

October 14, 2025



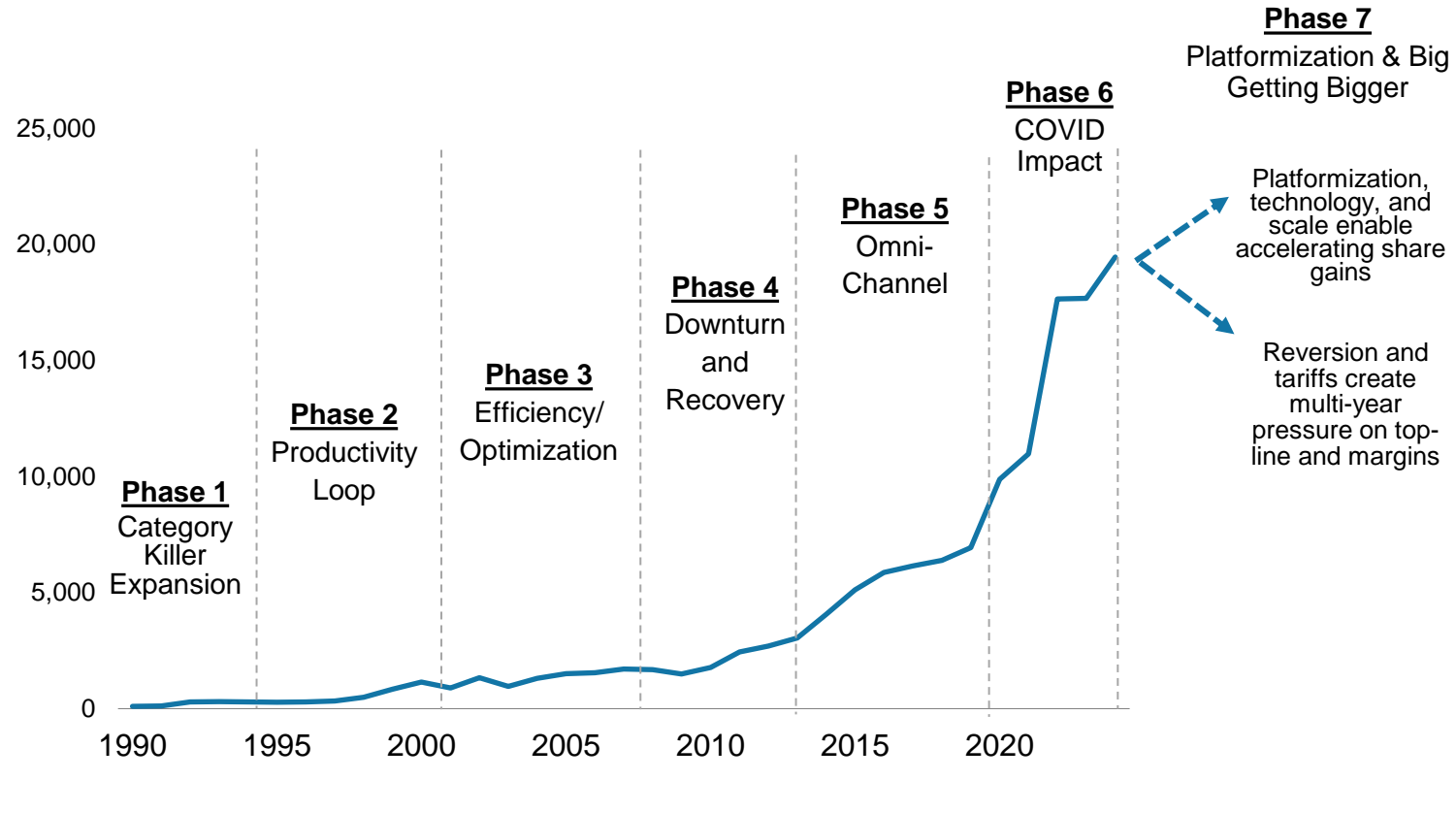
## 2025 NABE Annual Meeting

**Simeon Gutman, CFA – US Hardlines, Broadlines, Food Retail Analyst, +1 212-761-3920**

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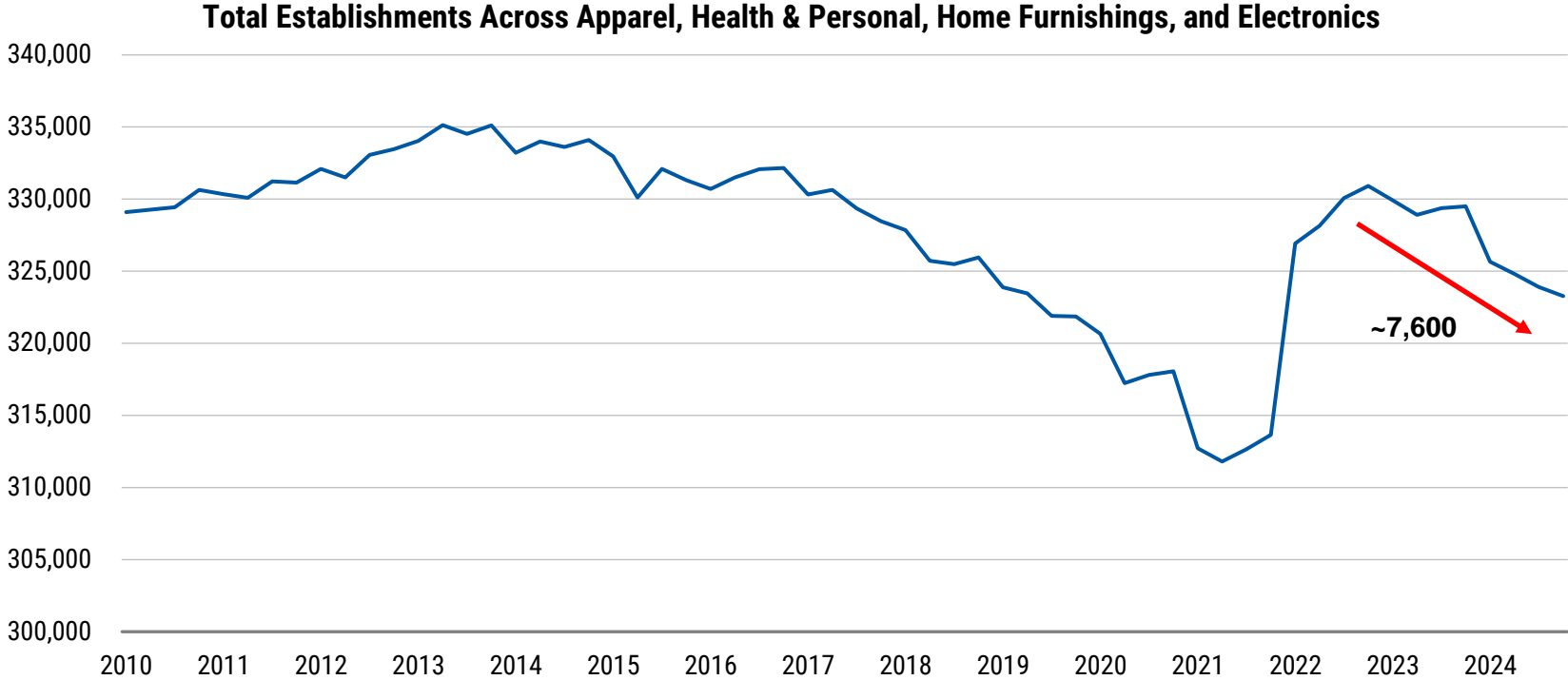
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**A retail odyssey: Sector at a crossroads**



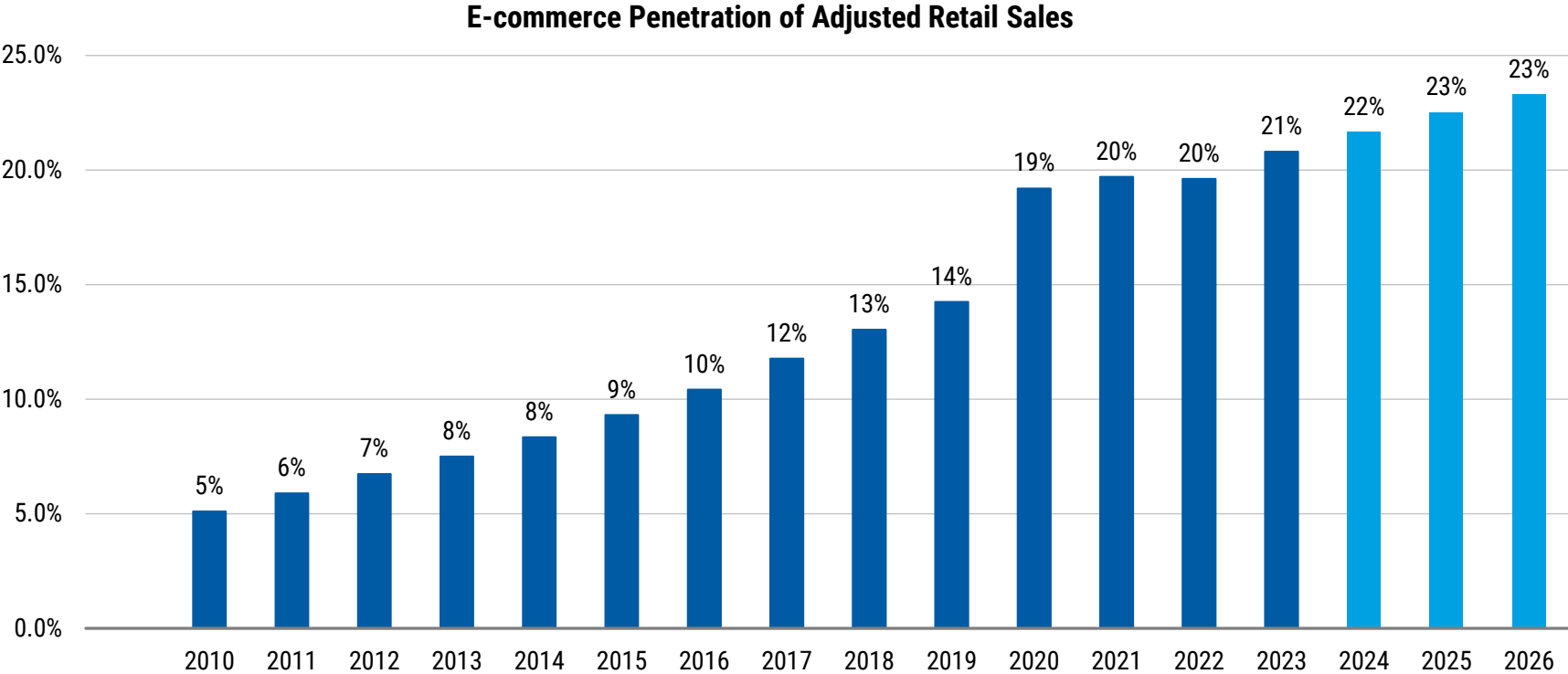
Source: FactSet, Morgan Stanley Research. Note: This chart includes a sample index of stocks including WMT, TGT, COST, ORLY, AZO, HD, and BBY with average stock prices indexed to 1990.

