J.P.Morgan

Global Research
21 June 2021

The US Consumer

Still in Bloom or Pending Gloom?

In this collaborative note, we examine the changing consumer landscape as the US re-opens and stimulus fades. We include contributions from J.P. Morgan's US consumer analysts and Equity Strategy to address the current environment and outlook for discretionary retail, food at home/away from home, travel, housing, and autos.

The team will be hosting a conference call on Monday, June 21, at 2PM EST with the Chief Equity Strategist and Head of Quantitative Research, Dubravko Lakos-Bujas, to discuss. Please reach out to us or your J.P. Morgan sales contact for details.

We take a constructive view on the overall consumer spending outlook over the next few quarters across most sectors, driven by consumer health, re-opening, and pent-up demand. Our primary areas of caution include food at home, business-related travel (leisure travel is very favorable), and share of wallet normalization in categories that benefitted during COVID (e.g., home, electronics). While we remain positive on the US consumer theme, in this report we include two baskets that differentiate between consumer recovery plays with higher versus lower staying power (JPAMCRHI and JPAMCRLO <Index>, see pages 9-10).

- **Consumer recovery will remain the dominant theme in coming quarters.** Stronger and earlier than expected consumer recovery along with a pick-up in mobility post-COVID-19 vaccine is releasing pent-up demand. Based on J.P. Morgan's business cycle indicator (QMI), growth is poised to accelerate further with international re-opening and service-based consumption gaining traction. US households are well positioned to support the consumption recovery with strong labor market (declining unemployment rate and rising wages), excess household liquidity (e.g., record cash reserves, savings from postponed consumption, stimulus), wealth effect from rising asset values, healthy consumer balance sheet (e.g., lower revolving debt, low delinquency), and fast-growing millennial cohort at a spending inflection. **This setup is ideal going into 2021 summer/holiday and back-to-school season, which we believe will be one of the strongest on record due to robust demand and pricing environment—we believe consensus estimates are still too conservative and not pricing in this outcome.**

- **We see an encouraging consumer spending environment.** J.P. Morgan economists forecast personal consumption expenditures up 20% Y/Y in calendar 2Q21, +12% in 2H21, and strong growth through 1Q22 (+10%) due to economic growth and the consumer draining the high savings rates. Recent Chase credit card trends are encouraging. Transactions have increased ~13% on average versus pre-COVID levels since early May. Supermarkets have proven resilient, with double-digit growth versus pre-pandemic largely sustained into June (late May dipped to high single digits, we think because of Memorial Day). Wholesale club and discount stores have outpaced supermarkets since June 2020, consistently running +30% versus pre-pandemic, even into June 2021. And travel and entertainment is in the midst of recovery, with transactions in the seven days ending June 7 down just 4% versus pre-pandemic levels. Within T&E, restaurants have returned to growth, lodging is approaching pre-pandemic levels, and airlines have improved but remain down ~10%.

North America Equity Research & Global Markets Strategy

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See page 36 for analyst certification and important disclosures.

- **Retailing: Broadlines/Hardlines (Chris Horvers):** COVID-19 drove a massive consumer spending shift to "nesting" categories in 2020 (Horvers' Share of Wallet) driven by depressed consumption in other areas (i.e., dining out, leisure, travel, apparel/beauty, etc.), and we expect increasing consumer mobility (i.e., return to office/school, formal events/travel) as 2021 progresses to drive a wallet normalization with apparel/beauty the biggest beneficiaries in our coverage (i.e., TGT and ULTA, which also have fewer competitors post-COVID), while categories related to the home (DIY near term and durables further out = LOW, WSM, W, FND with Pro better = HD) and BBY appear most at risk. We also like inflation pass-through categories where compares ease first and have pro-cyclical support (i.e., auto parts, DRVN, BJ, COST).

- **Dept Stores/Specialty Softlines (Matt Boss):** Within apparel, we see expanded TAMs within activewear and casualwear. Specifically, Boss's 3-Wave Retail Recovery for apparel calls for current demand (1H21) in denim, casualwear, and outerwear tied to increased mobility increases outside the home to be followed by workwear and the rise of occasion/eventwear in 2H21/2022 driven by an uptick in Return to Office and social gatherings (e.g., weddings/charity events). By channel, the pandemic accelerated an ongoing consumer shift to online/digital coinciding with an overarching "retail shakeout" with >40 retail bankruptcies filed during 2020 and a peak 11,894 US General Merchandise, Apparel, Furniture & Other (GAFO) store closures (doubling the trailing 10-year average of ~5K). We anticipate a "normalization" of ecommerce penetration in 2021 (likely falling between 2019/20 penetration rates) as brick/mortar traffic returns, though we note Global Brands increased long-term DTC targets at the expense of traditional wholesale doors and a "catch-up" opportunity for online luxury.

- **Restaurants (John Ivankoe): We see post-pandemic a lot like pre-pandemic, just busier.** The National Restaurant Association's May survey estimated that ~14% of restaurants have closed, but we believe the smaller-volume nature of the closed "truly independent" restaurants translates to a ~MSD% reduction in effective supply. A closed restaurant almost always is reopened as another restaurant, and we expect supply to be largely caught up by end of C22. Many operators have been able to generate higher sales despite lower labor levels, largely because of a pivot toward off-premise consumption. Normalization of in-restaurant dining room consumption is likely to pull back workers into restaurants. Casual dining is likely to regain most on-premise business while holding on to a permanent 5-10% uplift from off-premise. For QSR, holding on to ticket gains is key as the consumer pivots back to normalized single-order transactions.

- **Food Producers and Retailers (Ken Goldman): Food-at-home consumption has remained persistently high, but we expect this to soon unwind, with the main enduring benefit coming from increased work from home.** Relative to pre-COVID consumption levels, food at home remained up mid to high teens in both March (+18%) and April (+16%), despite foodservice returning to growth (+2% and +4%, respectively). We suspect that this is temporary and aided by both pent-up demand and stimulus payments. We are perhaps seeing signs of food-at-home deceleration: In the two weeks ended May 22, NielsenIQ-measured takeaway in the Northern US grew single digits versus pre-pandemic levels, but in other parts of the country growth was mid teens. For food at home, the most enduring change in demand could come from increased work from home, which would disproportionately benefit breakfast and lunch.

- **Beverages and HPC (Andrea Teixeira): Our recent survey of 600 U.S. consumers suggests that certain behavioral shifts seen during the pandemic could have longer-lasting impacts.** The results suggest a continued secular demand increase for

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self-care, cleaning, and at-home cooking. In beverages, the results were mixed but more favorable to at-home beneficiaries like coffee and bottled water and less so for alcoholic beverages. Relative to our previous June 2020 survey, survey respondents indicated lower purchase intentions for most categories. Other takeaways from our survey include lower brand equity vs. a very elevated preference for brands in our last years' survey and higher preference for private label vs. national brands, with consumers ranking price and availability at the store the most important purchase decision factors.

- **Travel – Airlines (Jamie Baker): COVID's aftermath may indeed exact a modest potential toll on business traveler behavior, but there also exists an argument in favor of increased consumer spending going forward.** Summer leisure demand for air travel continues to handily outpace our initial forecasts as well as those of managements, several of which have recently bolstered their expectations for the summer peak. More importantly, fare discounting is comparatively limited, reflecting the reality that COVID-related travel impediments—as opposed to a weak consumer or any structural shift in attitudes toward commercial air travel—lay at the root of 2020's crisis.

- **Travel – Gaming, Lodging, and Leisure (Joe Greff and Brandt Montour): We are seeing a return to the pre-pandemic trend of consumers buying experiences over things, with leisure travel rebounding much faster than business.** This recovering leisure demand is evident in (a) Las Vegas (where weekend occupancy hit 84% in April and total airline seats to McCarran Airport are expected to surpass 2019 levels by the fall); (b) US hotel demand (leisure-heavy lower end hotel brands in the US have almost fully recovered); and (c) cruise lines (ticket prices have rebounded, aided by limited near- and medium-term supply). Corporate travel has been slower to recover, including upscale brands and urban hotels (both of which skew to business travel). Green shoots for the corporate travel recovery abound, but where it settles this fall when many more offices are set to open up is still hotly debated.

- **Housing (Mike Rehaut and Chris Horvers): We are more constructive on the outlook for new home construction than DIY.** New home construction should remain robust over at least the next one to two years: Affordability remains favorable relative to history. Single-family housing starts have only recently improved to their long-term average. Existing home supply remains extremely tight, at roughly half of prior trough levels. And, this cycle's demographics are more favorable than the last (18% more people on average are turning 30 over the next five years than did during the 1998-2005 period). Repair/remodel demand should moderate in 2H21, especially DIY. The approximate two-quarter lag to home-related sales portend strong results against tough comps for HD/LOW/FND through 2Q. But pending home sales (a two- to three-month forward indicator of existing home sales) have moderated sharply since the end of 2020 and suggest a decline in existing home sales starting later this summer. Our recent checks support moderating DIY share of wallet.

- **Autos (Ryan Brinkman and Rajat Gupta): After an initial shock at the onset of the pandemic, the sale of new vehicles has consistently improved and recently strengthened to near the highest level ever.** Demand has been aided by changing consumer patterns (less spending on travel, dining, etc.), fiscal and monetary stimulus, and, more recently, the economic reopening and easing restrictions on commerce. Supply chain constraints (semiconductor capacity) have prevented production of new vehicles from keeping pace with demand. Used car inventories have been limited by a 50% plunge in repossession volumes in 2020 and auction volumes by a decline in lease

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returns. Given these supply constraints and raw material cost inflation, we expect auto prices to continue to head higher. The pandemic accelerated vehicle electrification (reallocated R&D) and the move toward online buying (supported by our survey work), but it may have temporarily slowed the march toward fully autonomous (given its contingence on shared mobility).

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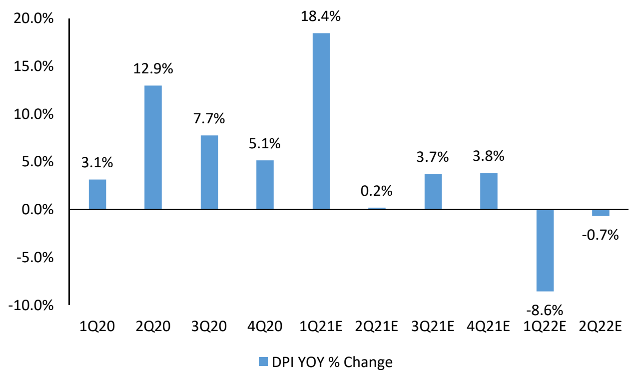
Overview

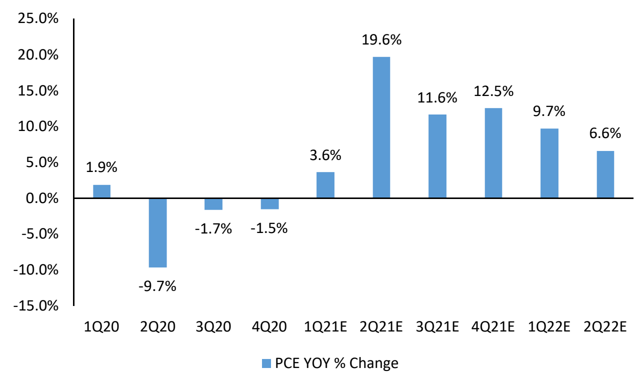
- **Record US consumer backdrop.** Broadly, the consumption backdrop remains strong given consumer health. J.P. Morgan economists forecast personal consumption expenditures up 20% Y/Y in calendar 2Q21, +12% in 2H21, and strong growth through 1Q22 (+10%) due to economic growth and the consumer draining the high savings rates.

Figure 1: Disposable Personal Income YOY % Change



Source: J.P. Morgan Economics estimates, Bureau of Labor Statistics.

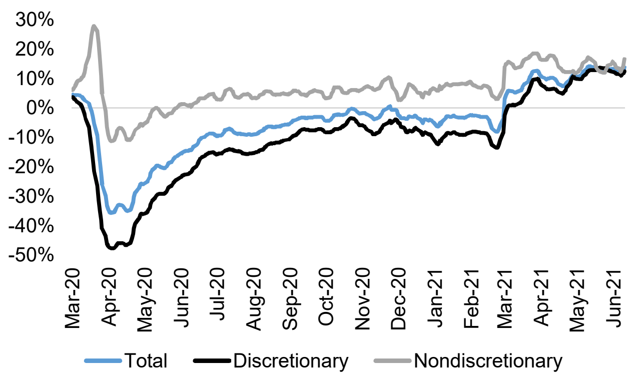
Figure 2: Personal Consumption Expenditures YOY % Change



Source: J.P. Morgan Economics estimates, Bureau of Labor Statistics.

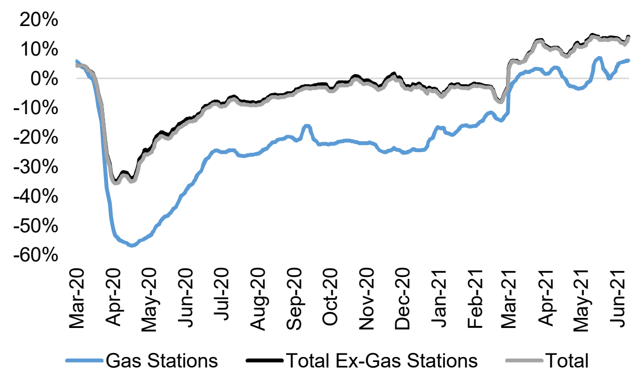
- **Chase credit card data shows spending (vs. pre-COVID) stepped up in March.** Total spending troughed in early April 2020 (rolling 7 days) at -36% Y/Y, gradually improved in the ensuing 15+ months, and has increased ~13% on average versus pre-COVID levels since early May. Nondiscretionary spending was more resilient than discretionary in 2020, but discretionary growth has been comparable to nondiscretionary over the past couple of months.

Figure 3: Chase Card Spend: Discretionary vs Nondiscretionary
7-Day Moving Average, versus Pre-COVID



Source: J.P. Morgan. Note: See the following link for public access to the Chase card tracker. https://www.jpmm.com/research/open/latest/publication/9002054.

Figure 4: Chase Card Spend: with and without Gas Stations
7-Day Moving Average, versus Pre-COVID



Source: J.P. Morgan. Note: See the following link for public access to the Chase card tracker. https://www.jpmm.com/research/open/latest/publication/9002054.

- **Retail spending has proven resilient.** Chase credit card transactions at supermarkets have proven resilient, with double-digit growth versus pre-pandemic largely sustained into June (late May dipped to high single digits, we think because of Memorial Day). Purchase growth at wholesale club and discount stores has outpaced supermarkets since June 2020, consistently running +30% versus pre-pandemic, even into June 2021.

