



ALL EARS!!

THE LITCHFIELD FUND WEEKLY NEWSLETTER

"OUR EARS SPAN ALL FIELDS"



IMAGINE BEING TOLD THAT YOU CANNOT worship as you see fit; that you are told to pray in private. Perhaps you want to start a business, but the experts tell you that the enclosed 90 ft. by 25 ft. space you plan to use is dangerous & unhealthy! Maybe you want to or need to travel, yet the experts tell you the same thing, your travel plans are a risk to your health; exposing yourself to danger, that others have tried & met their fate. You make your plans, but changing circumstances constantly make you start over! *Sounds like 2020?* Wrong! The year is 1620 & you are just one of the 102 Pilgrims, the Puritans & entrepreneurs, who set out to establish a better life in America!

TRUST AND BELIEF: Lore, legend & myth are part of every culture, including, despite attempts to negate it, our unique American culture. The truth becomes lore, merges into legend & myth, then enters our collective psyche. The Pilgrims came to America, in that small 90X25 foot boat, battled danger & disease, yet survived to establish a society focused on freedom, democracy, capitalism & community. They were what Americans have always been destined to be; *rugged individuals who trusted & believed in themselves & their fellow man.* American culture is filled with such legendary figures: some real, some enhanced by legend, some completely fictional. The lines are often blurred, but they give us a *cultural history* of the people we are: *believing in ourselves, our own abilities, our communities & wanting to right the wrongs we see.* It's a long list of American icons that includes Washington, Franklin, Jefferson, Lewis & Clark, Lincoln, Stowe, Daniel Boone, Davy Crockett, Paul Bunyon, Johnny Appleseed, Wyatt Earp, Teddy Roosevelt, Ida Wells, Alvin York, Billy Mitchell, Eliot Ness, Jesse Owens, Joe Louis, John Basilone, Butch O'Hare, Al Schmidt, Patton, McArthur, Medger Evers, Thelma Mothershed Wair, Ruby Bridges, Tom Joad, Rick Blaine, Chris Larrabee Evans, Hiltz, Juror 8, Atticus Finch, Muhammed Ali, Chuck Yeager, John Glenn & Neil Armstrong. Whether real, fictional or somewhere in between, these people trusted & believed in themselves & what they were capable of doing, including changing & helping their community! They ignored the warnings of people who supposedly knew better & then the danger they encountered. From Emerson we have, "*Self-trust is the first secret of success,*" & from Benjamin Spock, "*Trust yourself, you know more than you think you do.*" Bruce Barton, American advertising icon who created *Betty Crocker*, a congressman & author of countless articles on optimism & success, including a 1926 bestselling book that topped sales for two years, *The Man Nobody Knows*, tell us, "*Nothing splendid has ever been achieved except by those who dared believe that something inside of them was superior to circumstance.*" So as we celebrate this uniquely American holiday, let's give thanks to those who dared the circumstances & dangers, trusted themselves, to allow us the opportunity to enjoy & give thanks for our many blessings.

INDUSTRY NEWS: *Afresh* raised \$13M led by Boston-based *Food Retail Ventures*. *Farmstead*, on-line grocery, raised \$7.9M for its Raleigh-Durham expansion led by *Aidenlair Capital*, with *Y Combinator*, *Gelt VC*, *Duro*, *Maple VC*, *Heron Rock*, *19 York* & *Red Dog Capital*. Canadian private equity firm, *Clearspring Capital Partners*, has acquired a majority stake in *Regal Confections*, Canadian distributors of *Tootsie Rolls* & *Pez*. *Kate Farms*, meal replacement, closed on \$51M led by *Goldman Sachs* & *Kaiser Permanente Ventures*. In a cash deal, *Ahold Delhaize* has taken an 80% majority stake in Bronx-based *Fresh Direct*, with *Centerbridge Partners* taking the remaining 20%. Consolidating its international holdings, *Walmart* will sell a majority stake of Japan's *Seiyu* supermarket to *KKR* & *Rakuten*. *Mars*, already holding a minority stake, will buy

Kind Bar at a possible \$5B valuation. *Sanderson Farms* rejected an undervalued unsolicited buyout offer from *Durational Capital Management*. *Laird Superfood* went public in a \$184M IPO. *DoorDash*, reporting a \$149M loss, filed with the SEC for an IPO at a possible valuation of more than \$16B. *Instacart* may also IPO, with a valuation that could approach \$30B. *HumanCo* & *CAVU* will raise \$225M for a SPAC. Foodtech investment through September 2020 is \$8.37B, more than the \$7B during 2019, per *Finistere Ventures*.

