



Consumer Spending Exiting 2025



PRESENTED BY

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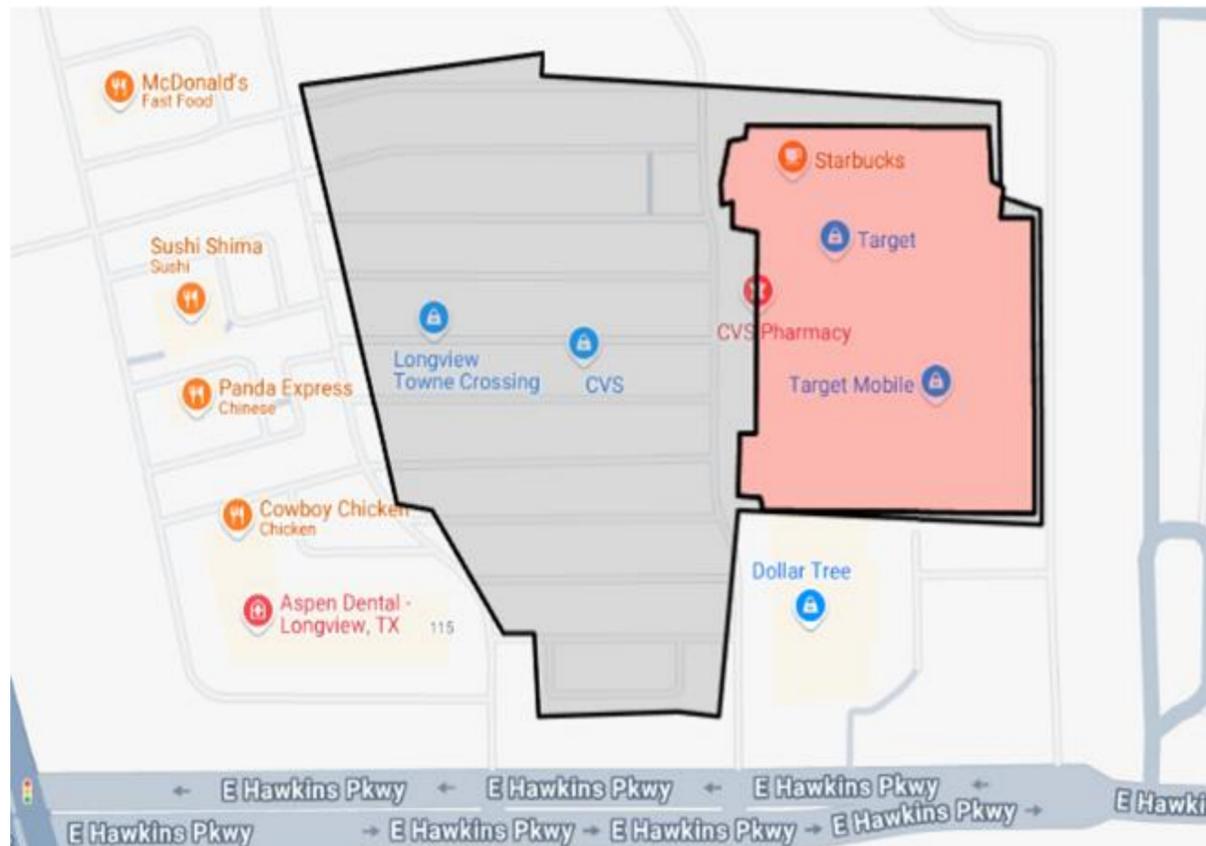
Delivered to Morgan Stanley's Clients
Jan 6th, 2026

Observations on the Holiday / Q4 and MS' Key Investor Debates

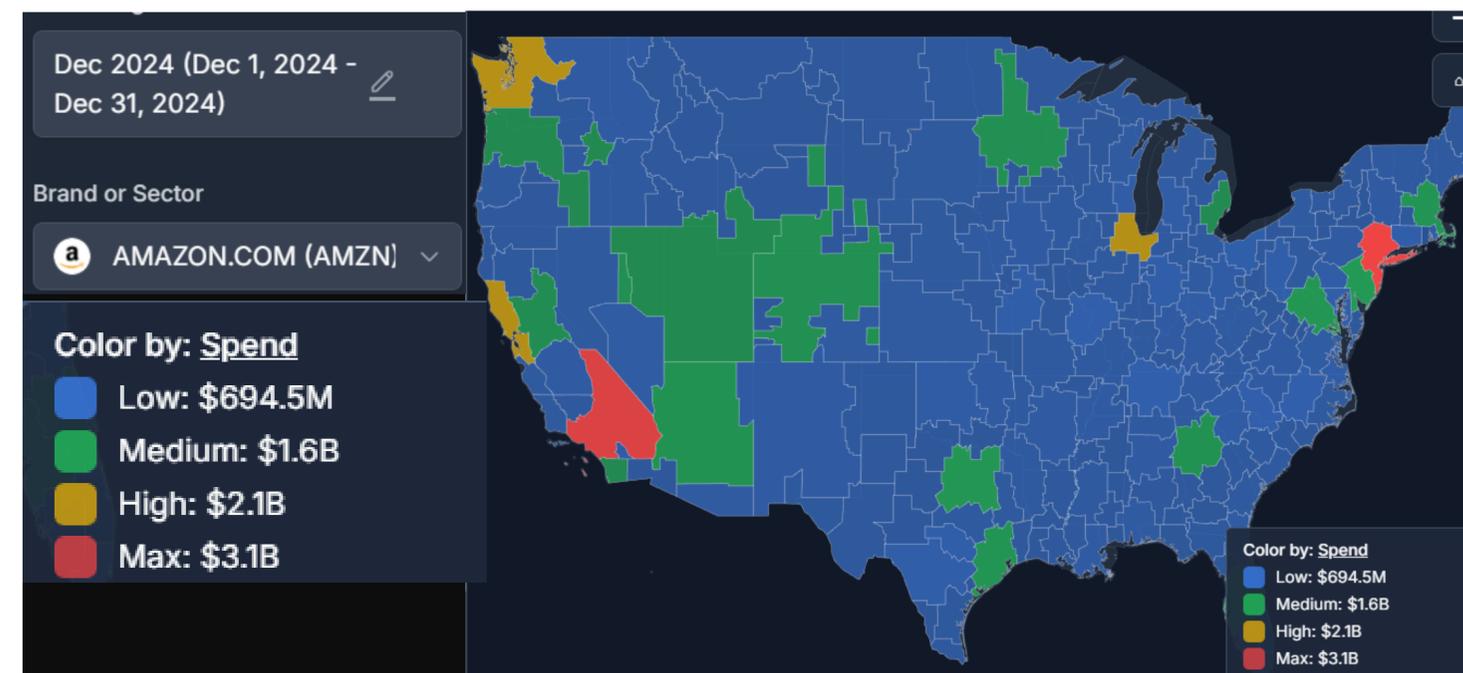
- ❑ Holiday 2025 - A success against a difficult comp
- ❑ AMZN, WMT, DKS, FIVE, ROSS, ARO, GPS, TPR, prestige luxury, and Apple look good: whereas, BBY less good.
- ❑ Yes, consumer spending is K-Shaped. It was in 2019 as well. The fog of '21 –'22 makes the low-end pull-back feel worse.
- ❑ Yes, for many categories, pricing power has faded. Additionally, the severity of share-of-stomach losses by “conventional” brands is underappreciated. However, there are pockets of opportunity in “food” – FAFH distributors are less impacted as they serve a more adaptive customer base.
- ❑ Q4 QSR looks to have had a stronger Q4 (QoQ), traffic better, check worse. Our hypothesis is that trade-down is offsetting trade-out (Hispanic households and GLP-1 users).
- ❑ Branded packaged food got a lump of coal again for Christmas. It's in a crucible of nine pressures, all of which are likely to intensify in '26 and beyond.

Advan's Data

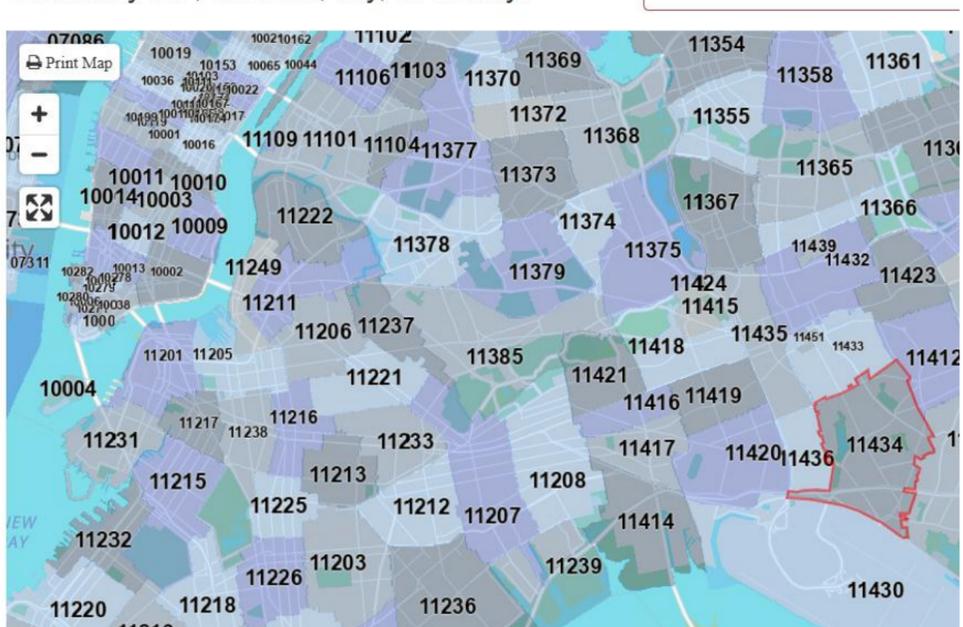
Geofenced Target w/ and parking lot in Longview, TX



- ❑ Foot traffic data sourced from 40M mobile phones
- ❑ Data from 120M debit / credit cards.
- ❑ Overlaid on millions of locations in the US. We also have Canada, Europe, etc.
- ❑ Phones overlaid and tagged with Census data + other pattern data providing demographic and psychographic profiles of the activity aggregated at the census-block level in the US
- ❑ Organized into ticker-level estimates, cohorts, and NAICS codes (800+).
- ❑ SpendView™ is Advan's card data rooted at the aggregated spenders' zip, CBG, city, county, DMA, or region



Advan's Data



Advan's Data

Manhattan-Based GMV

\$-millions

	<u>2019</u>	<u>TTM Oct '25</u>	<u>\$-Ch</u>	<u>%-ch</u>
Amazon	\$1,660	\$2,456	\$796	48%
Walmart				
In-store	\$173	\$157	-\$16	-9%
.com	\$51	\$109	\$58	114%
Total	\$224	\$266	\$42	19%

Equivalent to 24 Walmart superstores

Source: Advan Research

zip codes 10001 - 10048

Holiday 2025

- A Success Against a Difficult Comp



Black Friday Weekend '25 – Sharp Deals, Bad Weather, Zootopia vs. Moana, & College Football Prevailed

Observed Traffic during Black Friday Weekend

		Retail			TJ						AMZN-FCs	AMZN-Sortation		
		REIT Malls	Non-REIT Malls	Full Service Restaurants	WMT	TGT	COST	DLTR	ROST	Maxx	ULTA	BBY	FCs	Sortation
Friday	28-Nov	-0.7%	-0.6%	0.7%	2.2%	-3.3%	4.3%	-0.2%	1.1%	-1.6%	-1.6%	4.6%	6.2%	18.3%
Saturday	29-Nov	-3.4%	-4.2%	2	-0.8%	-9.3%	2.2%	-1.8%	-0.7%	-4.1%	-2.6%	-2.0%	4.4%	8.2%
Sunday	30-Nov	4.8%	5.4%	3	-1.8%	-7.0%	0.3%	-6.4%	-8.2%	-9.7%	-6.7%	4.2%	5.8%	2.6%
3-Day period		-0.2%	-0.3%	1	0.0%	-6.1%	2.3%	-2.7%	-2.2%	-4.4%	-3.1%	2.5%	5.5%	9.5%

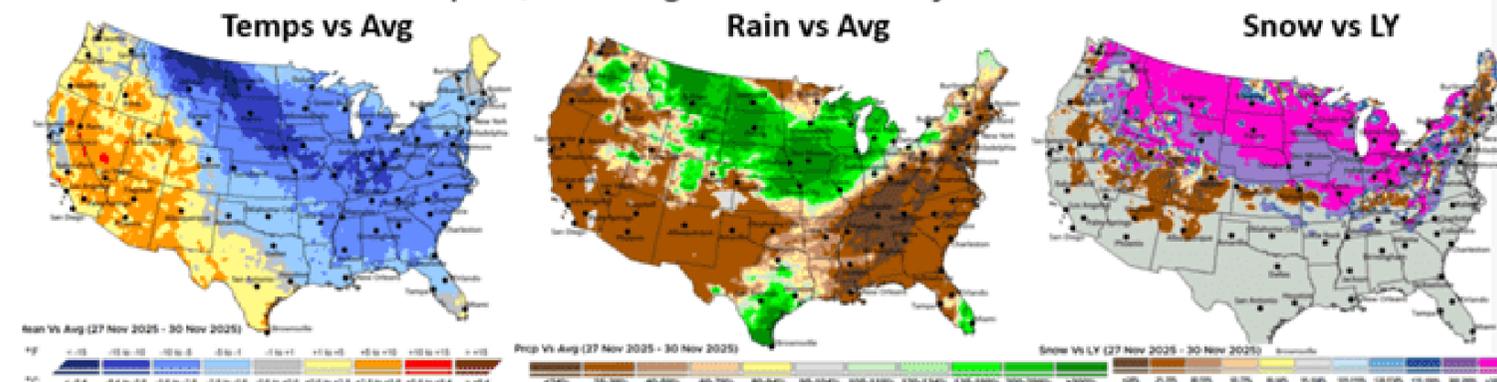
Source: Instore traffic only and excluding digital orders

- Adverse weather on Saturday hurt and pushed commerce to online (ex. Walmart Store-Delivery +57% for the BFW period)
- Amazon's deals and same-day to 1-day service were notable. Adobe Analytics Black Friday online sales, up ~9% y/y, and Mastercard reported a ~10% jump in online sales.
- Weekend box office was only \$185M vs. \$279M last year, Zootopia-2 vs. Moana-2, Wicked, and Gladiator II. Hit mall / restaurant traffic (-230bps).
- Saturday held many compelling football matchups + YouTube blackout ended, pushing visits from Saturday to Sunday
- Outperformance by Amazon, Costco, Best Buy, and Walmart

Since BF, see commentary from recent financial services investor conference.

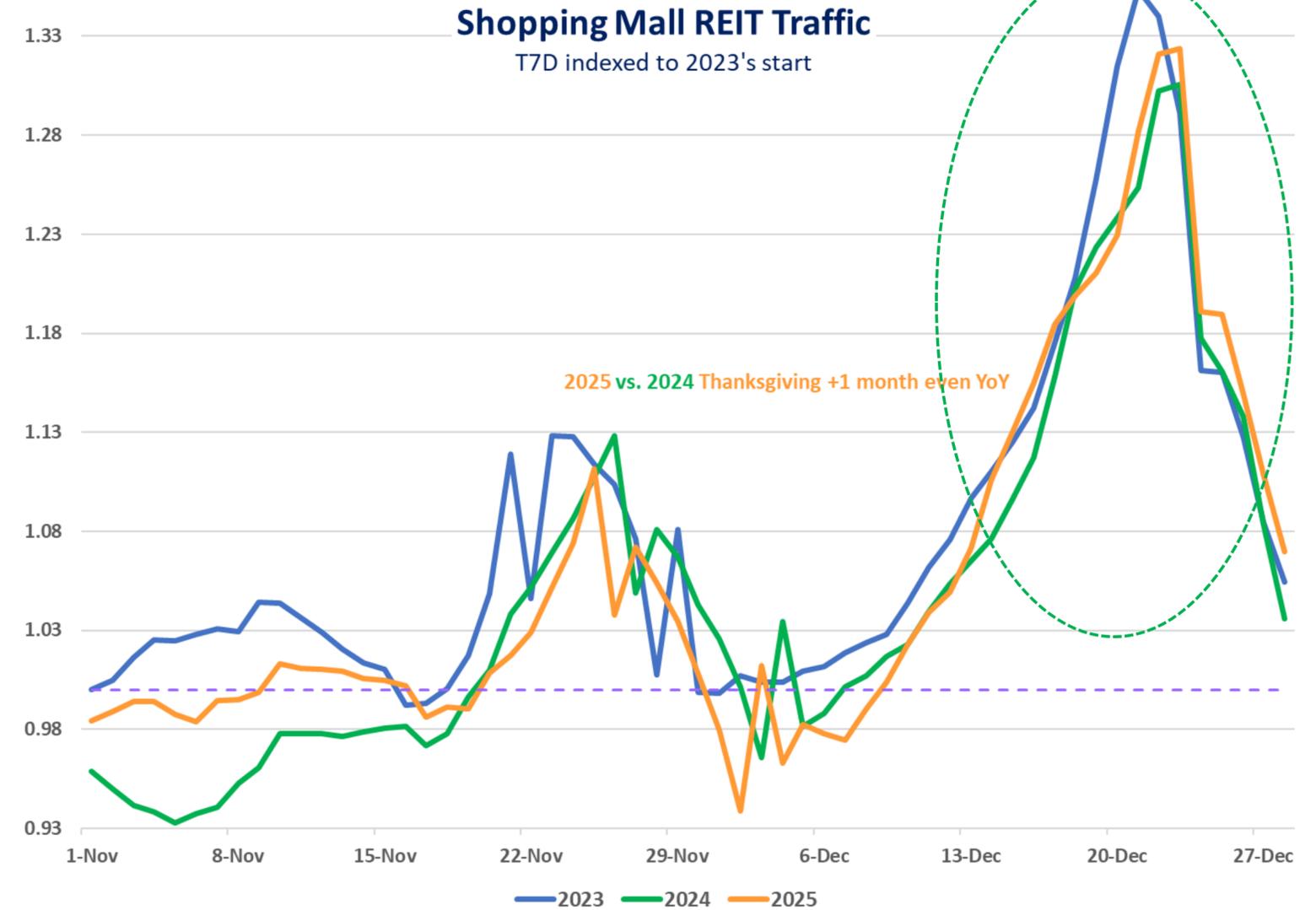
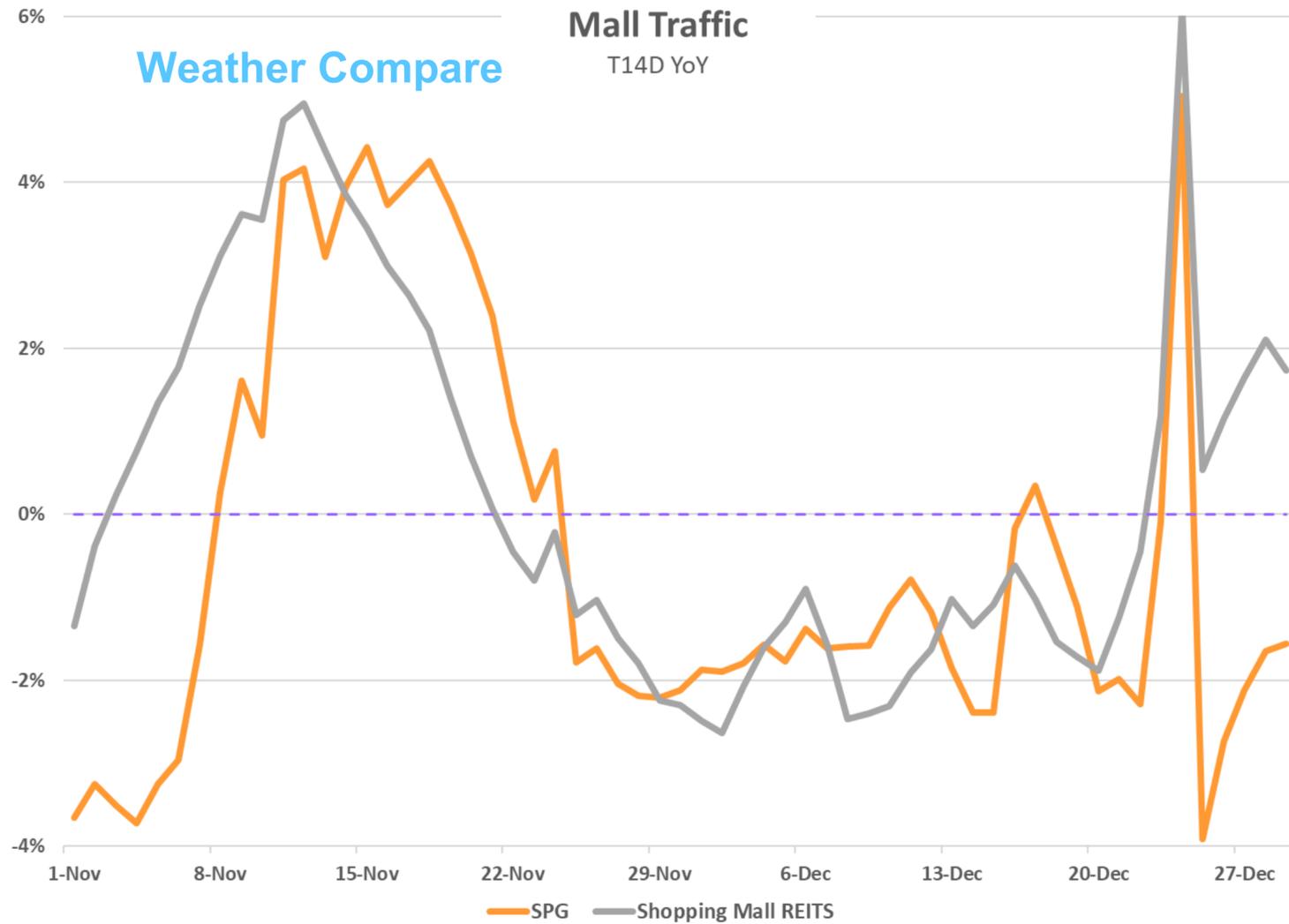
Weather Narrative #1 Snowiest in 40 Yrs!