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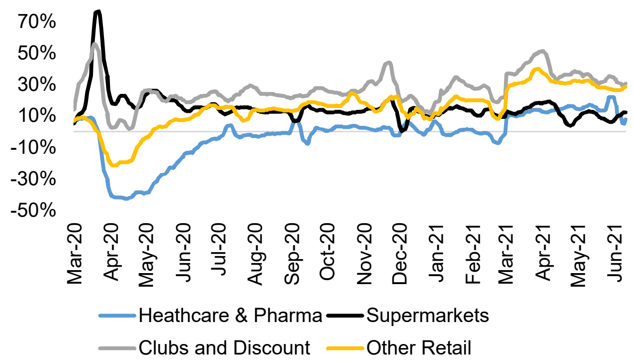
Figure 5: Chase Card Spend: Retail Categories

7-Day Moving Average, versus Pre-COVID

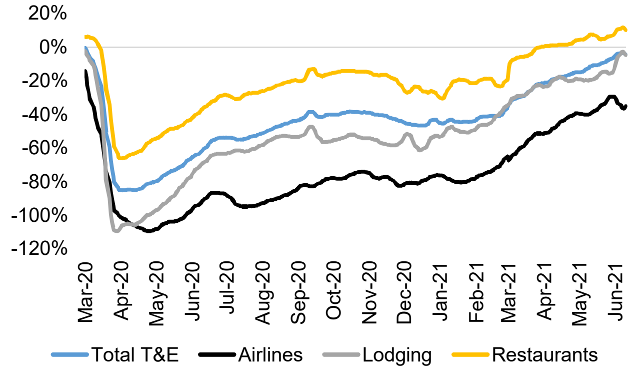


Source: J.P. Morgan. Note: See the following link for public access to the Chase card tracker. https://www.jpmm.com/research/open/latest/publication/9002054.

- **Across travel and entertainment categories, credit card trends continue to improve versus pre-COVID.** The total category was -4% in the seven days ending June 7. Restaurants turned positive in March and were +11% versus pre-COVID in the seven days ending June 7. Lodging was approaching pre-pandemic (-4% in the seven days ending 6/7). Airlines have improved but continue to lag (-10% as of 6/7).

Figure 6: Chase Card Spend: Travel and Entertainment Categories

7-Day Moving Average, versus Pre-COVID



Source: J.P. Morgan. Note: See the following link for public access to the Chase card tracker. https://www.jpmm.com/research/open/latest/publication/9002054.

- **Workers are beginning to return to the office, but not as before.** Per J.P. Morgan analyst Matt Boss's Apparel and Footwear Spending Survey, 32% of the 501 survey respondents that are currently working from home expect to return to the office by fall. And 52% expect to be fully back "at work" before the end of 2021.

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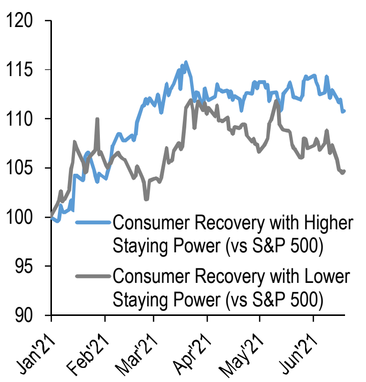
Fig 7: JPM Consumer Recovery with Higher and Lower Staying Power Performance

JPAMCRHI vs. JPAMCRLO <Index>



Source: J.P. Morgan US Equity Strategy & Global Quantitative Research

Bloomberg subscribers can use the tickers JPAMICRHI, JPAMCRLO to access tracking information on baskets created by the J.P. Morgan Delta One desk to leverage the themes discussed in this report. Over time, the performance of JPAMICRHI, JPAMCRLO could diverge from returns quoted in our research because of differences in methodology. J.P. Morgan Research does not provide research coverage of these baskets and investors should not expect continuous analysis or additional reports relating to them. For more information, please contact your J.P. Morgan salesperson or the Delta One Desk.

Consumer recovery will remain the dominant theme in coming quarters. Stronger and earlier than expected consumer recovery along with a pickup in mobility post-COVID-19 vaccine is releasing pent-up demand. Based on J.P. Morgan's business cycle indicator (QMI), growth is poised to accelerate further with international reopening and service-based consumption gaining traction. US households are well positioned to support the consumption recovery with strong labor market (declining unemployment rate and rising wages), excess household liquidity (e.g., record cash reserves, savings from postponed consumption, stimulus), wealth effect from rising asset values, healthy consumer balance sheet (e.g., lower revolving debt, low delinquency), and fast-growing millennial cohort at a spending inflection. **This setup is ideal going into 2021 summer/holiday and back-to-school season, which we believe will be one of the strongest on record due to robust demand and pricing environment—we believe consensus estimates are still too conservative and not pricing in this outcome.**

Consumer recovery will remain a core theme through year-end with increasing attention on the middle distribution of household income that should drive especially service-based consumption and be very supportive of "pure" discretionary plays. Middle-income households, more than lower- and higher-income, should be a one key driver of consumer spending over the next 12 months. This household segment is less sensitive to fading COVID-era stimulus while avoiding potentially higher personal income taxes being considered by Congress. As COVID fears fade and mobility further normalizes, spending habits of this cohort will be an important catalyst to further the growing shift in spending from goods to services. Similar to middle-income households, which were key in pushing demand higher for consumer goods (e.g., outdoor goods, personal computing and tech hardware, furnishing, home improvement), we expect a similar broad improvement in services such as Recreation (leisure, hotel, restaurants, airlines, transportation, car rental), Experiences (concerts, entertainment , sport events) and Sundry services (dry cleaning, beauty & fitness, automotive).

Investor entry point to capture consumer spending transition from goods to services still attractive. Chase credit card data suggests the shift to services is still in progress with consumers broadly beginning to resume expenditures on services with significant room for upside (e.g., Lodging is -31% versus pre-pandemic levels, Airlines -22%, Restaurants -8%, and Travel & Entertainment is -9%, see Chase Card Spending Tracker). We anticipate companies operating in these categories to see hockey-stick earnings recovery (rather than a V-shape) with much better than expected demand and pricing to drive record profitability. While there may be some softness in durable good spending in the coming months, this should not be interpreted as a sign of consumer weakness. Rather, it will confirm an ongoing transition to services spending versus goods after ~1.5 year of depressed services activity due to lockdowns and work from home. Consumer service is a broad and diverse category ranging from restaurants and experiences to leisure and entertainment, which were at the epicenter of the COVID-induced economic downturn, and we consider the services boom to still be in its very early innings.

Screens: Consumer Recovery with More vs. Less Staying Power (see pages 9-10). These baskets are compiled with input from JPM Stock Analysts and are designed to capture the strong consumer recovery theme while differentiating between stocks with higher versus lower staying power. Since the beginning of 2021, the Consumer Recovery names with more staying power have outperformed those with less by 6.1%.

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Figure 8: JPM Consumer Recovery with Higher Staying Power Basket (JPAMCRHI <Index>)

				Company Stats				Price Perf (%)		Technicals				IBES Estimates		Valuation		
	GICS Sector/Industry	Company	Ticker	Current Price	52-Wk High/ Low	Market Cap	Avg Vol. (mm)	12-mos Change	YTD	Short as % of Out.	RSI 30Day	Avg Rating 1 = Sell 5 = Buy	Repurchase Stock LTM % Mkt Cap	Sales Growth NTM	EPS Growth NTM	EV/ EBITDA LTM	P/E NTM	P/B
1	**Sector: Industrials**	Trex Company, Inc.	TREX	$97.58	111/59	$11,257	$90.0	62%	17%	5%	49	3.8	0.5%	30%	39%	40.1x	43.7x	19.1x
2	Building Products	AZEK Company Inc Class A	AZEK	$40.03	51/29	$6,194	$41.8	—	4%	2%	41	4.5	0.0%	23%	30%	72.3x	37.5x	4.6x
3	Commercial Services & Supplies	Driven Brands Holdings, Inc.	DRVN	$28.76	36/22	$4,815	$24.0	—	—	1%	53	4.3	—	—	—	NA	41.1x	3.0x
4	Airlines	Southwest Airlines Co.	LUV	$55.19	65/30	$32,638	$515.4	72%	18%	3%	41	4.5	0.0%	166%	- to +	NA	64.1x	3.6x
5		Delta Air Lines, Inc.	DAL	$44.96	52/24	$28,759	$768.3	78%	12%	2%	47	4.2	0.0%	164%	- to +	NA	291.0x	59.7x
6		United Airlines Holdings, Inc.	UAL	$54.92	64/29	$17,771	$1,329.2	96%	27%	3%	50	3.6	0.0%	179%	Neg	NA	Neg	3.4x
7		Alaska Air Group, Inc.	ALK	$63.31	74/33	$7,881	$128.6	85%	22%	2%	45	4.8	0.0%	163%	- to +	NA	66.2x	2.7x
8	**Sector: Consumer Discretion:**	General Motors Company	GM	$58.76	64/23	$85,241	$1,046.9	127%	41%	1%	51	4.8	0.0%	17%	-1%	4.2x	9.1x	1.7x
9	Automobiles	Ford Motor Company	F	$14.52	16/6	$56,930	$1,061.5	154%	65%	2%	57	3.8	0.0%	20%	-8%	6.5x	10.3x	1.7x
10	Textiles Apparel & Luxury Goods	NIKE, Inc. Class B	NKE	$128.41	148/94	$163,717	$816.2	30%	-9%	1%	43	4.5	0.1%	27%	87%	41.9x	32.3x	17.0x
11		Lululemon Athletica Inc	LULU	$347.57	400/269	$43,430	$535.7	16%	0%	2%	58	4.2	0.3%	27%	32%	36.9x	46.6x	17.2x
12		Tapestry, Inc.	TPR	$41.17	50/12	$11,481	$200.4	203%	32%	3%	45	4.2	0.1%	25%	60%	13.6x	12.9x	3.8x
13	Hotels Restaurants & Leisure	McDonald's Corporation	MCD	$229.62	238/179	$171,337	$689.7	23%	7%	1%	49	4.5	0.0%	18%	40%	22.0x	25.2x	NA
14		Chipotle Mexican Grill, Inc.	CMG	#####	1580/1011	$39,400	$433.3	39%	1%	3%	51	4.3	0.3%	24%	119%	48.3x	49.2x	18.8x
15		Royal Caribbean Group	RCL	$85.64	99/45	$21,801	$596.4	65%	15%	4%	48	3.5	0.0%	2742%	Neg	NA	Neg	2.4x
16		Caesars Entertainment Inc	CZR	$100.06	113/29	$20,882	$430.3	182%	35%	5%	50	4.5	0.1%	104%	Neg	45.3x	Neg	4.5x
17		MGM Resorts International	MGM	$40.86	44/15	$20,043	$496.7	138%	30%	4%	51	3.5	0.6%	127%	Neg	NA	Neg	3.2x
18		Norwegian Cruise Line Holdings L	NCLH	$30.30	34/13	$11,209	$796.8	93%	19%	12%	51	3.8	0.1%	9620%	Neg	NA	Neg	2.6x
19		Boyd Gaming Corporation	BYD	$58.68	71/17	$6,577	$82.6	174%	37%	3%	46	4.5	—	41%	330%	17.2x	17.3x	5.3x
20		Planet Fitness, Inc. Class A	PLNT	$74.37	90/49	$6,189	$109.2	15%	-4%	5%	44	3.9	0.0%	65%	- to +	59.4x	55.0x	NA
21		Wendy's Company	WEN	$23.10	29/19	$5,113	$78.6	9%	5%	3%	50	4.1	1.5%	5%	16%	14.9x	29.2x	9.8x
22		Red Rock Resorts, Inc. Class A	RRR	$39.46	47/9	$2,800	$50.6	186%	58%	5%	50	4.3	0.4%	27%	63%	27.4x	17.1x	10.2x
23	Distributors	Genuine Parts Company	GPC	$121.12	136/83	$17,498	$97.0	45%	21%	1%	46	3.0	0.0%	6%	5%	24.1x	19.4x	5.3x
24	Multiline Retail	Target Corporation	TGT	$230.53	237/117	$114,049	$872.1	88%	31%	2%	64	4.6	1.2%	5%	-3%	10.0x	18.9x	7.6x
25		Dollar General Corporation	DG	$212.70	225/174	$50,241	$438.7	11%	1%	2%	55	4.5	6.8%	4%	-2%	11.4x	20.1x	8.0x
26	Specialty Retail	TJX Companies Inc	TJX	$63.37	75/49	$76,424	$437.7	20%	-7%	1%	41	4.6	0.0%	25%	92%	25.9x	22.5x	12.5x
27		O'Reilly Automotive, Inc.	ORLY	$537.09	569/409	$37,468	$292.0	29%	19%	1%	55	4.2	5.8%	1%	0%	12.5x	20.1x	NA
28		Burlington Stores, Inc.	BURL	$301.58	339/168	$20,079	$208.3	44%	15%	3%	47	4.4	0.1%	29%	97%	23.3x	32.2x	37.2x
29		Ulta Beauty Inc	ULTA	$327.19	352/186	$17,916	$312.6	34%	14%	3%	51	4.1	2.5%	17%	30%	15.2x	25.5x	9.8x
30		L Brands, Inc.	LB	$62.78	72/13	$17,509	$294.2	288%	69%	2%	48	3.9	1.1%	10%	2%	8.0x	10.9x	NA
31		Advance Auto Parts, Inc.	AAP	$193.33	210/132	$12,651	$176.8	39%	23%	5%	51	4.1	4.9%	0%	5%	9.2x	16.8x	3.6x
32		MYT Netherlands Parent B.V. ADI	MYTE	$30.78	36/25	$2,640	$15.7	—	—	4%	52	4.1	—	—	—	NA	79.5x	5.9x
33	**Sector: Consumer Staples**	BJ's Wholesale Club Holdings, Inc.	BJ	$45.53	50/34	$6,244	$95.5	26%	22%	10%	50	4.3	2.0%	-1%	-12%	11.6x	16.6x	15.1x
34	Beverages	Coca-Cola Company	KO	$53.77	56/44	$231,839	$862.4	15%	-2%	1%	48	4.4	0.1%	14%	14%	24.0x	23.7x	11.4x
35		Keurig Dr Pepper Inc.	KDP	$34.52	37/27	$48,929	$177.2	24%	8%	2%	45	3.9	0.3%	5%	16%	18.4x	20.6x	2.0x
36		Constellation Brands, Inc. Class A	STZ	$221.25	245/161	$37,391	$243.9	28%	1%	1%	40	4.3	0.0%	2%	7%	16.9x	20.8x	3.1x
37		Duckhorn Portfolio, Inc.	NAPA	$24.00	24/16	$2,745	$16.8	—	—	1%	68	4.5	—	—	—	NA	48.0x	3.5x
38		Primo Water Corporation	PRMW	$16.01	18/12	$2,580	$21.3	33%	2%	2%	42	4.6	0.2%	8%	22%	19.9x	25.3x	1.9x
39	Food Products	Lamb Weston Holdings, Inc.	LW	$77.95	86/59	$11,403	$76.2	30%	-1%	1%	45	4.3	0.2%	13%	85%	22.6x	24.7x	25.2x
40		Freshpet Inc	FRPT	$160.41	187/79	$6,941	$50.7	108%	13%	4%	46	4.3	0.0%	47%	- to +	412.8x	420.5x	9.6x
41		Hostess Brands, Inc. Class A	TWNK	$16.09	17/12	$2,113	$21.2	33%	10%	18%	55	4.3	0.3%	4%	6%	12.5x	18.5x	1.3x
42	Personal Products	Estee Lauder Companies Inc. Clas	EL	$295.88	318/183	$68,613	$376.8	50%	11%	1%	49	4.5	0.5%	24%	39%	43.4x	41.4x	19.4x
43		e.l.f. Beauty, Inc.	ELF	$27.47	31/17	$1,419	$20.5	60%	9%	4%	47	4.5	0.0%	13%	-1%	37.6x	39.1x	5.3x