Target & *Walmart* beat every estimate for 3rd QTR; consumer spending habits powered activity. The same was true at *BJ's Wholesale*, with a 122.8% increase in income, a 15.7% sales increase, a 200% increase in eCommerce & an 18.5% increase in 3rd QTR comparables. *Natural Grocers* had a 4th QTR revenue increase of 16.3%, leading to \$1B in fiscal sales for the first time, with net income up 174% on strong comparables & transactions size. *Grocery Outlet* had increases in 3rd QTR of net sales (17.1%), comparable-store sales (9.1%) & income (327%). *SpartanNash* beat income expectations, but revenue growth missed targets despite healthy comparables & digital sales growth. *Loblaws*' 3rd QTR had increases in revenue (6.9%), eCommerce (175%) & operating income (4.1%). Driven by at-home baking, *Land O'Lakes*' 3rd QTR earnings were up more than 5X, on flat revenues. *Lancaster Foods* reported 1st QTR earnings fell by 8.7% due to its *Bantam Bagels* business & higher operating costs, though sales rose 3.6%. *Tyson* reported 4th QTR sales up 5.3% & adjusted EPS up 50%, due to a higher price & volume for beef. For *Hain Celestial's* 3rd QTR, sales rose 3% on tea, snacks & yogurt, with an adjusted net income at \$27.4M, up from \$8.4M. With across segment growth in 3rd QTR, *B&G Foods* had a 22.2% sales increase & a 52.1% net income increase. At *McDonald's*, 3rd QTR sales fell 2% but net income rose 11.3%. *Yum! Brands* saw revenue rise 8% & earnings 11%, *Taco Bell* driving 3rd QTR growth. *Starbucks* finished a down year with 4th QTR income falling 51% & revenue declining 8%.

Hy-Vee will add 10K workers this holiday season to meet demand. *Walmart* will double its personal shoppers during the holiday season. *Amazon* will introduce an on-line pharmacy store. Also, *Amazon* will offer an in-garage delivery option. *Giant Eagle* installed digital advertising refrigerator doors from *Cooler Screens*. Various retail chains will make the virus vaccine available for free, thanks to the Operation Warp Speed initiative. *Dollar General* is building its first dry & fresh distribution center, an \$85M, 800K sq. ft. facility in Nebraska. *Walmart* will add flexible pop-up eCommerce fulfillment centers to meet increases & fluctuations in demand. *Mondelez* will unveil gluten free *Oreos* in 2021. *Cece's Noodles* will shift to plant-based meal offerings. *Unilever* wants to see plant-based sales reach \$1.2B in the next 5 to 7 years. Citing performance issues, *Bang Energy* has ended its one-year old distribution agreement with *PepsiCo*.

Premium & super premium packaged goods sales grew by 1.7% for the 26 weeks ending Oct. 4, per *IRI*. A study from *New Nutrition News* reports that while younger consumers are embracing good fats, fats are more often, across all segments, viewed as healthier than carbs & sugar. Overall retail sales rose 5.7% YOY in October, with grocery sales up 9.2%, though slightly lower than September. The *National Restaurant Association* reported that October sales were flat to September, the first month lacking growth since April, likely due to weather impacting outdoor dining.

MARKET NEWS: Markets rose in the early part of the week, riding on vaccine successes, but pulled back at the end of the week as state governors once again began issuing restrictions. New unemployment filings remained steady.

SEEDS, SPROUTS, GROW, HARVEST!

THE LITCHFIELD FUND – *Tom Malenjo*

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