



TRADE IDEAS 2019

SANTA EDITION

JEFF MACKE: WHO AM I?

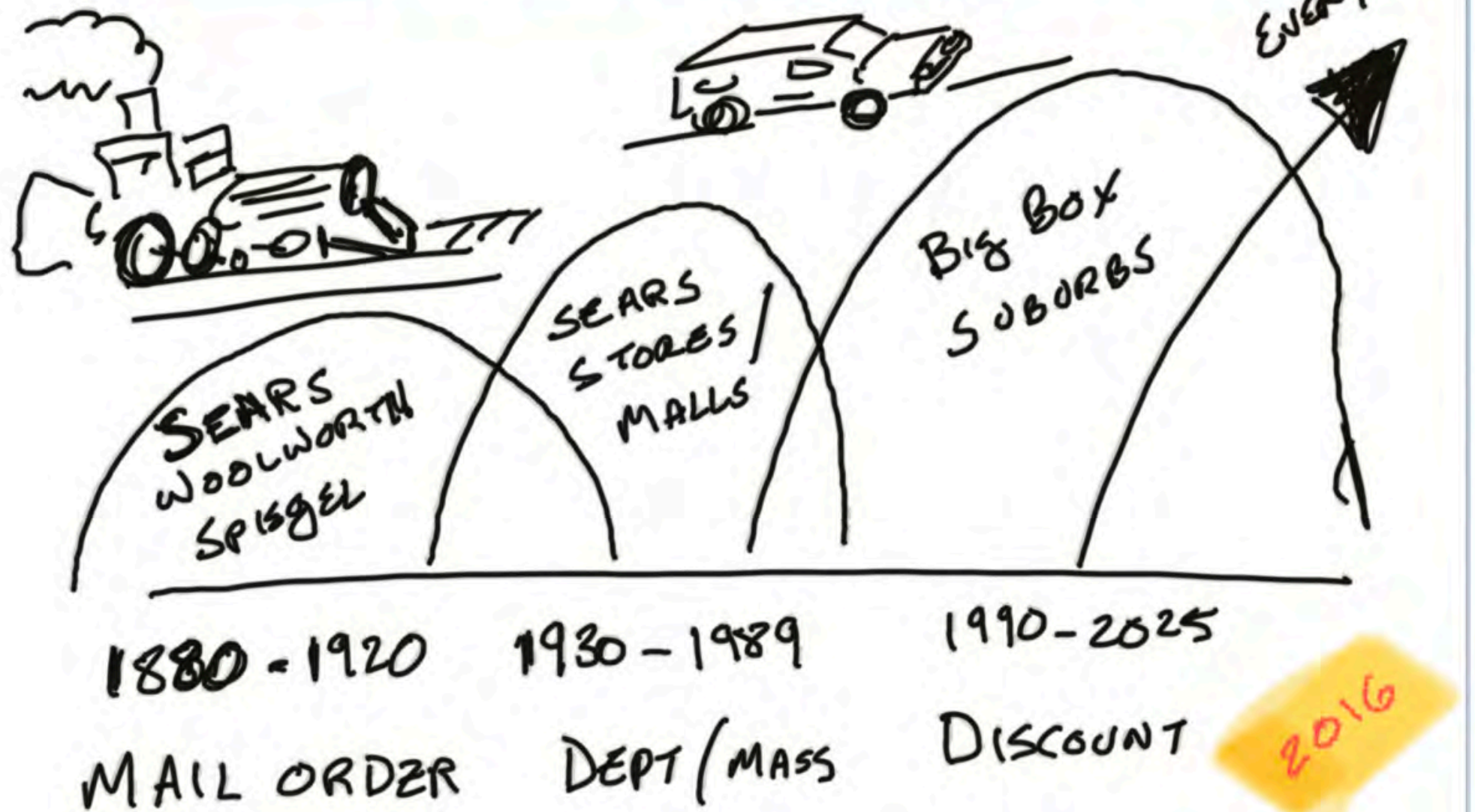
- ▶ **Macke Asset Management (MAM) President since 1997**
- ▶ **Hedge Fund Manager (1998 - 2004)**
- ▶ **Original cast Fast Money 2006-2009**
- ▶ **Dartmouth BA, Stanford MBA, author (with Josh Brown) Clash of the Financial Pundits. Appeared on CNBC, Fox, NBC, ABC. Written for NYTimes, TheStreet.com, Minyanville, The Week, MarketWatch, the WSJ.**
- ▶ **Macke Consumer Focus: 2016 - Present**

RETAIL?!

