



LAKE SHORE

F O O D A D V I S O R S



Weekly Update

Monday, January 28, 2019

Dovish Fed And Positive Corporate News Keep Markets Flat

Dovish signals from the Federal Reserve, namely that they would stop scaling back on their balance sheet holdings, helped ease market concerns last week. Elsewhere, anxious traders worried about peak earnings took a deep breath after a slew of equities came in with positive earnings reports. Unfortunately for Wall Street, it wasn't enough to notch a large gain as the markets held flat.

The **Dow Jones Industrial Average** increased 0.1% on the week, finishing at 25,737.

The **S&P 500** lost 0.2% on the week, finishing at 2,665.

The **NASDAQ Composite** tacked on 0.1% on the week, finishing at 7,165.

Yield on the **10-year Treasury** rose 1 basis point during the week, ending at 2.72%.

Crude oil increased 2.4% on the week, ending at \$53.13 per barrel.

Corn decreased 0.3% on the week, ending at \$3.77 per bushel.

NASDAQ Highs: Bridgford Foods Corp., El Pollo Loco Holdings, Inc. **Lows:** None.

NYSE Highs: Chipotle Mexican Grill, Inc. **Lows:** None.

Mary Burke
Partner
312.348.7081
mburke@lakeshorefoodadvisors.com

William Whipple
Partner
312.348.7076
wwhipple@lakeshorefoodadvisors.com

Lakeshore Food Advisors, LLC
20 North Wacker Drive
Suite 1701
Chicago, IL 60606

Featured Stocks of the Week:

Conagra Brands, Inc. (NYSE: CAG) 10-Year History



Sanderson Farms, Inc. (NASDAQ: SAFM) 10-Year History



The Lakeshore Food Chain

Company Name	Price		Price as Compared to				Enterprise Value to		Total Debt to LTM EBITDA	
	Price 1/25/19	Compared to 1/18/19	52-Week Range		YE:		Forward P/E	LTM:		
			High	Low	2017	2016		Revenue		EBITDA
Dow Jones Industrial Average	24,737	0.1%	26,828	21,792	0.1%	25.2%	NA			
S&P 500	2,665	(0.2%)	2,931	2,351	(0.3%)	19.0%	16.0			
NASDAQ Composite Index	7,165	0.1%	8,110	6,193	3.8%	33.1%	NA			
Sector Average:					(0.1%)	25.8%				
AGRICULTURAL LAND HOLDINGS										
Farmland Partners Inc.	\$5.57	(3.5%)	\$9.19	\$4.45	(35.8%)	(50.1%)	44.6x	19.23x	28.5x	15.2x
Gladstone Land Corporation	11.47	(1.1%)	13.85	11.12	(14.6%)	2.0%	NM	15.53	28.8	18.0
Limoneira Company	21.50	1.6%	33.42	18.07	(4.0%)	(0.0%)	27.2	3.65	24.8	4.3
Sector Average:					(25.2%)	1.0%	13.6x	12.81x	27.4x	16.6x
INPUTS										
American Vanguard Corporation	\$17.37	1.6%	\$24.00	\$13.98	(11.6%)	(9.3%)	20.2x	1.40x	10.4x	1.6x
CF Industries Holdings, Inc.	42.55	(3.7%)	56.51	35.70	0.0%	35.2%	16.3	3.69	10.3	3.1
DowDuPont Inc.	57.76	(0.5%)	77.06	48.89	(18.9%)	NA	12.9	1.89	9.0	2.1
FMC Corporation	79.37	(1.6%)	92.95	69.36	(16.2%)	40.3%	13.5	2.96	10.9	2.3
Intrepid Potash, Inc.	3.11	(2.5%)	5.31	2.51	(34.7%)	49.5%	16.1	3.17	10.6	1.5
The Mosaic Company	31.89	(1.0%)	37.37	22.90	24.3%	8.7%	13.4	1.76	9.1	2.6
* Nutrien Ltd.	51.57	0.4%	57.45	41.69	NA	NA	15.5	2.71	14.0	4.3
S&W Seed Company	2.33	3.6%	4.40	1.81	(40.3%)	(49.3%)	NM	1.39	30.7	10.3
The Scotts Miracle-Gro Company	68.74	(0.8%)	108.75	57.96	(35.8%)	(28.1%)	16.5	2.17	13.3	4.7
