

B&G Foods, Inc. (BGS)

\$29.32 (As of 08/03/20)

Price Target (6-12 Months): **\$32.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/30/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: D

Summary

Shares of B&G Foods have outperformed the industry in the past three months. The company has been benefiting from consumers' rising demand due to the coronavirus-led increased at-home consumption. Apart from this, it is gaining on pricing efforts and buyouts like Clabber Girl and Farmwise. These upsides aided the company's second-quarter 2020 performance, wherein both top and bottom lines soared year over year and beat the consensus mark. Robust pandemic-led demand drove sales of most brands, including Green Giant, which holds strong prospects. Management informed that solid retail consumption was a major driver in the quarter. However, weakness in the away-from-home channel weighed on the foodservice business, which is likely to remain challenged. Moreover, costs related to operations amid the pandemic are likely to remain elevated.

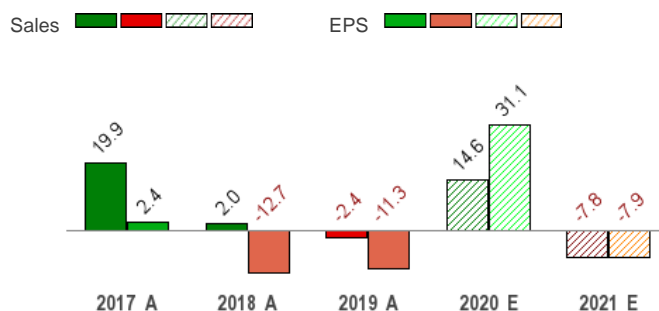
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$30.95 - \$10.39
20 Day Average Volume (sh)	940,720
Market Cap	\$1.9 B
YTD Price Change	63.5%
Beta	0.31
Dividend / Div Yld	\$1.90 / 6.5%
Industry	Food - Miscellaneous
Zacks Industry Rank	Bottom 34% (168 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	14.5%
Last Sales Surprise	0.6%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	10/29/2020
Earnings ESP	0.0%
P/E TTM	14.7
P/E F1	13.6
PEG F1	NA
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	446 E	412 E	419 E	481 E	1,755 E
2020	449 A	513 A	441 E	500 E	1,903 E
2019	413 A	371 A	406 A	470 A	1,660 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.54 E	\$0.45 E	\$0.61 E	\$0.41 E	\$1.98 E
2020	\$0.46 A	\$0.71 A	\$0.62 E	\$0.39 E	\$2.15 E
2019	\$0.44 A	\$0.38 A	\$0.54 A	\$0.28 A	\$1.64 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/03/2020. The reports text is as of 08/04/2020.

Overview

Based in Parsippany, NJ, **B&G Foods, Inc.** along with its subsidiaries manufactures, sells and distributes high quality, shelf stable, frozen food and household products across the United States, Canada and Puerto Rico.

The company boasts of a diversified portfolio of 50 brands, including Back to Nature, B&G, B&M, Cream of Wheat, Green Giant, Las Palmas, Le Sueur, Mama Mary's, Maple Grove Farms, Mrs. Dash, New York Style, Ortega, Pirate's Booty, Polaner, SnackWell's, Spice Islands and Victoria. Many of these brands hold leading market shares in different regions.

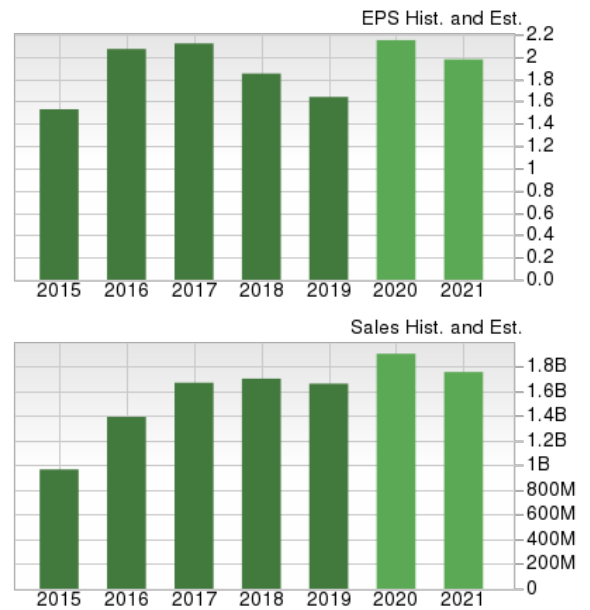
In order to further strengthen portfolio, the company frequently engages in acquisitions and innovations. Since 1996, B&G Foods has acquired and integrated more than 45 brands.

