

I<sub>1</sub> N<sub>1</sub> V<sub>4</sub> E<sub>1</sub> S<sub>1</sub> T<sub>1</sub> I<sub>1</sub> N<sub>1</sub> G<sub>2</sub>

# Blue Line Capital

The State Of American Business  
Communications, Home Improvement & Chips

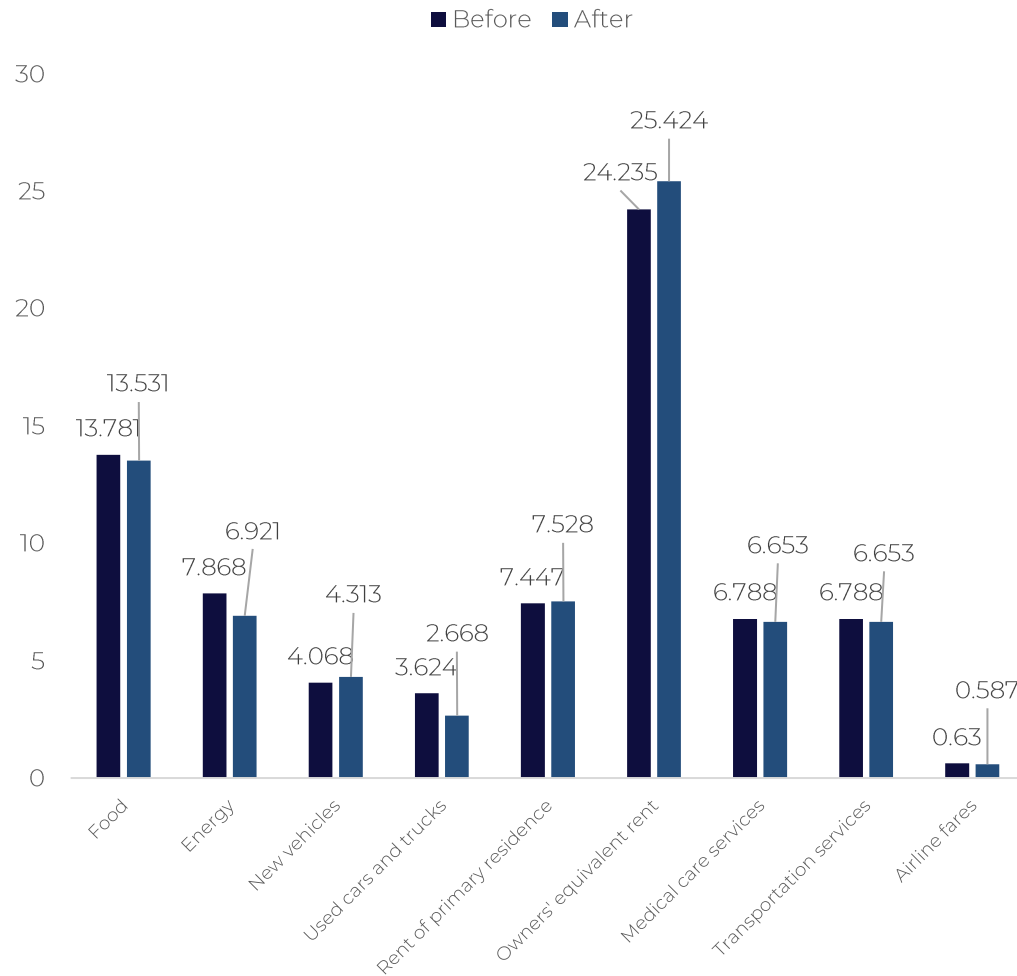
$I_1$   $N_1$   $V_4$   $E_1$   $S_1$   $T_1$   $I_1$   $N_1$   $G_2$

