

	PAGE		PAGE
<b>FOOD PROCESSING INDUSTRY ...</b>	<b>1901</b>	Brown-Forman Corp. 'B'	1966
Archer Daniels Midland	1902	Central European Dist. Corp.	1967
B&G Foods, Inc.	1903	Coca-Cola Co. (The)	1968
★ Bunge Limited	1904	Coca-Cola Bottling Co.	1969
Cal-Maine Foods, Inc.	1905	Coca-Cola Enterprises	1970
Campbell Soup	1906	★ Constellation Brands, Inc.	1971
Chiquita Brands International	1907	★ Cott Corp.	1972
ConAgra Foods, Inc.	1908	Dr Pepper Snapple Group, Inc.	1973
★★ Corn Products Int'l, Inc.	1909	Hansen Natural Corp.	1974
★ Dean Foods Co.	1910	Molson Coors Brewing Co.	1975
Diamond Foods, Inc.	1911	PepsiCo, Inc.	1976
Dole Food Company, Inc.	1912		
Flowers Foods, Inc.	1913	<b>FOREIGN ELECTRONICS/ ENT.</b>	
Fresh Del Monte Produce, Inc.	1914	<b>INDUSTRY</b>	<b>1977</b>
General Mills	1915	Canon Inc. (ADR)	1978
Hain Celestial Group	1916	FUJIFILM Holdings (ADR)	1979
Heinz (H.J.) Co.	1917	Hitachi, Ltd. (ADR)	1980
★ Herbalife Ltd.	1918	Kyocera Corp. (ADR)	1981
Hershey Co. (The)	1919	Panasonic Corp.	1982
Hormel Foods	1920	Philips Electronics N.V.	1983
J&J Snack Foods Corp.	1921	Sony Corp. (ADR)	1984
Kellogg Co.	1922		
Kraft Foods Inc.	1923	<b>TOBACCO INDUSTRY</b>	<b>1985</b>
McCormick & Co.	1924	Altria Group, Inc.	1986
Mead Johnson Nutrition Company	1925	★ British American Tobacco (ADR)	1987
NutriSystem, Inc.	1926	Lorillard, Inc.	1988
Peet's Coffee & Tea	1927	★ Philip Morris International, Inc.	1989
Ralcorp Holdings	1928	Reynolds American Inc.	1990
Sanderson Farms, Inc.	1929	★★ Schweitzer-Mauduit International	1991
Sara Lee Corp.	1930	Universal Corp.	1992
Sensient Technologies	1931		
★ Smart Balance, Inc.	1932	<b>EDUCATIONAL SERVICES</b>	
★★ Smithfield Foods, Inc.	1933	<b>INDUSTRY</b>	<b>1993</b>
Smucker (J.M.) Co. 'A'	1934	Apollo Group (The), Inc. 'A'	1994
Snyder's-Lance, Inc.	1935	Career Education Corp.	1995
Synutra International, Inc.	1936	Corinthian Colleges, Inc.	1996
Tootsie Roll Industries	1937	DeVry Inc.	1997
TreeHouse Foods, Inc.	1938	★ ITT Educational Services	1998
Tyson Foods, Inc. 'A'	1939	Learning Tree International, Inc.	1999
Unilever PLC (ADR)	1940	New Oriental Education & Tech.	2000
Zhongpin Inc.	1941	Renaissance Learning, Inc.	2001
		Strayer Education, Inc.	2002
<b>RETAIL/WHOLESALE</b>		<b>ENTERTAINMENT TECHNOLOGY</b>	
<b>FOOD INDUSTRY</b>	<b>1942</b>	<b>INDUSTRY</b>	<b>2003</b>
★ Casey's General Stores	1943	Activision Blizzard, Inc.	2004
★ Core-Mark Holding Company	1944	Avid Technology, Inc.	2005
Fresh Market (The), Inc.	1945	DTS Inc.	2006
Green Mountain Coffee Roasters	1946	Daktronics, Inc.	2007
★ Ingles Markets, Inc.	1947	Dolby Laboratories	2008
★ Kroger (The) Co.	1948	Electronic Arts	2009
Nash-Finch Co.	1949	OmniVision Technologies	2010
★ Pantry (The), Inc.	1950	RealD Inc.	2011
★ Ruddick Corp.	1951	Rovi Corp.	2012
★ Safeway Inc.	1952	SeaChange Int'l, Inc.	2013
Spartan Stores, Inc.	1953	Sigma Designs	2014
SUPERVALU INC.	1954	Silicon Image, Inc.	2015
Sysco Corp.	1955	Synchronoss Technologies, Inc.	2016
United Natural Foods, Inc.	1956	THQ Inc.	2017
Village Super Market, Inc.	1957	Take-Two Interactive	2018
Weis Markets, Inc.	1958	★★ Universal Electronics, Inc.	2019
★ Weston (George) Ltd.	1959		
Whole Foods Market	1960	<b>REINSURANCE INDUSTRY</b>	<b>2020</b>
Winn-Dixie Stores, Inc.	1961	Alterra Capital Holdings Limited	2021
		Assured Guaranty Ltd.	2022
<b>BEVERAGE INDUSTRY</b>	<b>1962</b>	AXIS Capital Holdings Limited	2023
★ Anheuser-Busch InBev	1963	Everest Re Group, Ltd.	2024
Beam Inc.	1964	Greenlight Capital Re, Ltd.	2025
Boston Beer Co., Inc. 'A'	1965		

### ESPECIALLY NOTEWORTHY:

We welcome old friend **Beam Inc.** to Issue 10 this week. The producer and seller of premium spirits is now found in our Beverage Industry on page 1964.

**Kraft Foods** has announced its intention to split into two independent public companies. Details of the plan are found on page 1923.

**Mead Johnson Nutrition Company** is having success in emerging markets, particularly in China and Hong Kong. Earnings should stay on an upswing through 2012, at least. Page 1925.

Subscribers looking for a way to play the move towards marketing more health-conscious foods to consumers might consider **Smart Balance** shares. The fundamentals underpinning this small-cap issue's prospects are favorable. Page 1932.

The prospects for convenience store operator **Casey's General** are good. Despite some margin pressure, sales are advancing at a fast pace, driven by customer promotions, higher gasoline prices, and acquisitions. Page 1943.

**George Weston** is managing its food distribution business well through a tough cost environment. As it stands now, inflationary pressures look like they may ease next year, suggesting better times lie ahead. Patient investors looking for a good risk-adjusted total return may find interest here. See page 1959.

**Schweitzer-Mauduit** shares continue to perform well. The tobacco products company has posted good financial results in recent quarters, and we have raised our earnings estimates. Turn to page 1991 for our latest review.

PartnerRe Ltd	2026
RenaissanceRe Holdings Ltd	2027
Transatlantic Holdings	2028

### SUPPLEMENTARY REPORTS ..... 2042

- ★★ Rank 1 (Highest) for Timeliness.
- ★ Rank 2 (Above Average).

Value Line's estimates of sales and earnings growth for individual companies are derived by correlating sales, earnings, and dividends to appropriate components or subcomponents of the Gross Domestic Product, presented below. A more detailed forecast appears periodically in *Selection & Opinion*.

**HYPOTHESIZED ECONOMIC ENVIRONMENT 3 TO 5 YEARS HENCE**

The hypothesized 2014-2016 economic environment into which earnings are forecast is as follows: Unemployment will average about 7.5% of the national labor force. There will be no major war in progress at that time. Industrial production will be expanding 3.7% per year. Inflation will continue to be modest. Prices as measured by the broad-based GDP deflator

will advance about 2% per year on the average. The corporate income tax rate will be around 35%. Long-term interest rates on high-grade corporate bonds are projected to be about 6.5% in the years 2014-2016. We expect the Federal Reserve to pursue neutral-to-fairly accommodative policies except in years in which the economy is overheating. Based on these assumptions, the Gross Domestic Product will average \$18,204 billion in the years 2014-2016, a level that is roughly 25% above the 2010 total of \$14,527 billion.

Things may turn out differently. But in the absence of knowledge of the future, we use the above assumptions, which appear to be most plausible. Thus we are able to apply a common economic environment to all stocks for the purpose of measuring relative growth potential.

**THESE ARE THE NATIONAL INCOME SERIES TO WHICH VALUE LINE SALES, EARNINGS, AND DIVIDEND ESTIMATES ARE CORRELATED**

ANNUAL STATISTICS	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012*	2014-16*
Gross Domestic Product (\$Bill.)	9952	10286	10642	11142	11868	12638	13399	14062	14369	14119	14527	15187	15715	18204
Real GDP (2005 Chained \$Bill.)	11226	11347	11553	11840	12264	12638	12976	13229	13229	12881	13088	13301	13566	14911
Total Consumption (\$Bill.)	6830	7149	7439	7804	8533	8819	9074	9314	9265	9154	9221	9415	9627	10256
Nonresidential Fixed Investment (\$Bill.)	1269	1228	1125	1136	1263	1347	1454	1544	1557	1291	1319	1410	1480	1822
Industrial Prod. (% Change, Annualized)	4.2	-3.4	-0.1	1.3	2.5	3.3	2.2	1.7	-2.2	-9.3	5.3	3.4	2.8	3.7
Housing Starts (Mill. Units)	1.57	1.60	1.71	1.85	1.95	2.07	1.81	1.34	0.90	0.55	0.59	0.61	0.71	1.50
Total Light Vehicle Sales (Mill. Units)	17.4	17.1	16.8	16.6	16.9	17.0	16.5	16.1	13.1	10.4	11.6	12.5	13.4	16.0
Personal Savings Rate (%)	2.9	2.7	3.5	3.5	2.1	0.4	0.7	0.6	1.8	5.9	5.3	5.1	5.3	5.0
National Unemployment Rate (%)	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.6	9.1	9.1	7.5
AAA Corp Bond Rate (%)	7.6	7.1	6.5	5.7	5.6	5.2	5.6	5.6	5.6	5.3	4.9	5.2	5.5	6.5
10-Year Treasury Note Rate (%)	6.0	5.0	4.6	4.0	4.3	4.3	4.8	4.6	3.7	3.3	3.2	2.9	2.7	4.5
3-Month Treasury Bill Rate (%)	5.8	3.4	1.6	1.0	1.4	3.1	4.7	4.4	1.4	0.2	0.1	0.1	0.1	2.5
<b>ANNUAL RATES OF CHANGE</b>														
Real GDP	4.1	1.1	1.8	2.5	3.6	3.1	2.7	2.1	0.4	-2.6	3.0	1.6	2.0	3.4
GDP Deflator	2.2	2.3	1.6	2.2	2.9	3.3	3.2	2.7	2.2	0.9	1.2	2.2	1.3	2.0
Consumer Price Index	3.4	2.8	1.6	2.3	2.7	3.4	3.2	2.9	3.8	-0.3	1.6	3.1	1.8	2.5
<b>QUARTERLY ANNUALIZED RATES</b>		<b>2010</b>				<b>2011</b>				<b>2012</b>				
		1st	2nd	3rd	4th	1st	2nd*	3rd*	4th*	1st*	2nd*	3rd*	4th*	
Gross Domestic Product (\$Bill.)	14444	14574	14743	14873	14980	15114	15264	15390	15505	15632	15784	15941		
Real GDP (2005 Chained \$Bill.)	12938	13059	13140	13216	13229	13272	13322	13381	13448	13524	13605	13689		
Total Consumption (\$Bill.)	9121	9187	9247	9328	9377	9379	9425	9479	9538	9597	9656	9716		
Nonresidential Fixed Investment (\$Bill.)	1253	1308	1344	1372	1379	1400	1419	1440	1454	1469	1487	1512		
Industrial Production (% Change, Annualized)	8.1	7.1	6.7	3.1	4.8	0.8	5.0	3.0	2.5	2.5	3.0	3.0		
Housing Starts (Mill. Units)	0.62	0.60	0.59	0.54	0.58	0.58	0.62	0.65	0.68	0.70	0.72	0.75		
Total Light Vehicle Sales (Mill. Units)	11.0	11.4	11.6	12.3	13.0	12.1	12.5	12.5	13.0	13.0	13.5	14.0		

