THE ADVAN BUYSIDER
Investor case studies monthly

Issue #7
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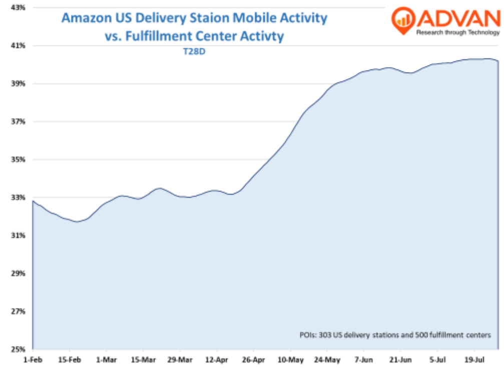
TICKER	SYNOPSIS + LATEST UPDATE

AMZN

Presentation

Shifting inventory into regional delivery stations from the FCs is allowing for substantial savings in shipping costs. For Q2'25, shipping expenses increased only 6% YoY, much lower than the unit growth of 12%, leading to a rate improvement of 103 bps (vs. retail 1P+3P revenue). We expect to see ongoing improvement shipping expense as long as observed activity at the delivery stations increases relative to FC activity. Separately, we can match changes in observed activity for both the delivery stations and FCs to NA unit growth to quantify fulfillment productivity gains.

Oct 7: Update here, Aug 5: See our review of Q2 results here.



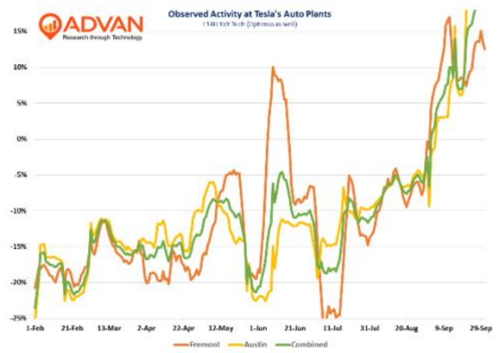
TSLA RIVN / F / GM

US Automotive

Presentation

Given TSLA's DTC model, it has a fast read on inflection points in demand and that gets immediately fed into the production pace to manage inventory levels; and so, the trend in shifts worked at Fremont / Austin work as a leading indicator for Tesla sales in the US. See our review of Q2 results here.

Oct 23: Update here,



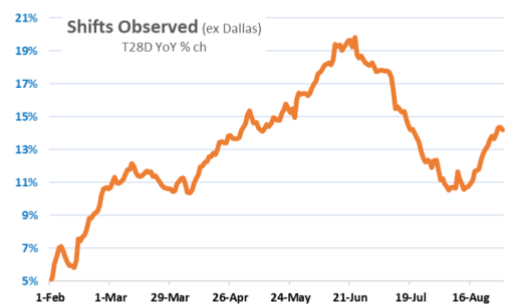
CHWY / Wayfair

Ecommerce

Presentation

CHWY is increasing its FC utilization. If it can sweat its assets more, SG&A rate (which houses FC costs) will continue to move lower and profit margins, higher. Additionally, the accruing benefits of last year's rapid adoption of auto-replenishment is compounding growth. CHWY is leaning into the strength with more marketing.

Sep 9th: FQ2 sales growth (+8.6%) only accelerated +30bps QoQ, which was less than our expectation (+350bps). We had adjusted observed employee visits (+270bps), but removed the Dallas FC due to an idiosyncratic visit pattern.



SBUX / EAT CMG

Restaurants

Presentation

SBUX's dwell time has improved nicely so far when using Caribou as a benchmark, suggesting that progress is being made in reclaiming its role as that "third place" in consumers' lives. Yes, SBUX's in-store coffeehouse visits are down on a 1-year basis; however, on a 2-year basis, visits have trended around flat. That 1-year trend reflects the planned reduction in discounted transactions which CEO Niccol mentioned on the last earnings call. As such, based upon Advan's signal, Niccol's plan for the US looks to be working as intended. See our story here. See our review of Q2 results here.