# Economic Dynamics

CPI, Retail Sales & PPI

# CPI Weight Changes & Trends

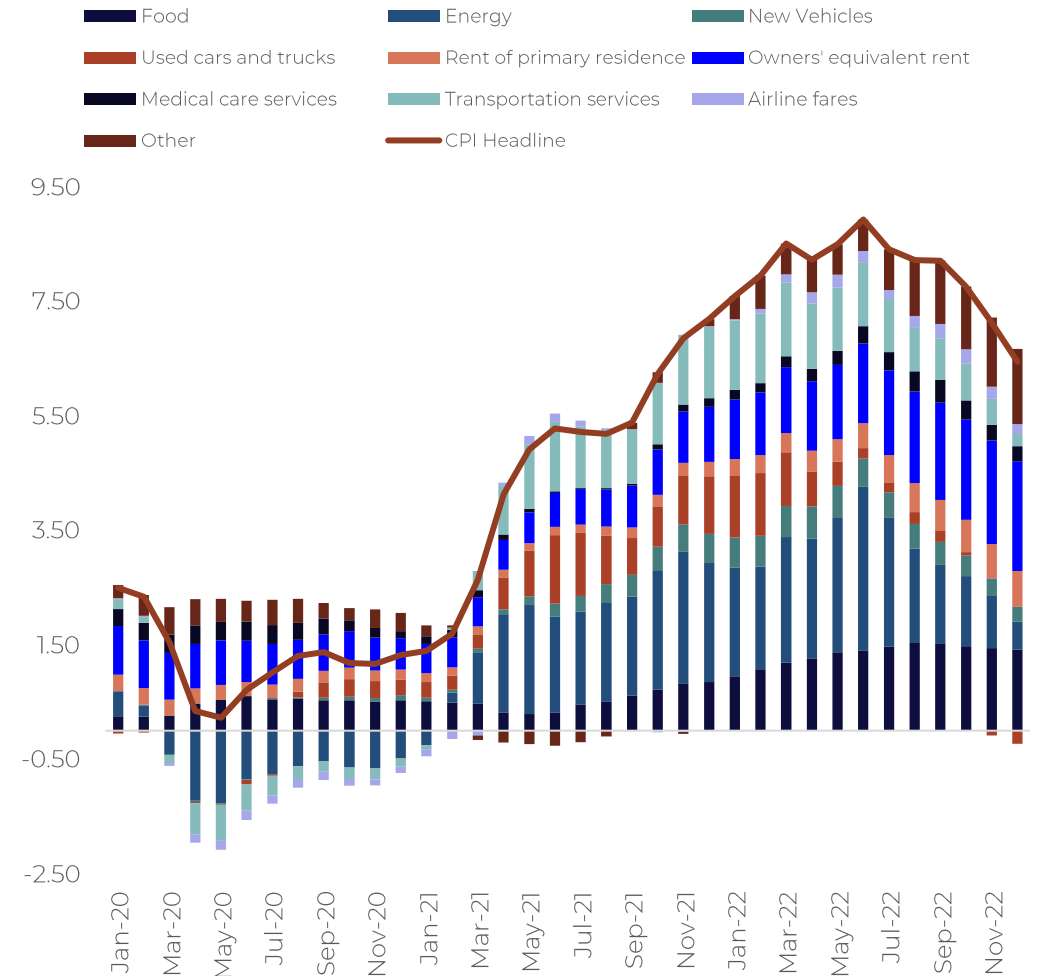
## December vs. January CPI Weights



Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

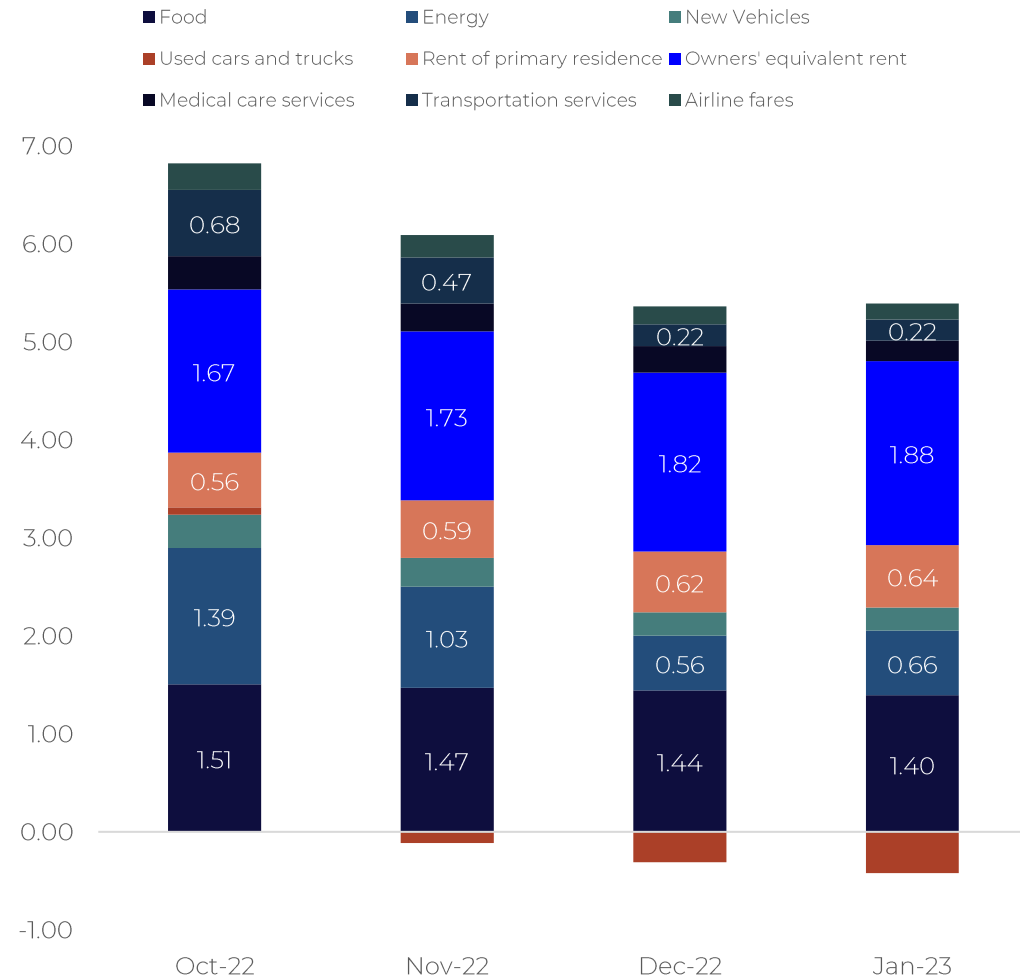
2/19/2023

## Y/Y CPI By Subcomponents

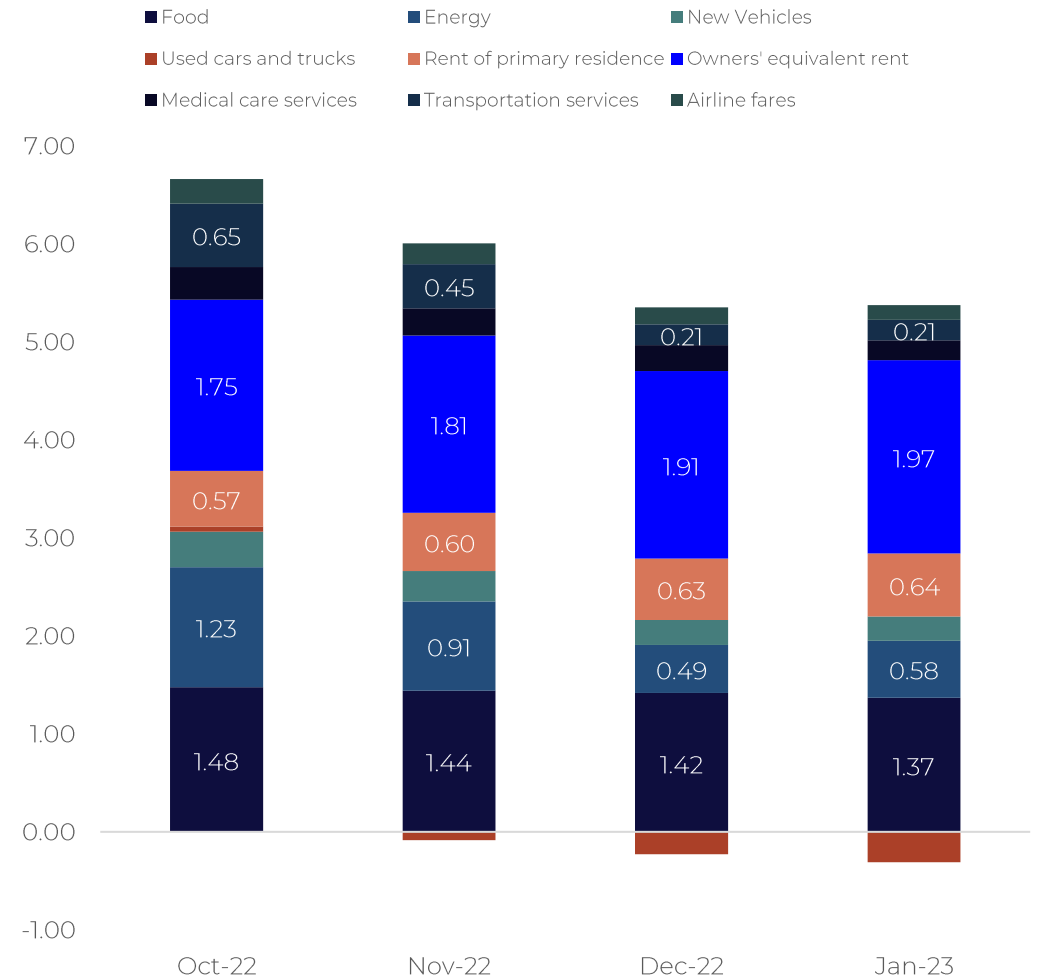


# Y/Y CPI Contributions (Dec. vs Jan. Weights)

Y/Y CPI Contributions Using December Weights (For Jan. CPI)



Y/Y CPI Contributions Using January Weights (For Jan. CPI)

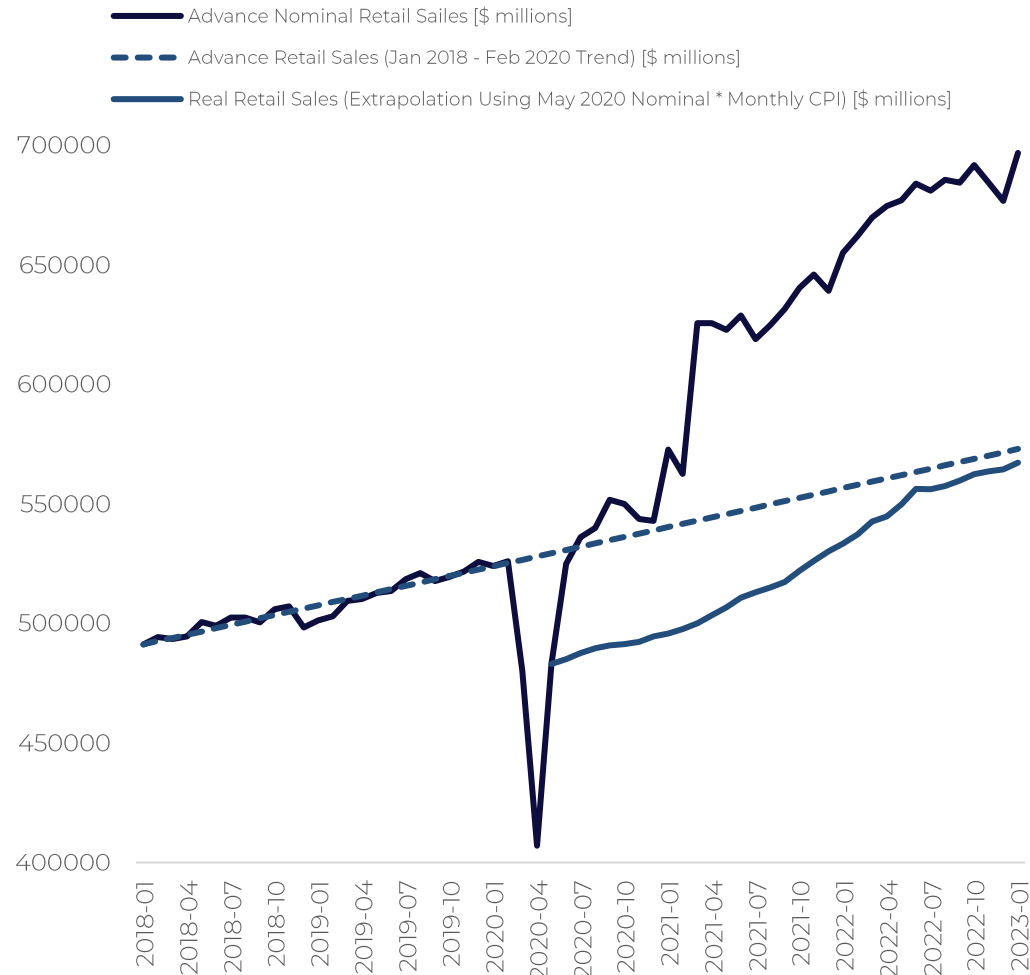


Sources: FRED, BLS, Blue Line Capital, Blue Line Futures

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# Retail Sales Breakdown

## Retail Sales Trends



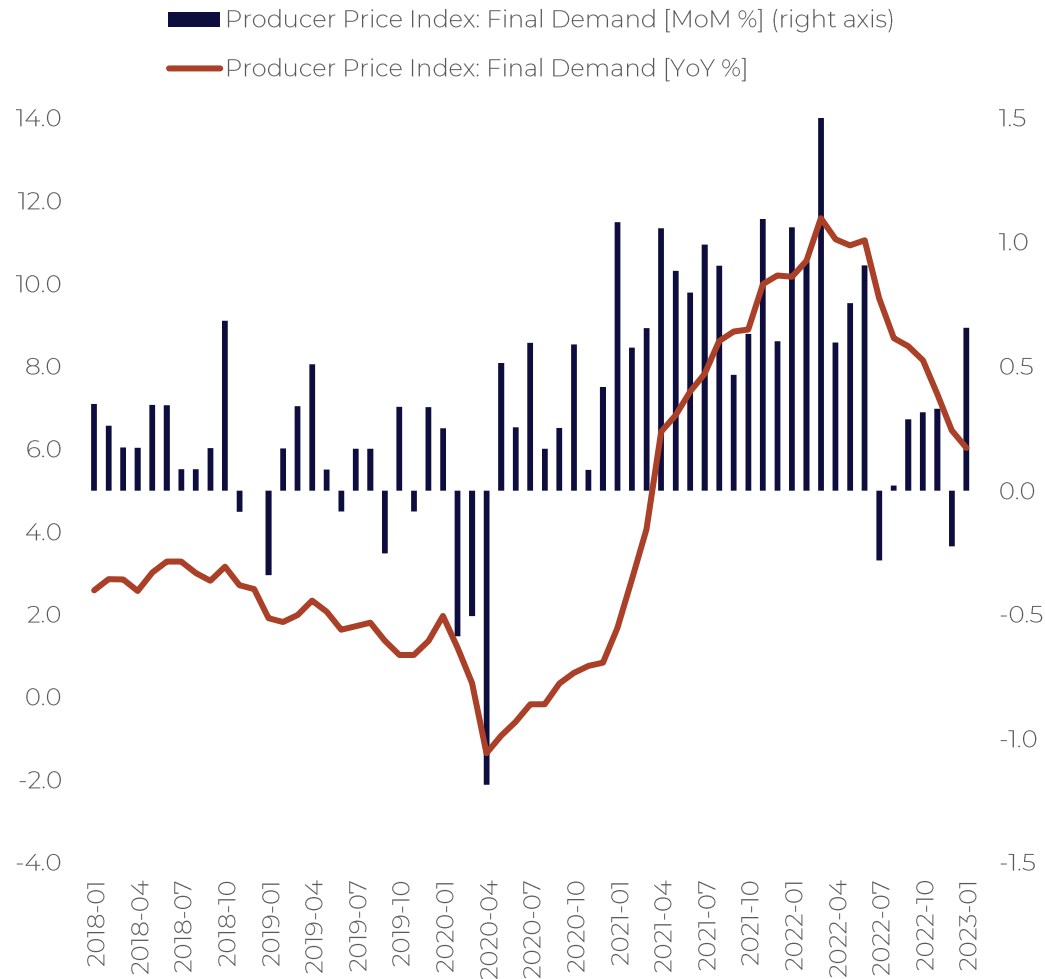
Sources: FRED, Census Bureau, Blue Line Capital, Blue Line Futures

