



# 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 the 1700s armies would turnout their** troops to practice maneuvers in the lush expanse outside a village. Leaders would put their men through their paces without the stress of facing an enemy. These were enjoyable times, as leaders had time to coach & train & the men found unhindered success & reward! Often villagers were allowed to watch! The troops used the same grounds that villagers used for celebration & fun– for weddings and harvest dinners, or where children played when school was done. Thus was born the expression for a unobstructed, rewarding, satisfying effort: *Having a field day!*

**A Natural & Organic Field Day!** Today, the expression ‘*Having a field day*’ seems to be used more to describe a sports rout or the media’s reporting of a political scandal. But its original meaning holds true for the Natural & Organic industry and for **The Litchfield Fund!** Industry projections & trends for this space continue to point upward, earnings remain strong & stocks are realizing much better than average market returns, buyouts of young companies continue, and new start-ups are springing up in all parts of the country. Besides a well performing portfolio of publicly held corporations, **The Litchfield Fund** continues to find new products & companies of interest, make new contacts, & explore Arizona’s growing environment of organic farms, farmers’ markets, organic & vegan restaurants, & new companies entering the market! While Arizona may be lagging behind Norcal, Colorado, New York City, SoCal & the Pacific Northwest; Phoenix & Scottsdale are at the top of almost all lists for Foodie destinations in the country, and **The Litchfield Fund** is happy to be part of the industry growth this particular geography is experiencing. And yes, when we head out to a farmers’ market, discover an organic vegetable we have never tried before, taste a new product, find a new gluten-free bakery, or stop at a vegan/raw restaurant to taste a raw lasagna, **The Litchfield Fund** is having quite the field day!

**Speaking of earnings!** Whitewave Foods (**WWAV**) reported 4<sup>th</sup> QTR & full year earnings this week. Net Sales increased 34% in the 4<sup>th</sup> QTR & 35% for the full year. Excluding the results from the acquisition of *Earthbound Farms* (January) & *So Delicious* (September), Operating Income increased 43% in the 4<sup>th</sup> QTR & 45% in 2014. **WWAV** maintains a strong gross margin. Adjusted EPS rose 24% in 4<sup>th</sup> QTR (\$0.27). For 2014, EPS rose 36% to \$1.00. **WWAV** also began a China dairy joint venture in 2014. **WWAV** did provide 2015 EPS guidance of \$1.08 to \$1.12, slightly below analyst expectations. The lowered guidance reflects a \$0.05 per share impact due to the strong dollar. Without that impact, EPS guidance would be in line with analyst projections. For the week **WWAV** stock price rose almost 8%.

The media & analysts *had a field day* when Whole Foods (**WFM**) stumbled in mid 2014. In fact, many predicted the entire collapse of the natural & organic industry! **WFM** laid out plans for righting its course, and now, after a strong 4<sup>th</sup> QTR & reporting record 1<sup>st</sup> QTR sales of \$4.7B, **WFM**'s stock was up almost 5% for the week and more than 50% from its 2014 lows. Sales & EPS rose more than 10% from the same quarter last year, and EPS (\$0.46) beat analyst estimates by a penny. Comparable same store growth was a healthy 4.5%. **GNC** reported EPS of \$0.61 for 4<sup>th</sup> QTR, 2¢ better than analyst estimates. In a tumultuous year with a CEO & strategy change, **GNC** saw flat/slightly lower sales & revenue growth, decreased same store growth, but a slight increase in 2014 EPS (0.7%). For 2015, the company offered guidance a bit lower than analyst projections (\$3.15) in the \$3.10 to \$3.15 range. This is still a good jump from \$2.87 in 2014 despite low single digit sales growth projections. For the week, **GNC**'s stock price rose 11%!

General Mills (**GIS**) reported that they will begin to label all five *Cheerios* cereals as gluten free. Four of the 5 *Cheerios* have always been gluten free (made only from oats), including the number one selling cereal *Honey Nut Cheerios*. Only one of the five cereals contained whole wheat & barley, which has now been removed. **GIS** spent 3 years adding production filters to guarantee a gluten free product! Piper Jaffray gave a top pick rating to Boulder Brands (**BDBD**) & a \$13 target price. **BDBD** has an average hold rating & a \$16.50 1-year target price from 11 analysts who cover the stock. United Natural Foods (**UNFI**) continues to benefit from analyst reports. This week Citicorp raised the target price for **UNFI** to \$88!

**SHAK it off!** IPO darling Shake Shack (SHAK) has dropped 10% since its inauguration. Its high priced all-natural hormone-free burgers, dogs & shakes have been a NYC favorite. SHAK is small (63 stores) & only has a few stores outside pricey areas like NYC, Las Vegas, & the Middle East. By comparison, Chipolte & Panera have 1,600 to 1,800 US locations. While SHAK has twice the per store sales, this will not hold through expansion. Based on a more normalized sales per store, SHAK is overpriced by perhaps 3X, making \$15 a target buy price.

**Seeds**, Sprouts, Grow, Harvest!

**The Litchfield Fund**

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