EVERCORE ISI

Consumer | Retail Broadlines & Hardlines

July 01, 2021

Dollar General Corporation
DG | $216.39
Outperform | TARGET PRICE: N/A
Earnings Report

Michael Montani, CFA
212-446-5655
Michael.Montani@evercoreisi.com

Greg Melich, CFA
212-446-9484
greg.melich@evercoreisi.com

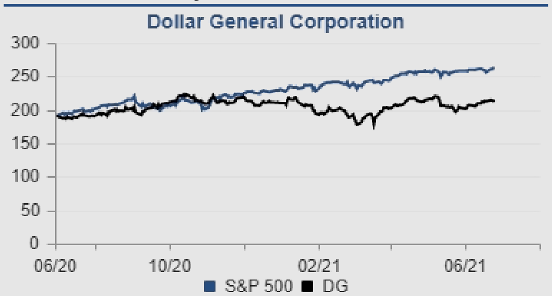
Company Statistics

52-Week Range	$173.50 - $225.25
Base Case	$245.00
Upside/Downside	12.9%
Market Capitalization (M)	$51,176
Price/Earnings	20.8
Forward P/E	19.3
EV / EBITDA	16.3
Dividend Yield	0.8%
Short Interest	2.1%

Earnings Summary

	2019	2020	2021E
Consensus EPS	**$6.73**	**$10.62**	**$10.14**
EPS	**$6.73**	**$10.86**	**$10.35**

1 Year Price History



Source: FactSet

DG: Nesting Leader with Comp/ Margin Drivers at 19x

We hosted a fireside chat and group discussion with Dollar General's CFO John Garratt on 6/29. DG is well positioned to deliver a low to mid teen TSR post pandemic, with our surveys suggesting customers won during COVID intend to stick around. Initiatives are gaining traction including DG Fresh, NCI and pOpshelf with elevated food at home meal consumption as nesting behavior lingers. Investment spend, wage inflation, transport cost, and ocean freight are risks, yet execution and initiatives should offset. Our CY21 EPS of $10.35 remains unchanged, and is $0.20 above the Street, with CY22 at $11.20 also above. Our Base Case increases from 4% to $245 reflecting increased conviction from our meeting. The top five highlights from our discussion are below. Call or email for additional detail as we do not have a replay of the event.

Five takeaways from our discussion with management:

1) **Trade down consumers ($65k HH's) won during COVID appear sticky. Nesting – i.e. dining in more and staying closer to home - provides a favorable backdrop.** Expanded child tax credit/ UI benefits help near term. Initiatives sustain share gain longer term.

2) **Sales and profit drivers gaining traction. Multi-year tailwinds** from DG Fresh, NCI, Fast Track, private label, FDI expansion, and multichannel to name a few.

3) **Inflation in wages, transport and ocean freight appear manageable. Benign competition, healthy consumers aid pass through.** DG offsets cost inflation first, and passes through the rest. Extreme value positioning should drive trade down amidst an inflationary backdrop.

4) **Supply chain: Domestic product flow is now normal,** International is tough with lead times having doubled. Early receipts, low FDI helps manage freight headwind.

5) **pOpshelf encouraging; 6% store growth with 20%+ after tax IRR attainable in our view. Leasing environment favorable.** 10-15% remodel lifts 2-3x prior trend. pOpshelf sales productivity 30% above core formats, margin rates higher, long term runway/unit growth attractive.

Bottom Line: DG nesting leadership and double digit TSR algorithm are appealing at a 5% discount to the S&P, in our view. We find DG's risk reward appealing at 19x, with several paths to outperformance not reflected in current valuation including trade down positioning, strategic partnership potential on multichannel (DG can help unlock the rural consumer), and C-Store + evolution from an enhanced service offering. We view the stock's YTD underperformance vs. the S&P and discounted valuation as an attractive entry point.

Dollar General Bull, Bear, Base Case Scenarios:

$295 Bull Case	$245 Base Case	$155 Bear Case
24.0x $12.40 Bull Case 2022 EPS	**22x Base Case 2022 EPS $11.20**	**15.5x Bear Case 2022 EPS $10.00**
C-Store evolution takes shape. DG comps +5-6% in CY22-24, with traffic the driver as innovative partnerships and enhanced food service offering take shape. Sales rise 11-13% and EBIT grows even faster with 20% EPS growth goes on strong cash generation and buyback discipline. DG's 24.0x multiple (20% S&P premium) reflects a CASY's like re-rating on steady 7-8% store growth, and high margin growth from prepared foods/innovative partnerships and other service offerings. DG comped high single digits in 2008/2009, and it could do it again in a post recession backdrop.	**Share gain, initiative traction and positive traffic inflection trump the fading food at home wave.** DG comps 3.5% in CY22 with positive traffic and favorable mix. We look for DG to drive a sky high 3 year stack comp of high teens or better. DG Fresh, NCI, enhanced multichannel/ service offerings and normalizing behavior post pandemic drive a positive traffic inflection. DG Fresh and NCI drive margin upside vs. the Street, we believe with tailwinds outweighing labor/transport/freight headwinds. Sales grow 8-10% starting in CY22, with comps at the high end of 2-4% algo, EBIT $'s up at or above sales and EPS up low to mid teens to justify a P/E multiple above the S&P.	**Labor Pains.** Federal minimum wage hits $15 in CY23, and DG wage migrates >$15 driving a 15-20% EBIT miss as EVR estimate $11/hr DG average today is forced to increase. EBIT margins revert back to pre-pandemic 8-8.5%. Gross margin approaches pre-pandemic 30.5% on mix normalization, mark-downs, and DC worker pay raises. SG&A rate of 23% settles 50bps above CY19 reflecting ballooning wage expense. Buybacks help offset EPS pressure, with EPS nearly flat vs. our CY21 base case. Multiple compression ensues towards a new five year low vs. the S&P.

Source: Company Data, FactSet, Evercore ISI Research

Key Debates:

- **Will DG be able to drive sustainable traffic? Yes.** DG is striking the right balance of comps and gross margin gains, with momentum in DG Fresh and NCI initiatives driving traffic 1-2% long term. Investments towards DG fresh, NCI, multichannel, and Fast Track pressure SG&A near term but enable EBIT margin at a mid 9% level. Reinvesting the margin upside in multichannel – i.e. DG Pickup is key for traffic.

- **What's the right EBIT margin for a mostly food and consumables (75% of mix) retailer?** We believe a mid 9% is sustainable. Rollout of an enhanced/higher margin assortment yields mix benefits via DG Fresh, NCI and services. Multichannel should grow as a percent of sales, sustaining 2%+ traffic growth but limiting EBIT margin upside.

- **Can DG sustain a double digit EPS algorithm? Yes.** We believe EPS growth is likely double digits with comps 3-5%, sales up 9-11%, and EBIT up a similar amount. Buybacks should drive low to mid teen EPS, with a 1% divide.

Catalysts

- **A mild-recession drives trade-down to dollar stores.**
- **DG Fresh initiative drives traffic and boosts margins over a 3-4 year rollout span.**
- **NCI assortment adds margin accretive discretionary sales and drives traffic.**
- **Consumables/ Food inflation drives topline & share.**
- **Fast Track (Rolltainer)** drives productivity.

Risks

- **Grocery competition heats up with an unexpected margin reset.** Aldi-Lidl rapid growth, WFM/ AMZN and WMT add convenience.
- **Wage inflation shows no signs of stopping.**
- **Rising gasoline prices**
- **Execution given myriad of initiatives**

Summary & Conclusion:

Conclusion: DG offers a premium double digit TSR algorithm that's worth a look at a 5% discount to the market, in our view. We find DG's risk reward appealing at 19x, with several paths to outperformance not discounted including trade down positioning, strategic partnerships, and C-Store + evolution from an enhanced service offering. DG is well positioned to drive top and bottom line growth ahead of the S&P, and we view the stock's YTD underperformance vs. the S&P and discounted valuation as an attractive entry point.

DG Fresh, NCI and remodel traction are share and profit drivers. pOpshelf bolsters the long term unit growth potential. Food at home stronger for longer. New customers won during COVID appear sticky. Longer term implications are positive for share and profits. DG's 75% consumable mix positions them well as a nesting winner with more meals consumed at home vs. pre-pandemic and new consumers have been sticky as has enhanced wallet share from existing shoppers. Our survey work shows sticky shopping intentions as well (Figure 2).

Risk remains from investment spend, wages, transport costs, and ocean freight like much of retail. That said, we believe DG can navigate the headwinds. Wage inflation has crept up from low single digits to low to mid single digits at DG, yet recent hiring events have surprised to the upside while churn is below pre-pandemic norm. DG has initiative to manage transport inflation via its growing private fleet, stem mile efficiency/technology as well as scale. Ocean freight is a risk but manageable given just 6% FDI today.

