SPREE CAPITAL
ADVISERS

Weekend Thoughts 7/2/22

Weekly collection of unstructured hypotheses for current and future research projects

- Secular vs cyclical
  - Concentrix Corporation (CNXC)
    - "We believe our new economy client base is strong, vibrant and will generally succeed in down cycles. . . we have over 125 new economy clients spread across our set of verticals and end markets that we service. . .These clients look to us to be able to help them as they scale globally as their businesses become more complex and as they deal with many of the challenges that we help our enterprise clients navigate."
  - TD SYNNEX Corporation (SNX)
    - "I would offer is the high-growth technologies of cloud, analytics and IoT, security and hyperscale as a basket. Those growth rates are strong, and they're becoming more and more meaningful part of our business as we move through time."
  - Patterson Companies (PDCO)
    - "However, even in light of the current macro environment, the long-term prospects of the dental market remain attractive, with the fundamentals of an aging population, practice modernization and the direct link between a patient's oral health and overall health. Looking ahead, we remain confident in these broader industry fundamentals, Patterson's strong position in the dental market, the depth and experience of our team and our ability to navigate through various market cycles."
    - "In the companion animal market, vet clinic traffic has been moderating, while spend per visit has been trending higher over the past year. Importantly, our companion animal business focuses on prevention and treatment of pets. And we believe these parts of the market are more durable and less tied to discretionary consumer spending habits. We continue to believe the long-term trend of the larger population of pet owners and the increased attention to and spending on pets provides ample runway for Patterson to achieve sustainable growth and that those trends support a long-term growth rate above prepandemic levels."
    - "In the production market, inflationary pressure for input costs such as fuel and feed have been negatively impacting producer profitability. However, even in a challenging economic environment, we expect producers will continue to prioritize the health of their animals and work closely with Patterson to ensure herd health and improve operational efficiency."
  - Micron Technology (MU)
    - "AI, ongoing cloud adoption, EVs and the ubiquitous connectivity offered by 5G are strong secular demand drivers, enabling the memory and storage industry to outpace the broader semiconductor industry. Micron's product portfolio has become significantly stronger, and we have established product momentum in several attractive growth markets. We are also driving a portfolio mix shift towards higher growth and more stable markets. Fiscal 2021's 55% to 45% revenue split in favor of the more mature mobile, PC and consumer markets is expected to shift by fiscal 2025 to a 38% to 62% split in favor of the higher growth data center, auto,

industrial, networking and graphics markets. Several of these end markets also exhibit more stable profitability. Our fiscal Q3 new product launches and customer qualifications reflect solid execution towards this portfolio transformation."

        - "Data center is the largest market for memory and storage today and the rapid growth of AI and memory intensive workloads ensures that it will sustain strong growth through the end of the decade, corporations around the world are investing in digitization and extracting more value from data, and this approach remains 1 of the primary ways of improving efficiency and driving competitive advantage."
        - "We see robust auto content growth as OEMs adopt significant architectural changes to support ADAS, infotainment and electric vehicles."
        - "We continue to see tailwinds from secular growth drivers as industrial customers invest in increasing factory automation and digitization."
        - "Now it remains to be seen how the macroeconomic environment is going to cause the cloud spending trends to modulate over time. But if anything, we think that the cloud spending trends are going to be pretty secular, pretty strong even if there is some kind of an impact, it will come back strongly as things stabilize."
        - "And even companies that do focus on tightening their belt in this macroeconomic environment will continue to look for ways to become more efficient, become more profitable, improve their competitive positioning. And that means extracting more value from data, digitization trends to continue. So those kind of things, we feel are going to be well sustained through the environment that may happen."
    - Progress Software Corporation (PRGS)
        - "But from our perspective, we primarily help drive expense control with our products and make the organization more efficient and more successful, which is why we find that our products are actually consistently in good shape."
        - ". . . 15 years ago. . .when you think about the Progress products then, right, they were primarily products that were at the tail end of their life cycle from the perspective of basically relevance, right? While they were continuing to be relevant to the existing customers, their relevance in the market at that time had significantly declined. That is not the case today, if you look at sort of what has happened, especially over the last 3 years with what we have done in terms of acquisitions and over the last 5 years in terms of what we have done with our investments. So we have cloud-enabled our products. We have acquired products like Chef, which are truly relevant in this modern cloud DevOps space from a deployment and configuration management and secure infrastructure scalability. When you look at what we have acquired with Ipswitch and Kemp around observability and high availability and delivering performance and making sure that the infrastructure continues to perform well and sort of resilience to failures and those kind of things, those offerings are much more relevant today. . .Those things are much more relevant today going forward. And as you realize, right, that, that business is now approaching 40% of our overall business. So you have these sort of the legacy business, which, by the way, has become much stronger. Our retention rates even there have gone up significantly. We have 101% retention rate, which we never had in 2008 or 2007"
- Recession signs and resiliency in a slowdown
    - McCormick & Company (MKC)
        - "While we are still seeing strong consumer spending, we know that inflation is a significant concern for consumers, more so than COVID. . .Our research continues