Zoetis Inc.	84.69	0.1%	96.57	70.20	17.6%	58.2%	25.6	7.99	20.5	2.9
Sector Average:					(12.8%)	13.2%	16.7x	2.35x	12.0x	2.8x
AGRICULTURAL EQUIPMENT										
* Ag Growth International Inc.	\$37.57	(3.9%)	\$48.82	\$33.01	(11.7%)	(3.9%)	15.8x	1.71x	11.3x	4.8x
AGCO Corporation	63.13	(2.4%)	75.10	49.50	(11.6%)	9.1%	14.3	0.71	8.1	2.4
Art's-Way Manufacturing Co., Inc.	2.01	(2.7%)	5.45	1.89	(32.6%)	(40.9%)	NA	0.66	NM	NM
* Buhler Industries Inc.	2.76	1.4%	3.27	2.66	(20.4%)	(16.5%)	NA	0.45	NM	NM
CNH Industrial N.V.	10.22	(0.7%)	15.65	8.41	(23.7%)	17.6%	12.9	1.24	10.6	7.6
Deere & Company	161.50	(1.9%)	175.26	128.32	3.2%	56.7%	14.1	2.44	15.3	7.2
Lindsay Corporation	87.90	(2.7%)	109.50	83.57	(0.3%)	17.8%	25.6	1.73	18.6	2.3
Titan Machinery Inc.	18.76	2.0%	25.09	11.99	(11.4%)	28.8%	22.8	0.61	14.0	7.5
Sector Average:					(13.6%)	8.6%	17.6x	1.19x	13.9x	5.3x
AGRIBUSINESS										
* AGT Food and Ingredients Inc.	\$12.62	(0.5%)	\$16.71	\$9.81	(21.3%)	(53.7%)	35.1x	0.67x	22.8x	11.5x
The Andersons, Inc.	34.76	2.0%	41.70	27.62	11.6%	(22.2%)	16.1	0.54	11.5	4.9
Archer-Daniels-Midland Company	43.72	(1.2%)	52.07	39.16	9.1%	(4.2%)	12.1	0.49	9.1	2.7
Bunge Limited	53.29	0.5%	83.20	51.13	(20.6%)	(26.2%)	16.2	0.34	9.8	4.5
Darling Ingredients Inc.	21.00	(2.3%)	22.38	16.36	15.8%	62.7%	21.0	1.47	9.2	3.8
* Gruma, S.A.B. de C.V.	12.05	(0.1%)	13.69	10.83	(5.1%)	(5.7%)	15.1	1.55	9.6	1.8
Ingredion Incorporated	97.31	(1.4%)	146.28	87.02	(30.4%)	(22.1%)	13.4	1.39	8.0	1.7
Landec Corporation	12.52	8.2%	15.60	10.17	(0.6%)	(9.3%)	33.8	0.84	16.2	3.1
MGP Ingredients, Inc.	70.02	2.9%	99.73	53.66	(8.9%)	40.1%	31.3	3.41	22.1	0.8
* Olam International Limited	1.34	0.9%	1.85	1.16	(11.5%)	(1.3%)	13.9	0.52	10.5	8.6
Sector Average:					(6.2%)	(4.2%)	20.8x	1.12x	11.8x	3.5x
DIVERSIFIED FOODS										
B&G Foods, Inc.	\$26.67	(6.5%)	\$33.85	\$22.00	(24.1%)	(39.1%)	13.2x	2.20x	11.8x	6.4x
Campbell Soup Company	34.24	(3.5%)	48.10	32.04	(28.8%)	(43.4%)	13.8	2.17	10.2	5.0
Conagra Brands, Inc.	21.01	(2.6%)	39.43	20.22	(44.2%)	(46.9%)	10.2	2.62	12.9	7.4
General Mills, Inc.	43.29	(0.4%)	60.49	36.42	(27.0%)	(29.9%)	13.6	2.55	11.8	4.4
The Hain Celestial Group, Inc.	17.99	(3.1%)	40.28	15.01	(57.6%)	(53.9%)	14.7	1.04	12.8	3.6
The J. M. Smucker Company	101.44	(3.2%)	133.38	91.32	(18.4%)	(20.8%)	12.5	2.32	10.7	3.8
Kellogg Company	57.78	(2.8%)	74.98	55.11	(15.0%)	(21.6%)	13.9	2.17	9.1	3.0
The Kraft Heinz Company	46.75	(1.6%)	80.00	41.60	(39.9%)	(46.5%)	12.9	3.35	11.6	4.2
Lancaster Colony Corporation	161.80	(6.3%)	194.38	115.81	25.2%	14.4%	29.3	3.41	20.5	0.0
Mondelez International, Inc.	42.72	(1.5%)	46.54	37.42	(0.2%)	(3.6%)	17.6	3.11	15.4	4.4
* Nestlé S.A.	84.90	0.2%	87.14	73.46	(1.3%)	18.1%	20.4	3.16	15.3	2.0
Post Holdings, Inc.	92.27	(9.6%)	102.78	70.66	16.5%	14.8%	18.3	2.00	10.8	6.4
SunOpta Inc.	4.13	(7.5%)	9.03	3.73	(46.5%)	(42.1%)	NM	0.78	21.6	11.5
TreeHouse Foods, Inc.	56.88	(3.0%)	60.58	36.35	15.0%	(21.2%)	23.7	0.90	10.7	4.6
Unilever N.V.	53.39	0.3%	57.23	48.07	(5.3%)	29.3%	19.3	2.82	14.2	2.9
Sector Average:					(16.8%)	(18.3%)	16.7x	2.31x	12.7x	4.6x

