

Bloomberg Pricing Power Index

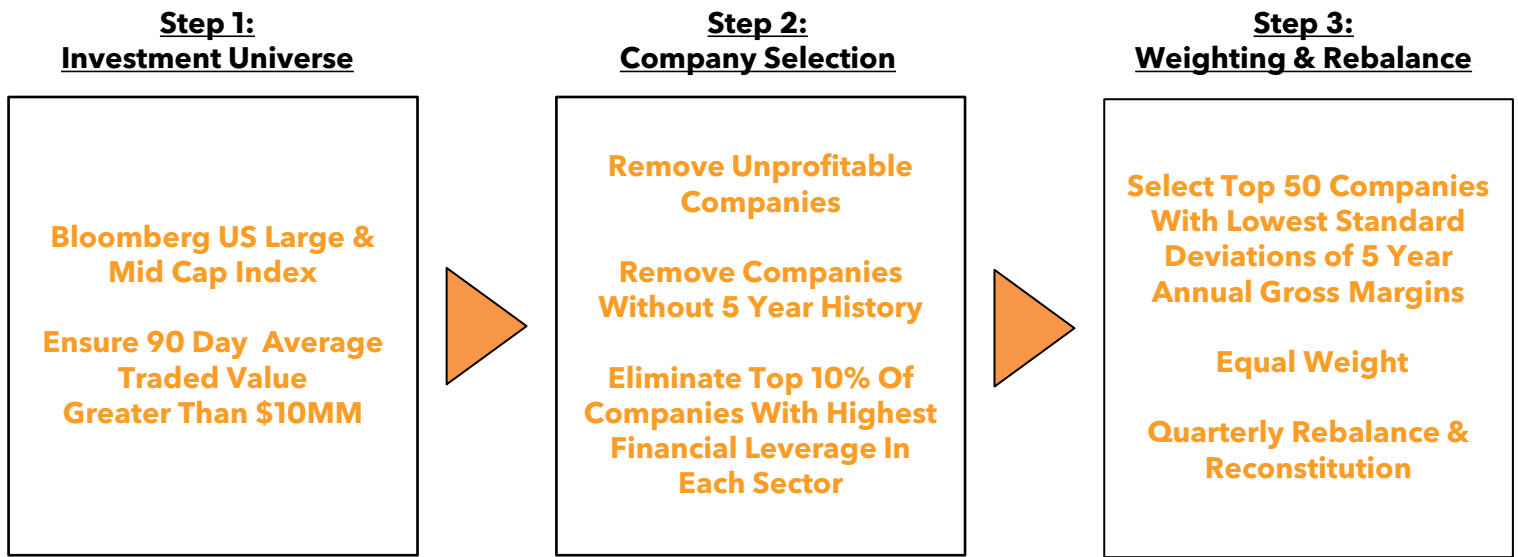
A Case For Quality Growth Compounders

"The single most important decision in evaluating a business is pricing power. If you've got the power to raise prices without losing business to a competitor, you've got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you've got a terrible business." - Warren Buffett

Investment Thesis Summary

- **Resilience to Competition:** Pricing power is important to investors, perhaps more so now than ever, but often remains poorly defined. Pricing power indicates a company's ability to differentiate its products or services, making it less susceptible to price competition from rivals.
- **Profit Stability:** The Bloomberg Pricing Power Index identifies "pricing power" as the long run stability of gross profit margins. Companies with pricing power can consistently maintain profit margins in the face of economic downturns or market saturation.
- **Quality Growth Indicator:** Pricing power is considered a hallmark of quality businesses with strong customer loyalty and demand, signaling to investors the underlying strength and durability of the company. These companies are quality growth companies that quietly compound in the background.
- **Risk Mitigation & Inflation Protection:** Companies with strong pricing power are more capable of passing on variable cost increases to consumers and increase production in response to rising margins due to stronger demand. These companies have been able to raise prices to offset inflation, preserving their real earnings, and shielding investors from the eroding effects of rising costs.
- **Enhanced Return Potential:** Pricing power stocks have earned higher returns over the long run and as an equity factor has been shown to work across multiple global markets over the long run, across multiple sectors and even asset classes.
- **Valuation Support:** The ability to maintain pricing power can support premium company valuations, as investors are willing to pay a higher multiple for companies with predictable and sustainable earnings growth.

