



ALL EARS!!

*The Litchfield Fund
Weekly Newsletter*

"We just don't hear it on the street, we have our ears spread across all the fields!!!!!"



Litchfield

In any negotiation, the ultimate intent is to reach an agreement. Many books, theses & training courses teach '*Getting to Yes!*' They offer a variety of tactics to strike a deal that gets you what you want. Whether it involves empathy, showing the other side '*what's-in-it-for-me*' or walking away from the table, there are many paths to a successful negotiation. It takes a *lot of experience & a bit of moxie* to get all parties involved to agree! At **The Litchfield Fund**, however, we have learned one useful statement that seems to always get agreed upon - *that all important yes* - from all involved parties: *Let's get pizza for dinner!*

Pizza Ponderings: Pizza is the ultimate, feel good, have fun food! Bread, cheese & the toppings you like. Personal size or extra-large! Homemade, take-out, take & bake, delivered or frozen! Leftovers for lunch tomorrow or our favorite, cold for breakfast with a cup of coffee! And everyone has their personal favorite pizza place! *What's not to like?!* In reports this week from *Technomic & Mintel*, frozen pizza is consumed by 37% of households & sales will grow to \$5.7B (11%) by 2021. Forty-six percent of people take-out pizza or get it delivered at least 3 times a month. *That's a pile of pepperoni!* Yes, our homemade pizza tastes have evolved since this partner's childhood. Mom was a great cook, but my earliest recollections of homemade pizza in our struggling household was white flour crust, generic sauce (homemade sauce was for special occasions), toppings made from 10lb blocks of government-issued orange cheese & baloney. Pick-up at our favorite pizza place was perhaps a birthday treat. Jobs in high-school & college gave us late night Friday deliveries & local pizza parlor hangouts! Our homemade pizza tastes have certainly evolved. We now use ancient grains for the crust, brushed with olive oil & covered with organic veggies, meats, spices & low sodium mozzarella for toppings!

Frozen pizza has never been our favorite. In childhood, they were dry & tasteless. And while frozen pizza has evolved, especially with consumers' desire for healthy & organic treats, we still have one issue with frozen pizza! *There is way too much sodium in frozen pizzas!* Recently, a study published in *JAMA Internal Medicine* indicates that Americans are consuming 396mg less of sodium each day than we did in 2000. The study also says packaged food purchases now average 49mg less of sodium. But Americans still consume 1.1mg of sodium with every calorie! The entire food industry still has a long way to go to address alternative flavors that replace sodium, especially for pizza, which should burst with flavors other than salt!

But of course, everyone has their favorite pizza, whether frozen or from a pizza parlor! And cities across the USA are famous for different styles. Our recent favorite pizza here in Scottsdale has been *Spinato's!* But our all-time favorite pizza is the same favorite we had as a child growing up on Cleveland's east side -- *Master Pizza* in Mayfield Heights!!

Industry News: *Efficient Collaborative Retail Marketing (ECRM)* announced the acquisition of *RangeMe*, which provides an on-line marketplace for buyers & brands. Terms were not disclosed. *RangeMe* had previously raised \$4M. *LifeFuels*, a portable customization technology beverage company raised \$5M led by angel investor Trenor Williams. *VMG Partners* led an \$8M raise for *Humm Kombucha*. *Fishpeople Seafood*, a sustainable seafood certified B-Corp, completed a \$12M raise in an investment from *Advantage Capital Agribusiness Partners* with several others participating. There will be an IPO for meal kit delivery company *Blue Apron*. In the filing, the company reported a \$54.9M loss on almost \$800M in revenue. The loss grew despite a roughly doubling of revenue. Reorders & order size are decreasing & \$144M (17%) of the company's budget went to marketing. Reportedly, competitor *Sun Basket* is also considering an IPO. The *Walgreens & Rite Aid* merger is struggling for federal approval with *Rite Aid* executives acknowledging their concerns.

New York City, which spends \$400M annually for trash pickup & landfills, will pursue recycling of organic material. The material will be turned into compost & gas. Per *IRI*, local produce is shifting consumer purchases & structure of the grocery store perimeter. On average, Americans spend \$144 per month on food prepared outside the home, a \$25 increase since last year.

A weak 1st QTR earnings report has prompted *Yum! Brands* to invest \$130M in *Pizza Hut* to revive declining store sales & match the growth of its other outlets like *KFC & Taco Bell*. *United National Foods'* 3rd QTR EPS rose slightly but missed on revenue, with growth coming from recent acquisitions. *J.M. Smucker's* reported both a down 4th QTR & full fiscal 2016. *Smucker's* will focus on emerging trends & acquisitions to spur growth. *Tops* extended losses in 1st QTR by \$7M, over the previous year, to \$22M. Comparables declined 3.4% & sales were down 3.1%.

Kroger has reduced prices on 3,000 SKUs in its Columbus region, with nearly 2/3 of those among its various private label brands. In Oklahoma City, *Walmart* is testing automated kiosk pickup for online grocery orders. *Lidl* will partner with supermodel Heidi Klum to bring high end but affordable clothing to its USA stores. *Drink Maple & DRY Sparkling* have passed through *CVS Health's* better-for-you pilot & will be launched nationwide. *Publix* will expand *Instacart* for delivery across its footprint.

Market News: The markets weathered a lot of news – infrastructure spending proposals, testimonies, generationally low unemployment filings & foreign elections – to end up (Dow), down (Nasdaq) & relatively unchanged (S&P). Indices hit new record highs along the way!

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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