

## US Consumer Staples

## Super Bowl setting the tone for volume recovery?

Industry Overview

## Brands tease ads; lining up ahead of “The Big Game”

In the days/weeks leading up the Super Bowl (2/11/2024), brands have started teasing/previewing new ad copy, generating impressions on the front end of the event. According to *Bloomberg* Paramount sold out its ad inventory on CBS, Nickelodeon, and Paramount+ platforms. The impact and return on investment of ads could be greater than normal with Nickelodeon also airing the game (kids), the Taylor Swift effect, and influencers creeping into the mix (Addison Rae/Nerds, Kris Jenner/Oreo). Brands garnering views in the lead up to the game are Reese, Pringles, Oreo & Michelob Ultra.

## Beer the most compelling story line

The US beer category is in decline, having shipped just under 196 million barrels in 2023 marking a 9.0% 2-year decline and the lowest shipment level since 1998. The Bud Light/Dylan Mulvaney controversy didn't help the category as it brought political/culture debates into the beer purchase decision, not helpful for product that's supposed to offer escape. The stakes are high. STZ (Buy rated) is not in the Super Bowl line up, however it continues to ramp up ad spend on sports/football. TAP (Neutral rated) is attempting to build off the tectonic 200 bps market share gain last year. TAP added \$100m of incremental investment last year and comes back to the Super Bowl for the first time in 14 years with ads for Coors Light (no Cold Train ticket for us) and Coors Banquet. BUD (Buy rated/covered by Andrea Pistacchi) seeks to re-set its conversation with consumer and recover/stabilize share. Ads include Michelob Ultra (Lionel Messi/Jason Sudeikis [Ted Lasso]) while the Clydesdales are back for Budweiser and Post Malone for Bud Light. Bud Light, execution is critical. Some loyalists reportedly vacated the brand for being too inclusive. In our view some of this came down to “confusion”. Some consumers expect Bud Light to have an “edge”. The brand picked a fight with Coors Light in 2019 over corn syrup stirring controversy while stepping away from its humor heritage. Super Bowl could be a venue to re-establish its identity.

## Other story lines to watch

The four major confection companies will also be pushing ads this year with Neutral rated HSY (Reese's), Mars (M&M's), Lindt & Ferrara (Nerds) all slated with ads. Confection companies are facing declining category growth and in the case of cocoa (see [Trading desk insights on Cocoa Markets](#) report), strong inflationary pressures that may require further pricing actions. PEP – Volume weakness very much a focus, ads for Doritos Dinamita (counter insurgent Taki's), Mountain Dew (treating volume declines and market share losses) and Starry (building a much needed beach head in flavors). ELF – Returns this year as it continues to drive share gains in mass beauty with an impactful value proposition in a segment large competitors don't prioritize. K – Pringles later than most to gear up marketing post supply chain disruptions. ULVR - Hellman's “make taste not waste” campaign, as ULVR value and volume market shares in US dressings remain under pressure from increased competition across branded and private label players.

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**Refer to important disclosures on page 9 to 13. Analyst Certification on page 7. Price Objective Basis/Risk on page 6.**

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Equity  
United States  
Consumer Staples

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Beverages: Year Ahead 2024: Waiting for Rerating 11 January 2024

[Molson Coors Beverage Company: Just Asking – TAP; How much market share retention in '24 estimates? 01 December 2023](#)

[Beer, Wine and Spirits: Just Asking – How does marketing spend impact brewer market share? 28 August 2023](#)

# Key charts

## Exhibit 1: Stocks mentioned and their respective share price

We mentioned ABI, STZ, ELF, TAP, and PEP

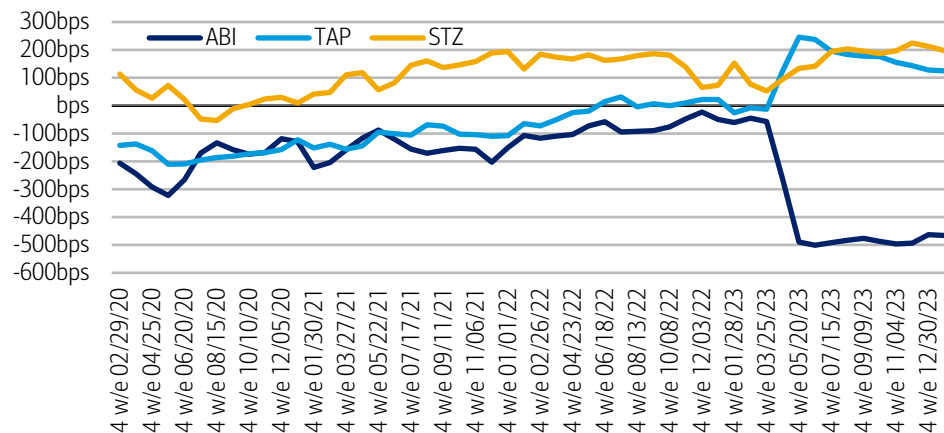
Ticker	Share price
ABI	€ 57.65
STZ	\$247.00
ELF	\$169.95
TAP	\$61.24
PEP	\$171.08