## Retail Sales Table – January Report

NAICS <sup>1</sup> code	Kind of Business	Not Adjusted						Adjusted <sup>2</sup>					
		1 Month Total		2023	2022		2021	2023	2022		2021		
		2023	% Chg. 2022	Jan. <sup>3</sup> (a)	Dec. (p)	Nov. (r)	Jan. (r)	Dec. (r)	Jan. <sup>3</sup> (a)	Dec. (p)	Nov. (r)	Jan. (r)	Dec. (r)
	Retail & food services,												
	total .....	627,311	6.7	627,311	748,243	693,689	587,961	66,4%	696,982	676,925	684,411	655,154	639,273
	Total (excl. motor vehicle & parts) ...	510,551	7.6	510,551	625,580	576,287	474,414	589,369	565,459	552,696	557,858	527,211	516,221
	Total (excl. gasoline stations) .....	575,710	6.8	575,710	694,040	634,575	538,863	659,844	637,397	617,361	621,857	598,784	582,443
	Total (excl. motor vehicle & parts & gasoline stations) .....	458,950	7.9	458,950	571,377	517,173	425,316	537,540	505,874	493,132	495,304	470,841	459,391
	Retail .....	540,735	4.4	540,735	657,682	609,862	518,146	632,849	601,529	587,878	595,328	578,937	560,841
	GAFO <sup>4</sup> .....	(*)	(*)	(*)	168,062	138,845	105,279	163,597	(*)	126,049	126,873	124,136	122,937
441	Motor vehicle & parts dealers	116,760	2.8	116,760	122,663	117,402	113,547	128,8%	131,523	124,229	126,553	127,943	123,052
4411, 4412	Auto & other motor veh. dealers .	106,987	2.4	106,987	112,546	107,017	104,500	112,739	120,889	113,568	115,945	117,946	113,078
44111	New car dealers .....	(*)	(*)	(*)	95,023	88,587	84,442	92,521	(NA)	(NA)	(NA)	(NA)	(NA)
4413	Auto parts, acc. & tire stores.....	(*)	(*)	(*)	10,117	10,385	9,047	9,565	(*)	10,661	10,608	9,997	9,974
442	Furniture & home furn. stores .....	10,892	4.5	10,892	12,592	12,631	10,423	13,8%	12,252	11,735	11,927	11,804	11,674
4421	Furniture stores .....	(*)	(*)	(*)	6,623	6,821	5,549	6,455	(NA)	(NA)	(NA)	(NA)	(NA)
4422	Home furnishings stores .....	(*)	(*)	(*)	(S)	(S)	(S)	(S)	(NA)	(NA)	(NA)	(NA)	(NA)
443	Electronics & appliance stores .....	6,284	-6.5	6,284	9,118	7,946	6,718	-6.3%	6,936	6,699	6,774	7,399	7,575
444	Building material & garden eq. & supplies dealers.....	34,904	3.4	34,904	38,763	40,441	33,771	1,1%	42,675	42,541	42,074	42,229	41,347
4441	Building mat. & sup. dealers .....	(*)	(*)	(*)	33,417	35,367	29,770	33,323	(*)	36,884	36,386	37,073	36,103
445	Food & beverage stores.....	78,947	5.3	78,947	88,686	82,147	74,984	6.2%	81,311	81,248	81,348	76,585	76,057
4451	Grocery stores .....	72,040	5.8	72,040	77,546	73,388	68,099	71,845	72,989	72,950	72,950	68,441	67,906
4453	Beer, wine & liquor stores .....	(*)	(*)	(*)	8,018	6,269	4,939	7,701	(*)	6,024	6,069	5,852	5,839
446	Health & personal care stores	33,793	4.9	33,793	37,423	33,665	32,224	3,6%	33,997	33,354	33,971	32,815	32,855
44611	Pharmacies & drug stores .....	(*)	(*)	(*)	29,513	27,503	27,297	30,120	(*)	27,151	27,837	27,434	27,283
447	Gasoline stations .....	51,601	5.1	51,601	54,203	59,114	49,098	5.7%	59,585	59,564	62,554	56,370	56,830
448	Clothing & clothing accessories stores .....	19,301	6.6	19,301	40,629	29,072	18,113	6.3%	26,739	26,082	26,248	25,158	25,316
44811	Men's clothing stores .....	(*)	(*)	(*)	(S)	(S)	(S)	(S)	(*)	(S)	(S)	(S)	(S)
44812	Women's clothing stores .....	(*)	(*)	(*)	4,470	3,807	2,422	4,340	(*)	3,410	3,399	3,318	3,326
44814	Family clothing stores .....	(*)	(*)	(*)	16,137	12,348	6,734	14,606	(NA)	(NA)	(NA)	(NA)	(NA)
4482	Shoe stores .....	(*)	(*)	(*)	4,577	3,498	2,218	4,557	(*)	3,343	3,446	3,320	3,373
451	Sporting goods, hobby, musical instrument, & book stores .....	7,769	6.9	7,769	13,437	10,277	7,270	6.9%	9,406	9,383	9,368	8,801	8,999
452	General merchandise stores .....	62,946	3.4	62,946	88,869	76,493	60,884	4.5%	71,602	69,410	70,003	68,530	66,890
4521	Department stores .....	9,071	3.1	9,071	16,972	12,726	8,799	17,073	11,978	10,192	10,899	11,368	10,242
4529	Other general merch. stores.....	(*)	(*)	(*)	71,897	63,767	52,085	68,055	(*)	59,218	59,104	57,162	56,648
45291	Warehouse clubs & supercenters.....	(*)	(*)	(*)	61,072	54,396	45,340	57,754	(*)	50,640	50,507	49,016	48,492
45299	All oth. gen. merch. stores.....	(*)	(*)	(*)	10,825	9,371	6,745	10,301	(*)	8,578	8,597	8,146	8,156
453	Miscellaneous store retailers .....	13,261	6.1	13,261	16,287	14,909	12,496	6.7%	15,722	15,295	15,072	14,740	14,611
454	Nonstore retailers .....	104,277	5.7	104,277	135,012	125,765	98,618	3,0%	109,781	108,338	109,436	106,563	95,635
4541	Elect. shopping & m/o houses .....	(*)	(*)	(*)	122,574	114,374	87,596	113,929	(*)	97,358	98,513	96,684	86,704
722	Food services & drinking places .....	86,576	24.0	86,576	90,561	83,827	69,815	2.5%	95,453	89,047	89,083	76,217	78,432