**Retail stores across many categories are in decline, with ~7,600 / 2.5% fewer vs. 2022 peak**



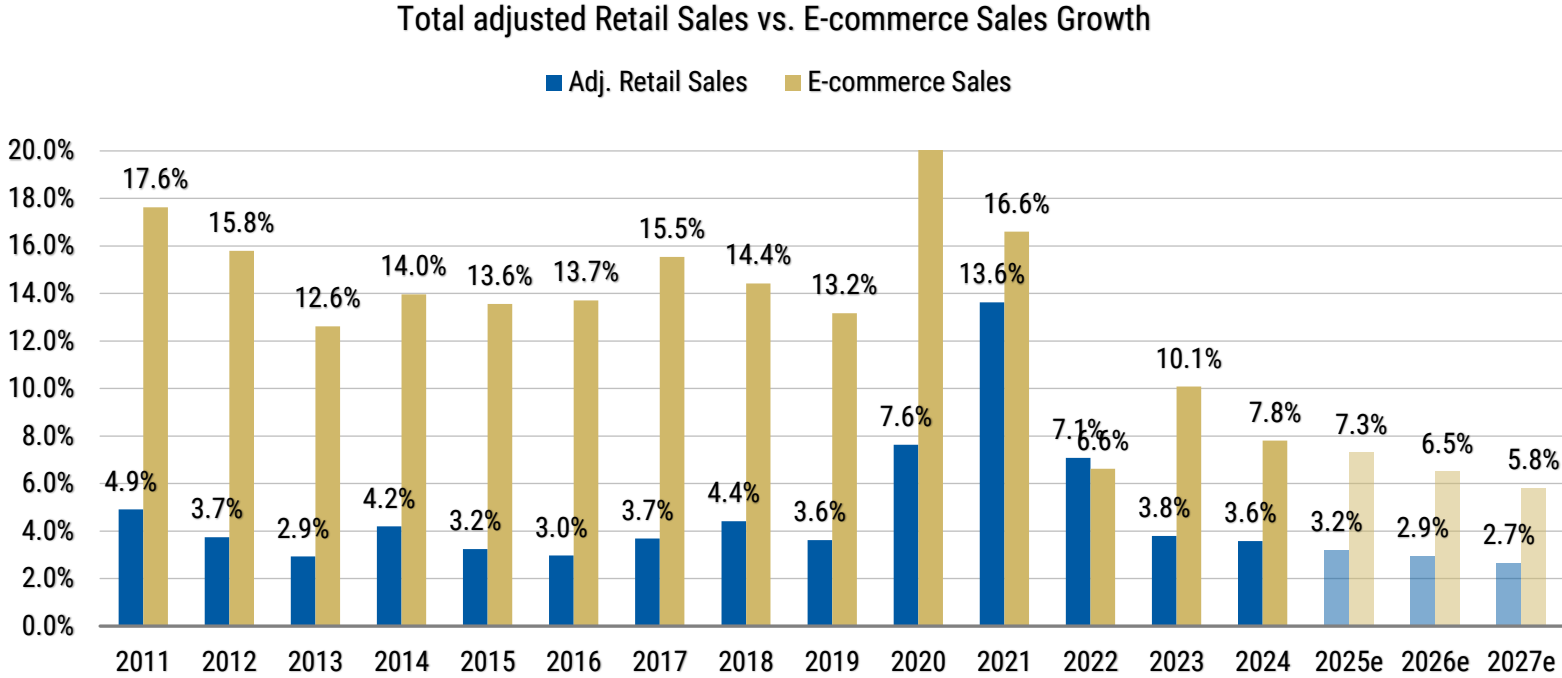
Source: BLS, Morgan Stanley Research.

Still living in a physical world



Source: Census, Morgan Stanley Research. Adjusted Retail Sales excludes Motor Vehicle & Parts, Gasoline Stations, and Food Services & Drinking Places.

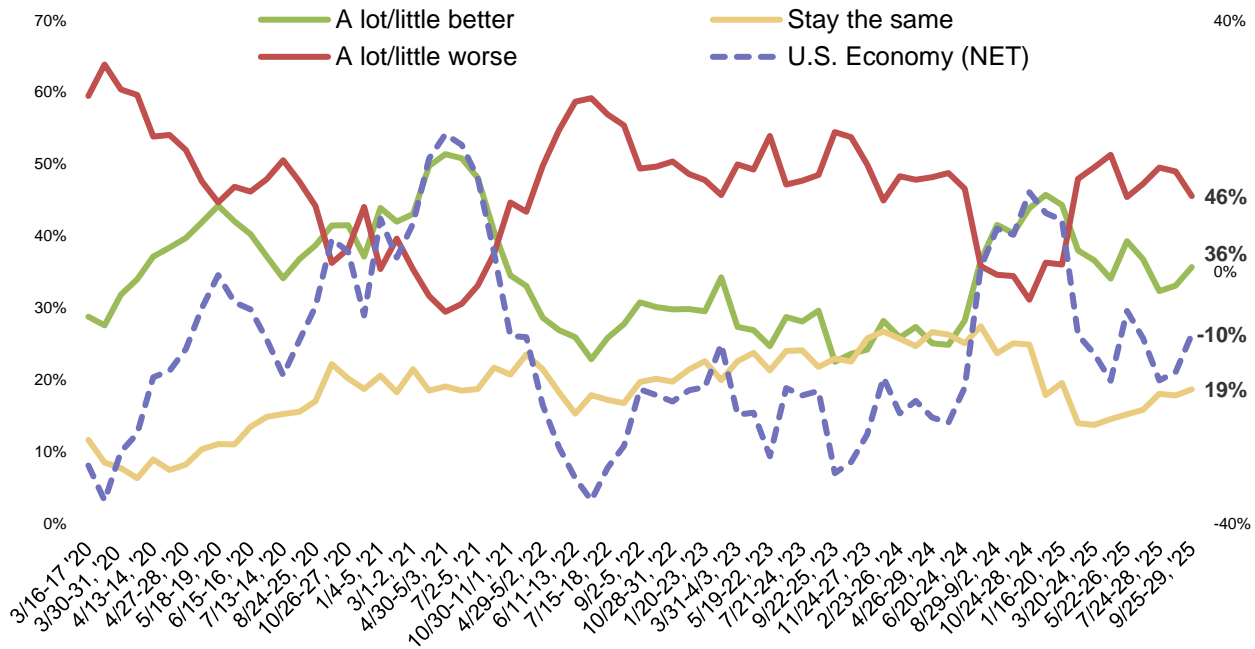
### E-commerce sales grow ~3x those of total Retail Sales



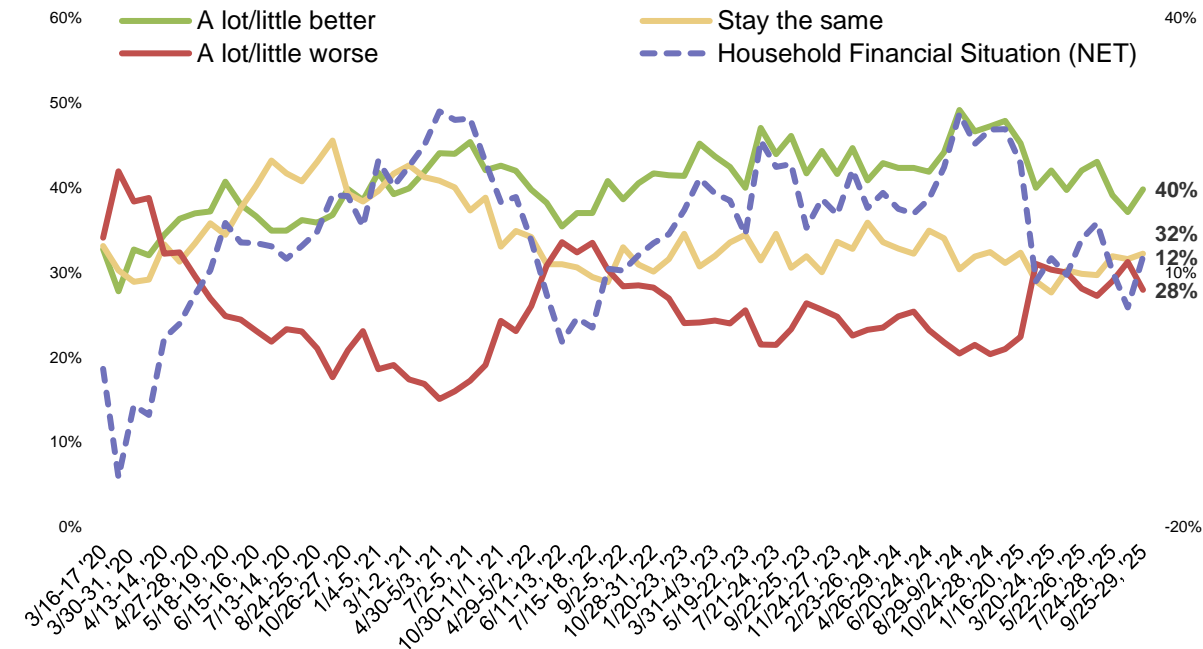
Source: Company data, Morgan Stanley Research. Note: Excludes RH, WOOF, LESL, ORLY, AAP, companies with <1% e-comm penetration (DG, DLTR, GO, OLLI, FIVE), services businesses (VVV, DRVN, MCW, EWCZ), and 100% e-comm businesses (W).

## Consumer sentiment toward the economy and household finances has weakened in 2025

### U.S. Economy Next 6 Months (Among Total)



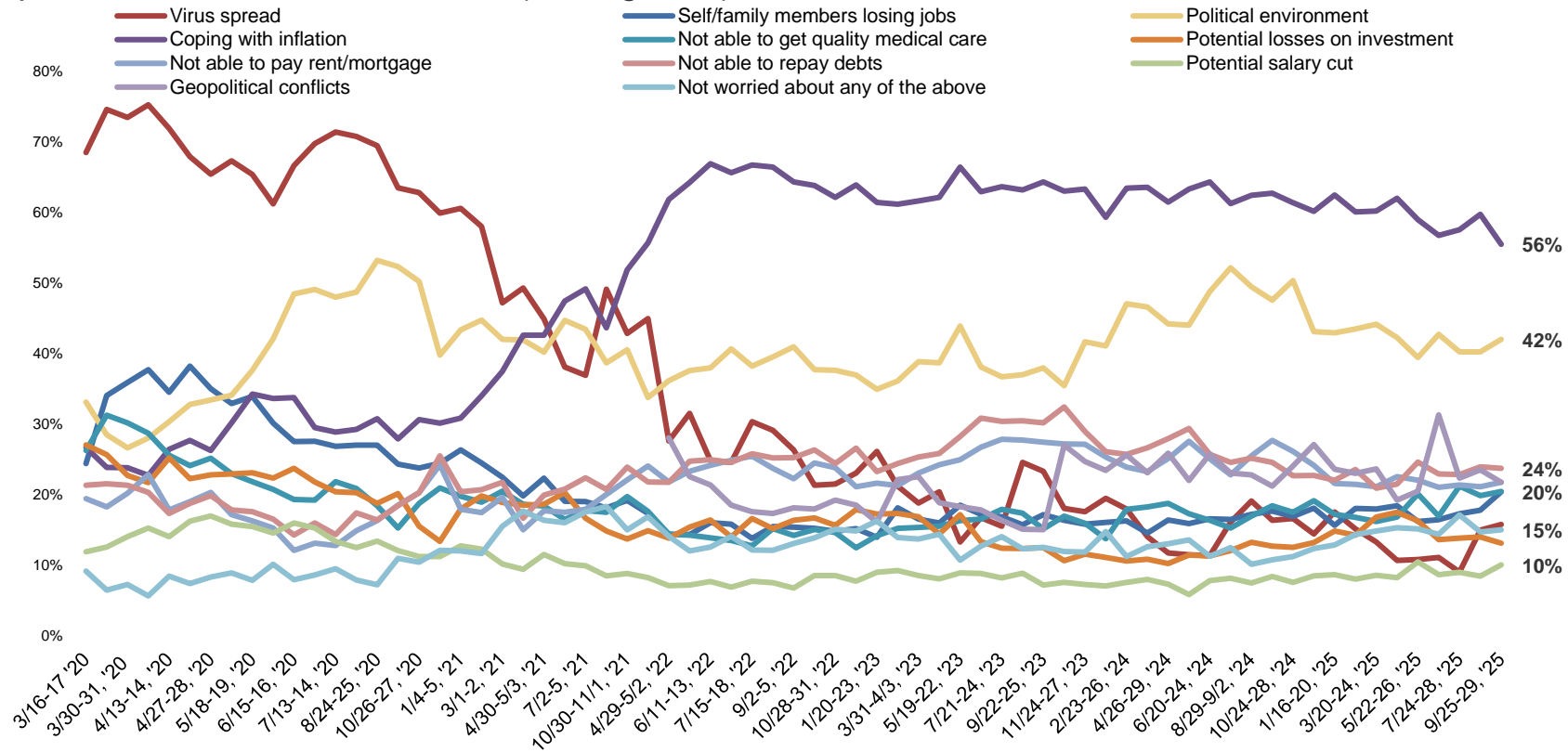
### Household Financial Situation Next 6 Months (Among Total)



Source: AlphaWise, Morgan Stanley Research. Note: This survey consists of ~2,000 consumers in the U.S.

