



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

The Perfect Game! A real sports rarity. Perhaps not as rare as the unassisted triple play, but the perfect game takes longer -- nine innings where no one reaches base by hit, walk, error, HBP or catcher’s interference! Even the best pitchers make mistakes & making that ‘mistake’ on the plate usually results in a hit, a homer, or worse – the grand slam! Investors & entrepreneurs make mistakes, but just like pitchers, they stay out there pitching! Theodore Roosevelt, Einstein & many others see mistakes as a part of the process of trying, learning & growing! But maybe their manager never walked to the mound & *took the ball!*

Mistakes: In baseball, the grand slam is the ultimate mistake. The pitcher hangs his head while the runners & hitter circle the bases & cross the plate. The fans cheer, or moan, accordingly! Even the best pitchers & best pitching staffs make such mistakes. There were many great pitching staffs like the Indians of the 40s & 50s & the Braves of the 90s, each sporting 3 future Hall of Famers! We opt for a childhood favorite – the Orioles of the 60s & 70s! Four 20-game winners in 1971 anchored by Jim Palmer! A Hall of Famer, Mr. Palmer, won 268 games, with a 2.86 ERA, pitched almost 4,000 innings & *never gave up a grand slam in his career!* But for most, mistakes are just part of the growing process; learning & moving forward!

Industry News: *Sun Basket*, a meal kit delivery company with 1300% growth that added \$124M to its run-rate, closed a \$9.2M raise with *Unilever Ventures*, *Baseline Ventures* & *Founders Circle Capital* participating. Prenatal nutrition company *Premama* raised \$3.25M with *River Hollow Partners* in the lead. *DRINKmaple* raised \$4.35M with their Vermont neighbors *FreshTracks Capital* participating. Grass-fed, free-range beef company *Verde Farms* acquired *Estancia Beef*, the import division of *El Raigon Natural Beef* for an undisclosed amount.

Whole Foods Market announced board changes, management changes & cost-cutting plans along with 2nd QTR earnings. Sales increased 1.1%, comparables fell 2.8% & net earnings fell 30%. *Albertsons* saw 4th QTR comparables decline, leading to a full year decline. Revenue rose slightly but the grocer experienced a net loss for the year of \$131M. *Ahold Delhaize* posted slightly 1st QTR lower sales & comparables for its U.S. stores. Deflationary pressure, a late Easter & a lack of sales-building snowstorms were the reasons. *Southeastern Grocers* will refinance its debt & close 20 stores (*Winn-Dixie*, *Harvey’s* & *Bi-Lo*) after lower 2016 revenue & comparables. *Kroger* introduced a new convenience option called *Fresh Eats MKT*. Last week *Central Grocers* filed for Chapter 11, this week *Marsh Supermarkets* followed suit in an attempt to preserve value while it seeks a buyer. In a survey by *Market Force*, *Wegmans* & *Publix* tied for the favorite U.S. grocery store followed by *Trader Joe’s* & *HEB*.

Chicken supply chain & food service segment issues led to a disappointing 2nd QTR for *Tyson Foods*, with net income falling almost 17% on flat sales. *Post Holdings* had weak sales & a \$7.2M loss. *Post* will reposition all of its cereal & granola brands, including *Attune Foods* & after the acquisition of *Weetabix*, *Weetabix North America*, into one unit. *Snyder-Lance* will undergo a brand & SKU rationalization after reporting a 19% increase in net revenue (due mostly to the acquisition of *Diamond Foods*) but an adjusted net income drop of 37%. *Treehouse Foods* saw a jump in 1st QTR revenue from the acquisition of *ConAgra's* private label production. Year-over-year, *Treehouse* reported a net income of \$28M compared to a \$3.2M loss but missed analyst estimates. The company reaffirmed full-year EPS of \$3.50 to \$3.70. Interestingly, 36 clients make up 80% of *Treehouse's* sales. *Amplify Snack Brands* reported an increase in 1st QTR revenue from their *Tyrell's* acquisition but EPS fell from 11¢ to 1¢. Competition in sports nutrition caused *The Vitamin Shoppe's* dip in 1st QTR revenue (5.9%), comparables (6.3%) & on-line sales (9.1%).

Tastefully Plated, a line of paleo frozen entrees, is debuting nationwide in *Walmart*. *Butterball* is introducing a new turkey product line, *Farm to Family*, with the tag line 'no antibiotics ever'. *Monster Beverage* is making plans to continue to innovate & launch new products. *Icelandic Glacial* is expanding its distribution in grocery, food service & C-stores while introducing a flavor line later in 2017. *Hampton Creek* is laying off positions amidst fundraising issues. *Target Take-off*, a brand accelerator for healthy, better-for-you, sustainable brands, kicked-off its first class with 10 companies visiting Minneapolis for a boot camp. We commend *XYIENCE* for their program to make weekly donations to Marcus Luttrell's *Lone Survivor Foundation* which restores, empowers & renews hope for wounded service members & their families, through health, wellness & therapeutic support.

Avocado consumption jumped 9.1 pounds per capita. Over 80% of U.S. avocados are imported from Mexico. The USDA forecasted that the winter wheat crop will come in at its lowest totals since 2002. According to a study by *The NPD Group* only 1% of Americans follow a strict Vegetarian or vegan diet, while another 8% eat a primarily vegetarian diet. Grocery store visits are split 51%/49% among women & men. Women spend slightly more, though. Most store visits (68%) are for 10 items or less.

Market News: The S&P fell slightly & the Nasdaq, setting record highs, rose this week. Consumer sentiment rose more than analyst projections, hitting a four-month high. The last time this percentage of consumers (44%) viewed their financial resources as improving in the next 12-month period was 2004.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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