

## Key Statistics

### Overview

Ticker GO  
Company Grocery Outlet Holding Corp.  
Industry Consumer Defensive  
Sector Grocery Stores

**Recommendation: BUY/LONG**

### Market Data

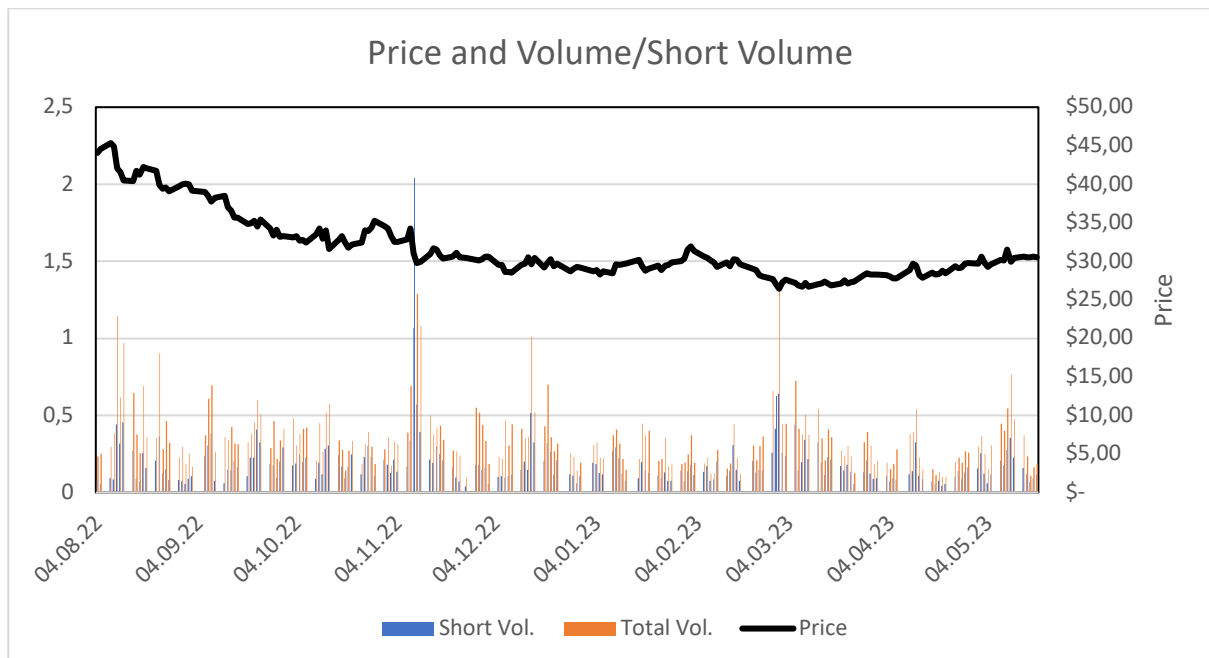
Price (May 22, 2023) 30.25  
52W Range 25.71 - 46.37  
Monthly Performance 6.25%  
Shares Outstanding 97.92M

Insider Ownership 0.60%  
Shares Float 88.83M  
Short Float / Ratio 10.62% / 8.72  
Short Interest 9.43M

### Valuation

Market Cap 3.01B  
Beta -0.01  
P/E 45.65  
Debt/Eq Ratio 0.29  
Gross Margin 30.80%  
EBITDA 171.97M

## Price and Volume/Short Volume



Source: OpenBB Terminal

## The Company

Grocery Outlet (GO) is a high-growth, extreme value retailer of quality, name-brand consumables and fresh products sold through a network of independently operated stores. As of April 1st, 2023, they had 444 stores in California, Washington, Oregon, Pennsylvania, Idaho, Nevada, Maryland and New Jersey. (Exhibit I)

Each of their stores offers a fun, treasure hunt shopping experience in an easy-to-navigate, small-box format. An ever-changing assortment of "WOW!" deals, complemented by everyday staple products, generates customer excitement and encourages frequent visits from bargain-minded shoppers.

Their flexible buying model allows them to offer quality, name-brand opportunistic products at prices significantly below those of conventional retailers.

Entrepreneurial independent owner-operators (IOs) run their stores and generally live in the community that they serve, creating a neighborhood-feel through personalized customer service and a localized product offering.

#### Summary:

Grocery Outlet Holding Corp. operates within the dynamic and highly competitive grocery retail industry. The company's focus on offering discounted prices and a wide range of products sets it apart. Adapting to changing consumer preferences, fostering strong supplier relationships, and leveraging its value proposition will be critical for Grocery Outlet Holding Corp.'s continued success in the industry.