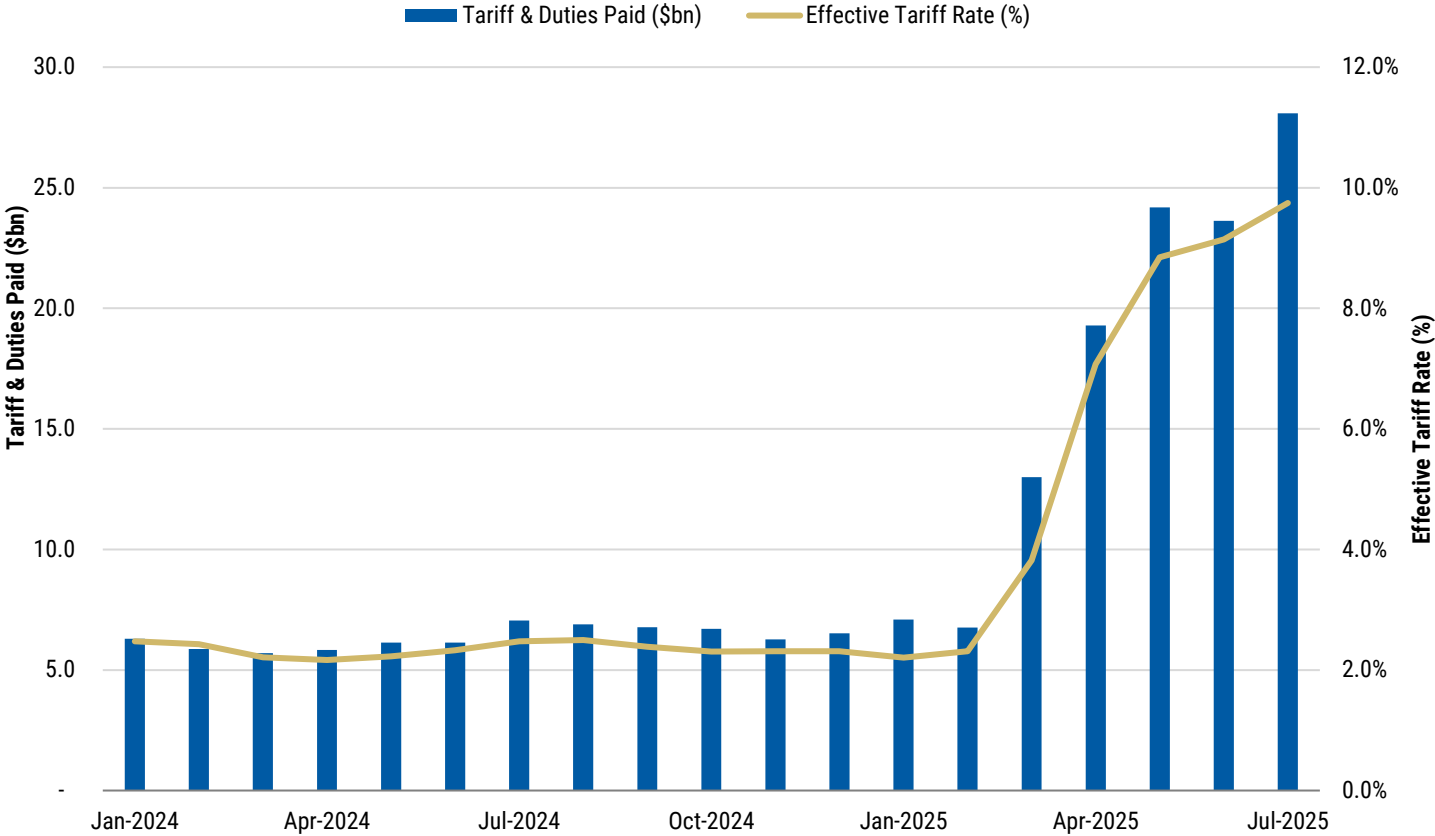
## Inflation remains the top concern among consumers (~56%)

Top Concerns for the Current Year (Among Total)



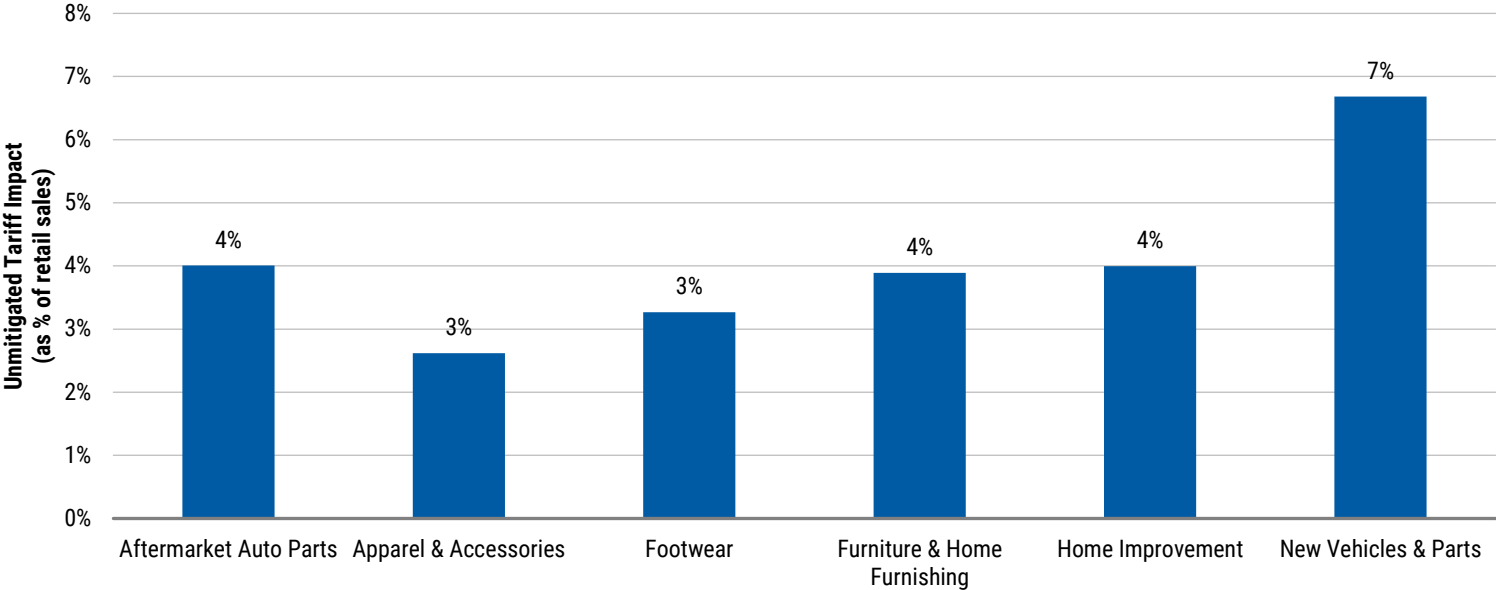
Source: AlphaWise, Morgan Stanley Research. Note: This survey consists of ~2,000 consumers in the U.S.

### Tariff revenues have increased from ~\$6b in February to ~\$28b in July '25



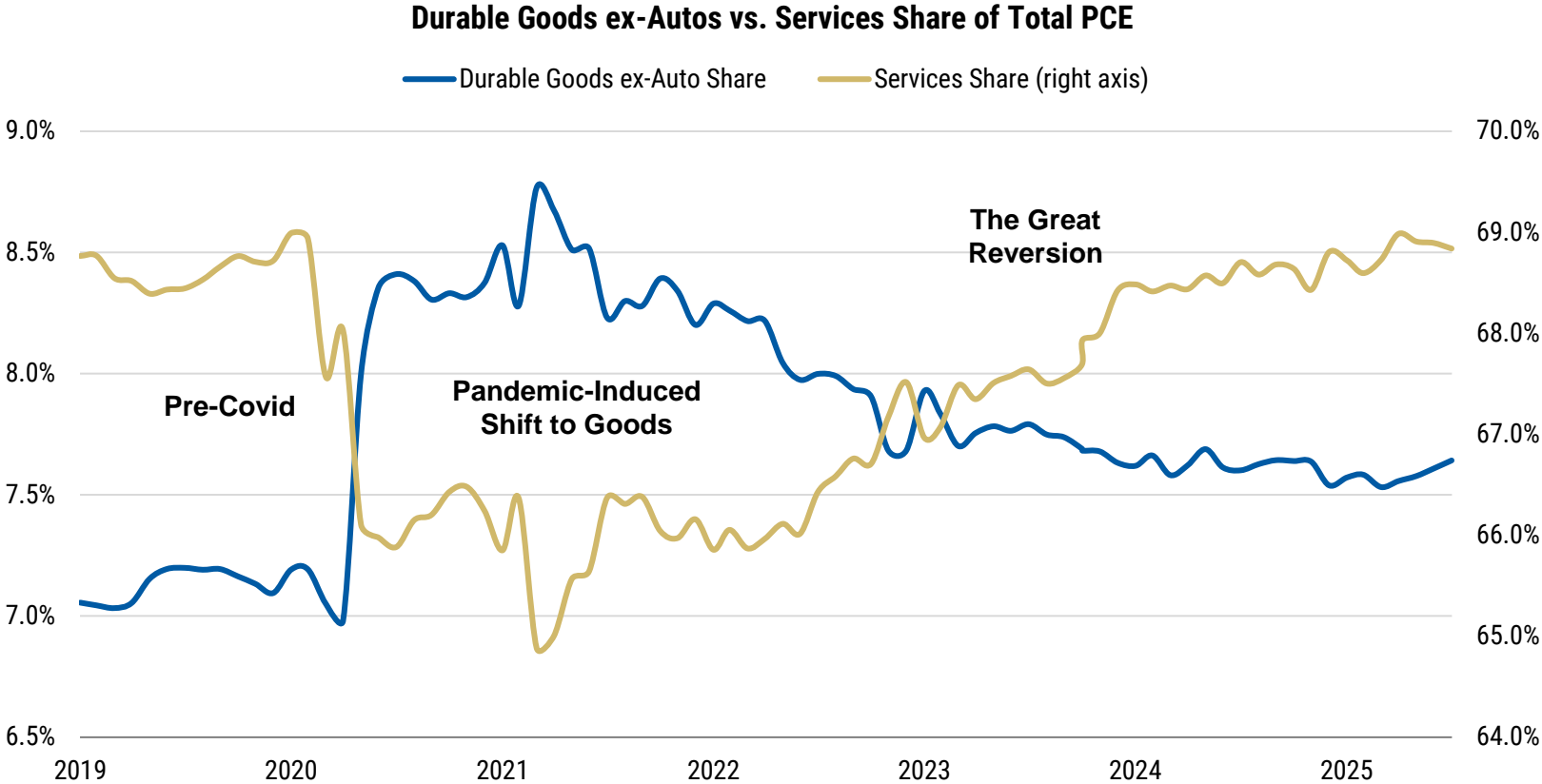
Source: U.S. Department of Commerce, BLS, Morgan Stanley Research