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg Finance L.P., IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

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Figure 9: JPM Consumer Recovery with Lower Staying Power Basket (JPAMCRLO <Index>)

				Company Stats				Price Perf (%)		Technicals				IBES Estimates		Valuation		
	GICS Sector/Industry	Company	Ticker	Current Price	52-Wk High/ Low	Market Cap	Avg Vol. (mm)	12-mos Change	YTD	Short as % of Out.	RSI 30Day	Avg Rating 1 = Sell 5 = Buy	Repurchase Stock LTM % Mkt Cap	Sales Growth NTM	EPS Growth NTM	EV/ EBITDA LTM	P/E NTM	P/B
1	**Sector: Industrials**	Copart, Inc.	CPRT	$128.14	131/79	$30,315	$157.5	43%	1%	1%	58	4.5	0.0%	18%	16%	24.4x	32.8x	9.3x
2	**Sector: Consumer Discretion**	Newell Brands Inc	NWL	$25.99	30/15	$11,054	$73.8	98%	22%	2%	43	3.2	—	4%	-10%	11.5x	14.4x	2.9x
3	Hotels Restaurants & Leisure	Starbucks Corporation	SBUX	$109.70	119/71	$129,260	$743.0	41%	3%	1%	47	4.1	0.1%	29%	169%	30.4x	31.8x	NA
4		Domino's Pizza, Inc.	DPZ	$460.19	462/320	$17,868	$288.0	19%	20%	6%	69	3.9	1.4%	6%	13%	21.3x	33.0x	NA
5	Internet & Direct Marketing Retail	Wayfair, Inc. Class A	W	$303.20	369/194	$23,539	$626.7	77%	34%	18%	48	3.7	1.6%	14%	-28%	31.7x	55.0x	NA
6		Wayfair, Inc. Class A	W	$303.20	369/194	$23,539	$626.7	77%	34%	18%	48	3.7	1.6%	14%	-28%	31.7x	55.0x	NA
7	Multiline Retail	Big Lots, Inc.	BIG	$64.16	73/33	$2,222	$85.1	66%	49%	13%	49	3.2	12.4%	-3%	-23%	3.4x	9.6x	1.8x
8	Specialty Retail	Lowe's Companies, Inc.	LOW	$186.88	215/129	$132,104	$793.5	43%	16%	1%	47	4.6	5.3%	-2%	10%	12.8x	16.5x	300.3x
9		Best Buy Co., Inc.	BBY	$107.63	129/80	$26,958	$287.7	38%	8%	3%	42	3.7	4.4%	-3%	-12%	7.6x	12.9x	6.5x
10		Williams-Sonoma, Inc.	WSM	$150.93	195/81	$11,338	$189.4	81%	48%	8%	43	3.3	5.0%	5%	3%	10.1x	13.0x	7.8x
11		Floor & Decor Holdings, Inc. Class	FND	$94.74	117/54	$9,939	$85.8	82%	2%	2%	44	4.7	0.0%	34%	36%	20.8x	37.8x	9.2x
12		Dick's Sporting Goods, Inc.	DKS	$91.70	102/38	$6,009	$199.1	154%	63%	17%	54	3.9	1.6%	-4%	-29%	4.8x	11.3x	3.0x
13		Academy Sports and Outdoors, In	ASO	$38.43	42/12	$3,539	$69.8	—	85%	13%	61	5.0	0.0%	—	—	NA	8.6x	2.7x
14	**Sector: Consumer Staples**	Kellogg Company	K	$63.59	73/57	$21,652	$160.3	-3%	2%	6%	47	3.5	1.1%	0%	0%	13.3x	15.4x	6.9x
15	Food Products	Campbell Soup Company	CPB	$45.27	54/45	$13,719	$101.0	-11%	-6%	7%	40	3.1	0.1%	-4%	-5%	11.2x	15.6x	4.6x
16	Household Products	Kimberly-Clark Corporation	KMB	$128.69	160/128	$43,424	$264.3	-9%	-5%	3%	43	3.3	1.5%	6%	3%	14.3x	16.8x	83.9x
17		Clorox Company	CLX	$172.98	240/172	$21,514	$260.0	-16%	-14%	6%	39	3.0	2.9%	-2%	-11%	19.1x	22.4x	29.0x
18		Energizer Holdings, Inc.	ENR	$42.54	53/39	$2,908	$25.8	-3%	1%	4%	38	4.2	1.0%	-1%	22%	18.0x	11.6x	8.4x
19		Central Garden & Pet Company	CENT	$53.07	63/33	$602	$4.3	45%	37%	3%	46	5.0	2.6%	7%	-9%	11.7x	18.4x	2.5x

Source: J.P. Morgan US Equity Strategy and Quantitative Research, Bloomberg Finance L.P., IBES, Reuters, FactSet. Note on noncovered companies: This basket has been created to leverage the theme of this research report. It includes companies that are not covered by J.P. Morgan Research and should not be viewed as a recommendation with respect to these companies.

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- **COVID has driven a historical consumption shift to goods from services.** COVID-19 drove a massive consumer spending shift to "nesting" categories in 2020 driven by depressed consumption in other areas (i.e., dining out, leisure, travel, apparel/beauty, etc.). Generally, share of wallet might move 5 bps annually with 15 bps an outsized move, while the pandemic led to as much as a 20x share of wallet shift in and out of categories with online, food at home, and home improvement/furnishings the biggest winners. The 2020 shift reversed all of the wallet gains that services made over goods since 2015 with the biggest services losses in recreation services (spectator events, gyms, theaters, etc.), food services, and transportation.

- **Within C. Horvers' Broadlines and Hardlines coverage, as we look ahead, we bucket our coverage into five groups. (1)** Pure re-opening plays that have a story that builds through 2H21, i.e., ULTA. **(2)** COVID wallet winners with apparel-esque exposure into an expected strong back to school/work season against lean inventories that support potential top-line and (significant) merch margin upside, i.e., TGT, ASO, DKS. **(3)** Heavily-weighted to 4Q/guilty-until-proven innocent retailers that benefitted from the COVID wallet shift and have potential pull-forward, i.e., BBY. **(4)** High housing cyclicals with questions on the ability to grow earnings in 2022, reminiscent of the stock malaise in 2H20 (i.e., LOW, FND, HD, WSM). **(5)** Hybrid re-opening plays with compares that ease earlier and we believe can grow EPS in 2022, i.e., auto parts, BJ, COST, WMT. *Lastly, we note that our BJ upgrade in May was part of a broader plan to become more defensive in our ratings as we start to position for 2022.* Our favorite names today include AAP, ASO, BJ, DRVN, GPC, TGT, and ULTA with a favorable sub-sector view of auto parts and discounters broadly. We remain Underweight WSM and W given share of wallet normalization that could accelerate over the summer when costs start to creep up. We emphasize our "own the pro" theme with HD>LOW.

- **COVID apparel category shifts with casualization tailwind on tap.** By product category within our Department Stores & Specialty Softlines coverage, management teams consistently called out strength across home (notably furniture & soft home), activewear/athletic, kids, intimates, and beauty, while suits, dresses, and jeans lagged behind given stay-at-home restrictions and a shift to work from home. Looking ahead for apparel, we expect the clothing and footwear market to grow +21% YOY in 2021 (and +6% vs. 2019) with 1Q performance currently tracking at +41% and +6% vs. 2020 and 2019, respectively. Specifically, denim was the standout category at our mid-April Retail Round-Up, having notably lagged in 2020 (-28%) with consumers focused on "preparation buying" toward more fashion-oriented apparel, denim, and outerwear exiting the pandemic—matching Boss's Wave 1 Recovery. Furthermore, we see potential for the pandemic-driven rotation to casualization, which on the bottoms side could drive a potential multi-year fashion cycle (see 5/10 Apparel Sector Primer) on a shift to a wider leg/looser fit denim silhouette, noting the last denim silhouette shift (from bootcut to skinny) peaked in the 2012 time frame post GFC. Looking ahead, we believe current "green shoots" in occasion-wear, leisure/travel-wear, and workwear portend the next leg in driving 2H21-2022 incremental recovery related to an uptick in RTO, travel, and tourism with an expanded TAM for athletic/health tied to accelerated casualization.

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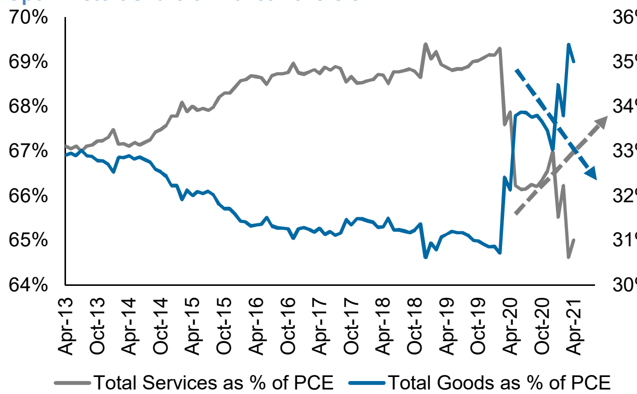
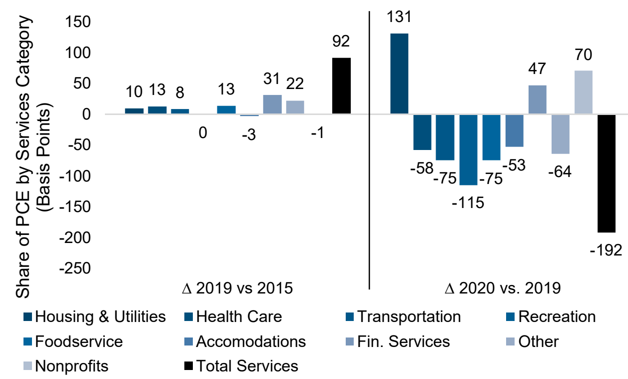
- **Strong back-to-school expected with holiday optimism growing.** As noted in Horvers' & Boss's joint apparel landscape note, the macro and micro backdrop bodes well into the historically promotionally fraught back-to-school period. Last school year, 71 of the 120 largest school districts in the nation went back fully remote while NYC has already said they will not offer remote learning. We also note an estimated ~70 bps of support to monthly spending from additional government assistance in the form of child tax credit checks. Looking ahead, strong sell through and sequential improvement in foot traffic should lead to continued lean inventories into the all-important (and often promotional) holiday season.

Figure 10: Services vs. Goods Share: Temporary Stimulus and Re-Open Distort Share of Wallet Reversion



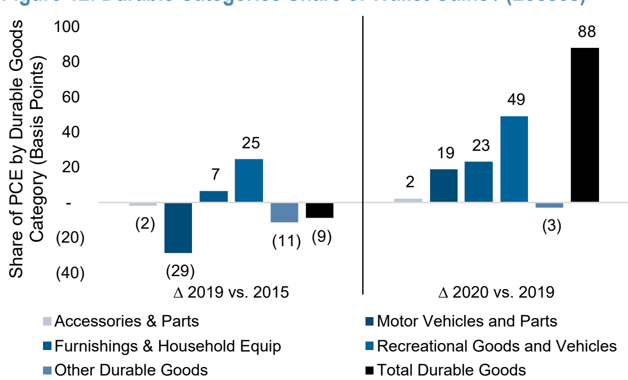
Source: Bureau of Labor Statistics.

Figure 11: Services Categories Share of Wallet Gains/(Losses)



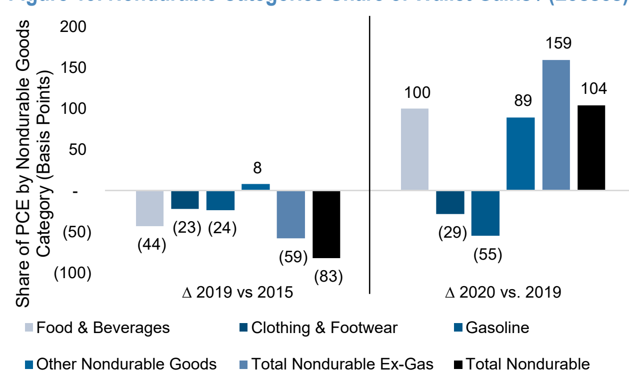
Source: Bureau of Labor Statistics.

Figure 12: Durable Categories Share of Wallet Gains / (Losses)



Source: Bureau of Labor Statistics.

Figure 13: Nondurable Categories Share of Wallet Gains / (Losses)



Source: Bureau of Labor Statistics.

- **Reversion back to experiences starting and likely continues through 2022 with some of the change "structural."** Looking ahead, we expect increasing consumer mobility (i.e., return to office, learn from school, and formal events/travel) as 2021 progresses to drive share of wallet reversion back to the category losers during COVID noted above. That said, some degree of this share shift should remain ongoing in 2021 with a fuller reversion more likely in 2022 given (a) the pace of vaccination, (b) boomers that remain fearful to "get out there," and (c) a buoyant consumer driving a rising tide. On the latter, stimulus payments, a healthy consumer balance sheet, the lagged impact of housing, and reopening enthusiasm have yielded ongoing solid spending in categories that gained share of wallet in 2020.

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Figure 14: Stimulus Potential Lift to Retail Sales

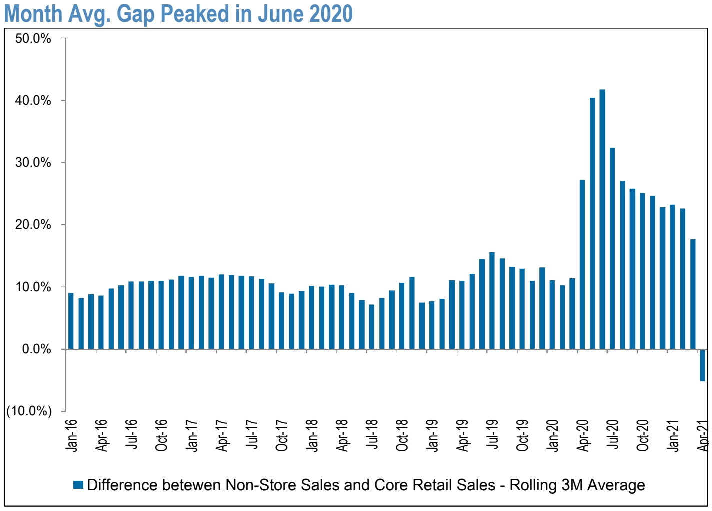
Package	Dates	Amount	Total Size ($B)	Potential Lift To Retail Sales
Stimulus Checks				
Stimulus I	April & May 2020	$1,200	$267	8%
Stimulus II	January 2021	$600	$135	9%
Stimulus III	March - April 2021	$1,400	$384	14%
Unemployment Benefits				
Stimulus I	April - July 2020	$600/week	$260	5%
Stimulus II	January - March 2021	$300/week	$120	3%
Stimulus III	March - September 2021	$300/week	$195	2%

Source: US Census Bureau, J.P. Morgan Research.

- **Online penetration takes three steps forward and likely to take one or more step back.** Ecommerce widened its growth gap vs. B&M to all-time highs in 2020 as COVID-19 lockdowns drove non-essential store closures from late March to early July. Looking ahead, as discussed in our 9th Annual, 100-page Retail vs. AMZN deep dive, we expect a shift back to stores especially in experiential categories such as beauty. Indeed, in our recent spending intentions survey, the majority of respondents noted they expect online shopping on apparel and footwear to remain "about the same" in a post-pandemic world, which was generally true regardless of the category. For beauty, only 16% of respondents noted they were more likely to shop online for cosmetics post-pandemic compared to prior, while 25% of respondents actually said they were less likely to shop online.