to indicate consumers are going to cook as much at home or more than they did during the pandemic for many reasons. One of them is that they find it more economical. To the extent there is a recession, it further reinforces cooking at home, and we know from our past sales performance that our categories and brands perform well during recessionary periods."

    - "Certainly, there are categories like meat where you see -- you do see some decline going on there."
    - ". . .as we went through the first half, we saw in the macro data that there was a return to dining away from home and a reduction in cooking at home. But in recent weeks, that has started to turn back the other way, probably driven by economic pressures on consumers."
- Alimentation Couche-Tard (ATD)
    - "We have to remind ourselves, we've gone back and looked at our performance over the last couple of recessions and I would never say our industry is recession-resistant, but we're pretty resilient. We're pretty much a part of people's everyday lives and so as we look back at the last 2 major recessions, we actually performed very well."
- MSC Industrial Direct (MSM)
    - ". . .we currently do not see signs of a slowdown. But if a slowdown were to occur, we are well positioned to weather the storm. Our balance sheet remains strong. And as we've shown numerous times historically, when the economy slows, we generate strong cash flow as working capital becomes a source of funds. This enables us to strategically invest through the downturn."
- Patterson Companies (PDCO)
    - "I think the world is very different than it was in '08, '09. We certainly remain optimistic about the state of our end markets. . .But we're certainly focused on the long-term growth prospects and the fundamental positive trends that I think I spoke to earlier in each of our customer segments: aging population; digital dentistry; the oral health's importance in a patient's overall health in the Dental segment; just the ongoing attention of and spending on pets, which is certainly a strong fundamental trend; and the long-term demand for global protein. So these are core fundamental elements of the customer markets we serve. And while we do anticipate some modest impacts due to the current environment, we certainly are very optimistic long term."
- Performance Food Group (PFGC)
    - "But the previous ones have been very much alike, okay? So what we see, I think we're almost a precursor to it. We see it early as discretionary income, which were large parts of our business are dependent upon. We see that softness."
- Constellation Brands (STZ)
    - ". . .7 out of 10 shoppers who purchased beer have that as a planned purchase before leaving their home. I think that's very strong. It speaks very well to our business."
    - "We then look at a thing like buy rate. And buy rate the way we discuss buy rate is equal to the number of trips times the spend that occurs during the trip. And that's actually up versus pre-pandemic levels and is actually accelerating in Q1 for beer versus the prior 3 months."
- Paychex (PAYX)
    - "We continue to monitor key leading indicators for any signs of a change in the

macroeconomic environment, but have not seen any signs of deterioration at this time. Typically, the first signs of a macroeconomic recession would be a decline in employment levels at existing clients and uptick in nonprocessing clients or a slowdown in sales activities. These indicators continue to trend in a positive direction. "

