focus on growth initiatives, product innovation, customer solutions, pricing actions, cost control, supply chain improvements and business optimization activities while also taking actions and planning for a wide range of scenarios that could unfold next year.” (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)
Sherwin Williams CEO: “We expect to see further sequential decline of raw material costs in the fourth quarter...We expect the trajectory of raw material costs to continue trending favorably as we exit the year.”

JOHN G. MORIKIS, CHAIRMAN & CEO, THE SHERWIN-WILLIAMS COMPANY: On the cost side of the equation, our full year raw material inflation guidance remains in the high teens. We expect to see further sequential decline of raw material costs in the fourth quarter, though they will remain elevated year-over-year. We expect the trajectory of raw material costs to continue trending favorably as we exit the year, although the pace and level of potential relief next year is difficult to project. Additionally, along with the highest inflation rate we’ve seen in 40 years, we’re also experiencing significant higher costs and other elements of our cost basket, including labor, transportation and fuel and other costs. We will continue to monitor these costs, fight hard to offset them and respond with additional pricing, if necessary.” (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)

Sherwin-Williams admitted told analysts it plained to grow profit margins through price hikes

Sherwin Williams CEO: “We will continue implementing appropriate pricing actions across the company to offset persistently higher input costs with a focus on regaining our gross margins.”

JOHN G. MORIKIS, CHAIRMAN & CEO, THE SHERWIN-WILLIAMS COMPANY: We will continue implementing appropriate pricing actions across the company to offset persistently higher input costs with a focus on regaining our gross margins back to our long-term target range of 45% to 48%. We will continue investing in acquisitions that can accelerate our long-term strategy and top line growth and expand our operating margins, including our most recent announcement of European wood coatings leader, ICA Group. We will maintain our disciplined capital allocation philosophy. We will not hold cash while investing appropriately in CapEx, paying a dividend, targeting acquisitions that accelerate our strategy and absent M&A, buying back our stock.” (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)

Sherwin Williams CFO: “that price increase is going even a little better than what we had seen in the past.”

ALLEN J. MISTYSYN, SENIOR VP OF FINANCE & CFO, THE SHERWIN-WILLIAMS COMPANY: I would tell you, that price increase is going even a little better than what we had seen in the past, the fourth quarter sequential moderation of raw material costs and an easier comp. So you’re going to see bigger year-over-year improvement in our operating margin in the fourth quarter. And you’re going to see that SG&A growth into the first half of next year, and we’ll give you more color on that in January.” (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)

Sherwin-Williams CEO defended their price hikes by saying “ Every day, we earn the value that our customers are willing to pay us for our products and services”

JOHN G. MORIKIS, CEO: Well, it's really simple. It's not a 30-minute discussion. We don't win or lose our price increase on how well we talk to them about the price increase in a pricing meeting. It's everything that I just talked about. Every day, we earn the value that our customers are willing to pay us for our products and services. And so the fact that we're out there, helping them to be more successful, more profitable, when our costs go up, they understand that we're doing everything we can. Every customer that does business with Sherwin-Williams should know, we're doing everything
we can to drive our costs down in both raw material and every other item in that basket. But when we're with them in a meeting to talk about pricing, it's because we need it. We've done everything to offset it, but what's most important is, we're helping them to be successful and we're partnering with them in their business. And so yes, we're more effective now because we're helping our customers to win. (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)

Sherwin-Williams CFO told an analyst their margins would growth primarily based on “double-digit pricing.” GREGORY SCOTT MELICH: That's great. And then my last is really a follow-up on gross margin. Could you help us -- if gross margins end up being, I guess, they were up 110, 120 this quarter, and let's say they're up 300 or more in the fourth quarter, is that going to be more from price versus raws or more just from volume increases? I think last year, you called out that was hundreds of bps of help. Can you just help us on that? ALLEN J. MISTYSYN, CFO: Yes, I think it's going to be the strong volume through TAG of double-digit pricing and then the raw moderation in that order.” (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)

Sherwin-Williams used the price hikes to fund $200 million in dividends and stock buybacks

Sherwin Williams spent $203 million on dividends and stock buybacks in the third quarter. “JOHN G. MORIKIS, CHAIRMAN & CEO, THE SHERWIN-WILLIAMS COMPANY: Before moving to our outlook, let me speak to capital allocation in the quarter. We returned approximately $203 million to our shareholders in the quarter in the form of dividends and share buybacks. We invested $48 million to purchase 200,000 shares at an average price of $237.81 per share. We distributed $155.8 million in dividends. We also invested $175 million in our business through capital expenditures, including $125 million in core CapEx and $50 million for our Building Our Future project. We closed 3 acquisitions in the third quarter for approximately $440 million. We ended the quarter with a net debt-to-EBITDA ratio of 3.1x as we increased short-term borrowings to fund our recent acquisitions. We’ll drive the ratio to our long-term target of 2 to 2.5x range in 2023. We will use cash in the fourth quarter of 2022 to manage debt and share buybacks will be done to offset option dilution.” (Q3 2022 SherwinWilliams Co Earnings Call, 10/25/2022)