Valuation is attractive, in our view, at a 5% discount to the S&P vs. the 10% premium DG historically enjoyed. We believe a premium valuation is merited by DG's enhanced value positioning post pandemic, added multichannel prowess, and margin initiatives.

Figure 1: Dollar General and Evercore Host a Virtual Fireside Chat on All Things Consumer, Inflation, and Initiative Traction

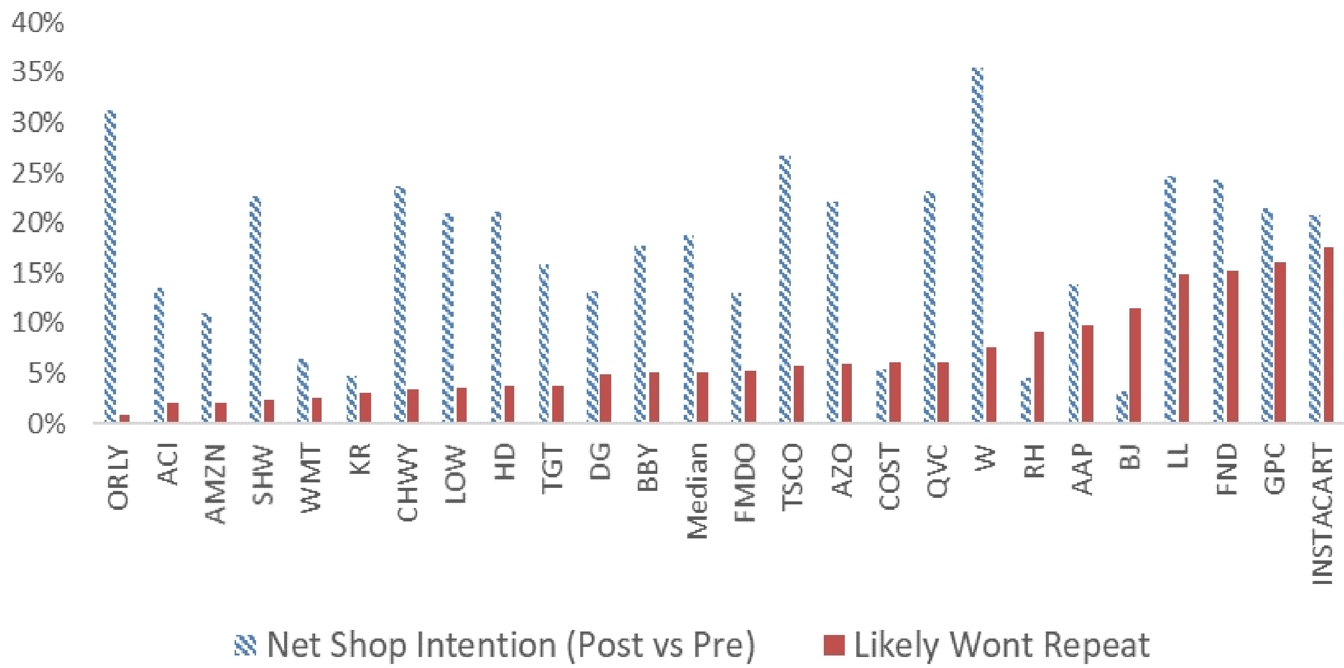
Source: Evercore ISI Research

Topline:

Dollar General's core consumer is looking "pretty good" based on our discussions with John Garratt. While John pointed out that the core DG shopper ($40k or less household income) is always relatively challenged vs. higher income households, even those earnings sub $40k right now are generally employed and getting hours to work and wage increases. After three rounds of stimulus DG has seen customers spending the money and they have even saved a good bit.

What has surprised John in a positive way since the pandemic is the stickiness of the trade down consumer who earns $40-60k. These newer shoppers may not have shopped Dollar General pre pandemic, or if they did likely only came in 1-2x per year. DG dusted off the 2008-2009 playbook where they saw new customers flowing into the box around the financial crisis. This time around they digitized the playbook, and have begun to personalize the messaging to enhance their outreach and keep customers sticky.

Figure 2: Survey Says - Dollar General Winning New Shoppers During COVID & Most Plan to Stick Around



Source: Evercore ISI Research

The main negative for DG's topline has been trip consolidation. We believe that is likely to inflect by later this year, and then normalize at 2%+ longer term with comps at the higher end of the 2-4% "normal" algorithm. DG has been winning share and new customers while deepening wallet share over the past two years. That said, its traffic declined in 1Q and has been negative low single digits by our math for much of the past year.

Mix has been encouraging in terms of NCI (Dollar General's Non Consumable Initiative) really outperforming during the pandemic. Non consumables have been outperforming consumable categories since April of 2020. DG believes its NCI initiative (enhanced offering/merchandising) is one key driver. DG's overall treasure hunt experience and extreme value has been resonating with consumers. What's also encouraging is that even as some other forms of consumer spending have opened up again (restaurants, travel, leisure) as well as retailers that may have been closed for a period of time (specialty) DG is still seeing good strength in discretionary.

Where are DG's share gains coming from? The #1 share donor remains pharmacy, where DG believes it has a 40% price advantage for on shelf products. DG has expanded its HBA offering and health/wellness in part with Rexall brand to capitalize on a more health conscious consumer. DG has gone from 3% share in health and beauty to 4 and now 5% as they upgrade the merchandising and expand the square footage dedicated to this space. The

#2 share donor is traditional grocers, where DG sees a 20%+ typical price advantage but that can be 30%+ vs. some traditional grocers. DG has 7-10% share in some grocery categories today, which shows the magnitude of potential future share gain in areas like beauty if they can execute. Additional cooler doors have been one of DG's most productive sales driving initiatives for a long time now. The new incremental share donor is #3 specialty retailers, where thanks to NCI/treasure hunt DG has been able to capitalize on higher margin sales of home goods/furnishings/seasonal.

Figure 3: Dollar General Winning Share on a 2 Year Comp Basis; Now to Turn the Traffic

	1Q21					
Company	Comp	Traffic	Ticket	2Y Comp	2Y Traffic	2Y Ticket
TSCO	38.6%	21.0%	17.6%	42.9%	19.9%	23.0%
HD	31.0%	19.1%	11.9%	37.4%	15.1%	22.3%
LOW	25.9%	11.8%	14.1%	37.1%	13.4%	23.7%
TGT	22.9%	17.1%	5.0%	33.7%	15.6%	17.3%
FND	31.1%	29.2%	1.9%	33.5%	32.6%	0.9%
BBY	37.9%	15.0%	22.9%	32.2%	3.0%	29.2%
AZO	28.9%	19.0%	9.9%	27.9%	16.0%	11.9%
ORLY	24.8%	13.0%	11.8%	22.9%	10.0%	12.9%
COST	15.1%	12.5%	2.6%	22.9%	8.4%	14.5%
DG	-4.6%	-7.0%	2.4%	17.1%	-4.0%	21.1%
WMT	6.0%	-3.3%	9.3%	16.0%	-8.9%	24.9%
AAP	24.7%	13.0%	11.7%	15.4%	7.0%	8.4%
DLTR	0.8%	-3.5%	4.3%	7.8%	-11.2%	19.0%
GPC	7.3%	2.0%	5.3%	2.3%	-6.00%	8.3%
Median	**24.8%**	**13.0%**	**7.3%**	**25.4%**	**9.2%**	**15.9%**

Source: Evercore ISI Research

New store growth runway is long, and generally supported by our analysis. DG spoke to 10k+ new store potential for its core concept eight years ago. Last year they said 12k new stores could be a realistic target even though they have been adding almost 1k stores per year for several years. Then DG spoke to a potential of 13k this year for their core concept, plus 3k+ for pOpshelf long term and 1k+ for DGX. As DG opens larger stores – i.e. 8500 sq ft vs. traditional 7500 it enables them to offer enhanced adjacent services (i.e. FedEx & Western Union) but then also to expand the discretionary product and really take advantage of NCI. Larger stores are paying off in terms of double digit lifts in total sales and per sq ft productivity gains. The implications are positive for margins and cash flow over time, in our view.