- ▶ **Fact: Greatest fortunes in America built on retail (Bezos, Walton family, assorted Sears fortunes)**
- ▶ **But... Longterm retail underperforms. Low margins, susceptible to economic cycles, fashion trends, "acts of God"**
- ▶ **How? Generational disruptions in *how* America shops.**
- ▶ **Retail is distribution. Mail order, city stores, discount big box and e-commerce changed American habits.**

RETAIL FOLLOWS THE CUSTOMER

150 YRS OF RETAIL



1800

2000

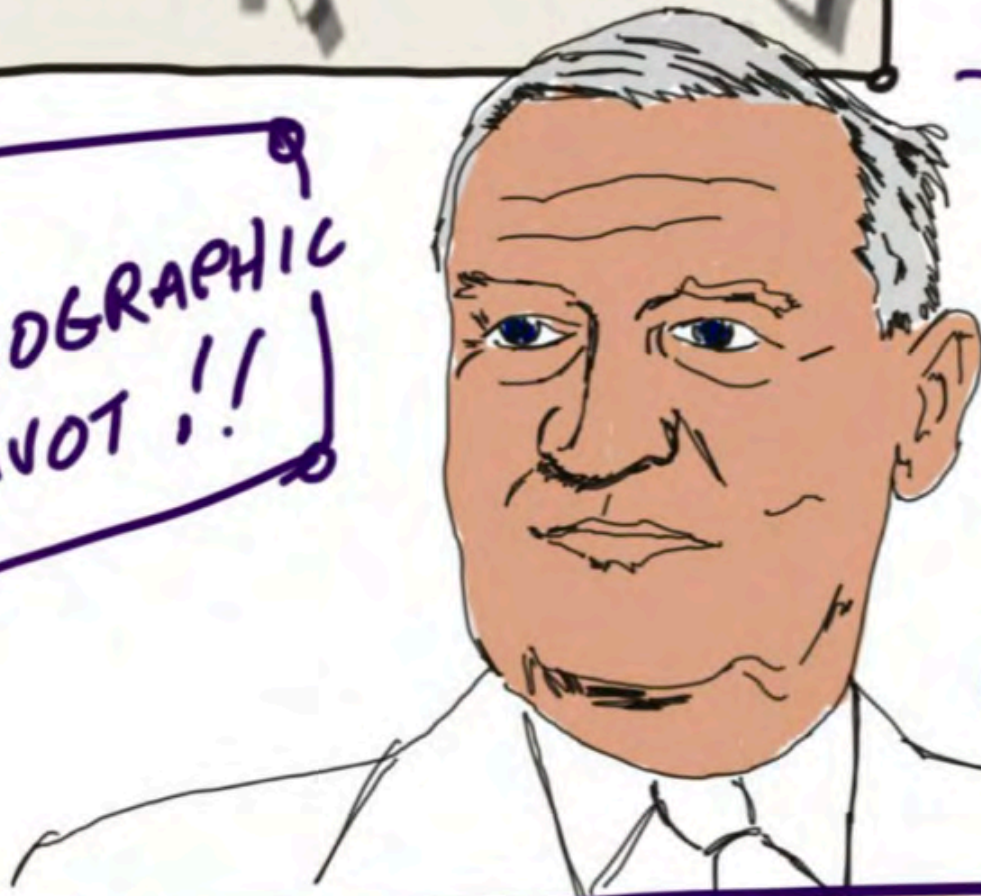
CITY STORES → MAIL ORDER → DEPT STORES → DISCOUNT



1925-1969

- OPENED FIRST STORES: 1925
- LOGISTICS PANAMA CANAL, WWI.
- LARGE BOX STORES ON THE EDGE OF TOWN.