Across the U.S., temperatures are running about 1°F cooler than last year, marking the coolest November period in 12 years and the fourth coolest in four decades, while precipitation levels are 62% higher than last year, the wettest in three years yet still ranking as the 18th driest over 41 years. This cooler, damper pattern signals a shift toward winter readiness, with average highs dipping into the 40s and lows near freezing in many areas, and rainfall totals approaching 2 inches in parts of the Midwest and Rockies. The Northern Rocky Mountains stand out as the coldest region, with temperatures 5°F below last year's levels and the coolest in three years, driving up demand for heating solutions amid potential early snow disruptions to logistics and outdoor operations. Meanwhile, the Northwest emerges as the hottest and one of the wettest spots, warming 6°F above last year with over 2700% more



Holiday Season Wrap Up- *Back-Half Loaded, Even YoY*

12 days from Christmas is where the volume lies



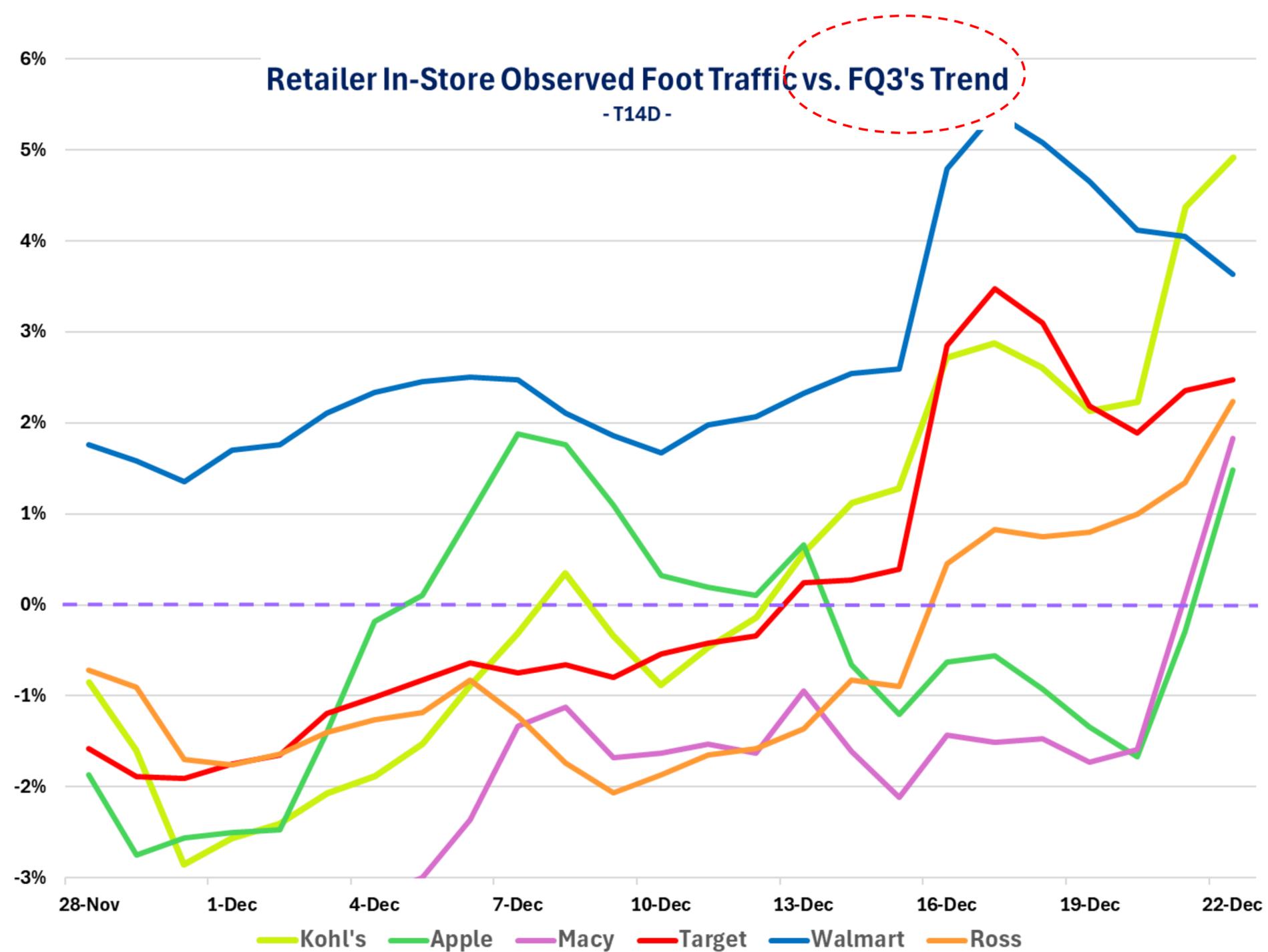
◆ AI Overview

November 2024 was generally much warmer and slightly wetter than normal across the U.S., with record-breaking warmth in some regions, especially the East, making it part of the warmest autumn on record overall; temperatures averaged 3.6°F above normal nationally, ranking it the 6th warmest November, while precipitation was slightly above average. Minnesota saw temperatures 4-6°F warmer than normal, with record warm nights, contributing to its warmest autumn ever. [@](#)

2025 Thanksgiving through Dec '24 was 27 days vs 2024's 26 days
Pulls down '25's per-day figures

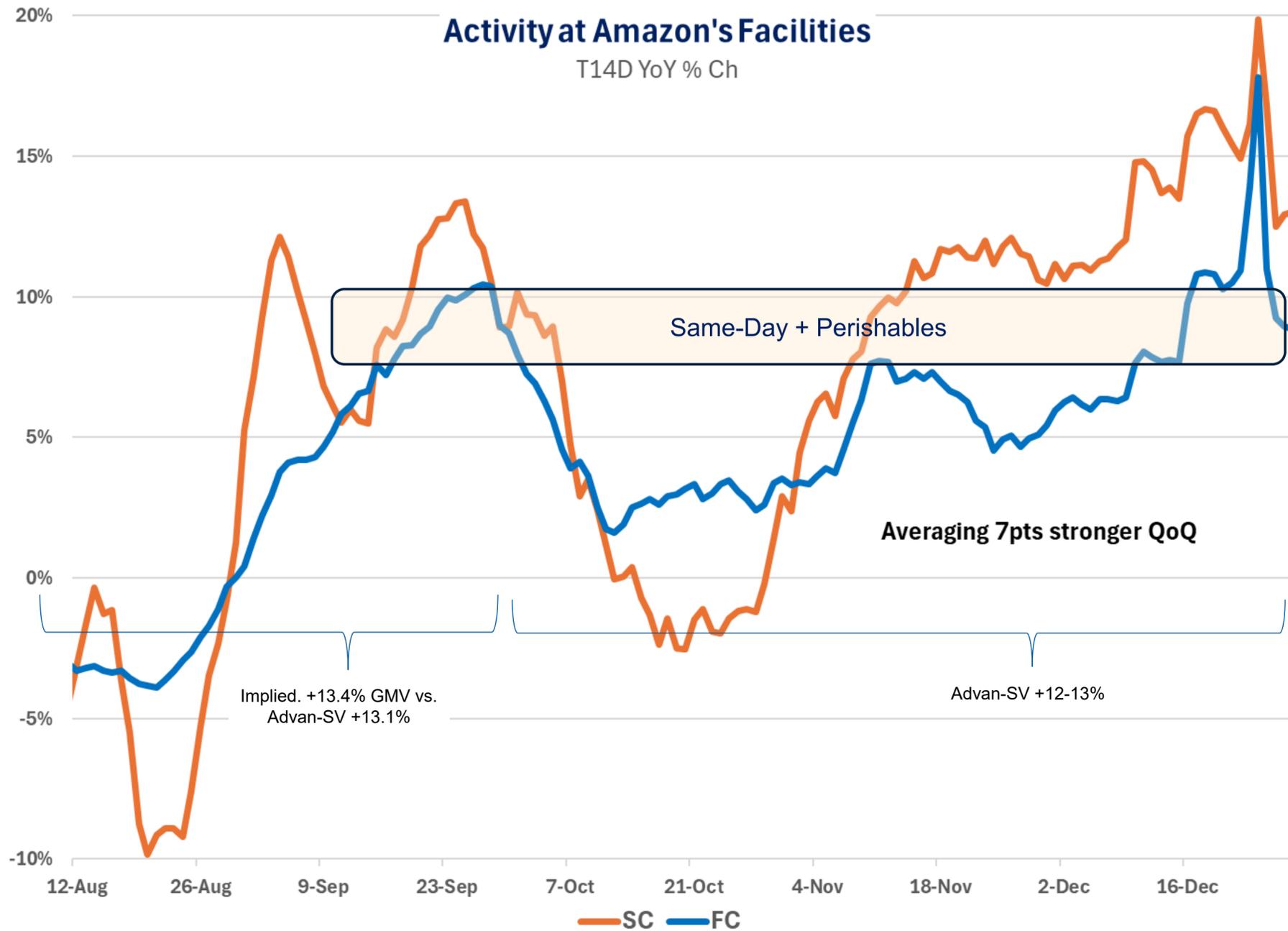
Holiday Season Wrap Up – *Back-half Loaded*

Data through December 24th



- **Back-half loaded** also true for individual retailer brands, save Best Buy, which had a very soft December.
- Per BBY, did iPhone, etc. crowd out other CE categories? Apple products are widely distributed. The wireless brands had a stronger Q4 vs. Q1-Q3.
- Overall store spend was less vibrant than traffic (not just BBY) due to more shopping around for deals, leading to average ticket pressure; additionally, e-commerce took wallet share, lowering the total amount spent during a trip to the mall.
- Stronger online sales – Observed activity at **Amazon's** fulfillment centers and delivery stations has significantly accelerated in November / December - the pace has further quickened over the last week.
- The chart shows the FQ4 trend relative to FQ3's rate; on an absolute basis, **Walmart** observed store traffic had **the most "festive" performance at +3.5%**. Complementing that growth will be Marketplace, store delivery, and curbside. Walmart.com growth = FQ3's.
- **Sam's, Dick's, Five Below, and Ross Dress for Less** have continued to outperform in traffic and spend (as it was for FQ3).
- TJX—TJ Maxx (slightly stronger QoQ), Marshall's and HomeGoods similar QoQ. Academy similar QoQ.
- Ulta and Sephora, softer in December.
- Macy's was even QoQ, but > DDS.
- Target – similar QoQ. DG – stronger ticket driving faster sales.

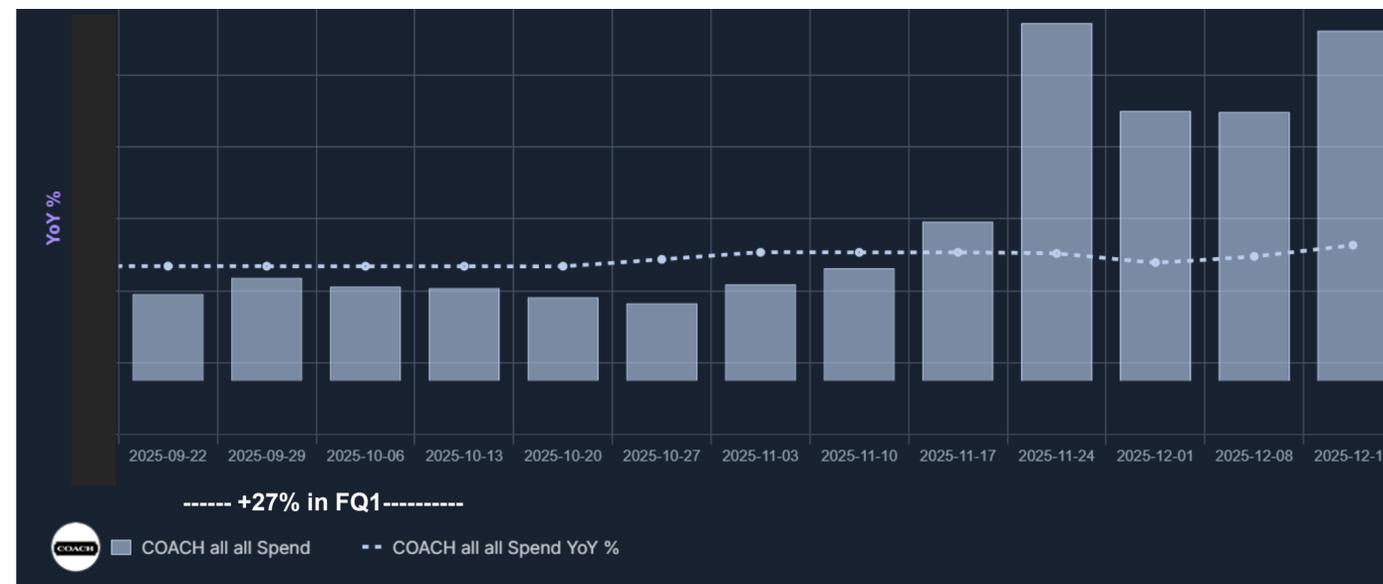
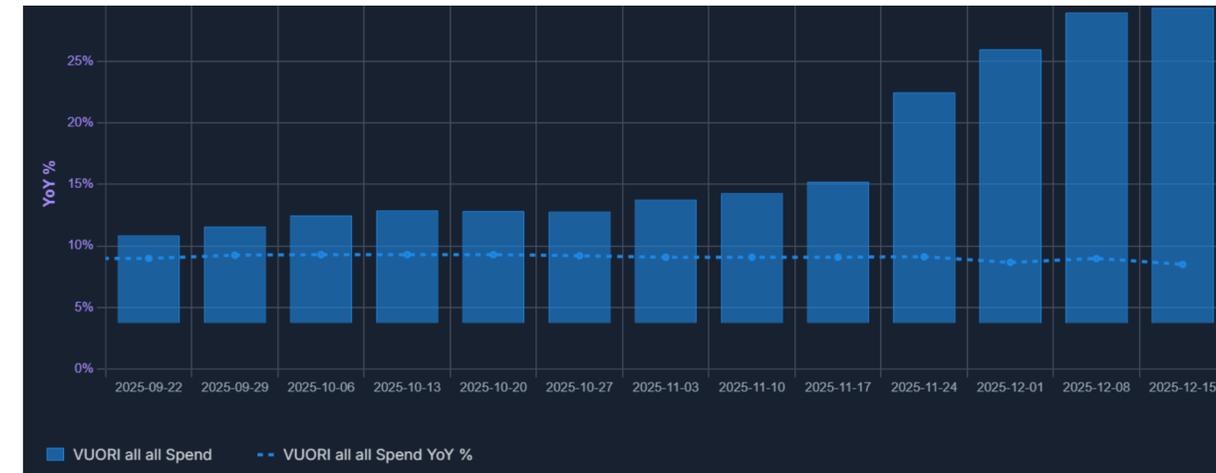
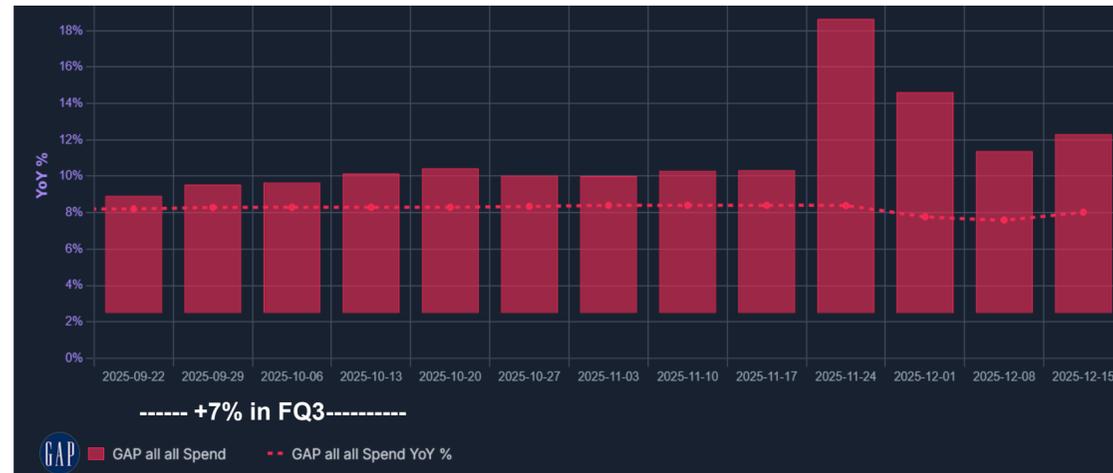
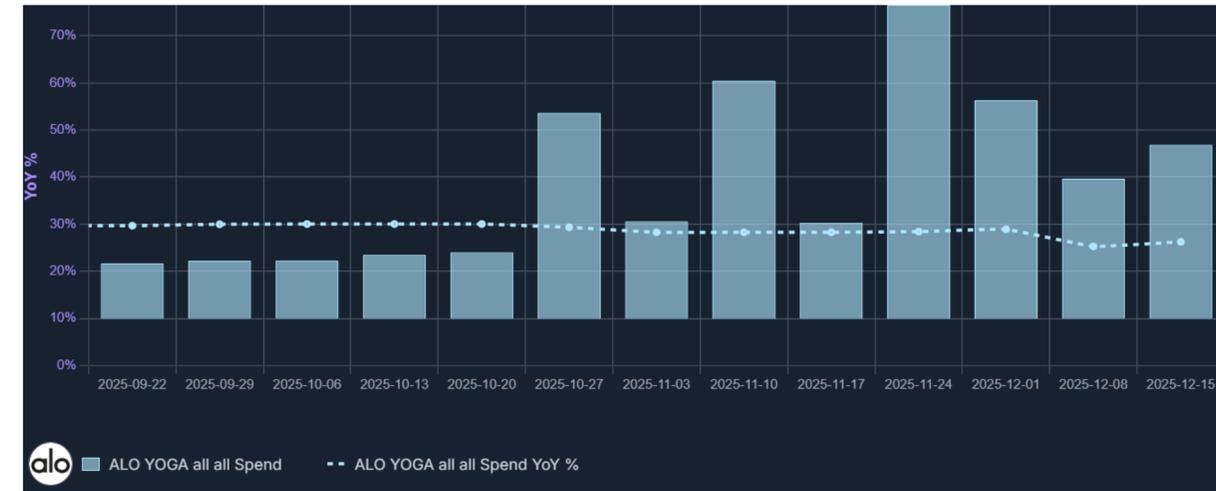
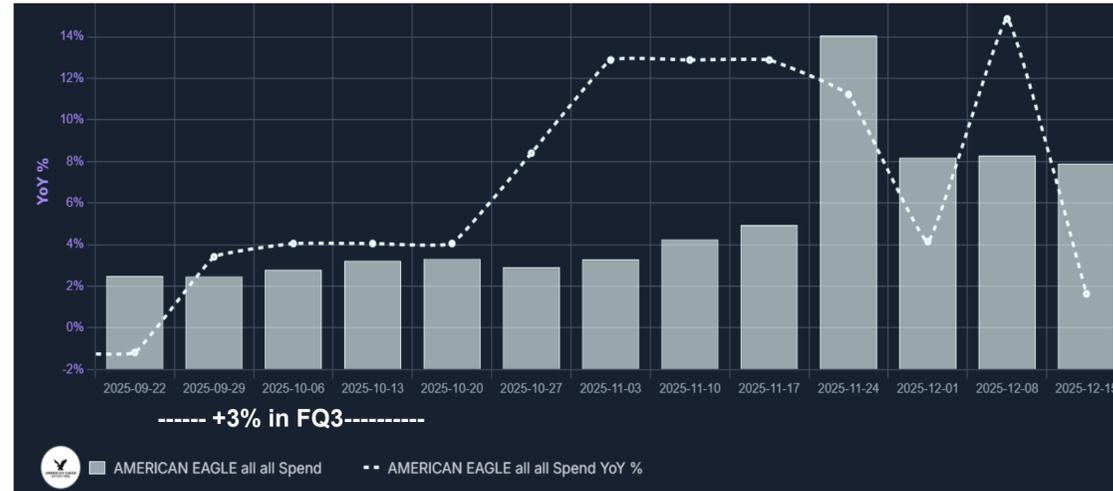
Amped Up Amazon