- **Within M. Boss' Department Stores & Specialty Softlines coverage,** department stores lagged with ~43% average brick/mortar declines, specialty -33%, and off-price -22%, while ecomm penetration nearly doubled on average to 44% in 2020 (relative to 27% in 2019). While we anticipate 2021 ecommerce penetration for department stores & specialty to "normalize" between 2019/20's rates as store traffic recovers with vaccination progress, we see the outsized shift to digital driving two "catch-up" opportunities within: (1) handbags/accessories, which accelerated to ~30% ecommerce penetration in 2020 vs. ~mid-teens pre-pandemic, (2) online luxury, which accelerated to ~40% ecommerce penetration vs. 12% in 2019.

Figure 15: Difference between Core Retail Sales Growth and Ecommerce Growth - Rolling 3-Month Avg. Gap Peaked in June 2020



Source: U.S. Census Bureau, using adjusted retail & e-commerce sales.

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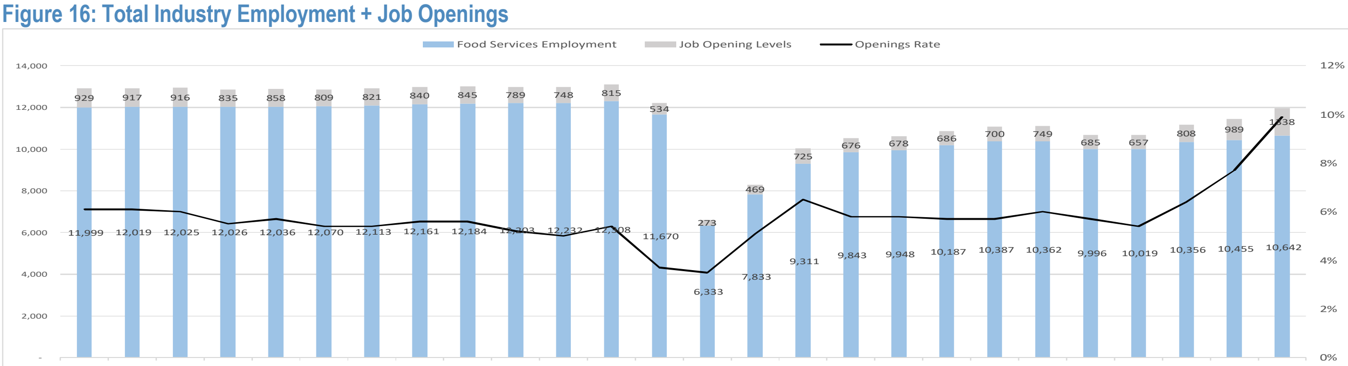
We see post-pandemic a lot like pre-pandemic, just busier.

- **Basic dynamics of increased customer demand for restaurants in 2021 vs 2019 have been matched with a forced contraction in industry supply in 2020.** Labor availability is the major constraint to further sales growth. Direct government assistance was a major help to prevent more contraction, with ~$75B from PPP 1/2 followed by a specific $28.6B carve out for the Restaurant Revitalization Fund (RRF) in the most recent $1.9T rescue package. A recent National Restaurant Association survey published on May 14, 2021, estimated >90k restaurants out of ~650k have closed, an estimate lower than the >110k per its December 2, 2020, published survey. Though the ~14% count is on an absolute basis, we believe the smaller-volume nature of the closed "truly independent" restaurants translates to a ~MSD% reduction in effective supply. An additional $60B is possible as the new bill has been presented to Congress under the RRF Replenishment Act of 2021, following the strong demand under the initial RRF program. Supply chases demand in this industry, and margins are often self-correcting, as much of the customer-facing and kitchen/back-office technology and "data" is available to not only the biggest operators but now to the independent operators as well. A closed restaurant almost always is reopened as another restaurant, and we expect supply to be largely caught up by end of C22.

- **Labor availability is the #1 risk for further sales recovery with ~1.4MM (April 2021) job openings in the industry amid inflation and increasing turnover.** While restaurants normally (2019) represent ~8% of total employed in the US, the industry must capture >20% of the ~5.4MM lapsed workforce (as of May 2021) to regain 2019 sector employment levels of ~12.0MM (May 2019), from the current 10.8MM (May 2021). Many operators politely call the employment shortage "temporary" and "manageable" until government stimulus rolls off by fall 2021. Many operators have been able to generate higher sales despite lower labor levels, but much of that has been allowed as the industry positioned itself for full off-premise consumption (down from 15%+ for many QSR operators) as well as very strong growth in off-premise at casual diners from ~15% of sales to 30%+. Normalization of in-restaurant dining room consumption is likely to pull back workers into restaurants, and in fact such a customer shift will likely necessitate an increase in workers until traffic growth can expand. As such, we are generally not expanding the store margin growth seen in 1Q21 further for casual dining and in general expect the record margins seen in 2H20 for QSR to represent a peak.

Figure 16: Total Industry Employment + Job Openings



Source: BLS data.

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- **Casual dining likely to regain most on-premise business while holding on to a permanent 5-10% uplift from off-premise.** Recent Blackbox data notes a slowdown in sales momentum in recent weeks (mid-May/+) from April (+6.8% 2021 vs 2019) and versus the mid-March to April period. While Chase data saw an uptick from +1.5% April 2021 vs 2019 to +5.5% in May, suggesting some pickup in independents. That said, the consumption outlook for the industry remains strong with ~$1.6 trillion of excess savings (April 2021 vs April 2019) compared to the ~$750B+ restaurant industry (2019). Please see below for the casual dining Knapp Track. We model casual dining AUVs of 108-110% C23 vs C19 for the midscale brands and ~100% for higher-end brands as business travel/T&E takes longer to recover.

Figure 17: Knapp Track Casual Dining – Comp Sales

Knapp Comp Sales	2016	2017	2018	2019	2020	2021	'21 vs '19
January	(1.4%)	0.0%	(0.8%)	2.2%	4.2%	(20.7%)	(17.4%)
February	0.8%	(3.8%)	(0.2%)	(0.4%)	0.7%	(21.1%)	(20.5%)
March	(1.8%)	0.5%	1.0%	1.1%	(34.0%)	57.0%	3.5%
April	(1.2%)	(1.3%)	1.7%	(0.9%)	(60.2%)	128.6%	3.1%
May	(0.2%)	(0.5%)	0.4%	0.9%	(46.1%)		
June	(2.0%)	(0.2%)	1.4%	0.5%	(27.3%)		
July	(0.5%)	(3.1%)	0.7%	(0.8%)	(25.5%)		
August	(1.0%)	(2.5%)	2.9%	(0.9%)	(21.4%)		
September	(1.4%)	(1.4%)	2.1%	(0.6%)	(14.8%)		
October	(1.6%)	1.4%	1.7%	0.3%	(15.3%)		
November	(2.6%)	0.6%	1.4%	3.9%	(21.8%)		
December	(4.9%)	(0.1%)	3.1%	(3.3%)	(29.1%)		
1Q	(0.9%)	(1.0%)	0.1%	1.0%	(10.6%)	5.1%	(11.5%)
2Q	(1.2%)	(0.7%)	1.2%	0.2%	(44.5%)		
3Q	(1.0%)	(2.3%)	1.9%	(0.8%)	(20.6%)		
4Q	(3.2%)	0.4%	2.1%	0.3%	(22.1%)		

Source: Knapp Track.

Figure 18: Knapp Track Casual Dining – Guest Counts

Knapp Guest Counts	2016	2017	2018	2019	2020	2021	'21 vs '19
January	(3.4%)	(1.9%)	(3.8%)	0.0%	1.6%	(20.4%)	(19.1%)
February	(0.9%)	(5.4%)	(3.2%)	(2.2%)	(1.3%)	(21.3%)	(22.3%)
March	(3.2%)	(1.6%)	(1.9%)	(1.0%)	(34.5%)	53.0%	(8.8%)
April	(3.7%)	(3.0%)	(0.9%)	(3.0%)	(55.9%)	92.8%	(2%)
May	(2.5%)	(2.5%)	(2.3%)	(1.8%)	(42.7%)		
June	(4.6%)	(2.4%)	(1.7%)	(1.7%)	(27.3%)		
July	(3.5%)	(5.4%)	(1.2%)	(3.1%)	(24.9%)		
August	(3.1%)	(5.1%)	0.6%	(2.9%)	(21.5%)		
September	(3.9%)	(4.1%)	(0.1%)	(3.1%)	(16.2%)		
October	(3.8%)	(1.5%)	0.1%	(2.7%)	(16.8%)		
November	(4.7%)	(1.8%)	(0.8%)	1.0%	(21.8%)		
December	(7.0%)	(3.1%)	0.4%	(5.7%)	(28.4%)		
1Q	(2.6%)	(2.9%)	(2.9%)	(1.1%)	(11.9%)	3.8%	(16.7%)
2Q	(3.7%)	(2.7%)	(1.7%)	(2.2%)	(42.0%)		
3Q	(3.5%)	(4.9%)	(0.2%)	(3.0%)	(20.9%)		
4Q	(5.3%)	(2.4%)	(0.1%)	(2.5%)	(22.3%)		

Source: Knapp Track.

Figure 19: Knapp Track Casual Dining – Average Ticket

Knapp Avg. Ticket	2016	2017	2018	2019	2020	2021	'21 vs '19
January	2.0%	1.9%	3.0%	2.2%	2.6%	(0.3%)	1.8%
February	1.7%	1.6%	3.0%	1.8%	2.0%	0.2%	1.8%
March	1.4%	2.1%	2.9%	2.1%	0.5%	4.0%	12.3%
April	2.5%	1.7%	2.6%	2.1%	(4.3%)	35.8%	5.1%
May	2.3%	2.0%	2.7%	2.7%	(3.4%)		
June	2.6%	2.2%	3.1%	2.2%	0.0%		
July	3.0%	2.3%	1.9%	2.3%	(0.6%)		
August	2.1%	2.6%	2.3%	2.0%	0.1%		
September	2.5%	2.7%	2.2%	2.5%	1.4%		
October	2.2%	2.9%	1.6%	3.0%	1.5%		
November	2.1%	2.4%	2.2%	2.9%	0.0%		
December	2.1%	3.0%	2.7%	2.4%	(0.7%)		
1Q	1.7%	1.9%	3.0%	2.0%	1.3%	1.3%	5.3%
2Q	2.5%	2.0%	2.9%	2.3%	(2.6%)		
3Q	2.5%	2.5%	2.1%	2.3%	0.3%		
4Q	2.1%	2.8%	2.2%	2.8%	0.3%		

Source: Knapp Track.

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- **Holding on to ticket gains is key for QSR as the consumer pivots to normalized back to work/school single-order transactions.** Since April 2020, average tickets shot up ~14% through March 2021, but recent May data has shown ticket at approximately flat vs 2019. Ticket was driven not only by the later daypart (lunch/dinner) and order consolidation but also consumers ordering more premium products in larger sizes. Transaction count was down ~13% over that period but has since trended at -2.4% in May 2021 vs 2019. We expect both the average ticket sizes and margins to moderate by fall 2021 as back to school/return to office trends normalize further, partly offset by improved traffic, especially in the essential morning daypart. Economics of most US QSR franchisees are excellent, and most will appreciate that F21/22 should still be a good year vs F19 but not be able to repeat the gaudy F20 results. For QSR US, we expect average C23 vs C19 AUVs to be ~115%. Please see below for QSR MillerPulse.

Figure 20: MillerPulse QSR – Comp Sales

Miller Pulse QSR Comp Sales	2015	2016	2017	2018	2019	2020	2021	'21 vs '19
January	3.7%	2.7%	1.8%	1.7%	2.7%	4.8%	6.0%	11.1%
February	2.3%	4.6%	1.0%	1.4%	1.8%	4.4%	(0.1%)	4.3%
March	2.4%	3.7%	1.9%	1.8%	2.8%	(11.0%)	35.0%	20.2%
April	2.9%	1.7%	2.3%	1.6%	2.7%	(21.8%)	47.9%	15.7%
May	2.8%	1.3%	2.2%	2.1%	2.4%	(6.2%)	23.3%	15.7%
June	2.5%	1.2%	2.3%	2.3%	2.3%	(1.4%)		
July	2.4%	1.1%	1.9%	2.6%	2.5%	3.0%		
August	3.3%	0.8%	1.6%	2.6%	3.0%	3.7%		
September	4.0%	0.5%	1.5%	2.0%	3.0%	5.8%		
October	4.1%	(0.1%)	1.7%	1.6%	2.8%	5.2%		
November	4.2%	1.5%	1.5%	0.6%	7.3%	1.1%		
December	3.5%	1.1%	1.6%	1.9%	3.1%	1.1%		
1Q	2.8%	3.7%	1.6%	1.6%	2.4%	(0.6%)	13.6%	11.8%
2Q	2.7%	1.4%	2.3%	2.0%	2.5%	(9.8%)		
3Q	3.2%	0.8%	1.7%	2.4%	2.8%	4.2%		
4Q	3.9%	0.8%	1.6%	1.4%	4.4%	2.5%		

Source: MillerPulse QSR.

Figure 21: MillerPulse QSR – Traffic

Miller Pulse QSR Traffic	2015	2016	2017	2018	2019	2020	2021	'21 vs '19
January	(0.7%)	0.1%	(0.1%)	(2.3%)	(1.0%)	0.3%	(8.3%)	(8.0%)
February	(3.5%)	3.6%	(0.7%)	(2.6%)	(3.5%)	1.5%	(13.2%)	(11.9%)
March	(3.0%)	1.2%	0.3%	(1.9%)	(1.7%)	(15.6%)	22.1%	3.1%
April	(1.7%)	(0.6%)	(1.5%)	(2.2%)	(1.9%)	(33.5%)	48.6%	(1.2%)
May	(2.0%)	(1.2%)	(0.7%)	(1.4%)	(1.8%)	(20.9%)	23.4%	(2.4%)
June	(2.6%)	(1.6%)	(1.2%)	(1.2%)	(1.6%)	(14.2%)		
July	(1.9%)	(2.3%)	(1.8%)	(1.3%)	(1.5%)	(8.3%)		
August	(0.7%)	(2.8%)	(1.5%)	(1.4%)	(1.0%)	(8.2%)		
September	(0.3%)	(2.9%)	(1.2%)	(2.0%)	(1.2%)	(7.4%)		
October	0.2%	(3.8%)	(0.7%)	(2.0%)	(2.0%)	(7.1%)		
November	1.2%	0.5%	(0.8%)	(3.3%)	3.8%	(10.5%)		
December	0.3%	(3.4%)	(0.4%)	(1.8%)	(2.4%)	(10.5%)		
1Q	(2.4%)	1.6%	(0.2%)	(2.3%)	(2.1%)	(4.6%)	0.2%	(5.6%)
2Q	(2.1%)	(1.1%)	(1.1%)	(1.6%)	(1.8%)	(22.9%)		
3Q	(1.0%)	(2.7%)	(1.5%)	(1.6%)	(1.2%)	(8.0%)		
4Q	0.6%	(2.2%)	(0.6%)	(2.4%)	(0.2%)	(9.4%)		

Source: MillerPulse QSR.