THE
DEMOGRAPHIC
PIVOT !!



1 DOWN SALES YEAR
(1932) DURING GREAT
DEPRESSION

ROBERT E. WOOD: THE GENERAL

MY DAD — "Rich People Like Discounts"

TREND: BOOMERS MOVE TO THE BURBS



- 1972: TARGET IS
46 STORES ~ \$200m
REV. $\frac{1}{5}$ CORPORATE
TOTAL

- 1975: 49 STORES
BUT... \$400m REV
{ PROFITABLE

- 1983: 212 STORES
\$ 3.6B IN REV!
30% ANNUALIZED GROWTH

1973-1982: TARGET(DH) \uparrow 700% (15x \$19500)

1972-1983 - TARGET NEW STORE
BASE 5x REV 15x

AMAZON: 20yr HEAD-START in pure Online



GREATEST INNOVATION:
NO EARNINGS. EVER.

REV/CAP EX: AMAZON UP...

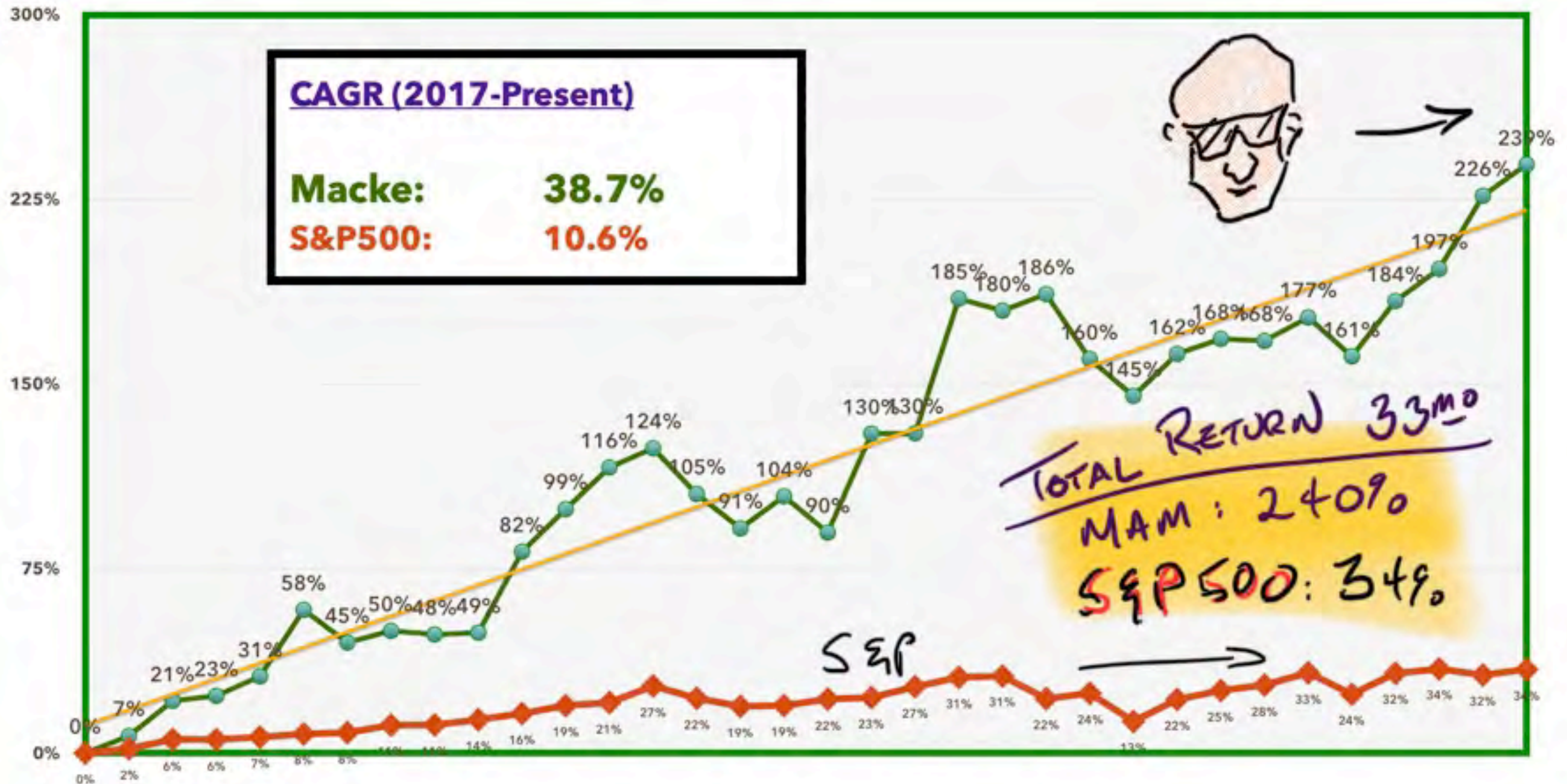


RETAIL TODAY: WATCH



LONG/SHORT RETAIL & CONSUMER

\$10K -----> \$33,900



Total Return XRT (86-Stock RETAIL ETF): ~~↓~~ 5%

WATCH: STRUCTURAL OLIGOPOLY

WALMART
COSTCO
TARGET
HOME DEPOT

US
GDP: 2.3%

RETAIL
SALES: 1.7%

Big 4: 75%
REV

• EXPANDING
MARGINS •

• Trophed
Earnings

US RETAIL STORES:
≈ GDP

COMP: GENERAL MERCHANDISE
STORES ↑ ≈ 1.7%

	stores	168,284	0.1	23,909	21,8
44811	Men's clothing stores	(*)	(*)	(*)	65
44812	Women's clothing stores	(*)	(*)	(*)	3,2
44814	Family clothing stores	(*)	(*)	(*)	9,2
4482	Shoe stores	(*)	(*)	(*)	3,2
451	Sporting goods, hobby, musical instrument, & book stores	45,772	3.9	7,530	6,3
452	General merchandise stores	455,542	1.7	61,099	58,0
4521	Department stores	83,346	-4.5	11,496	10,5
4529	Other general merch. stores	(*)	(*)	(*)	47,5
45291	Warehouse clubs & supercenters	(*)	(*)	(*)	40,6
45299	All oth. gen. merch. stores	(*)	(*)	(*)	6,8
453	Miscellaneous store retailers	86,792	1.7	11,763	11,6
454	Nonstore retailers	483,699	12.1	64,207	63,9
4541	Elect. shopping & m/o houses	(*)	(*)	(*)	57,3
722	Food services & drinking places	511,729	3.9	66,891	66,2