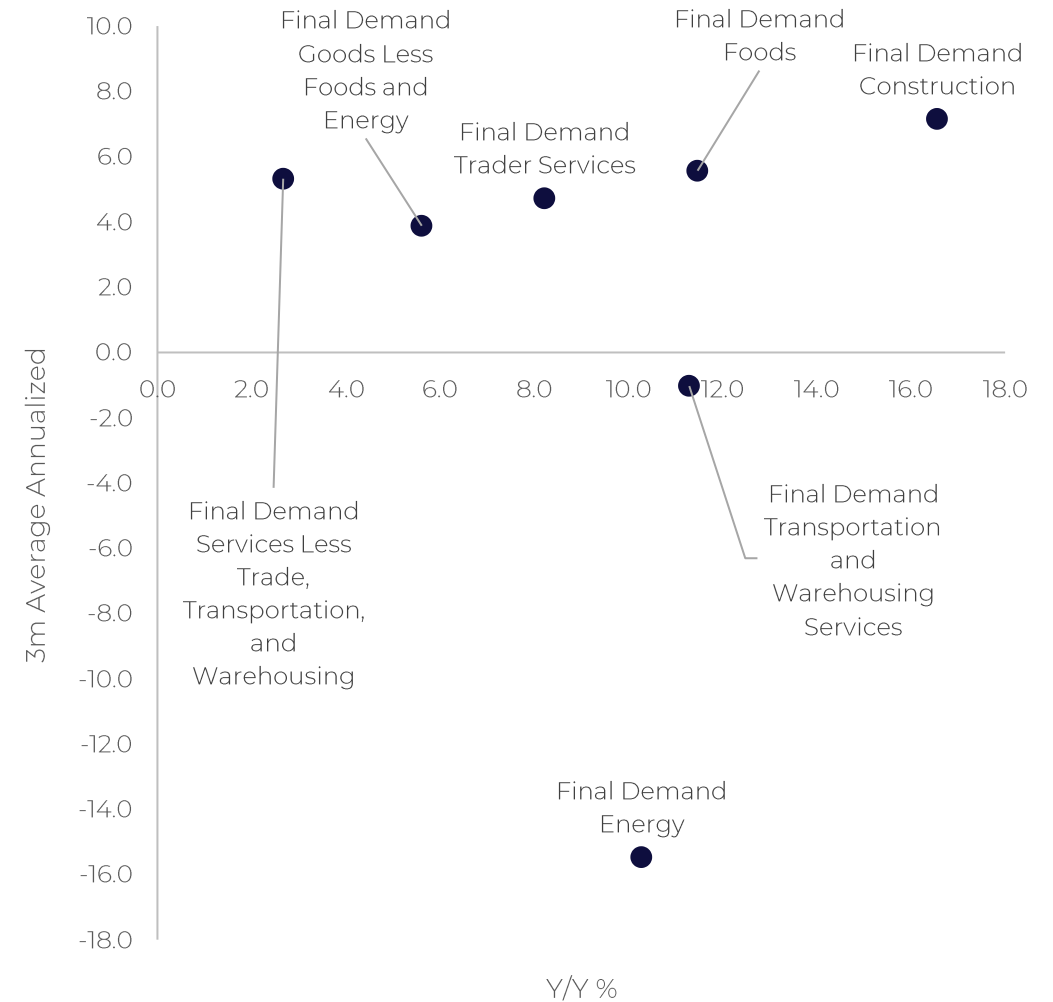
# PPI Data

**Yearly And Monthly PPI Data. Thursday's M/M Number At +0.7% Surprised To The Upside (6.0% Y/Y).**



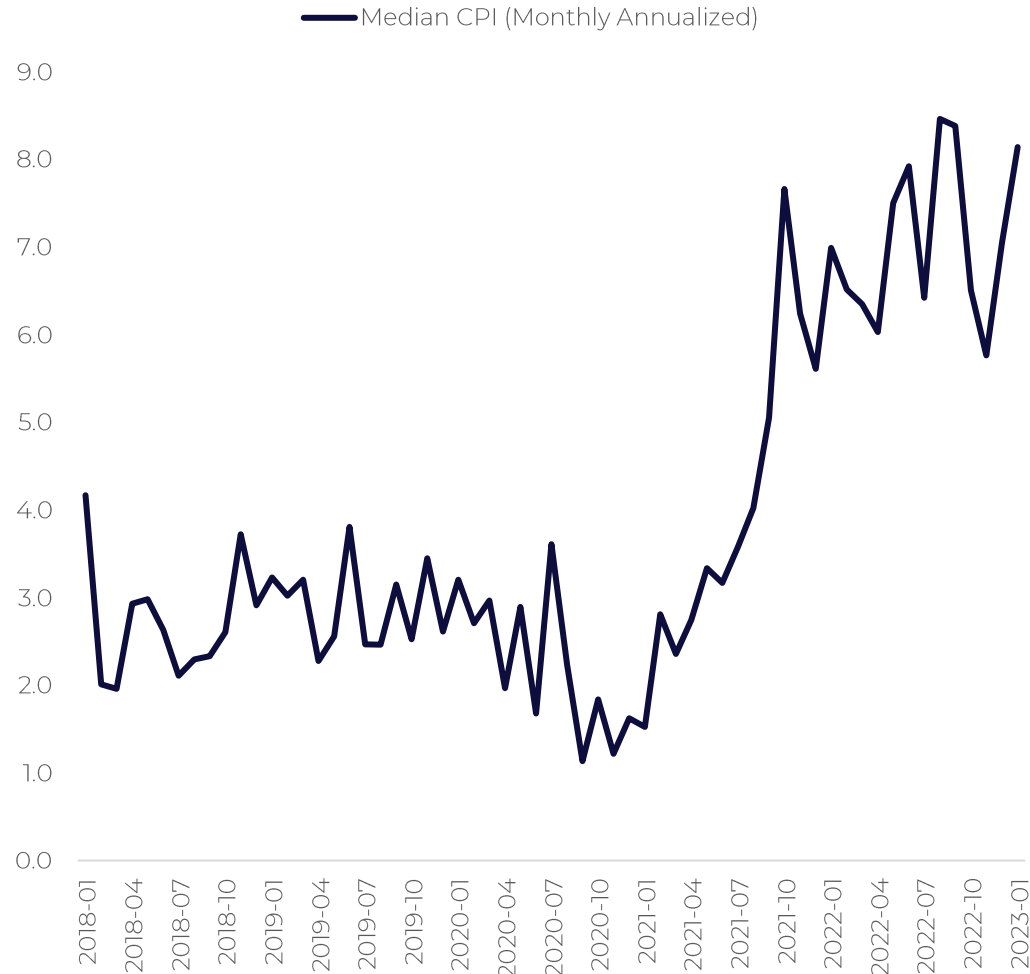
Sources: FRED, Blue Line Capital, Blue Line Futures

**On A 3-Month Annualized Basis, Most PPI Components Are Running At Or Above 4%, Outside Of Energy & Transportation In Outright Deflation.**