Why the SC / FC Acceleration?

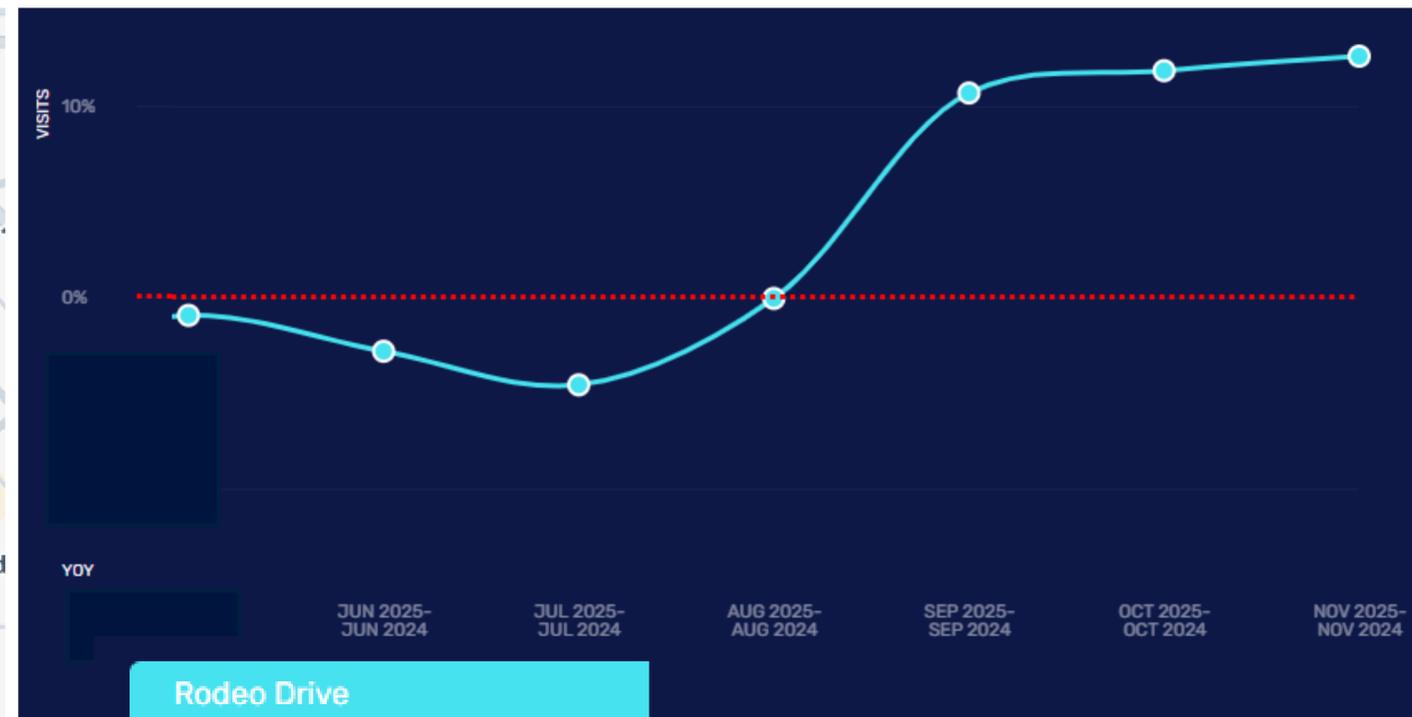
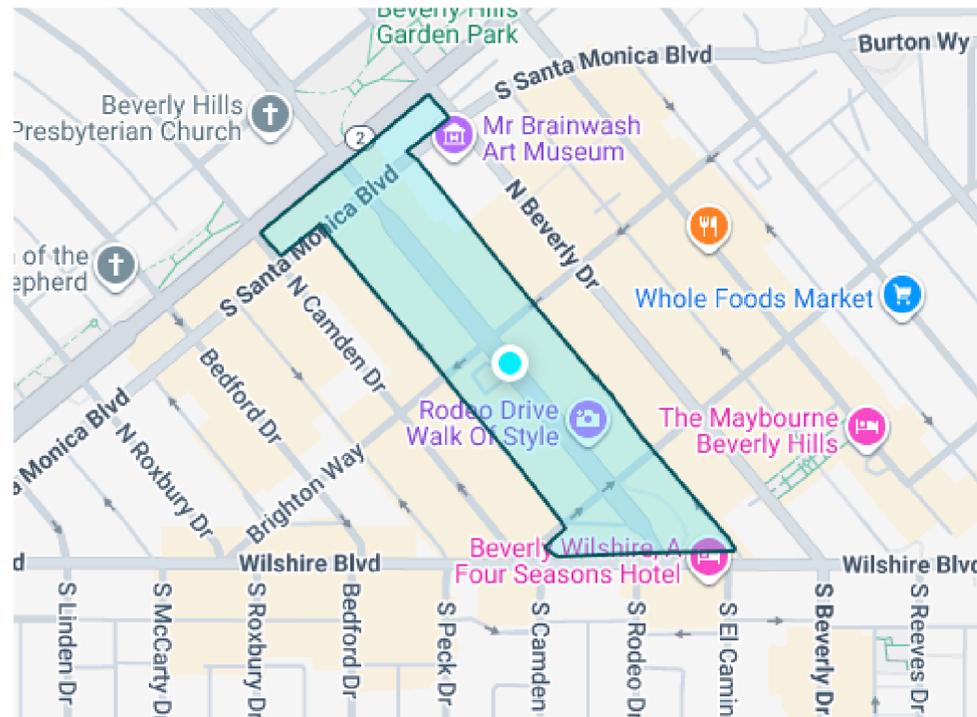
- Continued rapid market share capture in consumables. Observing a decline in average transaction size of ~1%.
- For the expansion into 2300+ cities, plus more SD / 1D markets, and faster service to rural markets, **perhaps there is** an initial labor investment ahead of driving for efficiencies. Fulfillment expenses de-levered in Q3 vs. leveraging in Q2, more of that could be in store for Q4.
- See Q3 management commentary as to why its pushing into consumables.
- Winning a lot of advertising revenue / slotting fees from brands (+\$3B YoY per quarter).
- Branded consumables are a high advertising spend / promo-\$ category. Advertising spend in branded packaged food is generally approx. 6% of net revenue and the gross- to net-revenue is around 20%. Combined, that's over 25%, i.e. lots of dollars for Amazon to sequester; Amazon needs big #s to move the needle.

Brands Wrap Up- Brands that were doing well in '25, continued to prosper this holiday season

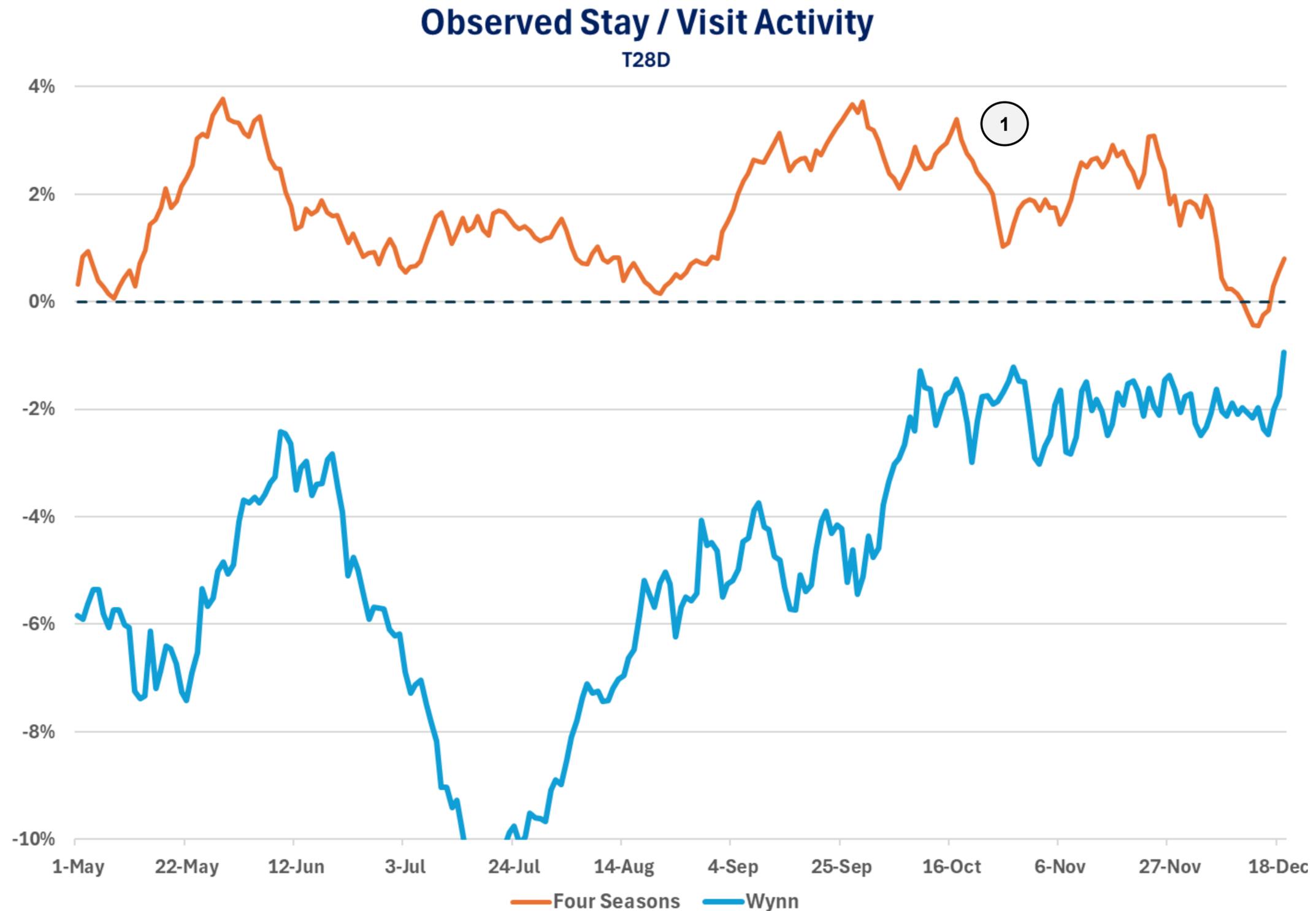


Aritzia as well!

