| Pension Assets-4/14 $\$ 402.1$ mill. |
| :--- |
| Oblig. $\$ 542.3$ mill. |
| Pfd Stock None |
| Common Stock $101,817,341$ shs. |
| as of $8 / 22 / 14$ |
| MARKET CAP: $\$ 10.0$ billion (Large Cap) |
| CUR |

BUSINESS: The J.M. Smucker Co. is a leading manufacturer of Bick's, Uncrustables, R.W. Knudsen, Hungry Jack, Martha White,

| CURRENT POSITION (\$MILL.) | 2012 | 2013 | 7/31/14 |
| :---: | :---: | :---: | :---: |
| Cash Assets | 256.4 | 153.5 | 149.4 |
| Receivables | 313.7 | 309.4 | 392.5 |
| Inventory (FIFO) | 945.5 | 931.0 | 1084.5 |
| Other | 79.6 | 145.2 | 101.8 |
| Current Assets | 1595.2 | 1539.1 | 1728.2 |
| Accts Payable | 285.8 | 289.2 | 279.4 |
| Debt Due | 50.0 | 100.0 |  |
| Other | 261.0 | 501.8 | 739.9 |
| Current Liab. | 596.8 | 891.0 | 1019.3 |
| ANNUAL RATES Pa of change (per sh) 10 |  | Past Yrs. | $\begin{aligned} & \text { d'11' } 13 \\ & \text { '17.'10 } \end{aligned}$ |


| AN change (per sh) | 10 Yrs. | 5 Yrs. | to '17.'19 |
| :--- | ---: | ---: | ---: |
| of | $7.0 \%$ | $7.0 \%$ | $5.5 \%$ |
| Sales | $10.5 \%$ | $13.5 \%$ | $7.5 \%$ |
| "Cash Flow" | $10.0 \%$ | $10.0 \%$ | $8.0 \%$ |
| Earnings | $10.0 \%$ | $11.5 \%$ | $6.0 \%$ |
| Dividends | $9.5 \%$ | $6.5 \%$ | $6.0 \%$ |
| Book Value |  |  |  |


| $\begin{array}{\|c} \hline \text { Fiscal } \\ \text { Year } \\ \text { Beegins } \\ \hline \end{array}$ | QUARTERLY SALES (\$ mill.) A |  |  |  | $\begin{aligned} & \text { Full } \\ & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Jul. 31 | Oct. 31 | Jan. 31 | Apr. 30 |  |
| 2011 | 1188.9 | 1513.9 | 1467.6 | 1355.4 | 5525.8 |
| 2012 | 1369.7 | 1628.7 | 1559.6 | 1339.7 | 5897.7 |
| 2013 | 1350.9 | 1559.9 | 1465.5 | 1234.3 | 5610.6 |
| 2014 | 1323.8 | 1615 | 1550 | 1341.2 | 5830 |
| 2015 | 1375 | 1675 | 1615 | 1400 | 6065 |
| Fiscal Year |  | NINGS PE | R SHA | A B | Full Fiscal |
| Begins | Jul. 31 | Oct. 31 | Jan. 31 | Apr. 30 | $\begin{aligned} & \text { Fiscal } \\ & \text { Year } \end{aligned}$ |
| 2011 | 1.12 | 1.29 | 1.22 | 1.10 | 4.73 |
| 2012 | 1.17 | 1.45 | 1.47 | 1.28 | 5.37 |
| 2013 | 1.24 | 1.52 | 1.66 | 1.21 | 5.64 |
| 2014 | 1.34 | 1.66 | 1.68 | 1.32 | 6.00 |
| 2015 | 1.43 | 1.75 | 1.80 | 1.42 | 6.40 |
| al- | QUAR | ERLY DIV | ENDS | ID | Il |
| endar | Mar. 31 | Jun. 30 | Sep. 30 | Dec. 31 | Year |
| 2010 | . 35 | . 40 | . 40 | . 40 | 1.55 |
| 2011 | . 44 | . 44 | . 48 | . 48 | 1.84 |
| 2012 | . 48 | . 48 | . 52 | . 52 | 2.00 |
| 2013 | . 52 | . 52 | . 58 | . 58 | 2.20 |
| 2014 | . 58 | . 58 | . 64 |  |  |