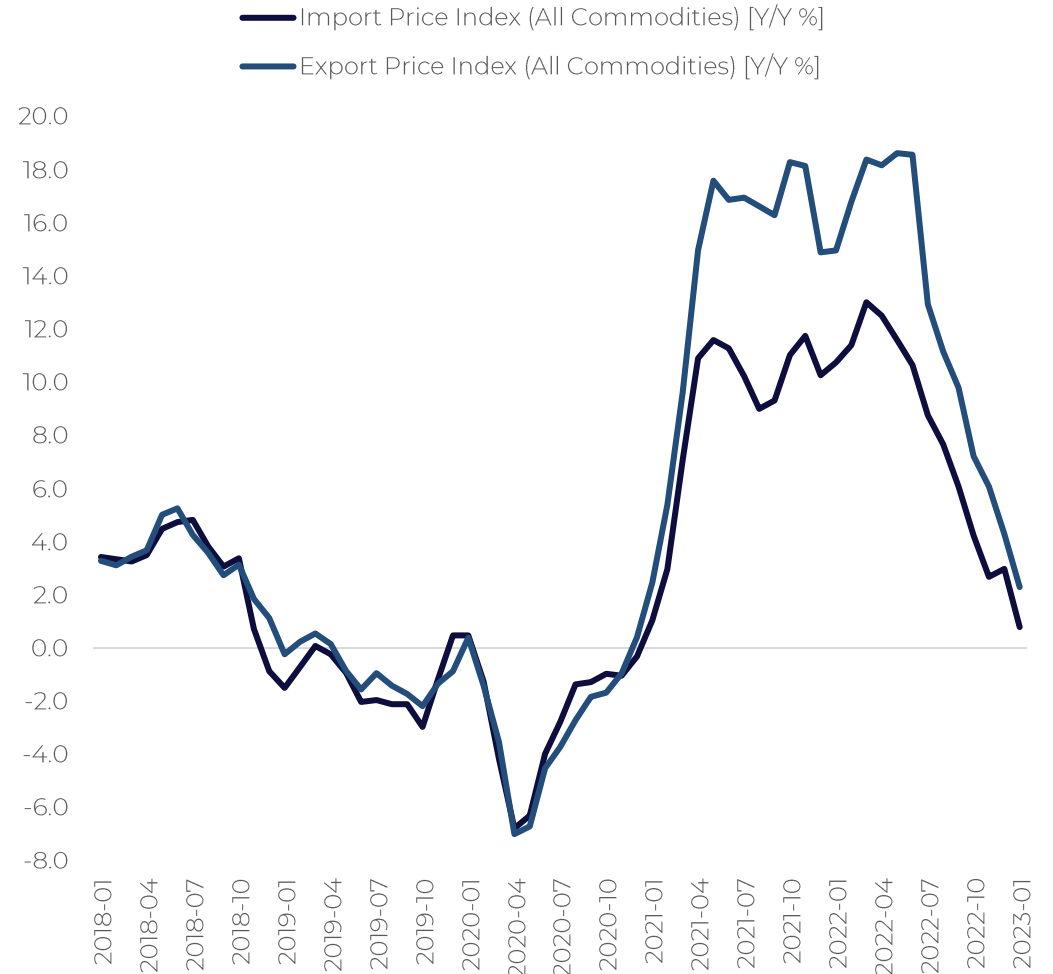
# Median CPI | Import & Export Prices

## Monthly Median CPI Annualized



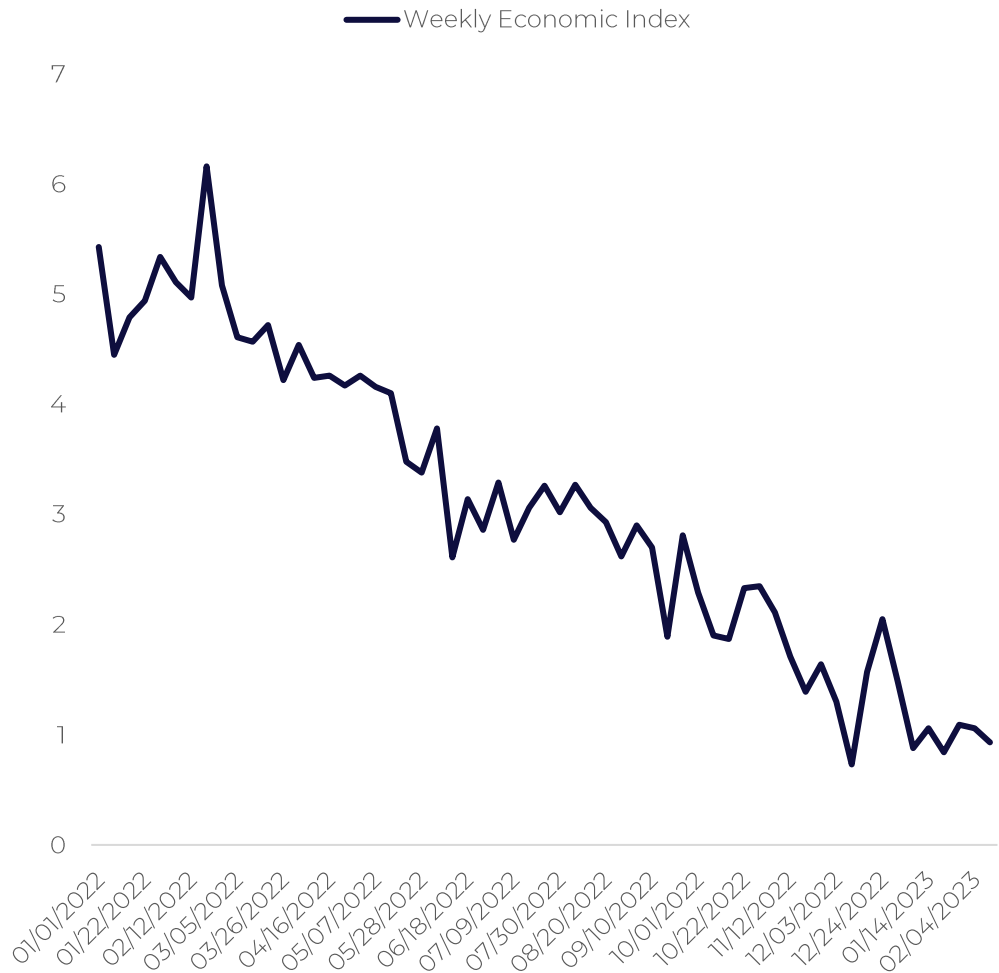
Sources: FRED, Blue Line Capital, Blue Line Futures

## Import & Export Prices Y/Y



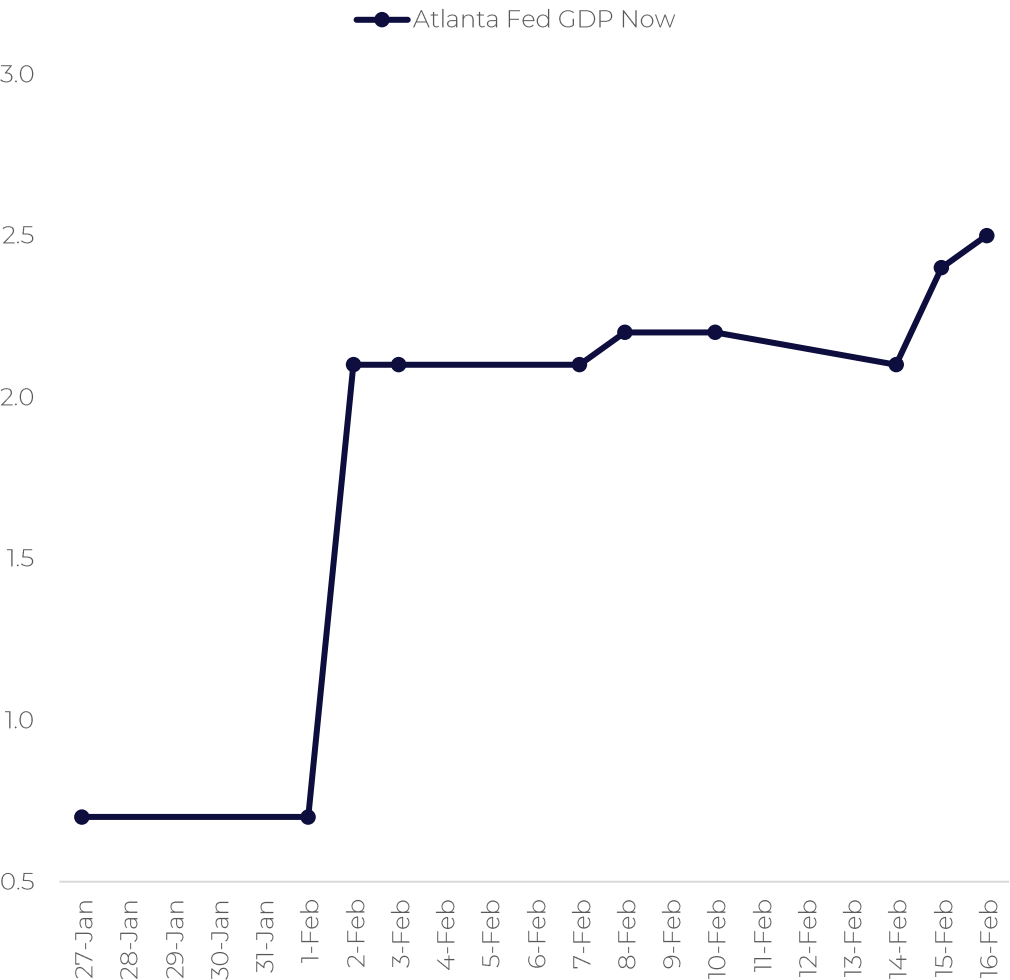
# Economic Growth Data

New York Fed – Weekly Economic Index



Sources: New York Fed, Atlanta Fed, Blue Line Capital, Blue Line Futures

Atlanta Fed GDP Nowcast



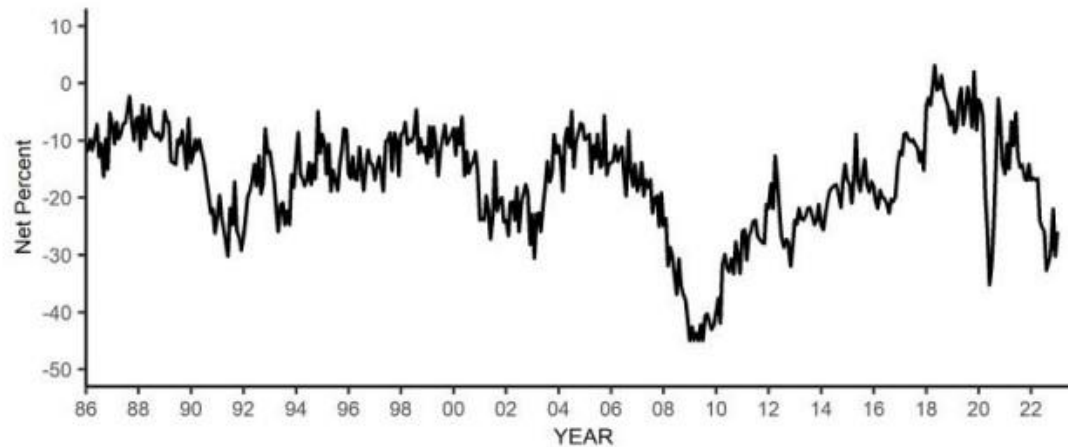


# Small Business Conditions (NFIB Survey)

## SMALL BUSINESS EARNINGS

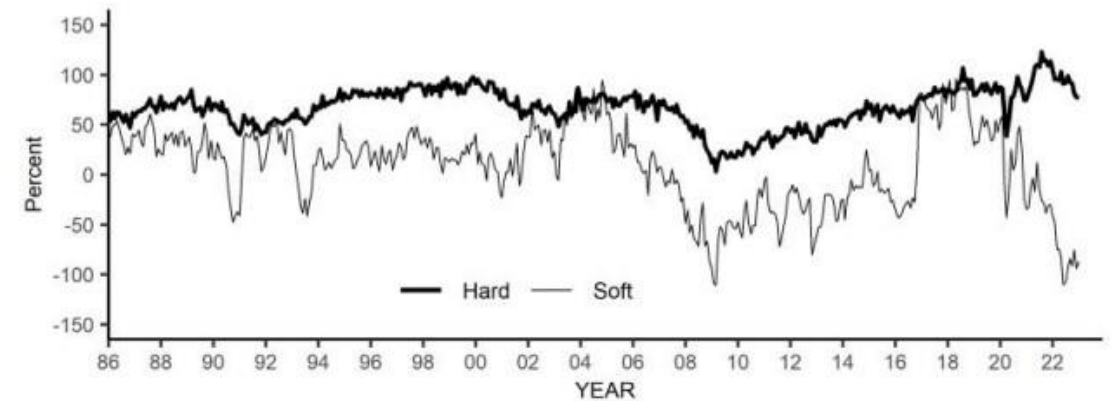
### EARNINGS

Actual Last Three Months  
January 1986 to January 2023  
(Seasonally Adjusted)



### OPTIMISM INDEX COMPONENTS

Hard: Job Creation Plans, Job Openings, Inventory Plans, Earnings, Capital Expenditure Plans  
Soft: Expected Business Conditions, Outlook for Expansion, Expected Real Sales, Expected Credit Conditions, Inventory Satisfaction



Sources: NFIB, Blue Line Capital, Blue Line Futures

2/19/2023

I<sub>1</sub> N<sub>1</sub> V<sub>4</sub> E<sub>1</sub> S<sub>1</sub> T<sub>1</sub> I<sub>1</sub> N<sub>1</sub> G<sub>2</sub>

# Earnings Data & Corporate Trends

AT&T, Lowe's, AMD

I<sub>1</sub> N<sub>1</sub> V<sub>4</sub> E<sub>1</sub> S<sub>1</sub> T<sub>1</sub> I<sub>1</sub> N<sub>1</sub> G<sub>2</sub>