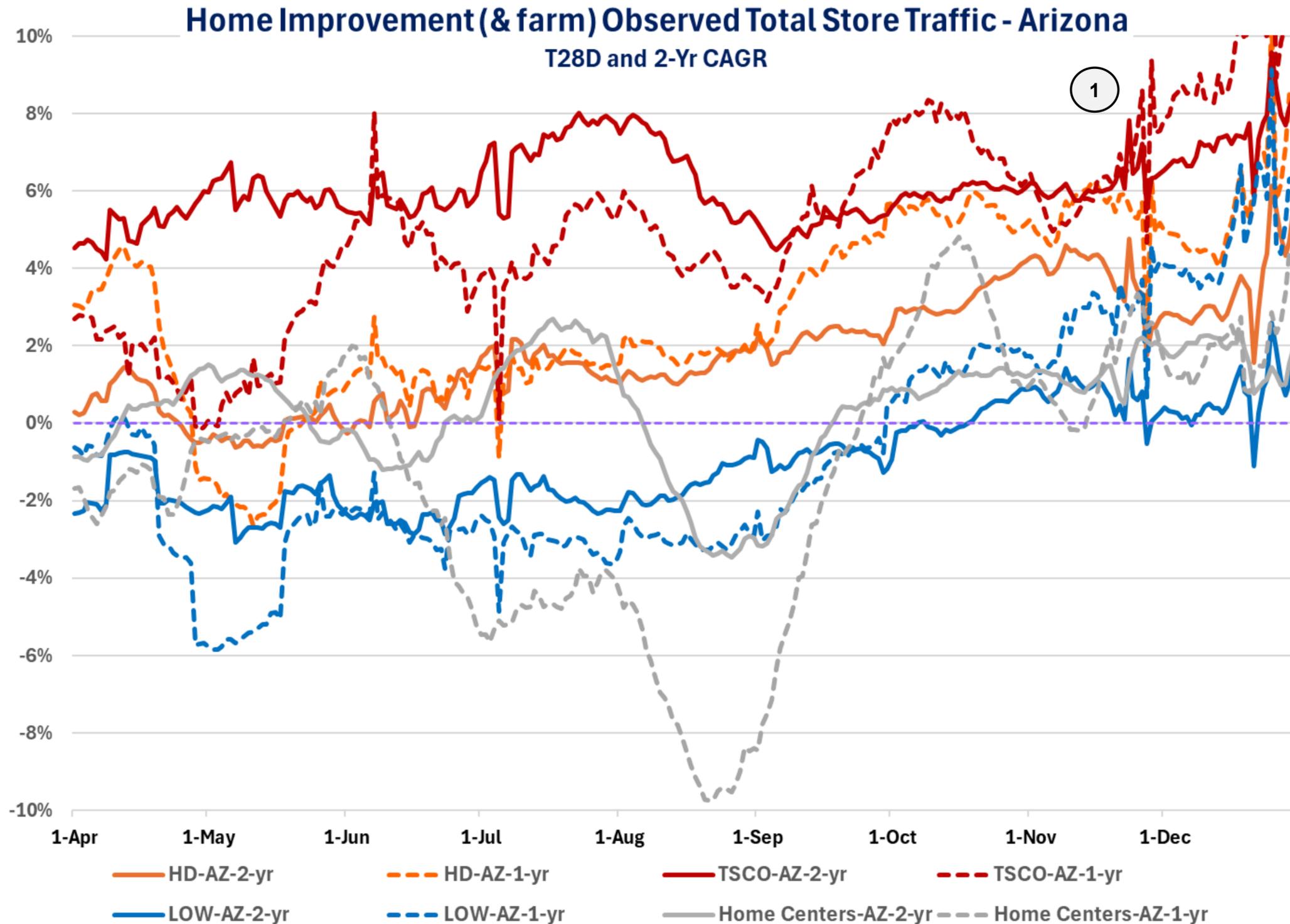
The High-End Accelerated Since August



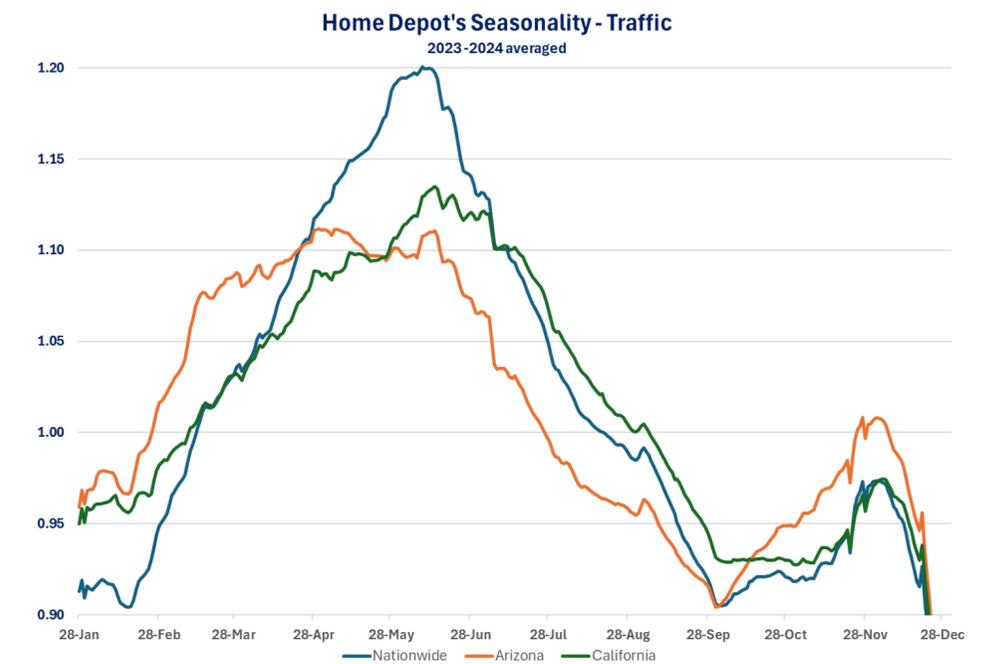
The High-End Accelerated Since August



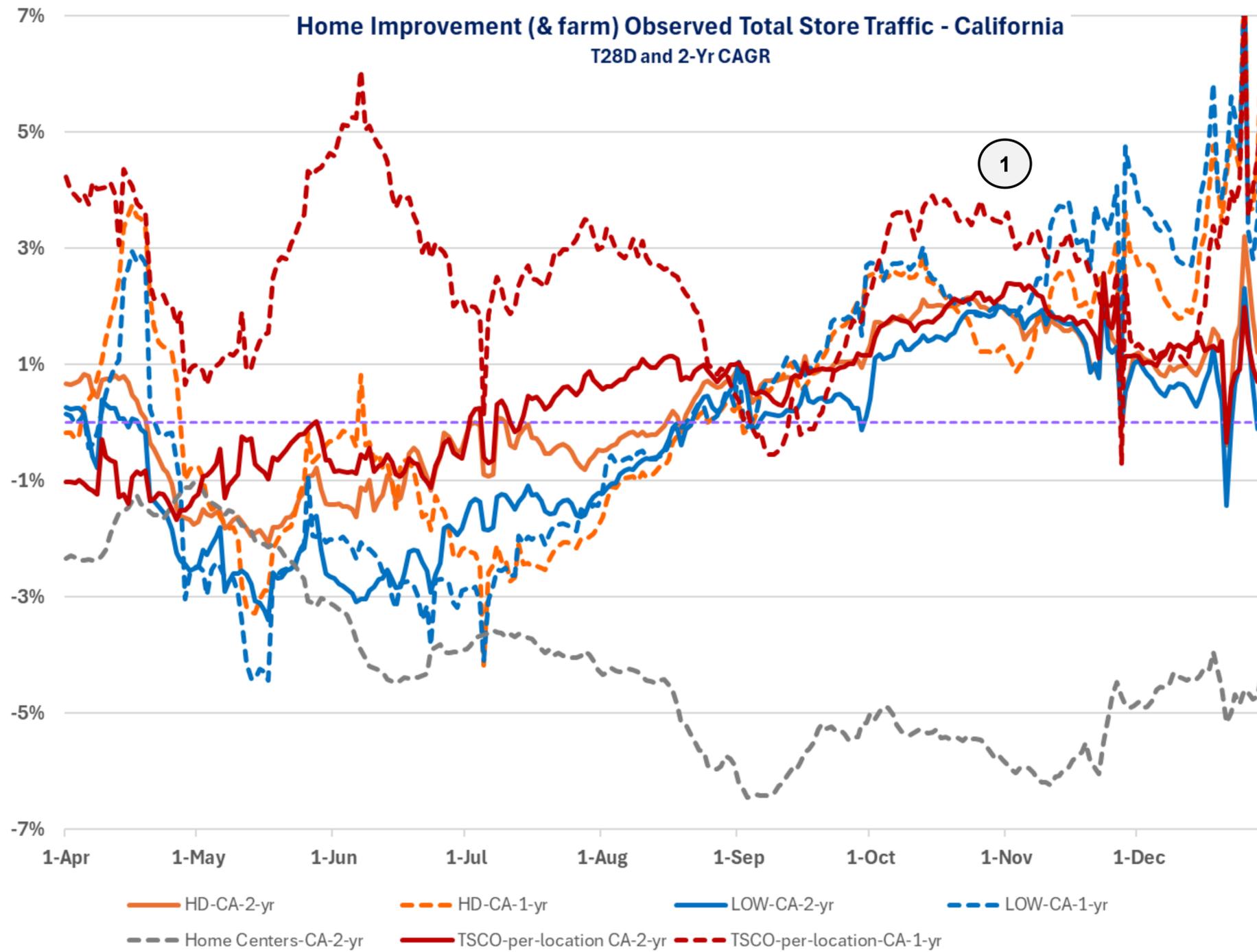
Q4 Traffic Improved for Home Improvement in AZ



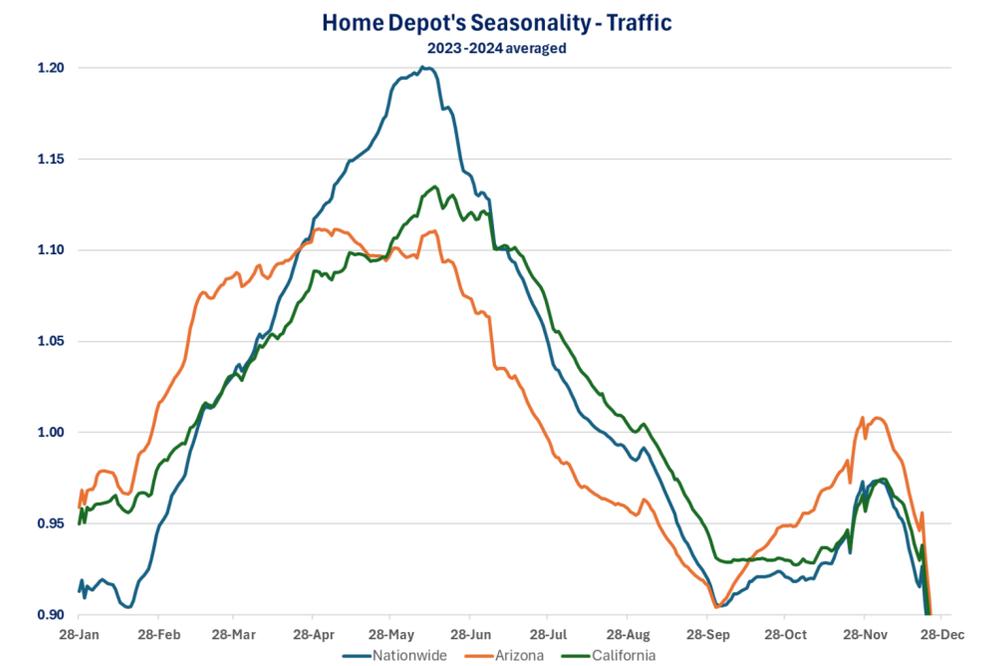
- AZ is a less seasonal market than the nation. Q4's traffic is broadly stronger QoQ.
- TSCO > HD > LOW > Industry
- Home Depot at 60 locations is 2X Lowe's. TSCO is 40
- Observed store foot traffic misses .com, job site delivery, and HD's large MRO businesses.



Q4 Traffic Improved for Home Improvement in CA



- TSCO figures are per-location averages
- Home Depot at 233 locations is 2X Lowe's (112). TSCO is 97 and rapidly expanding
- CQ4 > CQ3
- For Q4, LOW's 1-yr pace is 60bps above HD's
- TSCO, HD, and LOW all strongly outperforming the industry, suggesting lots of share transfer.



The K-Shaped Consumer Economy Extended in the 2H But It's Not Weird,

We're dealing with foggy comparisons



Thrifty K-Shaped Economy

1

General Merchandise Comp-Sales

a-la thrifty K-shaped economy

	fiscal 2023				fiscal 2024				2025		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Costco-US											
vs. last year	-2%	-2%	-3%	5%	7%	7%	13%	12%	12%	9%	7%
vs. 2019	57%	43%	38%	38%	68%	53%	56%	55%	88%	67%	67%
vs.											
Dollar General											
vs. last year	-6%	-8%	-6%	-11%	-7%	-7%	-4%	-2%	3%	3%	2%
vs. 2019	4%	2%	1%	0%	-3%	-5%	-3%	-2%	0%	-2%	-1%

2

Source: Company reported results, compiled by Advan Research, with COST aligned to DG's fiscal period

K-Shaped Economy – Widening Bifurcation

General Merchandise Comp-Sales

a-la thrifty K-shaped economy

	fiscal 2023				fiscal 2024				2025		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Costco-US											
vs. last year	-2%	-2%	-3%	5%	7%	7%	13%	12%	12%	9%	7%
vs. 2019	57%	43%	38%	38%	68%	53%	56%	55%	88%	67%	67%
vs. 2022	-2%	-2%	-3%	5%	5%	5%	10%	18%	17%	17%	23%
Dollar General											
vs. last year	-6%	-8%	-6%	-11%	-7%	-7%	-4%	-2%	3%	3%	2%
vs. 2019	4%	2%	1%	0%	-3%	-5%	-3%	-2%	0%	-2%	-1%
vs. 2022	-6%	-8%	-6%	-11%	-9%	-13%	-9%	-13%	-9%	-15%	-10%

Source: Company reported results, compiled by Advan Research, with COST aligned to DG's fiscal period

K-Shaped Economy – Widening, Comparisons at Play as Well

General Merchandise Comp-Sales

a-la thrifty K-shaped economy

	fiscal 2023				fiscal 2024				2025		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Costco-US											
vs. last year	-2%	-2%	-3%	5%	7%	7%	13%	12%	12%	9%	7%
vs. 2019	57%	43%	38%	38%	68%	53%	56%	55%	88%	67%	67%
vs. 2022	-2%	-2%	-3%	5%	5%	5%	10%	18%	17%	17%	23%
Dollar General											
vs. last year	-6%	-8%	-6%	-11%	-7%	-7%	-4%	-2%	3%	3%	2%
vs. 2019	4%	2%	1%	0%	-3%	-5%	-3%	-2%	0%	-2%	-1%
vs. 2022	-6%	-8%	-6%	-11%	-9%	-13%	-9%	-13%	-9%	-15%	-10%

1

Source: Company reported results, compiled by Advan Research, with COST aligned to DG's fiscal period

The K-Shape vs. 2019

Furniture Total Consumer Expenditures by Quintiles of Income

\$-millions

	<u>2019</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	hypothetical YoY %
Bottom-20	\$5,173	\$9,461	\$5,581	\$6,114	\$7,468	\$7,319	-2.0%
2nd-20	\$7,742	\$10,745	\$12,155	\$10,002	\$10,073	\$9,922	-1.5%
3rd-20	\$10,268	\$14,839	\$12,677	\$13,312	\$12,454	\$12,579	1.0%
4th-20	\$16,735	\$20,541	\$19,254	\$18,901	\$21,617	\$22,049	2.0%
Top-20	<u>\$28,980</u>	<u>\$40,013</u>	<u>\$50,382</u>	<u>\$34,914</u>	<u>\$36,392</u>	<u>\$39,303</u>	8.0%
Total	\$68,898	\$95,599	\$100,049	\$83,243	\$88,004	\$91,172	3.6%
Top-40	66.4%	63.3%	69.6%	64.6%	65.9%	67.3%	

guesstimates

The 2025 growth rates (ttl) match BEA PCE Q3 print

Slightly above '19's level but strongly weighted to the top – 40%

Footwear, Apparel, Jewelry, & Watches Total Consumer Expenditures by Quintiles of Income

\$-millions

	<u>2019</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	hypothetical YoY %
Bottom-20	\$21,588	\$25,116	\$24,233	\$25,149	\$30,375	\$30,208	-0.6%
2nd-20	\$32,883	\$32,132	\$32,590	\$33,594	\$35,963	\$36,682	2.0%
3rd-20	\$40,447	\$41,054	\$43,020	\$44,139	\$44,446	\$46,224	4.0%
4th-20	\$59,289	\$47,304	\$60,812	\$66,911	\$55,066	\$60,573	10.0%
Top-20	<u>\$94,485</u>	<u>\$88,346</u>	<u>\$96,943</u>	<u>\$104,666</u>	<u>\$105,008</u>	<u>\$115,509</u>	10.0%
Total	\$248,692	\$233,952	\$257,598	\$274,459	\$270,858	\$289,195	6.8%
Top-40	61.8%	58.0%	61.2%	62.5%	59.1%	60.9%	

Not back to '19's level. GLP-1s driving a super-cycle in apparel

Food at Home Total Consumer Expenditures by Quintiles of Income

\$-millions

	<u>2019</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	hypothetical YoY %	2023 HHI After tax
Bottom-20	\$73,597	\$93,839	\$97,056	\$99,484	\$103,848	\$105,132	1.2%	\$16,178
2nd-20	\$96,934	\$107,047	\$115,495	\$126,050	\$134,088	\$137,440	2.5%	\$40,621
3rd-20	\$116,750	\$126,778	\$147,997	\$154,774	\$157,580	\$163,253	3.6%	\$66,606
4th-20	\$137,327	\$156,381	\$174,800	\$186,127	\$193,742	\$201,104	3.8%	\$104,559
Top-20	<u>\$188,488</u>	<u>\$217,041</u>	<u>\$228,894</u>	<u>\$247,604</u>	<u>\$252,999</u>	<u>\$265,649</u>	5.0%	\$211,042
Total	\$613,096	\$701,086	\$764,242	\$814,039	\$842,257	\$872,578	3.6%	
Top-40	53.1%	53.3%	52.8%	53.3%	53.0%	53.5%		

Category feels the burn of the bottom 60%, back to '19

The Census Bureau selects a sample of approximately 18,000 addresses per year from the master address file (MAF) and group quarters frames to participate in the Diary Survey. Usable diaries (two 1-week diaries per household) are obtained from approximately 6,700 households at those addresses. The Interview Survey is a rotating panel survey in which approximately 13,000 addresses are contacted each calendar quarter of the year for the survey. One-fourth of the addresses that are contacted each quarter are new to the survey.

Source: BLS Consumer Expenditures Survey ('21-'24), 2025 - BEA and Advan hypotheticals

The K-Shape vs. 2019

Away from Home Total Consumer Expenditures by Quintiles of Income

\$-millions

	<u>2019</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	hypothetical YoY %
Bottom-20	\$42,475	\$35,976	\$39,294	\$42,153	\$44,748	\$43,693	-2.4%
2nd-20	\$57,733	\$47,811	\$59,726	\$65,210	\$66,303	\$65,308	-1.5%
3rd-20	\$81,472	\$69,662	\$81,117	\$87,007	\$88,680	\$91,340	3.0%
4th-20	\$102,533	\$94,367	\$114,526	\$124,657	\$126,757	\$136,898	8.0%
Top-20	\$181,441	\$156,275	\$193,050	\$209,895	\$207,597	\$228,357	10.0%
Total	\$465,654	\$404,091	\$487,713	\$528,922	\$534,085	\$565,596	5.9%
Top-40	61.0%	62.0%	63.1%	63.3%	62.6%	64.6%	

Source: BLS Consumer Expenditures Survey ('21-'24), 2025 - BEA and Advan hypotheticals

1

Total category less impacted by the bottom 60%, more than in '19

Away from Home Expenditures by Quintiles of Income

\$-millions

Quintile	Limited Service <u>2019</u>	Full Service <u>2019</u>
Bottom-20	\$8,065	\$5,721
2nd-20	\$9,034	\$7,320
3rd-20	\$13,185	\$8,430
4th-20	\$14,577	\$12,506
Top-20	\$20,410	\$20,700
Total	\$65,271	\$54,677
Top-40	53.6%	60.7%

Source: BLS Consumer Expenditures Survey - 2025 release

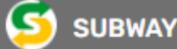
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Category less impacted by the bottom 60%

Category more impacted by the bottom 60%

Brands Generally Have Broad Exposure to All Incomes Levels

- *i.e. everyone is experiencing some hit to traffic*

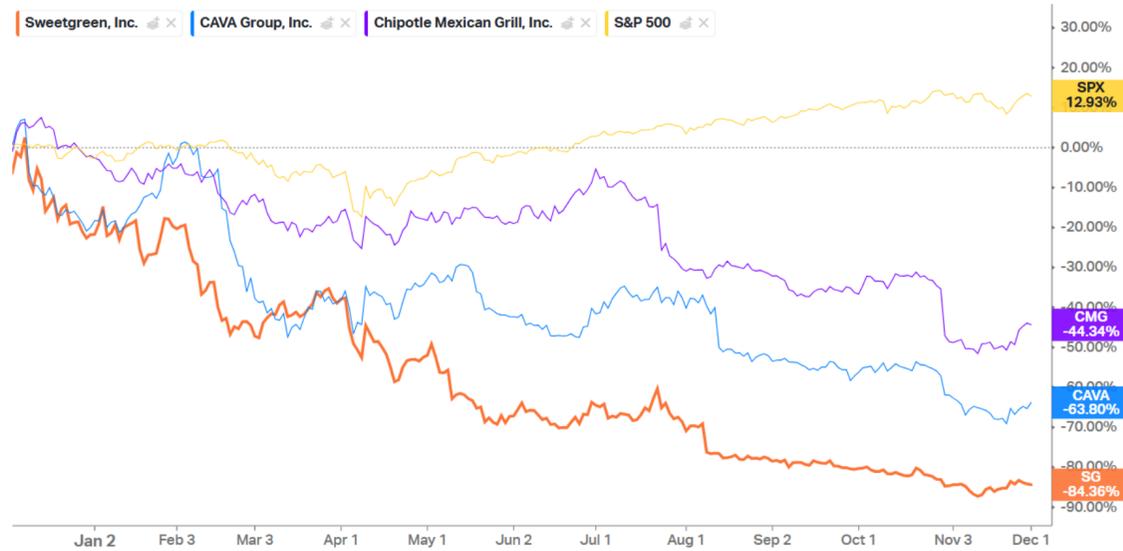
	 SUBWAY	 McDonald's US	 Olive Garden	 Outback Steakhouse	 Ruth's Chris Steak House
Household Income					
<\$15K	6.9%	6.9%	6%	5.9%	5.7%
\$15K-\$35K	12%	11.9%	10.7%	10.4%	8.7%
\$35K-\$50K	9.7%	9.6%	9%	8.9%	7.4%
\$50K-\$75K	15.6%	15.6%	15.4%	15.1%	12.8%
\$75K-\$100K	13.1%	13.1%	13.3%	13%	11.7%
\$100K-\$125K	10.8%	10.7%	11.1%	11%	10.4%
\$125K-\$150K	8%	8%	8.4%	8.4%	8.4%
\$150K+	24%	24.2%	26.1%	27.4%	35.1%

