

European Food, Tobacco & HPC

Postcard from North America marketing

Industry Overview

21 meetings, 5 cities, 2 countries, 30 clients

We spent the past week meeting with US and Canada investors in New York (including client group lunch with our US Staples Team), Princeton, Boston and Toronto. Top themes included the following: (1) mid-term sustainability of a MSD (mid-single-digit) growth algorithm and volume recovery in '24E; (2) long-term share of private label across categories; and (3) probability and timing of potential turnarounds. By sub-category, most questions from investors were on Pet Food, Beauty, Health Science and Home Care. On geographies, key discussion was on the convergence between EM (emerging markets, specifically China) and DM (developed markets), North American vs. European consumers, local competition in Southeast Asia and hyperinflationary countries, specifically, Argentina. Top 3 most discussed single stocks were Nestle (20/21 meetings), Unilever and Beiersdorf.

Hedge funds looking for a short squeeze

Hedge fund investors with whom we met look for heavily shorted stocks with negative sentiment, where either (1) FY results or (2) guidance/outlook could lead to share price outperformance. Nestle and Unilever were most discussed stocks in this context, and we highlight our preference for Nestle with a number of '23 headwinds (SKU reduction, capacity constraints, Health Science issues) supporting '24 RIG (real internal growth).

Long-only funds: focus on quality compounders + self-help

Key discussion was on sustainability of mid-term MSD LfL (like-for-like) growth and EPS growth > revenue, given 20-30% cumulative pricing since the start of 2022. Investors we met expressed preference for structural growth categories, clear mix contribution and self-help-driven growth. Key focus stocks in this context were Beiersdorf, Unilever, Danone.

International value funds: rediscovering Henkel and BAT

Value funds look for low valuations, high returns, and easy comparisons. Surprisingly, we fielded multiple requests for deep-dive analysis on Henkel. Other stocks discussed in this context were BAT and Unilever, with specific requests for a follow-up with our India analyst Aditya Mathur.

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