

B&G Foods, Inc. (BGS)

\$22.65 (As of 06/11/20)

Price Target (6-12 Months): **\$25.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 04/27/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: A

Summary

B&G Foods' shares have outpaced the industry in the past three months. The company has been benefiting from consumers' rising demand due to the coronavirus-led stockpiling. Apart from this, it is also gaining on pricing efforts and buyouts. These upsides aided the company's first-quarter 2020 performance, wherein top and bottom lines rose year over year and beat the consensus mark. B&G Foods has been witnessing a rapid increase in demand since the second half of March 2020, thanks to the coronavirus-led stockpiling and higher at-home consumption. Management informed that solid retail consumption was a major driver in the quarter. However, the foodservice business continued with the sluggishness and is likely to remain challenged. Moreover, costs related to operations amid the pandemic are likely to remain elevated.

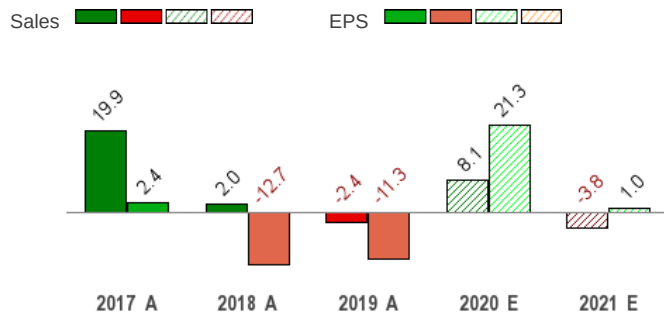
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$26.39 - \$10.39
20 Day Average Volume (sh)	1,397,025
Market Cap	\$1.4 B
YTD Price Change	22.0%
Beta	0.25
Dividend / Div Yld	\$1.90 / 8.7%
Industry	Food - Miscellaneous
Zacks Industry Rank	Top 15% (37 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	7.0%
Last Sales Surprise	6.9%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	08/06/2020
Earnings ESP	0.0%
P/E TTM	13.2
P/E F1	11.4
PEG F1	NA
P/S TTM	0.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	463 E	399 E	417 E	489 E	1,726 E
2020	449 A		434 E	493 E	1,794 E
2019	413 A	371 A	406 A	470 A	1,660 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.54 E	\$0.42 E	\$0.63 E	\$0.42 E	\$2.01 E
2020	\$0.46 A	\$0.59 E	\$0.68 E	\$0.43 E	\$1.99 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 06/11/2020. The reports text is as of 06/12/2020.

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.

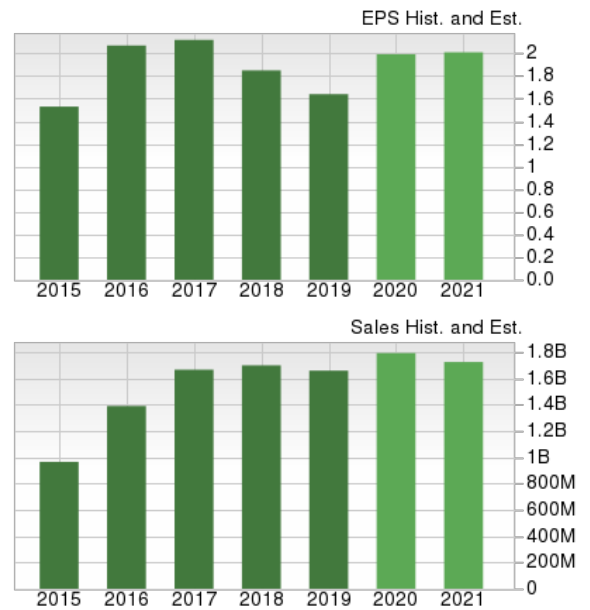
In order to further strengthen portfolio, the company frequently engages in acquisitions and innovations. Since 1996, B&G Foods has acquired and integrated more than 45 brands.

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 Q1 Results, Stock Up:** Shares of B&G Foods have surged 88% in the past three months compared with the industry's growth of 23.8%. The company is benefiting from consumers' rising demand amid coronavirus-led stockpiling. This aided the company's performance in first-quarter 2020, wherein both top and bottom lines rose 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. 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.

B&G Foods is gaining from strategic acquisitions and pricing initiatives. It is also progressing well with savings plans.

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. Management informed that solid retail consumption was a major driver. As reported by Nielsen, consumption for all of B&G Foods jumped 12% for the 13 week period ended Mar 28 – including an 87% surge in the last two weeks of March. Moreover, this trend continued in April as net sales during the month increased 60% year over year. The burgeoning demand trend also continued till May beginning. Encouragingly, management 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 announced the buyout of Farmwise, while it also acquired and integrated retail baking powder maker, Clabber Girl (acquired in May 2019). Incidentally, Clabber Girl contributed to first-quarter 2020 top line by \$18.7 million. 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 one of the leading brands of the company. During the first quarter, net sales from Green Giant products (including Le Sueur) increased 16.3%. The company is driving growth in its plant-based innovation by Green Giant and has a robust pipeline and new product innovation lined up, especially for this business.