The company sources raw materials from suppliers located in the United States as well as overseas. In order to meet production need, it procures a range of raw materials such as agricultural items as well as meat, poultry and flour amongst others. Ingredients and packaging materials are sourced from growers, commodity processors other food companies and packaging suppliers

Alongside retail sales, the company also engages in institutional, foodservice and private label sales. It sells, distributes and markets products to supermarkets, mass merchants, warehouse clubs, specialty food distributors, wholesalers, foodservice distributors and direct accounts, military commissaries and non-food outlets such as drug and dollar store chains.

Many of these channels procure the company's products through broker sales network. Owing to differential product characteristics, the company maintain a different distribution system for frozen and shelf-stable products. Such items are handled by third-party logistics providers.

Further, marketing and trade spending support the company's brands. Such endeavors typically consist of advertising trade promotions, coupons and cross promotions with other products. It makes use of a range of media platforms to supplement its marketing and promotional ventures.



Reasons To Buy:

▲ **Coronavirus-Led Demand Fuels Q2 Results, Stock Up:** Shares of B&G Foods have surged 50.2% year to date compared with the industry's growth of 9.4%. The company has been benefiting from consumers' rising demand amid coronavirus-led increased at-home consumption and pantry loading trends. These continued to aid the company's performance in second-quarter 2020, wherein both top and bottom lines surged year over year and beat the Zacks Consensus Estimate. Results were backed by solid pricing and gains from buyouts along with increased demand led by the COVID-19 outbreak. Notably, the company's 85% of brands witnessed sales growth, including Green Giant, Cream of Wheat, Ortega, McCann's, Victoria and Clabber Girl, among others.

B&G Foods is gaining from strategic acquisitions and pricing initiatives. Further, the company is largely gaining on robust demand amid coronavirus-led higher at home consumption.

The company has been witnessing a rapid increase in demand for its products since the second half of March 2020, thanks to the coronavirus-led stockpiling and higher at-home consumption. Markedly, net sales surged more than 60% in April, about 50% in May and 10% in June. In this regard, B&G Foods' higher net sales to mass merchants, warehouse clubs, supermarkets, wholesalers and e-commerce consumers have more than offset lower demand from Foodservice clients. Solid retail consumption continued to be a major driver in the second quarter. As reported by Nielsen, consumption for B&G Foods' total portfolio jumped 34.5% for the 13-week period ended Jun 27. Management expects sales to remain elevated, as it expects the pandemic-led increased stay-at home, work-from-home and cook-at-home trends to stay. B&G Foods anticipates net sales and adjusted EBITDA for fiscal 2020 to significantly exceed the guidance provided in February.

▲ **Strategic Acquisitions, Green Giant Strong:** The company is actively pursuing strategic acquisitions to boost growth. To this end, the company recently acquired Farmwise (in February 2020), while it also acquired and integrated retail baking powder maker, Clabber Girl (acquired in May 2019). Incidentally, Farmwise and Clabber Girl made contributions of \$0.6 million and \$15 million, respectively, to B&G Foods' second-quarter top line. Apart from this, the company has acquired notable brands such as Back to Nature, Green Giants, Victoria, Mama Mary, Specialty Brands, Rickland Orchards, TrueNorth, McCann's and Ortega. Markedly, Green Giants has emerged as the company's largest brand. During the second quarter, net sales from Green Giant products (including Le Sueur) increased a solid 45.4%.

The company will remain committed to product innovation and other brand enhancement investments in the second half of 2020. Toward this end, the company particularly has solid plans for the Green Giant brand. It expects to launch a number of new products like Green Giant frozen vegetable carb replacement products, including Green Giant Pizza with Cauliflower Crust, Green Giant Veggie Hash Browns, Green Giant Cauliflower Gnocchi and Cauliflower Breadsticks. Additionally, management plans to utilize Farmwise to introduce Green Giant Veggie Fries and Green Giant Veggie Rings. Moreover, management remains focused on launching a shelf stable version of Green Giant Riced Veggies in the dry grocery space. Certainly, the Green Giant brand holds solid potential and is likely to continue being a driver in future.