Company Name	Price		52-Week Range		Price as Compared to		Forward P/E	Enterprise Value to		Total Debt to LTM EBITDA
	Price	Compared to	High	Low	YE:			LTM:		
	1/25/19	1/18/19			2017	2016		Revenue	EBITDA	
ETHANOL										
Green Plains Inc.	\$14.11	0.4%	\$21.90	\$12.00	(16.3%)	(49.3%)	NM	0.48x	15.1x	10.9x
Pacific Ethanol, Inc.	1.34	18.6%	4.50	0.76	(70.5%)	(85.9%)	NM	0.17	28.9	25.9
Renewable Energy Group, Inc.	27.27	(2.6%)	32.52	9.50	131.1%	181.1%	16.0	0.41	3.4	0.7
Sector Average:					14.8%	15.3%	16.0x	0.36x	9.2x	5.8x
FRUIT & VEGETABLE										
Calavo Growers, Inc.	\$82.94	2.3%	\$108.00	\$67.52	(1.7%)	35.1%	27.1x	1.35x	25.1x	0.2x
Fresh Del Monte Produce Inc.	30.88	2.2%	52.43	26.81	(35.2%)	(49.1%)	15.4	0.49	11.6	3.4
Lamb Weston Holdings, Inc.	71.10	0.3%	83.86	52.92	26.0%	87.8%	22.2	3.51	14.8	3.1
Seneca Foods Corporation	29.40	(1.3%)	35.90	25.45	(4.4%)	(26.6%)	NA	0.50	25.9	15.3
* Total Produce plc	1.94	3.5%	2.93	1.51	(36.9%)	(6.5%)	16.8	0.21	6.8	2.6 *
Sector Average:					(10.5%)	8.2%	20.4x	0.64x	19.4x	2.3x
PROTEIN										
Cal-Maine Foods, Inc.	\$41.74	(3.4%)	\$52.30	\$39.90	(6.1%)	(5.5%)	24.6x	1.10x	6.5x	0.0x
Hormel Foods Corporation	41.46	(5.4%)	46.26	31.71	13.9%	19.1%	22.6	2.34	16.2	0.5
Industrias Bachoco, S.A.B. de C.V.	45.07	(3.1%)	64.44	37.66	(21.3%)	(8.1%)	12.5	0.49	4.1	0.7
* JBS S.A.	3.84	6.5%	3.84	2.10	29.6%	9.5%	6.7	0.52	7.7	5.2 *
Nathan's Famous, Inc.	73.50	0.4%	107.05	60.35	(2.6%)	13.3%	NA	3.82	13.4	5.0
Pilgrim's Pride Corporation	18.93	(1.2%)	30.68	14.83	(39.1%)	(0.3%)	13.0	0.60	7.4	2.6
Sanderson Farms, Inc.	118.00	(2.3%)	136.50	93.98	(15.0%)	25.2%	73.6	0.77	17.7	0.0
Seaboard Corporation	3,709.89	(1.7%)	4,402.03	3,434.71	(15.9%)	(6.1%)	NA	0.55	12.2	2.7
Tyson Foods, Inc.	60.72	(0.4%)	80.18	49.77	(25.1%)	(1.6%)	10.2	0.79	7.6	2.4
Sector Average:					(9.1%)	5.1%	15.4x	0.69x	9.0x	2.1x
BAKING & INGREDIENTS										
* ARYZTA AG	\$1.14	(2.3%)	\$29.58	\$1.00	(97.1%)	(97.4%)	11.1x	0.72x	8.3x	7.1x *
Balchem Corporation	82.39	(1.5%)	117.79	70.23	2.2%	(1.8%)	25.7	4.37	18.1	1.1
Flowers Foods, Inc.	19.25	(1.8%)	22.82	17.78	(0.3%)	(3.6%)	20.8	1.23	11.5	2.0
* Grupo Bimbo, S.A.B. de C.V.	2.00	(0.2%)	2.46	1.85	(9.6%)	(12.2%)	28.0	0.92	7.7	2.6 *
J & J Snack Foods Corp.	144.55	(1.8%)	162.80	125.98	(4.8%)	8.3%	29.0	2.27	16.4	0.0
* Kerry Group plc	101.77	(2.9%)	113.75	86.71	(9.4%)	42.0%	24.3	2.67	20.2	2.1 *
McCormick & Company, Incorporated	121.36	(13.0%)	156.00	99.49	19.1%	30.0%	23.2	3.82	18.6	4.4
* Tate & Lyle plc	8.97	0.3%	9.52	6.89	(5.6%)	2.6%	13.2	1.29	7.6	1.4 *
Sector Average:					(13.2%)	(4.0%)	21.9x	2.16x	13.5x	2.6x
CANDY, NUTS, & SNACKS										
Bridgford Foods Corporation	\$28.15	19.5%	\$32.76	\$12.56	124.3%	147.6%	NA	1.42x	25.5x	0.0x
The Hershey Company	104.30	(3.6%)	111.81	89.10	(8.1%)	0.8%	18.5	3.33	13.5	2.5
John B. Sanfilippo & Son, Inc.	62.64	(1.0%)	79.37	53.12	(1.0%)	(11.0%)	21.3	0.91	12.8	1.4
Rocky Mountain Chocolate Factory, Inc.	8.60	1.2%	12.60	7.95	(27.0%)	(15.6%)	NA	1.36	8.7	0.3
Tootsie Roll Industries, Inc.	33.36	(1.7%)	35.91	27.45	(5.6%)	(11.0%)	NA	3.98	22.9	0.1
Sector Average:					16.5%	22.2%	19.9x	2.20x	16.7x	0.8x
PET FOOD AND PRODUCTS										
Central Garden & Pet Company	\$39.48	0.1%	\$45.02	\$29.81	1.4%	19.3%	21.5x	1.05x	11.0x	3.2x
Freshpet, Inc.	35.41	(7.7%)	40.58	15.67	86.9%	248.9%	238.1	6.78	139.8	0.2
Sector Average:					1.4%	19.3%	21.5x	3.92x	11.0x	1.7x
WINE & BEVERAGE										
The Boston Beer Company, Inc.	\$248.87	3.3%	\$329.95	\$160.40	30.2%	46.5%	30.0x	2.83x	17.8x	0.0x
Brown-Forman Corporation	45.50	(0.9%)	59.58	44.57	(17.2%)	26.6%	26.5	7.35	21.9	2.3
The Coca-Cola Company	47.37	(0.5%)	50.84	41.45	3.2%	14.3%	21.9	7.11	18.8	4.0
Constellation Brands, Inc.	166.80	1.6%	236.62	150.37	(27.0%)	8.8%	17.8	5.61	11.0	4.6
* Cott Corporation	15.03	(0.4%)	16.90	13.43	(10.1%)	32.8%	41.6	1.37	11.7	4.6 *
Craft Brew Alliance, Inc.	16.37	3.2%	21.00	13.64	(14.7%)	(3.1%)	59.2	1.52	15.6	0.5
Crimson Wine Group, Ltd.	8.10	3.3%	10.09	7.30	(24.1%)	(13.6%)	NA	2.80	21.1	2.6
* Diageo plc	35.78	0.7%	38.01	30.90	(2.9%)	37.3%	21.2	6.29	17.3	2.5 *
Monster Beverage Corporation	55.85	0.5%	70.22	47.61	(11.8%)	26.0%	28.7	8.04	22.4	0.0
Jones Soda Co.	0.27	(7.2%)	0.53	0.22	(25.8%)	(39.8%)	NA	1.04	NM	NM
National Beverage Corp.	81.87	(0.0%)	127.32	70.57	(16.0%)	60.3%	21.4	3.48	15.9	0.0
PepsiCo, Inc.	109.35	(0.7%)	122.16	95.94	(8.8%)	4.5%	18.9	2.72	13.8	2.8
Starbucks Corporation	67.09	3.7%	68.98	47.37	16.8%	20.8%	24.4	3.32	15.6	1.9
Willamette Valley Vineyards, Inc.	7.05	(0.8%)	8.55	6.66	(14.6%)	(12.0%)	NA	2.37	10.1	1.7
Sector Average:					(8.8%)	11.5%	28.3x	3.99x	16.4x	2.1x