- M&A through the cycle
    - Cognex Corporation (CGNX)
        - "We're executing against our growth strategy to achieve the long-term targets we laid out earlier in the year, including near double-digit faster-than-market growth through 2025 with meaningful margin expansion, strong free cash flow generation and the ability to use our strong balance sheet to be a leading consolidator in the space."
    - MSC Industrial Direct (MSM)
        - "In addition, our balance sheet remains strong, and our cash generation will continue improving, leaving us well positioned to capitalize on any opportunities that would emerge."
        - ". . .on the M&A front. . .we are focused on a pipeline within our core business here. . .it does feel like the pipeline and the degree of conversations are more robust. I think there's probably a lot of private owners just thinking about life, about the future of the business, et cetera. So I think the pipeline is pretty robust."
        - " . . .we're sitting now at about 1.5x leverage. . .we would expect to start to see cash generation really picking up as working capital kind of stabilizes. So we think we have plenty of dry powder here."
    - Progress Software Corporation (PRGS)
        - "And our optimism continues to grow regarding M&A, the most significant driver of our total growth strategy. Progress remains well positioned, both from a financial and strategic perspective. We're well capitalized with the vast majority of our current financing facilities fixed at very low rates. Our balance sheet continues to strengthen. Our base of recurring revenues is stable and growing. And our outlook for free cash flow is favorable. All this, combined with our prior successes integrating acquired companies, equips us well to remain active in the M&A market as an acquirer of choice. Further, as we shop for the right kind of infrastructure software businesses, we're seeing early signs of a shift towards a more bio-friendly environment. The IPO window appears to be closed for now. Funding is getting more scarce and higher interest rates may negatively impact the ability of many of our competitors to lever up. All of these factors will give us the ability to focus on acquisitions that meet our disciplined framework for financial returns, product compatibility and overall fit. So we're happy to remain patient and be very selective in where and how we choose our capital to work. The strength of our capital allocation policy is that it is multifaceted, and we continually evaluate options to select those we believe will generate the highest return for our shareholders"
        - ". . .we were busier with M&A activity and reviewing deals and pursuing transactions more than we have ever been in the prior -- any prior 6-month period. So it really -- there's a lot of activity going on"
    - Performance Food Group (PFGC)
        - "We're an interesting business industry where when business goes down, we're pretty capital intense inventory and receivable standpoint. So a lot of cash comes in the door when your sales drop a good bit. I would leave it with this. I wouldn't want

to be a small distributor in this industry today. . .I think it would be very difficult. . . And I just think there's just consolidation that's going to continue to happen. And we want to be a part of that consolidation as an acquisitor."

- Supply chain normalization
    - Nike (NKE)
        - ". . .we continue to see transit times be elevated relative to pre-pandemic levels. It's about 2 weeks longer than where we were. . .we're not planning for a significant improvement in transit times in fiscal '23."
    - Concentrix Corporation (CNXC)
        - "It's actually pretty much in line to the same. We continue to see our manufacturers or our clients who manufacture in China having challenges getting product out in a consistent and high-volume nature."
    - McCormick & Company (MKC)
        - "I'd say our worst disruption on supply chain really was third quarter of last year and has continued to get better incrementally every month. . .But the really broad scale disruptions that we were experiencing a year ago are behind us and the disruptions are pretty much more discrete factors."
    - MSC Industrial Direct (MSM)
        - ". . .there's definitely still supply chain issues. We're seeing a difference in our -- compared to sort of pre-COVID fill rates, but the difference for us is very marginal. Whereas compared to the local distributors, it's a really wide gap between pre-pandemic and now. So we actually feel in some ways like on a relative basis, the advantage has grown."
    - General Mills (GIS)
        - "So as we think about our approach to the next fiscal year, we're thinking about it much the same way. We're expecting only a modest decline in the level of supply chain disruption."
    - MillerKnoll (MLKN)
        - "Supply chain volatility continues but it has improved for us. So as we've seen our own lead times internally get back to normal levels, we're certainly encouraged by that."
- Bullwhip/semi inventory surplus
    - Micron Technology (MU)
        - "So I think in terms of PC and smartphones and then you look at cloud, I think it's a generalized comment across the industry that as the industry over the last -- semiconductor industry, and this goes beyond memory and storage. As the industry went through a significant shortage in semiconductors, definitely, that was one driver of customers wanting to have higher levels of inventory. Another was all of the geopolitical risks in terms of impact to shipments. And then the last piece was shutdowns happening in different parts of the world due to COVID-related restrictions being put by individual, local and federal governments around the world. So all of these conspired to cause customers to feel like they need to have a better level of inventory and customers who couldn't get to those inventory levels. . . So I think, across several segments, there has been a higher level of inventory than what was -- what existed pre-COVID. And the question is how will that trajectory of inventory in terms of weeks of sales change over time especially as the industry gets to a phase -- the whole semiconductor industry gets to a phase where fewer and fewer components are in short supply."