Source: Share price as of 3:78pm on 2/25/24

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## Exhibit 2: Year over year change in dollar share for ABI, TAP and STZ

Since mid-June TAP gains have moderated, STZ gains have accelerated and ABI losses have slightly improved

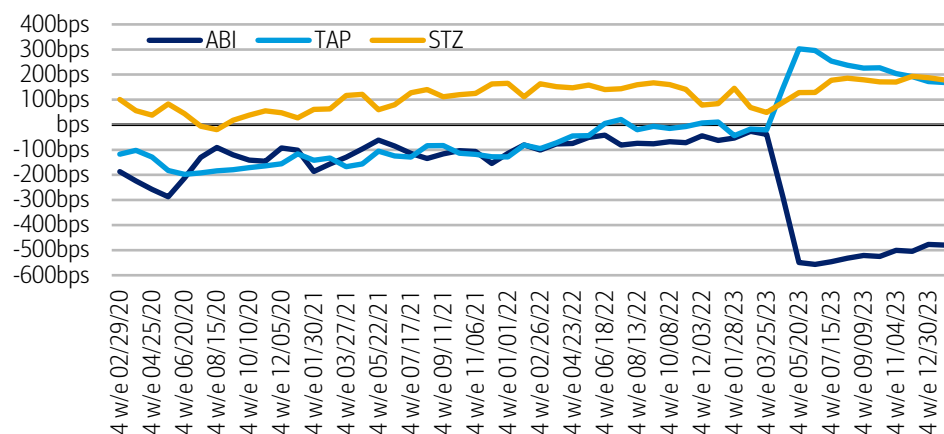


Source: NielsenIQ

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## Exhibit 3: Year over year change in volume share for ABI, TAP and STZ

Since mid-June TAP gains have moderated, STZ gains have accelerated and ABI losses have improved