Company Name	Price 1/25/19	Price Compared to 1/18/19	52-Week Range		Price as Compared to YE:		Forward P/E	Enterprise Value to LTM:		Total Debt to LTM EBITDA
			High	Low	2017	2016		Revenue	EBITDA	
DAIRY										
* Danone SA	\$71.25	0.6%	\$80.33	\$68.13	(15.2%)	12.1%	16.5x	2.17x	10.1x	4.3x
Dean Foods Company	4.51	(2.8%)	11.14	3.61	(61.0%)	(79.3%)	NM	0.17	5.9	4.2
Lifeway Foods, Inc.	2.72	0.8%	8.07	1.81	(66.0%)	(76.4%)	NA	0.43	NM	49.5
* Saputo Inc.	29.08	(2.1%)	34.52	26.82	(19.3%)	(17.8%)	20.8	1.40	14.5	2.1
Sector Average:					(40.4%)	(57.8%)	18.6x	1.04x	10.2x	15.0x
WHOLESALE, FOOD SERVICE, & DISTRIBUTION										
The Chefs' Warehouse, Inc.	\$33.88	(3.7%)	\$39.26	\$18.40	65.3%	114.4%	36.3x	0.89x	18.6x	4.2x
Core-Mark Holding Company, Inc.	28.70	(0.1%)	40.12	17.10	(9.1%)	(33.4%)	20.4	0.13	14.4	3.5
Performance Food Group Company	34.39	(0.6%)	39.45	28.05	3.9%	43.3%	20.2	0.27	12.3	3.2
SpartanNash Company	20.58	(2.3%)	26.99	16.08	(22.9%)	(48.0%)	10.6	0.17	7.2	3.6
Sysco Corporation	62.02	(1.1%)	75.98	56.01	2.1%	12.0%	17.9	0.68	12.2	2.7
United Natural Foods, Inc.	13.11	0.0%	49.90	9.23	(73.4%)	(72.5%)	8.8	0.43	13.8	11.9
US Foods Holding Corp.	33.96	0.8%	40.92	27.51	6.4%	23.6%	15.8	0.45	10.7	3.5
Sector Average:					(4.0%)	(12.5%)	20.2x	0.43x	12.8x	4.6x
MASS MERCHANDISE & CLUB STORES										
BJ's Wholesale Club	\$26.19	6.5%	\$32.92	\$19.31	NA	NA	NA	0.00x	0.0x	0.0x
Costco Wholesale Corporation	209.07	(2.1%)	245.16	175.79	12.3%	30.6%	26.7	0.63	15.4	1.1
Walmart Inc.	96.94	(0.8%)	109.98	81.78	(1.8%)	40.2%	20.7	0.67	10.4	1.9
Sector Average:					5.2%	35.4%	23.7x	0.65x	12.9x	1.5x
DOLLAR STORES										
Dollar General Corporation	\$114.20	0.6%	\$118.45	\$85.54	22.8%	54.2%	17.7x	1.30x	12.9x	1.1x
Dollar Tree, Inc.	96.92	2.4%	116.65	78.78	(9.7%)	25.6%	17.2	1.19	10.6	1.9
Sector Average:					6.6%	39.9%	17.5x	1.25x	11.7x	1.5x
TRADITIONAL RETAIL										
* Ahold Delhaize	\$26.68	4.2%	\$26.78	\$19.35	21.2%	26.2%	14.2x	0.48x	7.1x	2.2x
Ingles Markets, Incorporated	29.62	(2.4%)	37.65	25.68	(14.4%)	(38.4%)	9.3	0.36	6.1	3.6
The Kroger Co.	28.12	(4.5%)	32.74	22.85	2.4%	(18.5%)	12.5	0.30	7.5	3.0
Village Super Market, Inc.	26.57	1.9%	31.49	21.95	15.9%	(14.0%)	NA	0.21	5.5	0.8
Weis Markets, Inc.	48.67	(0.8%)	57.82	36.50	17.6%	(27.2%)	NA	0.35	6.7	0.0
Sector Average:					14.3%	(24.5%)	12.0x	0.34x	6.6x	1.9x
SPECIALTY RETAIL										
Natural Grocers by Vitamin Cottage, Inc.	\$14.81	(8.2%)	\$24.50	\$6.18	65.8%	24.6%	37.6x	0.44x	8.4x	1.2x
Sprouts Farmers Market, Inc.	24.15	(3.2%)	29.67	20.63	(0.8%)	27.6%	18.5	0.71	10.7	1.7
Sector Average:					32.5%	26.1%	28.1x	0.58x	9.5x	1.4x
TRADITIONAL RESTAURANTS										
Brinker International, Inc.	\$46.55	(4.2%)	\$54.14	\$32.03	19.9%	(6.0%)	12.2x	0.94x	7.3x	2.9x
The Cheesecake Factory Incorporated	44.91	(2.6%)	60.19	41.63	(6.8%)	(25.0%)	17.0	0.90	9.1	0.6
Darden Restaurants, Inc.	106.43	(2.4%)	124.00	82.38	10.8%	46.4%	18.2	1.68	12.4	0.9
Dine Brands Global, Inc.	79.24	0.8%	95.09	51.61	56.2%	2.9%	11.8	4.39	13.8	7.2
Jack in the Box Inc.	82.74	2.0%	95.99	74.19	(15.7%)	(25.9%)	19.3	3.68	12.3	4.1
McDonald's Corporation	184.00	0.8%	190.88	146.84	6.9%	51.2%	22.9	8.07	16.8	3.2
The Wendy's Company	17.11	4.1%	18.69	14.80	4.2%	26.6%	27.1	4.88	14.9	6.9
YUM! Brands, Inc.	92.71	0.4%	94.13	75.88	13.6%	46.4%	25.7	6.73	20.7	5.2
Sector Average:					11.1%	14.6%	19.3x	3.31x	13.4x	3.9x
HIGH-GROWTH RESTAURANTS										
Bojangles!, Inc.	\$16.09	0.3%	\$17.10	\$11.35	36.4%	(13.7%)	20.4x	1.30x	10.6x	1.9x
Chipotle Mexican Grill, Inc.	543.37	5.9%	543.90	247.52	88.0%	44.0%	49.5	3.04	26.3	0.0
El Pollo Loco Holdings, Inc.	17.43	1.2%	18.47	9.05	76.1%	41.7%	22.0	1.75	12.6	1.2
The Habit Restaurants, Inc.	11.01	(1.2%)	18.30	8.11	15.2%	(36.2%)	96.9	0.62	7.9	0.6
Noodles & Company	7.40	(2.1%)	13.50	5.30	41.0%	80.5%	56.7	0.81	11.9	1.5
Papa Murphy's Holdings, Inc.	4.68	(2.4%)	5.75	4.28	(13.1%)	10.8%	13.0	1.67	7.6	4.2
Potbelly Corporation	8.70	1.6%	14.15	7.71	(29.3%)	(32.6%)	32.7	0.44	5.6	0.0
Shake Shack Inc.	48.25	(2.3%)	70.12	36.58	11.7%	34.8%	69.2	3.23	21.3	0.3
Wingstop Inc.	67.44	(0.8%)	75.58	39.55	73.0%	127.9%	82.3	18.21	47.2	4.6
Sector Average:					32.2%	22.1%	43.2x	1.43x	11.5x	1.5x