\*Estimated

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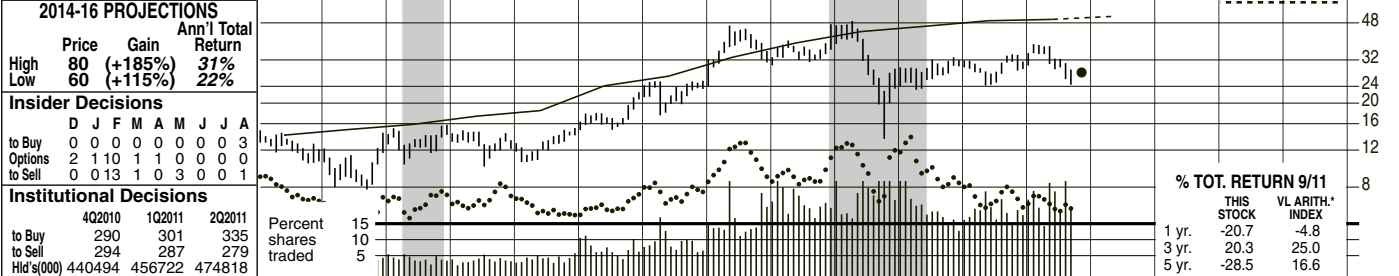
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# ARCHER DANIELS NYSE-ADM

RECENT PRICE **27.91** P/E RATIO **8.8** (Trailing: 8.9 Median: 14.0) RELATIVE P/E RATIO **0.63** DIV'D YLD **2.3%** VALUE LINE **1902**

TIMELINESS <b>3</b> Lowered 10/14/11	High: 14.5 15.8 14.9 15.2 22.5 25.5 46.7 47.3 48.9 33.0 34.0 38.0	Target Price Range 2014 2015 2016
SAFETY <b>2</b> Raised 7/30/10	Low: 7.8 10.2 10.0 10.5 14.9 17.5 24.0 30.2 13.5 23.1 24.2 23.7	120 100 80 64 48 32 24 20 16 12 8
TECHNICAL <b>3</b> Lowered 8/12/11	LEGENDS — 11.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded areas indicate recessions	
BETA .90 (1.00 = Market)		



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
17.76	18.20	21.42	24.52	21.14	19.40	30.27	36.08	47.62	55.55	55.25	55.81	68.40	108.37	107.80	96.08	125.66	<b>130.25</b>	Sales per sh <sup>A</sup>	<b>143.75</b>
1.65	1.49	1.55	1.48	1.28	1.36	1.44	1.58	1.68	2.20	2.44	3.00	3.51	3.97	4.21	4.47	4.54	<b>4.70</b>	"Cash Flow" per sh	<b>6.10</b>
1.10	.95	.80	.65	.41	.45	.58	.70	.68	1.16	1.40	2.00	2.38	2.84	3.06	3.06	3.13	<b>3.30</b>	Earnings per sh <sup>B</sup>	<b>4.70</b>
.07	.12	.16	.17	.17	.18	.19	.20	.24	.27	.32	.37	.43	.49	.54	.58	.62	<b>.66</b>	Div'ds Decl'd per sh <sup>C</sup>	<b>.80</b>
.78	1.03	1.21	1.07	.99	.65	.41	.54	.65	.78	.96	1.16	1.86	2.76	2.96	2.50	1.94	<b>2.35</b>	Cap'l Spending per sh	<b>1.95</b>
8.20	8.40	9.36	9.90	9.24	9.20	9.56	10.39	10.96	11.83	12.96	14.96	17.48	20.94	21.03	22.79	29.34	<b>31.79</b>	Book Value per sh <sup>F</sup>	<b>41.70</b>
713.62	731.44	646.65	657.09	675.61	663.91	662.38	649.99	644.86	650.75	650.53	655.69	643.59	644.27	642.00	642.00	642.00	<b>640.00</b>	Common Shs Outst'g <sup>D</sup>	<b>640.00</b>
11.9	13.9	19.2	27.6	33.9	24.1	19.7	19.6	17.8	13.1	14.3	14.6	15.3	13.7	8.5	9.5	10.3		Avg Ann'l P/E Ratio	<b>15.0</b>
.80	.87	1.11	1.44	1.93	1.57	1.01	1.07	1.01	.69	.76	.79	.81	.82	.57	.60	.63		Relative P/E Ratio	<b>1.00</b>
.5%	.9%	1.1%	1.0%	1.2%	1.7%	1.7%	1.5%	2.0%	1.8%	1.6%	1.3%	1.2%	1.3%	2.1%	2.0%	1.9%		Avg Ann'l Div'd Yield	<b>1.1%</b>

CAPITAL STRUCTURE as of 6/30/11		2005	2006	2007	2008	2009	2010	2011	2012	Sales (\$mill) <sup>A</sup>	92000
Total Debt \$10,141 mill. Due in 5 Yrs \$3,123 mill.	LT Debt \$8,266 mill. LT Interest \$348 mill.	6.3%	6.1%	4.6%	4.7%	5.6%	6.6%	6.2%	4.6%	4.6%	6.0%
(LT interest earned: 11.6x; total int. coverage: 6.7x) (30% of Cap'l)		572.4	566.6	643.6	685.6	664.7	656.7	701.0	721.0	885	900
		383.3	458.6	438.1	744.7	921.7	1312.1	1561.0	1834.0	2130	3005
		26.6%	31.2%	29.1%	23.1%	32.1%	29.3%	31.0%	31.5%	30.0%	30.0%
		1.9%	2.0%	1.4%	2.1%	2.6%	3.6%	3.5%	2.6%	2.8%	3.2%
		2283.3	2643.9	3274.4	3588.8	4343.8	5661.5	7254.0	10834	12415	13145
		3351.1	3111.3	3872.3	3739.9	3530.1	4050.3	4752.0	7690.0	7335	6735
		6331.7	6754.8	7069.2	7698.2	8433.5	9806.9	11253	13490	20343	26695
		5.3%	5.9%	5.3%	7.7%	8.8%	10.5%	11.1%	9.4%	8.5%	9.5%
		6.1%	6.8%	6.2%	9.7%	10.9%	13.4%	13.9%	13.6%	10.5%	11.5%
		4.1%	4.9%	4.0%	7.4%	8.4%	10.9%	11.4%	11.3%	8.5%	9.5%
		33%	28%	36%	23%	23%	18%	18%	17%	20%	17%

**Leases, Uncapitalized** Annual rentals \$224 mill.  
**Pension Assets - 6/11** \$2.1 bill. **Oblig.** \$2.4 bill.  
**Pfd Stock** None  
**Common Stock** 675,797,974 shs.  
**MARKET CAP:** \$18.9 billion (Large Cap)  
**CURRENT POSITION (SMILL.)**  
 Cash Assets 1555 1440 615  
 Receivables 7311 6122 9816  
 Inventory (LIFO) 7782 7611 12055  
 Other 2760 2961 5018  
 Current Assets 19408 18134 27504  
 Accts Payable 5786 5538 7550  
 Debt Due 404 718 1875  
 Other 2695 2317 3793  
 Current Liab. 8885 8573 13218

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '09-'11 of change (per sh) to '14-'16  
 Sales<sup>E</sup> 16.5% 14.5% 4.0%  
 "Cash Flow"<sup>F</sup> 12.5% 11.5% 6.5%  
 Earnings 20.5% 15.0% 8.0%  
 Dividends 12.5% 12.5% 7.0%  
 Book Value 10.0% 13.0% 11.0%

Fiscal Year Ends	QUARTERLY SALES (\$mill.) <sup>A,E</sup>	Full Fiscal Year
	Sep.30 Dec.31 Mar.31 Jun.30	
2008	12828 16496 18708 21784	69816
2009	21160 16673 14842 16532	69207
2010	14921 15913 15145 15703	61682
2011	16799 20930 20077 22870	80676
2012	<b>18330 21350 21600 22720</b>	<b>84000</b>

Fiscal Year Ends	EARNINGS PER SHARE <sup>A,B</sup>	Full Fiscal Year
	Sep.30 Dec.31 Mar.31 Jun.30	
2008	.71 .75 .80 .58	2.84
2009	1.61 .91 .34 .20	3.06
2010	.77 .88 .72 .69	3.06
2011	.54 1.14 .86 .58	3.13
2012	<b>.80 .90 .90 .70</b>	<b>3.30</b>

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>C</sup>	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2007	.115 .115 .115 .115	.46
2008	.13 .13 .13 .13	.52
2009	.14 .14 .14 .14	.56
2010	.15 .15 .15 .15	.60
2011	.16 .16 .16 .16	.64

**Business:** Archer Daniels Midland Co. is in the business of procuring, transporting, storing, processing, and merchandising agricultural commodities & products. It is one of the world's largest processors of oilseeds, corn, and wheat. Mix of revenues (and oper. profits) at 6/30/11: oilseed processing, 50%; corn processing, 35%; ag. services, 33%; other prods., 17%. Fiscal 2011 foreign sales: 47% of total; deprec. rate: 4.6%. Has about 30,700 employees. Officers/directors own less than 1% of stock; State Farm Auto Insurance Co., 8.9% (9/10 proxy). Chairman: G. Allen Andreas. President/CEO: Patricia Woertz. Incorporated: Delaware. Address: 4666 Faries Parkway, Box 1470, Decatur, IL 62525. Tel.: 217-424-5200. Internet: www.adm.com.