## Company Overview

### Products

Each store offers a curated and ever-changing assortment of products, consisting of on-trend, quality, name-brand consumables and fresh products.

Their product offering includes a constant rotation of opportunistic products, complemented by an assortment of competitively priced everyday staples, across grocery, produce, refrigerated and frozen foods, beer and wine, fresh meat and seafood, general merchandise and health and beauty care.

GO has continued to expand their product assortment to meet customer needs, including a wide selection of Natural, Organic, Specialty and Healthy ("NOSH"), fresh, ethnic and local products. (Exhibit II)

A typical Grocery Outlet basket is priced approximately 40% lower than conventional grocers and approximately 20% lower than discount retailers. GO refers to their best opportunistic purchases as "WOW!" deals, which generally represent deep discounts of 40% to 70%. (Exhibit II)

### Industry

The grocery retail industry is characterized by its large market size and steady demand. Consumers consistently require groceries and essentials, making this sector relatively resilient, even during economic downturns.

### Key Factors Affecting the Industry:

#### Pricing and Value Proposition:

- Discount retailers like Grocery Outlet Holding Corp. excel by offering competitive prices and value-driven shopping experiences.
- The ability to negotiate favorable deals with suppliers allows for offering discounted prices to customers, attracting value-conscious shoppers. (Exhibit 2)

#### Consumer Behavior and Preferences:

- Consumers are increasingly seeking value-oriented shopping experiences, prioritizing discounts, bargains, and savings.
- Changing demographics, such as the growth of millennials and their preference for convenience and affordability, influence industry trends.

#### Supplier Relationships and Procurement:

- Establishing strong relationships with suppliers is crucial for securing attractive deals and maintaining a diverse product assortment.
- Effective procurement and supply chain management help ensure a consistent supply of products and minimize costs.

#### Competitive Strategies:

- Grocery retailers employ various strategies to differentiate themselves, such as offering private label brands, organic and specialty products, or enhanced customer service.
- E-commerce and digitalization have become increasingly important, with many grocery retailers expanding their online presence to cater to changing consumer preferences.

#### Regulatory Environment:

- The grocery retail industry is subject to various regulations, including food safety standards, labeling requirements, and employment regulations.
- Compliance with regulations and maintaining high standards of quality and safety are essential for retailers to build trust with customers.

## Thesis

I think that Grocery Outlet Holding Corp. is now in a very good Position to be bought because, of following reasons:

- Strong Performance of Independent Operators (IOs): The success of Grocery Outlet Corp. rests on the shoulders of its dedicated IOs, who have displayed remarkable performance. These entrepreneurial partners have fueled the company's expansion, showcasing operational efficiency and contributing to revenue growth. The outstanding performance of the IOs underscores their commitment to the Grocery Outlet brand and augurs well for the company's continued success. (Exhibit III)
- Increased Investments: Grocery Outlet Corp. has been ramping up its investments to support its expansion plans. By allocating resources to store openings, remodels, and technology upgrades, the company is proactively investing in its infrastructure and capabilities. These strategic investments position Grocery Outlet for sustainable growth, enhance the customer experience, and foster operational efficiency.
- Stable Healthy Margins: One of Grocery Outlet's core strengths lies in maintaining healthy profit margins. Leveraging its value-driven business model and efficient procurement practices, the company offers customers discounted prices without compromising profitability. The ability to sustain healthy margins exemplifies Grocery Outlet's competitive advantage and effective cost management. (Exhibit IV)
- Expanding Customer Base and Shopping Frequency: Grocery Outlet Corp. has successfully attracted a growing customer base. The company's value proposition, centered on providing substantial savings on everyday products, resonates with value-conscious consumers. Furthermore, the increasing shopping frequency among customers reflects the loyalty and satisfaction derived from Grocery Outlet's offerings. These positive trends not only drive revenue growth but also solidify customer retention.
- Growing E-commerce Presence: Recognizing the importance of e-commerce, Grocery Outlet has made significant strides in expanding its digital footprint. The company has invested in online platforms, such as click-and-collect and home delivery services, to meet the rising demand for convenient shopping options. Embracing e-commerce opens new avenues for growth and enables Grocery Outlet to reach a wider customer base.
- Attractive Stock Pricing Opportunity: The stock price of Grocery Outlet Corp. has been impacted by the COVID-19 pandemic, presenting a unique opportunity. The temporary market downturn has resulted in a discounted stock price, offering the potential for substantial upside as the market recovers and recognizes the company's strong fundamentals. (Exhibit V)
- Market Potential: Grocery Outlet Corp. envisions significant long-term growth potential, aiming to establish approximately 4,800 stores across the nation (10x). This ambitious goal represents a tenfold increase from its current store count. Such expansion opportunities indicate the company's confidence in capturing market share and capitalizing on the evolving grocery retail landscape. (Exhibit I )