MORE OR LESS GDP

4
Big BOX

COST 6%
TARGET > 4%
WALMART 4%
HD 3%

TAKING RETAIL SHARE

ALREADY OMNI

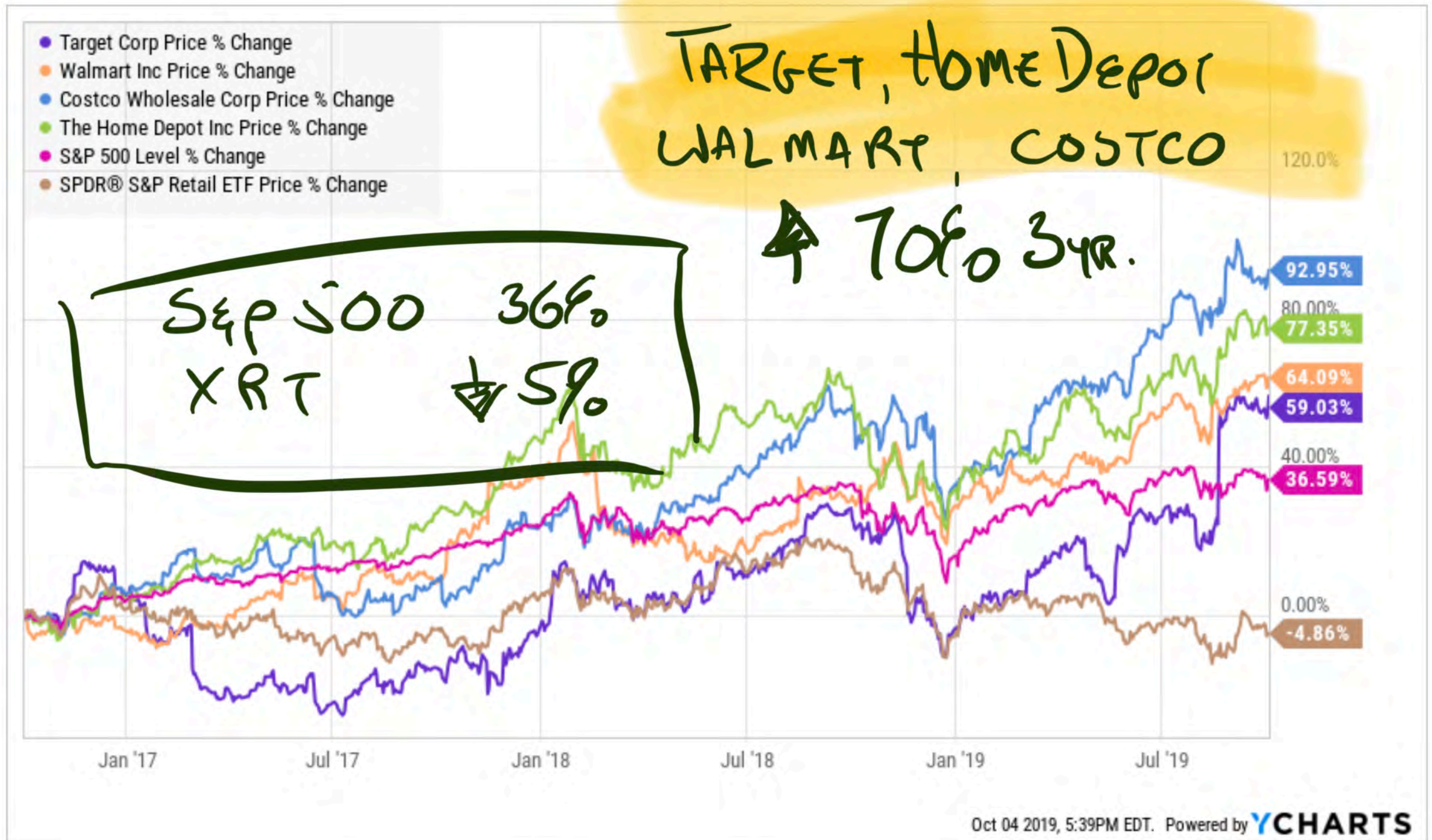
Using Locations, Apps
& Systems TO
TAKE SHARE

Big 4 Box Stores:

- ➔ 1B square feet of stores
 - 40% grocery mkt share
 - growing online faster than Amazon
 - ➔ They have apps, delivery, pick-up
- The future is here



THE WATCH STOCKS



WATCH: LEVERING SG&A



WHAT OMNI MEANS AND WHY IT CHANGES EVERYTHING:

- OMNI: "EVERYWHERE"
- CHANNEL: "DISTRIBUTION"