Figure 22: MillerPulse QSR – Average Ticket

Miller Pulse QSR Avg. Ticket	2015	2016	2017	2018	2019	2020	2021	'21 vs '19
January	4.4%	2.6%	1.9%	4.1%	3.7%	4.5%	14.3%	19.4%
February	6.0%	1.0%	1.7%	4.1%	5.5%	2.9%	13.1%	16.3%
March	5.6%	2.5%	1.6%	3.8%	4.6%	5.5%	12.9%	19.1%
April	4.7%	2.3%	3.9%	3.9%	4.7%	17.6%	(0.7%)	16.8%
May	4.9%	2.5%	2.9%	3.5%	4.3%	18.6%	(0.1%)	18.5%
June	5.2%	2.8%	3.5%	3.5%	4.0%	14.9%		
July	4.4%	3.5%	3.8%	4.0%	4.1%	12.3%		
August	4.0%	3.7%	3.1%	4.1%	4.0%	13.0%		
September	4.3%	3.5%	2.7%	4.1%	4.3%	14.3%		
October	3.9%	3.8%	2.4%	3.7%	4.9%	13.2%		
November	3.0%	1.0%	2.3%	4.0%	3.4%	11.6%		
December	3.2%	4.7%	2.0%	3.8%	5.6%	11.6%		
1Q	5.2%	2.0%	1.7%	3.9%	4.5%	4.0%	13.4%	18.3%
2Q	4.8%	2.5%	3.4%	3.6%	4.2%	13.1%		
3Q	4.2%	3.5%	3.2%	4.0%	4.1%	13.2%		
4Q	3.4%	3.1%	2.2%	3.7%	4.6%	12.1%		

Source: MillerPulse QSR.

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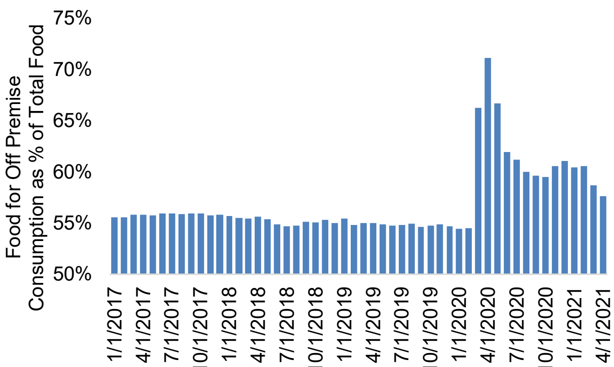
- **After years of share losses, food retailers retook significant share of food in 2020.** Per US Personal Consumption Expenditure data, food for off-premise consumption's market share of total food had been in decline for decades, falling from 57% in 2000 to 51% in 2019. Food at home's share of food surged to 65% in 2Q20 and has remained at 58% in the subsequent three quarters. Within the food at home space, traditional grocery stores had generally lost share to mass (e.g., Walmart) in the years leading up to the pandemic. But as consumers consolidated shopping trips at the onset of the pandemic, food retailers took market share.

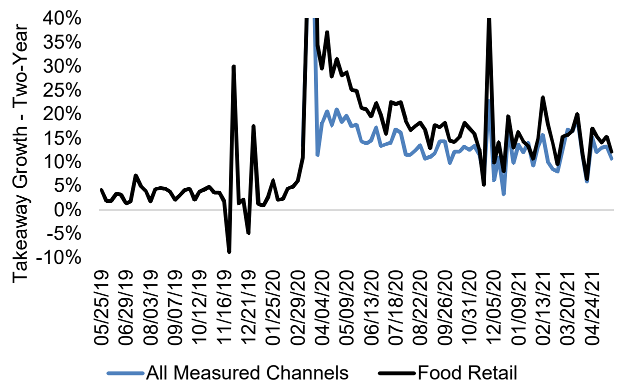
- **The foodservice recovery has not yet weighed on food-at-home sales.** Foodservice spending increased 2% versus pre-pandemic levels in March and 4% in April. But despite the foodservice recovery, food and beverage sales for off-premise consumption *accelerated*: April 2020 to February 2021 averaged 11% Y/Y growth (range: 9% to 15%) and March 2021 increased 18% versus pre-pandemic and April +16%. As a result, total measured food consumption increased 11% vs. pre-pandemic levels in both March and April 2021. Before this, total measured food consumption had not reached double-digit growth since January 1989 (and before that 1980).

Figure 23: Food for off-premise consumption share of total food has slipped since March 2020 but remains well above pre-COVID levels



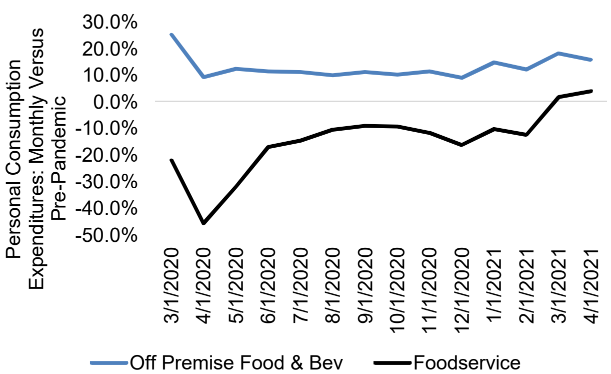
Source: Bloomberg Finance L.P.

Figure 24: Food retailers have gained share versus drug stores, convenience stores, and mass since the start of the pandemic



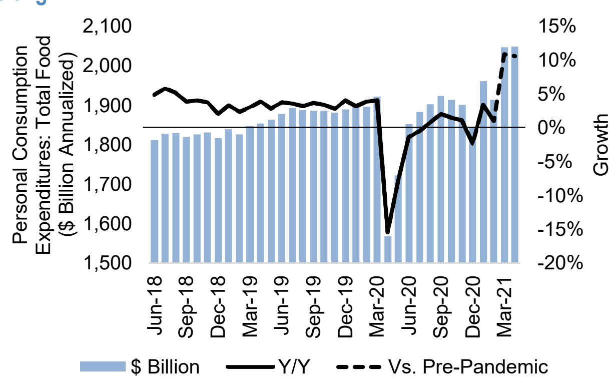
Source: NielsenIQ.

Figure 25: Foodservice sales have rallied of late, but so have food at home sales



Source: Bloomberg Finance L.P.

Figure 26: Total food consumption in March and April was unusually strong



Source: Bloomberg Finance L.P.

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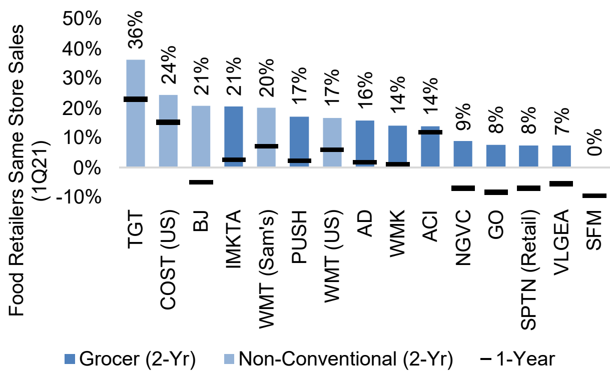
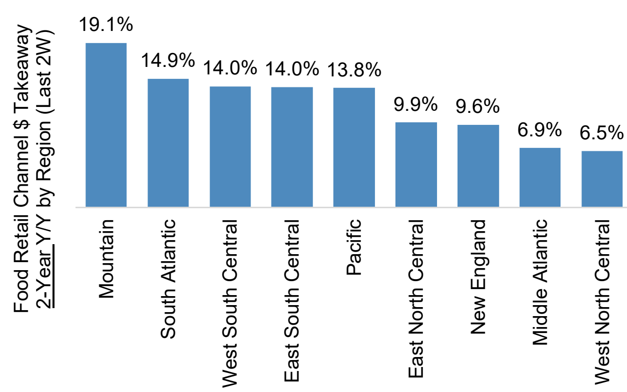
- **Parts of elevated food at home that are beginning to reverse.** We are, frankly, surprised by continued robust food-at-home sales in the face of the foodservice recovery. And we have a hard time seeing how it can continue. In our view, the stimulus payments in January and March/April are probably the main contributors. We are seeing some initial signs of a food-at-home unwind. For one thing, per NielsenIQ and reported same-store sales, mass merchants are re-taking share from food retailers, a likely sign of increased mobility. For another, regional differences in food at home consumption have gotten more pronounced. In the two weeks ended May 22, NielsenIQ-measured takeaway in the Northern US grew single digits versus pre-pandemic levels, but in other parts of the country it remained ensconced in the mid teens. We wonder to what extent these slower trends might propagate into other parts of the country (especially with California's full reopening on June 15).

Figure 27: In 1Q21, non-traditional food retailers mostly out-comped grocers – on both a one- and two-year basis



Source: Company reports.

Figure 28: In the 2 weeks ending May 22, food retail takeaway trends varied by region (the northern US slowed)



Source: Bloomberg Finance L.P.

- **There could be some enduring effects of the pandemic on food-at-home consumption—but we are not banking on much.** From an opportunity standpoint, the most enduring change in demand could come from increased work from home, which would disproportionately benefit breakfast and lunch. Smucker shared this view on its recent earnings call. It is also possible that consumers were re-introduced to categories and brands during the pandemic and were pleasantly surprised by them (our survey from summer 2020 suggests as much), but we are hesitant to assume much enduring benefit in most cases. Finally, we expect ecommerce to remain more prevalent than it was before the pandemic. We are not sure that it will lead to much share shift within the food space. Both food at home and food away from home provide delivery and pickup. And among food retailers, virtually everyone offers an ecommerce service; the difference primarily relates to fulfillment costs (e.g., third party versus internal platforms) and thus is not consumer facing.

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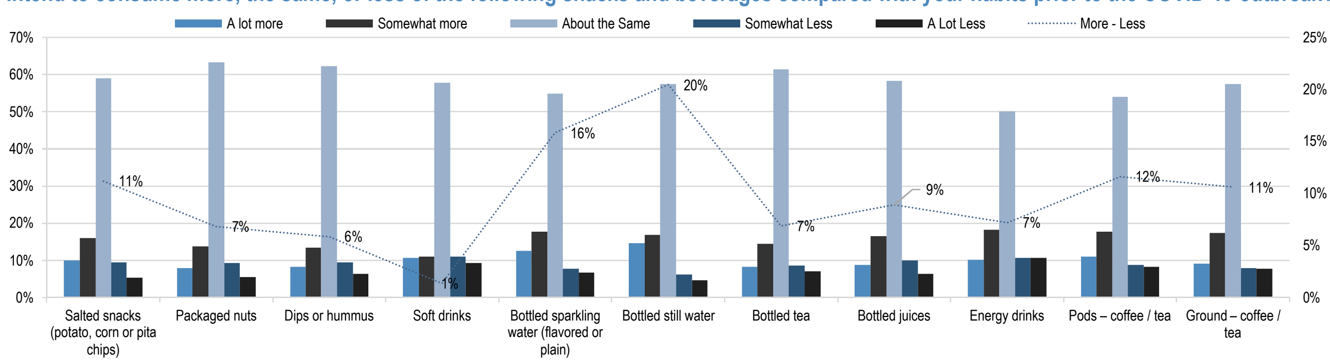
Broadly speaking, we expect stickiness in some consumer consumption behaviors in beverages and HPC post-pandemic, though likely below pandemic peak as our follow-up survey (link) of 600 U.S. consumers (household purchase decision makers) suggested. These results are consistent with the latest NielsenIQ scanner data for beverages (link) and HPC (link), which shows resilience of purchases in particular on a two-year stack (normalizing the pandemic impact).

Our proprietary consumer survey indicated that there are indications of sustained higher levels of consumption of several household and beverage categories in particular in personal care (make-up, skincare, and razors) post-pandemic vs. pre-pandemic habits. That said, net incremental purchase intention was less positive versus our previous survey in June 2020.

- **In non-alcoholic beverages and snacks categories,** consumers expect to increase purchases post-pandemic vs. pre-pandemic habits, though all but two of the 11 categories saw a reduction in percent of consumers responding that they intend to purchase more vs. our last survey. That said, some **declines in intention to purchase at home will likely be at least partially offset by increased consumption in the away-from-home channels as workers** return to offices or other work locations.
- **In alcoholic beverages, consumers said they intend to purchase more products in just one of six categories** vs. all six having positive net incremental purchase intent in our last survey, **but** in a recent call with industry consultant Ken Harris of Cadent Consulting (link) he cautioned **that what consumers say they will do and what they actually do is often quite different.** In fact, Mr. Harris has a bullish outlook for alcoholic beverages over the next 6-12 months driven by a confluence of several factors, including 1) increased at-home consumption, 2) summer season, 3) on-premise reopening, and 4) lighter offerings (i.e., 100 calories or less). Additionally, as with non-alcoholic beverages and snacks, some declines in off-premise intention will be offset by return of the on-premise.

Figure 29: Once the COVID-19 pandemic is controlled (as vaccinations increase and new cases continue to decline), do you/your household intend to consume more, the same, or less of the following snacks and beverages compared with your habits prior to the COVID-19 outbreak?



Source: J.P. Morgan.

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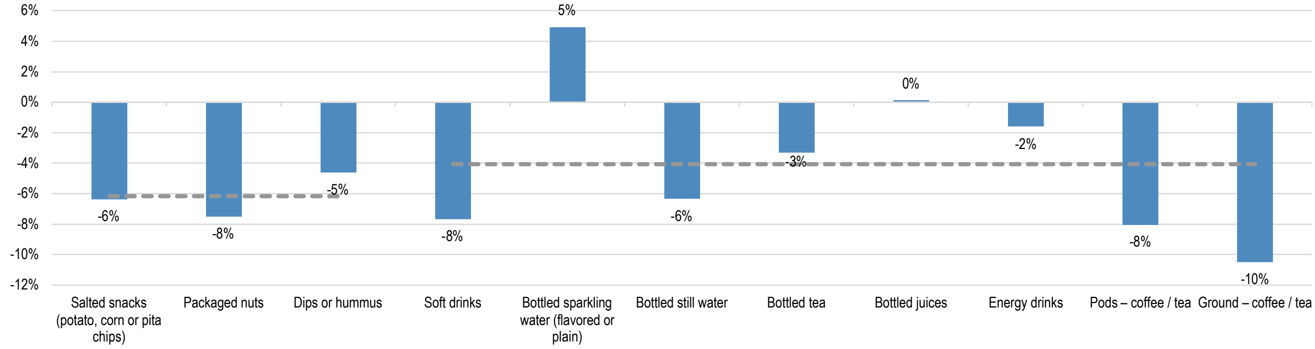
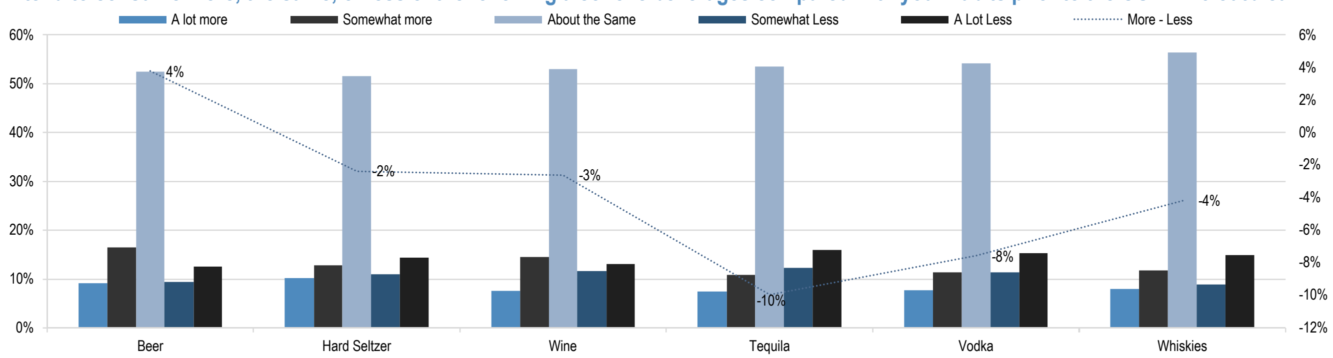
Figure 30: Change in Net Purchase Intention for Snacks and Non-Alcoholic Beverages between May 2021 and June 2020