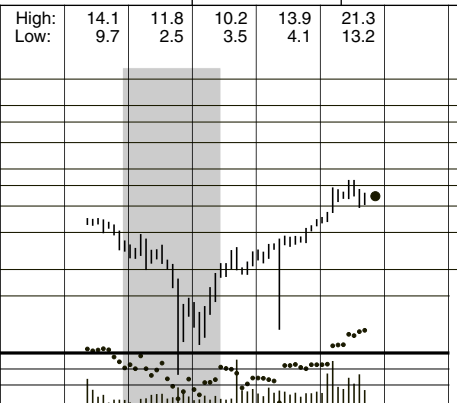
**Archer Daniels Midland recently reported its full-year results. (Fiscal 2011 ended June 30th).** The company posted healthy top-line growth, but the bottom line was largely unexciting. Indeed, the agricultural commodities processor had a myriad of factors keeping bottom-line growth at bay, including soft demand for soybean meal, and the rising cost of corn, which is currently increasing faster than the selling prices of sweeteners and starches. Archer was also hit with a higher-than-expected tax rate in the fourth quarter, digging further into its profits. **Top-line growth was good for the company in fiscal 2011, and higher sales are on the horizon.** Sweeteners continue to be a driver for success and, if the global economy picks up, exporting will surely help augment revenues. The company is looking for oilseed to bring in strong growth in fiscal 2012. This crop accounted for nice profits in the June quarter, and the USDA is projecting global demand to rise even further in the coming year. On the downside, there is some uncertainty regarding the sizes of U.S. corn and soybean crops. Right now, supplies are tight, and small yields could drive prices even higher. **Archer Daniels has added a number of projects to its plate,** including the acquisition of Cattleman's Choice Loomix, a liquid animal feed supplement business. This marks the company's entrance into the business, and is a solid addition to its portfolio of offerings. Archer is also expanding abroad. It opened a feed premix plant in Tianjin, China to cater to increasing demand for animal feed products. Archer also opened a new plant in South America. **We have lowered our 2012 targets.** Archer does not offer guidance, and it is hard to get clarity on what fiscal 2012 might look like for the company. Given the likelihood of tight crop supplies, we will be keeping our estimates on the conservative side, and lowering our share-net call to \$3.30 for the year. **Archer shares are still a good buy for patient, long-term investors.** The stock recently bounced off its 52-week low, but remains an attractive selection for those with a 3- to 5-year horizon. *Colleen Reynolds* *October 28, 2011*

# B&G FOODS, INC. NYSE-BGS

RECENT PRICE **17.83** P/E RATIO **15.8** (Trailing: 17.7 Median: NMF) RELATIVE P/E RATIO **1.13** DIV'D YLD **5.2%** VALUE LINE **1903**

**TIMELINESS** 3 Lowered 8/5/11  
**SAFETY** 3 New 4/29/11  
**TECHNICAL** 5 Lowered 10/14/11  
**BETA** 1.10 (1.00 = Market)

**LEGENDS**  
 ... Relative Price Strength  
 Options: Yes  
 Shaded areas indicate recessions



Target Price Range	2014	2015	2016
	64		
	48		
	40		
	32		
	24		
	20		
	16		
	12		
	8		
	6		

**2014-16 PROJECTIONS**

	Price	Gain	Ann'l Total Return
High	30	(+70%)	17%
Low	20	(+10%)	8%

**Insider Decisions**

	D	J	F	M	A	M	J	J	A
to Buy	1	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	2	0	0	0	0	0

**Institutional Decisions**

	4Q2010	1Q2011	2Q2011	Percent shares traded
to Buy	64	96	78	45
to Sell	43	49	65	30
Hld's(000)	26611	29118	31091	15

B&G Foods, including subsidiaries and predecessors, has been in business for over 120 years. Its modern incarnation was incorporated on November 25, 1996, under the name B Companies Holdings. On August 11, 1997, it changed the name to B&G Foods. The company went public using the services of a syndicate led by RBC Capital Markets, Credit Suisse, and Merrill Lynch. Shares were priced at \$13.50 each and began trading on May 23, 2007.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC 14-16
Sales per sh <sup>A</sup>	--	--	--	--	--	14.93	12.82	13.43	10.58	10.78	11.35	12.00	13.85
"Cash Flow" per sh	--	--	--	--	--	.71	.85	.70	.77	1.21	1.45	1.55	1.95
Earnings per sh <sup>B</sup>	--	--	--	--	--	.65	.62	.27	.61	.90	1.10	1.18	1.50
Div'ds Decl'd per sh <sup>C</sup>	--	--	--	--	--	--	.85	.85	.68	.68	.80	.92	1.05
Cap'l Spending per sh	--	--	--	--	--	.27	.39	.29	.23	.23	.25	.25	.30
Book Value per sh <sup>E</sup>	--	--	--	--	--	2.74	4.75	3.99	4.76	4.84	5.00	5.30	6.60
Common Shs Outst'g <sup>D</sup>	--	--	--	--	--	27.56	36.78	36.25	47.37	47.64	48.00	48.00	48.00
Avg Ann'l P/E Ratio	--	--	--	--	--	--	20.0	30.3	11.6	12.1	Bold figures are Value Line estimates		17.5
Relative P/E Ratio	--	--	--	--	--	--	1.06	1.82	.77	.78			1.15
Avg Ann'l Div'd Yield	--	--	--	--	--	--	6.8%	10.4%	9.6%	6.2%			3.5%

**CAPITAL STRUCTURE as of 7/2/11**  
 Total Debt \$477.8 mill. Due in 5 Yrs \$130.0 mill.  
 LT Debt \$477.8 mill. LT Interest \$40.3 mill.  
 (Total interest earned: 3.1x)  
 (67% of Cap'l)

Sales (\$mill) <sup>A</sup>	411.3	471.3	486.9	501.0	513.3	545	575	665
Operating Margin	16.8%	21.2%	18.4%	20.2%	23.3%	24.0%	24.5%	25.0%
Depreciation (\$mill)	8.0	13.3	15.6	13.0	15.0	16.0	17.5	20.0
Net Profit (\$mill)	11.6	17.8	9.7	23.7	42.4	54.0	57.0	75.0
Income Tax Rate	34.0%	37.4%	38.5%	39.2%	34.1%	35.0%	35.0%	35.0%
Net Profit Margin	2.8%	3.8%	2.0%	4.7%	8.3%	9.8%	10.0%	10.9%
Working Cap'l (\$mill)	103.0	115.1	114.3	116.9	153.9	165	185	260
Long-Term Debt (\$mill)	430.8	535.8	535.8	439.5	477.7	475	475	475
Shr. Equity (\$mill) <sup>E</sup>	75.5	174.6	144.6	225.6	230.6	240	255	315
Return on Total Cap'l	6.6%	6.2%	5.7%	7.3%	8.8%	10.0%	10.0%	11.5%
Return on Shr. Equity	15.3%	10.2%	6.7%	10.5%	18.4%	22.5%	22.5%	23.0%
Retained to Com Eq	NMF	NMF	NMF	NMF	4.4%	5.5%	5.0%	7.0%
All Div'ds to Net Prof	NMF	NMF	NMF	NMF	112%	76%	78%	69%

**Leases, Uncapitalized** Annual rentals \$5.6 mill.  
**Pension Assets - 12/10** \$34.3 mill.  
**Oblig.** \$35.9 mill.  
**Pfd Stock** None  
**Common Stock** 47,918,033 shs.

**MARKET CAP:** \$850 million (Small Cap)  
**CURRENT POSITION (SMILL.)**

	2009	2010	7/2/11
Cash Assets	39.9	98.7	101.5
Receivables	34.5	34.4	30.1
Inventory (LIFO)	86.1	74.6	89.9
Other	5.4	7.4	7.7
Current Assets	165.9	215.1	229.2
Accts Payable	22.6	15.5	23.5
Debt Due	--	--	--
Other	26.4	45.7	35.8
Current Liab.	49.0	61.2	59.3

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '08-'10 to '14-'16

Sales	--	--	2.0%
"Cash Flow"	--	--	14.0%
Earnings	--	--	18.0%
Dividends	--	--	4.5%
Book Value	--	--	6.0%

**BUSINESS:** B&G Foods, Inc. manufactures and distributes a broad portfolio of shelf-stable food brands, including B&G (pickles, olives, relish), Ortega (taco shells, tortillas, seasonings), Cream of Wheat (hot cereal), Polaner (fruit spread), and B&M (baked beans). Wal-Mart accounted for 16.2% of 2010 sales; top 10 customers, 50.6%. Has six manufacturing facilities and about 750 employees. Also sources a significant portion of products under "co-packing" agreements. Officers/directors own 1.8% of common stock; Prudential, 6.9%; Jennison Associates, 6.9% (4/11 Proxy). Chairman: Stephen C. Sherrill. CEO & President: David L. Wenner. Incorporated: DE. Address: Four Gatehall Drive, Suite 110, Parsippany, NJ 07054. Telephone: 973-401-6500. Internet: www.bgfoods.com

**We've raised our 2011 adjusted share-net estimate for B&G Foods by a nickel, to \$1.10.** Our assessment represents a 22% increase over the \$0.90 a share earned last year by the New Jersey-based marketer of such familiar brands as Cream of Wheat and Ortega.

**QUARTERLY SALES (\$ mill.)<sup>A</sup>**

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2008	116.3	119.2	116.5	134.9	486.9
2009	118.6	122.9	123.9	135.6	501.0
2010	125.2	121.1	125.1	141.9	513.3
2011	131.4	129.4	133	151.2	545
2012	140	137	140	158	575

**The upward revision largely reflects more-favorable margin comparisons, stemming from a better sales mix.** The company's most-profitable tier 1 brands, including Cream of Wheat and Las Palmas, have been performing particularly well, of late. Sales of the former, for example, increased 8.4%, to nearly \$13 million in the June quarter. Las Palmas, meanwhile, saw its sales jump 22.4% in the quarter, reflecting, in part, the company's ongoing efforts at increasing retail distribution of the authentic Mexican brand.

**We're penciling in earnings of \$1.18 a share for 2012.** Bottom-line growth should slow to a more normal mid-to-high single-digit pace as the company laps both the discontinuation of a costly interest-rate swap and its acquisition of the Don Pepino and Sclafana (pasta and pizza sauce) brands.

**EARNINGS PER SHARE<sup>A,B</sup>**

Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2008	.12	.10	.08	d.03	.27
2009	.18	.15	.14	.14	.61
2010	.22	.20	.20	.28	.90
2011	.27	.26	.25	.32	1.10
2012	.30	.27	.28	.33	1.18

**Brand extensions and distribution gains ought to remain key growth drivers out to 2014-2016.** Small bolt-on acquisitions should help, as well. That said, grocers are resetting store aisles much less frequently these days, making it hard for new products (including brand extensions) to gain shelf space. Concerned about top-line growth, major food companies also appear less apt to divest noncore brands (thus providing B&G with fewer acquisition opportunities).

**QUARTERLY DIVIDENDS PAID<sup>C</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.212	.212	.212	.212	.85
2009	.17	.17	.17	.17	.68
2010	.17	.17	.17	.17	.68
2011	.17	.21	.21	.21	.80
2012	.23				

**Input-cost inflation may also be less of a drag than originally feared,** as energy and grain prices have backed off their mid-year highs. In August, B&G also began to raise prices across its portfolio (by an average of 2.5%). Still, it remains to be seen how budget-constrained consumers will react to the price hikes.

**B&G shares remain a decent selection for income-oriented, food industry investors.** At the current quotation, though, long-term share-price appreciation potential doesn't stand out. What's more, shares are only an average choice (Timeliness: 3) for year-ahead price performance.

(A) Fiscal year ends the Saturday closest to December 31st.  
 (B) Diluted earnings. Excludes nonrecurring gain (loss): '09, 11c; '10, (22c). Next earnings report due early November.  
 (C) Dividend historically paid in late March, June, September, and December.  
 (D) In millions.  
 (E) Includes intangibles. In 2010: \$357.7 million, \$7.51/sh.