### Unmitigated tariff impacts is highest for New Vehicles & Parts and lowest for Apparel & Accessories



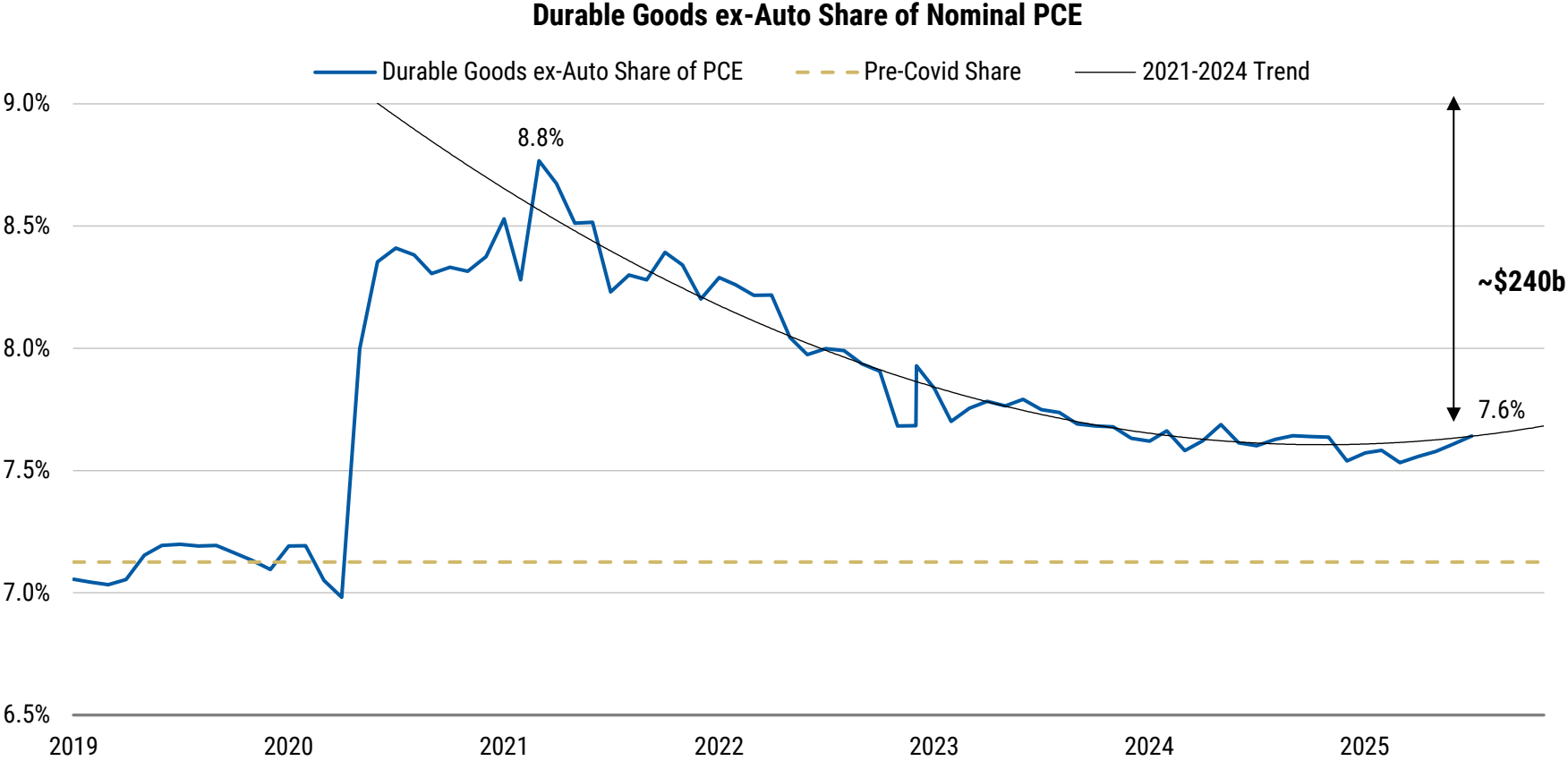
Source: U.S. Department of Commerce, BEA, Company Data, ACA Factbook, Morgan Stanley Research

The Great Reversion has lasted ~3 years following a Covid-induced shift to Goods vs. Services...



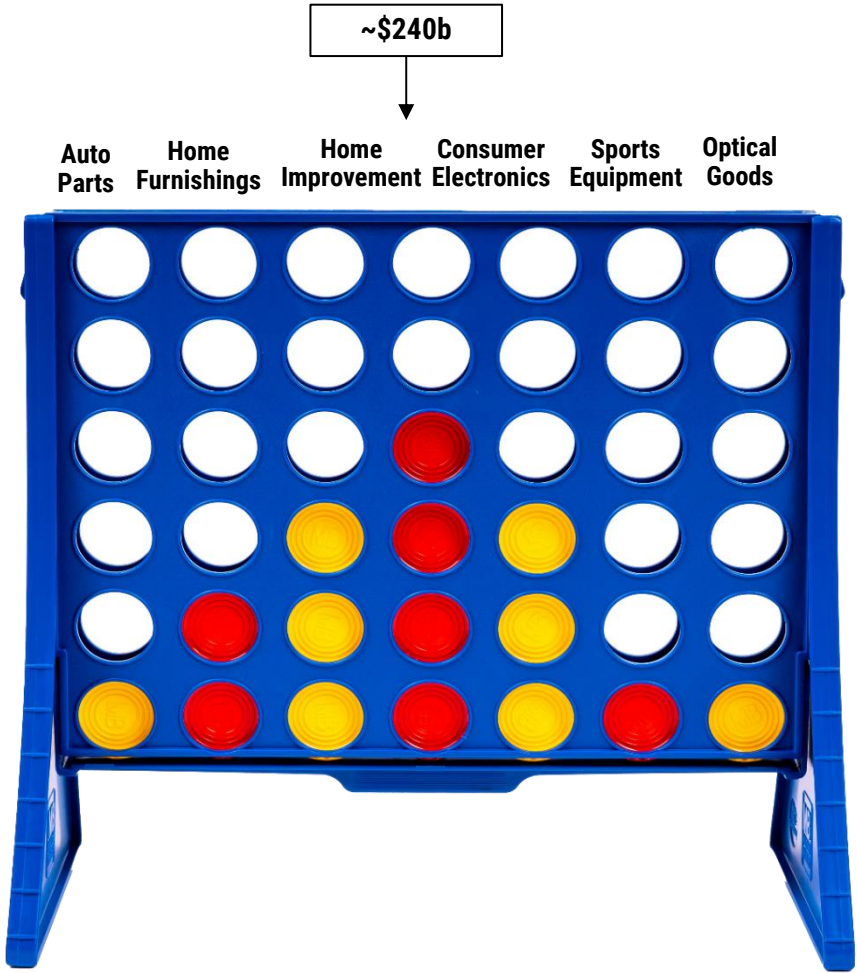
Source: Bureau of Economic Analysis, Morgan Stanley Research

...and is likely coming to an end in '25.



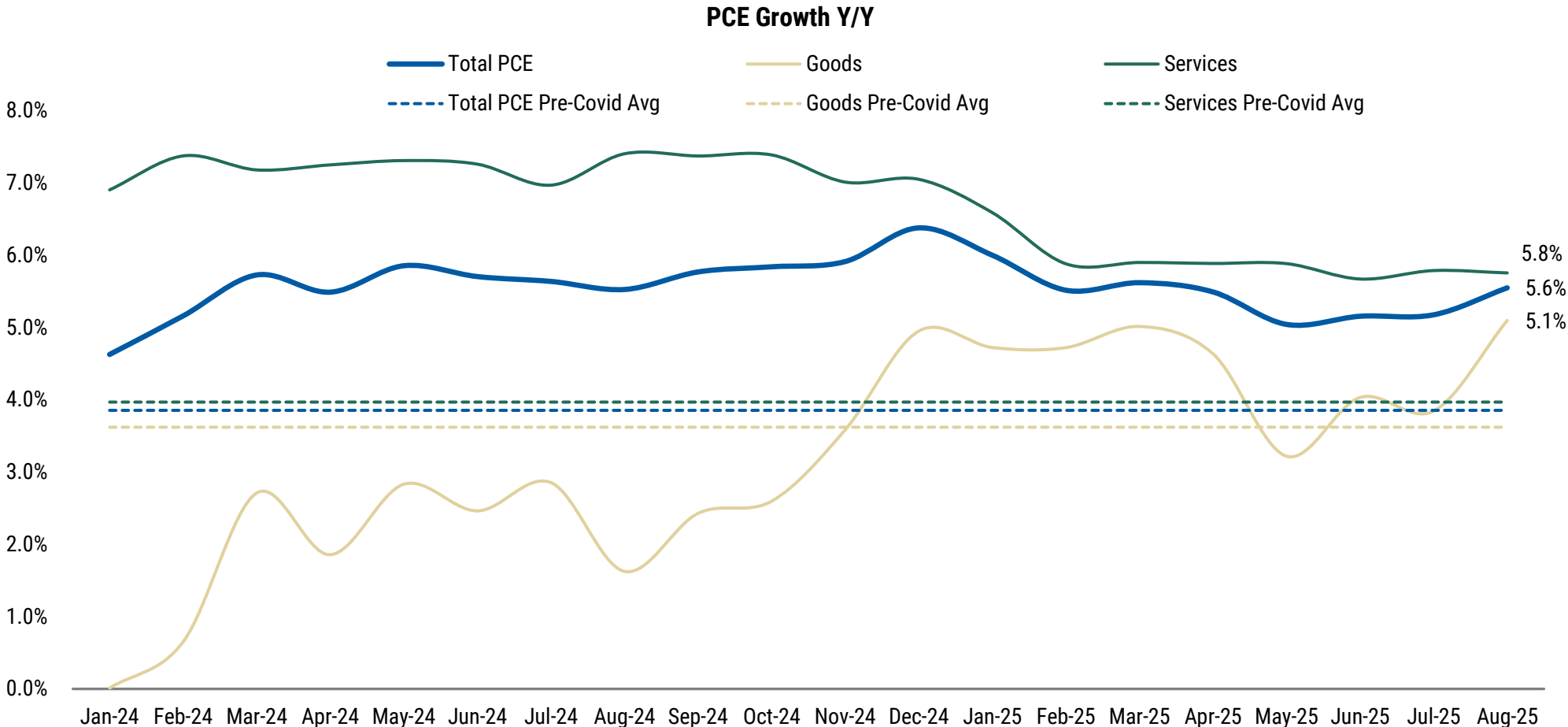
Source: Bureau of Economic Analysis, Morgan Stanley Research

# The Pieces Are Falling Into Place



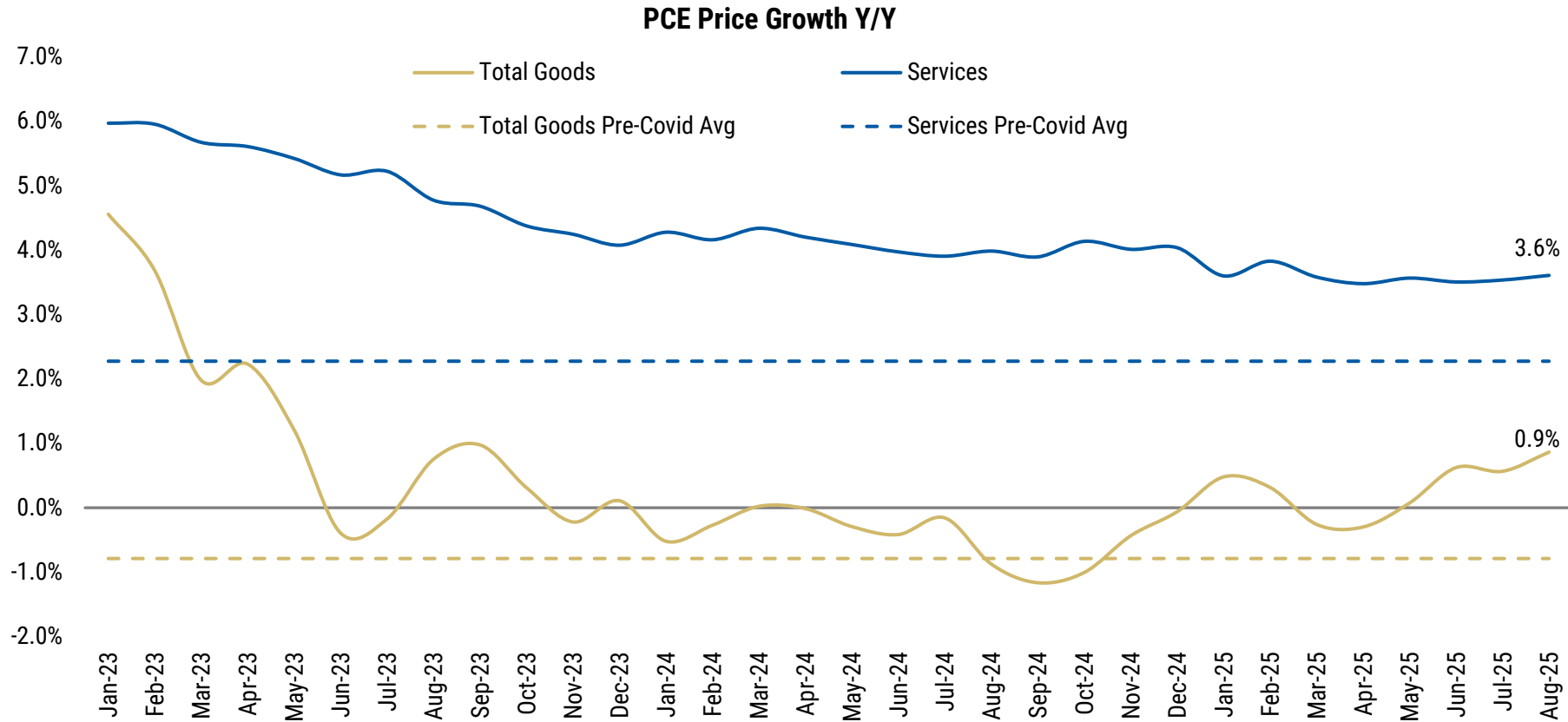
Source: Bureau of Economic Analysis, Morgan Stanley Research