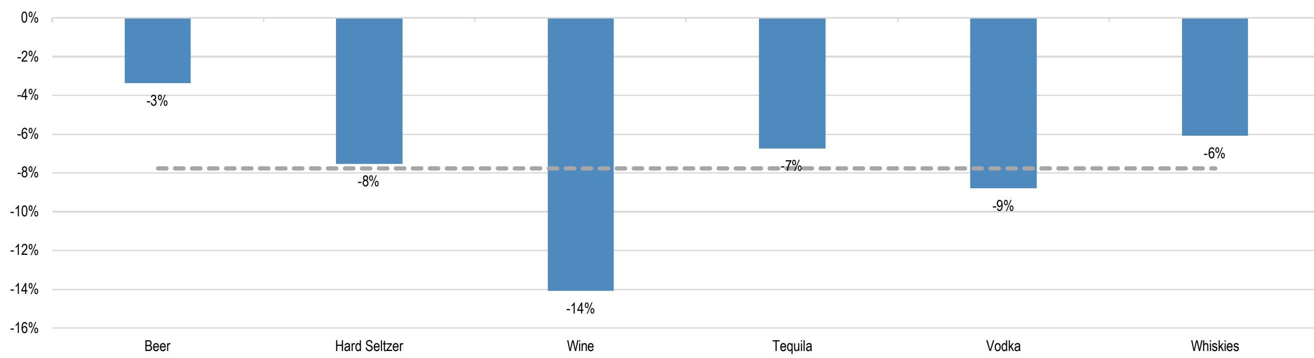
Source: J.P. Morgan.

Figure 31: Once the COVID-19 pandemic is controlled (as vaccinations increase and new cases continue to decline), do you/your household intend to consume more, the same, or less of the following alcoholic beverages compared with your habits prior to the COVID-19 outbreak?



Source: J.P. Morgan.

Figure 32: Change in Net Purchase Intention for Alcoholic Beverages between May 2021 and June 2020



Source: J.P. Morgan.

- **In key home care categories, we note that consumers expect to increase purchases in all 16 categories that we surveyed,** with the strongest net purchase intentions in categories such as surface cleaners, laundry detergent, and dish soap (note, these categories are all related to health and hygiene). While the net purchase intentions across these categories in our latest survey declined vs. our initial survey in June 2020 (note that our initial survey was conducted just a few months following the onset of the pandemic in the U.S.), we think the results from our latest survey suggest that health and hygiene will likely be of greater focus for consumers post-pandemic. Given our anticipation of some permanence to the new cleaning behaviors and routines that were adopted during the

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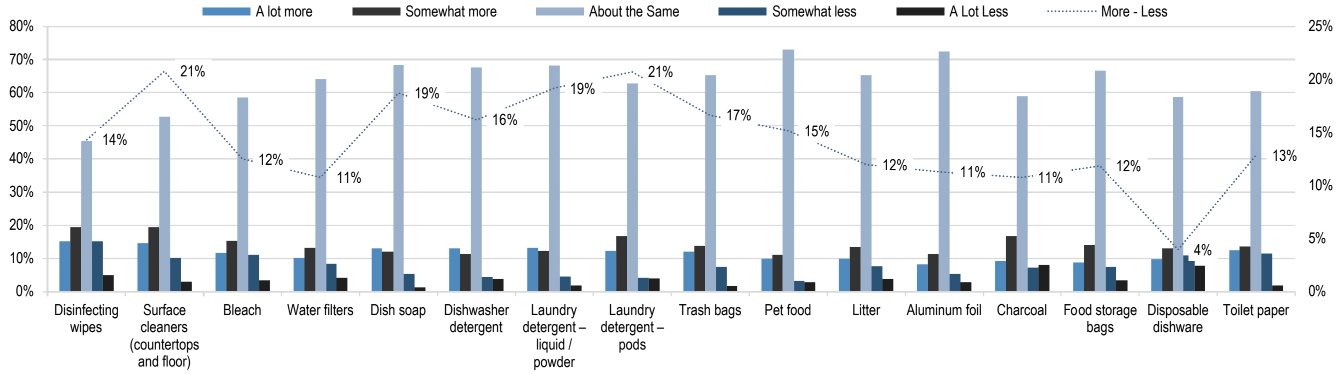
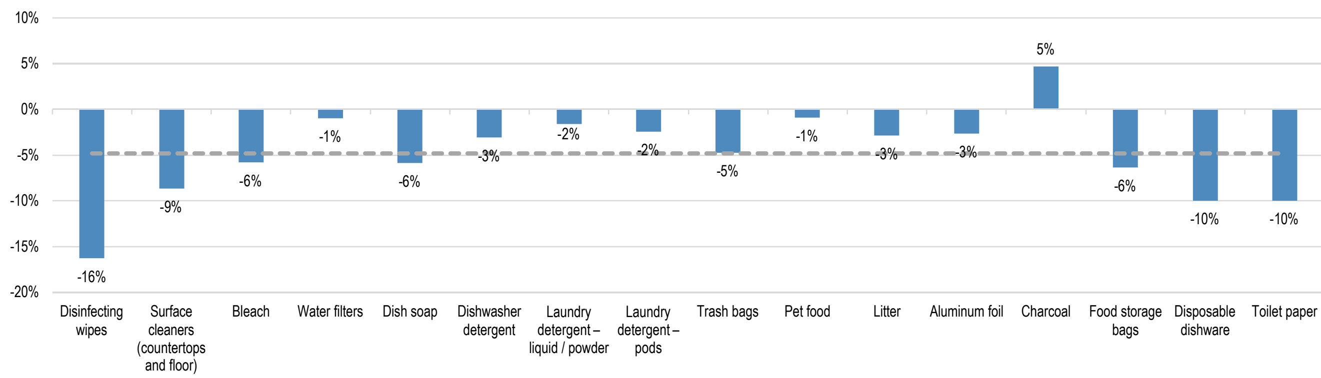
pandemic, we get the sense that many home care categories will likely see a lasting, positive impact on underlying demand in the new normal.

Figure 33: Once the COVID-19 pandemic is controlled (as vaccinations increase and new cases continue to decline), do you/your household intend to consume more, the same, or less of the following home care items compared with your habits prior to the COVID-19 outbreak?



Source: J.P. Morgan.

Figure 34: Change in Net Purchase Intention for Home Care between May 2021 and June 2020



Source: J.P. Morgan.

- **In personal care, our survey results also point to higher net purchase intentions across all categories that we surveyed,** with the highest net purchase intentions implied in body wash, skin care products, and hand soap. Accordingly, compared to the initial survey results from our June 2020 survey (recall, lockdowns were still widespread), net purchase intentions increased in seven of the 11 like-for-like categories that we surveyed. While it is tough to estimate the duration of consumers' purchase intentions in personal care, our survey results suggest to us that consumers are increasingly focusing on appearance, self-care, and personal hygiene as they prepare to reengage in social activities.

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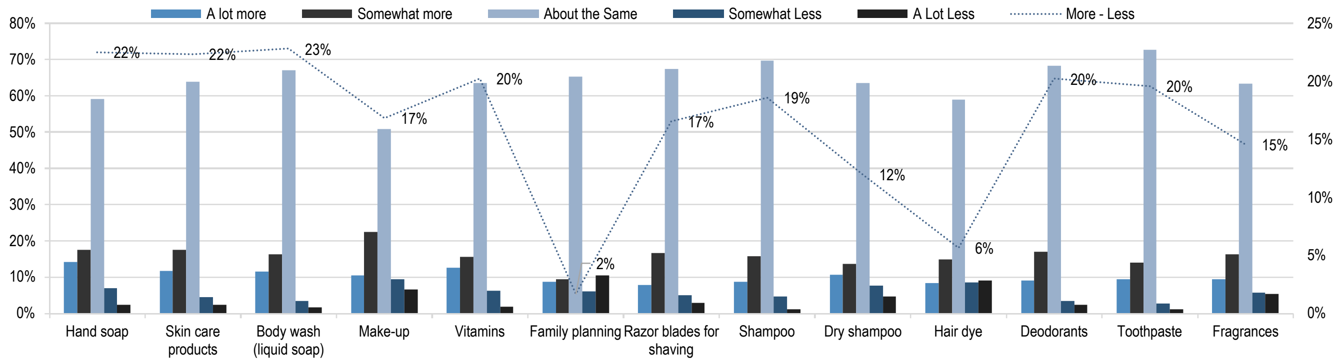
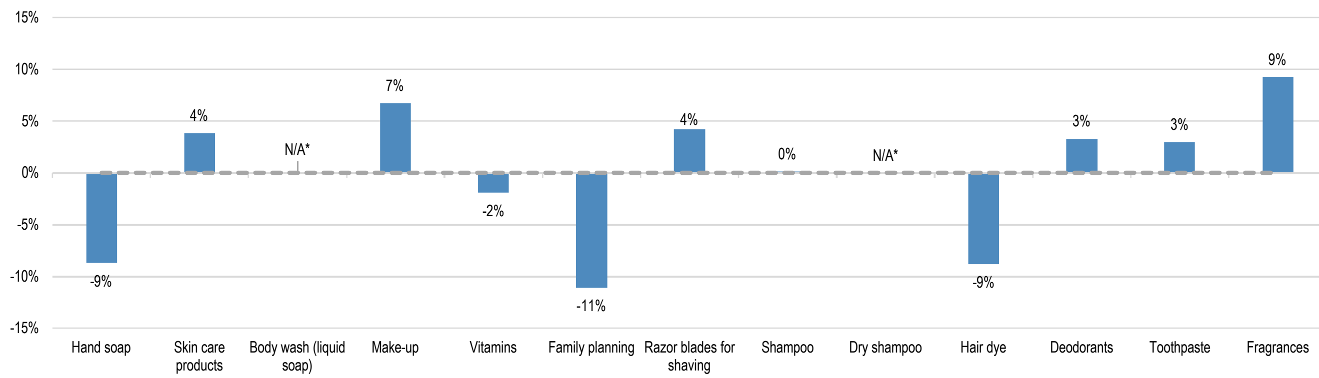
Figure 35: Once the COVID-19 pandemic is controlled (as vaccinations increase and new cases continue to decline), do you/your household intend to consume more, the same, or less of the following personal care items compared with your habits prior to the COVID-19 outbreak?



Source: J.P. Morgan.

Figure 36: Change in Net Purchase Intention for Personal Care between May 2021 and June 2020



Source: J.P. Morgan.

Other key takeaways from our survey include:

- **Lower brand equity** vs. our prior survey. Brand equity remained highest in home care, followed by personal care, snacks/non-alcoholic beverages, and alcoholic beverages.
- **Higher preference for private label** vs. national brands. Consumers generally said they intend to buy more private label vs. branded, which could be driven by price sensitivity as government stimulus rolls off and inflation expectations rise. Within the segments, private label was chosen more in snack and non-alcoholic beverages, though private label penetration within this segment is generally limited, followed by home care, which has higher private label penetration in many categories, while in personal care private label was just modestly preferred post-pandemic.
- **Consumers ranking price and availability at the store the most important purchase decision factors** while Quality/Performance and Brand Name Less Important—potentially negative signal given expected inflation pressures.

Airlines

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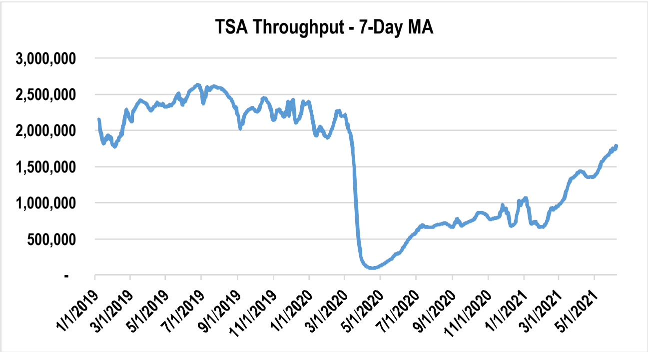
Summer leisure demand for air travel continues to handily outpace our initial forecasts as well as those of managements, several of which have recently bolstered their expectations for the summer peak. More importantly, fare discounting is comparatively limited, reflecting the reality that COVID-related travel impediments—as opposed to a weak consumer or any structural shift in attitudes toward commercial air travel—lay at the root of 2020's crisis. While COVID's aftermath may indeed exact a modest potential toll on business traveler behavior, we do not believe any lasting consumer damage has been done, and there may in fact be an argument in favor of *increased* spending going forward.

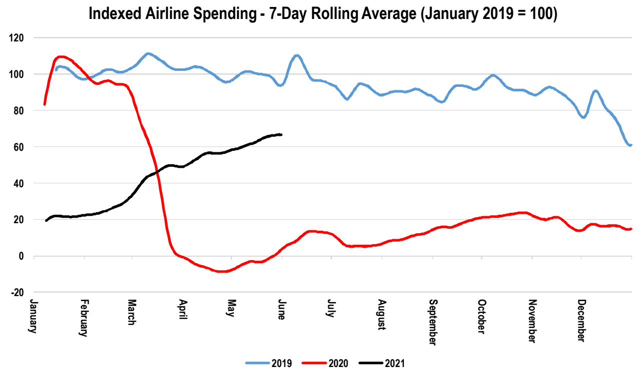
- **Domestic air travel is rebounding, courtesy of the consumer –** Domestic trends continue to outpace expectations, driven by a formidable rebound in consumer demand for air travel. For the past several weeks, security screenings in the US are running roughly 30% below 2019 levels, but that's with most international borders remaining shut and the majority of corporate travelers still grounded. Put differently, the domestic leisure market is disproportionately driving the rebound.
- **Turns out ticket price isn't much of a deterrent –** Domestic seat capacity is running roughly 10% below 2019's summer peak, which naturally lends some upward pressure to ticket pricing. But earlier concerns that airlines would resort to aggressive discounting in order to coax consumers from their homes now appear handily misplaced, in our view. In fact, several airlines have recently bolstered expectations, citing average ticket prices during the summer peak that are *exceeding* levels witnessed in 2019. While consistent with our broader thesis that COVID-related impediments lay at the root of last year's crisis, the resilience of the U.S. consumer and overall price agnosticism toward air travel suggests to us that COVID's aftermath will have no lasting, structural impairment on consumer demand.
- **There may be an argument for increased consumer spend going forward –** The catalysts for kick-starting stubborn corporate demand include in-person schooling and increased return-to-office efforts. We expect this to take some time, and we cautiously anticipate a modest pickup following Labor Day. But longer term we do anticipate a greater corporate tolerance of flexible work hours and locations, given lessons learned during the crisis. Furthermore, corporate flyers now understand just how easy it is to bring one's office on the road with them. We believe this affords the potential opportunity to squeeze in additional, shorter-haul domestic trips, beyond the typical consumer pattern of Spring Break + Summer + December.

