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**AIRCRAFT**

**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 fares*

**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)

**VISA**

*Visa reported massive increases in processed transactions, on which they recently raised fees*

Visa’s CEO told analysts their quarterly revenue had increased 19%. “Al Kelly -- Chairman and Chief Executive Officer: All of this helped to drive fiscal full year net revenues up 22% year over year and non-GAAP EPS of $7.50, up 27%. Now, let me transition to our fourth quarter performance and key highlights and then make a few comments about 2023. Fourth quarter net revenues grew 19% year over year, and non-GAAP EPS was $1.93, up 19%. Total Q4 payments volume was up 10% year over year, or 135%, versus three years ago, down 1 point from Q3.” (Visa Q4 2022 Earnings Call Transcript, 10/25/2022)

Visa reported that their processed transactions had increased 12% year over year, and 140% from 2019.” “Al Kelly -- Chairman and Chief Executive Officer: Processed transactions were up 12% year over year or 140% versus 2019, and we processed 553 million transactions a day during the quarter. Now, I'll provide an update on the drivers that propel this growth in consumer payments, new flows, and value-added services. Our consumer payment strategy has three components to it: growing credentials, increasing acceptance, and deepening engagement. Total consumer payments revenue for the fourth quarter and the year were both up more than 20% in constant dollars.” (Visa Q4 2022 Earnings Call Transcript, 10/25/2022)
Visa spent nearly $15 billion on stock buybacks and dividends over the past fiscal year. “Vasant Prabhu -- Vice Chairman and Chief Financial Officer: Our three growth engines, consumer payments, new flows, and value-added services, all grew revenues in excess of 20% in constant dollars. In fiscal year '22, we bought back $11.6 billion of stock at an average price of $205.97. Contributions to the litigation escrow account, which have the same effect as a stock buyback, added another $850 million. We also paid out $3.2 billion in dividends. At the end of September, we had $5.1 billion remaining in our buyback authorization. In October, our board authorized a new $12 billion stock buyback program and increased our dividend by 20%. Now on to the details. In the U.S., credit grew 17% year over year to 36% over 2019, helped by travel and entertainment spending.” (Visa Q4 2022 Earnings Call Transcript, 10/25/2022)
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)

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 LAGUARTA, 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 Third Quarter 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 growth 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)
HEALTHCARE
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)
RAILROADS
RAILROADS

CSX

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

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)

PROCTER & GAMBLE

Procter & Gamble executives repeatedly credited price hikes for driving sales growth

Procter & Gamble CFO credited hiking prices for higher sales: “Organic sales grew 7%, pricing added nine points to sales growth and mix was up one point.” “Andre Schulten — Chief Financial Officer: Moving to the first quarter numbers. Organic sales grew 7%, pricing added nine points to sales growth and mix was up one point. Volume declined three points, primarily due to lower shipments in Russia. Growth was broad-based across business units with each of our 10 product categories organic sales.” (Procter & Gamble Q1 2023 Earnings Call, 10/20/2022)

P&G’s CFO: “the strategy of irresistible superiority works even in an inflationary environment, where we need to take pricing.” “Andre Schulten — Chief Financial Officer: Good Morning, Lauren. Yeah, as you stated in your question, we’re seeing global value share and value share in the U.S. holding, which is a great signal to our strategies working of providing value to consumers via innovation, as we price contribution of 9% on the quarter, with volume being down 3%, but the majority of that volume, so more than two points actually driven by Russia. Also is a good indication that the strategy of irresistible superiority works even in an inflationary environment, where we need to take pricing.” (Procter & Gamble Q1 2023 Earnings Call, 10/20/2022)

P&G’s CFO: “, we feel very encouraged by the fact that we were able to realize 9% of pricing in organic sales growth and effectively only see about a point of reduction in volume, which speaks to favorable elasticities.” “Andre Schulten — Chief Financial Officer: In terms of volume elasticity in my earlier remarks, as I said, we feel very encouraged by the fact that we were able to realize 9% of pricing in organic sales growth and effectively only see about a point of reduction
in volume, which speaks to favorable elasticities, speaks to our superiority strategy working and providing consumers value with innovation even as we take pricing. As we always do, we assume that these elasticities return to historical levels over time. But certainly, the first quarter is a good indication. It gives us confidence that the approach we’ve taken around the world in terms of combining pricing with innovation and productivity in order to offset the cost is the right approach.” (Procter & Gamble Q1 2023 Earnings Call, 10/20/2022)