### Total PCE is trending higher driven by strength in Goods PCE



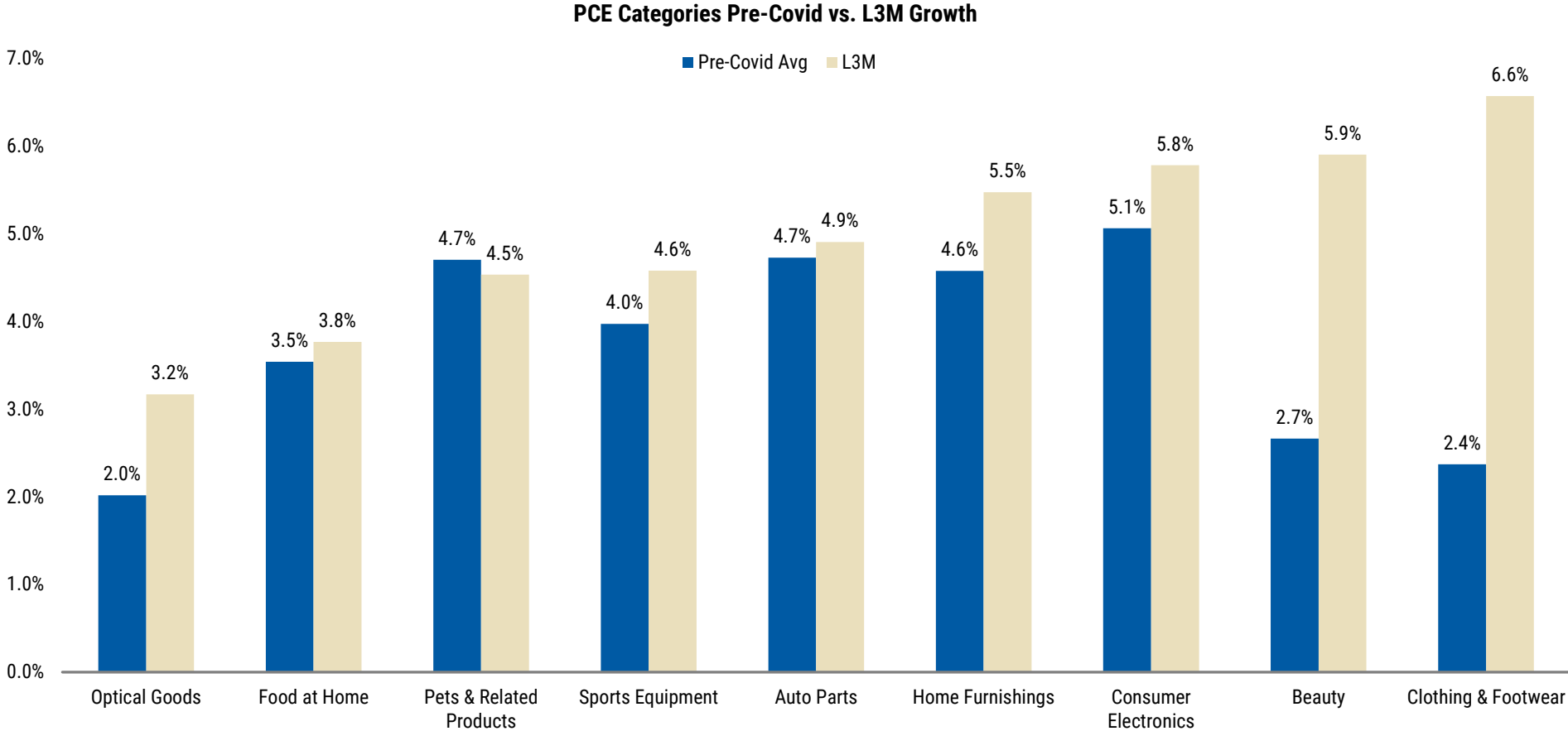
Source: Bureau of Economic Analysis, Morgan Stanley Research

**Inflation for both Goods and Services PCE is picking up**



Source: Bureau of Economic Analysis, Morgan Stanley Research

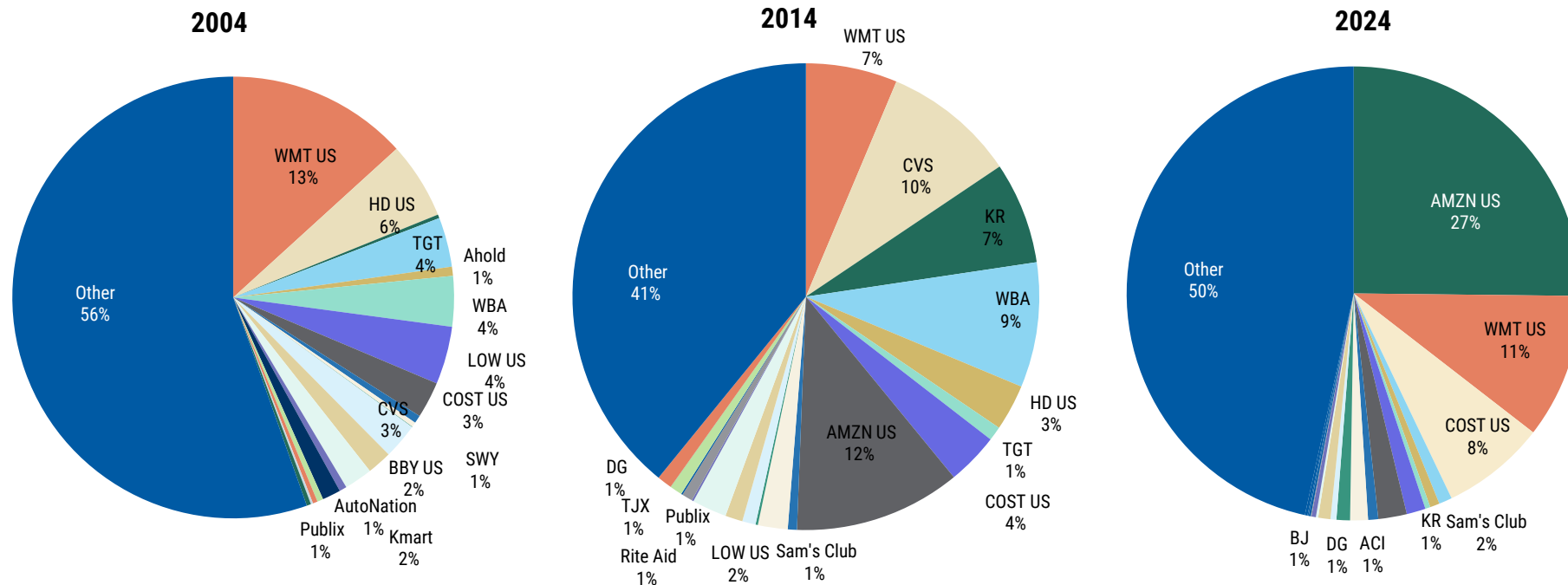
### Most categories are trending above their historical averages



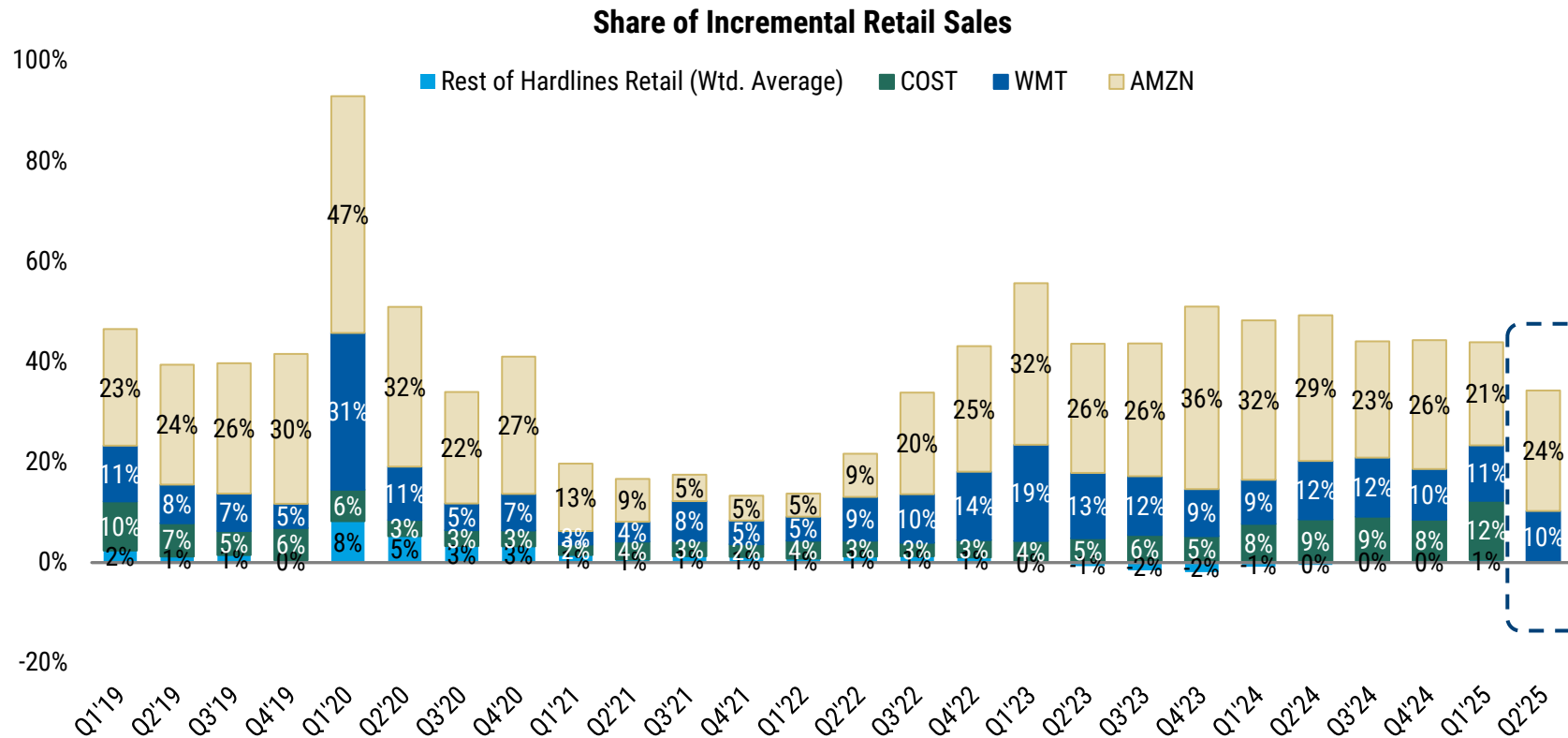
Source: Bureau of Economic Analysis, Morgan Stanley Research

## The Platformization of Retail

- The top 20 retailers are gaining incremental share of retail sales at a faster pace compared to ~10 and ~20 years ago.



