



B&G Foods, Inc. (BGS)

Updated May 10th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$8.3	5 Year CAGR Estimate:	12.6%	Market Cap:	\$913 M
Fair Value Price:	\$8.0	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	06/29/24
% Fair Value:	104%	5 Year Valuation Multiple Estimate:	-0.7%	Dividend Payment Date:	07/31/24
Dividend Yield:	9.2%	5 Year Price Target	\$11	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

B&G Foods, Inc. is a consumer staples company with operations in the U.S., Canada, and Puerto Rico. Some of the company's well-known brands include Green Giant, Cream of Wheat, Cary's, Ortega, Mrs. Dash, and Maple Grove Farms, with 50+ brands in total. The company's product portfolio focuses on shelf-stable, frozen and snack brands. B&G Foods has a market capitalization of \$913 million. On December 1st, 2020, B&G Foods completed the acquisition of Crisco.

On November 9th, 2022, B&G Foods declared a \$0.19 quarterly dividend, which was a 60% decrease over its previous \$0.475 quarterly dividend. Prior to this, B&G had paid a growing dividend for nine consecutive years.

On November 8th, 2023, B&G Foods announced it sold its Green Giant U.S. shelf-stable vegetable product line to Seneca Foods Corporation, which was the primary co-manufacturer of the product line. The net proceeds used to reduce long-term debt. B&G will continue to own Green Giant frozen, Green Giant Canada and the Le Sueur brand.

B&G Foods reported first quarter 2024 results on May 8th, 2024, for the period ending March 30th, 2024. For the quarter, the company recorded net sales of \$475 million, a 7% decrease compared to Q1 2023, mostly as a result of lower volume and the Green Giant U.S. shelf-stable product line divestiture. Adjusted net income equaled \$14.4 million or \$0.18 per share compared to \$19.1 million or \$0.27 per share in Q1 2023.

B&G Foods reduced 2024 guidance and now expects \$1.955 billion to \$1.985 billion (from \$1.975 billion to \$2.020 billion previously) in net sales and adjusted EPS between \$0.75 to \$0.95 (from \$0.80 to \$1.00 previously). B&G also announced it is accelerating the reshaping of its brand portfolio, and may pursue divestitures which account for 10% to 15% of its current consolidated net sales. It is evaluating the divestiture of its Frozen & Vegetable business assets.

Shares of BGS collapsed 28% on the day following its earnings report.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.44	\$1.22	\$2.07	\$2.12	\$1.85	\$1.64	\$2.26	\$1.88	\$1.08	\$0.99	\$0.80	\$1.12
DPS	\$1.36	\$1.38	\$1.73	\$1.86	\$1.89	\$1.90	\$1.90	\$1.90	\$1.62	\$0.76	\$0.76	\$0.76
Shares¹	54	58	67	67	66	65	65	67	72	79	80	95

B&G Foods' growth strategy over the past decade has been to acquire food brands in debt-financed deals, then scale those brands and raise prices over time. This process worked well for the company in the years after the Great Recession, as low interest rates allowed for cheap debt. B&G generated strong earnings growth during that time, but recently, EPS has been on a downtrend as a result of high inflation on the company's costs and increased interest rates. The company has weaker brands, except for Green Giant, Ortega and Crisco, and consumer staple "center aisle" companies have a more difficult time increasing sales and wielding pricing power. B&G Foods' strategy of price increases to fuel revenue growth may not be sustainable. The company has mostly second tier brands in its portfolio and consumers may not be as receptive to price increases as they would be to top-tier brands.

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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All that being said, the COVID-19 pandemic boosted short-term profitability, achieving standout results in 2020 which we believe will likely be a long-term peak for the business. Earnings-per-share have declined every year since the pandemic in 2020, and is forecast to decline again in 2024.

We expect earnings growth to come in around 7.0% annually from this historically low earnings base. The dividend has been unstable for some time but in third quarter 2022, B&G finally decided to cut it by 60% in order to preserve cash.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	21.3	26	20.3	17.7	15.9	12.9	10.4	16.3	21.0	12.6	10.4	10.0
Avg. Yld.	4.4%	4.3%	4.1%	4.9%	6.4%	9.0%	8.1%	6.2%	8.7%	9.4%	9.2%	6.8%

Over the past decade, B&G Foods has traded with an average P/E ratio in the high teens. However, this was during a time when the company's growth rate was impressive. Given our expectation of slower growth over time, our fair value estimate is 10.0 times earnings. With a current P/E ratio of 10.4 times forecasted earnings, this implies a valuation headwind. B&G now yields 9.2%, well above its ten-year average of 6.6%. While the payout ratio has come down, it is still projected to be 95% of 2024 earnings, and it is likely that the dividend will be further reduced in the near future.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	94%	113%	84%	88%	102%	116%	84%	101%	150%	77%	95%	68%

B&G Foods does not have significant competitive advantages in our view. The company has mostly second tier brands that do not have pricing power. Still, B&G Foods is a consumer staples company that tends to have stable cash flow.