The Thrifty K-Shape

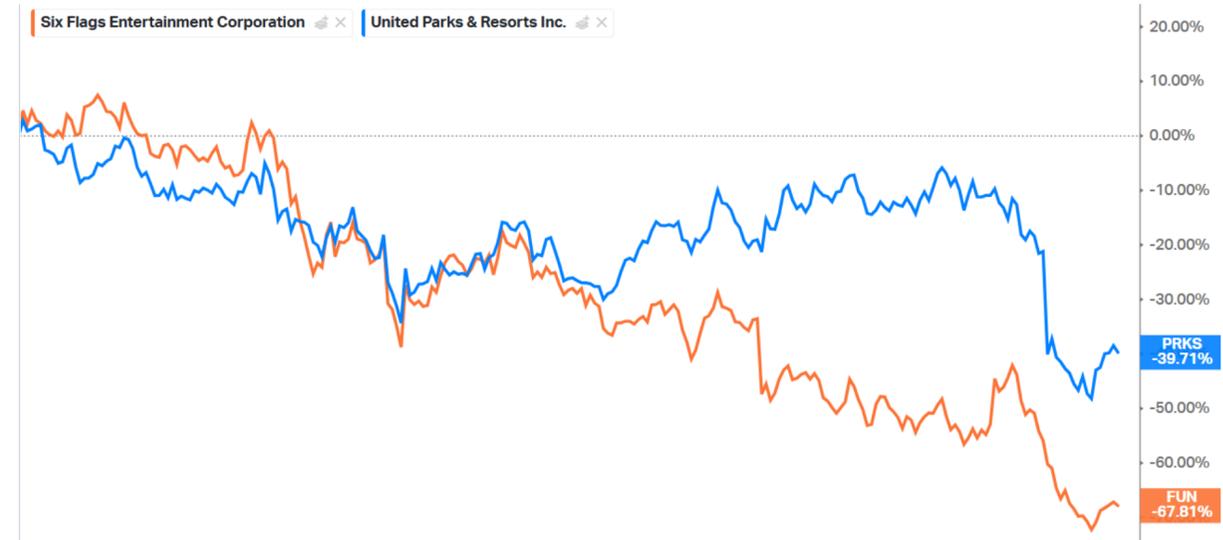


K-Shaped Demand Now Fostering Corporate Margin Squeeze

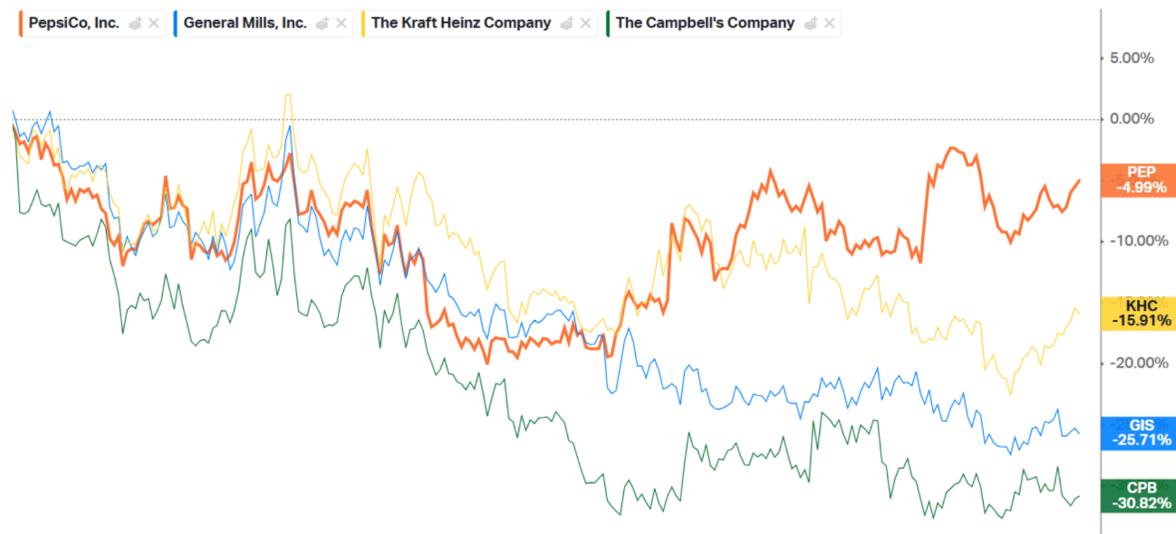
- ✓ Limited-service / fast food – low-to-mid-single digit supplies and labor inflation and little to no additional pricing power



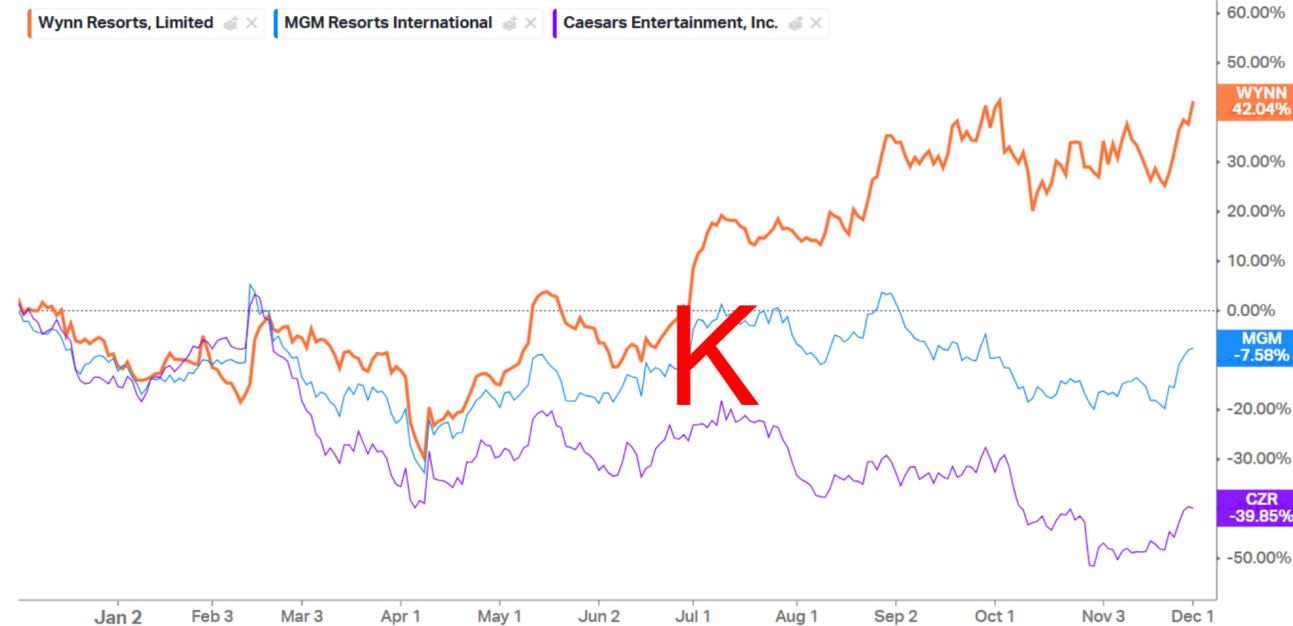
- ✓ Destination theme parks – too much pricing, losing share to new competition (EPIC Universe) and cruise



- ✓ National brand packaged food – no pricing power, lost share-of-stomach to private brands, + B4U and GLP-1s

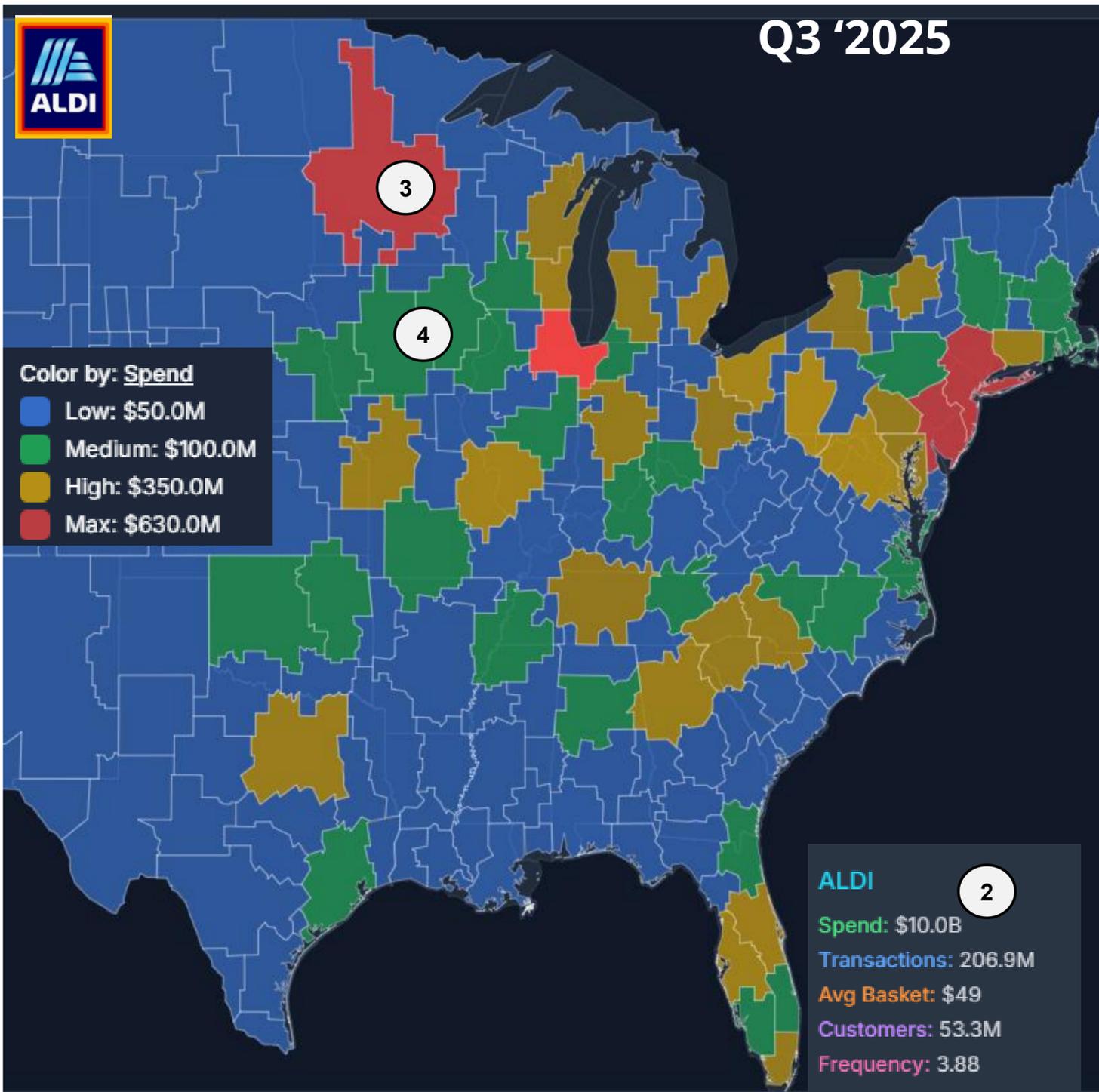
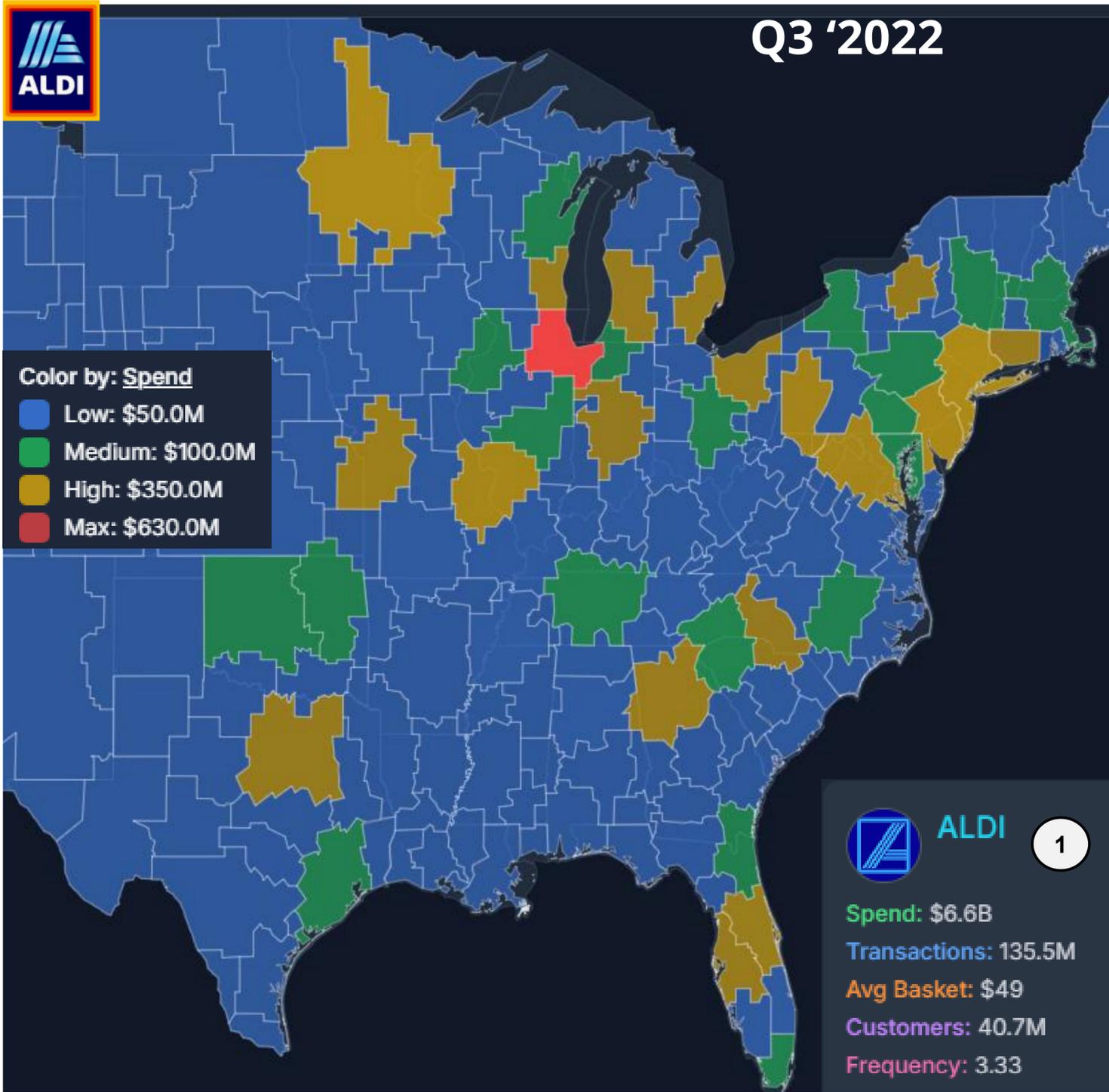


- ✓ Vegas– too much pricing (\$200/day pool-side chairs and \$30 cocktails), ramping advertising and deals to rebuild volume



Food-at-Home has been driven by private label and those retailers that excel at it

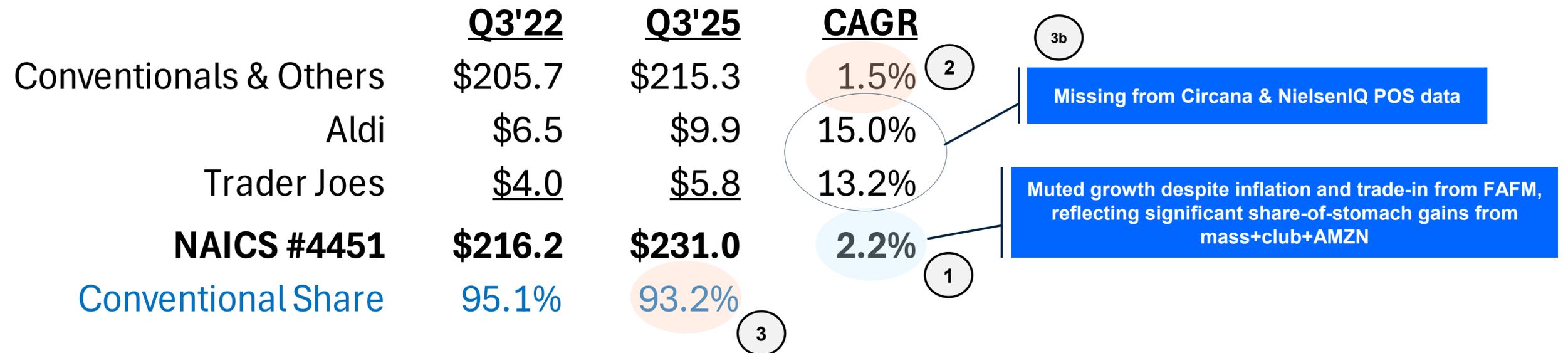
➤ Spend increased +37%, unit growth +15%, comp growth +23%, and a frequency-of-visit increase of +12% (per Advan)



One of Advan Research's Focus Themes:

Food-at-Home has been driven by private label and those retailers that excel at it

➤ Food-at-home is particularly exposed because it's an every-day / week expense, i.e. highly visible and prices are upsetting to people



Source: Census Bureau MRTS and Advan Spendview™

Food at Home

Per Consumer Expenditures by Income Q

	<u>2023</u>	2023 HHI <u>After tax</u>	<u>Ratio</u>
Bottom-20	\$3,707	\$16,178	23%
2nd-20	\$4,680	\$40,621	12%
3rd-20	\$5,756	\$66,606	9%
4th-20	\$6,917	\$104,559	7%
Top-20	<u>\$9,198</u>	\$211,042	4%

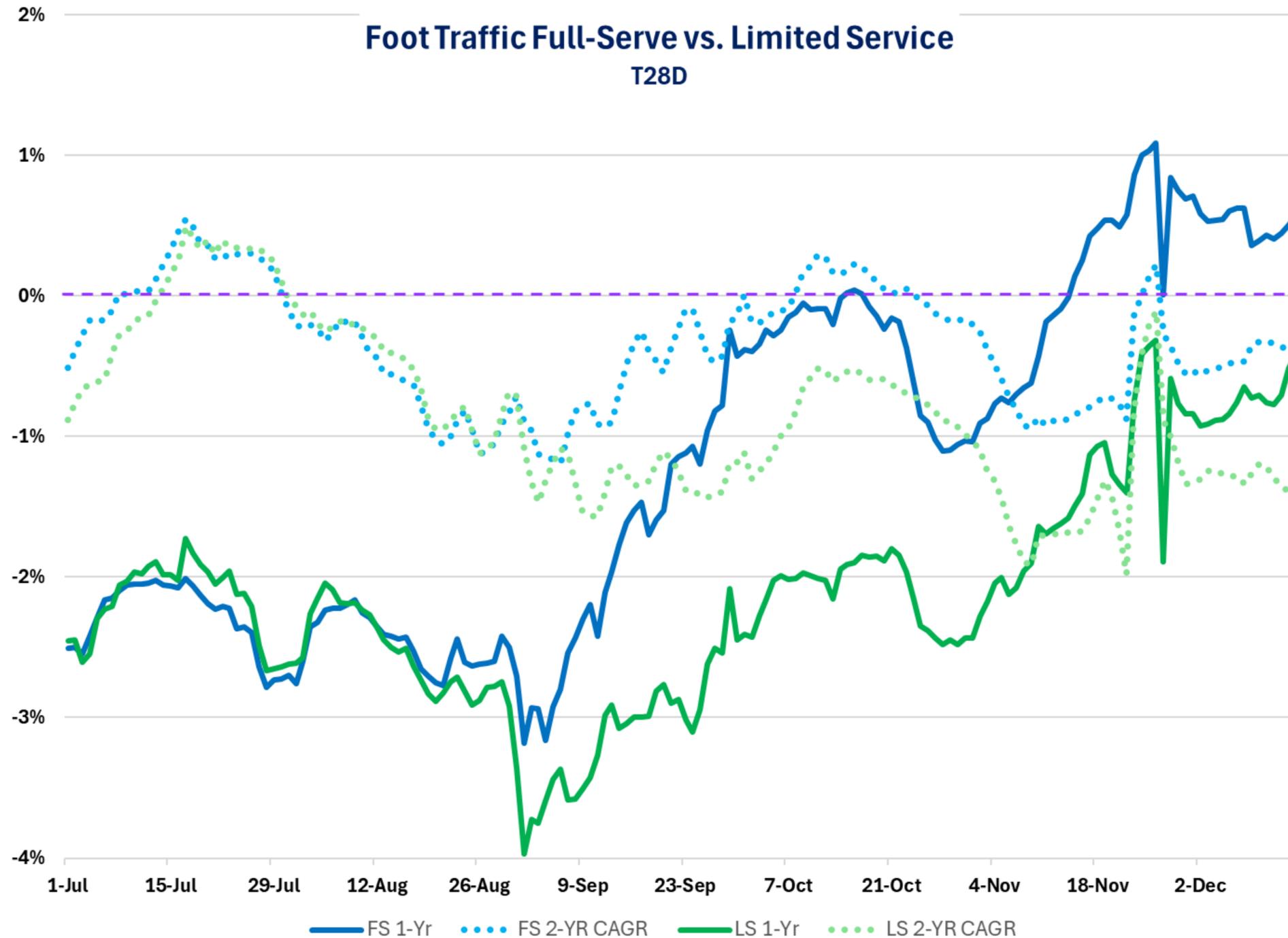
4: (Ratio 23%)

Source: BLS Consumer Expenditures Survey , 2025

However, nuance offers opportunity

Full-Service Outperformance Continues, QoQ better

- Limited-service is more impacted than full-service because it acts as a home meal replacement + competition from C&G