Sept 10: Update here,

Coffee-Led Limited Service Industry
Unit Metrics

		Locations	Visits / Location (thousands)	Est. Total Visits (K) (thousands)	Sales per Location (thousands)	US Revenue / System-Wide Sales (millions)	Mkt Share
Starbucks	CQ2'24	9953	110	1,093		$6,345	35.1%
	CQ2'25	10392	108	1,119	$621	$6,454	35.4%
	% Ch	4.4%	-2.0%	2.3%		2%	
Dutch Bro +	CQ2'24	2004	142	284		$819	4.5%
7 Brew +	CQ2'25	2432	148	360	$447	$1,088	6.0%
Scooter's	% Ch	21.4%	-1.0%	26.9%		33%	
Others	CQ2'24					$10,905	60.4%
	CQ2'25					$10,708	58.7%
Total	**CQ2'24**					**$18,069**	100%
	CQ2'25					**$18,250**	100%
	% Ch					1%	

Source: All data from Advan Research, except gray fields which come from SBUX and BROS reported results & the market size estimate comes from IBISWorld

IDXX / **DGX**
CAH / MKC
CVS / DVA

HC Services

[Presentation]

DaVita's daily dialysis treatments are closely correlated to clinic visits. Observed traffic revealed a slow start to Q1 and then the impact on throughput from the cyber-attack. Q2 is currently tracking lower than the already lowered expectations.

Aug 5th: 2H outlook lowered due to persistently higher mortality rates.

Oct 7: Update here; the trend has notably improved.

HOG
BC / **PII**

Power Sports

[Presentation]

Foot traffic to its dealerships and competitors' dealerships shows no improvement in demand. The same can be seen in the activity level at its manufacturing plants. As such, the power sports industry has yet to find this cycle's bottom.

Aug 5th: See our review of Q2 results in the presentation. The business has begun to find its new baseline.

Oct 7: Update here; the HOG trend has notably improved.

WSO / **MSM**
AIT / FERG /
HD / LOW
GWW/FAST

Wholesale distributor

[Presentation]

MRO and building materials distribution is a commercial-billed businesses and volume is based upon a lot of facility activity; as such, geolocation data provides a better model than other AltData types.

	R-sq	T6Q MAPE
GWW	0.93	1.0%
FAST	0.98	0.8%
MSM	0.74	1.4%
WSO	0.94	3.0%
FERG	0.79	2.9%

EXP / MLM
CRH

Construction materials

[Presentation]

Eagle Materials (EXP) – Mobile-tracked activity is well aligned to its organic revenue growth on a quarterly basis (95% R-sq). CQ2's activity is much improved from last quarter and revenue should be **slightly above VA**.

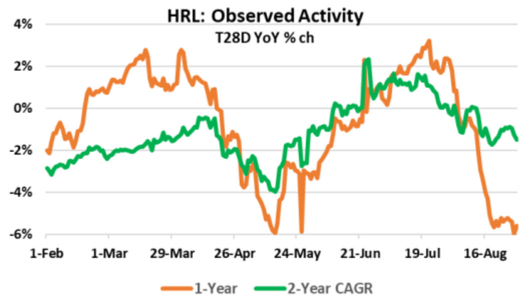
Sep 2nd: EXP is CQ3 tracking to $636M vs. consensus @ $634M. Observed activity for July & Aug MTD matches LQ's rate. Lowe's acquisition of FBM is a bullish call on the recovery of sheetrock installation. MLM is CQ3 tracking to $2060M vs. consensus @ $2034M. Observed activity for July & Aug matches LQ's rate.

SFD / TSN /
HRL

Protein Processing

[Presentation]

HRL's Foodservice business generates nearly half of company profits. That business is not tracked by scanner data. The International segment is too small to matter. As such, observed activity at its domestic plants aligns well with total revenue, especially when adjusting for changes in commodity prices.



EDITOR: Thomas Paulsen | Head of Market Insights. Previously a buysider for 20 years.