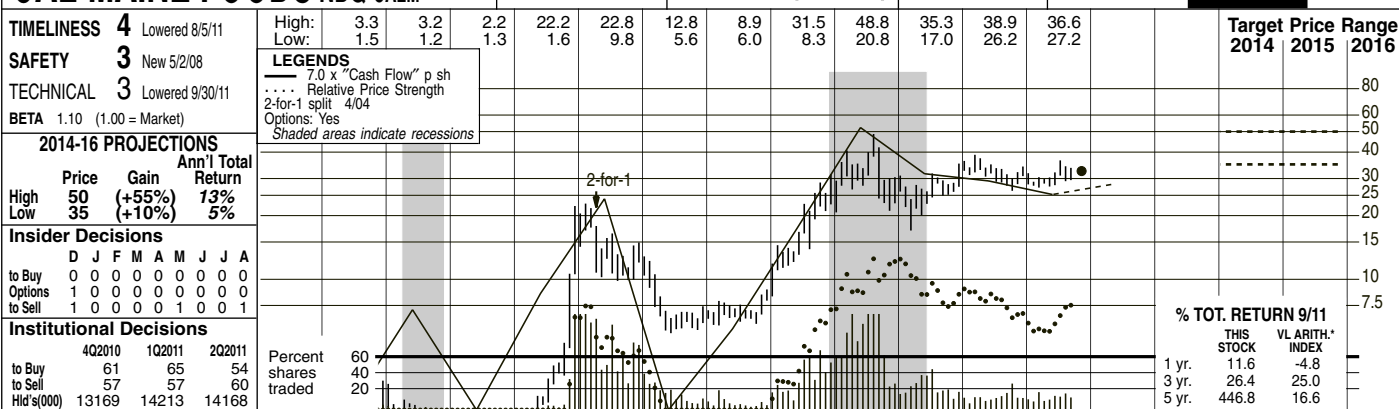
Company's Financial Strength	B+
Stock's Price Stability	35
Price Growth Persistence	85
Earnings Predictability	50

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# CAL-MAINE FOODS NDQ-CALM

RECENT PRICE **32.53** P/E RATIO **14.1** (Trailing: 14.0 Median: 9.5) RELATIVE P/E RATIO **1.01** DIV'D YLD **2.7%** VALUE LINE **1905**



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
--	--	22.19	23.49	11.60	11.78	15.06	13.86	16.47	23.63	15.98	20.33	25.35	38.62	39.04	38.18	39.47	<b>44.80</b>	Sales per sh <sup>A</sup>	<b>55.85</b>
--	--	1.93	1.32	.70	d.06	1.02	.29	1.23	3.44	.26	.83	2.46	7.47	4.52	4.18	3.60	<b>4.05</b>	"Cash Flow" per sh	<b>6.05</b>
--	--	1.21	.40	.20	d.71	.28	d.45	.52	2.73	d.43	d.04	1.55	6.40	3.34	2.84	2.30	<b>2.70</b>	Earnings per sh <sup>A</sup>	<b>4.35</b>
--	--	--	--	.02	.03	.03	.03	.03	.05	.05	.05	.05	1.34	1.49	.95	1.04	<b>.89</b>	Div'ds Decl'd per sh <sup>B</sup>	<b>1.44</b>
--	--	1.23	1.13	.64	1.15	.59	.66	.53	.44	.51	.53	.99	1.34	1.10	.87	.87	<b>1.25</b>	Cap'l Spending per sh	<b>2.05</b>
--	--	5.66	6.05	3.25	2.52	2.78	2.31	2.81	5.79	5.19	5.10	6.60	11.62	13.96	15.81	17.55	<b>19.10</b>	Book Value per sh	<b>26.20</b>
--	--	13.18	13.16	24.83	24.37	23.80	23.53	23.53	24.22	23.49	23.49	23.59	23.72	23.79	23.84	23.87	<b>23.90</b>	Common Shs Outst'g <sup>C</sup>	<b>22.00</b>
--	--	3.0	8.1	13.0	--	7.7	--	3.6	3.7	--	--	6.0	3.9	8.6	10.6	13.0	--	Avg Ann'l P/E Ratio	<b>10.0</b>
--	--	.17	.42	.74	--	.39	--	.21	.20	--	--	.32	.23	.57	.67	.79	--	Relative P/E Ratio	<b>.65</b>
--	--	--	--	.9%	1.2%	1.2%	1.3%	1.4%	.5%	.5%	.8%	.5%	5.3%	5.2%	3.2%	3.5%	--	Avg Ann'l Div'd Yield	<b>3.3%</b>

CAPITAL STRUCTURE as of 8/27/11				2008	2009	2010	2011	2012	Sales (\$mill) <sup>A</sup>								
Total Debt \$85.4 mill. Due in 5 Yrs \$80.1 mill.				358.4	326.2	387.5	572.3	375.3	477.6	598.1	915.9	928.8	910.1	942.0	<b>1070</b>	Sales (\$mill) <sup>A</sup>	<b>1230</b>
LT Debt \$73.7 mill. LT Interest \$5.0 mill.				9.5%	2.9%	11.1%	21.5%	1.1%	5.3%	13.3%	27.2%	16.1%	14.8%	11.8%	<b>12.5%</b>	Operating Margin	<b>15.0%</b>
(LT interest earned: 15.8x; total interest coverage: 13.7x)				17.5	17.3	16.6	16.8	16.4	20.6	21.5	25.3	28.1	31.8	30.8	<b>32.0</b>	Depreciation (\$mill)	<b>37.0</b>
				6.8	d10.6	12.2	66.4	d10.4	d1.0	36.7	151.9	79.5	67.8	55.0	<b>65.0</b>	Net Profit (\$mill)	<b>96.0</b>
Leases, Uncapitalized Annual rentals \$2.7 mill.				36.3%	--	36.2%	37.5%	--	--	34.8%	34.4%	34.3%	36.7%	37.1%	<b>35.0%</b>	Income Tax Rate	<b>35.0%</b>
No Defined Benefit Pension Plan				1.9%	NMF	3.2%	11.6%	NMF	NMF	6.1%	16.6%	8.6%	7.5%	5.8%	<b>6.0%</b>	Net Profit Margin	<b>7.8%</b>
Pfd Stock None				28.3	17.3	27.8	92.9	73.6	60.8	80.5	121.6	138.0	220.2	247.5	<b>225</b>	Working Cap'l (\$mill)	<b>310</b>
Common Stock 23,871,091 shs.				111.2	108.0	95.7	80.4	72.8	92.0	99.4	85.7	116.0	104.7	76.4	<b>70.0</b>	Long-Term Debt (\$mill)	<b>70.0</b>
includes 2.4 million class A shares as of 9/27/11				66.2	54.5	66.1	140.2	121.9	119.8	155.7	275.7	332.1	377.0	418.9	<b>455</b>	Shr. Equity (\$mill)	<b>575</b>
MARKET CAP: \$800 million (Small Cap)				6.5%	NMF	10.2%	31.8%	NMF	1.5%	15.8%	43.1%	18.5%	14.9%	11.8%	<b>13.0%</b>	Return on Total Cap'l	<b>15.0%</b>
CURRENT POSITION				10.3%	NMF	18.5%	47.4%	NMF	NMF	23.5%	55.1%	23.9%	18.0%	13.1%	<b>14.0%</b>	Return on Shr. Equity	<b>16.5%</b>
2010				9.4%	NMF	17.6%	46.9%	NMF	NMF	22.8%	48.0%	13.3%	12.9%	7.2%	<b>9.5%</b>	Retained to Com Eq	<b>11.0%</b>
2011				9%	NMF	5%	1%	NMF	NMF	3%	13%	44%	28%	45%	<b>33%</b>	All Div'ds to Net Prof	<b>33%</b>

**BUSINESS:** Cal-Maine Foods, Inc. is the largest domestic producer and distributor of shell eggs. Has flock of 33 million chickens (layers, pullets, breeders) which account for 77% of annual volume sales. Outside suppliers provide the remaining 23%. Specialty value-added eggs (low cholesterol, cage free, organic) represent about 14% of total company volume and are marketed directly and through 29.1%-owned Egg-Land's Best. Wal-Mart stores/Sam's Clubs represent 37% of sales. Officers & directors own 34% of regular common stock and 100% of class A shares (9/10 Proxy). Has 2,100 employees. Chairman & CEO: Fred R. Adams Jr. Incorporated: DE. Address: 3320 Woodrow Wilson Ave., Jackson, MS 39209. Tele.: 601-948-6813. Web: www.calmainefoods.com.

**Cal-Maine Foods posted relatively strong August-quarter results.** Excluding a one-time insurance gain in the year-ago period, share net rose nearly 45%, to \$0.13, on 28% higher revenue of \$243.8 million. The nation's largest egg producer benefited from strong demand, higher prices, and a more favorable sales mix. Reduced borrowing costs and lower outlays for employee bonuses also lifted the bottom line. That said, profits came in well shy of the \$0.76 a share earned by the company four years ago, when chicken feed costs were some 70% lower.

**We remain cautiously optimistic about the company's long-term prospects.** Over the pull to 2014-2016, Cal-Maine should benefit from additional acquisitions (it has made 16 since 1989); the retirement of older, less efficient production facilities; and a better sales mix. Notably, specialty eggs, which are less susceptible to commodity price swings and carry higher margins than standard shell eggs, should represent a bigger part of the company's overall business.

**The company strives to return one-third of its quarterly profits to shareholders in the form of dividends.** Given the seasonality and commodity-driven unpredictability of the business, payouts tend to fluctuate quite a bit. On the plus side, the variable nature reduces the company's obligations during less flush times.

**Cal-Maine shares are ranked 4 (Below Average) for year-ahead price performance.** At the current quotation, long-term total return potential doesn't stand out, either. A major acquisition, however, could prove our projections conservative.

Nils C. Van Liew  
October 28, 2011

Fiscal Year Ends	Aug.Per	Nov.Per	Feb.Per	May.Per	Full Fiscal Year
2008	178.6	223.7	278.0	235.6	915.9
2009	206.9	238.3	270.0	213.6	928.8
2010	187.7	229.2	271.1	222.1	910.1
2011	190.4	234.5	274.7	242.4	942.0
2012	243.8	270	310	246.2	<b>1070</b>

Fiscal Year Ends	Aug.Per	Nov.Per	Feb.Per	May.Per	Full Fiscal Year
2008	.76	1.69	2.41	1.54	6.40
2009	.47	1.14	1.30	.43	3.34
2010	d.16	.67	1.45	.88	2.84
2011	.09	.63	1.27	.30	2.30
2012	.13	.72	1.15	.70	<b>2.70</b>

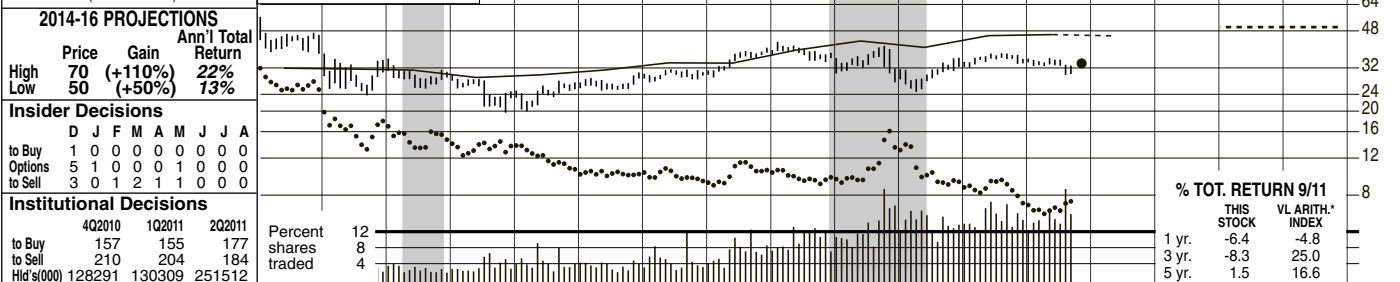
Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.0125	.0125	.0125	.0125	.05
2008	--	.8070	.516	.157	1.48
2009	.382	.432	.144	--	.96
2010	.172	.483	.294	.067	1.02
2011	.212	.47	.102	.044	1.02

(A) Fiscal year ends Saturday nearest to May 31st. Excludes nonrecurring gains: '10, \$0.11; '11, \$0.24. Earnings are on a diluted basis. Next earnings report due early Jan. (B) New dividend policy established April, 2008. Variable dividend paid 75 days after the end of each quarter. 33% of quarterly GAAP earnings is targeted for pay out; the dividend is omitted after an unprofitable quarter and isn't resumed until subsequent earnings fully offset the loss. (C) In millions, adj. for stock split. (D) Quarters don't sum to total due to rounding. Company's Financial Strength B+ Stock's Price Stability 30 Price Growth Persistence 70 Earnings Predictability 15 To subscribe call 1-800-833-0046.