**AT&T**

Value Stock With Market Share Challenged by T-Mobile

# AT&T Earnings Highlights & Stock Performance

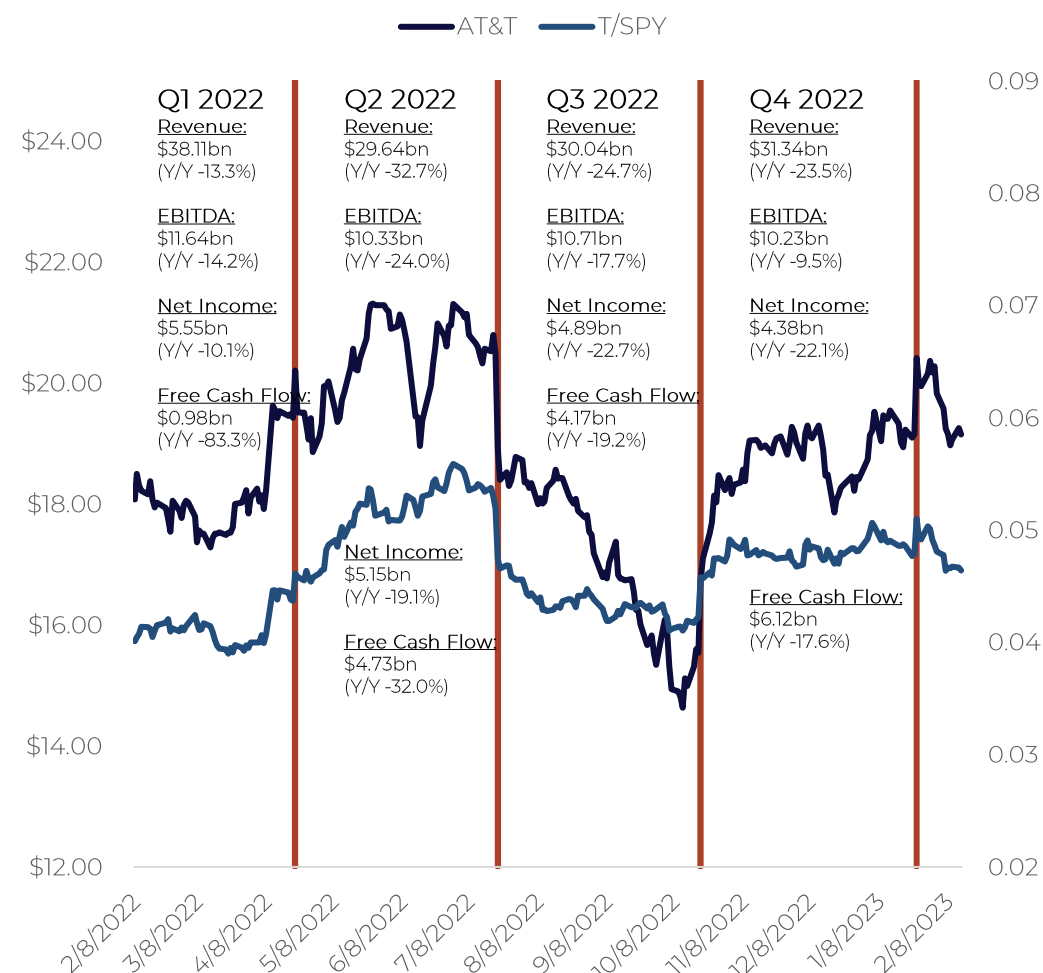
## Management Commentary From Q4 2022 Earnings Call

- **CAPEX Moderation:** As our CapEx is expected to moderate exiting this year, following the peak investment levels of 2022 and 2023, we expect the credit quality of our dividend to improve on the back of our higher free cash flow and improved financial flexibility.
- **Churn:** Postpaid phone churn of 0.84% for the quarter declined year-over-year even as we were less promotional compared to our peers. In prepaid, our phone churn was less than 3% driven by cricket phone churn that was substantially lower than 3%.
- **Net-Adds:** We delivered 656,000 postpaid phone net adds in the fourth quarter and nearly 2.9 million postpaid phone net adds for the full year. And over the past 2.5 years, we've increased our postpaid phone base by nearly 7 million to 69.6 million subscribers.
- **ARPU:** Mobility postpaid phone ARPU was \$55.43, up \$1.37 or 2.5% year-over-year. Broadband revenues grew more than 7% YoY due to fiber subscriber growth and higher ARPU from the mix shift to fiber.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	7.93	1.13	8.32	7.11	NA
TTM	-11.67	1.15	1.33	6.84	1.42
*Levered FCF					

Sources: AT&T IR, TIKR, Blue Line Capital

## Quarterly Data



# AT&T Expectations & Returns

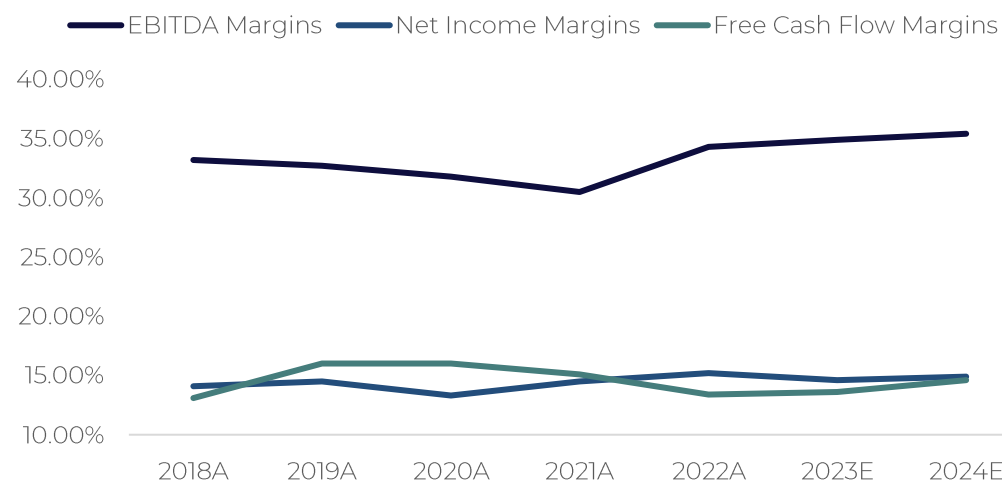
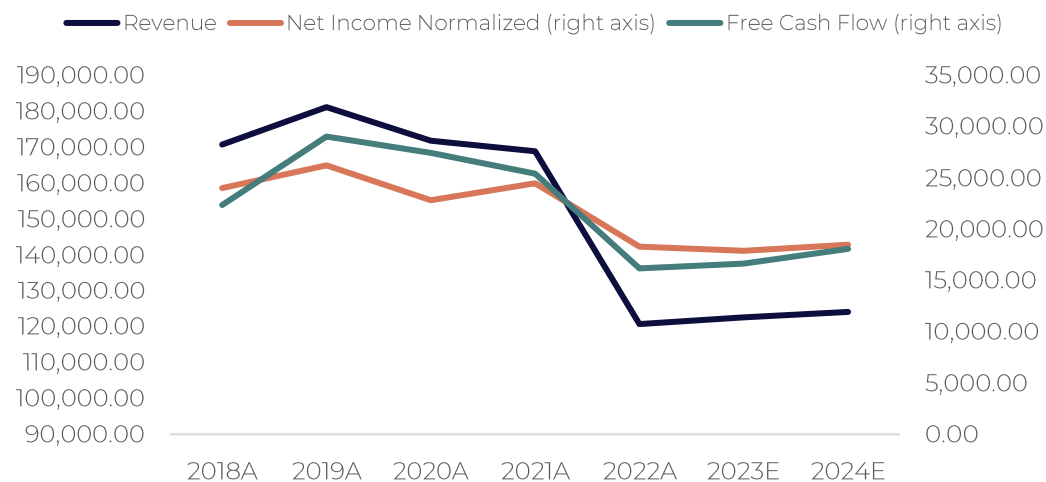
## Return Ratios Compared To 2019

Return and profit ratios have remained stable across the board.

		LTM	2019
Return Ratios	RoA	3.90%	3.20%
	RoC	9.10%	6.20%
	RoE	-4.70%	7.60%
Margins	Gross Profit Margin	57.90%	53.60%
	EBITDA Margin	36.90%	29.10%
	Net Income Margin	-7.10%	7.70%
	Levered Free Cash Flow Margin	86.10%	18.80%
Asset Turnover	Asset Turnover	0.3	0.33
	Fixed Asset Turnover	0.82	1.27
	Receivables Turnover	8.24	6.97
	Working Capital Turnover	-5.23	-12.81
Solvency	Total Debt/Equity	151.10%	93.30%
	Total Debt/Capital	49.60%	41.90%
	EBITDA/Interest Expense	8.18	6.93
	(EBITDA/Capex)/Interest Expense	4.97	4.59

Sources: AT&T IR, TIKR, Blue Line Capital

## Revenue and Net Income Estimates



# AT&T Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
AT&T (T)	7.11	7.93	2%	7%	-8%
Verizon (VZ)	7.3	8.58	4%	-9%	-21%
T-Mobile (TMUS)	9.85	22.64	0%	3%	16%
Comcast (CMCSA)	7.4	10.73	13%	4%	-9%
Charter Communications (CHTR)	7.35	11.52	6%	-10%	-17%
Dish Network (DISH)	11.56	10.67	-7%	-19%	-32%
American Tower (AMT)	21.68	46.61	-3%	-22%	-19%
Median	7.40	10.73	2%	-9%	-17%
Mean	10.32	16.95	2%	-6%	-13%

Sources: TIKR, Google Finance, Blue Line Capital

2/19/2023

Blue Line Capital maintains a long position in AT&T.