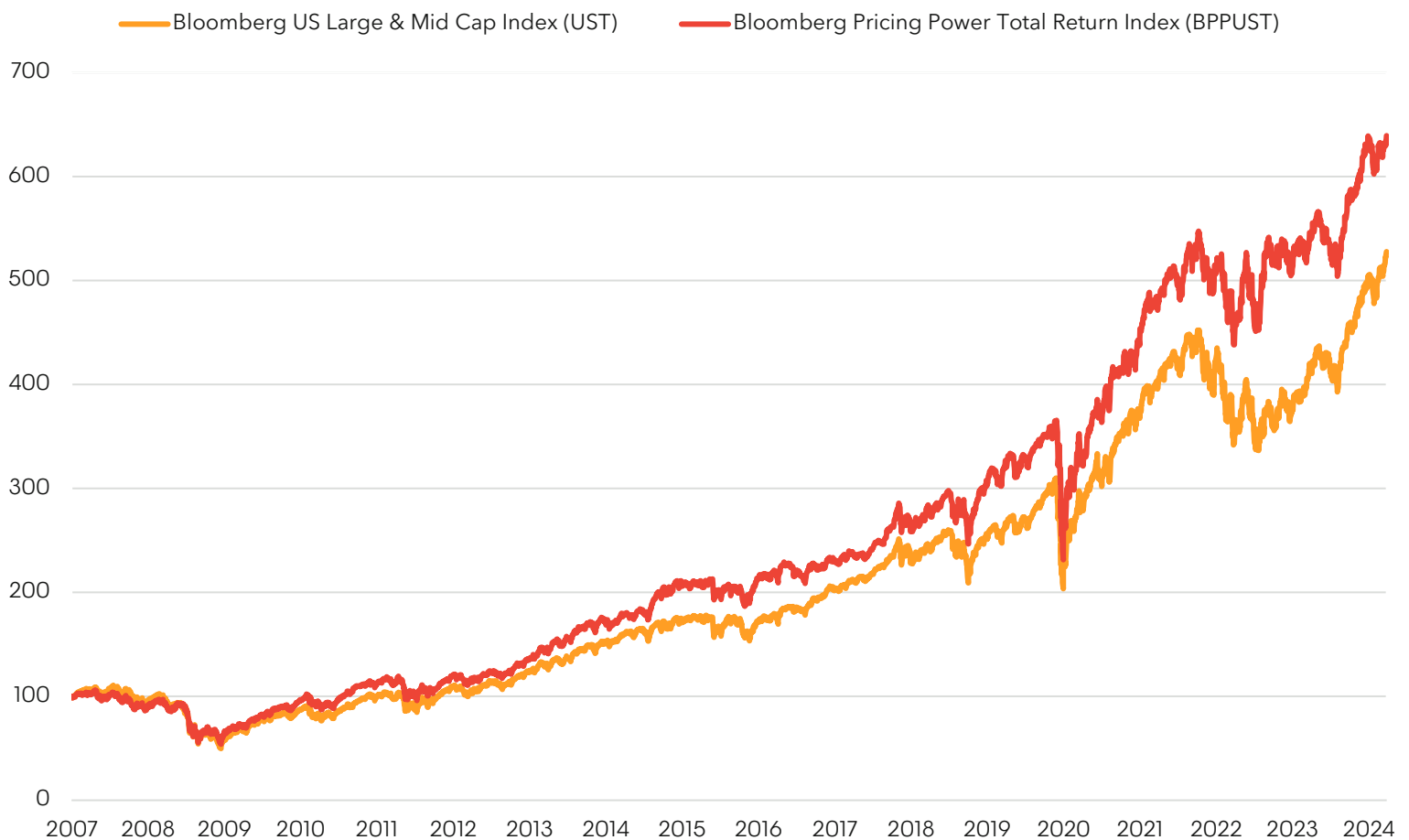
Bloomberg Pricing Power Index Methodology