Notes:

* Denotes local currency.

Source: Capital IQ.

Summary multiples adjusted for extraordinary and non-recurring items; outliers excluded from mean calculation.

Major Indices (1-year & 12-year History)

S&P 500



Dow Jones Industrial Average



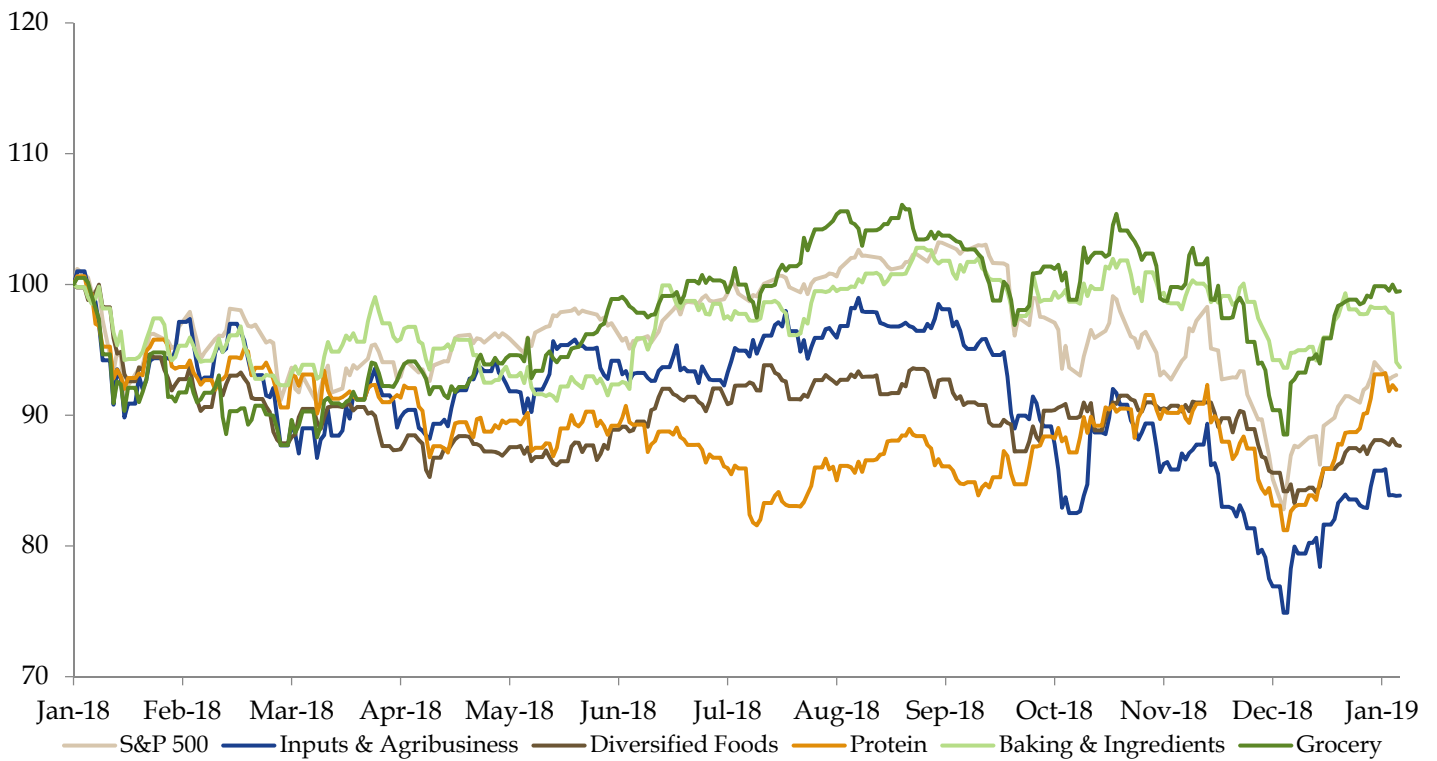
10-year Treasury



CBOE Market Volatility Index - VIX



Lakeshore Sector Indices vs. S&P 500 (1-year Only)



Food For Thought...

Partner Column

Written By William Whipple

Good morning! In the midst of another Midwest snowstorm, I write my first Partner Column of 2019. The Food Business will remain highly competitive in 2019. New products, new companies, new technology, new formulations, product extensions - all examples of creative destruction at work. Just checkout the valuations of all the big branded companies from General Mills to KraftHeinz.