## Risks

Following Risks could apply to GO:

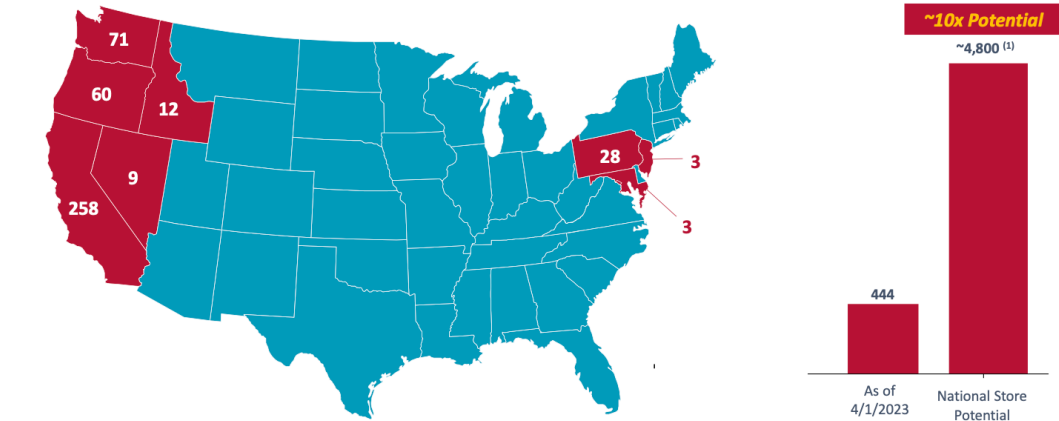
- Competitive Market: Intense competition in the grocery retail industry may pose challenges to Grocery Outlet's market position and growth prospects.
- Economic Downturn: During economic downturns, consumer spending habits may change, potentially impacting Grocery Outlet's sales and profitability.
- Supply Chain Risks: Disruptions in the supply chain, such as logistical challenges or product availability issues, could impact Grocery Outlet's ability to maintain its value-driven offerings.
- Changing Consumer Preferences: Failure to adapt to evolving consumer preferences, including shifts towards healthier and organic products, could affect Grocery Outlet's market share and customer retention.
- Execution Risks: Successful execution of growth initiatives, such as store expansion and e-commerce integration, is crucial for long-term success. Operational challenges or delays could impede growth.
- Regulatory and Compliance Risks: Compliance with regulations related to food safety, labeling, and employment laws is essential. Non-compliance or regulatory changes may lead to legal issues or increased costs.
- Stock Market Volatility: Stock prices are subject to market volatility, and factors such as market conditions or unforeseen events can impact the value of the investment.
- High labor costs for IOs: staffing expenses, training, high turnover, compliance, and labor market conditions.
- Insider Sales: The significant number of insider sales since the start of 2023, totaling 21 sales, raises concerns about the confidence of company insiders in Grocery Outlet's future. (Exhibit VI)

## Exhibits

## Exhibit I :

## Significant Whitespace Opportunity

Long term market potential to establish ~4,800 stores nationally



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## Exhibit II :

## The WOW! Shopping Experience

<sup>(1)</sup> Savings vs. Conventional/Discount derived from Grocery Outlet's Fiscal 2022 pricing research

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Source: <https://investors.groceryoutlet.com/news-and-events/presentations>

## Exhibit III:

## Unique Independent Operator Model Fuels Success

**"Out Chain the Locals, Out Local the Chains"**

### GROCERY OUTLET

#### Operational

- Sourcing
- Initial pricing
- Recruiting and training IOs
- Real estate
- Distribution and logistics

#### Financial

- Own inventory (consigned to IOs)
- Regional marketing
- Rent
- Capex
- Corporate SG&A



### INDEPENDENT OPERATORS

#### Operational

- Merchandising
- Managing inventory
- Modify pricing
- Hiring and training store employees
- Community and customer service