WINNERS HAVE FULL ECOSYSTEMS

ONLINE - APP - STORE

ONE EXPERIENCE

OMNI - LEVERS

- PHYSICAL STORES CLOSE 20%
OF FOOT TRAFFIC

#1 REASON FOR NO PURCHASE: OUT OF STOCK

Dicks:
1700 ft.
No SIZE B



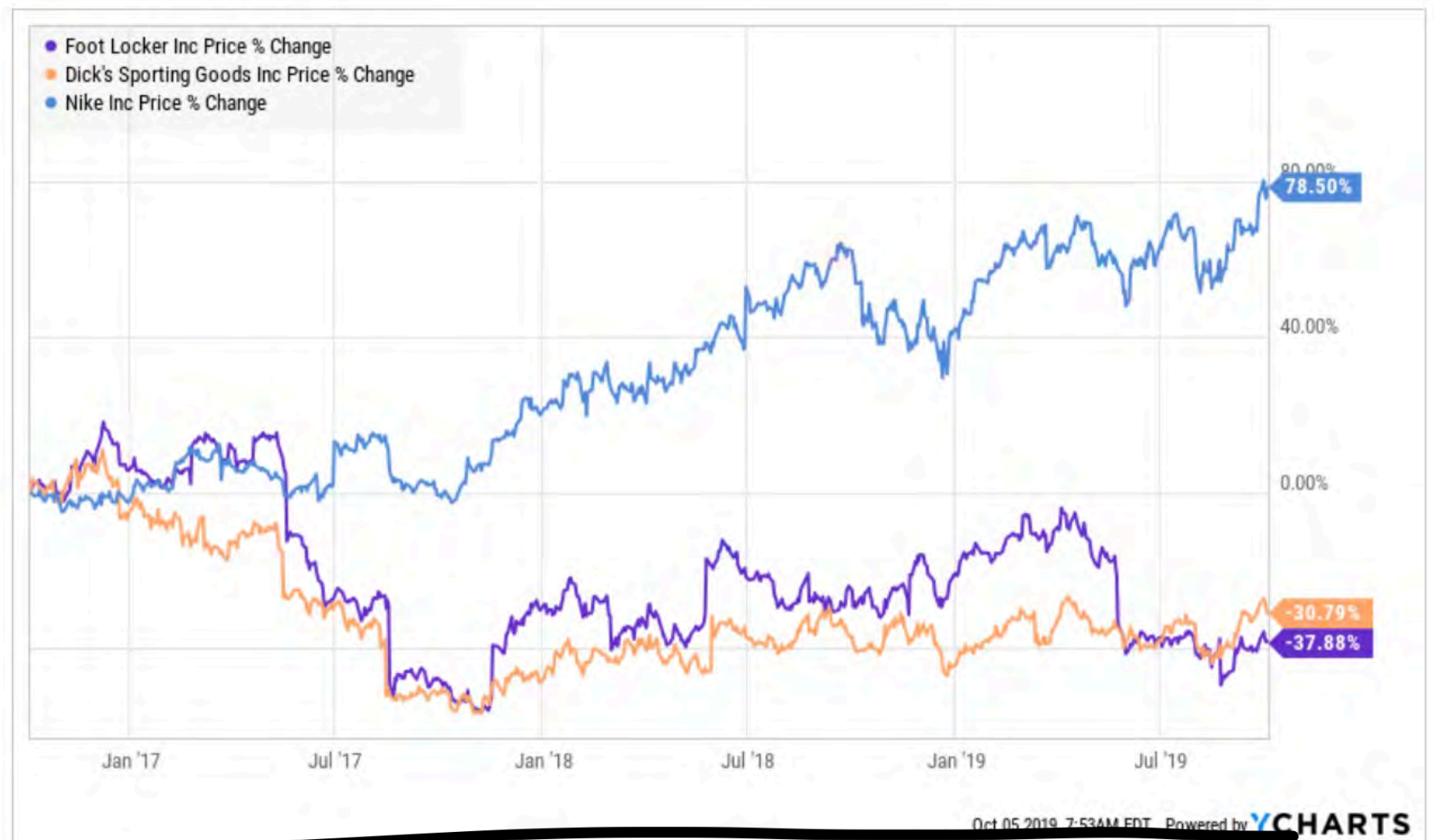
Omni - Impact

VALUE GOES TO PLAYER CONTROLLING
THE EXPERIENCE:

3 YRS:

Nike \uparrow 80%

FL
Dicks \downarrow 30%



CUSTOMERS ARE TALKING:

CUSTOMERS LESS SATISFIED BY AMAZON

ACSI®
American Customer Satisfaction Index

X close

Print

Benchmarks By Company

Amazon

	Base-line	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	Previous Year % Change
Costco							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	83		N/A
All Others							77	75	82	83	79	80	82	82	82	83	78	80	82	75	81	80	82	81	82		1.2
Amazon							84	84	88	88	84	87	87	88	86	86	87	86	85	88	86	83	86	85	82		-3.5
Etsy							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	81		N/A
Kohl's							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	81		N/A
Nike							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	81		N/A
Nordstrom							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	81		N/A
Apple							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	80		N/A
Internet Retail							78	77	83	84	80	81	83	83	82	83	80	81	82	78	82	80	83	82	80		-2.4
Macy's							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	80		N/A
Target							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	80		N/A
Wayfair							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	80		N/A
HP Store							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	80		N/A
Overstock							NM	NM	NM	NM	NM	NM	NM	80	82	82	83	83	81	79	77	73	79	81	80		-1.2
Newegg							NM	NM	NM	NM	NM	NM	NM	87	88	86	84	85	84	83	81	79	83	83	80		-3.6
eBay							80	82	82	84	80	81	80	81	78	79	81	81	83	80	79	75	81	81	80		-1.2
Home Depot							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	79		N/A
Low's							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	79		N/A
DeWalt							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	79		N/A
Gap							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	78		N/A
Best Buy							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	77		N/A
Staples							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	76		N/A
Groupon Goods							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	76		N/A
Walgreens							NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	76		N/A

THE THRILL IS GONE...

ONLINE SATISFACTION
AMAZON: 82
TARGET: 80
TARGET ORDER & PICK-UP: 80

STORES ARE D.C.'s



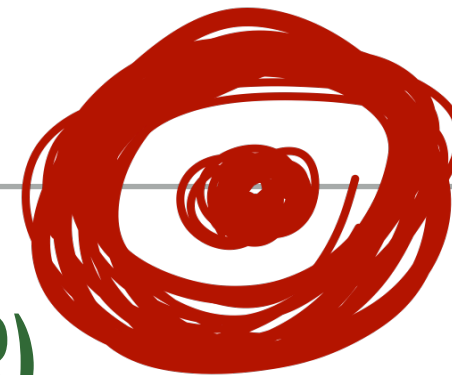
- ▶ Walmart and Target can grow online faster than Amazon can grow Brick and Mortar

WALMART & TARGET HAVE A 6-DECADE HEAD START

- ▶ WMT (5,355) and Target (1,850) have over 7,000 stores occupying >1b square feet of sales space; under 10 miles from 90% of America

- ▶ Whole Foods can't scale. Distribution centers can't become stores.