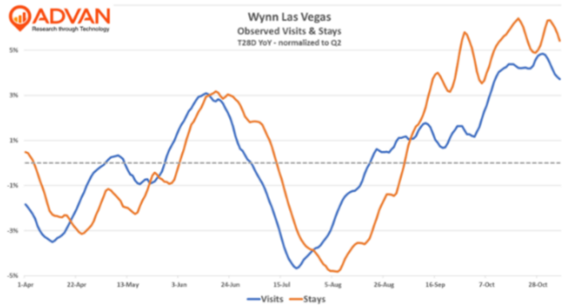
WYNN/ MGM

Leisure

[Presentation]

WYNN in Q2 drove longer-term visits (1hr+) and dwell time; these **drove revenue growth for the Las Vegas segment**. This stems from it having more of an affluent customer mix. Both Wynn+Encore and Bellagio greatly outperformed the industry stats (LVCA) for April; Advan as T-2 data for the Strip and LAS, i.e. far earlier than LVCS' data releases.

Q3 write up here.



PRKS / FUN CMCSA / DIS

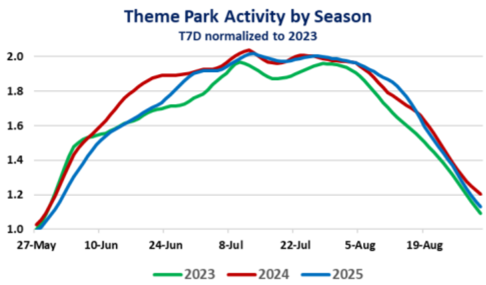
Leisure

[Presentation]

Attendance for PRKS and FUN aligned with mobile-tracked activity; the model has a 99.5% R-sq for the past 8 quarters. While the disclosures from CMCSA / Universal and Disney are sub-par. Advan's data aligns with their qualitative comments and results.

- Advan also has an index for the industry (1279 locations)
- Advan has visit activity for all major airports, including MCO

Nov: MC+ADVAN data for PRKS Q3 pointed to a miss, and boastful management comments back on the Q2 call.

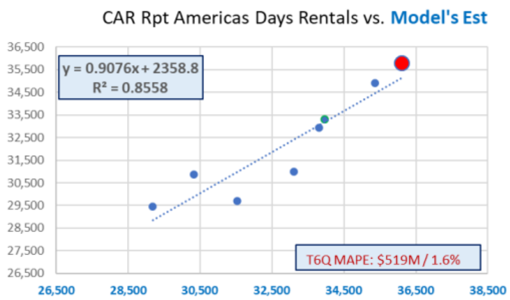


CAR / HTZ

[Presentation]

CAR's Rental Days and HTZ's US Car Rental Revenue have strong R^2 and low MAPE to Advan's activity data at 96% / 1.1% and 94% / 3.8% respectively. Obviously, rate is also a key driver to revenue and earnings, and we have no measure of that metric other than if demand / utilization moves rapidly higher / lower, which will influence rate. Given that rental cars are a booked service (and commercially billed), revenue is only recognized on the matched rented day; we believe that it is for this reason that the R-2 and MAPE are strong

Oct 28th: CAR beat on Americas rental days, but missed on daily rate and costs. Should CAR's new management team succeed in contemporizing the customer experience (see DAL and AXP) and meaningfully differentiate the brand, the stock will re-rate.



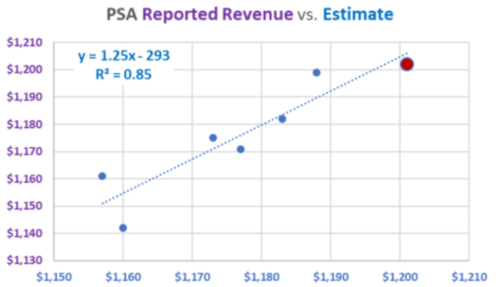
PSA

Public storage

[Presentation]

Respecting that PSA is a REIT and more of an occupancy and NOI story, modeled revenue by Maiden Century based upon Advan's data has an 85% R-sq for the past 6 quarters and a 30bps MAPE.

August 5th: Reported revenue and occupancy were right where the model said it would be.