Remodel lifts are running ahead of the old normal. Cooler doors, services and NCI are three key reasons it can sustain, in our view. Historically DG enjoyed a 4-5% sales lift upon remodel. Now its more like a 10-15% bump when produce is a part of the offering. You get a fuller grocery shop with enhanced assortment, but also a lift in non consumables that helps traffic and margin rate. DG's newer remodels offer enhanced health and beauty offerings to win share from Drug, and then also enhanced services like FedEx drop off and Western Union. Having 75% of the U.S. population within 5 miles of a DG store adds an element of convenience as well.

pOpshelf: DG sees this discretionary product lead concept as having potential for 3k+ stores longer term. DG has been discussion this initiative and planning it for years. What gave them conviction to pursue it now is the success of their NCI initiative. DG has built out a dedicated team including merchants to support pOpshelf and help it scale over time. What's exciting from management's perspective is that NPS scores are off the charts in early days. pOpshelf business appears to be largely complimentary and incremental, as the core shopper income tends to tilt above the sub $40k HH income at a typical DG (more like $65-125k HH income) and the stores are more suburban as opposed to rural. Also pOpshelf has sales levels at $1.7-2mn/box with gross margins at or around 40%+ even though it is just in eight stores and lacks scale. Core DG stores tend to sell $1.4-$1.5mn each with GM rate in the low 30% range.

Gross & EBIT Margins:

DG did not offer any long term EBIT margin goals, yet we see this year as 9.5-10%, and a long term sustainable level that is close to that. John discussed key opportunities that could help DG to expand its margins as well as key risks. On the opportunity front – DG has posted eight straight quarters of gross margin rate expansion. While stimulus clearly helped, the view is that a big part is structural enhancements including:

1) **Higher mark ups – as DG Fresh enables substantial cost out.** The average mark up is around 25% for 3rd party distribution. Self distribution enables DG to eliminate that 25% mark-up paid to 3rd party distributors in the past, and yet also to enhance the service level, optimize coolers, add private label and negotiate with vendors directly. There is added overhead cost so the net savings is not quite 25%, but the net/net is a significant margin rate enhancement with many years of benefits to extract.
2) **NCI is driving a positive mix shift** toward higher margin discretionary product like soft home.
3) **Tremendous sell through means lower clearance mark downs.** DG has become much more targeted on promotions and added science/ digitization to its mark down cadence.

Other margin enhancing opportunity comes from additional service offerings, optimizing routes/DC synergies, foreign direct import/ private label and scale. We like DG's FedEx and Western Union partnerships and believe there are many other potential partnerships/relationships to leverage whereby 3rd parties would want to gain access to DG's rural consumer base. Longer term increased foreign direct import from just 6% of sales today can provide meaningful margin upside, as does private label penetration. Today private label is around 20% of sales, yet competitors like Kroger are at 30%+ normalized levels on private label.

Figure 4: Dollar General Middle of the Pack on Our PTOP Metric for Operating Efficiency … Share & Margin Drivers Can Drive Upside to the Top Third of Retail; However

		2021e Sales/Sq. Ft.	2021e PTOP/Sq. Ft.	2021e Property Cost/Sq. Ft.	PTOP/ Sq. Ft. Property Cost/Sq. Ft.	2021e RNOA	
HD	Home Depot	$601	$87	$15	5.9x	39%	Best in Class
KMX	CarMax	$3,777	$240	$43	5.6x	23%	
ORLY	O'Reilly Automotive	$315	$71	$13	5.3x	38%	
LOW	Lowe's	$443	$54	$11	5.1x	38%	
AZO	AutoZone	$324	$80	$16	5.0x	40%	
COST	Costco Wholesale	$1,507	$53	$14	3.7x	30%	
TGT	Target	$419	$33	$10	3.3x	28%	
SHW	Sherwin Willliams	$925	$168	$51	3.3x	23%	
WSM	Williams-Sonoma	$1,137	$187	$64	2.9x	35%	
RH	Restoration Hardware	$1,300	$252	$86	2.9x	34%	
AMZN	Amazon.com	$1,340	$122	$47	2.6x	37%	
AAP	Advance Auto Parts	$287	$33	$13	2.5x	14%	Middle of the Pack
GPC	Genuine Parts Co.	$272	$21	$9	2.4x	30%	
FIVE	Five Below	$328	$52	$23	2.3x	13%	
BBY	Best Buy	$1,205	$76	$34	2.2x	43%	
TJX	TJ. Maxx	$124	$12	$6	2.2x	8%	
TSCO	Tractor Supply Co.	$354	$37	$17	2.1x	19%	
DG	Dollar General	$263	$30	$14	2.1x	19%	
ASO	Academy Sports	$293	$16	$8	2.1x	6%	
WMT	Walmart	$473	$22	$11	2.0x	12%	
WOOF	Petco	$270	$31	$17	1.9x	12%	
FND	Floor & Décor	$290	$34	$18	1.8x	15%	
ULTA	ULTA	$547	$78	$45	1.8x	37%	
QRTEA	Qurate Retail	$582	$25	$15	1.7x	16%	
BJ	BJ's Wholesale Club	$582	$25	$15	1.7x	16%	The Rest
DLTR	Dollar Tree	$207	$20	$14	1.4x	16%	
DKS	Dicks Sporting Goods	$201	$11	$8	1.4x	8%	
LL	Lumber Liquidators	$407	$14	$13	1.0x	8%	
KR	Kroger	$727	$19	$19	1.0x	11%	
ACI	Albertson's	$571	$12	$19	0.6x	9%	
KSS	Kohl's	$211	$8	$14	0.6x	15%	
JWN	Nordstrom	$435	$15	$28	0.6x	10%	
BBBY	Bed Bath & Beyond	$249	$9	$19	0.5x	6%	
JCP	J.C.Penney	$93	($3)	$8	-0.4x	3%	
M	Macy's	$158	($12)	$9	-1.3x	18%	
	Retail Average	**$619**	**$57**	**$22**	**2.4x**	**21%**	
	Retail Median	**$413**	**$32**	**$15**	**2.1x**	**16%**	

Source: Evercore ISI Research

Inflation is real in terms of input costs from commodities to labor to supply chain costs. That said, DG is committed to passing through as little as possible to further underscore their value positioning in the marketplace and build consumer loyalty. DG will always wait to ensure others pass through inflation first to protect their price advantage. They are confident in their positioning if there is inflation because DG is a top five distributor on most of what they sell which gives leverage. DG has limited SKUs at 10-12k/store so they can chose to eliminate a SKU or switch vendors for certain inflationary goods. DG offers growth with 1k+ new stores per year, so vendors naturally want to partner with them to defray input cost inflation when possible. If DG is not able to defray/delay cost inflation we believe that they will pass it through as a last resort. The key is to ensure price parity (or within 1-2%) vs. the market leader.

The competitive environment is relatively benign in John's view. He pointed out that while some competitors have talked about increased promotional activity in the past few months, that is vs. what was effectively no promotions during peak COVID. While there is some promotions today, there is still less than the pre pandemic norms. Overall competition is pretty tame really currently. John's view is that the grocers are likely to be the first ones to get more promotional. Some traditional grocers will struggle to comp the comp. That said, currently traditional grocers are also doing well on a two year stack.

Transportation costs are a headwind, but we believe manageable through scale, private fleet and technology. Around 25% of DG's freight is shipped via its own fleet today. This is a meaningful increase vs. 5-6 years ago, and DG will continue to grow its own fleet from here. While most of the goods are transported via 3P carriers, DG can use the carrot of increased scale/growth with the threat of increased in house distribution as a hammer to reduce the risk of 3rd party transport inflation.

Supply Chain:

Domestically DG sees the supply chain as largely back to normal. Import capacity is still in short supply, however. Last year paper, cleaning products and certain food items were in short supply. Domestic supply is largely normalized at this point, however. The tougher part is import goods. DG is exposed less than peers at just 6% FDI. Also DG believes that much of the import good friction is transitory and they managed the headwind by sourcing more product sooner.