Independents Outperforming

Independents Outperforming National Chains

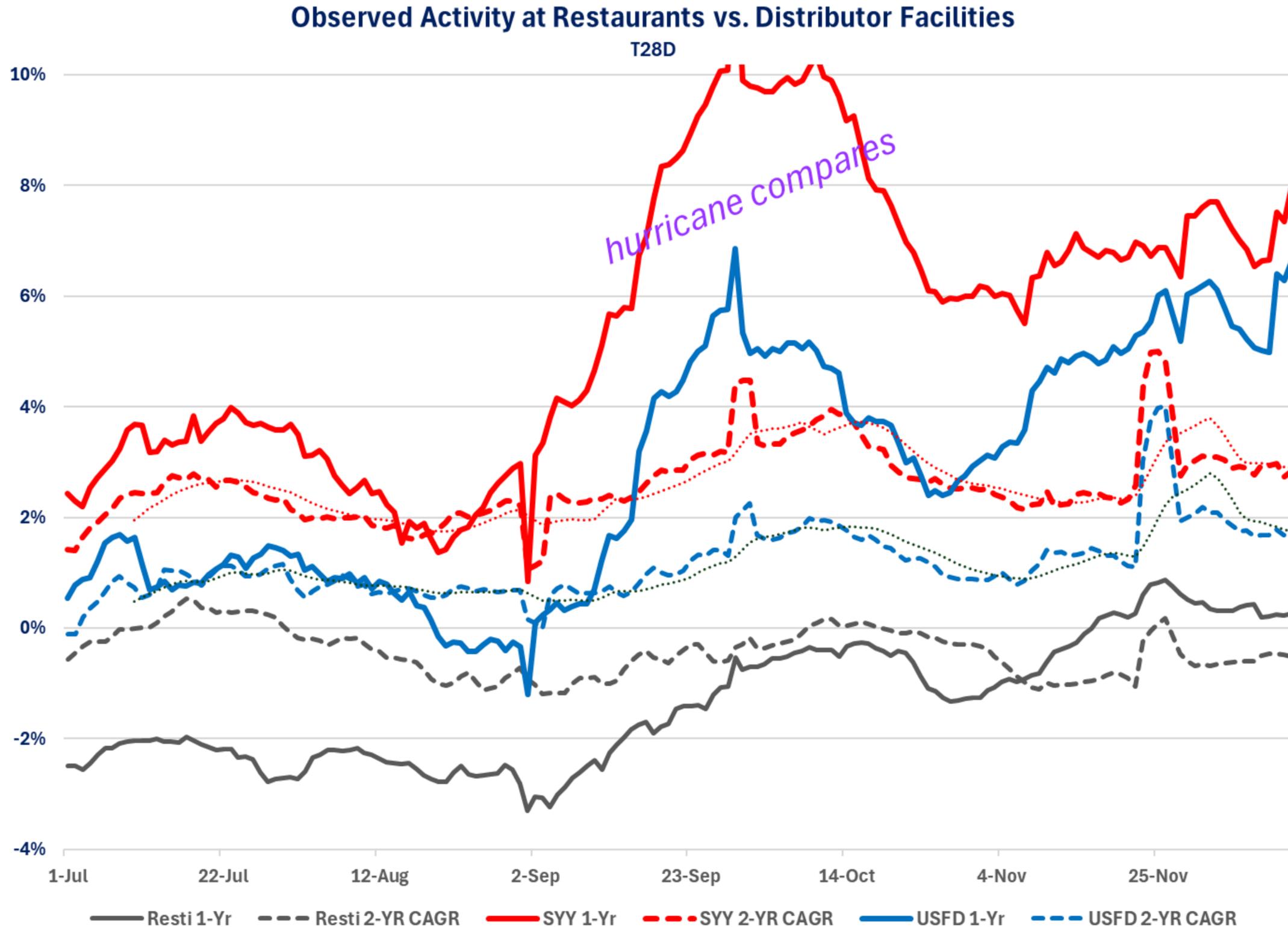
Limited Service Traffic Growth

by aggregator

	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>
Advan NAICS #772513	-2.1%	-1.6%	-2.0%
Black Box LSR Traffic	-1.5%	-2.2%	-3.8%

Limited-service (#772513) is 47K regional and independents in the US
Advan periods are calendar based and not retail periods

Suppliers stronger QoQ on a 1-yr and 2-yr basis

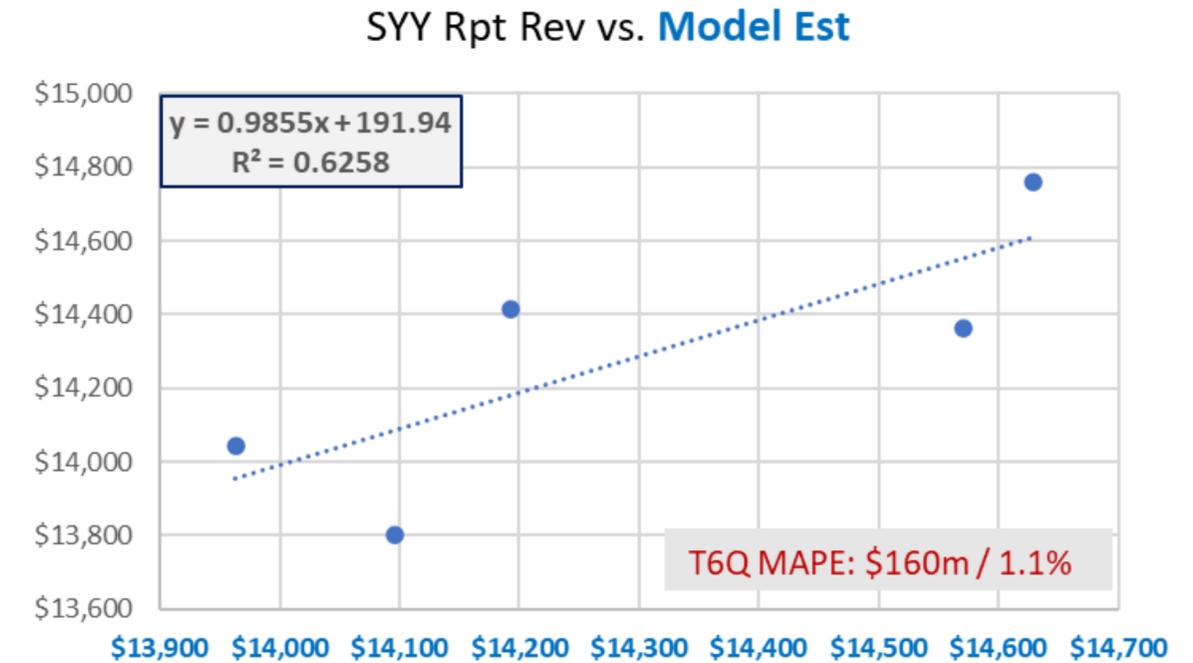


Suppliers – higher revenue estimates than consensus

US Foodservice only

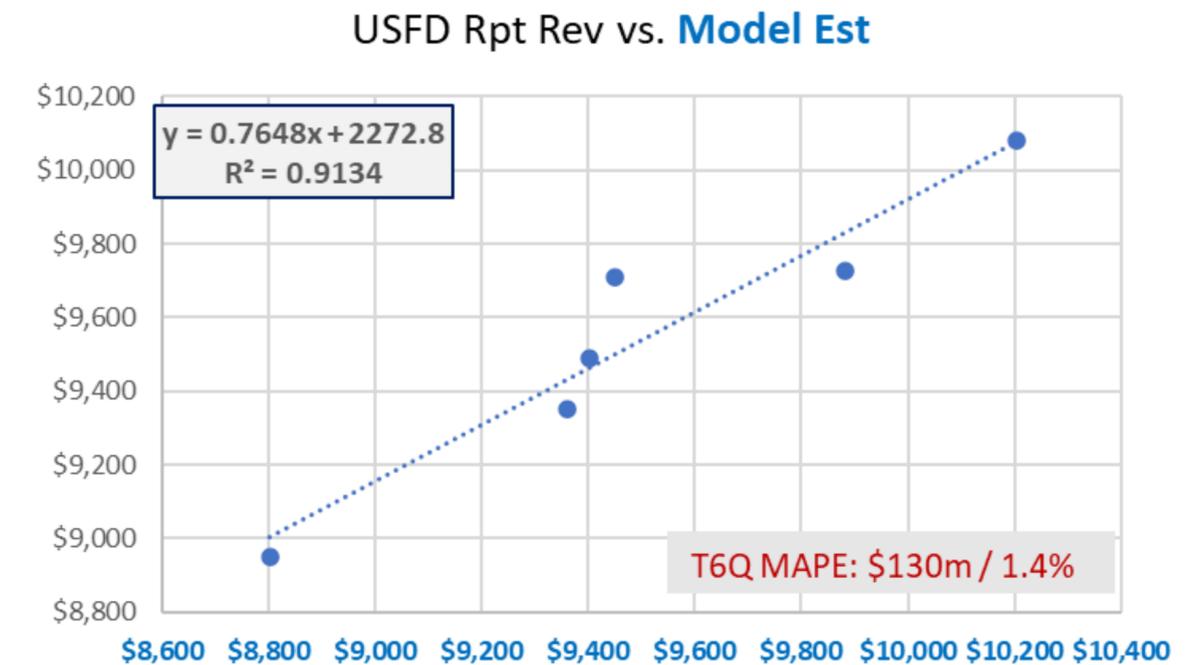
Monetary values in B USD.

SY Y		2Q25	1Q25	4Q24	3Q24	2Q24
Q425						
Cons / Actual		14.76	13.80	14.04	14.36	14.41
IDEA	14.93	14.63	14.10	13.96	14.57	14.19



Monetary values in B USD.

USFD		3Q25	2Q25	1Q25	4Q24	3Q24	2Q24
Q425							
Cons / Actual	9.94	10.19	10.08	9.351	9.491	9.728	9.709
IDEA	10.00	10.24	10.20	9.389	9.403	9.821	9.471



QSR's Q4- traffic slightly better, ticket worse

	Advan Traffic (per venue)								Advan Check					Advan Combined					Reported Comp -Sales			2025 2-Yr Comp CAGR				
	Oct	Nov	Dec*	Q2	Q3	QoQ	Q4*	QoQ	Q2	Q3	QoQ	Q4*	QoQ	Q2	Q3	QoQ	Q4*	QoQ	Q2	Q3	QoQ	Q2	Q3	QoQ	Q4*	QoQ
DPZ	1.7%	-0.1%	1.5%	1.8%	1.2%	-60 bps	1.0%	-17 bps	1.6%	2.3%	70 bps			3.4%	3.5%	10 bps			2.6%	5.2%	260 bps	3.7%	4.1%	40 bps		
MCD	0.7%	1.3%	2.4%	1.2%	0.3%	-90 bps	1.5%	117 bps	2.0%	2.8%	75 bps	3.0%	25 bps	3.2%	3.1%	-15 bps	4.5%	142 bps	2.5%	2.4%	-10 bps	0.9%	1.3%	46 bps	3.0%	166 bps
Burger King	-0.7%	0.3%	0.0%	-1.1%	-0.2%	90 bps	-0.1%	07 bps	3.3%	3.0%	-30 bps	2.3%	-70 bps	2.2%	2.8%	60 bps	2.2%	-63 bps	1.5%	3.1%	160 bps	0.7%	1.2%	49 bps	0.6%	-55 bps
Taco Bell	0.4%	0.8%	1.6%	0.5%	0.4%	-10 bps	0.9%	53 bps	3.0%	4.1%	110 bps	3.6%	-50 bps	3.5%	4.5%	100 bps	4.5%	03 bps	4%	7%	300 bps	4.5%	5.5%	99 bps	9.8%	427 bps
CMG	-4.6%	-5.8%	-4.0%	-5.6%	-4.0%	160 bps	-4.8%	-80 bps	1.1%	1.2%	10 bps	-2.2%	-340 bps	-4.5%	-2.8%	170 bps	-7.0%	-420 bps	-4.0%	-0.3%	370 bps	3.3%	2.8%	-47 bps	-2.0%	-478 bps
Simple Avg	-0.5%	-0.7%	0.3%	-1.8%	-1.6%	15 bps		13 bps			48 bps		-109 bps	0.1%	0.7%	63 bps	0.8%	70 bps	1.2%	3.5%	216 bps	2.4%	2.6%	19 bps		15 bps
NAICS 722513 - Advan	-1.6%	-2.0%	0.0%	-2.2%	-2.6%	-40 bps	-1.2%	140 bps																		
Black Box LS Traffic	-2.2%	-3.8%																								
Census MRTS	5.0%																									
CPI - Limited Service																										

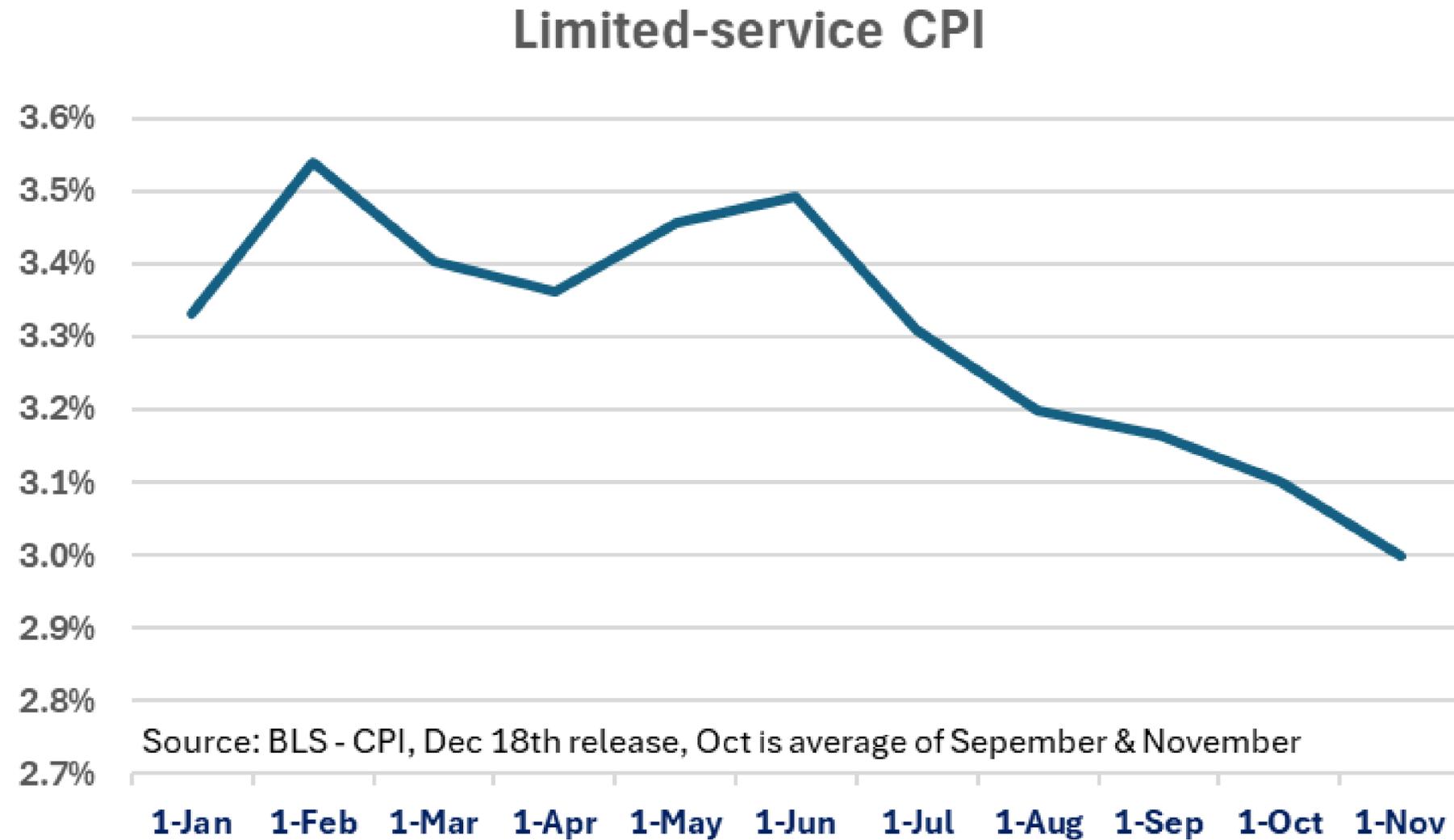
* through Dec 17th, 2025

722513 is 47K regional and M&P limited service venues

All data is Advan Research + company reported results, Census, or BLS

- Q3 results did not sequentially deteriorate. Traffic was consistent, check was stronger.
- Consistent also applied to the 2-year CAGR, and that looks to be the case for Q4 as well
- December traffic is running stronger than Oct + November
- Q4 QTR foot traffic has sequentially improved.
- Average check looks to have eased due to lower-price menu times, LTOs, loyalty offers, etc. CMG's is interesting. DPZ's is complex.