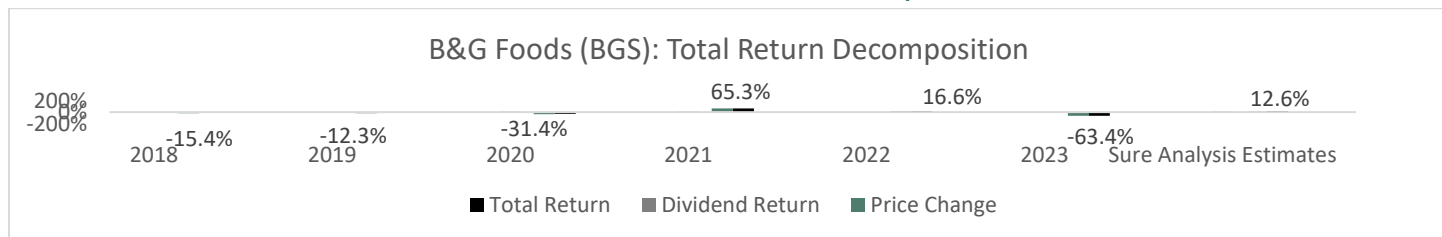
B&G Foods' aggressive acquisition strategy over the past several years has saddled it with a great deal of debt. The company was taking steps to deleverage by using the proceeds from the sale of Pirate Brand combined with cash to pay off \$500 million in term loans. However, the balance sheet was flexed once more with the Crisco acquisition, and the frozen vegetable manufacturing operations of Growers Express, LLC (now "Yuma"). The proceeds from the recent sale of Back to Nature and its Green Giant U.S. shelf-stable vegetable product line have aided in debt reduction, though.

As of the most recent report, B&G Foods held \$42 million in cash, \$785 million in current assets and \$3.36 billion in total assets against \$244 million in current liabilities and \$2.58 billion in total liabilities. Long-term debt stood at \$2.01 billion, down from \$2.02 billion as of December 30th, 2023.

Final Thoughts & Recommendation

Shares of B&G have declined 48% in the last one year, as it is struggling to turn around the business and is now evaluating further divestitures. Total return potential comes in at 12.6% per annum, stemming from 7.0% growth, and the 9.2% starting yield, partly offset by a -0.7% valuation headwind. The company has recently sold its Green Giant canned product line to reduce debt, and is now evaluating selling its frozen & vegetable businesses. Given the current struggles of B&G, and another potential dividend cut, we rate the stock as a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	848	966	1,372	1,646	1,701	1,660	1,968	2,056	2,163	2,062
Gross Profit	248	290	429	441	350	383	482	437	410	456
Gross Margin	29.2%	30.0%	31.3%	26.8%	20.5%	23.1%	24.5%	21.3%	18.9%	22.1%
SG&A Exp.	93	106	157	183	167	161	186	196	190	196
D&A Exp.	27	29	37	49	54	70	76	97	97	88
Operating Profit	142	172	258	240	164	204	276	219	198	239
Operating Margin	16.8%	17.8%	18.8%	14.5%	9.6%	12.3%	14.0%	10.7%	9.2%	11.6%
Net Profit	41	69	109	217	172	76	132	67	-11	-66
Net Margin	4.8%	7.1%	8.0%	13.2%	10.1%	4.6%	6.7%	3.3%	-0.5%	-3.2%
Free Cash Flow	80	110	247	-22	168	4	255	50	-16	222
Income Tax	23	52	68	-69	50	29	45	26	-8	-0.9

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	16,49	2,544	3,044	3,561	3,058	3,228	3,768	3,829	3,842	3,463
Cash & Equivalents	1	5	29	207	12	11	52	34	45	41
Accounts Receivable	56	70	119	141	152	144	133	145	150	143
Inventories	107	313	357	502	401	472	493	610	726	569
Goodwill & Int. Ass.	1,318	1,915	2,244	2,398	2,180	2,212	2,616	2,572	2,407	2,247
Total Liabilities	1,311	2,086	2,258	2,680	2,158	2,415	2,936	2,908	2,973	2,628
Accounts Payable	38	50	98	122	140	115	127	130	128	124
Long-Term Debt	1,026	1,732	1,726	2,218	1,639	1,880	2,334	2,268	2,389	2,045
Shareholder's Equity	338	458	786	881	900	813	832	920	868	835
LTD/E Ratio	3.04	3.78	2.20	2.52	1.82	2.31	2.81	2.46	2.75	2.45

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	2.6%	3.3%	3.9%	6.6%	5.2%	2.4%	3.8%	1.8%	-0.3%	-1.8%
Return on Equity	11.4%	17.4%	17.6%	26.1%	19.4%	8.9%	16.1%	7.7%	-1.3%	-7.8%
ROIC	3.1%	3.9%	4.7%	7.8%	6.1%	2.9%	4.5%	2.1%	-0.4%	-2.2%
Shares Out.	54	58	67	67	66	65	65	66	70	74
Revenue/Share	15.78	17.06	21.64	24.68	25.67	25.53	30.48	31.28	30.69	27.77
FCF/Share	1.49	1.94	3.90	-0.33	2.53	0.06	3.95	0.77	-0.23	2.99

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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