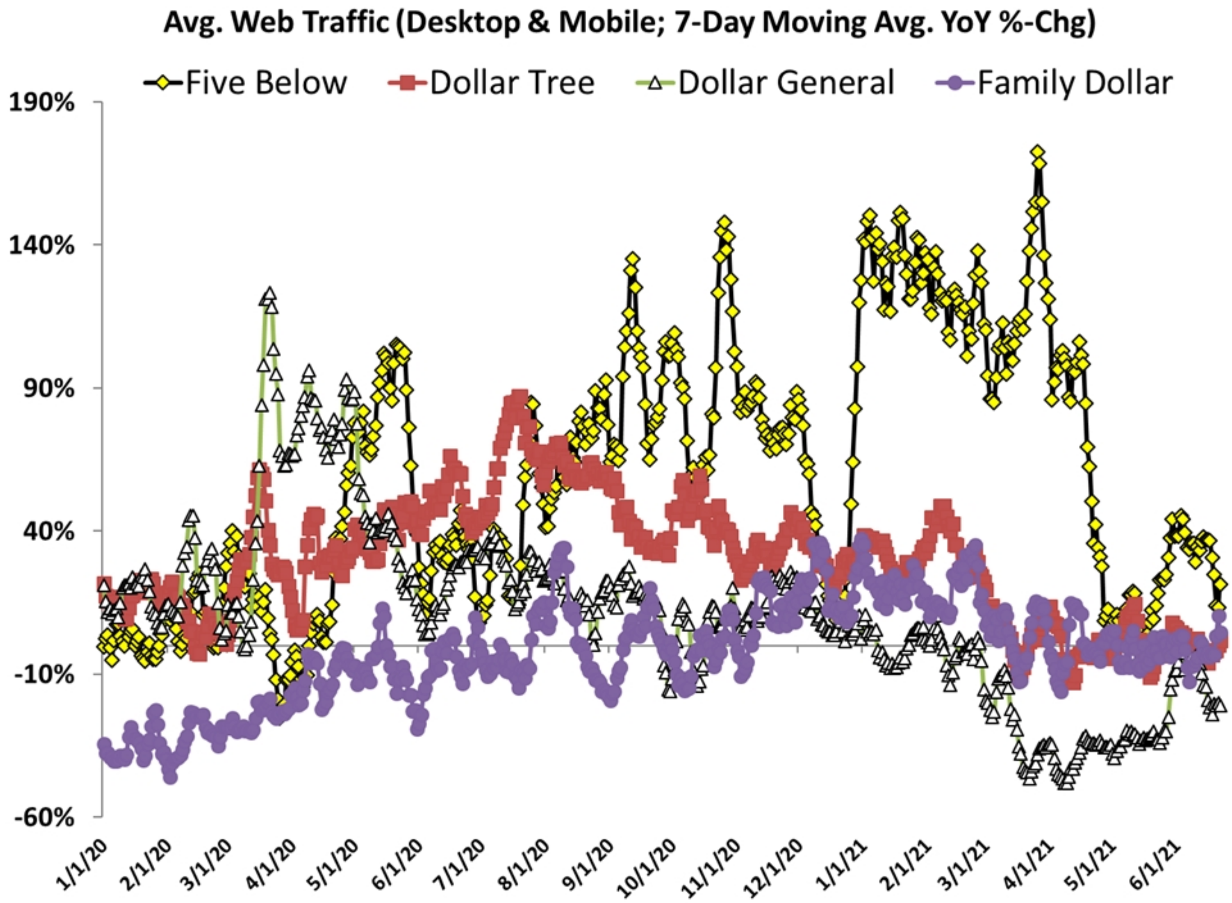
TSR, CapEx and Capital Allocation:

John has never felt better about the strength of DG's double digit long term TSR algorithm. While we pushed him on why it could be increased, our sense is the main reason not to go there is to preserve flexibility for required investments in initiatives of which DG has many ongoing. DG plans to pursue 17k+ new locations over time thanks in part to format innovations like pOpshelf and DGX. Remodels are performing great. The double digit TSR algorithm works extremely well with comps in the 2-4% range (we like the high end of that range as sustainable) and lately the 2 year stack is running ahead of the low to mid teens that we model into 2H21. DG has been driving the topline with eight straight quarters of gross margin expansion. While there are tailwinds from external factors like stimulus that can abate, much of the gain appears structural in nature on gross margins with additional initiative benefit to layer in over the next few years.

DG has been thinking of normalized CapEx at around 3% of sales. This is consistent with the level of spend seen in recent years for DG even as they have accelerated real estate projects in terms of store openings and remodels, and pushed into strategic initiatives. The biggest limiting factor is not access to capital or good projects to pursue but rather human capital and a desire to execute at a high level. 20-22pct after tax IRR is still the goal even after factoring in new store cannibalization.

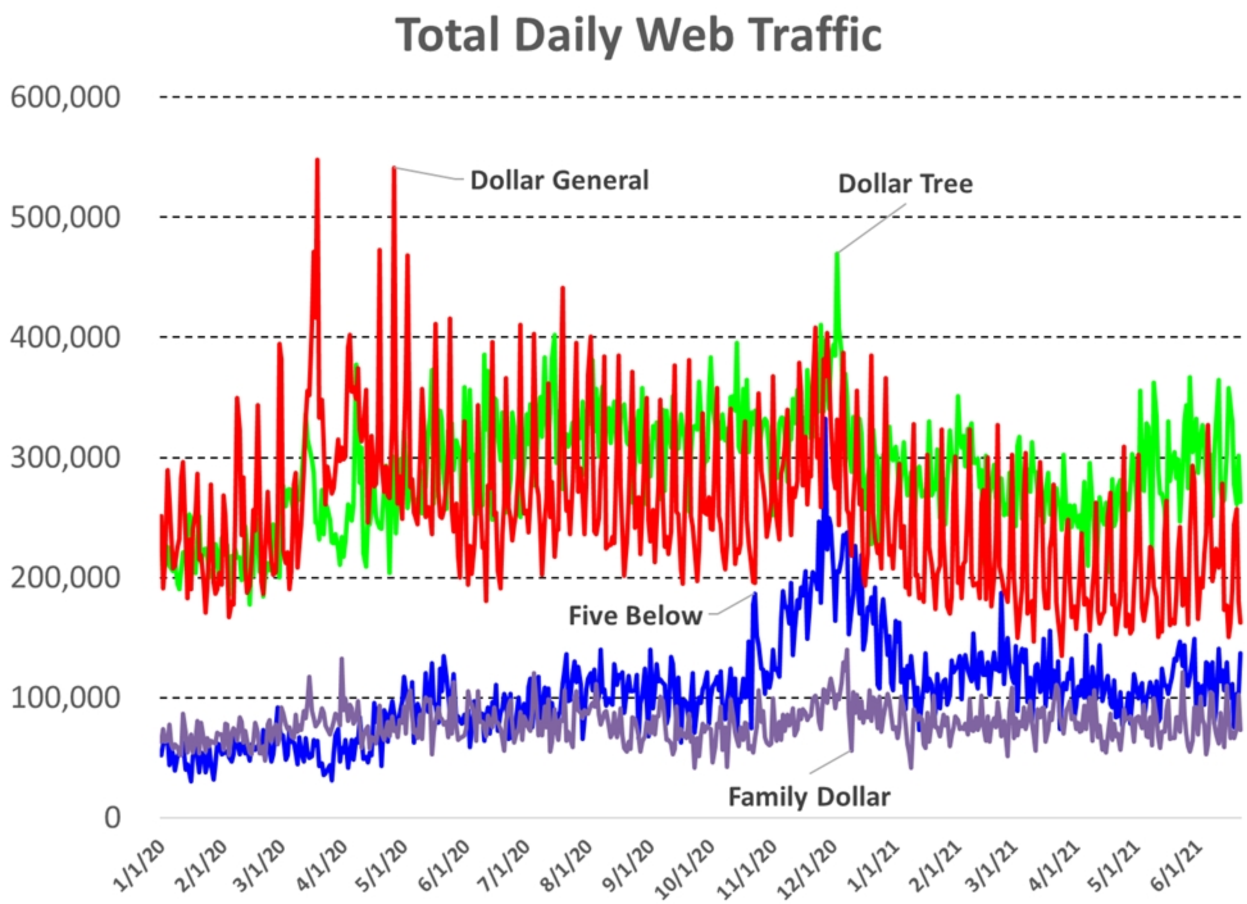
From a capital allocation perspective, the priorities remain 1) pursue high return opportunities 2) pay a competitive dividend that grows about in line with EPS over time and then 3) deploy the remainder for buybacks. DG does want to maintain its investment grade credit rating so we don't expect debt/ebitdar to vary hugely vs. 3x.