jams, jellies, coffee, and peanut butter. Also produces cooking oils, ice-cream toppings, juices, and baking ingredients. In addition to the Smucker's brand, the company markets products under numerous other brands including Jif, Crisco, Folgers, Pillsbury, Dunkin Donuts, Dickinson's, Carnation, Borden, Eagle Brand,
We are lowering our fiscal 2014 (ends April 30, 2015) earnings estimate for J.M. Smucker by a nickel, to \$6.00 a share. Although the company nearly matched our bottom-line expectation in the July period, we are a bit concerned about the recent volume sluggishness in the U.S. Retail Coffee and Consumer Foods segments. The biggest detractors were the Pillsbury baking products and Crisco cooking oil lines. Too, price increases implemented in J une had an adverse effect on the majority of Smucker's coffee products. The weakness in these lines, along with the struggles of the International, Foodservice, \& Natural Foods segment (operating profits were down 18\% year-to-year), somewhat offset the good showings from the J if peanut butter and Smucker's fruit spreads businesses.
The company faces fierce competition in the center-of-the-store aisles. This has been made more difficult by the changing dynamics of the breakfast category, where many consumers are now opting for Greek yogurts and breakfast sandwiches for their morning meal. The drive for market share, along with still
and Santa Cruz Organic. Adv.: 2.2\% of '13 sales. Has about 4,775 emplys. Smucker family owns $4.3 \%$ of stock. Off./dir. own $4.1 \%$ of stock (7/14 Proxy). Chrmn: Timothy Smucker. CEO: Richard Smucker. Inc.: Ohio. Addr.: One Strawberry Lane, Orrville, OH 44667. Tel.: 330-682-3000. Internet: www.jmsmucker.com.
cost-conscious consumers, which has been effected by slow wage growth, has forced Smucker's (and it competitors) to aggressively promote their products and invest heavily in product innovation. Such actions have limited margin expansion and capped earnings growth the last few quarters. One arena where competition is stout is the coffee category, as Folgers competes against Kraft's Maxwell House and Italy-based Massimo Zanetti Beverage Group's Chock Full of Nuts . Too, Kraft recently inked an agreement to be the retailer of McDonald's McCafe coffee line, which will compete with Smucker's Dunkin Donuts coffee line. That said,
These high-quality shares remain of interest to conservative, incomeoriented investors, especially given the recent elevated market volatility. Smucker stock carries excellent marks for Safety and Price Stability, as well as a low Beta. Too, the yield is slightly above average and the payout is well secured, given Smucker's strong balance sheet (debt-tototal capital remains below 30\%) and significant cash flow generation.
William G. Ferguson October 24, 2014

[^0]
[^0]:    (A) FY ends April 30th of the following calendar '99, 34c'; '00, 9c;' '01, 13c; '02, 17c; '03, 19c;

    | '09, 22¢; '10, 74c; '11, 67¢; '12, 37¢; '13, 22¢; | avail. Paid \$5-a-shr. spcl. div'd., 10/08. (D) Incl. |
    | :--- | :--- |
    | '14 Q1, 20c. Egs. may not sum due to share |  |
    | intang. In FY'13: \$60.20/sh. (E) In mill (F) |  | 04 36c; '05, 20c; '06, 13c' '07, 15c' '08, 65 '14 Q1, 20c. Egs. may not sum due to share intang. In FY'13: $\$ 60.20 /$ sh. (E) In mill. (F) 04 36\&; '05, 20¢; '06, 13¢; '07, 15¢; '08, 65¢; $\quad$ in Mar., June, Sept., Dec. ■ Div'd reinvest. plan