Meat Complex- Just to be clear with my prediction of the "Perfect Storm" in 2019 meat production/price. I expect 2019 to be very difficult - expect excess amounts of Chicken, Beef & Pork as we move through 2019 - quite simply, we have too much industry capacity from over-expansion in Chicken & Pork plus the big recovery in Beef. Over my 35+ years in the business, industry over-expansion happens. All industry participants make a bunch of money and then decide to expand/grow - simultaneously. Equally important, everyone has their profits to ride this cycle - down! As I have stated, you could see this coming for over a year.

CF Industries- CF is the "largest US based pure-play Nitrogen fertilizer company." The Company has 231M shares trading at a little over \$42/share or \$9.2B Share Value plus \$3.7B net debt - which means the market is valuing CF at 10X EBITDA. Not bad considering the industry is just now exiting a multiyear slump. A major question with Nitrogen production/prices is always their cost outlook for natural gas. Natural gas producers are cutting back on capital expenditures growth due to low pricing.

Dean Foods has been our bell-weather stock in fluid Dairy but unfortunately its valuation has been headed down since their loss of Walmart. Dairy product prices are low and demand has been decreasing in their main product - fluid milk. With Dairy replacement heifers trading at exceeding low levels, don't expect any immediate recovery. Consumer tastes have shifted away from traditional milk toward alternatives for a variety of reasons - 65% of the human population has reduced ability to digest lactose. Dean bought a majority stake in Good Karma, a leading provider of flaxseed-based milk/yogurt alternatives. However, Good Karma has \$5M in sales against Dean's \$7B. No one has shown any interest in buying Dean. Is there a price? Has the worst has been priced into the stock? What will all the Dairy Farm consolidation in Dean Foods backyard mean to company profitability? Small dairies continue closing but the supply of milk is still over-the-top courtesy of big dairy

efficiencies. Another pitfall of the big milk supply is an overabundance of cheese. Milk Powder prices remain the only bright spot as we enter 2019.

Cal-Maine- after a big rise in 2018 profits/stock price, Cal-Maine is headed back down, and closed at \$41.74 vs 52-week high of \$52 couple months ago. The public egg company with low barriers to entry, commodity selling in a fragmented market / no pricing power / no economic moat. Expect disruptions as egg producers try to rationalize the marketplace to all the California rules/regulations.

Blue Apron is now a "Penny Stock" trading below \$1/share - after their \$10/share, June 2017 IPO. San Francisco based, Munchery, after running through \$135M and being valued as high as \$300M, closed last week. One might say the Meal-Kit (pre-made meals for millennials) is dead or dying or in need of major change - after Chef'd ceased in 2018, Bento closed in 2017, Sprig in 2017, Din in 2016, and Spoonrocket in 2016. What is the Blue Apron brand worth?

ConAgra has fallen out of bed from the October 2018 Pinnacle acquisition (Birdseye/Duncan Hines). The stock currently trades for \$21/share versus over \$35/share in November. The Pinnacle acquisition exploded quickly. When a deal blows up this early, major mistakes were made in the company's evaluation. Pinnacle was expensive and leveraged by ConAgra.

Fresh Del Monte trading at \$31/share vs 52-week high of \$52/share. Leverage remains conservative at 1.8X and interest coverage of 2.5X. Earnings have been under pressure due to lower selling prices in the company's other fresh produce segment. Management hopes to pass along higher input costs in 2019.

Cattle Processing margins have declined considerably the last couple of months to \$66/head last week, from in excess of \$110+ in 2018! Feedyard Margins declined to \$82/head vs. a year ago \$171/head.

Have a good week!

Food For Thought...

United Natural Foods Releases Earnings. After United Natural Foods acquired Supervalu, the company has been facing challenges. United Natural announced earnings that were far below expectations early last month and has been fielding inquiries from anxious investors over how it will integrate a troubled Supervalu, while simultaneously growing the business and paying down debt.

Altogether, UNFI believes its plan will boost net sales from just over \$20 billion and \$650 million in adjusted EBITDA expected this year to \$30 billion in sales and \$1 billion in earnings over the next three years. The earnings outlook for this year came in higher than analysts expected, sending UNFI's stock price up nearly 30% yesterday.

President and CEO Steve Spinner acknowledged the integration of Supervalu, which has struggled with profitability and is currently digesting two acquisitions of its own, will be difficult. UNFI has decided to accelerate the integration, he said. "There's no perfect acquisition, but acquiring Supervalu puts us in a position to win," Spinner said.

The greatest advantage that the combined companies believe they have is a robust product selection across channels and categories: from natural and organic produce to conventional groceries, and everything in between. UNFI is well known for its strength in natural and organic products, while Supervalu is rooted in conventional grocery and fresh protein distribution. Together the companies have made acquisitions in recent years to bolster their offerings. Currently, UNFI has \$3 billion in natural produce sales, \$1.5 billion in produce, and \$1.5 billion in private brands.

Spinner and others chalked up Supervalu's sales underperformance in part to a "malaise" as the distributor has been in "deal mode," said Sean Griffin, Supervalu's CEO. UNFI expects performance to improve as the two companies continue to integrate. Spinner said he's also optimistic due to inflation, which the company has seen tick up the past two quarters and expects to stay consistent throughout the year.

By streamlining its various systems along with supplier agreements and its distribution network, UNFI plans to see \$185 million in annual cost synergies by 2022. In addition, UNFI plans to boost its investments in automation. Facilities in Southern California and Pennsylvania currently use automated picking systems to prepare orders, and Mario Adamy, national Vice President resident of warehousing and automation for UNFI, said the company aims to spread that technology across its network.

Cash raised from retail sales will flow toward UNFI's efforts to pay down its debt accrued in the \$2.9 billion deal – including \$1.6 billion worth of Supervalu debt. In addition, the company plans to sell off surplus property and other assets totaling between \$100 million and \$150 million. By 2022, UNFI aims to reduce its debt-to-EBITDA ratio from 5.1x to 2.9x. Sean Griffin who was Super Valu's CEO has said "We know it's not easy and we know we're going to make mistakes, but this is what we do," said. "We do distribution."