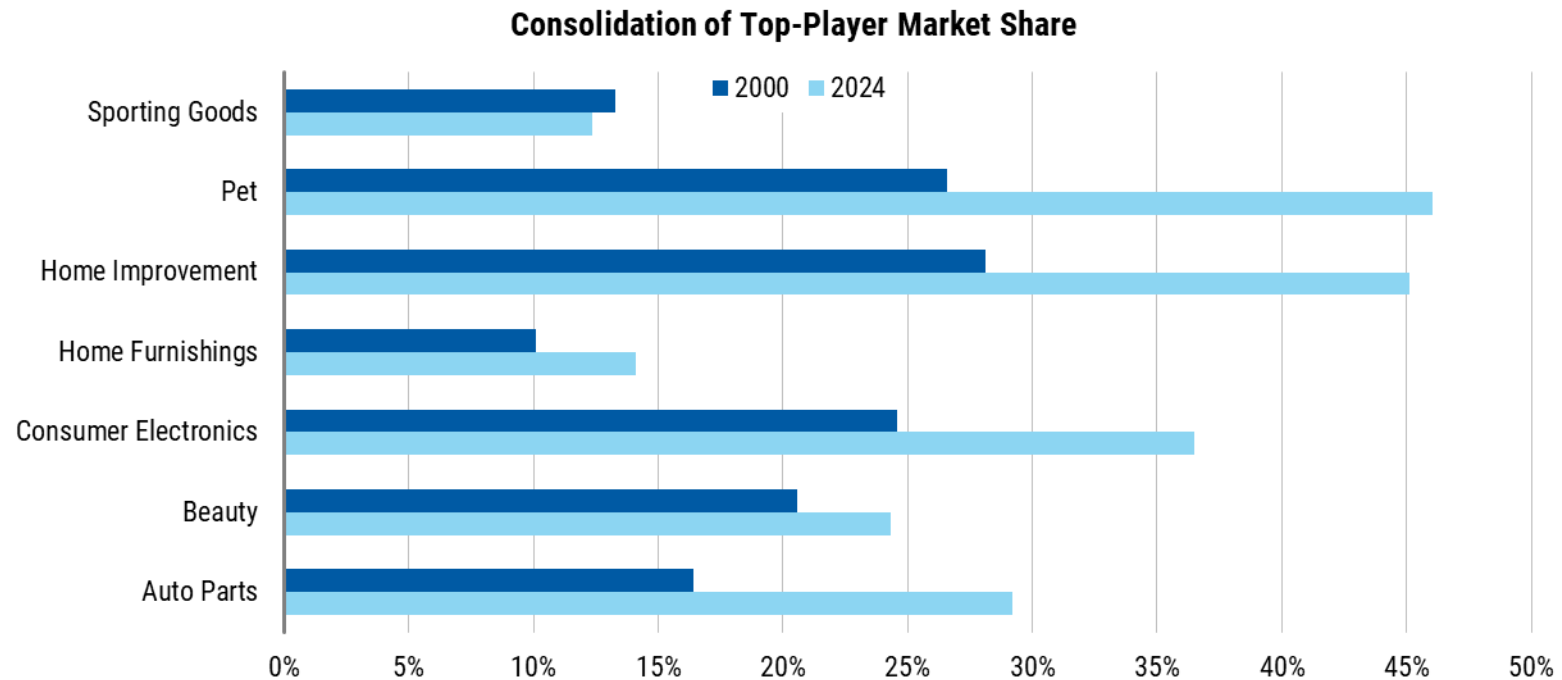
Retail Funnel: AMZN, WMT, and COST are taking ~43% of incremental sales



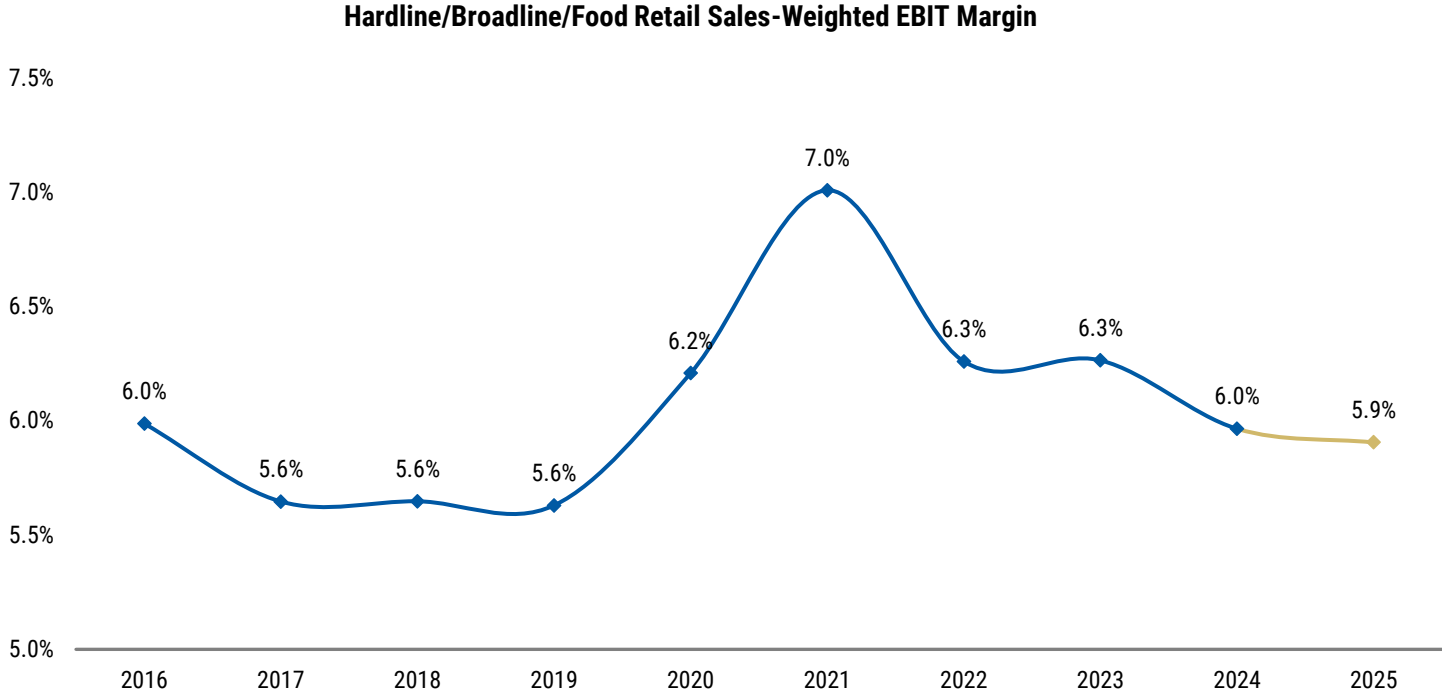
Source: Census Bureau, Morgan Stanley Research. Note: Q2'25 COST results are not yet available.

## Across categories, the top 2-4 players have consolidated market share over the last ~25 years

- Most sectors have experienced significant market share consolidation over the last ~25 years, with some top players nearly doubling share

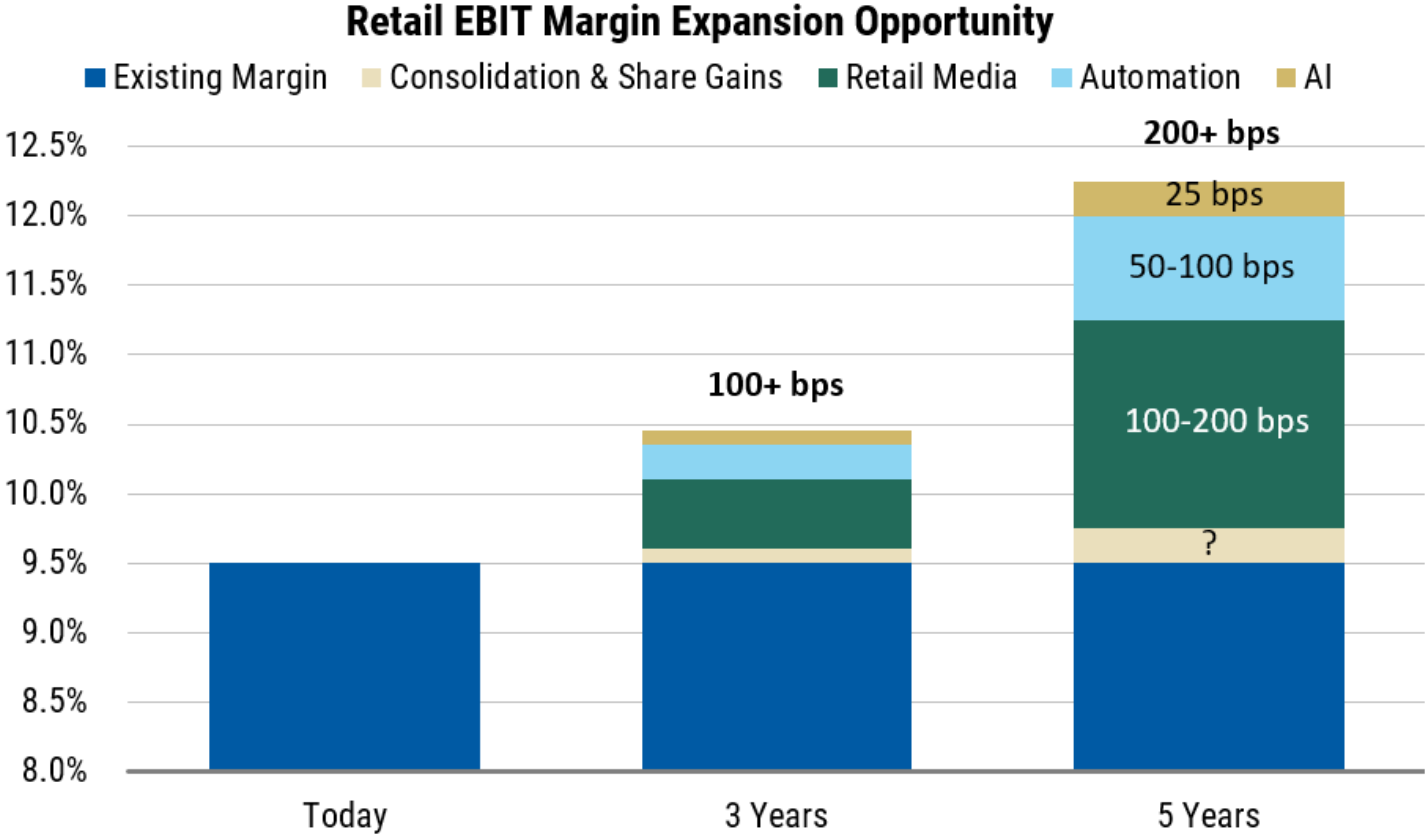


### We expect EBIT margins to normalize following a Covid-induced inflection



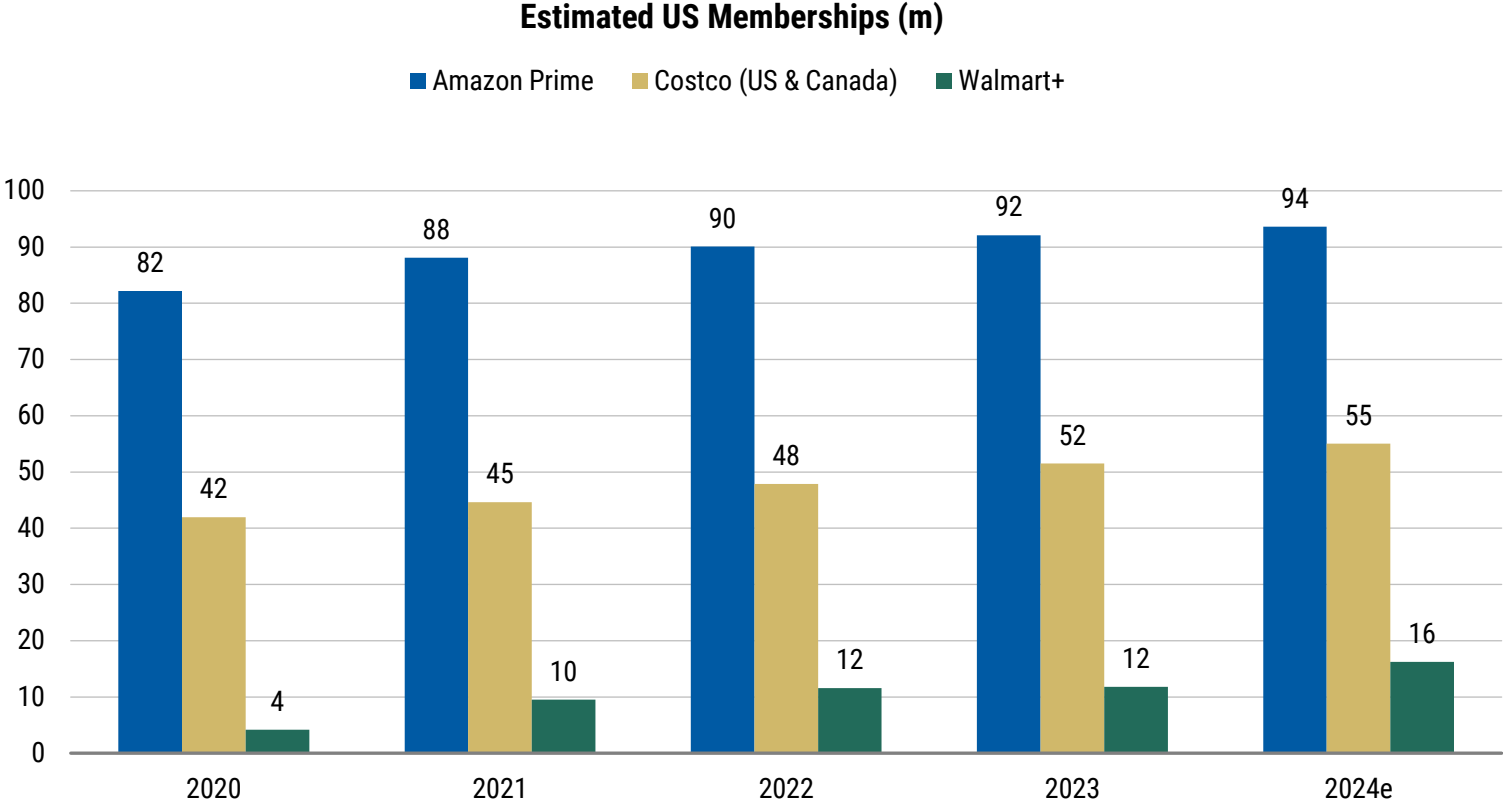
Source: Company data, Morgan Stanley Research. Note: Sales-weighted average. Excludes DRVN, MCW, EWCZ, and VVV.