In fact, Green Giant is expected to be a leading brand in 2020 as well, courtesy of its range of innovation across frozen food categories outside frozen vegetables. These include Cauliflower Hash Browns, Cauliflower Crust Pizza, Cauliflower Gnocchi, and Cauliflower Breadsticks and frozen bread sticks made with 40% cauliflower. Apart from this, the company is on track to launch Green Giant Riced Veggies. All said, management expects \$20-million additional sales from Green Giant's innovation in 2020.

▲ **Net Pricing Strategies Bode Well:** The company's strategic pricing initiatives have played an important role in strengthening revenues and profitability for a while now. During the first quarter, the company's net sales benefited from a rise in net pricing to the tune of \$9.2 million. Management expects efficient pricing and the ongoing cost-saving efforts to help B&G Foods counter input cost inflation in 2020.

▲ **Cost-Saving Efforts:** Management has been strategically tackling cost inflation through solid saving efforts. In 2019, the company generated savings of \$20 million, which met the higher end of its estimated range of \$15-\$20 million. This was backed by solid logistics infrastructure savings. For 2020, management earlier projected savings of \$15-\$20 million. This along with pricing is likely to help B&G Foods counter cost inflation.

Risks

- **Soft Margins:** B&G Foods' adjusted gross margin was 23.9% in first-quarter 2020, down 60 basis points (bps) year over year. Further, SG&A expenses increased 4.4% to \$40 million, thanks to rise in general and administrative expenses as well as escalated selling costs. Adjusted EBITDA margin contracted 40 bps to 18%. Management expects costs to be elevated throughout this year, owing to efforts to operate amid coronavirus. Nonetheless, the company expects to largely counter these with higher sales and enhanced utilization.
 - **Foodservice Category Soft:** B&G Foods' foodservice business remained soft in the first quarter. Notably, this 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. The company particularly expects the spices and seasoning business, B&G brand, Don Pepino and Maple Grove Farms businesses to remain difficult.
 - **Debt Analysis:** B&G Foods' long-term debt (including operating lease liabilities) of \$2,005.4 million increased 5.2% sequentially at the end of the first quarter of fiscal 2020 — Mar 31, 2020. Further, its debt-to-capitalization ratio is quite high when compared with the industry. Incidentally, the company's debt-to-capitalization ratio of 0.72 stands higher than the industry's ratio of 0.45. Moreover, the company's times interest earned ratio of 2.2 is below the industry's ratio of 3.8.
 - **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.
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Last Earnings Report

B&G Foods Q1 Earnings Beat Estimates, Sales up

B&G Foods posted robust first-quarter 2020 results. Adjusted earnings of 46 cents per share beat the Zacks Consensus Estimate of 43 cents. Moreover, the bottom line increased 4.5% year over year. The upside can be attributed to increased sales.

B&G Foods' net sales of \$449.4 million rose 8.9% year over year and surpassed the Zacks Consensus Estimate of \$420 million. The top line was buoyed by the contribution of \$18.7 million from Clabber Girl (acquired in May 2019). Moreover, higher demand owing to the coronavirus outbreak supported the upside.

Net sales from the company's base business rose 4.3% to \$430.5 million on \$8.2-million increase in unit volume along with improved net pricing to the tune of \$9.2 million. Net sales from Green Giant products (including Le Sueur) increased 16.3%.

Adjusted gross margin was 23.9%, down 60 basis points (bps) year over year. SG&A expenses increased 4.4% to \$40 million, thanks to 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 inched up rose 0.4% to 8.9%.

Adjusted EBITDA increased 6.4% to \$80.7 million driven by improved sales owing to the pandemic and contributions from Clabber Girl. Adjusted EBITDA margin contracted 40 bps to 18%.

Other Updates

The company concluded the quarter with cash and cash equivalents of \$127.1 million, long-term debt of \$1,974.9 million and shareholders' equity of \$796.3 million.

The company has been witnessing a rapid increase in demand for its products since the second half of March 2020, thanks to coronavirus-led stockpiling and higher at-home consumption. 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 demands from Foodservice clients. Moreover, this trend continued in April as net sales during the month increased 60% year over year.

To maintain financial flexibility amid the pandemic, B&G Foods has drawn down \$100.0 million from its revolving credit facility in the middle of March. Due to uncertainties related to the coronavirus outbreak, management has refrained from providing any guidance for fiscal 2020. Nevertheless, it anticipates net sales and adjusted EBITDA for fiscal 2020 to significantly exceed the previously-provided guidance in February.