Pricing Slowing



Other Macro Factors: + trade down - trade out by GLP-1 users & Hispanics

Changes in visitation by consumer cohort – Spatial.AI segmentation, 80 cohorts in total, averaging size 1.75%

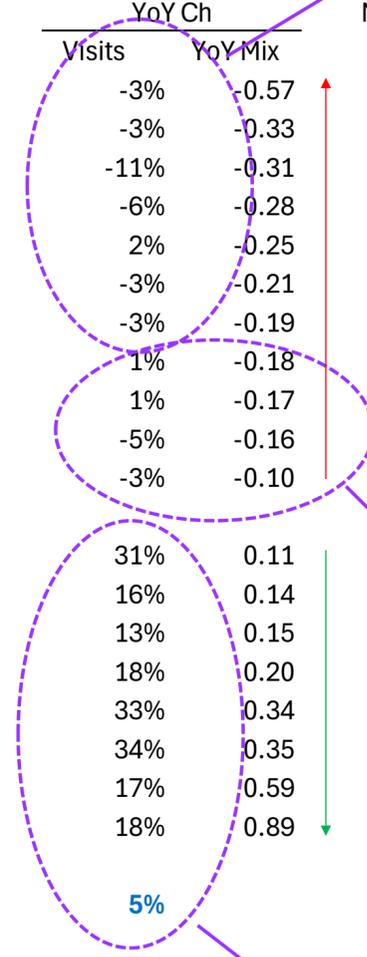
McDonald's in Dallas

Family	Segment	Q3'24		Q3'25		YoY Ch		Med HHI thousands	Home Owner	College Degree	Description
		Rank	% of Visits	Rank	% of Visits	Visits	YoY Mix				
Blue Collar Suburbs	#LatinEngines	2	7.48	3	6.91	-3%	-0.57	\$86	107	49	Working-class Hispanic and Black households with low-priced homes and lots of kids. Thei
Lower Hispanic Families	#ReggaetonRoads	7	4.19	7	3.86	-3%	-0.33	\$48	57	26	Diverse, often Latino, renters in near-suburbs working blue-collar and service jobs making
Near-Urban Diverse Families	#VivaLaVogue	17	2	20	1.69	-11%	-0.31	\$93	107	79	Fashionable blue-collar Hispanic families in affordable urban neighborhoods. They follow I
Lower Hispanic Families	#CaballerosUrbanos	11	2.66	12	2.38	-6%	-0.28	\$52	56	17	Younger, Hispanic households in near-urban areas supported by farming jobs at a rate of 1
Wealthy Suburban Families	#FusianFamilies	1	7.86	2	7.61	2%	-0.25	\$163	128	137	Family-centered, suburban high-income households who still visit the mall. A diverse Asiar
Lower Hispanic Families	#DazzledDesperados	10	2.67	11	2.46	-3%	-0.21	\$44	80	28	Low-income Hispanic households in lively social areas who, despite low earnings, take fas
Lower Hispanic Families	#AspiringHispanics	13	2.42	14	2.23	-3%	-0.19	\$65	111	25	Small town Hispanics in blue-collar, farm, and service jobs with 5+ person households and
Ultra Wealthy Families	#SuburbChic	5	4.77	5	4.59	1%	-0.18	\$206	145	203	Wealthy family-focused households straddling the suburban/rural line. Their retail patterns
Wealthy Suburban Families	#BabiesBurbs&Blessings	6	4.6	6	4.43	1%	-0.17	\$144	131	110	Younger, upper-middle-class suburban families that take parenting and faith seriously. Kid
Upper Suburban Diverse Familie	#FrugalFashionistas	20	1.69	26	1.53	-5%	-0.16	\$112	119	120	Active, educated, and diverse couples and singles in near suburbs. They work professional
Ultra Wealthy Families	#MidasMight	28	1.38	30	1.28	-3%	-0.10	\$299	148	247	Extremely wealthy families living in large estate homes. Frequently working in finance or bu
Young Professionals	#College	41	0.45	37	0.56	31%	0.11	\$31	13	154	Student renters making to little to no income at school. This segment loves college football,
Educated Urbanites	#SiliconNation	27	1.39	25	1.53	16%	0.14	\$138	88	157	Well educated and affluent engineers, doctors, businessmen, etc. who are primarily Asian
Young Professionals	#YoungStars	16	2.05	15	2.2	13%	0.15	\$112	82	171	Early-career, high-income young professionals renting near city centers or in nice, denser :
Blue Collar Suburbs	#Military	21	1.65	17	1.85	18%	0.20	\$84	3	92	Families and singles living on military bases. These patriots live in barracks and military far
Young Professionals	#RisingProfessionals	30	1.26	23	1.6	33%	0.34	\$91	38	197	Well-educated college graduates renting in the trendiest parts of town. Huge podcast lister
Educated Urbanites	#Urbanists	29	1.28	21	1.63	34%	0.35	\$116	33	206	Young, White, well-off renters living in gentried neighborhoods of first-tier cities. Readers o
Young Professionals	#RaisingTheBar	4	5.27	4	5.86	17%	0.59	\$82	45	134	Primarily young, well-educated renters raising the waterline in diverse, mixed-income area
Young Urban Singles	#Adulting	3	7.12	1	8.01	18%	0.89	\$59	9	89	Single, diverse renters working service jobs and transitioning to independent lives. Althoug

Average

Other large metros show a similar pattern. Changes in customer mix are best revealed by looking at local markets, whereas national measures result in too much averaging and one often loses the nuance / signal

Impact of immigration / other policy 3



Trade down / in 1

GLP-1s 2

Morgan Stanley & Co. LLC Brian Harbour

Our View 1a

We don't think the better brands are going to be structurally challenged, and we still think fast casual is a favorable growth segment. We think consumer trends still favor fast casual over QSR and price gaps to fast food have in many cases compressed. We think the current issues are cyclical and emblematic of trade down among lower/middle income customers in a choppy economy; this could start to ease through 2026. That said, there will be some who will benefit and some who will not in this space, and shake out has already been ongoing for several years, a fact some gloss over when thinking about fast casual monolithically. OW-rated CMG is a good way to play fast casual recovery, in our view, as is WING.

GLP-1s on Retail

Morgan Stanley | RESEARCH

December 17, 2025 07:53 AM GMT

Big Debates 2026 | North America

Exhibit 98: LLY incretin franchise: MSe vs. Cons estimat

	2026	2027	2028	2029	2030
Zepbound					
MSe	\$22,007	\$29,225	\$36,032	\$34,475	\$34,933
VA cons	\$17,833	\$21,196	\$23,622	\$24,715	\$25,048
% Diff (MSe vs cons)	23.4%	37.9%	52.5%	39.5%	39.5%
Orforglipron (POS 90%)					
Mse (US)	\$757	\$2,929	\$6,122	\$8,869	\$9,268



US' Largest Grocers: Growth in RX Sales = Growth in Grocery Sales

	1Q24	2Q24	3Q24	1Q25	2Q25	3Q25
Walmart U.S. Sales	\$108,670	\$115,347	\$114,875	\$112,163	\$120,911	\$120,678
y/y change	4.6%	4.1%	5.0%	3.2%	4.8%	5.1%
\$ change YoY				\$3,493	\$5,564	\$5,803
Grocery	\$66,431	\$68,680	\$69,344	\$67,831	\$71,092	\$71,713
\$ change YoY				\$1,400	\$2,412	\$2,369
General Merchandise	\$25,711	\$28,980	\$26,621	\$25,276	\$29,458	\$27,366
\$ change YoY				(\$435)	\$478	\$745
Health & Wellness	\$14,249	\$15,030	\$16,360	\$16,244	\$17,248	\$18,379
\$ change YoY				\$1,995	\$2,218	\$2,019
Other	\$2,279	\$2,657	\$2,550	\$2,812	\$3,113	\$3,220

Fiscal Year	4Q23	1Q24	2Q24	4Q24	1Q25	2Q25
Period-End	02/24/24	06/15/24	09/07/24	02/22/25	06/14/25	09/06/25
Albertson's Sales						
Non-perishables	\$9,411	\$12,054	\$9,265	\$9,484	\$12,142	\$9,221
Perishables	\$5,925	\$7,905	\$5,917	\$5,950	\$7,987	\$5,947
Subtotal	\$15,336	\$19,959	\$15,182	\$15,434	\$20,129	\$15,167
\$ change YoY				\$98	\$170	(\$15)
Pharmacy	\$1,916	\$2,623	\$2,132	\$2,261	\$3,155	\$2,537
\$ change YoY				\$344	\$532	\$405
Fuel	\$823	\$1,321	\$951	\$823	\$1,230	\$911
Other	\$265	\$363	\$286	\$282	\$367	\$301
Total	\$18,340	\$24,265	\$18,552	\$18,800	\$24,881	\$18,916

Apparel's "Super-Cycle" stemming from GLP-1s

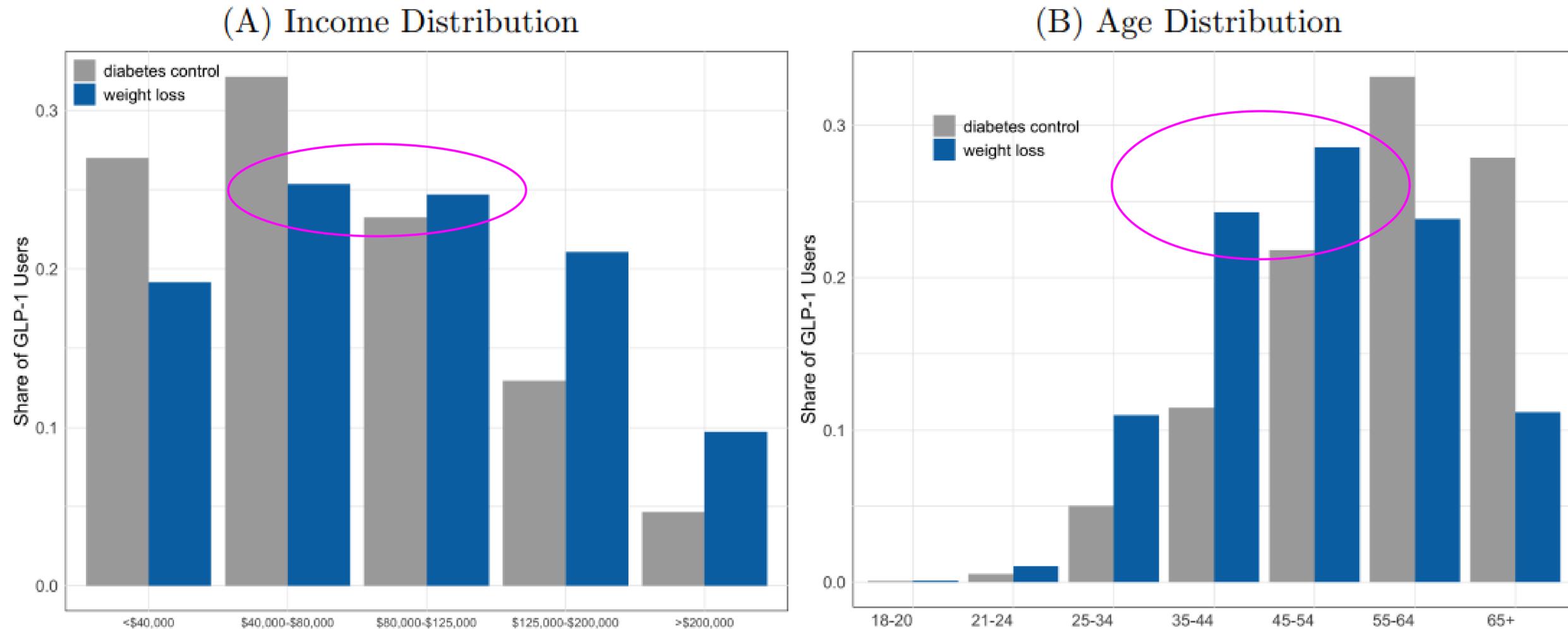
Census Monthly Retail Sales Report

	YoY % Ch					
	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>
Retail and food services sales	3.1%	4.1%	4.5%	3.5%	5.6%	3.8%
ex. Auto, gas, and food	3.7%	4.4%	4.9%	3.5%	4.9%	4.5%
Grocery stores	2.8%	1.8%	3.0%	3.1%	2.7%	3.2%
Clothing and clothing access. stc	5.3%	2.8%	8.5%	7.4%	7.3%	6.3%

Source: US Census MRTS, non-adjusted figures, 12.16.25 release

GLP-1 Usage -- \$40-\$125K HH incomes, 35-54 years of age, i.e. not the uber-affluent

Figure 2: Income and Age Distribution of GLP-1 Adopters by Reason for Use



Notes: Demographic profile of GLP-1 adopters in the survey data for the subset of 25,131 panelists who reported their reason for taking the drug. Each adopter panelist answered an average of 2 survey waves, resulting in a total of $N = 50,637$ survey responses. Source: Authors' calculations using Numerator GLP-1 and demographic survey data.

GLP-1 Usage & Behavior

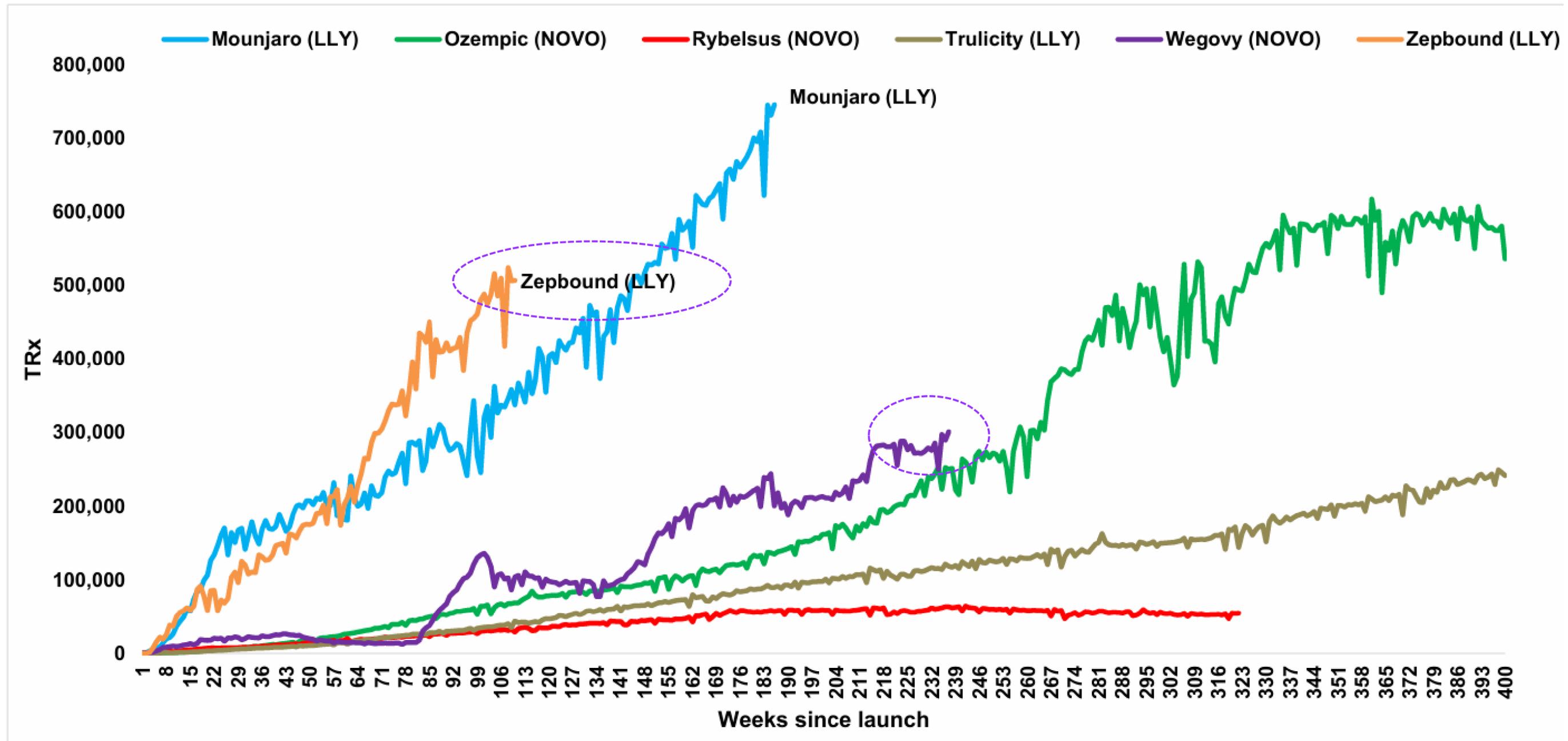
Table 3: Changes in Food-Away-From-Home Purchases

	All	Motivation		Income	
		Weight Loss	Diabetes	< \$125,000	≥ \$125,000
Total Spending	-0.086*** (0.019)	-0.084** (0.027)	-0.094** (0.029)	-0.139** (0.047)	-0.074*** (0.021)
Total Quantity	-0.056*** (0.014)	-0.053** (0.019)	-0.063** (0.020)	-0.078* (0.034)	-0.051*** (0.015)
Purchase Probability	-0.014* 0.005	-0.016* 0.008	-0.013 0.009	-0.029* 0.014	-0.010 0.007
# of Adopters	2,623	1,458	1,101	1,834	789
N of Obs.	137,168	58,669	84,851	95,789	41,460

Notes: The table reports the change in shopping patterns for the 6-month period post-adoption using a TWFE estimator. The first row uses the log of total grocery spending as the dependent variable. The second row examines the log of the number of items purchased. The third row estimates a regression with a binary dependent variable indicating whether household i eats out in month t . We report relative probability changes and compute standard errors using the delta method. Estimates are based on 2,623 users and 4,072 corresponding matched non-adopters. Estimates are based on Numerator GLP-1, demographic, and purchase data. Standard errors are clustered at the household level. Significance codes: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

No Attenuation in Growth

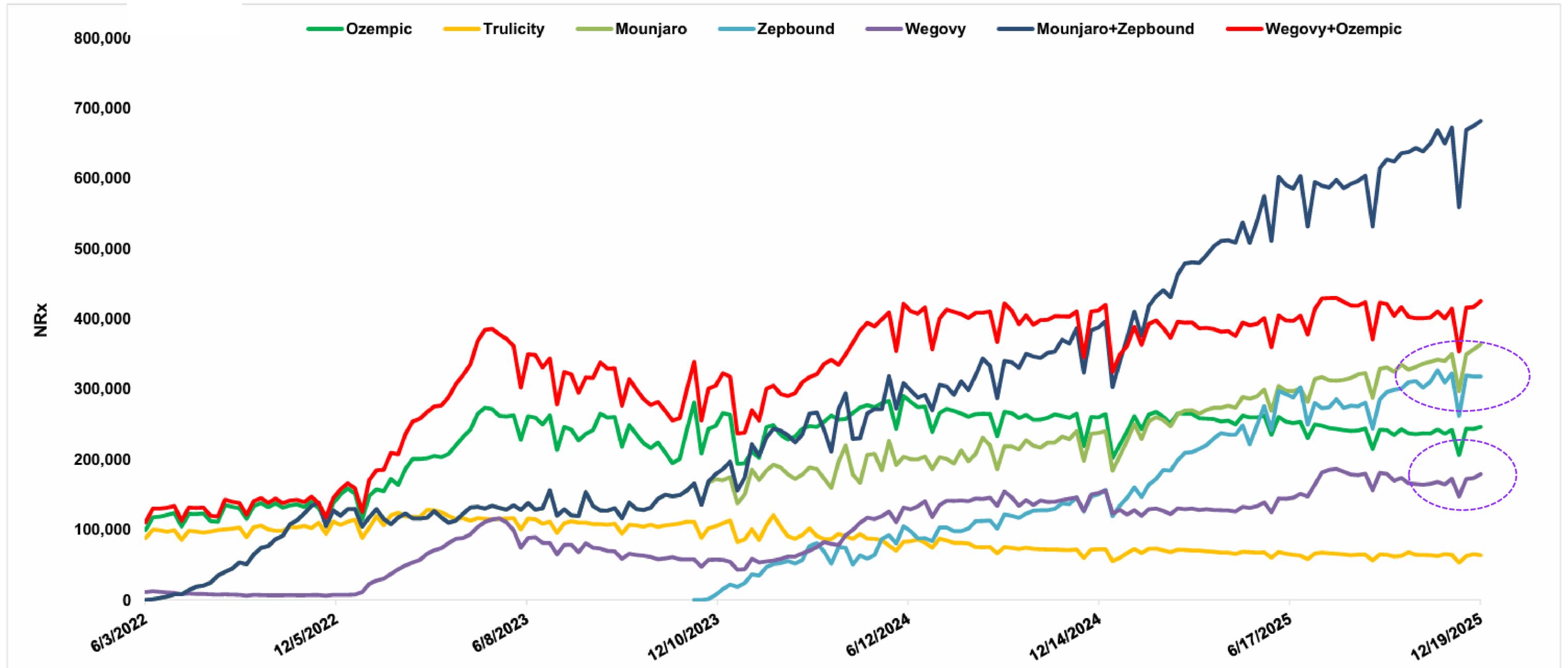
Exhibit 31: Mounjaro and Zepbound TRx launch trend



Source: Morgan Stanley Research, IQVIA

No Attenuation in Growth

Exhibit 25: Weekly NRx by GLP-1 product



Source: Morgan Stanley Research, IQVIA

GLP-1 Developments

- Novo's oral FDA approved December 22nd. The press release read, "1.5 mg starting dose available in early January for \$149 per month with savings offers; Wegovy® pill is being produced in the US and **robust supply is on-hand.**"

OASIS 4 Results			
		Wegovy® pill 25 mg	Placebo
Percent weight reduction at 64 weeks ¹	If all patients stayed on treatment (Trial product estimand*)	~17%	~3%
	Analysis of all patients regardless of if they stayed on treatment (Treatment policy estimand**)	~14%	~2%

- Lilly released its own Phase-3 data in December showing excellent results for its oral (study met all primary and secondary endpoints), both in participants keeping their pounds down and overall tolerability. CNC story [here](#). LLY [here](#).
- Lilly's oral is to be \$149-\$399 (depending on dosage) for self-pay, <\$50 for Medicare (\$245/mo to LLY /Novo), and \$149 - \$346 on TrumpRX.
- Medicaid, 13 states currently offer full coverage, more coming in 2016.
- In the US, 2.8M are currently on the R/X, now expected to increase by over 2.5M annually (up from 1.5M) w/ the oral, new formulations, increased public / private payer coverage, more delivery ecosystems (TrumpRX, etc), lower prices, more marketing, more influencer endorsements, etc.

