



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 middle high German word ‘naschen’ meaning to ‘eat on the sly’ provides the etymology for the Yiddish word ‘nosh’. As a noun, *nosh* means food or a light snack. But as a verb, it takes on its more passionate definition – to eat enthusiastically & greedily! To which we at **The Litchfield Fund** say, “*Is there any other way to eat?*” Growing up in a mixed Italian & Jewish neighborhood, *nosh* meant to take time to eat, to talk, to learn. Certainly this week **The Litchfield Fund** did exactly that, via the webcast livestream, by enthusiastically & greedily noshing on every single thing presented at Project NOSH LA!

#NOSHLA: At the first *Project NOSH* (Natural, Organic, Sustainable, & Healthy) gathering this week (#NOSHLA) it was very clear that large food giants will continue to pursue products & companies in the natural & organic food space. Investments bankers spoke to the booming market for acquisitions. Big Food representatives cited the difficulty of Big Food moving quickly enough on product development & introduction to be successful. General Mills’ (**GIS**) recent troubles introducing gluten-free Cheerios was cited as an example. While conventional food sales are essentially flat, the natural & organic segment is growing at 14.5%. Private label organics are growing at 24.5%! This is great for the industry, as private label tends to be commodity oriented (pasta, milk, canned vegetables, etc.) & serves as an entry point to healthier, organic eating. This allows entrepreneurs to focus on the innovative, creative products we see in the marketplace!

Industry news: Chickpea pasta producer Banza announced that the company had completed its first seed round, a \$1.3 million dollar raise, from institutional and angel investors. The just over 1-year old company has had great sales growth. Kraft Heinz announced it will reduce 2,600 employees to refocus on growth segments. The national association of state attorney generals met this week & reports indicate that the states will continue to pursue supplement industry quality with the FDA’s blessing.

Earnings News: Hain Celestial (**HAIN**) met analyst expectations for 1st QTR reporting a 37¢ EPS, an 8.8% YOY increase. Revenue also advanced 9% but missed analyst estimates by \$16M at \$687M. **HAIN** confirmed full year guidance. For the week **HAIN**’s stock price fell 7.92%. **HAIN** announced a private equity investment (joining with Catterton) in Chopt Creative Salads a healthy salad chain with 32 locations in New York City & Washington DC. Boulder Brands (**BDBD**) reported 3rd QTR earnings, slightly beating analyst expectations with an 8¢ adjusted EPS

& higher than expected revenue. While the *Smart Balance* segment experienced a 12% sales decline, the natural/gluten-free sector experienced a 6.6% revenue climb. Amidst troubling industry times Vitamin Shoppe (**VSI**) announced 3rd QTR results, beating analyst EPS estimates but falling short on revenue. **VSI** will continue to focus on growth, innovation & reinvention. **VSI**'s stock was up 8% this week.

Both Whole Foods Market (**WFM**) & Sprouts Farmers Market (**SFM**) announced earnings this week. **WFM** missed on EPS/sales and continued to see contracting same store comparables. **WFM** is being impacted by competition, negative press, & the revamping of its price structure. However, **SFM** reported EPS of 21¢ beating analyst estimates on both earnings & revenue. Third quarter earnings were 17% higher year-over-year. **SFM**'s stock price jumped almost 18%.

Portfolio News: Nearly 3 years after purchasing Ralston Corp's private-label business for \$5B, ConAgra (**CAG**) sold the \$3.6B revenue unit to Treehouse Foods for \$2.7B. This deal doubles Treehouse Foods revenues & reduces CAG's revenues by about 25%. Natural Grocers by Vitamin Cottage (**NGVC**) is expected to announce an EPS of 13¢ when it reports 4th QTR earnings on November 19th. Zacks raised its rating on **NGVC** to BUY. United Natural Foods (**UNFI**) & **WFM** announced the extension of their distribution agreement through 2025. Lifeway Foods (**LWAY**) & Whitewave Foods (**WWAV**) announce earnings on Monday 11/9. **LWAY** looks to be timely in its reporting for the first time this year. **WWAV** has an OUTPERFORM rating & a \$50 target price from Oppenheimer. Cal-Maine Foods (**CALM**) continues to be poised by analysts as an underrated and undervalued stock.

Market News: The chances of the FED raising rates in December increased dramatically with an unexpectedly strong jobs report. Coupled with a 6 week market rebound & the possibility of a stronger Asian market the FED will likely feel it is time to check growth. Markets will likely remain choppy. Oil prices, with world reserves high, will remain low for the foreseeable future.

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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