- “. . .But coming specifically to the PC and smartphone portion of the business, the volumes in each of these in terms of TAM for '22 are down roughly 10% from the expectations for '22 at the start of this calendar year. So with that degradation in sell-through expectations, obviously, the inventory levels, consequently, from weeks of sales perspective, appears even bigger. And so there is a need for that adjustment.”
- “. . .in PC and smartphones, the end demand trends are clearly weak and the sell-through is clearly weak, and there has been a substantial degradation in expectations for this year's TAM from 6 months ago to now. The -- by contrast, the server business and the trends of end demand, even an enterprise server on our OEM customers in that space, are healthy. And our customers continue to report robust backlog and good server demand.”
- “Several customers, primarily in PC and smartphone are adjusting their inventories, and we expect these adjustments to take place mostly in the second half of calendar 2022.”
- “Given the change in market conditions, we are taking immediate action to reduce our supply growth trajectory. To protect profitability, we will maintain pricing discipline, manage capacity utilization and use inventory as a buffer to navigate through this period of demand weakness. . . This approach will enable us to reduce wafer fab equipment CapEx for fiscal year 2023 versus our prior plans, and we now expect our fiscal 2023 wafer fab equipment CapEx to decline year-over-year.”
- “regarding the enterprise server OEM side of the business. There, yes, as we noted that we have seen some inventory adjustment, particularly given their concerns on the macro environment as well as certain supply chain shortages that they may be experiencing. However, on the enterprise server OEM side, the end market demand continues to be healthy as well. And same thing on the cloud side as well that the end market demand for cloud is healthy, cloud demand to us is relatively healthy as well. Of course, cloud also carries elevated levels of inventory versus the pre-COVID level of investments, versus the pre-COVID level of inventory. And of course, the cloud investments in CapEx continued to be at a strong clip in their infrastructure, and that bodes well for memory and storage. And I think what's important is that the overall trend of digitization and use of data to help drive greater productivity and efficiency in businesses, particularly in the backdrop that the world is facing today with the macroeconomic uncertainties is helpful in driving greater technology adoption across industries, and that's where memory and storage plays out well as well.”
- . . .the inventory level. . .is higher on the cloud customer side and generally on the data center side compared to where it was pre-COVID. The channel business on the cloud side is relatively in a better place compared to the consumer business challenges . . .”
- “. . .I'll just point out that from the past history as well, that once inventory adjustments begin in a certain part of the segment, then it takes a couple of quarters for them to work out. And here, we, of course, have macroeconomic uncertainties as well.”
- “So the long-term agreements, generally, we go out 4 quarters, talk about volume in each quarter. And as I have pointed out in the past, these are not meant to be take-or-pay agreements, but more meant for planning and shared assumptions and so on. We have had extensive discussions. . .fast-changing environment that is

causing impact to the end demand, especially given some of the consumer spending shifts that are happening in the world that are causing reductions in purchasing of certain electronics products, PCs, smartphones, et cetera. Then it is not possible for our customers to purchase based on the LTAs that were established when the assumptions around the industry were very different."