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**BLUE LINE CAPITAL**

I<sub>1</sub> N<sub>1</sub> V<sub>4</sub> E<sub>1</sub> S<sub>1</sub> T<sub>1</sub> I<sub>1</sub> N<sub>1</sub> G<sub>2</sub>

# Lowe's

## DIY Housing Trends

# Lowe's Earnings Highlights & Stock Performance

## Management Commentary From Q1 2023 Earnings Call

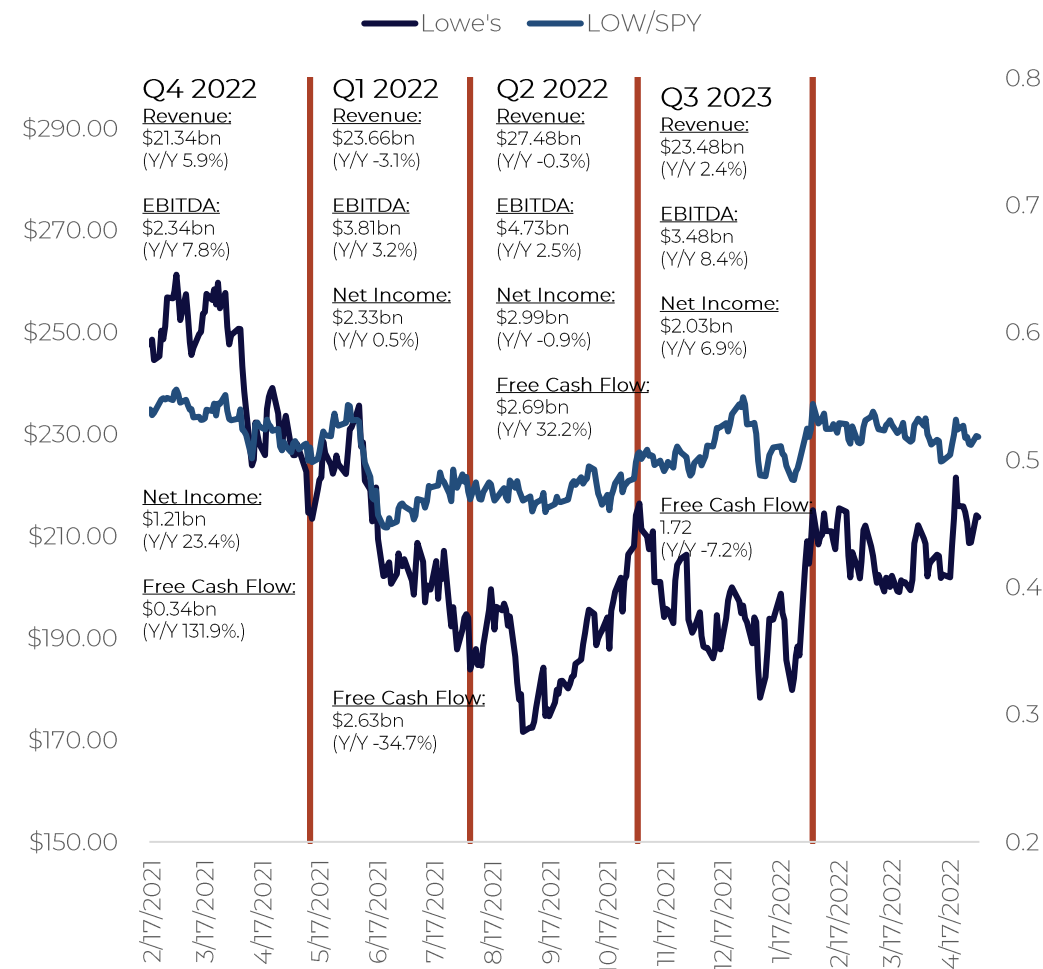
- **Structural Housing Dynamics:** The average age of homes in the U.S. is over 40 years old and roughly 3 million more homes built during the housing boom in the mid-2000s, will be entering prime remodeling years...2/3 of home improvement spend is nondiscretionary on repair or maintenance. More than 90% of homeowners either own or are locked into a low fixed mortgage insulating them from rising rates.
- **Discretionary Items:** We do believe there was some degree of pull-forward in some of these more seasonal discretionary categories (grills etc.)
- **Discretionary vs. Non-Discretionary:** 2/3 of our business is non-discretionary.
- **Same-Day Delivery:** Lowe's rolled out same-day delivery nationwide with more than 1,700 stores now supported by Instacart. This partnership allows us to deliver over 30,000 items stocked in our stores that weigh up to 60 pounds to our customers.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	15.26	1.39	16.4	11.51	NA
TTM	20.71	1.34	19.65	11.19	-10.1

\*Levered FCF

Sources: Lowe's IR, TIKR, Blue Line Capital

## Quarterly Data





# Lowe's Expectations & Returns

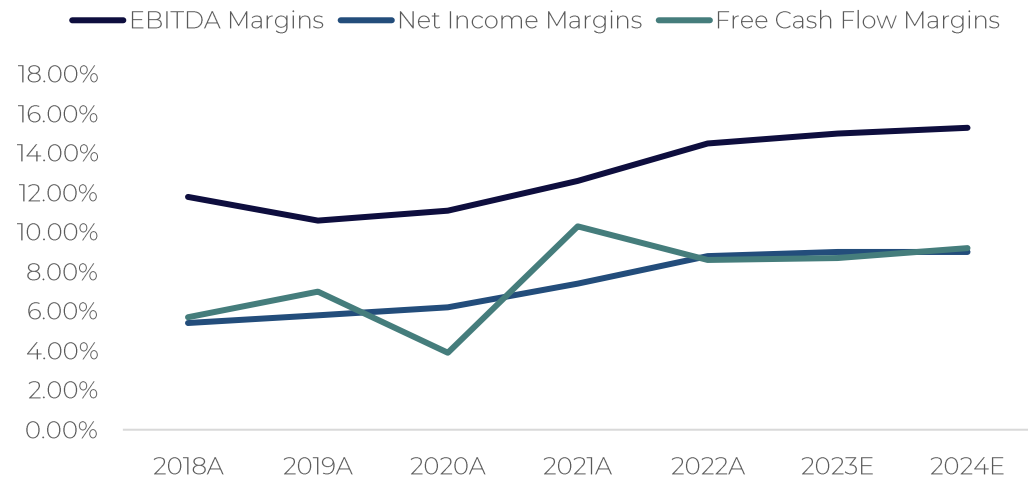
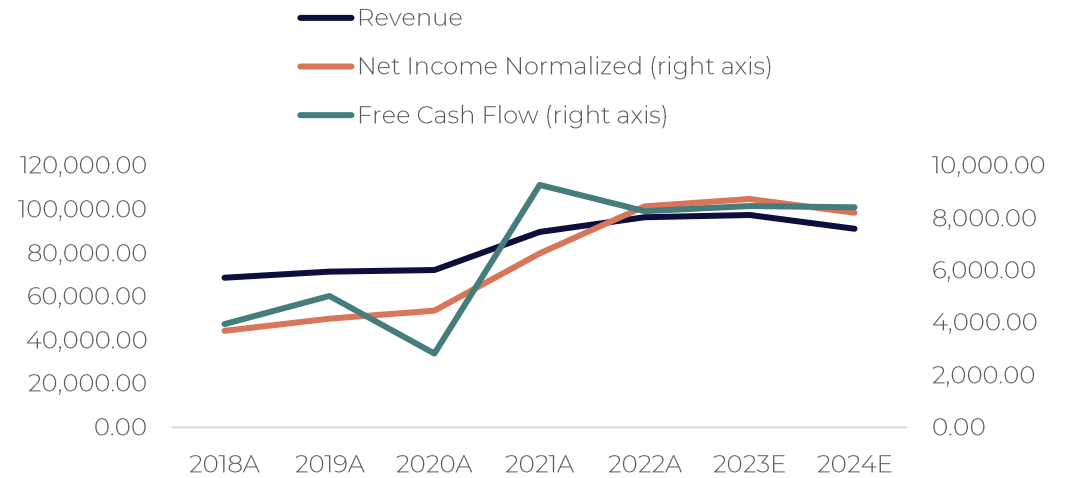
## Return Ratios Compared To 2019

In the transition to DTC, Disney's return metrics have suffered across the board.

		LTM	2019
Return Ratios	RoA	16.30%	8.90%
	RoC	48.20%	25.00%
	RoE	-92.60%	48.60%
Margins	Gross Profit Margin	33.40%	32.10%
	EBITDA Margin	15.20%	9.20%
	Net Income Margin	7.00%	3.20%
	Levered Free Cash Flow Margin	6.80%	5.30%
Asset Turnover	Asset Turnover	2.04	2.07
	Fixed Asset Turnover	4.37	3.74
	Receivables Turnover	NA	NA
	Inventory Turnover	3.5	4.4
Solvency	Total Debt/Equity	-297.70%	445.20%
	Total Debt/Capital	147.10%	81.70%
	EBITDA/Interest Expense	14.7	10.09
	(EBITDA-Capex)/Interest Expense	13.11	8.29

Sources: Lowe's IR, TIKR, Blue Line Capital

## Revenue, Net Income, and FCF Estimates



# Lowe's Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Lowe's (LOW)	11.51	15.26	1%	1%	15%
Home Depot (HD)	13.81	19.02	2%	2%	10%
Floor & Deco Holdings (FND)	19.12	33.76	30%	8%	41%
LL Flooring (LL)	14.57	35.44	-20%	-40%	-47%
Sherwin Williams (SHW)	19.26	26.95	-5%	-6%	-12%
Builders FirstSource (BLDR)	7.77	10.55	27%	26%	38%
Fastenal Company (FAST)	18.62	27.17	3%	0%	3%
Median	14.57	26.95	2%	1%	10%
Mean	14.95	24.02	5%	-1%	7%

Sources: TIKR, Google Finance, Blue Line Capital

2/19/2023

Blue Line Capital maintains no position in Lowe's.

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**BLUE LINE CAPITAL**

I<sub>1</sub> N<sub>1</sub> V<sub>4</sub> E<sub>1</sub> S<sub>1</sub> T<sub>1</sub> I<sub>1</sub> N<sub>1</sub> G<sub>2</sub>

AMD

What's Next After AMD's Turnaround?