▲ **Net Pricing Strategies & Solid E-Commerce Sales:** The company's strategic pricing initiatives have played an important role in strengthening revenues and profitability for a while now. During the second quarter, the company's base business sales benefited from a rise in net pricing to the tune of \$15.3 million. Management expects efficient pricing and the ongoing cost-saving efforts to help B&G Foods counter input cost inflation in 2020.

B&G Foods is also benefiting from higher online sales. During the second quarter, the company saw a number of online customers, thanks to social-distancing trends. E-commerce sales form about 3-5% of the company's sales and are accelerating with pace, mainly attributable to efficient delivery services of the company's retail customers like Amazon. The company expects solid e-commerce trends to continue and is also making investments to enhance its e-commerce capacity. The company expects to be fully e-commerce capable by fourth-quarter beginning.

▲ **Financial Flexibility:** B&G Foods' long-term debt (including operating lease liabilities) of \$1,902.4 million declined 5.1% sequentially at the end of the second quarter of fiscal 2020 (ended Jun 27, 2020). Also, the company repaid in May and June the \$100 million it had drawn under its revolver facility in March. As of the end of the second quarter, B&G Foods' short-term debt (including operating lease liabilities) stood at \$15.4 million, whereas its cash and cash equivalents were \$181.2 million. The company said that it has lowered its debt by about \$170 million in the first six months of 2020, bringing its net debt to pro forma EBITDA from 6.1 to less than 5 times. Management remains committed to lowering debt further in 2020.

Further, the company generated robust net cash flow from operating activities of \$188.8 million in the second quarter, which took its cumulative year-to-date net cash from operations to \$246.4 million. Apart from this, B&G Foods looks quite strong on the dividend-payout front. At a juncture where several companies have suspended dividend payments to preserve financial flexibility, B&G Foods declared a dividend of 47.5 cents per share on Jul 29, which is payable on Oct 30. This will mark the company's 64th successive quarterly dividend since October 2004. Notably, the company has a dividend yield of 6.9% and free cash flow yield of 0.8%.

Reasons To Sell:

- ▼ **Escalated SG&A Costs:** B&G Foods' SG&A expenses increased 11.3% to \$44.3 million in the second quarter of 2020, thanks to rise in general and administrative expenses as well as escalated selling costs. The metric has been rising for quite some time now. Additionally, the company continued to incur high costs associated with COVID-19, which had a 90 bps or roughly \$4.7 million adverse impact on adjusted EBITDA. These costs are related to better sanitization, employee screenings and elevated employee compensations such as temporary wage hikes, special bonuses and continued payments during quarantine. Management expects costs associated with operating amid the pandemic to remain high, which is likely to exert some pressure on margins.
- ▼ **Foodservice Category Soft:** B&G Foods' foodservice business remained soft in the second quarter as increased at-home consumption amid the pandemic dealt a blow to away from home or restaurant-related consumption. Notably, sales from food service customers formed nearly 13% of the company's net sales in 2019. Management expects foodservice sales to remain challenged amid the coronavirus-led stay-at-home trends. It also expects to see a soft economy with greater-than-normal levels of unemployment amid the crisis.
- ▼ **Intense Competition:** The company is facing stiff competition from its peers on the grounds of lower fixed cost, pricing, product quality, promotional activities and responsiveness to consumers changing needs. Further, the packaged food industry is exposed to intense competition of late.
- ▼ **Risks Related to International Exposure:** B&G Foods remains exposed to the risks associated with operating internationally, including volatile currency movements. Notably, 7.7% of the company's sales in 2019 were made to foreign customers. Also, the company gets some of its raw materials and co-packaging arrangements from foreign locations. In the second quarter of 2020, the company's adjusted EBITDA was hurt by adverse currency translations to the tune of \$3 million or 60 basis points. Also, base business sales were partly countered by currency headwinds of \$1.3 million.

Management expects costs associated with operating amid the pandemic to remain high. Also, foodservice sales are likely to remain under pressure.