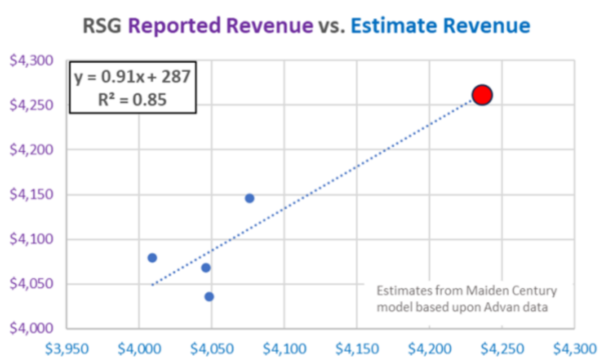
WCN / WSN WM / RSG

Waste Management

[Presentation]

Waste management services is a commercial-billed business, and volume is based upon a lot of facility activity; as such, geolocation data provides a superior indicator than other AltData types

Sep 2nd: WM CQ3 tracking to $6,526M in total revenue vs. cons. @ $6,520M. Aug's trend is curious and leading to a QoQ deceleration of -210 if September matches August. **RSG** CQ3 tracking to $4,282M in total revenue vs cons. @$2,240.



LII / CRH / MHK / SHW

Building Materials

[Presentation]

These are commercial-billed businesses are commercial-billed businesses and sales volume is based upon a lot of facility activity; as such, Advan's observed activity (shifts / hours worked) provides a superior indicator to other AltData types.

October 2nd: SHW activity accelerated +400bps in Q3, aligning with its improvement in PSG volumes. October has remained consistent with Q3.

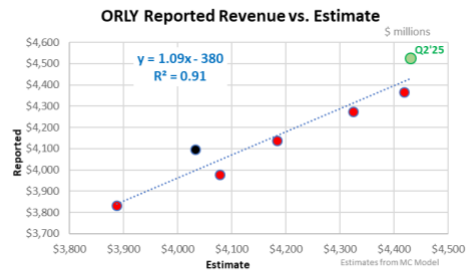
	R-sq	T6Q MAPE
SHW Paint Store Group	0.76	0.7%
MHK Flooring North America	0.94	1.8%
BLDR R&R Sales	0.99	0.6%
LEG - Volume	0.93	1.4%
MAS Sales	0.90	2.1%
Average	**0.90**	**1.3%**

ORLY/AZO GPC / AAP

Auto Part Retail

50% of the aftermarket auto part market is DIFM, which is a commercially-billed business. DIFM volume is still based upon delivery trucks working to / from the stores; as such, geolocation data provides a superior indicator.

See our Nov 4th write-up **[here]**.



MDT / SYK / ZBH

Medical Devices

[Presentation]

Medical devices is a billed business and observed visitation is aligned with reported revenue; however, stagged inventory and the complex payer system lead to a lower R2 and higher MAPE.

Est Revenue / KPI to Reported

	R-sq	T6Q MAPE
MDT	0.84	1.3%
SYK	0.63	1.2%
ZBH	0.58	3.5%
Average	**0.68**	**2.0%**

GGG / TT / PNR / WAB / URI / SSYS / TEX

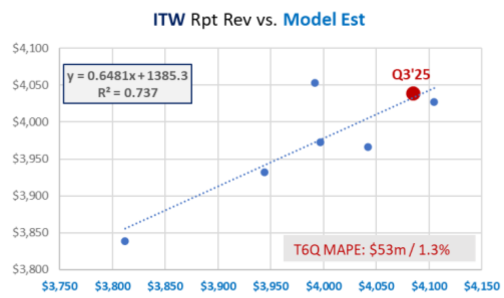
ITW / TKR

Machinery

[Presentation]

Machinery is a commercial-billed businesses and sales volume is based upon a lot of facility activity; as such, Advan's observed activity (shifts / hours worked) provides a superior indicator to other AltData types

Oct 24th: ITW Q3 / Q4 model's estimate was for a miss and guide down. That's what ITW delivered.