# CAMPBELL SOUP NYSE-CPB

RECENT PRICE **33.64** P/E RATIO **14.6** (Trailing: 14.0 Median: 16.0) RELATIVE P/E RATIO **1.04** DIV'D YLD **3.4%** VALUE LINE **1906**

TIMELINESS <b>4</b> Lowered 7/22/11	High: 37.5	35.4	30.0	27.9	30.5	31.6	40.0	42.7	40.8	35.8	37.6	35.7	Target Price Range		
SAFETY <b>2</b> Lowered 5/14/99	Low: 23.8	25.5	19.7	20.0	25.0	27.3	28.9	34.2	27.3	24.6	32.2	29.7	2014	2015	2016
TECHNICAL <b>2</b> Raised 10/21/11	LEGENDS 14.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded areas indicate recessions												120		
BETA .55 (1.00 = Market)													100		
2014-16 PROJECTIONS												80			
Price	Gain	Ann'l Total	[Chart]												64
High	70 (+110%)	22%													48
Low	50 (+50%)	73%													32
Insider Decisions												24			
to Buy 1 0 0 0 0 0 0 0 0 0 0 0 0 0												20			
Options to Sell 5 1 0 0 0 1 0 0 0 0												16			
to Sell 3 0 1 2 1 1 0 0 0 0												12			
Institutional Decisions												8			
4Q2010 1Q2011 2Q2011												Percent shares traded			
to Buy 157 155 177												12			
to Sell 210 204 184												8			
Hld's(000) 128291 130309 251512												4			
												% TOT. RETURN 9/11			
												THIS STOCK			
												VL ARITH. INDEX			
												1 yr. -6.4 -4.8			
												3 yr. -8.3 25.0			
												5 yr. 1.5 16.6			



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC 14-16	
14.61	15.54	17.39	14.95	14.37	14.68	16.29	14.96	16.29	17.42	18.50	18.27	20.76	22.47	21.01	22.85	23.68	24.55	Sales per sh <sup>A</sup>	28.90
1.99	2.28	2.62	2.53	2.28	2.26	2.24	2.06	2.12	2.24	2.42	2.41	2.78	3.07	2.87	3.26	3.29	3.25	"Cash Flow" per sh	4.15
1.40	1.61	1.85	1.90	1.72	1.65	1.55	1.28	1.52	1.58	1.71	1.66	1.95	2.09	2.15	2.42	2.42	2.30	Earnings per sh <sup>A B</sup>	3.20
.61	.67	.75	.82	.88	.90	.90	.63	.63	.64	.69	.74	.80	.88	1.00	1.08	1.15	1.15	Div'ds Decl'd per sh <sup>C</sup>	1.40
.79	.84	.72	.57	.66	.47	.49	.66	.69	.71	.81	.77	.88	.84	.96	.94	.83	1.00	Cap'l Spending per sh	1.25
4.96	5.55	3.10	1.95	.53	.32	d.60	d.28	.94	2.14	3.11	4.40	3.42	3.70	2.02	2.76	3.34	3.50	Book Value per sh <sup>D</sup>	6.45
498.00	494.00	458.00	448.00	447.00	427.00	409.00	410.00	410.00	408.00	408.00	402.00	379.00	356.00	361.00	336.00	326.00	320.00	Common Shs Outst'g <sup>E</sup>	320.00
15.9	18.2	23.4	28.4	27.8	21.4	18.9	21.6	15.1	16.7	16.7	19.0	19.7	16.6	14.6	14.1	14.4		Avg Ann'l P/E Ratio	19.0
1.06	1.14	1.35	1.48	1.58	1.39	.97	1.18	.86	.88	.89	1.03	1.05	1.00	.97	.90	.88		Relative P/E Ratio	1.25
2.7%	2.3%	1.7%	1.5%	1.8%	2.5%	3.1%	2.3%	2.7%	2.4%	2.4%	2.3%	2.1%	2.5%	3.2%	3.2%	3.3%		Avg Ann'l Div'd Yield	2.0%

CAPITAL STRUCTURE as of 7/31/11		2009	2010	7/31/11	2009	2010	7/31/11	2009	2010	7/31/11	2009	2010	7/31/11	2009	2010	7/31/11	2009	2010	7/31/11	© VALUE LINE PUB. LLC 14-16	
Total Debt \$3084 mill. Due in 5 Yrs \$1659 mill.		6664.0	6133.0	6678.0	7109.0	7548.0	7343.0	7867.0	7998.0	7586.0	7676.0	7719.0	7850	Sales (\$mill) <sup>A</sup>	9250						
LT Debt \$2427 mill. LT Interest \$122 mill.		23.8%	23.5%	20.6%	19.6%	19.7%	19.5%	19.3%	19.6%	19.9%	21.0%	21.0%	19.0%	Operating Margin	21.0%						
(LT int. earned: 17.0x; total int. coverage: 11.0x)		266.0	319.0	243.0	260.0	279.0	289.0	283.0	294.0	264.0	251.0	268.0	300	Depreciation (\$mill)	300						
(69% of Cap'l)		649.0	525.0	626.0	652.5	707.0	681.0	771.0	798.0	771.0	844.0	805.0	745	Net Profit (\$mill)	1030						
Leases, Uncapitalized Annual rentals \$50 mill.		34.2%	34.2%	32.3%	31.5%	31.4%	29.6%	30.0%	28.4%	32.4%	32.0%	31.3%	32.0%	Income Tax Rate	32.0%						
Pension Assets- 7/11 \$2.1 bill. Oblig. \$2.4 bill.		9.7%	8.6%	9.4%	9.2%	9.4%	9.3%	9.8%	10.0%	10.2%	11.0%	10.4%	9.5%	Net Profit Margin	11.1%						
Pfd Stock None		d1899	d1479	d1493	d858.0	d490.0	d850.0	d452.0	d710.0	d77.0	d378.0	d26.0	d115	Working Cap'l (\$mill)	d530						
Common Stock 320,209,348 shs. as of 9/15/11		2243.0	2449.0	2249.0	2543.0	2542.0	2116.0	2074.0	1633.0	2246.0	1945.0	2427.0	2375	Long-Term Debt (\$mill)	2050						
MARKET CAP: \$10.8 billion (Large Cap)		d247.0	d114.0	387.0	874.0	1270.0	1768.0	1295.0	1318.0	728.0	926.0	1088.0	1120	Shr. Equity (\$mill)	2060						
CURRENT POSITION		36.9%	25.2%	26.1%	20.9%	20.6%	19.9%	25.1%	28.9%	27.5%	30.8%	24.6%	22.5%	Return on Total Cap'l	26.5%						
(SMILL.)		--	--	161.8%	74.7%	55.7%	38.5%	59.5%	60.5%	105.9%	91.1%	74.0%	66.5%	Return on Shr. Equity	50.0%						
Cash Assets		51	254	484	58%	54%	41%	40%	39%	43%	40%	41%	35%	Retained to Com Eq	28.5%						
Receivables		528	512	560	94.8%	45.0%	34.0%	22.0%	35.8%	35.6%	57.8%	51.7%	39.2%	All Div'ds to Net Prof	43%						
Inventory (LIFO)		824	724	767	45%	43%	47%	45%	45%	45%	43%	47%	33.0%								
Other		148	197	152																	
Current Assets		1551	1687	1963																	
Accts Payable		569	545	585																	
Debt Due		378	835	657																	
Other		681	685	747																	
Current Liab.		1628	2065	1989																	

**BUSINESS:** Campbell Soup is the world's largest soup maker, as well as a leading producer of packaged foods and beverages. Brands include Campbell's, Erasco, and Liebig soups; Swanson broths; Pepperidge Farm cookies; Campbell's canned pasta and chili; V8 juices; and Prego pasta sauces. Acquired Australia's Snack Foods Limited, 7/02. Spun off Vlasic Foods division, 3/98.

**Campbell Soup reported lackluster full-year results as the company continues to evolve. (Fiscal year ended July 31st.)** Earnings stayed nearly the same for the year, and sales were up a bit. The company's trademark soups are dragging down sales, as consumer tastes have changed. Indeed, revenues for the group were down 6% for the entire year. Sales in this group were hurt by higher selling prices, as Campbell was forced to increase prices because of inflationary pressure and higher input costs. However competitors have not followed suit, so Campbell is having a tough time here. On the bright side, Global Baking and Snacking group sales are on the rise, up 9% from a year before. Classic products helped fuel growth for the company, including Goldfish which experienced solid gains. Also the launch of Milano Melts helped bolster revenues here.

Fiscal Year Ends	Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2008	2185	2218	1880	1715	7998.0
2009	2250	2122	1686	1528	7586.0
2010	2203	2153	1802	1518	7676.0
2011	2172	2127	1813	1607	7719.0
2012	2210	2165	1850	1625	7850

Fiscal Year Ends	Oct.Per	Jan.Per	Apr.Per	Jul.Per	Full Fiscal Year
2008	.71	.69	.43	.26	2.09
2009	.72	.65	.48	.30	2.15
2010	.87	.74	.51	.33	2.45
2011	.82	.71	.57	.31	2.42
2012	.78	.69	.52	.31	2.30

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.20	.20	.20	.22	.82
2008	.22	.22	.22	.25	.91
2009	.25	.25	.25	.25	1.00
2010	.275	.275	.275	.275	1.10
2011	.29	.29	.29		

**The company remains active on the innovation front,** with the focus on the U.S. Soups and Simple Meals businesses. Campbell will launch 35 products this fall, more than it introduced to the market in all of last year. These additions include new regionally inspired flavors, like Creole-style chicken with red beans and rice, to the existing *Select Harvest* line, and new offerings in the *Healthy Request* line. Campbell will also be introducing four Italian sauces under the *Wolfgang Puck* brand.

**The year ahead will be a tough one for Campbell.** Focus is on investment, and we will see the company's expenses rise as it pumps money into marketing and innovation. The company is pledging to put \$100 million towards these endeavors. Along with this, Campbell expects sales to be flat to up 2%, leading us to project a slight decline in the bottom line for fiscal 2012.

**Though the company has hit a bit of a rough patch, these untimely shares remain attractive on some accounts.** This low-Beta issue is stable, and boasts our highest Price Stability and Earnings Predictability scores. This stock offers worthwhile appreciation potential to 2014-2016. This, coupled with a high dividend yield, makes this issue a good bet for conservative, income-seeking investors.