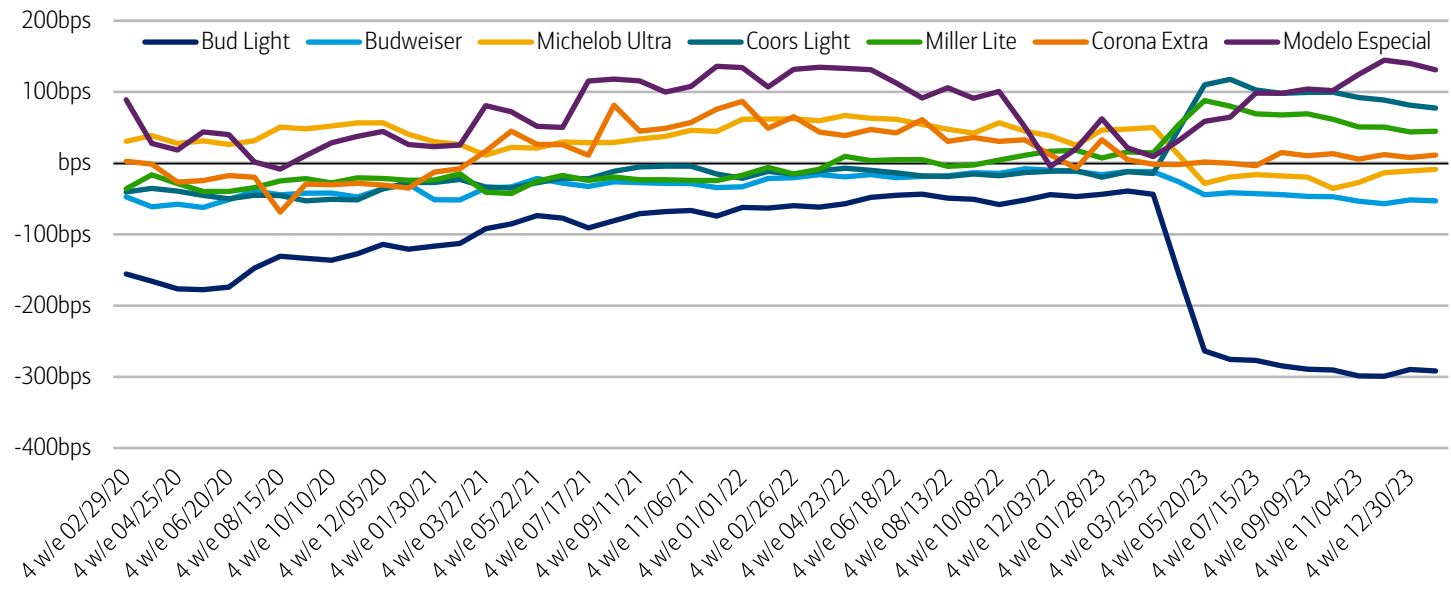


Source: NielsenIQ

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**Exhibit 4: Year over year change in dollar share for key beer brands**

Modelo Especial, Coors Light and Miller Lite have benefitted from Bud Light's share loss

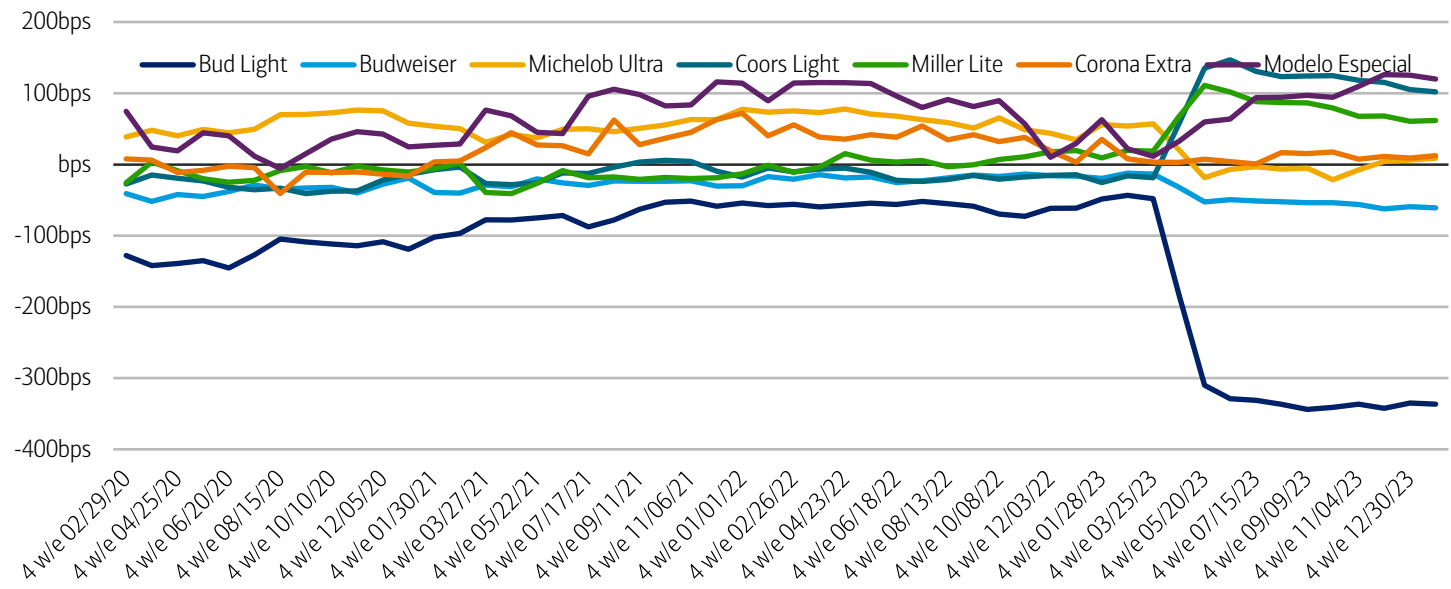


Source: NielsenIQ

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**Exhibit 5: Year over year change in volume share for key beer brands**

Modelo Especial, Coors Light and Miller Lite have benefitted from Bud Light's share loss



Source: NielsenIQ

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**Exhibit 6: Year over year change in weekly retail sales for the total beer category, ABI, TAP and STZ**

Strength during the last week of December and first week of January seems to be driven by New Year's Eve buying