Figure 5: Dollar General Web Traffic Stabilizing as it Cycles Difficult Comps; Still Positive On a 2 Year View



Source: SimilarWeb, Evercore ISI Research

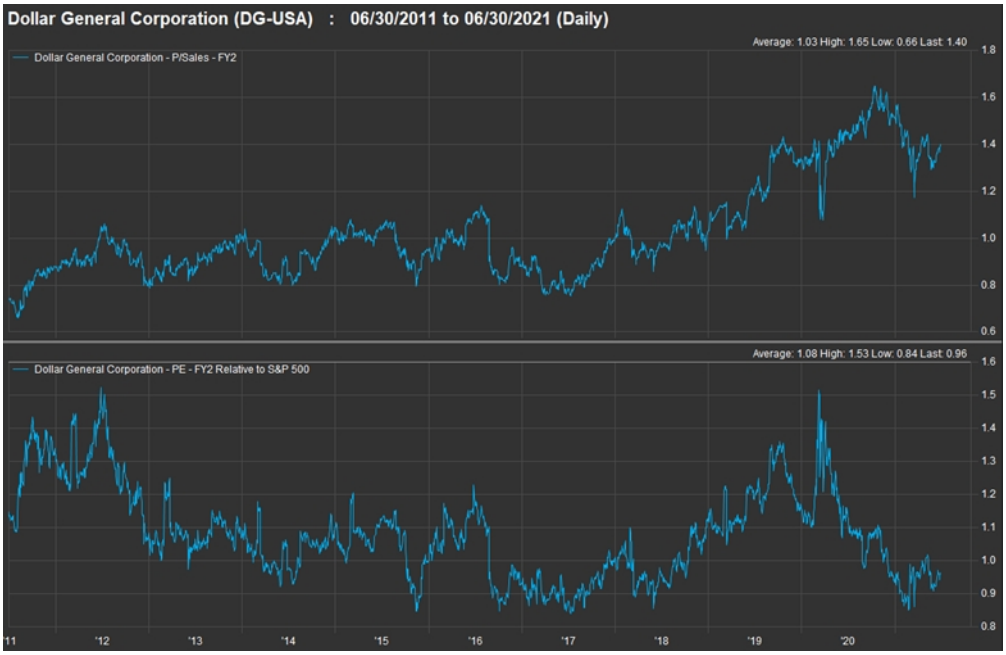
Figure 6: DG's Total Web Traffic Peaked in Total Volume in Early Spring of Last Year



Dollar Stores	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Five Below	4%	12%	7%	25%	76%	29%	41%	72%	95%	92%	80%	50%	134%	118%	119%	63%	18%	32%
Dollar Tree	17%	6%	33%	31%	42%	50%	69%	62%	39%	45%	34%	30%	30%	34%	3%	-3%	2%	-1%
Family Dollar	-35%	-30%	-23%	-10%	-11%	-2%	-3%	3%	3%	-3%	13%	22%	19%	21%	2%	1%	-1%	-2%
Dollar General	17%	22%	56%	81%	34%	22%	26%	18%	11%	7%	17%	6%	1%	-4%	-30%	-39%	-27%	-14%

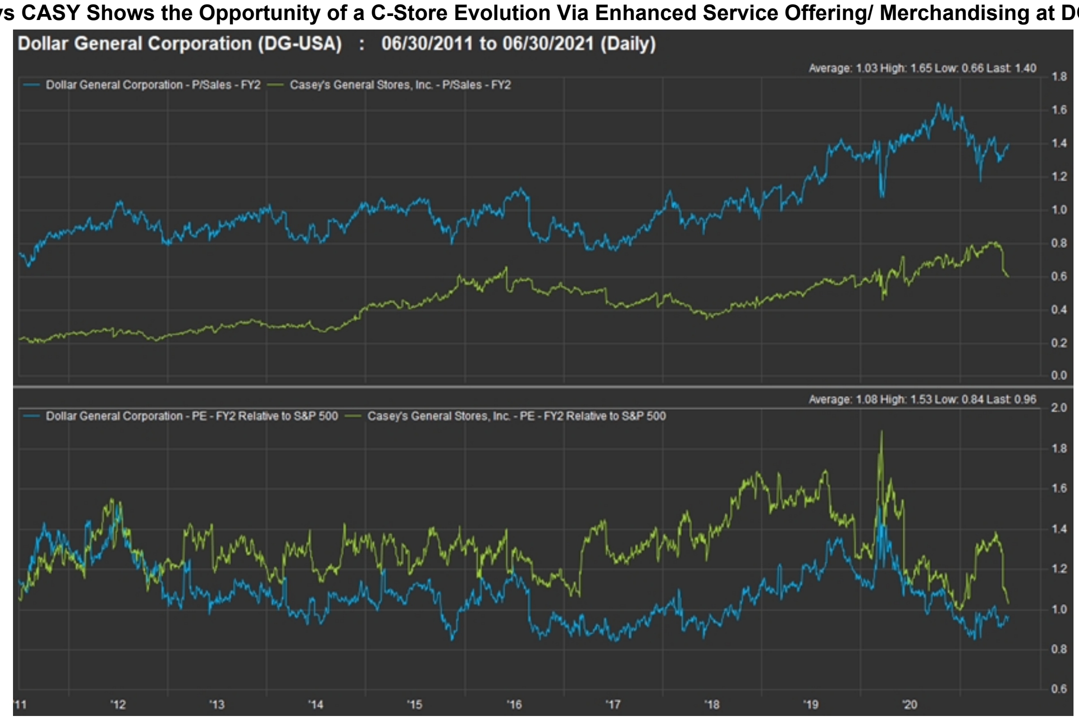
Source: SimilarWeb, Evercore ISI Research

Figure 7: DG Trading 5% Below the S&P vs. 10 Year Norm of 8-10% Premium … YTD Underperformance of DG at +3% vs. the S&P up 14% or the XRT up 50% Shows the Tendency to Stock Up on Re-Open Plays and Fade the COVID Winners …. Yet We Believe DG is Enhancing Its Consumer Value Proposition and Should Show Relative Outperformance into 2022 as a Quality Staples Compounder



Source: FactSet, Evercore ISI Research

Figure 8: DG vs CASY Shows the Opportunity of a C-Store Evolution Via Enhanced Service Offering/ Merchandising at DG



