



Market Update

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Executive Committee Members



- **Fed Holds Rates Steady During September FOMC Meeting**
 - The Federal Reserve maintained the federal funds rate between 5.25%-5.5%, a 22-year high
 - 12 out of the 19 Federal Reserve officials are in support of a future rate hike later this year
 - The officials anticipate rates will remain higher throughout 2024 in hopes of a soft landing
 - The expectation is for rates to hover around 5% at the end of 2024, implying 1-2 rate cuts
- **Russia Bans Oil and Diesel Exports to the Majority of Europe**
 - Export ban comes from tightness of supply in Russia and consequently led to higher prices
 - Russia has already cut diesel and gas exports by 30% in September compared to last month
 - Russian and Saudi Arabian supply contractions have raised crude oil prices to \$95 per barrel
 - Western nations are turning to India and Middle Eastern oil exporters for additional supply
- **August Home Sales Fall to Slowest Pace Since January 2023**
 - August 2023 sales are down 15% year-over-year and over 36% overall since January 2022
 - Mortgage rates hit a two-decade high at over 7%, discouraging potential home purchasers
 - There were only 1.1mm homes for sale or under-contract in August, the lowest since 1999
 - Housing starts, an indicator for new residential construction, fell 11% from July to August

COMPANY OF THE WEEK: INSTACART (NASDAQ: CART)

■ Instacart Executes on Long-Awaited Initial Public Offering



instacart

- Instacart raised \$660mm through the sale of 22mm shares at \$30.00 per share
- The recent IPO valuation of \$10bn is significantly lower than its \$39bn valuation in 2021
- Investors endured a volatile opening where the stock rose to \$42.00 and closed at \$33.70

■ CEO Focuses on Advertising Segment Amidst Reduced Demand

- Instacart looks to expand on its complementary ~\$750mm advertising segment, in which they host a retail media network for grocery and retail companies to place advertisements
- Customer reversion back to in-person shopping has led to a reduction in customers and delivery drivers on Instacart's platform, which has caused a decrease in revenue outlook
- Instacart is facing growing competition amongst retailers that are building out their own in-house delivery platforms, contributing to the reduced demand and lower future margins

■ Market Actions Show Mixed Response to Recent IPOs

- The IPO environment has struggled during the high interest rate backdrop and weakened equity market, as only 63 companies went public this year in comparison to 416 in 2021
- Following in Instacart and Arm's footsteps, the premium German footwear brand Birkenstock is planning to enter the public market and currently seeking a \$10bn valuation
- However, venture capitalists are advising private start ups to hold off plans of going public

DEAL OF THE WEEK: J.M. SMUCKER ACQUIRES HOSTESS

- **J.M. Smucker Acquires Hostess Brands in a \$5.6bn Deal**
 - J.M. Smucker is a multinational food and beverage company owning several famous brands
 - Hostess Brands is an American baked goods and snack company specializing in sweet treats
 - The purchase price of \$34.25 per share in cash and stock resulted in a 54% premium over Hostess' previous day closing price, which included Smucker assuming \$900mm of debt
- **J.M. Smucker Expands Their Presence in the Snacking Industry**
 - J.M. Smucker looks to capitalize on the strong growth seen in the biscuits and snacking industry, with the total market size expected to surpass \$170bn by 2030 at a 5.5% CAGR
 - The company plans to utilize Hostess' expansive supply chain network across the Midwest
 - J.M. Smucker can address various consumer needs with a wider variety of snack offerings
- **Hostess Brands Aims to Accelerate Growth and Realize Benefits**
 - J.M. Smucker's international reach will allow Hostess to begin expansion in foreign markets
 - Shareholders of Hostess Brands were well compensated, receiving both cash and stock
 - Shareholders received \$30.00 in cash and 0.03 shares of J.M. Smucker per Hostess share



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UP NEXT: FINANCE 101