**Company's Financial Strength** B++  
**Stock's Price Stability** 100  
**Price Growth Persistence** 50  
**Earnings Predictability** 100

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# CHIQUITA BRANDS NYSE-CQB

RECENT PRICE **8.72** P/E RATIO **4.4** (Trailing: 5.5 Median: NMF) RELATIVE P/E RATIO **0.31** DIV'D YLD **Nil** VALUE LINE **1907**

<b>TIMELINESS</b> 3 Raised 5/20/11	High: 5.7 3.4 18.8 22.9 24.4 31.1 21.1 21.2 25.8 19.6 18.7 17.4	<b>LEGENDS</b> --- 6.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded areas indicate recessions	<b>Target Price Range</b> 2014 2015 2016 64 48 40 32 24 20 16 12 8 6																																								
<b>SAFETY</b> 4 Lowered 7/31/09	Low: 0.9 0.4 0.6 8.6 15.6 19.3 12.5 12.5 8.4 4.3 11.1 7.8																																										
<b>TECHNICAL</b> 3 Raised 10/28/11	<b>2014-16 PROJECTIONS</b> <table border="1"> <tr> <th>Price</th> <th>Gain</th> <th>Ann'l Total Return</th> </tr> <tr> <td>High 30</td> <td>(+245%)</td> <td>36%</td> </tr> <tr> <td>Low 19</td> <td>(+120%)</td> <td>21%</td> </tr> </table>		Price	Gain	Ann'l Total Return	High 30	(+245%)	36%	Low 19	(+120%)	21%																																
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High 30	(+245%)	36%																																									
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<b>BETA</b> 1.25 (1.00 = Market)	<b>Insider Decisions</b> <table border="1"> <tr> <th></th> <th>D</th> <th>J</th> <th>F</th> <th>M</th> <th>A</th> <th>M</th> <th>J</th> <th>J</th> <th>A</th> </tr> <tr> <td>to Buy</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>3</td> </tr> <tr> <td>Options</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>to Sell</td> <td>2</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> <td>6</td> </tr> </table>			D	J	F	M	A	M	J	J	A	to Buy	0	0	0	0	0	0	0	0	3	Options	0	0	0	0	0	0	0	0	0	to Sell	2	0	0	0	0	0	0	0	6	
	D	J	F	M	A	M	J	J	A																																		
to Buy	0	0	0	0	0	0	0	0	3																																		
Options	0	0	0	0	0	0	0	0	0																																		
to Sell	2	0	0	0	0	0	0	0	6																																		
<b>Institutional Decisions</b> <table border="1"> <tr> <th></th> <th>4Q2010</th> <th>1Q2011</th> <th>2Q2011</th> <th>Percent shares traded</th> </tr> <tr> <td>to Buy</td> <td>70</td> <td>62</td> <td>77</td> <td>60</td> </tr> <tr> <td>to Sell</td> <td>70</td> <td>78</td> <td>60</td> <td>40</td> </tr> <tr> <td>Hlds(000)</td> <td>40722</td> <td>40236</td> <td>42542</td> <td>20</td> </tr> </table>			4Q2010	1Q2011	2Q2011	Percent shares traded	to Buy	70	62	77	60	to Sell	70	78	60	40	Hlds(000)	40722	40236	42542	20																						
	4Q2010	1Q2011	2Q2011	Percent shares traded																																							
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Hlds(000)	40722	40236	42542	20																																							

Chiquita Brands International completed its Plan of Reorganization under Chapter 11 of the U.S. Bankruptcy Code on March 19, 2002. It exchanged \$963 million in the Predecessor Company's senior and subordinated notes and accrued interest for \$250 million in new senior notes and 38.2 million shares of new common stock in the Reorganized Company. Previously outstanding shares were exchanged for 2% of new common stock and 7-year warrants.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
Sales per sh	28.65	49.94	65.28	75.88	93.12	106.72	109.10	81.28	77.43	71.25	<b>69.80</b>	<b>70.30</b>	Sales per sh	75.00
"Cash Flow" per sh	d.08	d.51	2.70	2.51	4.69	.39	.94	2.38	3.44	2.69	<b>3.35</b>	<b>3.35</b>	"Cash Flow" per sh	3.70
Earnings per sh A	d1.48	d1.37	1.77	1.44	2.92	d1.69	d1.22	.97	2.04	1.32	<b>2.00</b>	<b>2.00</b>	Earnings per sh A	2.35
Div'ds Decl'd per sh D	--	--	--	.10	.40	.20	--	--	--	--	<b>Nil</b>	<b>Nil</b>	Div'ds Decl'd per sh D	Nil
Cap'l Spending per sh C	.38	1.21	1.28	1.07	1.02	1.45	1.51	1.42	1.52	1.45	<b>1.75</b>	<b>1.75</b>	Cap'l Spending per sh C	1.50
Book Value per sh S	3.95	15.79	18.92	20.72	23.69	20.66	20.95	10.48	14.73	16.34	<b>16.75</b>	<b>17.00</b>	Book Value per sh S	19.80
Common Shs Outst'g B	78.27	39.85	40.04	40.48	41.93	42.16	42.74	44.41	44.82	45.30	<b>46.00</b>	<b>46.50</b>	Common Shs Outst'g B	48.00
Avg Ann'l P/E Ratio	--	--	8.9	13.8	8.7	--	--	17.7	6.1	10.6	<i>Bold figures are Value Line estimates</i>		Avg Ann'l P/E Ratio	11.0
Relative P/E Ratio	--	--	.51	.73	.46	--	--	1.07	.41	.68			Relative P/E Ratio	.75
Avg Ann'l Div'd Yield	--	--	--	.5%	1.6%	1.3%	--	--	--	--			Avg Ann'l Div'd Yield	Nil

**CAPITAL STRUCTURE as of 6/30/11**  
 Total Debt \$628.4 mill. Due in 5 Yrs \$499.3 mill.  
 LT Debt \$608.2 mill. LT Interest \$70 mill. (41% of Cap'l)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
Operating Margin	5.7%	6.1%	5.3%	4.9%	6.5%	2.7%	3.1%	4.5%	5.9%	4.3%	<b>6.5%</b>	<b>6.5%</b>	Operating Margin	7.5%
Depreciation (\$mill)	91.1	47.5	36.8	41.6	65.0	87.5	89.3	72.7	63.0	61.0	<b>60.0</b>	<b>62.0</b>	Depreciation (\$mill)	65.0
Net Profit (\$mill)	d96.9	d67.7	71.2	60.0	131.4	d70.9	d49.0	32.9	91.2	60.6	<b>92.0</b>	<b>93.0</b>	Net Profit (\$mill)	113
Income Tax Rate	--	NMF	--	11.6%	2.3%	--	--	3.8%	--	9.0%	<b>9.0%</b>	<b>9.0%</b>	Income Tax Rate	10.0%
Net Profit Margin	NMF	NMF	2.7%	2.0%	3.4%	NMF	NMF	.9%	2.6%	1.9%	<b>2.9%</b>	<b>2.8%</b>	Net Profit Margin	3.1%
Working Cap'l (\$mill)	385.0	370.8	281.3	331.3	299.2	246.9	298.0	320.8	355.0	396.7	<b>415</b>	<b>435</b>	Working Cap'l (\$mill)	750
Long-Term Debt (\$mill)	306.0	441.8	346.5	315.3	965.9	950.9	799.1	766.4	638.5	614.0	<b>600</b>	<b>575</b>	Long-Term Debt (\$mill)	455
Shr. Equity (\$mill)	448.6	629.3	757.3	838.8	993.5	870.8	895.5	447.7	660.3	740.0	<b>770</b>	<b>790</b>	Shr. Equity (\$mill)	950
Return on Total Cap'l	NMF	NMF	8.3%	6.8%	8.2%	NMF	NMF	5.8%	9.4%	6.6%	<b>6.5%</b>	<b>7.0%</b>	Return on Total Cap'l	8.0%
Return on Shr. Equity	NMF	NMF	9.4%	7.2%	13.2%	NMF	NMF	7.4%	13.8%	8.2%	<b>12.0%</b>	<b>12.0%</b>	Return on Shr. Equity	12.0%
Retained to Com Eq	NMF	NMF	9.4%	7.2%	11.6%	NMF	NMF	7.4%	13.8%	8.2%	<b>12.0%</b>	<b>12.0%</b>	Retained to Com Eq	12.0%
All Div'ds to Net Prof	--	--	--	--	13%	NMF	NMF	--	--	--	<b>Nil</b>	<b>Nil</b>	All Div'ds to Net Prof	Nil

**Leases, Uncapitalized** Annual rentals \$156.8 mill.  
**Pension Assets-12/10** \$24.3 mill. **Oblig.** \$83.1 mill.

**Pfd Stock** None  
**Common Stock** 45,441,793 shs. as of 7/28/11

**MARKET CAP:** \$400 million (Small Cap)

	2009	2010	6/30/11 (\$MILL.)
Cash Assets	121.4	156.5	195.7
Receivables	447.7	381.9	399.0
Inventory (LIFO)	212.9	212.2	225.8
Other	44.9	58.0	97.1
Current Assets	826.9	808.6	917.6
Accts Payable	295.6	264.3	285.7
Debt Due	17.6	20.2	20.2
Other	158.7	127.4	143.1
Current Liab.	471.9	411.9	449.0

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '08-'10 to '14-'16

	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	7.5%	-0.5%	-1.5%
"Cash Flow"	14.5%	-3.0%	11.0%
Earnings	--	-6.5%	NMF
Dividends	--	--	NMF
Book Value	7.5%	-8.5%	8.5%

**QUARTERLY SALES (\$mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	935.4	994.6	840.1	839.3	3609.4
2009	841.6	951.9	797.5	879.4	3470.4
2010	808.3	916.3	729.7	773.1	3227.4
2011	824.4	870.4	<b>725.2</b>	<b>790</b>	<b>3210</b>
2012	<b>820</b>	<b>905</b>	<b>750</b>	<b>795</b>	<b>3270</b>

**EARNINGS PER SHARE A**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.73	1.31	d.35	d.72	.97
2009	.52	2.00	.11	d.59	2.04
2010	d.17	2.11	d.19	d.43	1.32
2011	.52	1.71	<b>d.15</b>	<b>d.08</b>	<b>2.00</b>
2012	<b>.52</b>	<b>1.58</b>	<b>d.07</b>	<b>d.03</b>	<b>2.00</b>

**QUARTERLY DIVIDENDS PAID**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007					
2008					
2009					
2010					
2011					

NO CASH DIVIDENDS BEING PAID

**Chiquita Brands seems well on its way to an impressive earnings rebound in 2011.** The company posted second-quarter earnings of \$1.71, well above our estimate, on a 5% drop in year-over-year sales. Net banana sales increased 2% during the period, as an improved pricing environment counteracted an uptick in supply costs due to lower banana volumes from industrywide supply issues. However, Salads & Healthy Snacks sales were certainly nothing to write home about, dropping 12%, year over year, as a result of lower retail value-added salad volume, due to customers switching to private-label brands. During the current half of the year, we look for Chiquita to benefit from more normal seasonal levels, which ought to translate into a lower cost structure than last year. Moreover, CQB recently initiated organizational changes to realign its salad business overhead cost structure, which should lead to annual cost saving of about \$15 million. This, in conjunction with lower interest expense, augurs well for margins going forward, and should help maintain earnings even if sales growth is relatively modest.

**The company is in solid financial shape.** CQB finished off the June interim with almost \$196 million in cash on hand, and roughly \$628 million in total debt, a slight improvement over the year-ago figure of \$639 million. Separately, Chiquita recently completed the first phase of its debt refinancing, which eliminated its most expensive loans and ought to pare interest expense by \$11 million annually. What's more, we look for CQB's cash flow to rebound going forward, enabling it to continue to cut back its debt position and possibly resume the payment of an annual dividend.

**This stock may be an attractive long-term holding for risk-tolerant investors.** The issue's value has fallen almost 30% since our July review, due to a combination of an overall drop in the market and an uninspiring sales outlook. As a result, this may well be an appealing entry point for more aggressive investors. Indeed, the equity scores low marks for Safety, Earnings Predictability, and Price Stability, making its prospects over the next 3 to 5 years somewhat ill-defined.