	1 w/e 11/11/23	1 w/e 11/18/23	1 w/e 11/25/23	1 w/e 12/02/23	1 w/e 12/09/23	1 w/e 12/16/23	1 w/e 12/23/23	1 w/e 12/30/23	1 w/e 01/06/24	1 w/e 01/13/24
Total beer category	0.6%	3.3%	0.2%	-1.3%	-1.0%	-0.5%	-4.6%	2.0%	2.7%	-4.1%
ABI	-13.1%	-10.6%	-13.8%	-14.6%	-14.1%	-13.6%	-16.3%	-11.6%	-12.4%	-15.4%
TAP	9.2%	11.3%	9.1%	7.1%	6.1%	7.0%	3.8%	9.0%	8.1%	4.3%
STZ	15.5%	20.1%	12.1%	10.3%	11.5%	12.9%	5.2%	16.2%	17.8%	2.3%

Source: NielsenIQ

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**Exhibit 7: Year over year change in weekly retail sales for key beer brands**

Bud Light retail sales continue to decline high 20%

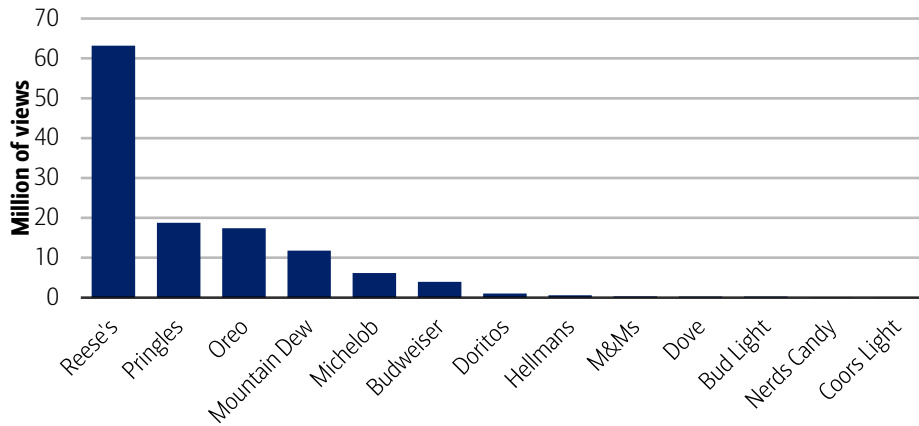
	1 w/e 11/11/23	1 w/e 11/18/23	1 w/e 11/25/23	1 w/e 12/02/23	1 w/e 12/09/23	1 w/e 12/16/23	1 w/e 12/23/23	1 w/e 12/30/23	1 w/e 01/06/24	1 w/e 01/13/24
Bud Light	-28.0%	-25.7%	-29.2%	-29.1%	-28.7%	-28.4%	-30.5%	-27.3%	-27.9%	-29.8%
Budweiser	-13.1%	-11.7%	-15.0%	-15.3%	-14.0%	-13.3%	-17.0%	-12.1%	-13.7%	-14.7%
Michelob Ultra	-2.0%	2.2%	-1.5%	-3.2%	-3.4%	-2.6%	-6.7%	2.5%	2.2%	-6.8%
Coors Light	19.2%	20.1%	16.9%	15.3%	15.0%	15.3%	11.0%	17.3%	15.4%	11.8%
Miller Lite	10.4%	13.8%	11.9%	9.0%	7.9%	7.9%	5.1%	11.1%	10.2%	6.7%
Corona Extra	2.8%	8.4%	2.2%	-1.3%	-0.3%	1.0%	-6.3%	7.1%	9.6%	-6.8%
Modelo Especial	21.5%	25.2%	16.3%	14.9%	16.5%	18.0%	9.9%	21.0%	23.0%	6.6%

Source: NielsenIQ

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**Exhibit 8: Total video views by channels (includes YouTube, Tik-Tok, Facebook and X) from January 1<sup>st</sup>, 2024**

Reese's (owned by HSY) Super Bowl teasers have generated 60mm views since January 1<sup>st</sup>. 40mm of the 60mm views are from the brand's Super Bowl teaser on Tik-Tok with Jason Kelce, which is more than what other CPG brands have been able to create across multiple platforms