McCormick Reports Q4 Earnings. McCormick recently reported their sales rising to \$1.499 billion from \$1.491 billion in the same period a year earlier. According to Market Watch, analysts estimated sales to be \$1.55 billion. Net income increased to \$214 million, compared with \$176 million in the same three-month period last year. The Maryland spice maker said sales in its consumer segment rose less than 1% to \$984.4 million, led by flat sales in the Americas. McCormick said the segment was slowed by inventory reductions of higher-margin holiday products. McCormick CEO Lawrence Kurzius has stated "Our focus on profitable growth and strengthening our organization is the foundation of our future. In 2019, we expect to deliver another strong year while continuing to make targeted investments and fuel our growth to build the McCormick of the future."

While the spice and flavoring company expects sales growth to slow this year to between 1% and 3% through the roll out of new products, brand marketing and expanded distribution, the company's CEO said McCormick remains on solid footing. Moving forward, McCormick will keep on innovating its existing product base. Kurzius said last fall that the company remains on the lookout for more deals to strengthen its portfolio amid growing consumer demand for flavor. McCormick seeks to achieve a third of its growth from acquired brands.

McCormick & Co. (NYSE: MKC) 10-Year History



Heard on the Street...

Kane Beef Files For Bankruptcy, Intends to Sell Business.

Kane Beef, based in Corpus Christi, recently filed for Chapter 11 bankruptcy with the intention to sell the company. In July 2018, the meat processor, producer, and distributor was ordered to repay sellers roughly \$38 million after entering into an agreement to comply with the Packers and Stockyards Act. Also, in addition to the \$2.4 million debt Kane amassed with the city for utilities, Kane's processing facility was closed after a city inspection found the company was discharging unauthorized waste into the city's water system. The company plans to file a motion to sell quickly, as eight potential buyers have already submitted bids. Retired Corpus Christi bankruptcy judge Richard Schmidt stated "The high bidder is familiar with the plant and knows the people. We've done our due diligence to make sure they have the money to do what they say they can do."

Duck Soup to Continue Necco's Infamous Sky Bar.

Sudbury, MA based confectionery retailer, Duck Soup, acquired the Sky Bar brand from Revere's New England Confectionary Co. Duck Soup has been in business since 1971, and is known for proprietary coffee blends, curate wine, craft liquors, international foods, and a wide selection of chocolate and candy. The acquisition will allow the Sky Bar candy bar to reemerge on shelves by the end of 2019. The infamous bar known for its retro-style packaging features four distinct flavors of caramel, vanilla, peanut, and fudge. Louise Mawhinney, owner of Duck Soup, entered into an online auction run by Necco and placed a bid for the brand. Louise stated "We have the intellectual property, the name, trademark, and the customer list. Not only do we have the recipe, we have Jeff Green, the vice president of R&D for Necco. He has every recipe going back to 1938." With the assistance of Jeff Green, Duck Soup will produce the bar in smaller batches for a slightly higher price.

Attis Industries to Acquire Corn Ethanol Facility from Sunoco LP.

Attis Industries, a technology holding company, has agreed to acquire and operate Sunoco LP's corn ethanol plant and grain malting operation in Fulton, NY for a total consideration of \$20 million in cash. The key to the success of this transaction for Attis is the ten-year offtake agreement for the ethanol produced. The plant will become one of Attis' cornerstones as it develops the site into the most comprehensive Green Tech campus for renewable fuels in the country.

Ferrero, Hostess and B&G Bids for Kellogg's cookies. CNBC reported that Hostess Brands, B&G Foods and Ferrero have placed preliminary bids of more than \$1.5 billion for Kellogg's Keebler, Famous Amos and fruit snacks businesses. These three initial offers are from companies that are well placed to acquire Kellogg's cookies. It was announced by Kellogg that the cookie brands were for sale last year.

According to Food Dive, Keebler's cookies has weighed down Kellogg's revenue since the Michigan company paid \$3.86 billion to acquire the baker in 2000. Back in 2004, the company was concerned, as sales had slipped by \$600 million since Keebler was independently owned. Company officials said at the time that the reason was because consumers were uninterested in less-than-healthy snacks. Fifteen years later, the same observation remains, leading Kellogg to put the cookies up for sale, giving up on trying to change consumer tastes and instead just focusing on its core business of cereals and its existing Morning Foods, Snacks and Frozen Foods segments.

These three initial offers are from companies that are well placed to acquire Kellogg's cookies. Hostess has years of experience of marketing sweets with its Twinkies and Ho-Hos brands. Along with that, Ferrero has been the owner of Nutella for a long time, and has pushed deeper into the sweets and treats market. Also, B&G is interested in expanding their portfolio to create a profitable turnaround.

Even though clean label seems to be the name of the game, there is still a sizable market for those wanting to tap into consumers' sweet tooth. With Hostess Brands, B&G Foods and Ferrero reportedly already interested in picking up the brands, there is a good chance that more companies will express interest. Perhaps there is even a way for a potential buyer – like Ferrero – to take both and stake its dominance in worldwide cookie brands.

Restaurant Brands International Considering Papa John's.

Papa John's share price increased on Wednesday following a report that Restaurant Brands international, Burger King and Tim Horton's parent company, is considering acquiring the pizza maker. Restaurant Brands International most recent acquisition came in 2017 when the company acquired the chicken chain Popeyes. During the investor call on Wednesday, Restaurant Brands International CEO Daniel Schwartz said "We've always been opportunistic when it comes to M&A. We look at companies and brands that are iconic brands that we can grow significantly for the long run."

Loans

In the final weeks of 2018, bank loans to businesses picked up steam, and barring a sudden economic downturn, bankers and analysts expect the trend to continue well in 2019.

After a year's worth of waiting for a rebound, signs that businesses were ready to start borrowing again finally emerged in late 2018. According to Federal Reserve data, for the week ending Dec. 26, commercial and industrial loans at large from domestically chartered banks rose \$26.5 billion, or 2.1%, to \$1.27 trillion from a week earlier. According to Barclays, that was the second-largest week-to-week increase in history.