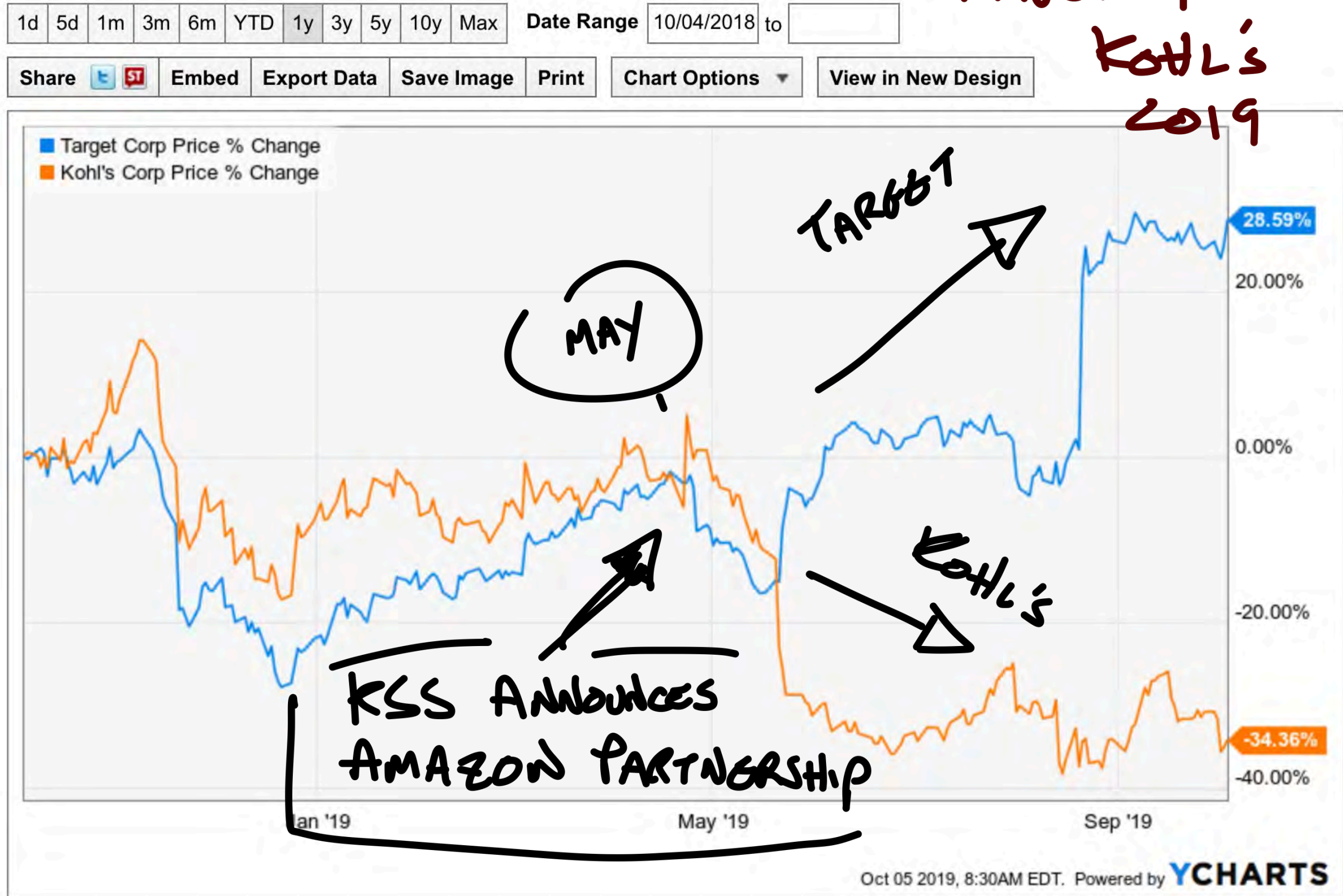
<1% SSS growth SINCE AMAZON ACQUISITION



TARGET CASE: SPENT NOW SCALING PROFITS (3YR)



TARGET &
Kohl's
2019



BULL MARKET FOR LOGIC

THEME: BIG BOX REVENGE

52 wk Δ :

Walmart \uparrow 27%
TARGET \uparrow 21%



AMAZON \downarrow 14%

2019 CHRISTMAS WISH: BTFD IF...



- ▶ Same Store Sales positive and balanced on and offline
- ▶ The App works and "feels" like the store (Target Cartwheel)
- ▶ Chain is taking share from the rest of the Mall
- ▶ KISS: Add to Winners, "pick-on" losers. It's a share game. A bad economy only increases the rate of change

NOT STOCK PICKS BUT...

POSITIONS
CHANGE (BUT I'D NEED
SOME CONVINCING)

LONG

TARGET, WALMART, NIKE, ELY, AEO,
LOLU, FIVE, McDONALD'S, COST

"NOT-LONG" (ü)

MACY'S, FOOT LOCKER, LB. SIGNET

RIDE THE WINNERS

The Die is Cast

- Winners will win more in any climate
- Buy dips, ONLY short RIPS
- Scale up Bets opportunistically

RETAIL is DISTRIBUTION & SHARE —
Stick w/ winners, ignore value