Index Methodology:

- [Bloomberg Pricing Power Index Methodology](#)

Bloomberg Pricing Power Index Historical Performance



Source: Bloomberg as of 6/18/2024

Top 10 Pricing Power Companies Reoccurring Highest Frequency Since Index Inception

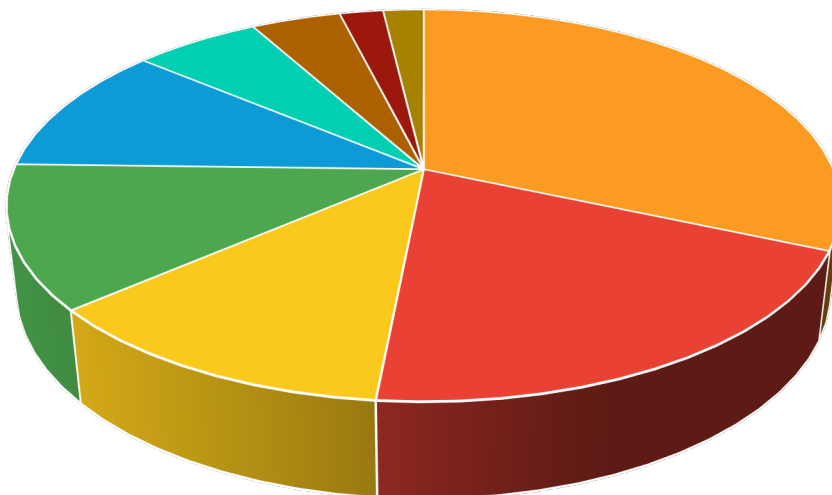
Ticker	Company Name	Sector
APH UN Equity	Amphenol Corp	Industrials
AZO UN Equity	AutoZone Inc	Consumer Discretionary
COST UW Equity	Costco Wholesale Corp	Consumer Staples
DG UN Equity	Dollar General Corp	Consumer Staples
HD UN Equity	Home Depot Inc/The	Consumer Discretionary
LOW UN Equity	Lowe's Cos Inc	Consumer Discretionary
MCK UN Equity	McKesson Corp	Health Care
SYU UN Equity	Sysco Corp	Consumer Staples
TSCO UW Equity	Tractor Supply Co	Consumer Discretionary
WMT UN Equity	Walmart Inc	Consumer Staples

Source: Bloomberg as of 6/18/2024

Diversified Sector Exposure & Underappreciated Businesses

Over the long run, the Bloomberg Pricing Power Index tends to eschew the flashy or glamorous companies that occupy the news headlines, but often picks up suppliers of hard to substitute inputs to firms and consumers.

- Industrials 31.55%
- Health Care 19.97%
- Technology 12.1%
- Consumer Staples 11.79%
- Consumer Discretionary 10.69%
- Materials 5.85%
- Real Estate 4.14%
- Communications 2.02%
- Financials 1.88%



Source: Bloomberg as of 6/18/2024

Learn More About The Index & Pricing Power

Blog:

- [Cracking The Code Of Pricing Power](#)

Whitepaper:

- [Pricing Power Everywhere](#)

Take the next step.

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Beijing
+86 10 6649 7500
Dubai
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+44 20 7330 7500
Mumbai
+91 22 6120 3600

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San Francisco
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São Paulo
+55 11 2395 9000

Singapore
+65 6212 1000
Sydney
+61 2 9777 8600
Tokyo
+81 3 4565 8900