Quarter Ending **03/2020**

Report Date	May 05, 2020
Sales Surprise	6.93%
EPS Surprise	6.98%
Quarterly EPS	0.46
Annual EPS (TTM)	1.66

Valuation

B&G Foods shares are up 22% in the year-to-date period and down 4.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 7.5% and 10.1%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry is down 0.5% and the sector is down 7.2%.

The S&P 500 index is down 1% in the year-to-date period and up 10.2% in the past year.

The stock is currently trading at 10.93X forward 12-month earnings, which compares to 18.79X for the Zacks sub-industry, 20.17X for the Zacks sector and 23.03X 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 14.55X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$25 price target reflects 12.49X 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	10.93	18.79	20.17	23.03
	5-Year High	24.23	22.9	22.37	23.03
	5-Year Low	7.03	14.82	16.65	15.23
	5-Year Median	14.55	18.79	19.66	17.49
P/S F12M	Current	0.79	1.69	9.72	3.58
	5-Year High	2.4	2.05	11.16	3.58
	5-Year Low	0.45	1.41	8.1	2.53
	5-Year Median	1.24	1.81	9.89	3.02
EV/EBITDA F12M	Current	9.13	13.82	34.16	12.28
	5-Year High	14.51	16.59	37.75	12.62
	5-Year Low	9.13	11.67	29.77	9.03
	5-Year Median	11.38	13.23	34.09	10.79

As of 06/11/2020

Industry Analysis Zacks Industry Rank: Top 15% (37 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
The Hain Celestial Group, Inc. (HAIN)	Outperform	1
The Chefs Warehouse, Inc. (CHEF)	Neutral	4
Campbell Soup Company (CPB)	Neutral	2
Flowers Foods, Inc. (FLO)	Neutral	2
General Mills, Inc. (GIS)	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)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	4	3	2
VGM Score	B	-	-	A	B	B
Market Cap	1.40 B	3.58 B	21.32 B	545.03 M	36.72 B	2.65 B
# of Analysts	3	3.5	14	2	8	6
Dividend Yield	8.69%	0.00%	1.99%	0.00%	3.24%	0.00%
Value Score	A	-	-	C	B	C
Cash/Price	0.08	0.06	0.06	0.28	0.02	0.12
EV/EBITDA	11.82	12.24	12.31	10.75	14.80	29.65
PEG Ratio	NA	3.23	2.88	NA	2.31	2.80
Price/Book (P/B)	1.76	2.21	2.92	1.44	4.67	1.48
Price/Cash Flow (P/CF)	7.77	11.86	11.24	7.71	14.21	7.66
P/E (F1)	11.38	18.39	20.84	NA	17.31	18.21
Price/Sales (P/S)	0.83	1.07	2.24	0.34	2.19	0.58
Earnings Yield	9.10%	5.00%	4.64%	-8.31%	5.78%	5.49%
Debt/Equity	2.52	0.66	0.76	1.55	1.47	1.31
Cash Flow (\$/share)	2.81	2.58	7.01	1.92	4.26	6.13
Growth Score	C	-	-	A	C	B
Hist. EPS Growth (3-5 yrs)	0.49%	5.03%	10.87%	3.91%	2.74%	-9.29%
Proj. EPS Growth (F1/F0)	21.54%	1.65%	-10.81%	-221.29%	-1.06%	7.95%
Curr. Cash Flow Growth	-0.56%	5.12%	5.46%	20.81%	5.47%	-1.33%
Hist. Cash Flow Growth (3-5 yrs)	4.81%	5.64%	8.55%	19.83%	1.32%	5.96%
Current Ratio	3.69	1.72	1.29	3.23	0.64	1.58
Debt/Capital	71.58%	39.92%	44.75%	60.81%	59.59%	56.69%
Net Margin	5.17%	3.18%	10.54%	0.56%	12.68%	-8.06%
Return on Equity	12.82%	10.79%	16.08%	3.41%	26.40%	7.25%
Sales/Assets	0.51	1.11	0.55	1.66	0.55	0.85
Proj. Sales Growth (F1/F0)	8.07%	0.00%	-2.60%	-31.67%	-2.93%	-8.80%
Momentum Score	A	-	-	B	B	D
Daily Price Chg	-13.69%	-4.12%	-6.44%	-12.93%	-3.50%	-4.28%
1 Week Price Chg	6.55%	4.31%	7.51%	25.47%	-3.24%	-7.36%
4 Week Price Chg	-7.80%	3.50%	8.40%	20.31%	-2.62%	-9.51%
12 Week Price Chg	27.15%	18.69%	25.04%	205.36%	12.85%	18.85%
52 Week Price Chg	-4.79%	-6.84%	-6.33%	-56.52%	14.32%	-15.03%
20 Day Average Volume	1,397,025	198,436	2,634,935	1,638,434	3,776,517	583,295
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.39%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	0.43%	0.00%
(F1) EPS Est 12 week change	30.30%	-1.08%	-15.86%	-226.29%	1.96%	3.55%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	1.70%	0.00%

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	A
Growth Score	C
Momentum Score	A
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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