Figure 37: TSA throughput is recovering



Source: TSA.gov.

Figure 38: There's a long way to go, but Chase spend data is recovering



Source: J.P. Morgan.
The link to the card tracker on the public site is:
https://www.jpmm.com/research/open/latest/publication/9002054

Gaming, Lodging, and Leisure

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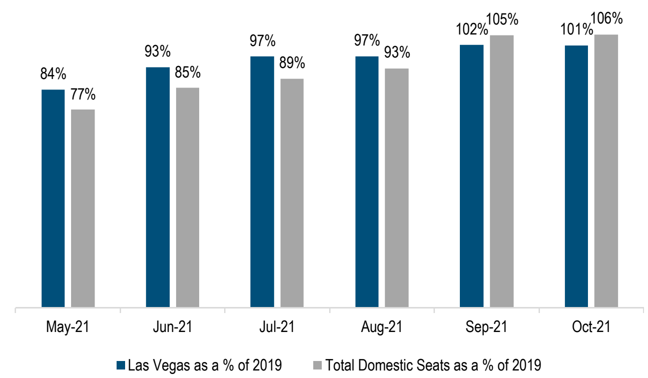
Throughout the Gaming, Lodging, and Leisure landscape, leisure travel is dominating the broader travel recovery. A big theme/trend pre-COVID for the last five years was consumers buying experiences over things, and with the broad resiliency of the leisure consumer we are seeing today, we see similar behavioral trends for the foreseeable future.

- **Travel within Gaming - Look No Further Than Vegas.** Post-COVID, Las Vegas is experiencing a strong recovery, as evidenced by increasing airlift capacity to McCarran airport and improving occupancy trends on the LV Strip. Recently, this has been driven by consumer/leisure travel, with LV Strip weekend occupancy of 84% in April, roughly 14 points below the 2019 level. Weekday occupancy has lagged due to very limited corporate travel year to date with April at 58%, just 65% of 2019 levels. Looking ahead, we expect midweek occupancy to inflect positively with increased airlift capacity and the resumption of conventions. Total airline seats to McCarran airport are expected to be just below 2019 levels for July/August and slightly above for September/October. Conventions have gradually resumed (World of Concrete is the first major convention to be held; June 7-10), and company commentary implies 2H21 is nicely ahead of 2H19, with momentum continuing into 2022.
- **Travel within Lodging – Leisure Dominating.** Hotel demand in the U.S. and abroad has been dominated by leisure travel, as evidenced by the near full recovery of leisure-heavy lower end hotel brands here in the U.S. and the lagging recovery of upper upscale brands and urban hotels (both skew to business travel). Within the lodging universe, timeshare companies, which are 100% leisure exposed, have bookings in the 2H21 above 2019 across all three branded operators.
- **Corporate Travel Lagging.** Within lodging, green shoots for the corporate travel recovery abound, but where it settles this fall when many more offices are set to open up is still hotly debated. Always hard to get a scientific read here, but we believe corporate travel demand was likely back to roughly 50% of 2019 levels in 1Q/April.
- **Ski Resorts Were Pandemic Darlings.** Ski resorts performed particularly well in the pandemic. Visitation to MTN/Vail Resorts in the second half of this past winter ski season was down only 3% compared to this time in 2019. Looking forward, early indications of ski pass sales for next season are strong.
- **Cruise Lines – the Final Frontier (within Leisure).** Lastly, pent-up leisure travel demand has manifested in a strong rebound in cruise ticket prices, and against limited supply over the near and medium term (given a methodical industry-wide phase-in of global ship operations). We see ticket prices up roughly 5-15% above 2019 levels on a forward 12-month basis.

Figure 39: Airlift capacity (total seats) to McCarran airport is approaching pre-COVID levels in the summer and is above in the fall

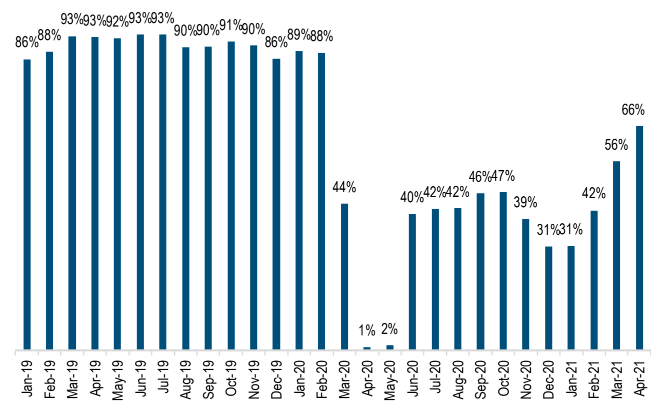
Airlift Capacity to LAS vs. total U.S. as of May 2021



Source: OAG, J.P. Morgan.

Figure 40: Las Vegas Strip occupancy recovery is underway, driven predominantly by weekend leisure travel thus far

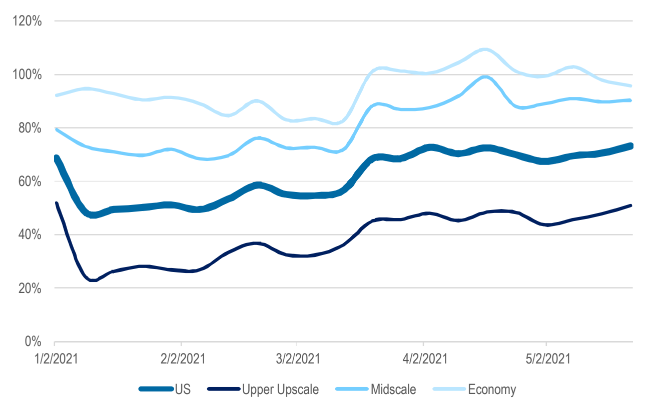
LV Strip occupancy by month



Source: LVCVA, J.P. Morgan.

Figure 41: Leisure-Heavy Economy/Midscale Lodging Segments Have Nearly Fully Recovered; Corporate Travel Segments Have a Long Way to Go

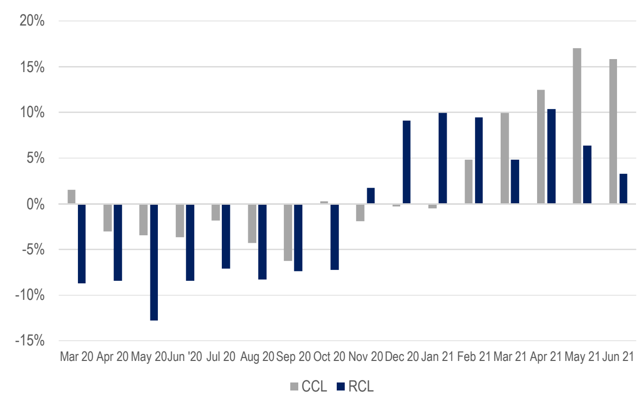
Weekly STR RevPAR $ as a % of 2019 levels



Source: STR, J.P. Morgan.

Figure 42: Strong Cruise Demand Is Driving Ticket Prices Nicely Ahead of 2019 Levels

Next 12-month rolling ticket $ per diem average, as % change vs. 2019



Source: Cruisewatch.ai, J.P. Morgan.

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- **Housing on the new construction side should remain robust over at least the next 1-2 years . . .** While the strong acceleration of home price appreciation to low double-digits in 2021 is reminiscent of prior cycle peaks, at the same time, critically, not only does affordability remain favorable relative to history, but more importantly, single-family housing starts have only recently improved to their long-term average after a record 12 straight years of being below one million (this compares to only seven years combined during the prior 37 years of being below this level). Moreover, existing home supply remains extremely tight, at roughly half of prior trough levels, suggesting not only a strong level of support for home prices but also likely continuing to result in consumers choosing a new home in the absence of an existing home being available for purchase. Lastly, we believe the current housing cycle has several more years in front of it, as not only do we note that starts were above their long-term averages for eight years during the last cycle (1998-2005), but moreover, this cycle’s demographics are more favorable, as people turning 30 (based on birth rates) will average 4.0 million over the next five years, which is 18% higher than the 1998-2005 period.
- **. . . although repair/remodel demand may moderate in 2H21.** The near-term housing market backdrop remains very supportive with the approximate two-quarter lag to home-related sales portending strong results against tough comps for HD/LOW/FND through 2Q. On the pricing front, indicators remain +LDD YOY with record tight supply bolstering pricing broadly. That said, pending home sales, which is a 2-3 month forward indicator of existing home sales, have moderated sharply since the end of 2020, with current levels suggesting a decline in existing home sales starting later this summer. Some argue this is a function of the supply situation, but we also point to rates that have risen and moderation in share of wallet trends (pre-the most recent stimulus). *Looking ahead, we continue to emphasize our theme of own the Pro as the share of wallet shift noted above could accelerate with college kids out of school, students in the South ending imminently, and those in the North at the end of June. As such, we remain watchful of DIY demand in the coming 1-2 months as peak DIY season recedes, the consumers' time to engage in leisure activities increase, stimulus fades, and (perhaps) moderating housing support ensues.*

Autos

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- **The North American (and global) automotive industry has been impacted in numerous profound ways by the COVID-19 pandemic,** including as relates to the initial shocks to both supply and demand at the onset of the pandemic, followed by a subsequent resurgence in demand that has exceeded all expectations even as supply chain inefficiencies have limited the ability of production to keep pace with the rise in demand, resulting in inventory shortages and unprecedented increases in new and used vehicle prices. Amid this backdrop, the pandemic can also be seen as accelerating preexisting structural industry trends such as the move toward battery electric propulsion and online vehicle buying.

- **After an initial shock at the onset of the pandemic, the sale of new vehicles has consistently improved and recently strengthened to near the highest level ever.** The seasonally adjusted annual rate (SAAR) of new vehicle sales (which averaged 17.3 mn in the five years leading up to the pandemic and stood at 16.8 mn in February 2020 just prior to the onset) initially plunged to 8.7 mn in April 2020 but steadily recovered thereafter, averaging 11.3 mn in 2Q20, 15.4 mn in 3Q20, and 16.2 mn in 4Q20. We have blown past these figures in 2021, however, with SAAR year to date averaging 17.1 mn and true demand being higher (given that unit sales are constrained by record low inventories). In April 2021, prior to inventory shortages growing more acute in May and despite plunging consumer discounts, SAAR reached 18.5 mn, the fourth strongest month on record, behind only October 2001's 21.6 mn SAAR, which was fueled by the industry-wide "Keep America Rolling" 0% interest campaign (at a time when the 10-year Treasury yielded >4%) in the aftermath of the September 11 attacks, July 2005's 20.7 mn SAAR, which was also incentive driven (i.e., "Employee Discount for Everyone" pricing schemes), and February 2000's 18.9 mn SAAR. Of these record months, the closest corollary is February 2000 as it was not driven by higher incentives but rather spurred by asset price inflation (the "dot-com bubble" peaked that month) reminiscent of the wealth effect consumers are enjoying now from record equity and housing values.

- **The initial rebound in demand for new vehicles during the pandemic was we think driven by a combination of changing consumer behavior patterns and fiscal and monetary stimulus despite restrictions on commerce as governments acted to combat the spread of the virus.** With regard to the "K-Shaped Recovery" of 2020, which saw lower income workers in the retail, hospitality, restaurant, and other service industries disproportionately impacted by economic lockdowns, etc., new vehicle buyers were on average less impacted. We estimate the average household income of new vehicle buyers to be ~$85K (with >35% earning more than $100K) vs. the national average of ~$68K. These buyers were more likely to be able to work from home during the pandemic and less likely to have lost their jobs. And yet, despite the vast majority of new vehicle buyers not having lost their jobs, nor having suffered any other financial loss (in fact, housing and equity values soared), nor having contracted the virus themselves (an estimated 23% of Americans have), many still received unexpected financial support, including direct cash payments from the federal government. At the same time, options available for spending this increased wealth and income were less, given restrictions on travel, dining out, and various personal services due to efforts to curb the spread of the virus. The result was a reversal in 2020 of a multi-year long trend emphasizing spending on experiences rather than things, with automobiles being a prime beneficiary, including because of additional factors such as the move out of cities (in part to avoid risk of contracting the virus) and incremental preference for private over public transportation (again, to avoid risk of contracting the virus).

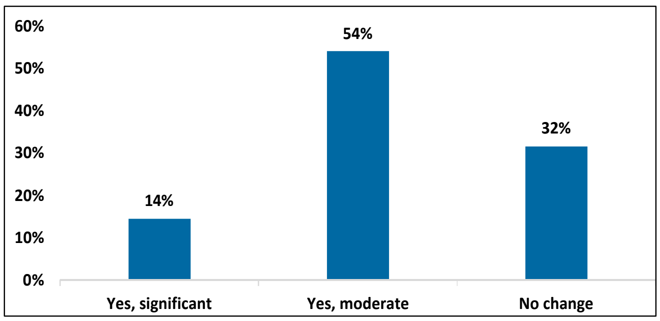
- **The continued surge in demand for new vehicles in 2021 to above pre-pandemic levels is we think driven by continued strong fiscal and monetary stimulus even as the economy reopens and restrictions on commerce ease.** With new vehicle buyers on average having more equity market investments and being more likely to own their own home relative to the national average, they are likely to have disproportionately benefitted from the continued increase in equity and housing market valuations to record levels in 2021. And fiscal support has continued in 2021 even as the economy rebounds and unemployment declines, including recently commenced monthly direct cash payments to households with children earning under $150K (the large majority of new vehicle buyers).

- **While demand for new vehicles continues to grow, production has not been able to keep pace given supply chain constraints (principally limited semiconductor capacity), with resulting inventory shortages contributing to surging new and used vehicle prices.** The genesis of the semiconductor shortage issue negatively impacting global light vehicle production is the reallocation of semiconductor capacity away from the automotive industry (which was experiencing much lower demand at the onset of the pandemic) toward the consumer electronics industry (which was experiencing much higher demand at the onset of the pandemic, including given increased need for laptops and tablets to support working and studying from home). The supply of vehicles on US dealer lots declined to an all-time low of 23 days at the end of May 2021, down from 60-70 days pre-pandemic, placing upward pressure on prices. Consumers have so far been willing to accept +6.8% inflation in new vehicle prices, which we expect to continue to head higher including to offset raw material cost inflation (the weighted average cost of commodities to produce a vehicle—about 10% of the retail price—rose +122% y/y in May). Used vehicle prices have risen even more and are fully +42% higher than in February 2020 prior to the pandemic, benefitting from the increased price of new vehicles and a shortage of used vehicles stemming from a 50% plunge in repossession volumes in 2020 (repossessions typically account for ~20% of the supply of used vehicles at auction), given unprecedented loan forbearance programs, direct federal cash payments to households, and enhanced unemployment benefits. Used vehicle supply at auction is also being pressured by a decline in lease returns as consumers exercise in-the-money end-of-lease purchase options, placing still further upward pressure on prices.