In addition, several bank CEOs said at an industry conference in December that commercial loan pipelines are bulging. In December 2017, the federal corporate tax cut was supposed to stimulate economic activity and spur more borrowing, instead C&I loans at the 25 largest banks fell from the second quarter to the third quarter, according to Fed data compiled by Wedbush Securities.

Chris Giamo, the head of the commercial bank at the \$294 billion-asset TD Bank, said that he expects the surge of activity at year-end to continue into 2019. "We definitely saw demand

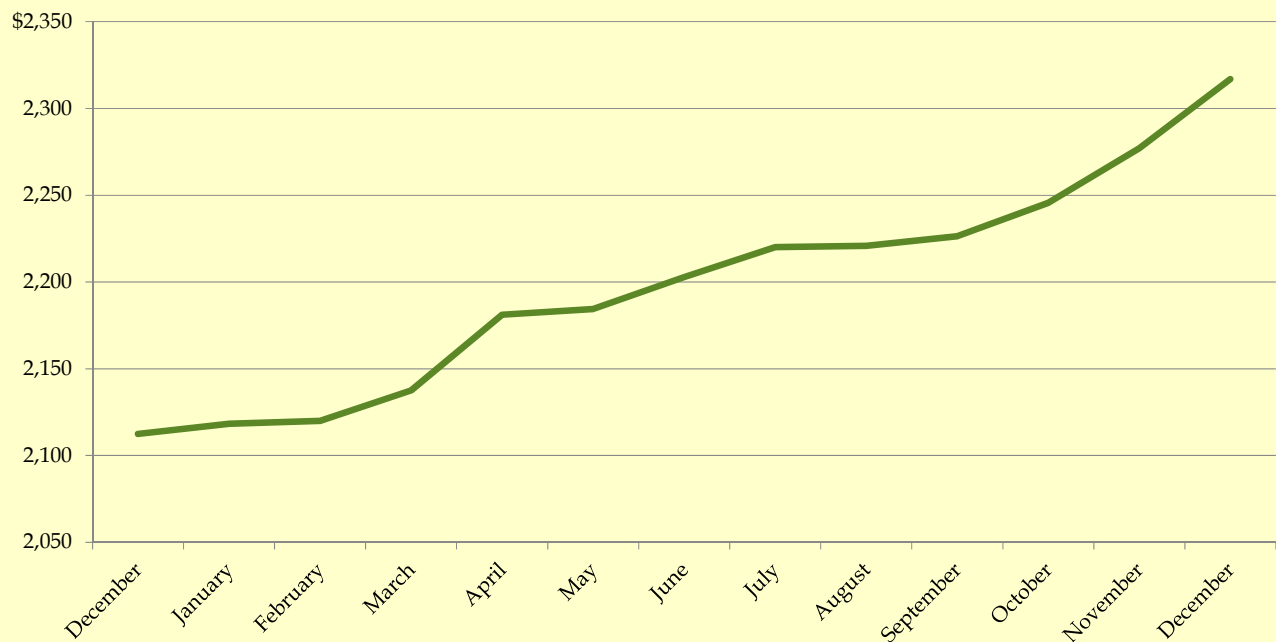
pick up in the fourth quarter," Giamo said. "There is a lot of optimism and most companies we talk to believe they are going to have revenue growth this year."

Some of the issues that suppressed commercial loan demand last year are still present, such as the trade war between the U.S. and China and rising interest rates that may discourage companies from borrowing. Recession fears also remain at the top of everyone's mind. Many investors believe the current economic expansion may end soon. If C&I lending slows down again, some banks may cut corners on terms and rates to win new business. Some of that has already happened, according to Moody's Investors Service. The number of banks that loosened underwriting standards on C&I loans to companies with at least \$50 million in annual sales rose to about 20% in the third quarter, from about 8% a year earlier.

Regardless, business leaders continue to be optimistic, something frequently pointed out by bank as they forecast C&I loan growth. About 91% of small and midsize companies expect to maintain or increase their capital expenditures this year, according to a survey of conducted by JPMorgan Chase, because most believe that revenue and profits will increase this year.

2018 Commercial & Industrial Loans, All Commercial Banks

(\$ in billions)



Source: Federal Reserve.

Commodities Overview (1-year & 12-year History)

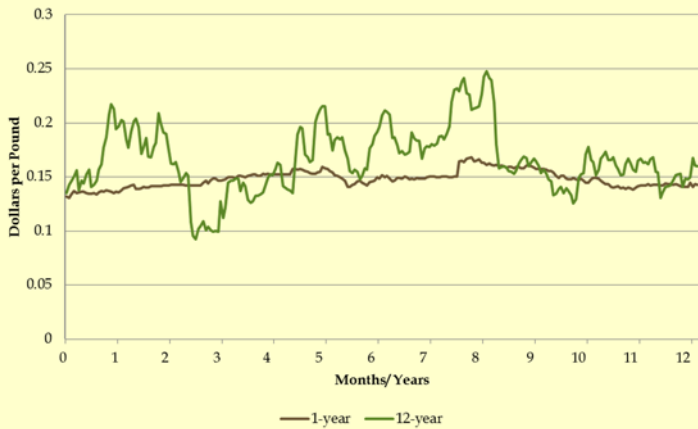
Cattle



Sugar



Milk



Cotton



Soybeans



Oil



Broiler price based off spot closing price. All other commodity prices are based off the closing price of their respective nearby futures contract.

Sources: Thomson Financial Data Securities, Capital IQ, Reuters, Edgar Online, Wall Street Journal, Barron's, New York Times, Bloomberg, Chicago Tribune, Denver Post, MarketWatch, USDA, The Economist, BusinessWeek, Food Institute, Food Business News, Supermarket News, LPC, Company Press Releases. The information contained in this publication is compiled using publicly available news/media sources and industry-specific sources that Lakeshore Food Advisors, LLC ("LFA") believes to be reliable, but the accuracy and completeness of which LFA cannot guarantee.

Please send your feedback and comments to Yajahira M. Cordova at 312.348.7075 or ycordova@lakeshorefoodadvisors.com.