#### Financial

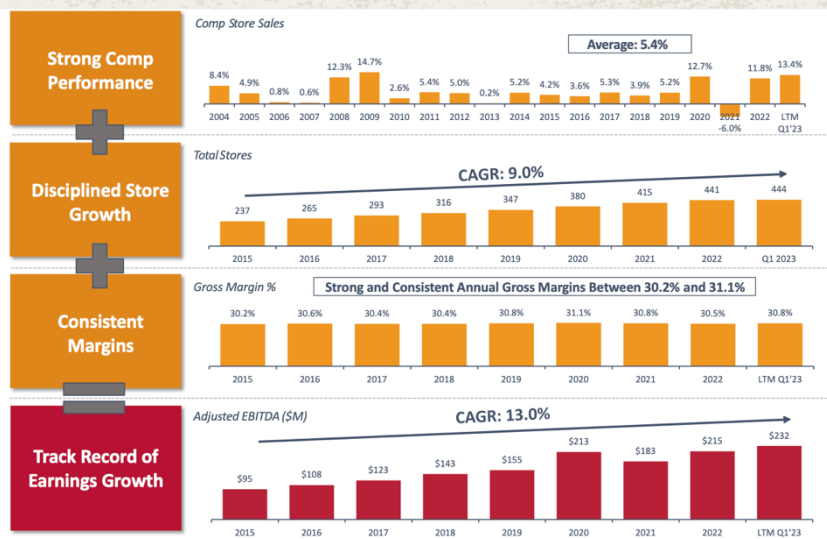
- Wages
- Local marketing
- Store operating expenses
- Operating working capital
- Operating assets

*Collaboration with and among IOs enables real-time feedback and best-practice sharing for continual improvement*

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## Exhibit IV:

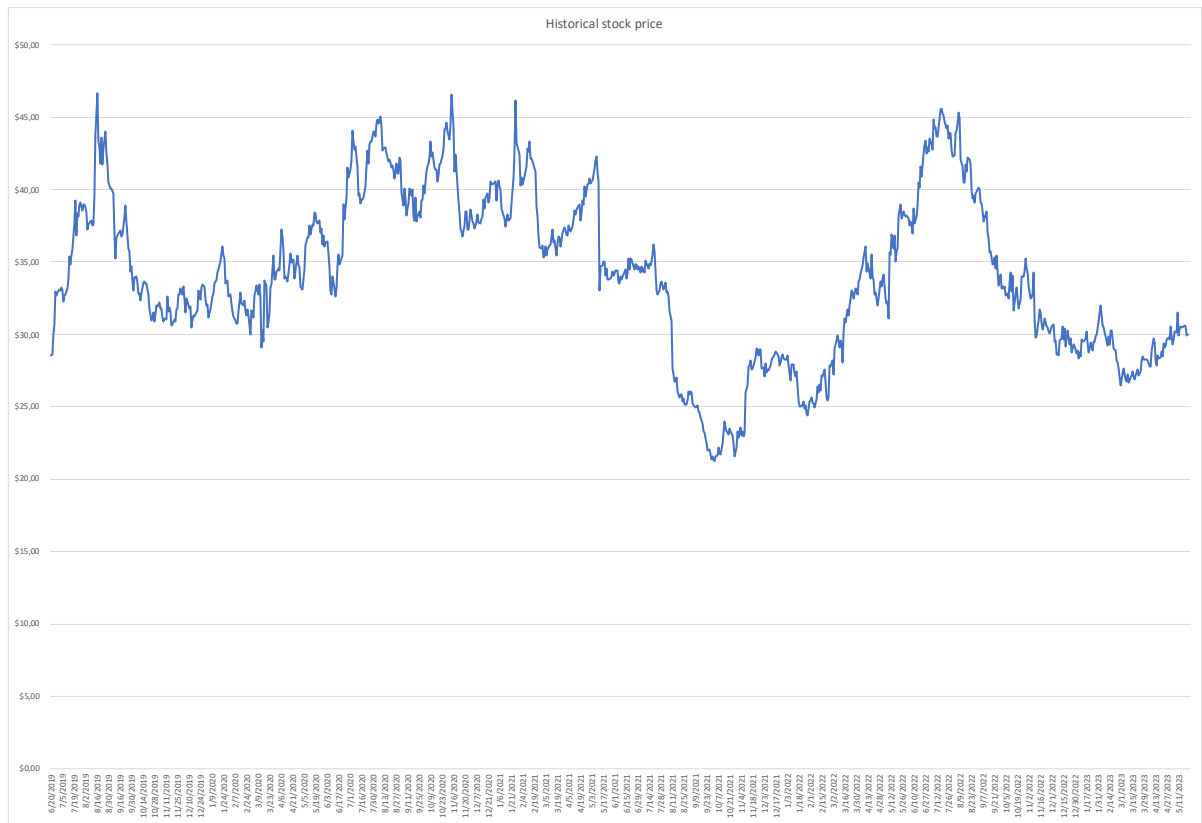
## Solid Growth and Consistent Margin Performance