# AMD Earnings Highlights & Stock Performance

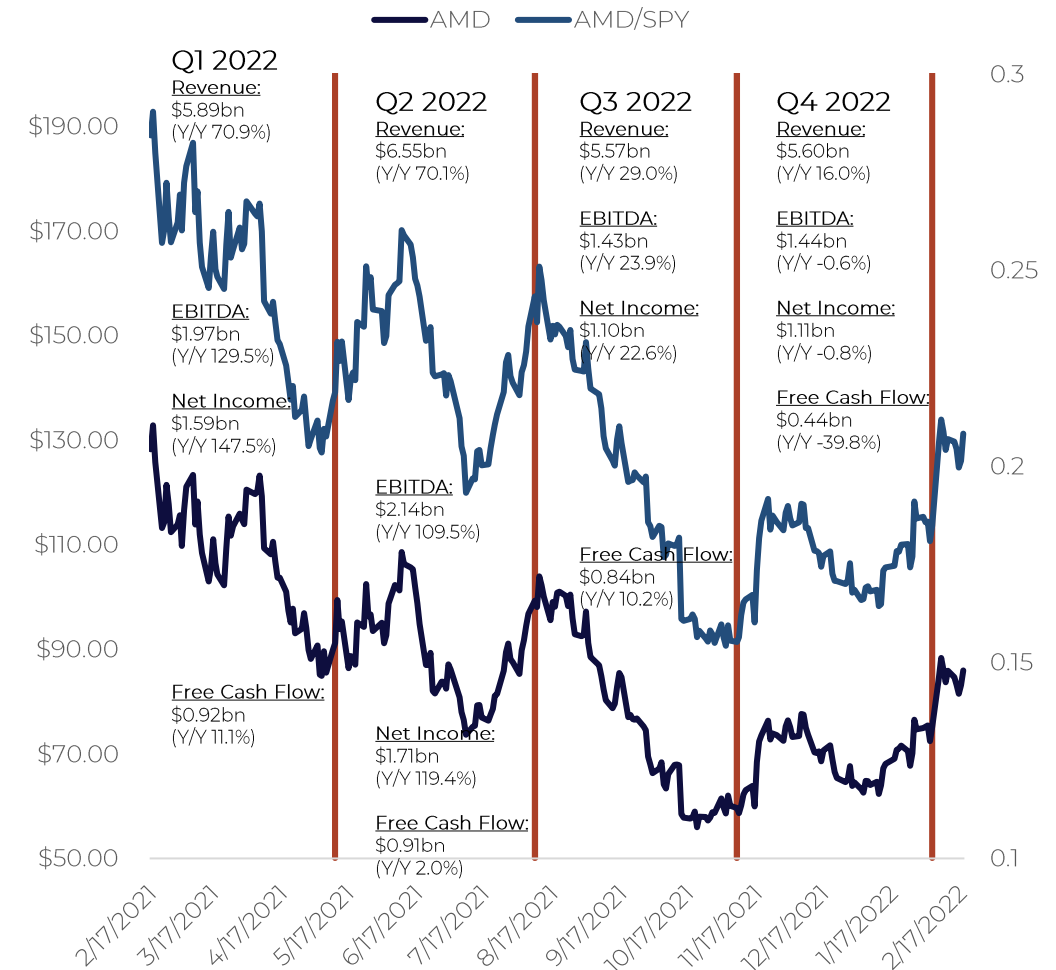
## Management Commentary From Q4 2022 Earnings Call

- **Datacenter Focus:** We also formed the company. We accelerated our Data Center business and closed our strategic acquisition of Xilinx and Pensando, significantly diversifying our business and strengthening our financial model as our Data Center. We believe we are well positioned to grow revenue and gain share in 2023 based on the strength of our competitive positioning and leadership high-performance and adaptive product portfolio.
- **Cloud Adoption:** EPYC processors now power more than 600 publicly available instances globally following the launches of new AMD-based instances from AWS, Microsoft and others in the quarter.
- **PC:** As we look at Ryzen 7000 and where it goes and where we are positioned in the commercial as well as the high-end consumer segments, we're not changing our strategy on PCs. Quite – a few years ago, we really focused on sort of the more premium segments. We're continuing to focus on commercial PCs and getting a larger footprint in there.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	25.76	5.34	24.47	15.8	NA
TTM	93.45	5.36	34.94	27.34	2.31
*Levered FCF					

Sources: AMD IR, TIKR, Blue Line Capital

## Quarterly Data



# AMD Expectations & Returns

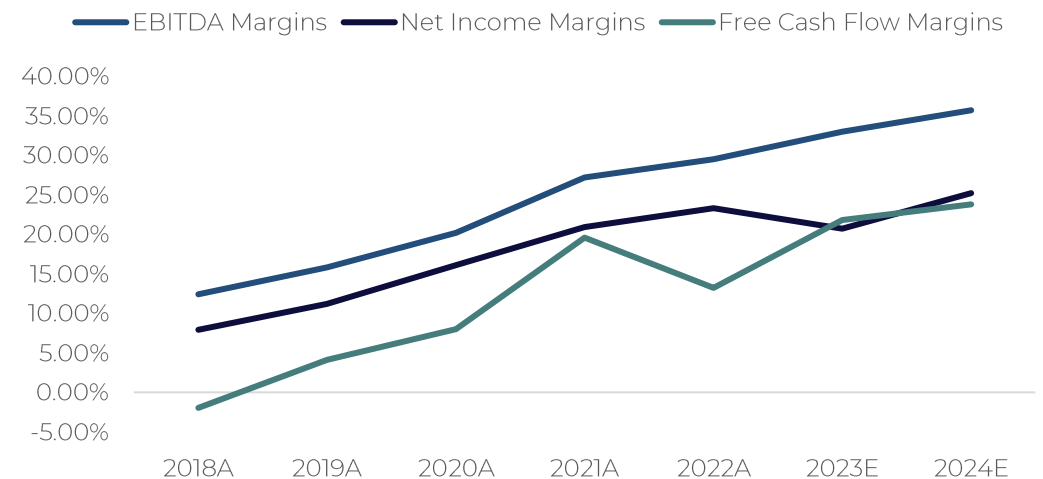
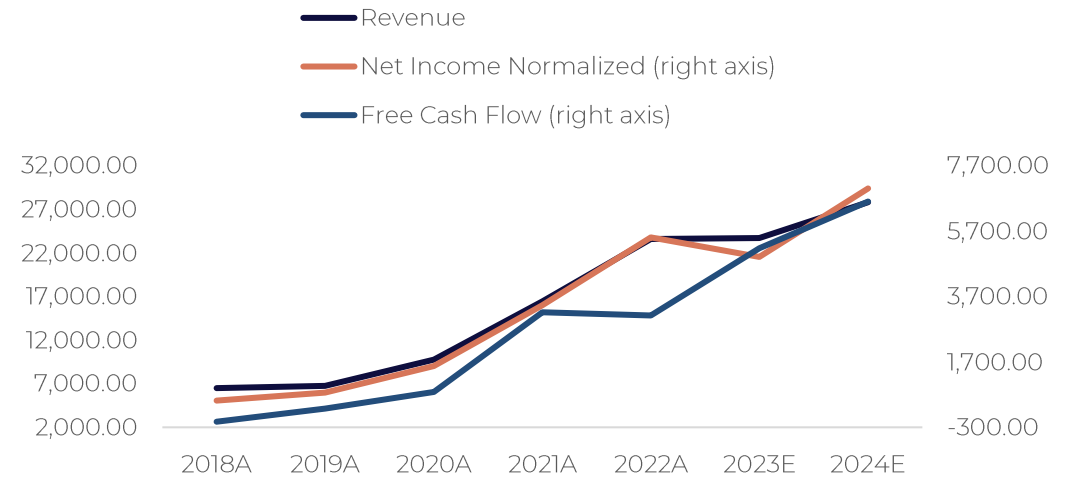
## Return Ratios Compared To 2019

Intel has disappointed across metrics.

		LTM	2019
Return Ratios	RoA	2.00%	7.50%
	RoC	2.10%	17.90%
	RoE	4.20%	16.70%
Margins	Gross Profit Margin	51.10%	42.60%
	EBITDA Margin	19.20%	12.70%
	Net Income Margin	5.60%	5.10%
	Levered Free Cash Flow Margin	NA	6.00%
Asset Turnover	Asset Turnover	0.35	1.12
	Fixed Asset Turnover	15.52	12.78
	Receivables Turnover	6.91	4.35
	Inventory Turnover	4.03	4.23
Solvency	Total Debt/Equity	5.20%	24.20%
	Total Debt/Capital	4.80%	19.40%
	EBITDA/Interest Expense	52.47	9.67
	(EBITDA/Capex)/Interest Expense	52.47	7.36

Sources: AMD IR, TIKR, Blue Line Capital

## Revenue, Net Income, and FCF Estimates



# AMD Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
AMD (AMD)	15.8	25.76	7%	-15%	-14%
Nvidia (NVDA)	59.58	55.42	39%	26%	32%
Broadcom (AVGO)	12.41	14.61	16%	13%	14%
Intel (INTC)	12.62	50.52	-8%	-18%	-34%
NXP Semi (NXPI)	11.7	14.91	10%	9%	5%
Analog Devices (ADI)	15.77	18.42	19%	18%	19%
Micron Tech (MU)	11.83	*-29.74	1%	1%	-11%
Median	12.62	22.09	10%	9%	5%
Mean	19.96	29.94	12%	5%	2%

Sources: TIKR, Google Finance, Blue Line Capital

2/19/2023

Blue Line Capital maintains no position in AMD.

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**BLUE LINE CAPITAL**



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