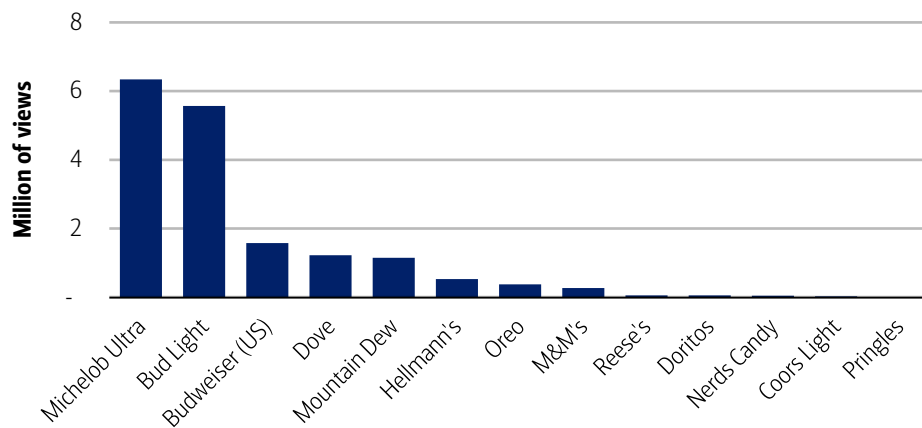


Source: ListenFirst

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**Exhibit 9: YouTube public page video views over the past two weeks**

Michelob Ultra, Bud Light and Budweiser (all owned by ABI) have generated the most number of views on YouTube

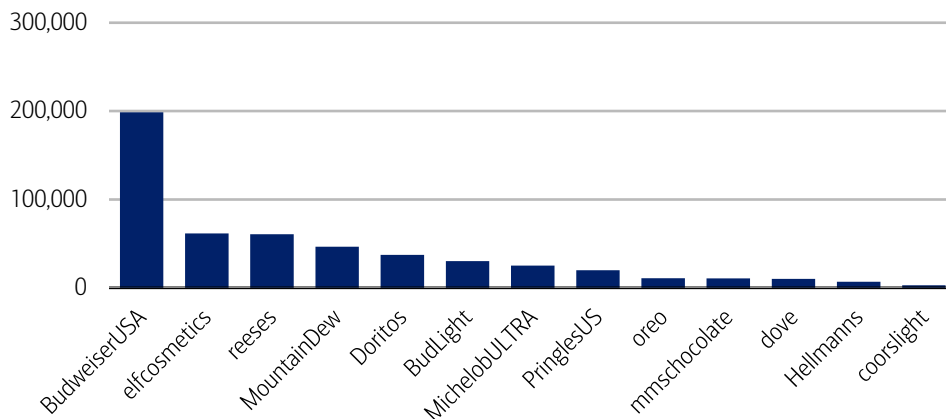


Source: ListenFirst

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**Exhibit 10: Number of engagement (likes, comment, share) over the past two weeks across Facebook, X, Instagram and YouTube**

Budweiser's Super Bowl advertisement that features the iconic Clydesdale generated 3x more engagement than the 2<sup>nd</sup> most engaged advertisement over the past two weeks



Source: ListenFirst

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**Stocks mentioned**

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BUD	BUD US	AB InBev	US\$ 61.91	B-1-7
BUDFF	ABI BB	AB InBev	EUR 57.65	B-1-7
STZ	STZ US	Constellation	US\$ 247.06	B-1-7
HSY	HSY US	Hershey	US\$ 196.39	A-2-7
TAP	TAP US	Molson Coors	US\$ 61.28	B-2-7

Source: BofA Global Research

## Price objective basis & risk

### Anheuser-Busch InBev (BUDFF / BUD)

Our PO is PE-based. Applying a 12 month forward PE of c19.5x, consistent with c5% premium to staples to our Nov-25 EPS estimate of €3.61 (\$3.95 converted into EUR at a rate of 1.095) we derive our PO of €71 (US\$ 78). We expect the PE to rerate as investors get more confident that ABI's margins are inflecting. We apply a c5% premium given top-down attractions of the stock in the current environment, attractive earnings growth and deleverage.

Risks: (1) the increased competitive environment could continue to weigh on margins more than we assume, (2) longer term volume/profit impact from Bud Light consumer backlash could be greater than we assume, (3) FX (in the majority of its emerging markets, ABI is exposed to transactional FX risk, as a large portion of CoGS is denominated in hard currency, while revenues are in local currency), (4) input cost inflation, (5) softer demand for beer, with consumer disposable income impacted by inflationary pressures, (6) Altria stake overhang

### Constellation Brands (STZ)

Our \$290 price objective is based on 19.8x our CY25e EPS that excludes Canopy. At 19.8x we value shares of STZ at the upper end of its valuation range over the past five years given our outlook for strong sales and earnings growth and expectation for more consistent capital allocation going forward.