Source: FactSet, Evercore ISI Research

Figure 9: Annual Income Statement

Dollar General - DG

Financial Model

Base Case

$MM, FYE: 01/30

	2011A	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019	2020	2021E	2022E
UNITS AND REVENUE BUILD												
SEGMENT BREAKDOWN												
INCOME STATEMENT												
Sales	$14,807	$16,022	$17,504	$18,910	$20,369	$21,987	$23,471	$25,625	$27,754	$33,747	$34,343	$37,015
% Growth YoY	13.6%	8.2%	9.2%	8.0%	7.7%	7.9%	6.8%	9.2%	8.3%	21.6%	1.8%	7.8%
COGS	10,109	10,937	12,068	13,107	14,062	15,204	16,250	17,821	19,265	23,028	23,413	25,363
Gross Margin	**4,698**	**5,085**	**5,436**	**5,803**	**6,306**	**6,783**	**7,221**	**7,804**	**8,489**	**10,719**	**10,931**	**11,652**
% Margin	31.7%	31.7%	31.1%	30.7%	31.0%	30.8%	30.8%	30.5%	30.6%	31.8%	31.8%	31.5%
Change Bps Y/Y	(31)	1	(69)	(37)	27	(11)	(8)	(31)	13	118	6	(35)
SG&A	3,184	3,428	3,700	4,033	4,366	4,719	5,214	5,688	6,156	7,164	7,639	8,241
% Sales	21.5%	21.4%	21.1%	21.3%	21.4%	21.5%	22.2%	22.2%	22.2%	21.2%	22.2%	22.3%
EBIT	**1,514**	**1,657**	**1,736**	**1,769**	**1,940**	**2,063**	**2,008**	**2,115**	**2,333**	**3,555**	**3,292**	**3,412**
% Margin	10.2%	10.3%	9.9%	9.4%	9.5%	9.4%	8.6%	8.3%	8.4%	10.5%	9.6%	9.2%
Change Bps Y/Y	*30*	*12*	*(42)*	*(56)*	*17*	*(14)*	*(83)*	*(30)*	*15*	*213*	*(95)*	*(37)*
(+) D&A	275	303	333	342	352	365	399	461	472	574	584	629
EBITDA	**1,790**	**1,960**	**2,069**	**2,111**	**2,293**	**2,428**	**2,407**	**2,577**	**2,805**	**4,129**	**3,875**	**4,041**
% Margin	12.1%	12.2%	11.8%	11.2%	11.3%	11.0%	10.3%	10.1%	10.1%	12.2%	11.3%	10.9%
Change Bps Y/Y	21	15	(41)	(65)	9	(21)	(79)	(20)	5	213	(95)	(37)
Interest expense, net	203	128	89	88	87	98	97	100	101	150	168	177
EBT	**1,311**	**1,529**	**1,647**	**1,681**	**1,853**	**1,966**	**1,911**	**2,016**	**2,233**	**3,404**	**3,123**	**3,235**
% Margin	8.9%	9.5%	9.4%	8.9%	9.1%	8.9%	8.1%	7.9%	8.0%	10.1%	9.1%	8.7%
Change Bps Y/Y	103	69	(13)	(52)	21	(16)	(80)	(28)	18	204	(99)	(36)
Other income (expense)	0	0	0	0	0	0	(4)	(1)	0	0	0	0
Income taxes	465	545	603	616	688	714	679	429	489	749	703	728
% Rate	35.4%	35.7%	36.6%	36.6%	37.1%	36.3%	35.5%	21.3%	21.9%	22.0%	22.5%	22.5%
Net income (Continuing)	**$846**	**$984**	**$1,044**	**$1,069**	**$1,165**	**$1,251**	**$1,228**	**$1,586**	**$1,737**	**$2,655**	**$2,421**	**$2,507**
EPS (Basic)	*$2.48*	*$2.95*	*$3.23*	*$3.51*	*$3.96*	*$4.35*	*$4.50*	*$5.98*	*$6.77*	*$10.92*	*$10.41*	*$11.27*
EPS (Diluted)	**$2.45**	**$2.94**	**$3.22**	**$3.50**	**$3.95**	**$4.43**	**$4.49**	**$5.96**	**$6.73**	**$10.86**	**$10.35**	**$11.20**
Basic Count (weighted average)	341.2	333.4	322.9	304.6	294.3	287.7	272.8	265.0	256.6	243.1	232.6	222.5
Diluted Count (weighted average)	345.1	334.5	323.9	305.7	295.2	282.4	273.4	266.1	258.1	244.6	233.9	223.8
% CHANGE Y/Y												
Same Store Sales	**6.0%**	**4.7%**	**3.4%**	**2.8%**	**2.8%**	**0.9%**	**2.7%**	**3.2%**	**3.9%**	**16.4%**	**(3.0%)**	**3.5%**
Traffic	**3.9%**	**2.7%**	**1.4%**	**2.0%**	**1.4%**	**(0.2%)**	**0.4%**	**0.4%**	**1.8%**	**(2.5%)**	**1.6%**	**2.0%**
Ticket												
Sales	**13.6%**	**8.2%**	**9.2%**	**8.0%**	**7.7%**	**7.9%**	**6.8%**	**9.2%**	**8.3%**	**21.6%**	**1.8%**	**7.8%**
COGS	14.1%	8.2%	10.3%	8.6%	7.3%	8.1%	6.9%	9.7%	8.1%	19.5%	1.7%	8.3%
Gross Margin	12.5%	8.2%	6.9%	6.7%	8.7%	7.6%	6.5%	8.1%	8.8%	26.3%	2.0%	6.6%
SG&A	10.4%	7.7%	7.9%	9.0%	8.2%	8.1%	10.5%	9.1%	8.2%	16.4%	6.6%	7.9%
EBIT	**17.0%**	**9.4%**	**4.8%**	**1.9%**	**9.7%**	**6.3%**	**(2.7%)**	**5.4%**	**10.3%**	**52.3%**	**(7.4%)**	**3.7%**
Interest Expense	(25.7%)	(37.0%)	(30.4%)	(0.8%)	(1.5%)	12.5%	(0.8%)	2.9%	0.7%	49.5%	12.0%	5.1%
EBT	**28.5%**	**16.6%**	**7.7%**	**2.0%**	**10.3%**	**6.1%**	**(2.8%)**	**5.5%**	**10.8%**	**52.5%**	**(8.3%)**	**3.6%**
Income tax	27.5%	17.4%	10.6%	2.0%	11.8%	3.9%	(5.0%)	(36.8%)	14.0%	53.2%	(6.2%)	3.6%
Net Income	**29.0%**	**16.2%**	**6.1%**	**2.0%**	**9.4%**	**7.4%**	**(1.8%)**	**29.1%**	**10.0%**	**52.3%**	**(8.8%)**	**3.6%**
EPS (Diluted)	**29.0%**	**19.9%**	**9.6%**	**8.1%**	**13.3%**	**12.2%**	**1.4%**	**32.6%**	**13.4%**	**60.7%**	**(4.7%)**	**8.2%**
% SALES												
COGS	68.3%	68.3%	68.9%	69.3%	69.0%	69.2%	69.2%	69.5%	69.4%	68.2%	68.2%	68.5%
Change Bps Y/Y	31	(1)	69	37	(27)	11	8	31	(13)	(118)	(6)	35
Gross Margin	31.7%	31.7%	31.1%	30.7%	31.0%	30.8%	30.8%	30.5%	30.6%	31.8%	31.8%	31.5%
Change Bps Y/Y	(31)	1	(69)	(37)	27	(11)	(8)	(31)	13	118	6	(35)
SG&A	21.5%	21.4%	21.1%	21.3%	21.4%	21.5%	22.2%	22.2%	22.2%	21.2%	22.2%	22.3%
Change Bps Y/Y	(61)	(10)	(26)	19	10	3	75	(1)	(2)	(95)	101	2
EBIT	10.2%	10.3%	9.9%	9.4%	9.5%	9.4%	8.6%	8.3%	8.4%	10.5%	9.6%	9.2%
Change Bps Y/Y	30	12	(42)	(56)	17	(14)	(83)	(30)	15	213	(95)	(37)
EBT	8.9%	9.5%	9.4%	8.9%	9.1%	8.9%	8.1%	7.9%	8.0%	10.1%	9.1%	8.7%
Change Bps Y/Y	103	69	(13)	(52)	21	(16)	(80)	(28)	18	204	(99)	(36)
Income Tax (% Rate)	35.4%	35.7%	36.6%	36.6%	37.1%	36.3%	35.5%	21.3%	21.9%	22.0%	22.5%	22.5%
Change Bps Y/Y	(27)	23	95	(0)	50	(77)	(81)	(1,426)	63	11	48	1
Net Income	5.7%	6.1%	6.0%	5.6%	5.7%	5.7%	5.2%	6.2%	6.3%	7.9%	7.0%	6.8%
Change Bps Y/Y	68	42	(18)	(33)	9	(3)	(46)	96	9	159	(82)	(28)

Source: Company Data, Evercore ISI Research

Figure 10: Annual Balance Sheet

BALANCE SHEET	2011A	2012A	2013A	2014A	2015A	2016A	2017A	2018	2019	2020	2021E	2022E
Assets												
Cash	126	141	506	580	158	188	267	235	240	1,377	1,338	1,289
Short-term investments	0	0	0	0	0	0	0	0	0	0	0	0
Inventory	2,009	2,397	2,553	2,783	3,074	3,259	3,609	4,097	4,677	5,247	4,741	5,073
Income tax receivable	0	0	0	0	7	11	108	58	77	91	91	91
Deferred income taxes	0	0	0	0	0	0	0	0	0	0	0	0
Prepaid and other current assets	140	139	147	170	193	220	263	273	184	199	1,133	1,222
Total Current Assets	**2,275**	**2,677**	**3,206**	**3,533**	**3,432**	**3,678**	**4,248**	**4,663**	**5,178**	**6,914**	**7,304**	**7,674**
PP&E, Net	1,795	2,089	2,080	2,116	2,264	2,434	2,701	2,971	3,278	3,900	3,899	3,898
Operating Lease Assets												
Goodwill	4,339	4,339	4,339	4,339	4,339	4,339	4,339	4,339	4,339	4,339	4,339	4,339
Intangible assets	1,236	1,220	1,208	1,202	1,201	1,201	1,200	1,200	1,200	1,200	1,200	1,200
Deferred income taxes	0	0	0	0	0	0	0	0	0	0	0	0
Other non-current	44	44	35	35	22	21	29	31	34	37	37	37
Total Assets	**9,689**	**10,368**	**10,868**	**11,224**	**11,258**	**11,672**	**12,517**	**13,204**	**22,825**	**25,863**	**26,251**	**26,621**
Liabilities & Equity												
Current portion of LT debt	1	1	76	101	1	501	401	2	1	0	0	0
Short-term borrowings	0	0	0	0	0	0	0	0	0	0	0	0
Current Operating Lease Liabilities												
Accounts payable	1,064	1,262	1,286	1,388	1,494	1,558	2,010	2,385	2,861	3,614	3,480	3,787
Accrued expenses	397	357	369	414	467	501	550	618	709	1,007	773	837
Income taxes payable	44	95	59	59	33	63	4	10	8	16	35	36
Deferred income taxes	4	23	22	25	0	0	0	0	0	0	0	0
Total Current Liabilities	**1,510**	**1,739**	**1,812**	**1,988**	**1,996**	**2,623**	**2,965**	**3,016**	**4,544**	**5,711**	**5,362**	**5,735**
Long-term debt	2,618	2,771	2,743	2,639	2,969	2,711	2,605	2,863	2,911	4,131	4,131	4,131
Long-term operating lease liabilities												
Deferred income taxes	657	647	614	602	640	653	516	610	675	711	711	711
Other liabilities	229	225	297	285	275	280	306	298	173	264	264	264
Total Liabilities	**5,014**	**5,382**	**5,465**	**5,514**	**5,880**	**6,266**	**6,391**	**6,787**	**16,123**	**19,201**	**18,866**	**19,239**
Redeemable common stock	0	0	0	0	0	0	0	0	0	0	0	0
Preferred stock	0	0	0	0	0	0	0	0	0	0	0	0
Common stock	296	286	277	266	251	241	235	227	220	211	211	211
Additional paid-in capital	2,967	2,991	3,009	3,049	3,107	3,155	3,196	3,252	3,323	3,447	4,386	4,555
Retained earnings	1,417	1,711	2,125	2,403	2,026	2,016	2,698	2,941	3,163	3,006	2,790	2,619
Accumulated other comprehensive lo	(5)	(3)	(10)	(7)	(6)	(5)	(4)	(3)	(3)	(2)	(2)	(2)
Shareholders' equity	**4,675**	**4,985**	**5,402**	**5,710**	**5,378**	**5,406**	**6,126**	**6,417**	**6,703**	**6,661**	**7,385**	**7,382**
Total liabilities and equity	**9,689**	**10,368**	**10,868**	**11,224**	**11,258**	**11,672**	**12,517**	**13,204**	**22,825**	**25,863**	**26,251**	**26,621**