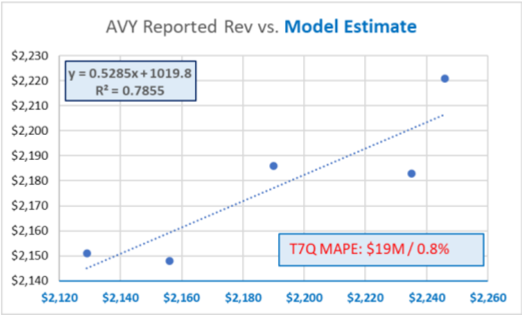
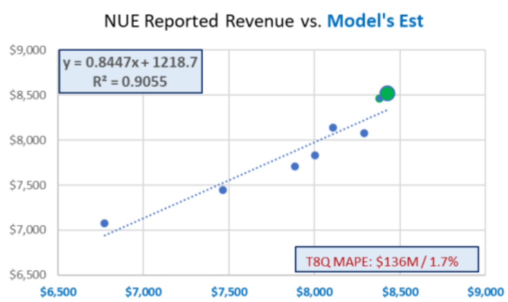
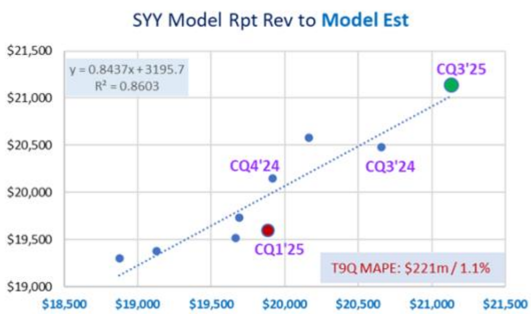
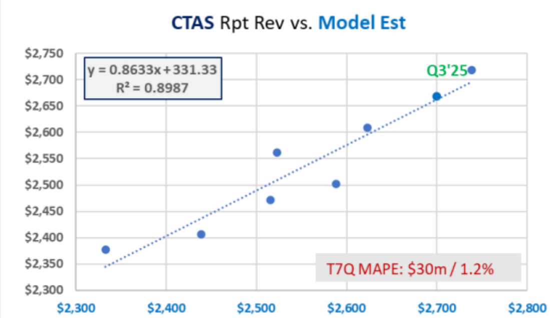
ETN / JCI / IR / PH

Industrials

[Presentation]

Industrials is a commercial-billed businesses and sales volume is based upon a lot of facility activity; as such, Advan's observed activity (shifts / hours worked) provides a superior indicator to other AltData types.

	R-sq	T6Q MAPE
JCI	0.98	0.8%
ETN	0.95	0.8%
PH	0.94	0.9%
DOV	0.94	1.4%
IR	0.82	1.7%
ITW	0.66	1.2%

AMCOR / SEE / AVY Packaging [Presentation]	Packaging is a commercial-billed business and volume is based upon a lot of activity at its plants; as such, geolocation data provides a better model than other AltData types. **Oct 20th:** Q3 model's estimate slightly above consensus. All three companies experienced faster observed activity on a 1- and 2-year basis.	
CMC / RS **NUE / STLD** Metals [Presentation]	Steel production is a commercial-billed business and volume is based upon a lot of activity at its plants; as such, geolocation data provides a superior signal than other AltData types.	
SYY / USFD Food Distribution [Presentation]	Food distribution is a commercial-billed business and based upon a lot of activity at its warehouses; as such, geolocation data provides a superior signal than other AltData types. **Oct 20th:** Q3 model's estimate slightly above consensus.	
CTAS / UNF / VSTS Business services [Presentation]	Business services is a commercial-billed businesses and sales volume is based upon a lot of facility activity; as such, Advan's observed activity (shifts / hours worked) provides a superior indicator to other AltData types **Nov 17th: CTAS** expected stronger org revenue growth for FQ2	

Produced by Advan's Head of Market Insights, **Thomas Paulson**. Previously, he served as Director of Research and Business Development at Placer.ai, prior to that was two decades as a buysider at AllianceBernstein, Cornerstone, and others

EDITOR: Thomas Paulsen | Head of Market Insights. Previously a buysider for 20 years. VIEW LINKEDIN PROFILE