- Consumer health
  - RH (RH)
    - "The deteriorating macro-economic environment has resulted in lower than expected demand since our prior forecast, and we are updating our outlook, particularly for the second half of the year."
    - "With mortgage rates double last year's levels, luxury home sales down 18% in the first quarter, and the Federal Reserve's forecast for another 175 basis point increase to the Fed Funds Rate by year end, our expectation is that demand will continue to slow throughout the year."
  - Nike (NKE)
    - "We continue to closely monitor consumer behavior, and we're not seeing any signs of pullback at this point in time."
    - "In the first quarter, we're just anticipating that the marketplace is going to be promotional. And so we've made some adjustments to our plans around markdown rates and partnership with our wholesale partners to ensure that we clear some of the inventory that isn't owned by NIKE but that's in the marketplace
    - ". . .historically low markdown rate because of the lower available supply. We think that, that will start to normalize over this year."
  - Concentrix Corporation (CNXC)
    - "We are not seeing signs of slowdown in our pipeline or business signings, although the placement of work to lower-cost locations and more drive to digital solutions continues to increase, which we see as a positive to the business."
    - "The market continues to have stable pricing with price increases being accepted by clients, for the most part to offset any labor increases."
    - "In our second quarter, demand for our CX solutions was particularly strong in travel, technology, banking, financial services and insurance, automotive and health care.
    - ". . .consumers at the lower end of the income scale particularly are feeling a bit of pressure from inflation, not ours, but inflation across everything."
    - "I mean gas prices are about $5 or $6 a gallon, depending on where you live, and that puts pressure on consumers' pocketbook. But I would say that it's still at a pretty low level, particularly when we look at our brands and the elasticity that we're experiencing, it's still significantly below historical levels and it's not a particular concern."
  - McCormick & Company (MKC)
    - ". . .we actually see even more consumers switching to larger sizes, looking for more value."
  - Alimentation Couche-Tard (ATD)
    - ". . .we are clearly seeing an impact on fuel demand that's taking shape in a couple of forms. I think the most recent data is showing that we are seeing some softening in miles driven. We certainly view this as temporary, but a fact. And then as you look at the consumer behavior, our average bill pre-COVID and really up until recent quarters would have been 10 to 12 gallons per visit, that's declined to 8%. So that's

a signal to us that there's some pressure on consumers. . .So we think the consumer, relative to where we were in '08, '09 is in a much better condition. Inside the box, traffic actually remains pretty robust."

    - "But we're seeing some trade downs. We've seen conversions from premium beer to budget beer as an example. Same in the cigarette category, where people are looking for value. And we're pleased, we've really worked on private label over the last 3 years, and we're seeing very, very strong growth in private labels, again, people are looking for value."
    - "So we're seeing private label up in the U.S., strong double digits. So that's, again, a sign that consumers are heightening their look for value."
- Bed Bath & Beyond (BBBY)
    - "During Q1, the arrival of delayed unit receipts with long lead times was met with sharply lower demand. This led to higher inventory of approximately 15% versus last year, while at the same time, sales were 25% lower. This delta of almost 40 percentage points between sales and inventory is worth more than $0.5 billion in cash. As exhibited by the inventory charge taken this quarter, we intend to work aggressively to clear the excess inventory that we and the industry now face."
    - "So look, we had seen, since 6 months ago, started to see declining growth rates in the home categories. And we measure very closely bed, bath and kitchen, which are about 50% of the Bed Bath revenue. Those categories are now declining. The past 3 months declined double digit. When you look at the data, March, April, May, those -- the aggregate of those 3 categories declined double digits. So it's part of the explanation for our challenging revenues. But again, we still also have our own internal challenges."
- MSC Industrial Direct (MSM)
    - ". . .there are several yellow or red macro indicators, such as high inflation, rising interest rates and ongoing supply chain shortages and challenges. On the other hand, we are experiencing a more encouraging picture. Order levels, backlogs and overall activity remain strong."
    - "Most segments of the industrial economy are still seeing robust demand patterns as evidenced by the Industrial Production index. That said, many of our customers are feeling the effects of extreme inflation in all lines of their income statement, along with the ongoing labor and supply shortages, resulting in the need for productivity and process improvement. Despite supply chain constraints easing gradually, we are nowhere near back to a normal environment. And while all of this continues to put pressure on our customers, we are not seeing the evidence of an imminent recession that is suggested by the headlines."
    - ". . .demand outlook, inflation, the shortages, the lead times, are fairly similar to last quarter. I think in some ways, the change is that these headwinds that our customers and suppliers are feeling continue. And I think what that's doing is just sharpening the focus on need for productivity and need for help in our customers."
- Patterson Companies (PDCO)
    - "Our guidance assumes that current inflationary trends, higher interest rates and a potential slowdown in the broader economy will have a moderate impact on our end markets. In the dental market, while we have not yet observed a meaningful slowdown in patient traffic, we believe that the current macro environment could lead to a modest reduction in office visits and overall demand for dental services. In addition, higher interest rates could impact future practice spending on equipment