Upside risks to our PO: 1) Modelo's beer brands continue to grow above current trends. 2) Corona's new products resonate with consumers and drives sales growth. 3) Investment behind certain wine & spirit brands accelerates sales growth and operating margins.

Downside risks to our PO: 1) Hard seltzers cannibalize growth from STZ's beer portfolio. 2) STZ's investment in Canopy takes longer than anticipated to be accretive to EPS than we forecast. 3) Remaining wine & spirits business does not achieve investors' expectations.

### Molson Coors Beverage Company (TAP)

Our PO of \$72 is based on a 11.8x multiple of our FY25 EPS estimate. At 11.8x, we value TAP shares below its 10-year average forward price to earnings multiple and a discount to brewer peers. We believe this reflects near term share gains, underlying improvement operations balanced against questions about the sustainability of sales growth and market share over time.

Upside risks to our PO: 1) Beer trends in the US pick up. 2) Stronger price realization. 3) Initiatives related to the revitalization plan have a meaningful impact on sales growth.

Downside risks to our PO: 1) Continued lackluster trends in the US and Canada. 2) Revitalization plan is unable to put the business in a better position for the future. 3) Consumer preference for other types of alcohol products (hard seltzers, wine & spirits) grows.

### The Hershey Company (HSY)

Our \$195 price objective is based on an unchanged 19x our CY25 EPS estimate. This is justified, in our view, as HSY has a range of dynamics coming into play in FY24 including potential for gross margin pressure and some topline weakness driven by timing and increased demand elasticity, offset by its innovation pipeline coming on-line and low private label exposure compared to its peer set..

Upside risks to our PO are 1) innovation pipeline to drive market share gains in a low

private label exposure environment, 2) faster moderation of inflation, particularly in cocoa/sugar 3) elasticities coming in better than expected.

Downside risks to our PO are 1) elevated inflation taking longer than expected to taper off, particularly if cocoa/sugar prices are sticky, 2) competitors taking market share from HSY, 3) negative surprises on packaging, logistics, or special ingredient costs that aren't traditionally hedged by HSY, 4) weaker volume lift from innovation pipeline.

## **Analyst Certification**

We, Bryan D. Spillane and Andrea Pistacchi, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

**US - Consumables Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
<b>NEUTRAL</b>				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA
	The Hershey Company	HSY	HSY US	Bryan D. Spillane
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA
<b>UNDERPERFORM</b>				
	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	WEED CN	Lisa K. Lewandowski
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Nutrition Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
	Kimberly-Clark	KMB	KMB US	Anna Lizzul
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA
<b>RSTR</b>				
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane

**EMEA - Beverages Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AB InBev	BUD	BUD US	Andrea Pistacchi
	Anheuser-Busch InBev	BUDFF	ABI BB	Andrea Pistacchi
	Anheuser-Busch InBev SA	XAIBF	ANH SJ	Andrea Pistacchi
	Campari	DVDCF	CPR IM	Andrea Pistacchi
	Carlsberg	CABJF	CARLB DC	Andrea Pistacchi
	Carlsberg	CABGY	CABGY US	Andrea Pistacchi
	Coca-Cola Hellenic	CCHBF	CCH LN	Andrea Pistacchi