Packaged Food's Crucible



One Pressure Point on Food-CPG

Grocery Wars: Winnable?

Morgan Stanley & Co. LLC

Simeon Gutman

Brian Nowak

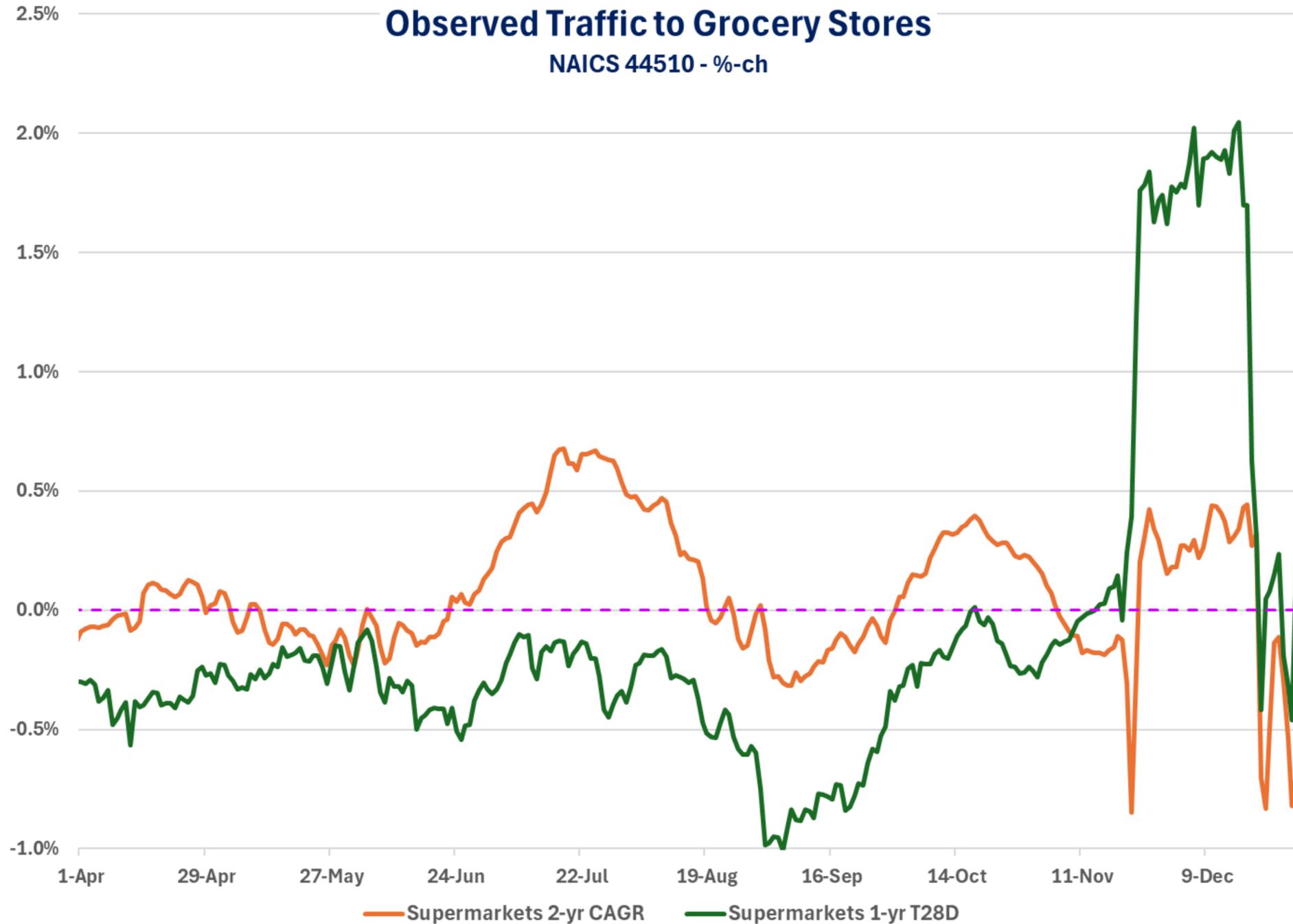
Our View

The big get bigger (i.e., #3). We think AMZN and WMT are best positioned to gain market share in food retail in '26, driven by strong value propositions, sticky membership models, and a greater ability to invest.

Market View

Market view: The grocery war is intensifying and there are three most likely scenarios for '26: 1) All retailers lose and margins contract across the industry as price investments and other initiatives to drive share gains accelerate. 2) AMZN emerges as the only winner as its push into Fresh grocery delivery disrupts the traditional grocery shop and pressures food retailers. 3) The big get bigger with AMZN and WMT emerging as the two biggest beneficiaries, while other retailers struggle to compete with their scale and value proposition.

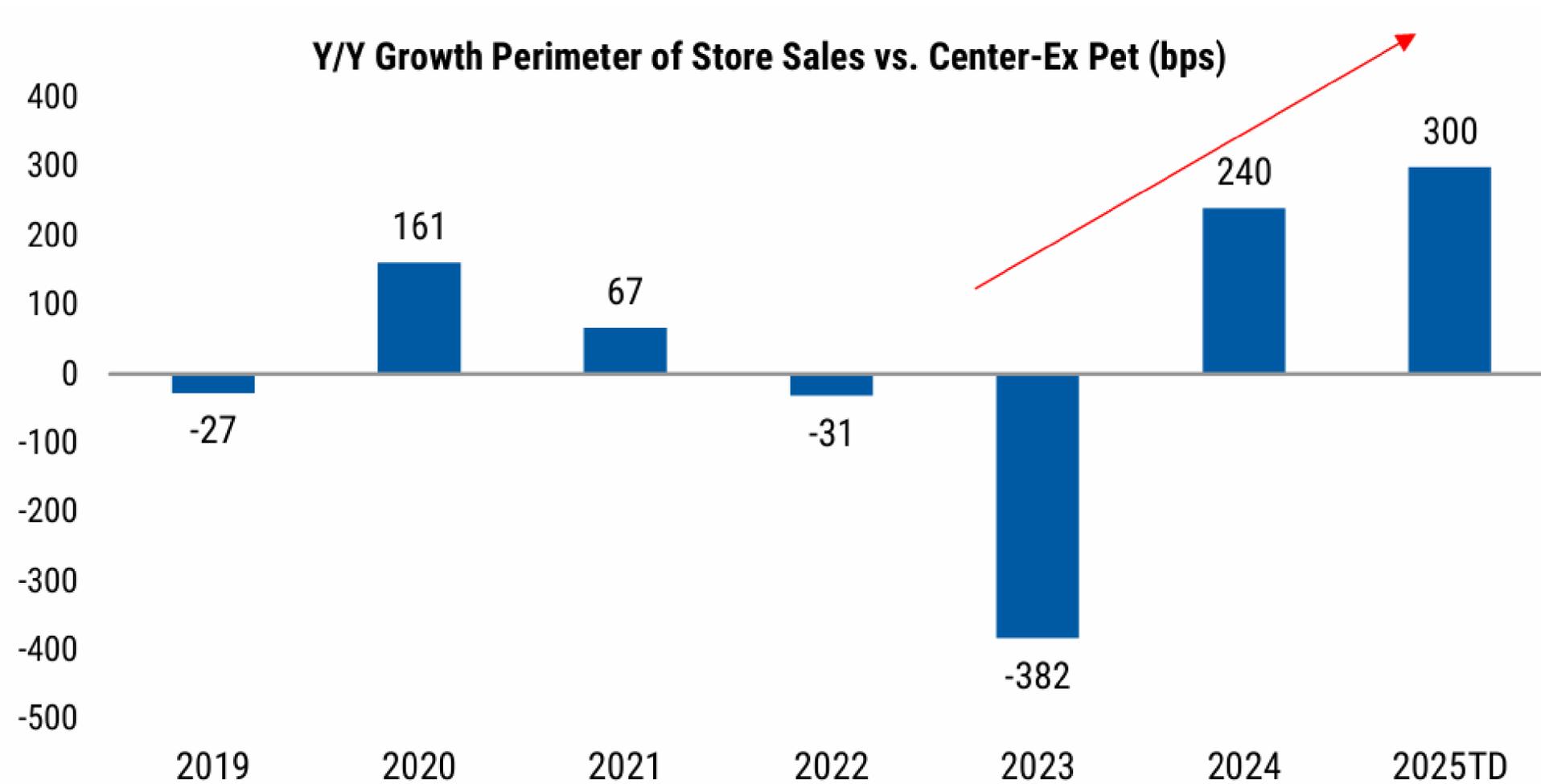
Traffic to Conventional Grocers in 25



- Underlying traffic is running flat on a 2-year basis; however, traffic is being boosted by coupon clippers shopping multiple banners and produce.
- Consumer visiting their local grocery store for produce, but not the pantry load. Costco, Walmart, etc. get the “pantry shop”
- 1-yr volatility driven by a more pronounced paycheck cycle
- Suspect that the mid-November jump in the 1-year is due to the end of the “SNAP Break”

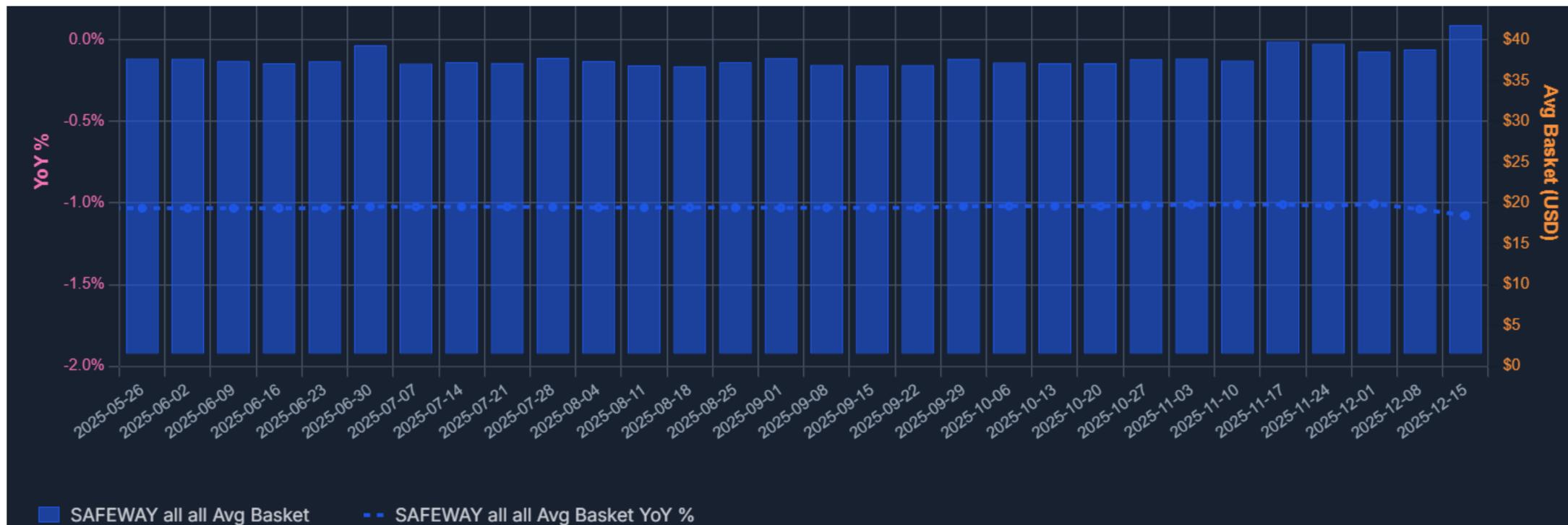
Big Debates 2026 | North America

Exhibit 104: YoY Growth in the Perimeter of the Grocery Store Continues to Outpace Center-Store Categories



Source: NielsenIQ Discover, Morgan Stanley Research

Basket size flat to down despite rising inflation, our basket size excludes RX



Impact on CPG from Share-Shift to the Mighty-5

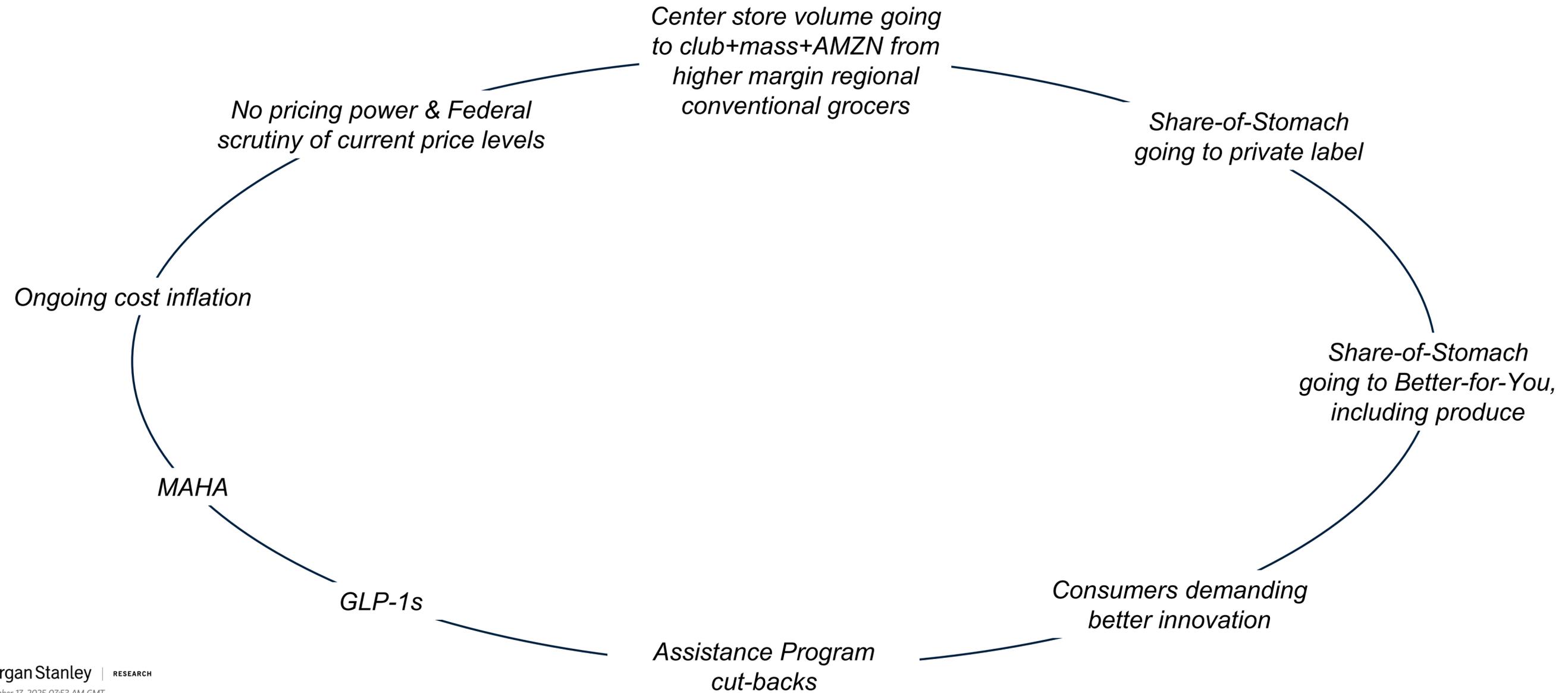
On-Going Pressure for Center Store Categories at Conventional Grocers

<i>\$billions</i>	<u>2025</u>	<u>2026</u>	<u>YoY</u>
FAH F&B	\$1,302	\$1,341	3.0%
Walmart	\$287	\$300	4.5%
Sam's	\$64	\$69	7.0%
Costco	\$119	\$127	7.0%
Amazon	\$120	\$138	15.0%
Aldi+TJ	\$64	\$71	11.0%
Remainder	\$648	\$636	-1.8%
% Produce	39.0%		
	\$253	\$260	3.0%
% Non-Produce	61.0%		
	\$395	\$376	-4.9%

- The CPG industry's more profitable channel looks set for another year ahead of sharp declines in volume.

Sources: BEA PCE Table 2.4.5U, Dec. '25 release, Circana, and Advan Research

National Brand's Crucible – See the recent results and comments from GIS, CAG, CPB, and LW



Morgan Stanley | RESEARCH
 December 17, 2025 07:53 AM GMT
 Big Debates 2026 | North America

Morgan Stanley | RESEARCH
 December 17, 2025 07:53 AM GMT
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Broadening adoption matters more than early uptake: The incremental users matter more than the absolute total, as the next wave is likely to skew toward middle- and lower-income households, where eating occasions, calorie density, and elasticity are higher. The two factors mentioned above should materially improve affordability. Early adoption skewed higher-income, a group with lower elasticity across food categories. Staples volumes are driven by the average consumer, where elasticity is higher, as is true for many QSR restaurants. As adoption reaches this segment, category implications could become more meaningful. While we agree that low-income consumer weakness remains the

2) Brand Demand Fragmentation

Large brands are losing market share across CPG categories, as demand fragmentation is accelerating with larger brands suffering from changing consumer preferences and low end consumer pressure. Fragmenting consumer demand, especially among younger consumers, in both categories and brands, is leading to share losses in the categories/brands that our companies' portfolios are weighted towards.

Conclusions

- ❑ Holiday 2025 - A success against a difficult comp
- ❑ AMZN, WMT, DKS, FIVE, ROSS, ARO, GPS, TPR, prestige luxury, and Apple look good: whereas, BBY less good.
- ❑ Yes, consumer spending is K-Shaped. It was in 2019 as well. The fog of '21 –'22 makes the low-end pull-back feel worse.
- ❑ Yes, for many categories, pricing power has faded. Additionally, the severity of share-of-stomach losses by “conventional” brands is underappreciated. However, there are pockets of opportunity in “food” – FAFH distributors are less impacted as they serve a more adaptive customer base.
- ❑ Q4 QSR looks to have had a stronger Q4 (QoQ), traffic better, check worse. Our hypothesis is that trade-down is offsetting trade-out (Hispanic households and GLP-1 users).
- ❑ Branded packaged food got a lump of coal again for Christmas. It's in a crucible of nine pressures, all of which are likely to intensify in '26 and beyond.

Good luck for 2026 (I'm here to help), smooth travels to / from ICR, and Thank You Morgan Stanely

Advan's Insights

RETAIL & CONSUMER



Holiday season-to-date foot traffic and spend:

Dec 17, 2025 3 minutes

The positive trend in foot traffic has held since Black Friday Weekend. Amazon, Walmart, Five Below, ...

Thomas Paulson



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Black Friday Weekend Traffic

Dec 2, 2025 2 minutes

Black Friday Weekend traffic was softer YoY due to adverse weather, a softer weekend box office, ...

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CPG



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Aug 20, 2025 2 minutes



Thomas Paulson
Head of Market Insights, Advan Research

Thomas has been Head of Market Insights since January 2025. Previously, he served as Director of Research and Business Development at Placer.ai, where he was instrumental in providing actionable insights derived from location analytics and the path for expansion into new verticals. His extensive background also includes two decades as a buy-side analyst and portfolio manager at AllianceBernstein, Cornerstone, and others. Prior to that tenure he worked as an economist. Thomas also currently serves as the Co-Chair of the National Association for Business Economics Retail / Consumer Roundtable.

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