AI, Automation, and Retail Media will drive margin expansion



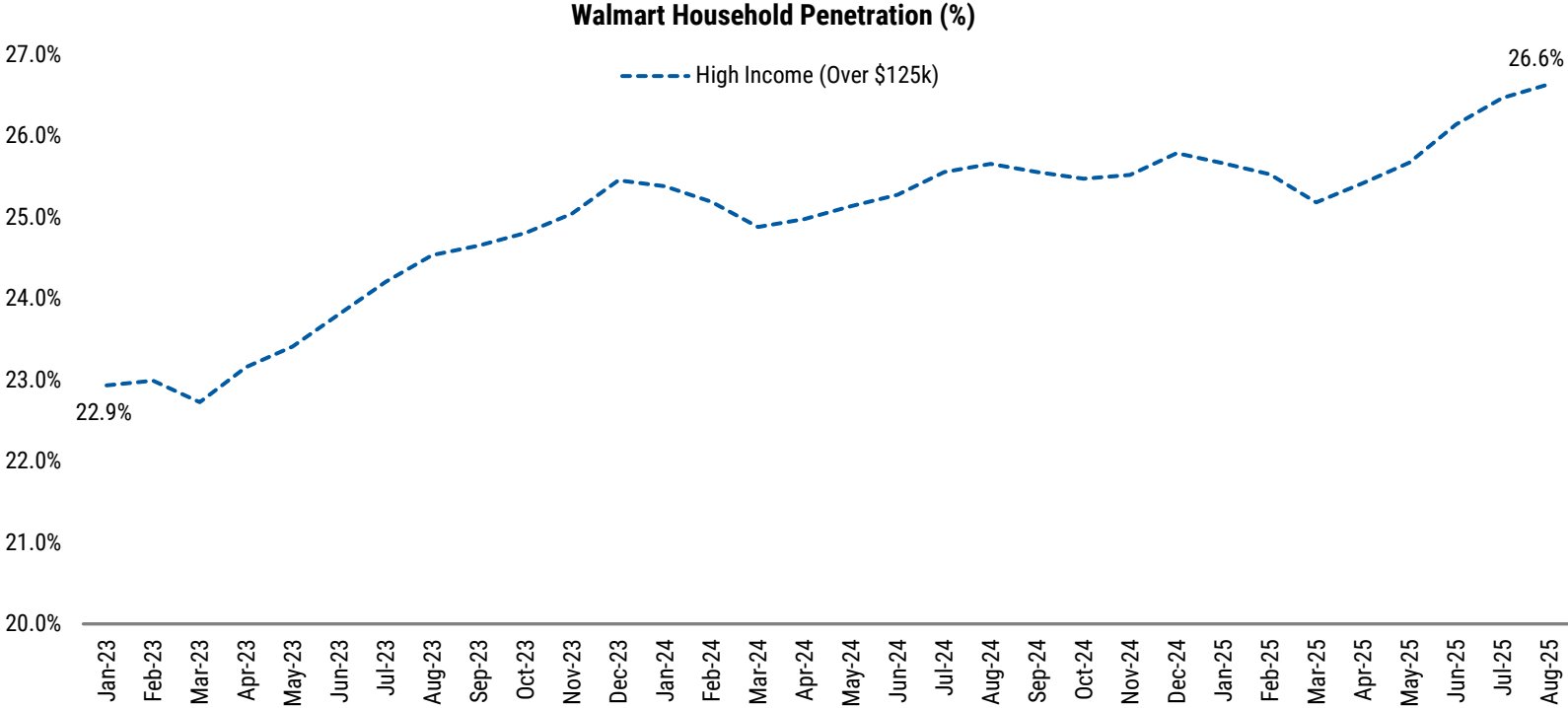
Source: Morgan Stanley Research

### Membership Wars: Amazon vs. Costco vs. Walmart



Source: Morgan Stanley Research

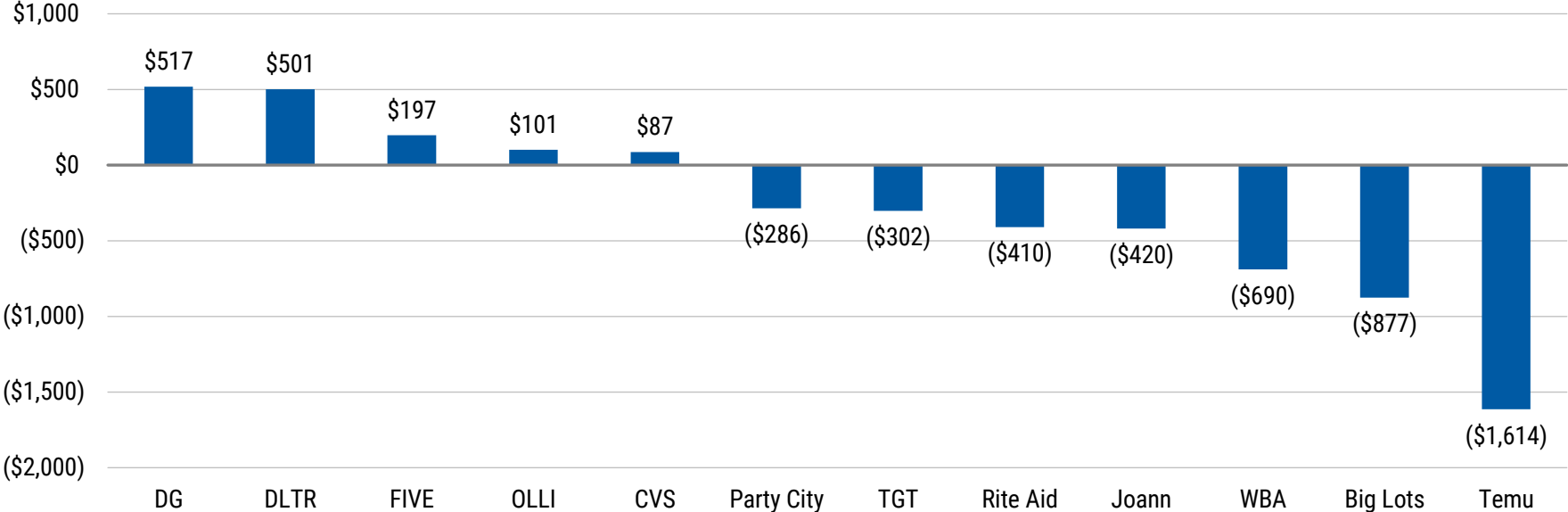
### Walmart+ membership growth fuels loyalty, digital engagement, and high-income share gain



Source: Numerator, Morgan Stanley Research

**We expect a significant market share donation in 2025 due to store closures, bankruptcies, and tariffs**

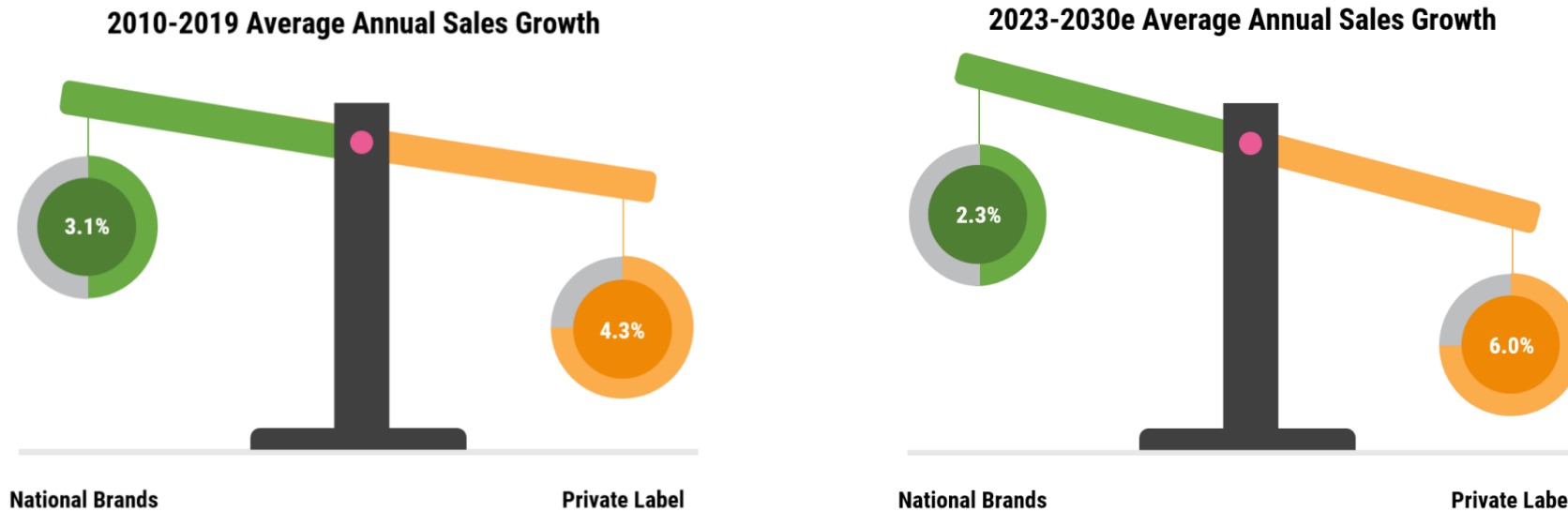
**2Q25 Incremental/Decremental Sales**



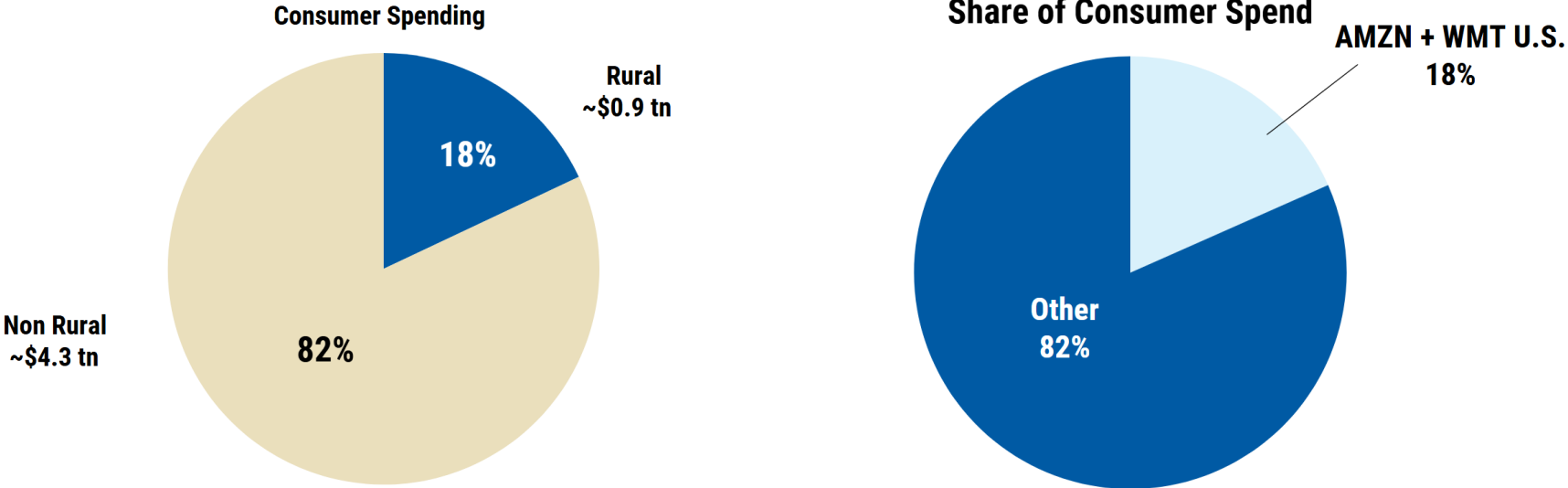
Source: Company Data, Morgan Stanley Research

## The private label tipping point is here

- We estimate the growth rate in private label should rise ~40% through 2030, implying private label will grow 2x the grocery market over the next several years.