*Kenneth A. Nugent*  
*October 28, 2011*

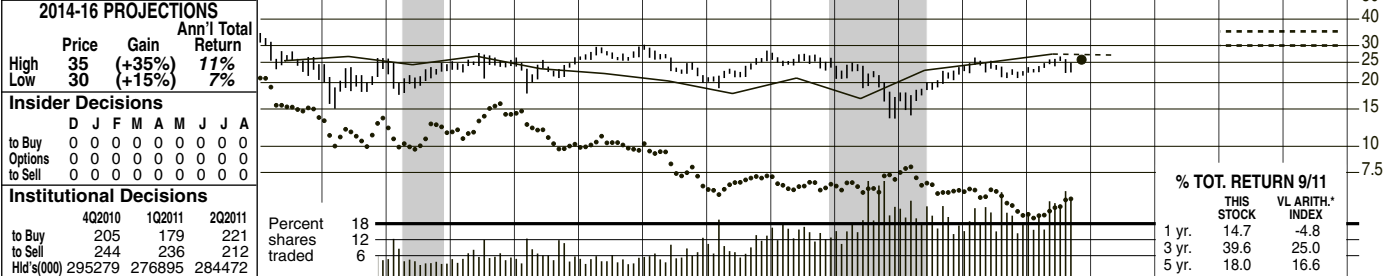
(A) Diluted earnings. Excl. disc ops.: '08, 3c. Excl. non-recurring loss: '08, \$8.40. May not sum due to changes in shares outstanding. Next earnings report due early November.  
 (B) In millions.  
 (C) Includes trademarks/intangibles. In 2010: \$740.7 million, \$16.35 a share.  
 (D) Dividend suspended September 2006.

Company's Financial Strength	B
Stock's Price Stability	15
Price Growth Persistence	30
Earnings Predictability	10

# CONAGRA FOODS INC. NYSE-CAG

RECENT PRICE **25.73** P/E RATIO **14.8** (Trailing: 15.0; Median: 16.0) RELATIVE P/E RATIO **1.06** DIV'D YLD **3.7%** VALUE LINE **1908**

TIMELINESS <b>4</b> Lowered 9/30/11	High: 26.2	26.0	27.7	26.4	29.7	30.2	28.3	27.7	24.9	23.7	26.3	26.6	Target Price Range		
SAFETY <b>1</b> Raised 5/1/09	Low: 15.1	17.5	20.9	17.8	25.4	20.0	18.8	22.8	13.5	14.0	21.0	22.2	2014	2015	2016
TECHNICAL <b>3</b> Lowered 10/21/11	LEGENDS — 10.0 x "Cash Flow" p sh ... Relative Price Strength Options: Yes Shaded areas indicate recessions												80		
BETA .65 (1.00 = Market)													60		
2014-16 PROJECTIONS												40			
Price	Gain	Ann'l Total											25		
High	35	(+35%)	Return											20	
Low	30	(+15%)	7%											15	
Insider Decisions												10			
	D	J	F	M	A	M	J	J	A				7.5		
to Buy	0	0	0	0	0	0	0	0	0						
Options	0	0	0	0	0	0	0	0	0						
to Sell	0	0	0	0	0	0	0	0	0						
Institutional Decisions															
	4Q2010	1Q2011	2Q2011												
to Buy	205	179	221												
to Sell	244	236	212												
Hlds(000)	295279	276895	284472												
												% TOT. RETURN 9/11			
												THIS STOCK			
												VL ARITH. INDEX			
												1 yr. 14.7 -4.8			
												3 yr. 39.6 25.0			
												5 yr. 18.0 16.6			



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
53.27	54.64	53.35	51.95	52.22	53.22	51.87	52.41	37.48	27.92	28.12	22.67	24.56	23.96	28.83	27.31	29.97	<b>30.85</b>	Sales per sh <sup>A</sup>	<b>35.20</b>
1.87	2.08	2.29	2.34	2.54	2.67	2.43	2.67	2.33	2.21	2.04	1.78	2.10	1.68	2.29	2.50	2.73	<b>2.70</b>	"Cash Flow" per sh	<b>3.35</b>
1.03	1.17	1.34	1.36	1.46	1.67	1.33	1.47	1.58	1.50	1.35	1.15	1.35	1.06	1.52	1.74	1.75	<b>1.80</b>	Earnings per sh <sup>A B</sup>	<b>2.40</b>
.42	.46	.53	.61	.69	.79	.88	.93	.98	1.03	1.07	1.09	.72	.75	.76	.79	.89	<b>.94</b>	Div'ds Decl'd per sh <sup>C</sup>	<b>1.10</b>
.95	1.47	1.49	1.24	1.41	1.13	1.07	1.01	.74	.68	.88	.52	.87	.93	1.00	1.09	1.14	<b>1.15</b>	Cap'l Spending per sh	<b>1.30</b>
5.51	4.97	5.49	6.06	6.18	6.21	7.60	8.17	8.73	9.30	9.38	9.10	9.36	11.02	10.69	11.13	11.45	<b>12.25</b>	Book Value per sh <sup>D</sup>	<b>15.45</b>
452.55	454.28	449.92	458.93	470.99	476.97	524.28	527.14	529.34	520.13	518.10	510.86	489.78	484.37	441.66	442.27	410.49	<b>415.00</b>	Common Shs Outst'g <sup>E</sup>	<b>405.00</b>
15.4	17.1	18.7	23.9	19.8	13.5	16.0	15.6	15.3	16.7	20.2	19.4	18.2	22.8	12.0	12.8	13.2		Avg Ann'l P/E Ratio	<b>14.0</b>
1.03	1.07	1.08	1.24	1.13	.88	.82	.85	.87	.88	1.08	1.05	.97	1.37	.80	.81	.80		Relative P/E Ratio	<b>.95</b>
2.6%	2.3%	2.1%	1.9%	2.4%	3.5%	4.1%	4.1%	4.1%	4.1%	3.9%	4.9%	2.9%	3.1%	4.2%	3.5%	3.9%		Avg Ann'l Div'd Yield	<b>3.1%</b>

CAPITAL STRUCTURE as of 8/28/11												Sales (\$mill) <sup>A</sup>		14250
Total Debt \$3232.5 mill. Due in 5 Yrs \$376.8 mill.												Operating Margin		14.0%
LT Debt \$2855.7 mill. LT Interest \$235.0 mill.												Depreciation (\$mill)		390
(Total interest coverage: 5.7x) (38% of Cap'l)												Net Profit (\$mill)		975
Leases, Uncapitalized Annual rentals \$63.8 mill.												Income Tax Rate		34.0%
Pension Assets-5/11 \$2.5 bill. Oblig. \$2.9 bill.												Net Profit Margin		6.8%
Pfd Stock None												Working Cap'l (\$mill)		1900
Common Stock 414,497,096 shs.												Long-Term Debt (\$mill)		2600
as of 9/25/11												Shr. Equity (\$mill)		6255
MARKET CAP: \$10.7 billion (Large Cap)												Return on Total Cap'l		12.0%
CURRENT POSITION (SMILL.)												Return on Shr. Equity		15.5%
2010 2011 8/28/11												Retained to Com Eq		8.5%
2012												All Div'ds to Net Prof		46%

Cash Assets	953.2	972.4	1095.2
Receivables	849.6	849.4	922.0
Inventory (LIFO)	1606.5	1803.4	1815.3
Other	550.8	274.1	261.1
Current Assets	3960.1	3899.3	4093.6
Accts Payable	919.1	1083.7	1165.5
Debt Due	260.8	363.5	376.8
Other	856.3	678.4	791.9
Current Liab.	2036.2	2125.6	2334.2

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '14-'16
of change (per sh)	-6.0%	2.0%	4.0%
Sales	-	4.5%	6.0%
"Cash Flow"	-	4.5%	7.5%
Earnings	1.0%	-5.0%	6.0%
Dividends	0.5%	3.5%	7.0%
Book Value	5.0%		

Fiscal Year Ends	QUARTERLY SALES (\$mill.) <sup>A F</sup>				Full Fiscal Year
	Aug.	Nov.	Feb.	May	Per
2008	2621	2951	2956	3078	11606
2009	3056	3252	3125	3298	12731
2010	2886	3100	3031	3062	12079
2011	2804	3148	3141	3210	12303
2012	3072	3275	3250	3203	12800

Fiscal Year Ends	EARNINGS PER SHARE <sup>A B F</sup>				Full Fiscal Year
	Aug.	Nov.	Feb.	May	Per
2008	.27	.27	.34	.18	1.06
2009	.27	.43	.41	.41	1.52
2010	.37	.54	.44	.39	1.74
2011	.34	.45	.50	.47	1.75
2012	.29	.43	.55	.53	1.80

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>C</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2007	.18	.18	.18	.19	.73
2008	.19	.19	.19	.19	.76
2009	.19	.19	.19	.20	.77
2010	.20	.20	.20	.23	.83
2011	.23	.23	.23	.24	

**It was a difficult start to fiscal 2012 (ends May 27, 2012) for ConAgra Foods**, as the food processor earned \$0.29 a share, excluding items affecting comparability. That figure was a few cents shy of our estimate and 15% below the prior-year tally. Pricing actions taken in recent quarters did not fully offset the negative impact of higher commodities costs. In particular, higher wheat prices played a huge role in the 6% and 14% August-quarter operating profit declines in the Consumer and Commercial Foods segments, respectively.

**We have lowered our fiscal 2012 earnings estimate by a nickel, to \$1.80**, the second consecutive downward revision on our part. Much like the fiscal first quarter, higher inflation on the cost side will continue to crimp operating margins, though the severity of the impact should lessen in the second half of the fiscal year when recent pricing actions take hold. Management believes that costs will climb by about 10% in fiscal 2012. There are also some concerns that the pricing hikes implemented to offset the aforementioned elevated input costs could hurt volumes,

as the elasticity of demand is high. In fact, volume was flat in the Consumers Foods division (which accounted for 62% of total sales) in the initial term. Meanwhile, **ConAgra will remain on the prowl for possible attractive acquisition candidates.** The company's recent attempt to acquire Ralcorp Holdings was thwarted by Ralcorp's board of directors. Still, we would not rule out the possibility of some smaller bolt-on acquisitions, while the company explores bigger opportunities in the food processing space. ConAgra's solid balance sheet, supported by ample annual cash flows, gives it the flexibility to make sizable deals. The possibility of a large acquisition could prove our earnings estimates to 2014-2016 conservative. In the meantime, **High-quality ConAgra Foods stock remains a good choice for conservative accounts stressing income.** The company recently raised its quarterly dividend—keeping its annual yield comfortably above the Value Line median. However, momentum-based accounts may want to look elsewhere.

*William G. Ferguson*      *October 28, 2011*

(A) FY ends last Sun. in May. (B) Dil. egs. beginning in '97. Excl. n/r items: '96, d78c; '97, d3c; '98, d3c; '99, d71c; '00, d81c; '01, d9c; '03; d12c; '04, d2c '05, d8c; '06, d25c; '09, d10c; '10, d7c; '11, 15c. Disc. items: '05, d4c; '06, 23c; '07, 16c; '08, 84c; '09, 73c.; '10, d5c; '11, d2c; '12 Q1, d9c. Next egs. rpt. due mid-Dec. Egs. may not sum due to change in shr. count. (C) Div'ds paid in Mar., June, Sept., Dec. ■ Div'd reinv. plan. (D) Incl. intang. In fiscal 2011: \$11.07 a share. (E) In mill. (F) Financial data restated to reflect certain divestitures.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	25
Earnings Predictability	80

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**CEPHALON INC. (CEPH)**

Latest Report page 1597 10-14-11

Drug company Teva Pharmaceutical Industries has completed its acquisition of Cephalon, a biopharmaceutical company. Cephalon stockholders received \$81.50 in cash for each share held. Consequently, this serves as our last report on Cephalon stock.