and technology products."
        - ". . .vet clinic traffic has been moderating. And I think we had expected that to happen over the last several quarters. We continue to expect that."
        - "So you may see some impacts to the more discretionary areas of pet spending, but we do believe that our core business and working closely with our veterinarian customers is very durable. Although as we indicated, we do expect some moderate impacts due to the environment."
        - ". . .just the fundamental trends that we see in Dental, we see in the companion animal segment, we see in the production animal segment are all positive."
    - Wallgreens Boots Alliance (WBA)
        - "We see our customers making deliberate choices to prioritize overall value and convenience. There's a shift in calculus due to food and fuel inflation"
    - MillerKnoll (MLKN)
        - "during the fourth quarter, order levels declined by 12% compared to last year as consumers shifted their spending to travel and other experiences and faced the uncertain economic environment."
    - Constellation Brands (STZ)
        - "while consumers are reporting increasing concerns about the economy, these concerns have not yet translated into significant behavior change for beverage alcohol shoppers"
    - General Mills (GIS)
        - "I think as consumers become more concerned about the economic reality, the first thing they tend to do is eat more at home and less away from home, and we've seen restaurant traffic year-over-year the last couple of months has gone down a little bit and eating at home has gone up. And so as we think about our assumptions for the year, and we saw this in the last recession, the Great Recession, we saw that consumption of away-from-home eating was down and replaced by at-home meeting. We're seeing the same kind of behavior starting now."
        - "They're still in a decent place. They're getting nervous. But when it comes to savings rates or the employment rate, I mean consumers are still spending quite a bit of money. Now as they look ahead, they get nervous because they see inflation and so forth. But right now, the consumer is in a decent place."
        - "And any -- we haven't really seen any elasticity change, and I think that's because of the shift from away from home dating."
    - Progress Software Corporation (PRGS)
        - "Most of our customers, from our perspective, are focused on cost control measures at this point. . . it is about doing things more efficiently, it is doing things more effectively and more securely that we support."
        - ". . .I think when it comes to some kind of new projects that potentially might have been planned, I think there is some hesitation in the customer base"
        - "But from our perspective, we primarily help drive expense control with our products and make the organization more efficient and more successful, which is why we find that our products are actually consistently in good shape."
- Consumer tech
    - Micron (MU)
        - "our forecast for calendar 2022, PC unit sales is now expected to decline by nearly 10% year-over-year from the very strong unit sales in calendar 2021. This compares to an industry and customer forecast of roughly flat calendar 2022 PC unit sales at

the start of this calendar year."