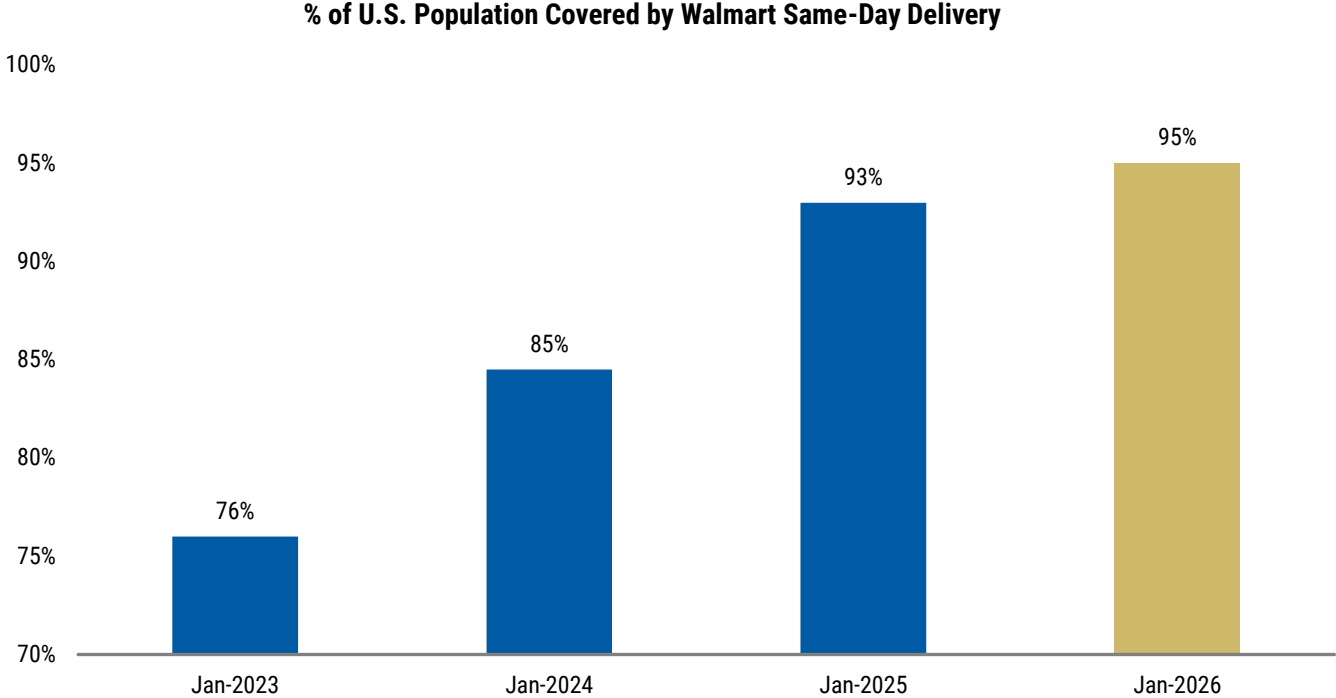


**Battle for the rural last mile: a ~\$1 trillion opportunity**



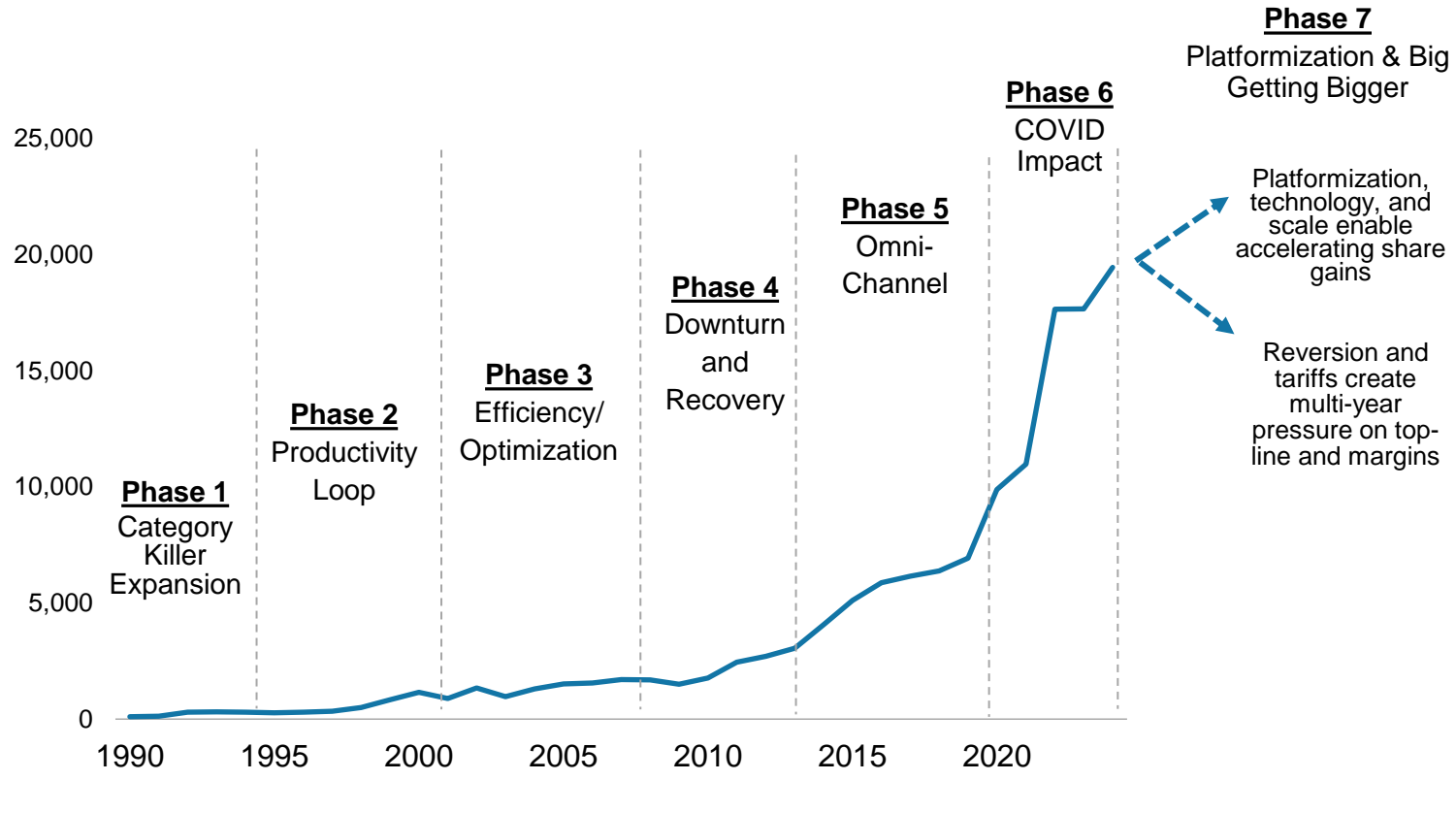
Source: BEA, Morgan Stanley Research. Note: This reflects Personal Consumption Expenditure on Goods, excluding autos & gas, for 2024. These shares are estimated using CEX 2023 share of rural spending (~18% of the aggregate expenditures).

### WMT is expanding its rural footprint



Source: Company Data, Morgan Stanley Research

**A retail odyssey: Sector at a crossroads**



Source: FactSet, Morgan Stanley Research. Note: This chart includes a sample index of stocks including WMT, TGT, COST, ORLY, AZO, HD, and BBY with average stock prices indexed to 1990.

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(as of September 30, 2025)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1499	41%	389	46%	26%	702	41%
Equal-weight/Hold	1618	44%	375	44%	23%	782	45%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	577	16%	88	10%	15%	234	14%
TOTAL	3,698		853			1719	

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**Disclosures (cont.)****INDUSTRY COVERAGE: Hardline/Broadline/Food Retail**

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/06/2025)
<b>Simeon Gutman, CFA</b>		
Academy Sports and Outdoors Inc (ASO.O)	E (08/15/2022)	\$53.85
Advance Auto Parts Inc (AAP.N)	E (08/26/2021)	\$58.31
Albertsons Companies, Inc (ACI.N)	E (10/19/2022)	\$16.80
Arhaus Inc (ARHS.O)	E (11/29/2021)	\$11.03
AutoZone Inc. (AZO.N)	O (06/15/2022)	\$4,174.43
Best Buy Co Inc (BBY.N)	E (01/19/2016)	\$75.60
BJ'S Wholesale Club (BJ.N)	E (07/23/2018)	\$90.10
Costco Wholesale Corp (COST.O)	O (03/16/2020)	\$915.38
Dick's Sporting Goods (DKS.N)	O (08/26/2020)	\$229.93
Dollar General Corporation (DG.N)	E (08/29/2024)	\$98.13
Dollar Tree Inc (DLTR.O)	E (02/16/2016)	\$89.98
Driven Brands Holdings Inc (DRVN.O)	E (01/15/2024)	\$15.65
European Wax Center (EWCZ.O)	U (11/14/2024)	\$3.92
Five Below Inc (FIVE.O)	E (07/17/2024)	\$156.05
Floor & Decor Holdings Inc (FND.N)	E (11/12/2018)	\$71.71
Grocery Outlet Holding Corp (GO.O)	E (08/05/2025)	\$16.47

**Disclosures (cont.)**

Home Depot Inc (HD.N)	O (02/23/2017)	\$389.33
Kroger Co. (KR.N)	E (01/17/2023)	\$64.80
Leslie's, Inc. (LESL.O)	E (11/23/2020)	\$4.92
Lowe's Companies Inc (LOW.N)	O (01/21/2015)	\$241.67
Mister Car Wash, Inc (MCW.O)	E (08/12/2022)	\$5.29
National Vision Holdings Inc. (EYE.O)	E (01/17/2023)	\$28.87
O'Reilly Automotive Inc (ORLY.O)	O (01/20/2025)	\$104.79
Ollie's Bargain Outlet Holdings Inc (OLLI.O)	E (05/23/2021)	\$131.42
Petco Health and Wellness co (WOOF.O)	E (05/16/2022)	\$3.83
RH (RH.N)	O (01/12/2025)	\$200.00
Sally Beauty Holdings Inc (SBH.N)	U (06/15/2022)	\$16.49
Target Corp (TGT.N)	O (01/15/2024)	\$88.96
Tractor Supply Co (TSCO.O)	U (01/15/2024)	\$55.83
Ulta Beauty Inc (ULTA.O)	O (01/20/2025)	\$556.45
Valvoline Inc. (VVV.N)	E (01/20/2025)	\$34.96
Walmart Inc (WMT.N)	O (01/23/2019)	\$102.70
Wayfair Inc (W.N)	O (01/15/2024)	\$84.19
Williams-Sonoma Inc (WSM.N)	E (03/14/2024)	\$196.15

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\* Historical prices are not split adjusted.