- **The pandemic can also be seen as having accelerated several preexisting structural industry trends, such as vehicle electrification and the move toward online buying; other trends such as shared mobility may have been temporarily slowed as a result of the virus.** Prior to the pandemic, there had been growing consumer demand for electric vehicles given improvements in range, performance, and cost competitiveness and that trend in demand has continued, although not to a large degree, with battery electric vehicles (BEVs) still comprising just ~2% of US sales. With that said, we expect BEV penetration to benefit from the pandemic having forced automakers—fearing a protracted industry downturn—to reallocate scarce research & development, design, and engineering resources away from internal combustion vehicles toward BEVs, which are more critical to their future prospects and necessary for compliance with increasingly stringent government regulations. At the same time as electrification is speeding up, the march toward fully autonomous driving may have slowed (appetite for semi-autonomous features continues to strengthen), given its contingence on shared mobility, with some consumers less enthusiastic about ride-share services post-pandemic.

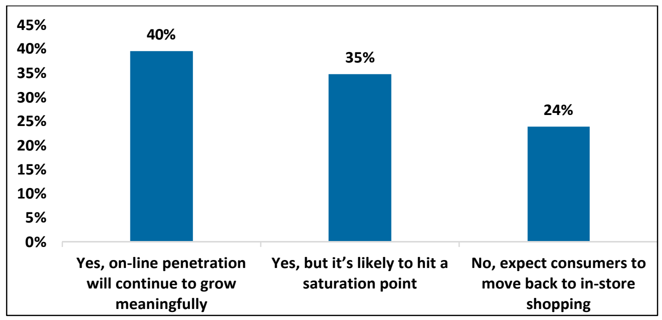
- **There has been a meaningful shift in consumer willingness to purchase vehicles online as a result of the pandemic.** We conducted a survey of ~300 auto dealerships toward the end of 1Q/early 2Q. Two-thirds of respondents noted that they see a meaningful shift in consumer willingness toward online sales amid the pandemic. Approximately 40% of dealers see online sales growing meaningfully, while ~35% expect to hit a saturation point and a quarter of respondents expect consumers to move back toward in-store shopping. Separately, a third of dealers sell <1% of their vehicles online, with just ~10% of respondents having online sales penetration >10%. Additionally, ~50% of dealers cited using digital auctions (like TradeRev, Backlot Cars, ACV Auctions, etc.) for <10% of auction purchases/sales, while ~15% dealers use these platforms for >50% of auction purchases/sales.

Figure 43: Have you started to see a meaningful shift in consumer willingness to purchase vehicles completely online without coming to the store because of COVID-19?



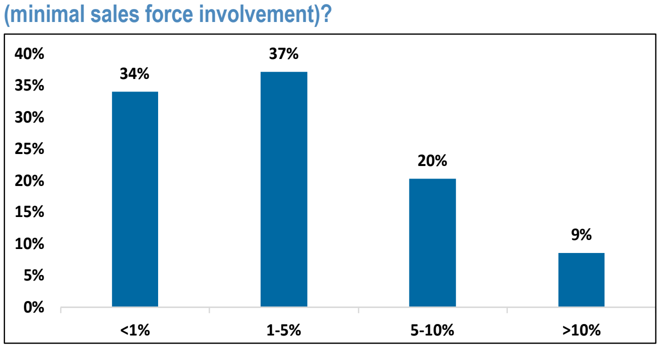
Source: J.P. Morgan.

Figure 44: If yes, do you see this as a permanent shift in consumer behavior in terms of moving to online shopping?



Source: J.P. Morgan.

Figure 45: What % of vehicles you sell today are completely online (minimal sales force involvement)?



Source: J.P. Morgan.

Appendix: Published Research

US Equity Strategy and Global Quantitative Research	Published	Analysts
Equity Strategy: Business Cycle Has Legs, Revising EPS Higher, Style Positioning and Extreme Correlations	21-May-21	Dubravko Lakos-Bujas Narendra Singh Arun Jain Bhupinder Singh Kamal Tamboli Marko Kolanovic, PhD
US Equity Strategy: Market Update, Impact of Higher Corporate Tax and Infrastructure Spending Plan	23-Apr-21	Dubravko Lakos-Bujas Bhupinder Singh Kamal Tamboli Narendra Singh Arun Jain Marko Kolanovic, PhD
US Equity Strategy: A Powerful Consumer Setup into Global Reopening	19-Feb-21	Dubravko Lakos-Bujas Bhupinder Singh Kamal Tamboli Narendra Singh Arun Jain Marko Kolanovic, PhD

Retailing — Broadlines, Hardlines, Department Stores, Specialty Softlines	Published	Analysts
Broadlines & Hardlines Retail: COVID Rising Tide or Self-Help: Pan-Coverage Proprietary Market Share Analysis	18-Jun-21	Christopher Horvers, CFA Megan Alexander, CFA Tami Zakaria, CFA Christian Carlino
Hardlines: Retail vs. AMZN: Deep Dive on Discounters' Positioning/Capabilities (BJ, COST, TGT, WMT)	17-Jun-21	Christopher Horvers, CFA
Dept Stores / Specialty Softlines: Digging Deeper: Top 5 Investor Themes; Fieldwork/Data & Boss' Barbell Ranking	17-Jun-21	Matthew R. Boss, CPA Amanda K. Douglas
Retail vs. Amazon: 9th Annual Deep Dive - The State of Retail on the Other Side	11-Jun-21	Christopher Horvers, CFA Doug Anmuth Tami Zakaria, CFA Megan Alexander, CFA Christian Carlino Bryan M. Smilek Cory A Carpenter
Broadlines & Hardlines Retail: Best Ideas/Latest Thoughts on the Group	4-Jun-21	Christopher Horvers, CFA Megan Alexander, CFA Christian Carlino Tami Zakaria, CFA
JPM Retail: Apparel Landscape: Post COVID Implications/Proprietary Survey; Top Recovery Plays	4-Jun-21	Christopher Horvers, CFA Matthew R. Boss, CPA Megan Alexander, CFA Tami Zakaria, CFA Amanda K. Douglas
Dept Stores / Specialty Softlines: Apparel Sector Primer: "Potential" Fashion Cycle Adds Optionality; Sub-Sector Setups & Top 2H Ideas	10-May-21	Matthew R. Boss, CPA Amanda K. Douglas

Retailing — Broadlines, Hardlines, Department Stores, Specialty Softlines	Published	Analysts
Broadlines & Hardlines Retail : Key RRU Conference Takeaways: ASO, AZO, BBBY, HD, LOW, TGT, ULTA, WMT	19-Apr-21	Christopher Horvers, CFA Tami Zakaria, CFA Megan Alexander, CFA Christian Carlino
Dollar / Discount Stores: 7th Annual Retail Round-Up; Mgmt Takes = Post-Pandemic Market Share Mindset	19-Apr-21	Matthew R. Boss, CPA Grace Smalley, CFA Amanda K. Douglas
Dept Stores / Specialty Softlines: 7th Annual Retail Round-Up - State of the Apparel Union; "Optimism" In The Air	19-Apr-21	Matthew R. Boss, CPA Amanda K. Douglas Grace Smalley, CFA
Broadlines & Hardlines Retail: Share of Wallet Deep Dive: Reversion in Motion Despite March Blip; Winning Categories Back To (or Above) 2005 Levels	9-Apr-21	Christopher Horvers, CFA Megan Alexander, CFA Tami Zakaria, CFA Christian Carlino
Dept Stores / Specialty Softlines: Digging Deeper: Stimulus Math & Post-Pandemic Survey Supports Recent Fieldwork Inflection	29-Mar-21	Matthew R. Boss, CPA Amanda K. Douglas Grace Smalley, CFA
Broadlines & Hardlines Retail: COVID-19 Lap Roadmap: Latest Thoughts on the Group and Navigating Stimulus	17-Mar-21	Christopher Horvers, CFA Megan Alexander, CFA Tami Zakaria, CFA Christian Carlino
Dept Stores / Specialty Softlines: Consumer Recovery Trade On Tap? Macro/Micro Discretionary Discussion Takes & Sector Playbook	22-Feb-21	Matthew R. Boss, CPA Grace Smalley, CFA Amanda K. Douglas
Broadlines & Hardlines Retail: COVID Lap Model Roadmap: Store Timing, Stimulus, E-Commerce Outlook, & Margin Implications (Over- vs. Under-Earning)	9-Feb-21	Christopher Horvers, CFA Tami Zakaria, CFA Megan Alexander, CFA Christian Carlino

Restaurants	Published	Analysts
Restaurants and Foodservice Distribution: May 2021 update: Tone shifts required in a group that’s (mostly) run	26-May-21	John Ivankoe Rahul Krotthapalli
Restaurants and Foodservice Distribution: Getting ready for a big 12-18 months in sales, even vs F19. Letting this rally run, for a little while longer	12-Apr-21	John Ivankoe Rahul Krotthapalli
Restaurants & Foodservice Distribution: Restaurant Management Access Forum Wrap: Whether short or long term the mood is good	15-Mar-21	John Ivankoe Rahul Krotthapalli

Food Producers and Retailers	Published	Analysts
Elevated Food-at-Home Consumption: Sticky or Icky?: New JPM-Exclusive Survey Uncovers Strong Enthusiasm & Buying Intentions for Packaged Food (+BYND, +CPB, +CAG)	12-Jun-20	Ken Goldman Thomas Palmer, CFA Anoori Naughton

Beverage, Household & Personal Care Products	Published	Analysts
Beverages, Household & Personal Care: Analysis of Price Elasticity - History Shows Strong Pricing Power in Particular for Beverage Companies	10-Jun-21	Andrea Teixeira, CFA Drew Levine, CFA Kojo Achiampong, CFA
U.S. Beverages: Takeaways from Webinar with Consultant Ken Harris	4-Jun-21	Andrea Teixeira, CFA Carla Casella, CFA Virginia Chambless, CFA Drew Levine, CFA Kojo Achiampong, CFA
US Beverages, Household & Personal Care : Follow-Up Consumer Survey: Preferences and Purchase Intentions in the New Normal	21-May-21	Andrea Teixeira, CFA Drew Levine, CFA Kojo Achiampong, CFA
U.S. Household Products and Personal Care: Takeaways from Webinar with Consultant Ken Harris	21-May-21	Andrea Teixeira, CFA Carla Casella, CFA Virginia Chambless, CFA Kojo Achiampong, CFA Drew Levine, CFA
US & European Beverages: DATA-Driven: Hard Seltzer trend tracking through social media	1-Mar-21	Celine Pannuti, CFA Fintan Ryan Andrea Teixeira, CFA Alberto Lopez Rueda Jared Dinges
Global Beauty – Alternative Data on China Beauty Market: Improving Outlook but Category and Brand Search Is Still Below Trend	25-Jan-21	Andrea Teixeira, CFA Kevin Yin Alberto Lopez Rueda Kojo Achiampong, CFA Qian Yao Ami Yoshida Anurag Rajat, CFA

Airlines	Published	Analysts
Delta Air Lines & United Airlines: Management Meeting Takeaways	2-Jun-21	Jamie Baker Mark Streeter, CFA Abdul Tambal, CFA Ian B Snyder
US Airlines: Could COVID's Aftermath Prove a Positive? JBLU, LUV, SAVE Upgraded.	14-Apr-21	Jamie Baker Mark Streeter, CFA Abdul Tambal, CFA Ian B Snyder
US Airlines: Thoughts on potential domestic testing requirements	9-Feb-21	Jamie Baker Mark Streeter, CFA Abdul Tambal, CFA Ian B Snyder

Gaming, Lodging, and Leisure	Published	Analysts
Cruise Lines : Raising Estimates and Price Targets on Strong Ticket Pricing Momentum	17-Jun-21	Brandt Montour, CFA Joseph Greff Omer N Sander

Gaming, Lodging, and Leisure	Published	Analysts
Boyd Gaming Corp: Takeaways Post Incrementally Positive Management Meetings	16-Jun-21	Joseph Greff Omer N Sander Brandt Montour, CFA
Gaming: Las Vegas ecosystem continues to get better; Raising PTs for CZR (to $129) and MGM (to $52)	10-Jun-21	Joseph Greff Omer N Sander Brandt Montour, CFA
Lodging: Takeaways from NAREIT - Tone Upbeat Across the Board	8-Jun-21	Joseph Greff Brandt Montour, CFA Omer N Sander
Cruise Lines Pricing Monthly: Cruise Ticket Prices Higher vs. 2019 Across All Operators	7-Jun-21	Brandt Montour, CFA Joseph Greff Omer N Sander
Gaming: U.S. Online Sports Betting Survey: DFS Operators Are by Far the Most Favored Platforms	23-Apr-21	Joseph Greff Omer N Sander Brandt Montour, CFA
U.S. Lodging: 1Q21 Data Recap, Breaking Down the Ongoing Recovery, and Thoughts on Stocks Here; Still Like Timeshare and WH	21-Apr-21	Joseph Greff Brandt Montour, CFA Omer N Sander
Gaming: Taking a Closer Look at the Nascent US Micro-Betting Market	17-Mar-21	Joseph Greff Omer N Sander Brandt Montour, CFA
Cruise Lines : Bullish Ahead of Upcoming Catalysts and Upside to Pricing. Updating Models and Raising Price Targets.	16-Mar-21	Brandt Montour, CFA Joseph Greff Omer N Sander
Gaming & Lodging: Takeaways from Gaming, Lodging, Leisure Management Access Forum; Optimism Abounds	15-Mar-21	Joseph Greff Brandt Montour, CFA Omer N Sander
Media & Gaming: The Gamification of Sports: Examining the Intersection of Sports Media and Online Betting	3-Feb-21	Alexia S. Quadrani David Karnovsky, CFA Joseph Greff

Homebuilders and Building Products	Published	Analysts
Homebuilding: Our Channel Check Points to a Still Robust Demand Backdrop in May and Early June	11-Jun-21	Michael Rehaut, CFA Elad Hillman Maggie Wellborn
Homebuilding and Building Products: Takeaways from Our 14th Annual JPM Homebuilding and Building Products Conference	25-May-21	Michael Rehaut, CFA Elad Hillman Maggie Wellborn

Autos	Published	Analysts
Asbury Automotive: Takeaways from CEO Conference Call	17-Jun-21	Rajat Gupta Ryan Brinkman Manasvi Garg Binh T Phung

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Autos	Published	Analysts
Global Auto Survey: Analyzing Demand and EV Trends Around the World	16-Jun-21	Marcelo Motta Ryan Brinkman Akira Kishimoto Jose M Asumendi SM Kim Nick Lai
J.P. Morgan/Chase Auto Annual Dealership Survey: Vehicle Demand Strong; GPUs Robust; P&S Recovery Uncertain; D2C and EVs LT Concerns; Digital an Opportunity	6-Apr-21	Rajat Gupta Ryan Brinkman Manasvi Garg Binh T Phung
US Autos & Auto Parts: Takeaways from JPM's CES Auto Tech Conference for Aptiv, Gentherm, Gentex, & Lear	14-Jan-21	Ryan Brinkman Rajat Gupta Manasvi Garg Binh T Phung

Companies Discussed in This Report (all prices in this report as of market close on 18 June 2021)
Academy Sports and Outdoors(ASO/$38.43/OW), Advance Auto Parts, Inc.(AAP/$193.33/OW), BJ's(BJ/$45.53/OW), Driven Brands(DRVN/$28.76/OW), Genuine Parts Company(GPC/$121.12/OW), Lowe's Companies, Inc.(LOW/$186.88/N), Target Corporation(TGT/$230.53/OW), The Home Depot(HD/$302.61/OW), Ulta Beauty Inc(ULTA/$327.19/OW)

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