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Source: <https://investors.groceryoutlet.com/news-and-events/presentations>

Exhibit V :



Source: <https://investors.groceryoutlet.com/stock-information/stock-quote-chart>



## Exhibit VI:

Insider	Transaction	Type	Value	Date	Shares
<a href="#">HERMAN THOMAS F</a> Director	Sale at price 30.35 per share.	Indirect	60,7	May 15, 2023	2
<a href="#">LINDBERG ERIC J JR</a> Director	Sale at price 30.17 - 31.19 per share.	Direct	9,059,960	May 12, 2023	300
<a href="#">LINDBERG ERIC J JR</a> Director	Conversion of Exercise of derivative security at price 3.81 per share.	Direct	1,143,000	May 12, 2023	300
<a href="#">CHUNG CALVIN</a> Officer	Stock Award(Grant) at price 0.00 per share.	Direct		0 Apr 25, 2023	15,255
<a href="#">HERMAN THOMAS F</a> Director	Sale at price 29.00 per share.	Indirect	58	Apr 21, 2023	2
<a href="#">HERMAN THOMAS F</a> Director	Sale at price 29.00 per share.	Indirect	58	Apr 21, 2023	2
<a href="#">HERMAN THOMAS F</a> Director	Sale at price 29.00 per share.	Indirect	58	Apr 11, 2023	2
<a href="#">HERMAN THOMAS F</a> Director	Sale at price 29.00 per share.	Indirect	58	Apr 11, 2023	2
<a href="#">RAGATZ ERIK D</a> Director	Purchase at price 26.70 per share.	Indirect	18,396	Mar 10, 2023	689
<a href="#">RAGATZ ERIK D</a> Director	Purchase at price 27.25 - 27.30 per share.	Indirect	3,037,612	Mar 07, 2023	111,375
<a href="#">BRACHER CHARLES C</a> Chief Financial Officer	Sale at price 27.17 per share.	Direct	352,963	Mar 06, 2023	12,989
<a href="#">BURKE PAMELA B</a> Officer	Sale at price 27.17 per share.	Direct	243,262	Mar 06, 2023	8,952
<a href="#">GRAY LINDSAY E</a> Officer	Sale at price 27.17 per share.	Direct	86,006	Mar 06, 2023	3,165
<a href="#">SHEEDY ROBERT JOSEPH JR</a> Chief Executive Officer	Sale at price 27.17 per share.	Direct	540,844	Mar 06, 2023	19,903
<a href="#">WILSON STEVEN K</a> Officer	Sale at price 27.17 per share.	Direct	243,968	Mar 06, 2023	8,978
<a href="#">LINDBERG ERIC J JR</a> Director	Sale at price 27.23 per share.	Direct	1,471,102	Mar 06, 2023	54,029
<a href="#">BORTNER ANDREA RENEE</a> Officer	Sale at price 27.23 per share.	Direct	483,649	Mar 06, 2023	17,759
<a href="#">BRACHER CHARLES C</a> Chief Financial Officer	Sale at price 27.46 per share.	Direct	124,513	Mar 03, 2023	4,535
<a href="#">BURKE PAMELA B</a> Officer	Sale at price 27.46 per share.	Direct	100,269	Mar 03, 2023	3,652
<a href="#">GRAY LINDSAY E</a> Officer	Sale at price 27.46 per share.	Direct	35,885	Mar 03, 2023	1,307
<a href="#">SHEEDY ROBERT JOSEPH JR</a> Chief Executive Officer	Sale at price 27.46 per share.	Direct	187,717	Mar 03, 2023	6,837
<a href="#">WILSON STEVEN K</a> Officer	Sale at price 27.46 per share.	Direct	109,577	Mar 03, 2023	3,991
<a href="#">LINDBERG ERIC J JR</a> Director	Sale at price 27.46 per share.	Direct	270,551	Mar 03, 2023	9,854
<a href="#">BORTNER ANDREA RENEE</a> Officer	Sale at price 27.46 per share.	Direct	94,915	Mar 03, 2023	3,457
<a href="#">BRACHER CHARLES C</a> Chief Financial Officer	Stock Award(Grant) at price 0.00 per share.	Direct		0 Mar 02, 2023	51,765
<a href="#">THOMPSON LUKE D</a> General Counsel	Stock Award(Grant) at price 0.00 per share.	Direct		0 Mar 02, 2023	11,961
<a href="#">BURKE PAMELA B</a> Officer	Stock Award(Grant) at price 0.00 per share.	Direct		0 Mar 02, 2023	40,783
<a href="#">GRAY LINDSAY E</a> Officer	Stock Award(Grant) at price 0.00 per share.	Direct		0 Mar 02, 2023	16,515
<a href="#">SHEEDY ROBERT JOSEPH JR</a> Chief Executive Officer	Stock Award(Grant) at price 0.00 per share.	Direct		0 Mar 02, 2023	90,407
<a href="#">WILSON STEVEN K</a> Officer	Stock Award(Grant) at price 0.00 per share.	Direct		0 Mar 02, 2023	43,06
<a href="#">LINDBERG ERIC J JR</a> Director	Stock Award(Grant) at price 0.00 per share.	Direct		0 Mar 02, 2023	114,954
<a href="#">BORTNER ANDREA RENEE</a> Officer	Stock Award(Grant) at price 0.00 per share.	Direct		0 Mar 02, 2023	38,45
<a href="#">HERMAN THOMAS F</a> Director	Sale at price 29.15 - 29.40 per share.	Indirect	117,1	Feb 15, 2023	4