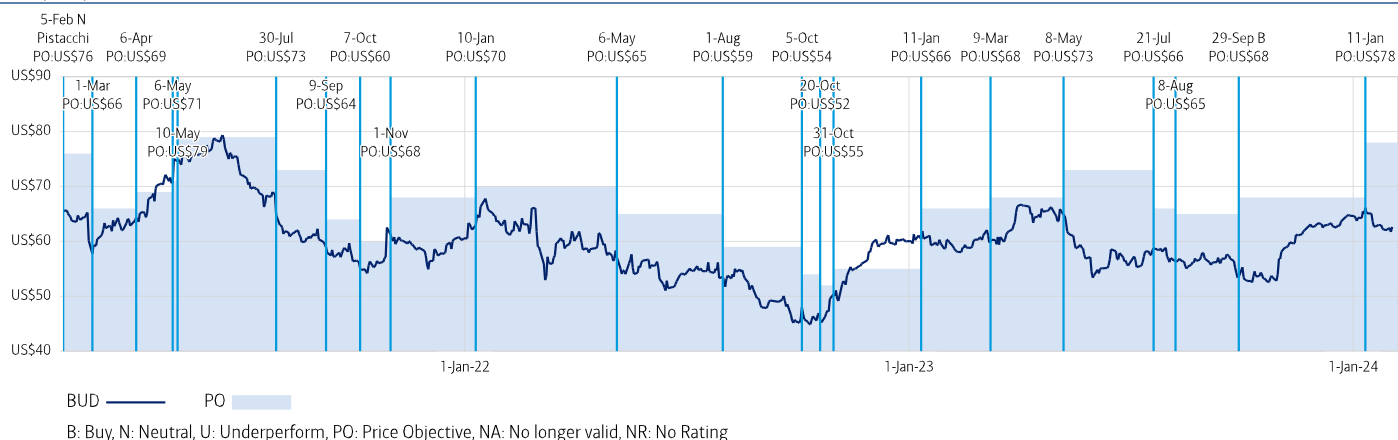
## EMEA - Beverages Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Heineken	HINKF	HEIA NA	Andrea Pistacchi
	Heineken	HEINY	HEINY US	Andrea Pistacchi
	Pernod Ricard	PDRDF	RI FP	Andrea Pistacchi
	Pernod Ricard	PRNDY	PRNDY US	Andrea Pistacchi
<b>NEUTRAL</b>				
	Diageo	DEO	DEO US	Andrea Pistacchi
	Diageo	DGEAF	DGE LN	Andrea Pistacchi
	Remy Cointreau	REMYF	RCO FP	Andrea Pistacchi
	Royal Unibrew	ROYUF	RBREW DC	Andrea Pistacchi
<b>UNDERPERFORM</b>				
	Britvic	BTVCF	BVIC LN	Victor Beltran-Segarra
	Fevertree Drinks plc	FQVTF	FEVR LN	Andrea Pistacchi