Last Earnings Report

B&G Foods Q2 Earnings Top Estimates on Robust Demand

B&G Foods posted strong second-quarter 2020 results, which benefited from the rising demand amid the pandemic and contributions from buyouts, especially Clabber Girl. Adjusted earnings of 71 cents per share beat the Zacks Consensus Estimate of 62 cents. Moreover, the bottom line increased a solid 86.8% year over year. The upside can be attributed to increased sales.

B&G Foods' net sales of \$512.5 million surged 38.1% year over year and surpassed the Zacks Consensus Estimate of \$510 million. The top line was buoyed by contributions from the buyouts of Farmwise (February 2020) and Clabber Girl (May 2019) to the tune of \$0.6 million and \$15 million, respectively.

Net sales from the company's base business rallied 33.9% to \$496.9 million on a \$111.7-million increase in unit volumes along with improved net pricing to the tune of \$15.3 million. This was partly countered by currency headwinds of \$1.3 million. Net sales from one of the company's leading brands, Green Giant products (including Le Sueur), soared 45.4% in the quarter.

Apart from this, B&G Foods' spices & seasonings, Ortega, Cream of Wheat and Maple Grove Farms businesses registered sales increases of 21.4%, 37.4%, 54% and 1.5%, respectively. Net sales from all other brands grew 33.3%.

Adjusted gross profit jumped 39% to \$134.6 million and the adjusted gross margin was 26.3%, up 30 basis points (bps) year over year. SG&A expenses increased 11.3% to \$44.3 million, thanks to a rise in general and administrative expenses as well as escalated selling costs. This was partially offset by lower warehousing and consumer marketing costs along with a decline in certain non-recurring costs and costs related to acquisitions/divestitures. As a percentage of sales, SG&A expenses dropped 2 percentage points to 8.7%.

Adjusted EBITDA increased 44.6% to \$102.6 million, driven by the impact of higher volumes on sales owing to COVID-19-related demand and contributions from Clabber Girl. Adjusted EBITDA margin expanded 90 bps to 20%.

Other Financial Updates & Outlook

The company concluded the quarter with cash and cash equivalents of \$181.2 million, long-term debt of \$1,874.4 million and shareholders' equity of \$817.1 million.

In the second half of 2020, B&G Foods will remain focused on working with its supply-chain allies and customers to ensure prompt services and continue catering to the burgeoning coronavirus-led demand, stemming from higher at-home consumption. Also, the company will remain committed to product innovation and other brand-enhancement efforts.

While management did not offer any guidance for 2020 due to uncertainties surrounding the pandemic, it still anticipates net sales and adjusted EBITDA for the year to significantly exceed the guidance offered in February 2020.

Quarter Ending **06/2020**

Report Date	Jul 30, 2020
Sales Surprise	0.58%
EPS Surprise	14.52%
Quarterly EPS	0.71
Annual EPS (TTM)	1.99

Recent News

B&G Foods Announces Quarterly Dividend – Jul 29, 2020

B&G Foods' board approved quarterly dividend of 47.5 cents per share to be payable on Oct 30, 2020 to shareholders as of Sep 30.

Valuation

B&G Foods shares are up 63.6% in the year-to-date period and 46.7% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 5.5% in the year-to-date period, while the Zacks Consumer Staples sector is down 8.2%. Over the past year, the Zacks sub-industry is up 3.5%, while the sector declined 4.2%.

The S&P 500 index is up 1.7% in the year-to-date period and 15.5% in the past year.

The stock is currently trading at 14.41X forward 12-month earnings, which compares to 18.79X for the Zacks sub-industry, 20.03X for the Zacks sector and 22.62X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.23X and as low as 7.03X, with a 5-year median of 14.39X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$31 price target reflects 15.24X forward 12-month earnings.