Source: Company Data, Evercore ISI Research

Figure 11: Annual Cash Flow Statement

CASH FLOW STATEMENT	2011A	2012A	2013A	2014A	2015A	2016A	2017A	2018	2019	2020	2021E	2022E
Operating Activities												
Net income	767	953	1,025	1,065	1,165	1,251	1,539	1,589	1,713	2,655	2,421	2,507
Depreciation and amortization	275	303	333	342	352	380	404	454	505	574	584	629
Deferred income taxes	10	(3)	(37)	(18)	12	12	(138)	52	55	35	0	0
Stock-based compensation	15	22	21	37	39	37	34	41	49	69	69	74
Tax benefit from stock option exercises	(33)	(88)	(31)	(12)	(14)	0	0	0	0	0	0	0
Loss on debt retirement, net	60	31	19	0	0	0	4	1	0	0	0	0
Noncash unrealized loss on interest rate swap	0	0	0	0	0	0	0	0	0	0	0	0
Noncash inventory adjustments	0	0	0	0	0	0	0	0	0	0	0	0
Other noncash gains and losses	54	7	(13)	9	8	(4)	11	42	8	12	0	0
Cash from Core Operations	**1,149**	**1,224**	**1,317**	**1,424**	**1,563**	**1,677**	**1,854**	**2,180**	**2,330**	**3,344**	**3,073**	**3,210**
Changes in working capital	(98)	(93)	(104)	(109)	(185)	(72)	(52)					
Merchandise inventories	(291)	(391)	(145)	(234)	(290)	(172)	(348)	(521)	(579)	(576)	506	(332)
Prepaid expenses and other current assets	(35)	6	(5)	(25)	(25)	(25)	(49)	(12)	(14)	(17)	(2)	(0)
Accounts payable	104	194	37	97	106	56	428	375	429	746	(134)	307
Accrued expenses and other	72	(37)	16	42	45	43	76	66	100	389	389	389
Income taxes	52	139	(5)	12	(20)	26	(157)	56	(20)	(7)	(7)	(7)
Other	(0)	(3)	(2)	(2)	(1)	(1)	(2)	(0)	(7)	(4)	(4)	(4)
Net Cash from Operations	**1,050**	**1,131**	**1,213**	**1,315**	**1,378**	**1,605**	**1,802**	**2,144**	**2,238**	**3,876**	**3,822**	**3,564**
% Sales	*7.1%*	*7.1%*	*6.9%*	*7.0%*	*6.8%*	*7.3%*	*7.7%*	*8.4%*	*8.1%*	*11.5%*	*11.1%*	*9.6%*
% Sales Guidance						*7-8%*	*7-8%*	*0*	*0*	*1*	*(0)*	*(0)*
Investing activities												
Merger, net of cash acquired	0	0	0	0	0	0	0	0	0	0	0	0
Purchases of property and equipment	(515)	(572)	(538)	(374)	(505)	(560)	(646)	(734)	(785)	(1,028)	(1,099)	(1,184)
Net Purchases of Short-Term investments	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of Promissory Notes	0	0	0	0	0	0	0	0	0	0	0	0
Purchases of long-term investments	0	0	0	0	0	0	0	0	0	0	0	0
Total Proceeds from PPE Sales	1	2	288	2	1	0	0	3	2	3	0	0
Net Cash from Investing	**(514)**	**(570)**	**(250)**	**(372)**	**(503)**	**(560)**	**(646)**	**(732)**	**(782)**	**(1,025)**	**(1,099)**	**(1,184)**
Free Cash Flow	**536**	**560**	**675**	**941**	**873**	**1,045**	**1,156**	**1,409**	**1,453**	**2,848**	**2,723**	**2,380**
Free Cash Flow ex. WC	**634**	**653**	**779**	**1,050**	**1,058**	**1,116**	**1,208**	**1,445**	**1,545**	**2,316**	**1,974**	**2,026**
Financing activities												
Net Issuance of short-term borrowings	0	0	0	0	0	240	539	(68)	57	(425)	(125)	250
Issuance of common stock	0	0	0	0	0	0	0	0	0	0	0	0
Net Issuance of long-term obligations / Facility Borro	(727)	108	46	(78)	241	(3)	(762)	(78)	(1)	1,494	0	0
Payment of cash dividends	0	0	0	0	(258)	(281)	(283)	(307)	(328)	(356)	(386)	(402)
Proceeds from exercise of stock options	0	0	0	0	0	0	0	0	0	0	0	0
Repurchases of common stock and stock options	(214)	(671)	(620)	(800)	(1,300)	(990)	(580)	(1,007)	(1,200)	(2,466)	(2,250)	(2,277)
Tax benefit from stock option exercises	33	88	31	12	14	0	0	0	0	0	0	0
Other financing activities	0	(71)	(56)	(2)	7	11	8	16	22	38	0	0
Cash from financing	**(908)**	**(547)**	**(598)**	**(869)**	**(1,296)**	**(1,024)**	**(1,078)**	**(1,444)**	**(1,451)**	**(1,715)**	**(2,761)**	**(2,429)**
Net change in cash	**(371)**	**15**	**365**	**74**	**(422)**	**21**	**78**	**(32)**	**5**	**1,136**	**(38)**	**(49)**
Cash BOP	**497**	**126**	**141**	**506**	**580**	**158**	**188**	**267**	**235**	**240**	**1,377**	**1,338**
Cash EOP	**126**	**141**	**506**	**580**	**158**	**188**	**267**	**235**	**240**	**1,377**	**1,338**	**1,289**

Source: Company Data, Evercore ISI Research

VALUATION METHODOLOGY

RISKS

COMPANIES UNDER COVERAGE BY AUTHOR

Symbol	Company	Rating	Price (2021-29-06)	Evercore ISI Target
ACI	Albertsons Companies, Inc	In Line	$20.03	
CVNA	Carvana Co	In Line	$301.77	
DG	Dollar General Corporation	Outperform	$217.15	
DLTR	Dollar Tree, Inc.	In Line	$99.65	
FIVE	Five Below, Inc	In Line	$196.73	
KMX	CarMax, Inc	Outperform	$130.18	
KR	The Kroger Co	In Line	$38.88	
OCDO-GB	Ocado Group plc	In Line	p2062.00	

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: July 01 2021 5:03 AM ET

ANALYST CERTIFICATION

The analysts, Michael Montani, Greg Melich, Brandon Dempster, primarily responsible for the preparation of this research report attest to the following: (1) that the views and opinions rendered in this research report reflect his or her personal views about the subject companies or issuers; and (2) that no part of the research analyst's compensation was, is, or will be directly related to the specific recommendations or views in this research report.

IMPORTANT DISCLOSURES

This report is approved and/or distributed by Evercore Group LLC ("Evercore Group"), a U.S. licensed broker-dealer regulated by the Financial Industry Regulatory Authority ("FINRA"), and International Strategy & Investment Group (UK) Limited ("ISI UK"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority. The institutional sales, trading and research businesses of Evercore Group and ISI UK collectively operate under the global marketing brand name Evercore ISI ("Evercore ISI"). Both Evercore Group and ISI UK are subsidiaries of Evercore Partners Inc. ("Evercore Partners"). The trademarks, logos and service marks shown on this report are registered trademarks of Evercore Partners.

The analysts and associates responsible for preparing this report receive compensation based on various factors, including Evercore Partners' total revenues, a portion of which is generated by affiliated investment banking transactions. Evercore ISI seeks to update its research as appropriate, but various regulations may prevent this from happening in certain instances. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgment.