Source: <https://finance.yahoo.com/quote/GO/holders?p=GO>

## Exhibit VII:

**Top Institutional Holders**

Holder	Shares	Date Reported	% Out	Value
Capital Research Global Investors	8,998,994	Mar 30, 2023	9.16%	\$ 269.609.852,00
Vanguard Group, Inc. (The)	8,955,711	Mar 30, 2023	9.11%	\$ 268.313.093,00
Blackrock Inc.	8,820,629	Mar 30, 2023	8.97%	\$ 264.266.036,00
Jackson Square Partners, LLC	6,103,398	Mar 30, 2023	6.21%	\$ 182.857.798,00
Parnassus Investments, LLC	6,022,813	Mar 30, 2023	6.13%	\$ 180.443.471,00
Alliancebernstein L.p.	5,894,776	Mar 30, 2023	6.00%	\$ 176.607.483,00
Mackenzie Financial Corporation	4,755,461	Mar 30, 2023	4.84%	\$ 142.473.607,00
Bank Of New York Mellon Corporation	3,531,831	Mar 30, 2023	3.59%	\$ 105.813.653,00
Kayne Anderson Rudnick Investment Management LLC	2,894,341	Mar 30, 2023	2.94%	\$ 86.714.453,00
State Street Corporation	2,792,807	Mar 30, 2023	2.84%	\$ 83.672.495,00

**Top Mutual Fund Holders**

Holder	Shares	Date Reported	% Out	Value
Smallcap World Fund	5,352,046	Dec 30, 2022	5.48%	\$ 160.347.293,00
Parnassus Mid-Cap Fund	5,133,018	Dec 30, 2022	5.25%	\$ 153.785.214,00
Amcap Fund	3,903,436	Mar 30, 2023	4.00%	\$ 116.946.938,00
iShares Core S&P Midcap ETF	2,756,757	Feb 27, 2023	2.82%	\$ 82.592.437,00
Vanguard Total Stock Market Index Fund	2,660,878	Dec 30, 2022	2.72%	\$ 79.719.902,00
Vanguard Small-Cap Index Fund	2,255,562	Dec 30, 2022	2.31%	\$ 67.576.635,00
Virtus Equity Tr-Virtus KAR Small Cap Growth Fd	2,081,022	Dec 30, 2022	2.13%	\$ 62.347.417,00
Legg Mason Clearbridge Small Cap Growth Fd	1,796,039	Jan 30, 2023	1.84%	\$ 53.809.326,00
BNY Mellon Small/Mid Cap Growth Fund	1,757,945	Dec 30, 2022	1.80%	\$ 52.668.030,00
AB Cap Fd.-AB Small Cap Growth Port	1,637,191	Feb 27, 2023	1.68%	\$ 49.050.240,00

Source: <https://finance.yahoo.com/quote/GO/holders?p=GO>

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