        - "Smartphone unit sales expectations have declined meaningfully for calendar 2022. We are now projecting smart phone unit volume to decline by mid-single digits percent range year-over-year in calendar '22 well below the industry and customer expectation earlier in the year of mid-single-digit percentage growth."
        - "Our expectations for calendar 2022, industry bit demand growth have moderated since our last earnings call. Near the end of fiscal Q3, we saw a significant reduction in near-term industry bit demand primarily attributable to end demand weakness in consumer markets, including PC and smartphone. These consumer markets have been impacted by the weakness in consumer spending in China, the Russia, Ukraine war and rising inflation around the world."
        - "While end demand in the mobile, PC and consumer markets has weakened, cloud, networking, automotive and industrial markets are showing resilience. Due to weaker demand in the second half of calendar 2022, we now expect year-over-year calendar 2022 industry bit demand growth to be below the long-term CAGRs of mid- to high-teens percentage for DRAM and high-20s percentage for NAND. Despite the near-term weakness, secular demand trends remain strong, and our view of long-term DRAM and NAND bit demand CAGR remains unchanged from prior expectations."
        - "we have entered a period where the market weakened considerably in a very short period of time"
        - "long-term agreements, we have been working on these for several years, used to be just over 10% of our revenue under long-term agreements 5 years ago and it's now 75% of our revenue in the long-term agreements. So substantially, all of our large customers are under long-term agreements in terms of purchases. And I have mentioned this in the past, that these agreements were never structured to be take-or-pay agreements, that our customers would buy the volume come hell or high water. It's more like a very strong good level of planning between our customers and us to ensure that we are driving alignment between their demand, our supply, allocation of bits to different customers, different segments and the mechanism to drive share dynamics and different customers in different segments. . . Now that does not mean that we don't work with customers to have them purchase and that is consistent with these long-term agreements. Of course, we do. But I think, to be fair to our customers as well, when these kinds of significant macro events occur, it's not like that is a feasible outcome."
- Pricing power and margin permanence as inflation abates
    - McCormick & Company (MKC)
        - "As our second quarter progressed, the dynamics of these conditions intensified and negatively impacted our sales and profit results."
        - ". . .high cost inflation and supply chain are continuing challenges. To partially offset cost pressures, we've taken multiple pricing actions and, as planned, we are raising prices again. Inflation continued to escalate, and we've adjusted our upcoming pricing actions accordingly."
        - ". . .we expect elasticity to remain at a lower rate than historical levels."
    - MSC Industrial Direct (MSM)
        - ". . .we implemented a low single-digit price increase towards the end of May."
        - "So I would say we have not yet seen a slowdown in the rate and pace of increases coming from our suppliers . . .And I think that's because this inflation wave is driven

beyond just commodities. It's driven by so many other factors, oil and fuel, wage rates and what's going on.”

        - “. . .if I look back over the course of my history in this industry. . .We have not really seen cases where deflation leads to mass price reductions, which is to say, generally, pricing is sticky. I think what certainly would happen is if prices commodities come down, the prospect of further price increases goes away. But it would be unlikely.”
    - Acuity Brands (AYI)
        - “So obviously, on the pricing front, we have successfully implemented a number of price increases. . .So they are more, they're frequent and they're oftentimes more targeted. As long as the inflation -- inflationary market continues, I think you can expect that we will also be continuing to adjust our prices going forward.”
    - Progress Software Corporation (PRGS)
        - “First, inflation has created an opportunity to increase effective prices wherever possible.”
- Value with a Catalyst
    - Bed Bath & Beyond (BBBY)
        - “So the business (buybuy Baby) is a very attractive business, and we're not alone in appreciating its value. We know there is interest. . .So we're going to continue to build on that work to evaluate the options of the business and unlocking the future potential. It's still a work in process. But as I said, we know there's interest.”
- Digital Ad Spend
    - General Mills (GIS)
        - “Yes, I would just say we feel great about our media and the granularity we have and understanding the return or ability to optimize. So north of 50% of all our media spend is digital now and amongst that digital spend more than 50% is performance marketing. And that's where we're latching our first part of [indiscernible] which we've invested to acquire partner with the retailers and their data, which is really powerful and becoming really targeted, building one-one personalized relationships. And then testing and iterating at scale, we can take 200 different ads online and optimize and really have been focused on the one that have the best return. And that's seeing significant increases in return for us.”
        - “So we believe we're getting more than more return from our appetite than ever before. We're able to optimize the days of shooting an ad and hoping it works for a year or over. We're literally optimizing ads on a daily basis. That's really good for our brands because it helps build them and helps you find the messages and it builds more loyalty for us as well. So we feel great about media, and we're continuing to invest heavily to make sure we have the digital capabilities in the future.”

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