The table below shows summary valuation data for BGS

Valuation Multiples - BGS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.41	18.79	20.03	22.62
	5-Year High	24.23	22.9	22.37	22.62
	5-Year Low	7.03	14.82	16.63	15.25
	5-Year Median	14.39	18.54	19.57	17.55
P/S F12M	Current	1.04	1.68	9.46	3.59
	5-Year High	2.4	2.05	11.15	3.59
	5-Year Low	0.45	1.41	8.1	2.53
	5-Year Median	1.22	1.76	9.89	3.04
EV/EBITDA F12M	Current	11.36	13.15	32.76	13.21
	5-Year High	14.51	14.67	37.49	14.23
	5-Year Low	9.13	10.97	25.81	9.05
	5-Year Median	11.05	13.21	33.83	11.01

As of 08/03/2020

Industry Analysis Zacks Industry Rank: Bottom 34% (168 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
The Chefs Warehouse, Inc. (CHEF)	Neutral	3
Campbell Soup Company (CPB)	Neutral	3
Flowers Foods, Inc. (FLO)	Neutral	2
General Mills, Inc. (GIS)	Neutral	3
The Hain Celestial Group, Inc. (HAIN)	Neutral	3
Kellogg Company (K)	Neutral	3
TreeHouse Foods, Inc. (THS)	Neutral	2
JJ Snack Foods Corp. (JJSF)	Underperform	5

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	BGS	X Industry	S&P 500	CHEF	GIS	THS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	B	-	-	B	B	C
Market Cap	1.88 B	4.06 B	22.67 B	433.35 M	39.40 B	2.49 B
# of Analysts	3	3	13.5	2	8	6
Dividend Yield	6.48%	0.00%	1.77%	0.00%	3.03%	0.00%
Value Score	B	-	-	B	B	C
Cash/Price	0.10	0.07	0.07	0.46	0.04	0.13
EV/EBITDA	12.98	12.91	13.08	7.98	13.29	28.62
PEG Ratio	NA	3.06	2.94	NA	2.44	2.61
Price/Book (P/B)	2.30	2.33	3.10	1.12	4.72	1.39
Price/Cash Flow (P/CF)	10.42	11.32	12.34	5.97	14.07	7.19
P/E (F1)	13.79	18.02	21.71	NA	18.33	17.02
Price/Sales (P/S)	1.02	1.25	2.46	0.31	2.24	0.55
Earnings Yield	7.33%	4.90%	4.38%	-13.34%	5.45%	5.87%
Debt/Equity	2.33	0.63	0.75	1.03	1.31	1.31
Cash Flow (\$/share)	2.81	2.81	6.94	1.92	4.59	6.13
Growth Score	B	-	-	B	A	B
Hist. EPS Growth (3-5 yrs)	-0.35%	5.45%	10.46%	5.12%	3.19%	-9.29%
Proj. EPS Growth (F1/F0)	31.10%	5.10%	-7.08%	-251.49%	-2.39%	8.44%
Curr. Cash Flow Growth	-0.56%	4.39%	5.47%	20.81%	9.11%	-1.33%
Hist. Cash Flow Growth (3-5 yrs)	4.81%	6.08%	8.55%	19.83%	3.48%	5.96%
Current Ratio	3.12	1.59	1.32	3.54	0.68	1.58
Debt/Capital	69.95%	39.16%	44.21%	50.67%	56.69%	56.69%
Net Margin	6.22%	2.44%	10.25%	-1.37%	12.37%	-8.06%
Return on Equity	15.65%	12.01%	14.72%	-5.13%	27.66%	7.25%
Sales/Assets	0.55	1.08	0.52	1.38	0.58	0.85
Proj. Sales Growth (F1/F0)	14.42%	0.00%	-1.79%	-29.64%	-2.85%	-8.39%
Momentum Score	D	-	-	F	F	F
Daily Price Chg	1.42%	0.18%	0.27%	-0.56%	2.10%	0.64%
1 Week Price Chg	10.34%	0.32%	0.14%	-8.64%	-1.49%	0.32%
4 Week Price Chg	17.99%	3.67%	2.96%	-17.04%	3.88%	1.94%
12 Week Price Chg	35.99%	6.55%	10.90%	-21.58%	6.23%	-15.94%
52 Week Price Chg	46.60%	0.00%	2.35%	-69.01%	22.33%	-17.63%
20 Day Average Volume	940,720	180,710	2,043,624	1,004,970	3,620,959	432,678
(F1) EPS Est 1 week change	1.18%	0.00%	0.00%	-24.90%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.82%	-24.90%	-0.04%	0.45%
(F1) EPS Est 12 week change	16.85%	2.50%	0.59%	-168.42%	1.99%	0.58%
(Q1) EPS Est Mthly Chg	-8.64%	0.00%	0.25%	-13.73%	-0.49%	-1.29%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	B
Momentum Score	D
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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