## Disclosures

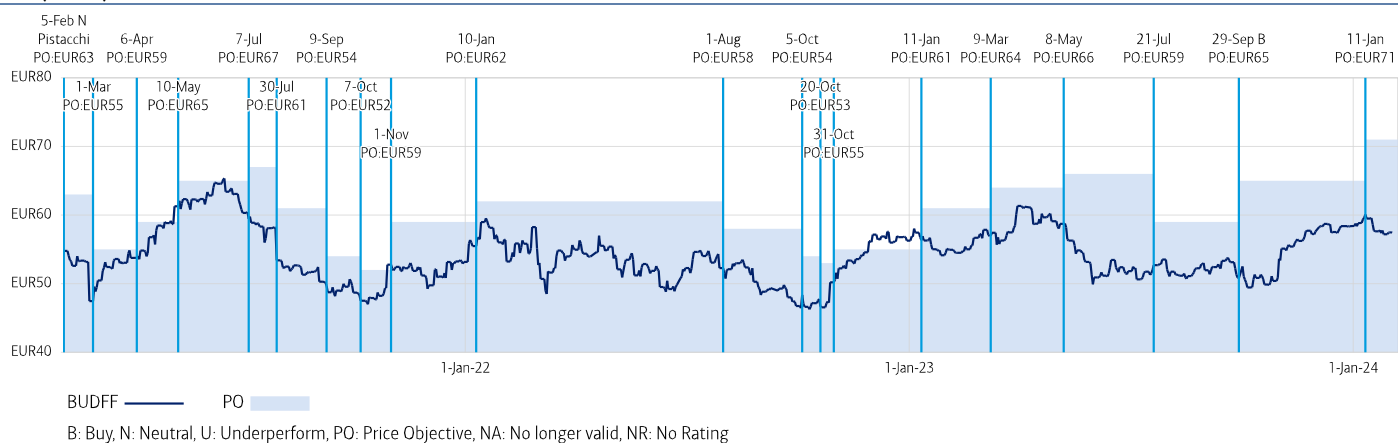
## Important Disclosures

## AB InBev (BUD) Price Chart

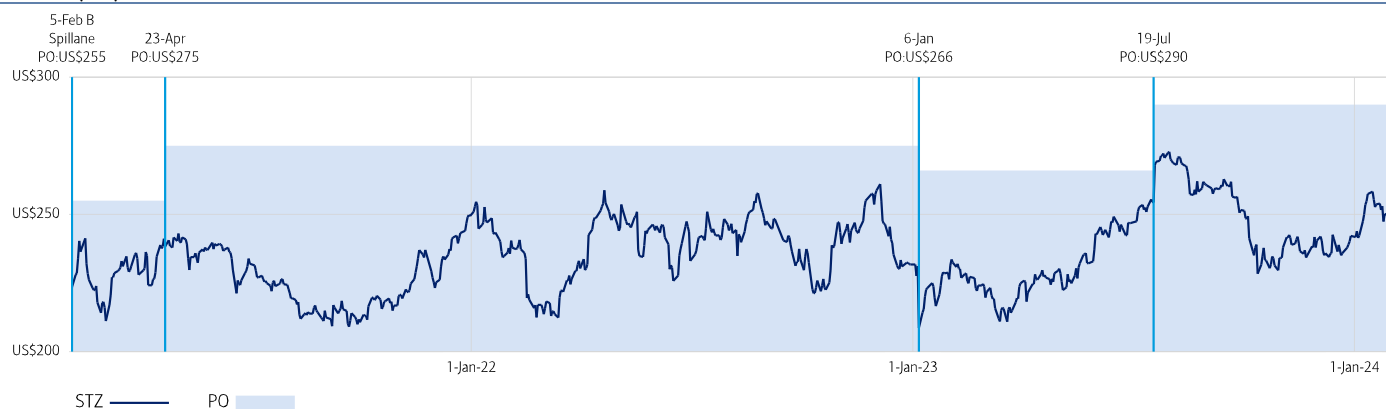


The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

## AB InBev (BUDFF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

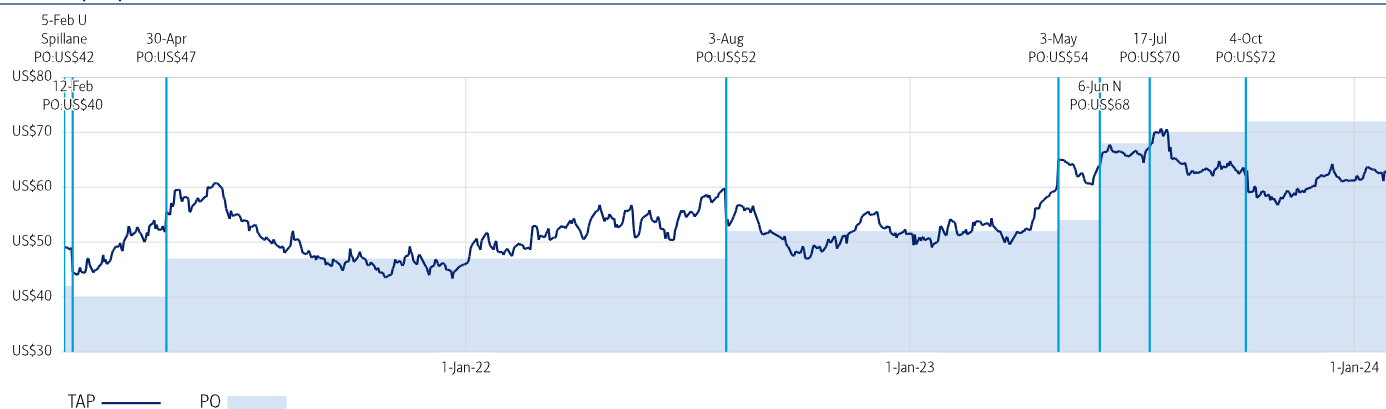
**Constellation (STZ) Price Chart**

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Hershey (HSY) Price Chart**

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**Molson Coors (TAP) Price Chart**

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

**Equity Investment Rating Distribution: Beverages - Alcoholic Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	22	61.11%	Buy	15	68.18%
Hold	6	16.67%	Hold	4	66.67%
Sell	8	22.22%	Sell	2	25.00%

**Equity Investment Rating Distribution: Beverages - Soft Drinks Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	11	78.57%	Buy	6	54.55%
Hold	0	0.00%	Hold	0	0.00%
Sell	3	21.43%	Sell	1	33.33%

**Equity Investment Rating Distribution: Consumer Products Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	32	50.00%	Buy	16	50.00%
Hold	19	29.69%	Hold	8	42.11%
Sell	13	20.31%	Sell	7	53.85%

**Equity Investment Rating Distribution: Food Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	33	49.25%	Buy	16	48.48%
Hold	17	25.37%	Hold	10	58.82%
Sell	17	25.37%	Sell	8	47.06%

**Equity Investment Rating Distribution: Tobacco Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	3	60.00%	Buy	1	33.33%
Hold	1	20.00%	Hold	0	0.00%
Sell	1	20.00%	Sell	0	0.00%

**Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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