P&G’s CFO: “We took pricing on all our categories in the last fiscal year covering about 80% of sales. We’re now in the second round covering about 85% of sales and that’s what we see flowing through in the first quarter.” “Andre Schulten — Chief Financial Officer: Yeah. Good morning, Brian. I can’t speculate or give you an answer on future pricing. We adjust in the execution of the second pricing round for many of our brands. We took pricing on all our categories in the last fiscal year covering about 80% of sales. We’re now in the second round covering about 85% of sales and that’s what we see flowing through in the first quarter. Many of these price increases in the second round are being executed in September and October. For the future, we will continue to observe where our cost headwinds go, where foreign exchange rate goes. It’s a very dynamic environment. We will continue to carefully balance innovation, pricing and productivity.” (Procter & Gamble Q1 2023 Earnings Call, 10/20/2022)

P&G told analysts “We continue to believe that the majority of that growth will be price driven with a negative volume component, as you would expect given the inflationary pressure.” “Andre Schulten — Chief Financial Officer: Yeah. Kevin, we expect a slowdown from the growth rate we’ve seen over the past years, which was 5% to a more modest 3% to 4%. That is still the case. We continue to believe that the majority of that growth will be price driven with a negative volume component, as you would expect given the inflationary pressure. We don’t have more detail by region at this point in time, and it’s really not a constructive forecast exercise to try to bring this down into a lower level of detail. So 3% to 4%, still underlying our forecast. We want to grow slightly ahead of that, which is reflected in our guidance range.” (Procter & Gamble Q1 2023 Earnings Call, 10/20/2022)

P&G’s CFO: “We continue to see strong contribution from pricing, obviously, and the combination of us taking pricing, but driving innovation is priority at the same time, allows us to drive strong organic sales growth.” “Andre Schulten — Chief Financial Officer: Yeah. And to start with the U.S., we see strong growth in non-covered markets. That’s explaining the overall stronger growth. So just looking at the covered market here is maybe not reflecting the full reality that we’ve seen in the first quarter. So broader growth in the U.S. higher than what we’ve seen in just the covered markets. On the enterprise market side, same dynamic as in the rest of the world. We continue to see strong contribution from pricing, obviously, and the combination of us taking pricing, but driving innovation is priority at the same time, allows us to drive strong organic sales growth.” (Procter & Gamble Q1 2023 Earnings Call, 10/20/2022)

Procter & Gamble detailed their price hikes by product type in their investor presentation. (Procter & Gamble Q1 2023 Earnings Call Presentation)
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-teens 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 planned 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 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 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)

**WALGREENS**

Walgreens told analysts their retail business was boosted by price hikes

**Walgreens credited growth in their retail profit margins to “strategic pricing and promotion optimization and stabilizing shrink levels.”** “JAMES KEHOE, EXECUTIVE VP & GLOBAL CFO, WALGREENS BOOTS ALLIANCE, INC.: Turning next to our U.S. Retail business. Overall, we saw good retail performance as we continue to benefit from our omnichannel and mass personalization initiatives. Comp retail sales decreased 1.9%, and this was largely due to lapping a very strong prior year quarter when sales advanced 6.2%. Overall, our retail business has good underlying momentum with 13% growth on a 3-year stack basis. On a full year basis, comp retail sales were up a strong 6%, the highest in nearly 2 decades with positive contributions from personal care, beauty and cough, cold, flu as well as COVID-19 OTC tests, which contributed about 3 percentage points of growth. Retail gross margin expanded throughout the year, reflecting the effective margin management, including strategic pricing and promotion optimization and stabilizing shrink levels.” (Q4 2022 Walgreens Boots Alliance Inc Earnings Call, 10/13/2022)

**A Walgreens executive noted “ When gas prices are high, people don't travel as much to a Walmart, they go to a Walgreens” as a reason why the company was focused on building private label brands.** “JAMES KEHOE EXECUTIVE VP & GLOBAL CFO, WALGREENS BOOTS ALLIANCE, INC.: On the flip side, there could be a deeper recession. Well, we think our business is differentiated against mainstream retailers. I'm talking front of store for a minute -- that we're
not in the same high ticket categories where we have smaller baskets. When gas prices are high, people don't travel as much to a Walmart, they go to a Walgreens, right? So we have -- and we have an intense focus on building a much, much bigger owned label business. And we intend to -- we don't say we're insulated but we're far more insulated than some of the other peers out there.” (Q4 2022 Walgreens Boots Alliance Inc Earnings Call, 10/13/2022)