Evercore ISI generally prohibits analysts, associates and members of their households from maintaining a financial interest in the securities of any company in the analyst's area of coverage. Any exception to this policy requires specific approval by a member of our Compliance Department. Such ownership is subject to compliance with applicable regulations and disclosure. Evercore ISI also prohibits analysts, associates and members of their households from serving as an officer, director, advisory board member or employee of any company that the analyst covers.

This report may include a Tactical Call, which describes a near-term event or catalyst affecting the subject company or the market overall and which is expected to have a short-term price impact on the equity shares of the subject company. This Tactical Call is separate from the analyst's long-term recommendation (Outperform, In Line or Underperform) that reflects a stock's forward 12-month expected return, is not a formal rating and may differ from the target prices and recommendations reflected in the analyst's long-term view.

Applicable current disclosures regarding the subject companies covered in this report are available at the offices of Evercore ISI, and can be obtained by writing to Evercore Group LLC, Attn. Compliance, 55 East 52nd Street, New York, NY 10055.

Evercore Partners and its affiliates, and I or their respective directors, officers, members and employees, may have, or have had, interests or qualified holdings on issuers mentioned in this report. Evercore Partners and its affiliates may have, or have had, business relationships with the companies mentioned in this report.

Additional information on securities or financial instruments mentioned in this report is available upon request.

Ratings Definitions

Current Ratings Definition

Evercore ISI's recommendations are based on a stock's total forecasted return over the next 12 months. Total forecasted return is equal to the expected percentage price return plus gross dividend yield. We divide our stocks under coverage into three primary ratings categories, with the following return guidelines:

Outperform- the total forecasted return is expected to be greater than the expected total return of the analyst's coverage sector
In Line- the total forecasted return is expected to be in line with the expected total return of the analyst's coverage sector
Underperform- the total forecasted return is expected to be less than the expected total return of the analyst's coverage sector
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.*
Rating Suspended- Evercore ISI has suspended the rating and target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon.*

*Prior to October 10, 2015, the "Coverage Suspended" and "Rating Suspended" categories were included in the category "Suspended."

FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell" to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Outperform, In Line, and Underperform ratings can be equated to Buy, Hold and Sell, respectively.

Historical Ratings Definitions

Prior to March 2, 2017, Evercore ISI's recommendations were based on a stock's total forecasted return over the next 12 months:

Buy- the total forecasted return is expected to be greater than 10%
Hold- the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 10%
Sell -the total forecasted return is expected to be less than 0%

On October 31, 2014, Evercore Partners acquired International Strategy & Investment Group LLC ("ISI Group") and ISI UK (the "Acquisition") and transferred Evercore Group's research, sales and trading businesses to ISI Group. On December 31, 2015, the combined research, sales and trading businesses were transferred back to Evercore Group in an internal reorganization. Since the Acquisition, the combined research, sales and trading businesses have operated under the global marketing brand name Evercore ISI.

ISI Group and ISI UK:

Prior to October 10, 2014, the ratings system of ISI Group LLC and ISI UK which was based on a 12-month risk adjusted total return:

Strong Buy- Return > 20%
Buy- Return 10% to 20%
Neutral - Return 0% to 10%
Cautious- Return -10% to 0%
Sell- Return< -10%

For disclosure purposes, ISI Group and ISI UK ratings were viewed as follows: Strong Buy and Buy equate to Buy, Neutral equates to Hold, and Cautious and Sell equate to Sell.

Evercore Group:

Prior to October 10, 2014, the rating system of Evercore Group was based on a stock's expected total return relative to the analyst's coverage sector over the following 12 months. Stocks under coverage were divided into three categories:

Overweight- the stock is expected to outperform the average total return of the analyst's coverage sector over the next 12 months.
Equal-Weight- the stock is expected to perform in line with the average total return of the analyst's coverage sector over the next 12 months.
Underweight -the stock is expected to underperform the average total return of the analyst's coverage sector over the next 12 months.
Suspended- the company rating, target price and earnings estimates have been temporarily suspended.

For disclosure purposes, Evercore Group's prior "Overweight," "Equal-Weight" and "Underweight" ratings were viewed as "Buy," "Hold" and "Sell," respectively.

Ratings Definitions for Portfolio-Based Coverage

Prior to July 25, 2019, Evercore ISI utilized an alternate rating system for companies covered by analysts who used a model portfolio-based approach to determine a company's investment recommendation. Covered companies are included or not included as holdings in the analyst's Model Portfolio, and have the following ratings:

Long- the stock is a positive holding in the model portfolio; the total forecasted return is expected to be greater than 0%.
Short- the stock is a negative holding in the model portfolio; the total forecasted return is expected to be less than 0%.
No Position- the stock is not included in the model portfolio.
Coverage Suspended- the rating and target price have been removed pursuant to Evercore ISI policy when Evercore is acting in an advisory capacity in a merger or strategic transaction involving this company, and in certain other circumstances; a stock in the model portfolio is removed.
Rating Suspended - Evercore ISI has suspended the rating and/or target price for this stock because there is not sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, a rating or target price. The previous rating and target price, if any, are no longer in effect for this company and should not be relied upon; a stock in the model portfolio is removed.

Stocks included in the model portfolio are weighted from 0 to 100% for Long and 0 to -100% for Short. A stock's weight in the portfolio reflects the analyst's degree of conviction in the stock's rating relative to other stocks in the portfolio. The model portfolio may also include a cash component. At any given time the aggregate weight of the stocks included in the portfolio and the cash component must equal 100%.

Stocks assigned ratings under the alternative model portfolio-based coverage system cannot also be rated by Evercore ISI's Current Ratings definitions of Outperform, In Line and Underperform.

FINRA requires that members who use a ratings system with terms other than "Buy," "Hold/Neutral" and "Sell," to equate their own ratings to these categories. For this purpose, and in the Evercore ISI ratings distribution below, our Long, No Position and Short ratings can be equated to Buy, Hold and Sell respectively.

Evercore ISI rating (as of 07/01/2021)

Coverage Universe			**Investment Banking Services I Past 12 Months**		
Ratings	**Count**	**Pct.**	**Ratings**	**Count**	**Pct.**
Buy	490	59	Buy	122	25
Hold	291	35	Hold	38	13
Sell	23	3	Sell	2	9
Coverage Suspended	11	1	Coverage Suspended	4	36
Rating Suspended	11	1	Rating Suspended	3	27

Issuer-Specific Disclosures (as of July 01, 2021)

Price Charts

Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

GENERAL DISCLOSURES

This report is approved and/or distributed by Evercore Group L.L.C. ("Evercore Group"), a U.S. licensed broker-dealer regulated by the Financial Industry Regulatory Authority ("FINRA") and by International Strategy & Investment Group (UK) Limited ("ISI UK"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority. The institutional sales, trading and research businesses of Evercore Group and ISI UK collectively operate under the global marketing brand name Evercore ISI ("Evercore ISI"). Both Evercore Group and ISI UK are subsidiaries of Evercore Inc. ("Evercore"). The trademarks, logos and service marks shown on this report are registered trademarks of Evercore Inc.

This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. The information and opinions in this report were prepared by employees of affiliates of Evercore. The information herein is believed by Evercore ISI to be reliable and has been obtained from public sources believed to be reliable, but Evercore ISI makes no representation as to the accuracy or completeness of such information. Opinions, estimates and projections in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of Evercore or its affiliates and are subject to change without notice. In addition, opinions, estimates and projections in this report may differ from or be contrary to those expressed by other business areas or groups of Evercore and its affiliates. Evercore ISI has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Facts and views in Evercore ISI research reports and notes have not been reviewed by, and may not reflect information known to, professionals in other Evercore affiliates or business areas, including investment banking personnel.

Evercore ISI does not provide individually tailored investment advice in research reports. This report has been prepared without regard to the particular investments and circumstances of the recipient. The financial instruments discussed in this report may not suitable for all investors and investors must make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives. Securities and other financial instruments discussed in this report, or recommended or offered by Evercore ISI, are not insured by the Federal Deposit Insurance Corporation and are not deposits of or other obligations of any insured depository institution. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the price or value of, or the income derived from the financial instrument, and such investor effectively assumes such currency risk. In addition, income from an investment may fluctuate and the price or value of financial instruments described in this report, either directly or indirectly, may rise or fall. Estimates of future performance are based on assumptions that may not be realized. Furthermore, past performance is not necessarily indicative of future performance.

Evercore ISI salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed in this research. Our asset management affiliates and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

Electronic research is simultaneously available to all clients. This report is provided to Evercore ISI clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Evercore ISI. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion or information contained in this report (including any investment recommendations, estimates or target prices) without first obtaining express permission from Evercore ISI.