S.B.R.

**APPLE INC. (AAPL; 422.24)**

Latest Report page 1400 10-7-11

Latest Supplementary Report page 1821 10-21-11

Apple, the giant maker of personal computers and consumer products, recently accomplished another rare feat, though not the kind that shareholders have come to anticipate. Indeed, the company, now headed by CEO Tim Cook (he took over for the late Steve Jobs), surprised Wall Street by posting weaker-than-expected results for the fourth quarter of fiscal 2011 (ended September 24th). This prompted some nervous investors to turn bearish on the large-cap issue and question whether the tech giant had reached a near-term peak. We are not overly concerned with the earnings miss, however, and would encourage interested parties to take advantage of the current entry point.

True, share net of \$7.05 for the September interim came in \$0.63 short of our call and \$0.25 below the Street's consensus view. But the bottom line still surged more than 50% on a year-over-year basis (against a tough economic backdrop), on a 39% revenue advance. And the earnings softness relative to estimates was largely the result of Apple's transition to its next-generation *iPhone*. Indeed, this long-awaited product transition, from the *iPhone 4* to the *iPhone 4S* (the *4S* model officially went on sale on October 14th), led some savvy customers to delay smartphone purchases/upgrades, and caused overall *iPhone* sales to come in on the light side. (*iPhone* shipments for the period amounted to 17.1 million units, versus Wall Street's expectation for closer to 20 million units.)

Everything else about the quarterly performance was pretty impressive, including strong gross margins (component pricing remains favorable), healthy gains by the traditional *Mac* line, and a hefty 166% jump in *iPad* unit sales. And the company issued upbeat guidance for the December period, with sales likely to come in at \$37 billion and share net at \$9.30. This outlook, along with record-setting sales of the *iPhone 4S* thus far, further suggests that the slowdown in smartphone momentum will be fairly short-lived.

In light of the unusually aggressive guidance from management, we are raising our share-earnings estimate for fiscal 2012 sharply, from \$28.30 to \$34.00. This would equate to annual bottom-line growth of about 23%, and

this showing, if it materializes, should prompt Wall Street's bulls to get back on Apple's bandwagon in droves. We continue to recommend this timely stock as both a short- and long-term holding. It's suitable for most equity accounts, given Apple's stable business and rock-solid finances.

J.H.

**ABBOTT LABS. (ABT; 52.44)**

Latest Report page 1589 10-14-11

Abbott Laboratories intends to separate into two publicly traded companies. Under terms of the plan, Abbott would spin off its pharmaceutical unit to shareholders in a tax-free transaction. The pharmaceutical business, which is on track to generate \$18 billion (45% of total) in sales this year, includes the company's branded drug portfolio, led by blockbuster drug *Humira*, and a diverse development pipeline. The remaining part of Abbott would include its devices, diagnostics, nutritional, and branded-generics units. The medical products company represents a higher growth profile, with a large focus on emerging markets. Indeed, approximately 40% of sales would come from these higher-growth regions. This company would retain the Abbott name and continue to be led by Chairman and CEO Miles White.

The transaction, which is expected to be completed by the end of next year, should help unlock value by separating the higher-growth medical devices and products business from the proprietary drug unit. Notably, both companies are expected to pay dividends, with the combined total equaling the current ABT payout. The announcement came as Abbott reported strong third-quarter results. Investors appeared pleased with the announcement, as these timely shares rose sharply following this release.

J.S.

**ANADARKO PETROLEUM (APC; 78.91)**

Latest Report page 2388 8-12-11

**BP PLC ADR (BP; 41.11)**

Latest Report page 502 9-9-11

Anadarko, which explores for and produces oil and natural gas, has agreed to pay integrated oil company BP \$4.0 billion to settle all claims over the Macondo oil spill disaster in the Gulf of Mexico. Anadarko, which had a 25% operating (not ownership) stake in the Macondo well, will no longer pursue allegations of gross negligence against BP. In return, BP will withdraw claims of \$6.1 billion against Anadarko. The \$4.0 billion payment will be made in a single cash sum, and will be placed in the \$20.0 billion trust used to pay damages and claims related to the oil spill. Anadarko will transfer its 25% stake in the Macondo well back to BP.

The cost of the settlement will be about \$5.00 a share

after tax, and will probably be reflected in third-quarter results. APC will likely use cash on hand to pay the sum. Under terms of the agreement, Anadarko has the opportunity to garner 12.5% of all recoveries from third-parties and from insurance proceeds.

We believe the settlement removes an overhang that had been plaguing timely APC stock since the well exploded in April, 2010. The stock should now trade much closer to underlying operating fundamentals. BP shares are a timely selection, as well.

*J.B.*

#### **AMER. EXPRESS (AXP; 46.68)**

Latest Report page 2535 8-19-11

American Express, the provider of charge and credit card payment products, has reported better-than-expected results for the 2011 third quarter. In the September period, share earnings were \$1.03, \$0.04 better than our estimate and \$0.08 higher than Wall Street's consensus expectation. The earnings performance exceeded the year-earlier tally by more than 14%. Revenues of \$7.6 billion represented a 9% year-over-year increase. The healthy top-line advance mostly reflected continued strong growth in cardmember spending across all business segments. In fact, cardmember spending reached an all-time high, advancing 16%. In addition, the consolidated provision for loan losses fell materially year over year, to \$249 million from \$373 million, highlighting a vast improvement in credit quality. A lower tax rate also helped the bottom line. Despite the good earnings announcement, the stock's price fell modestly on the report.

Looking ahead, we continue to like American Express' near- and long-term prospects. Although the United States housing market is weak and the unemployment rate is above 9%, we expect that cardmember spending will continue to increase at a healthy rate over the next several quarters. In addition, Amex's customers generally possess good credit scores, and we look for the provision for loan losses to drop further, compared to the heightened levels reached over the past few years. Any improvement in the housing or job markets would likely prove beneficial to the company's credit card and travel businesses, as well.

Due to the better-than-expected September-period results and healthy outlook, we've increased our near-term earnings estimates. For the fourth quarter, we now expect share net of \$1.04, a couple of pennies better than our previous call. In addition, we've added a nickel to our 2012 earnings estimate, which now stands at \$4.35, 6% higher than this year's probable tally.

Amex stock holds wide investor appeal, in our view. In addition to the company's solid near-term outlook, its timely shares offer decent appreciation potential to the 2014-2016 period. The issue also carries an Above Aver-

age score for Safety (2), and the company's Financial Strength rating is A+. A modest dividend yield of 1.6% is a plus, too.

*I.G.*

#### **CHECKPOINT SYSTEMS (CKP; 11.73)\***

Latest Report page 115 8-26-11

Shares of Checkpoint Systems fell sharply after the maker of radio-frequency anti-theft products lowered its earnings guidance for the third quarter and full-year 2011, and announced an expanded global restructuring plan.

The company indicated that recent significant changes to retailer behavior, particularly in Europe, whereby some large retailers suddenly stopped or deferred orders pending a likely reduction in raw materials costs soon, prompted it to expand the scope of its SG&A restructuring plan to include manufacturing and other expense-reduction measures. As part of the plan, over 1,000 jobs will be eliminated (versus only 204 under the original plan). Checkpoint will also close four production facilities and shift operations from eight countries to an indirect sales model in an effort to further streamline back office and administrative functions. The moves, which will cost \$54 million, are expected to generate savings of about \$49 million in 2012 and reach an annualized run-rate of \$58 million by 2013.

Based on the weaker business outlook, Checkpoint now expects 2011 non-GAAP share earnings to be in a range of \$0.32-\$0.43, down from a range of \$1.24-\$1.37, on revenues of \$860 million-\$880 million. Consequently, we have lowered our full-year GAAP share-net estimate from \$0.85 to a loss of \$0.35. This stock is neutrally ranked for relative year-ahead price performance.

*J.S.F.*

*\*Price as of 2:30P.M. EDT on 10-20-11*

#### **CROCS, INC. (CROX; 16.15)**

Latest Report page 2156 8-5-11

The stock of footwear supplier Crocs got stomped on after management lowered its third-quarter share-net guidance from \$0.40 to a range of \$0.31 to \$0.33, versus \$0.28 in the prior-year period. The company cited recent softness in its direct-to-consumer business at kiosks and outlet stores. A lower proportion of sales through the retail channel will have the effect of reducing gross margins to a lower level than previously anticipated. There has also been some weakness in Europe due to economic uncertainty. We've lowered our full-year earnings estimate by \$0.15 a share, to \$1.25.

However, we think the selloff presents a buying opportunity for longer-term investors. The company has diversified its product portfolio substantially since 2008, and has moved well beyond clunky clogs. Too, growth in

Asia continues at a rapid pace. The wholesale backlog was up 30%, year to year, at the end of September, and Crocs has a full pipeline of new products and styles for 2012. We've left our earnings estimate for next year unchanged, at \$1.60 a share. The issue is ranked 4 (Below Average) for relative price performance over the next six to 12 months, however.

C.S.

**CIRRUS LOGIC (CRUS; 14.25)\***

Latest Report page 1356 10-7-11

Cirrus Logic, a supplier of high-performance analog circuits and advanced mixed-signal system-level chip solutions, has announced fiscal second-quarter (ended September 30th) results that were in line with expectations. However, the company provided a weaker-than-anticipated outlook for the December term. Indeed, management looks for sales to be between \$102 million and \$108 million in the period, lower than our \$109 million estimate. Although the portable audio products segment continues to report good results, home audio and automotive shipments have been soft, reflecting the lackluster economic environment. As a result, we've lowered our fiscal 2011 top- and bottom-line estimates by \$10 million and a nickel per share, respectively, to \$395 million and \$1.15. The untimely stock traded sharply lower on the news.

I.D.

\*Price as of 2:30P.M. EDT on 10-20-11

**BANK OF AMERICA (BAC; 6.64)**

Latest Report page 2504 8-19-11

Bank of America, one of the largest banks in the U.S. and a Dow-30 component, has reported September-quarter earnings of \$0.56 a share, compared with our estimate of \$0.23 and a loss of \$0.77 in the year-earlier period. Results weren't indicative of a significantly better underlying operating performance.

Accounting gains and a profit on the partial sale of BofA's interest in China Construction Bank, net of several negative items, accounted for the bulk of the company's earnings in the quarter. Recall that in the June period, unusual items reduced earnings by a net \$1.23 a share.

Bank of America's underlying operating performance was mixed. Faster loan prepayments and the accounting impact of risk management activities squeezed the margin and net interest income. Absent these items, and given recent reductions in both short- and long-term debt, net interest income in the December quarter should bounce back to the June-period level. Problem assets continue to fall, but the company increased the loan loss provision in its credit card business from the June-pe-

riod level. Mortgage banking revenues were nearly as strong as in the year-earlier quarter, but investment banking and market-related revenues weakened, reflecting a tough operating environment. Operating expenses fell nicely, reflecting workforce reductions and lower mortgage litigation and other expenses.

Looking ahead, we expect the company to make further progress on its Project New BAC initiative, the first phase of which aims to streamline the company and reduce expenses by \$5 billion a year by 2014. In addition, charges related to several acquisitions in the past few years are expected to end in 2011. These positive prospects may have caused investors to take a second look at the report, pushing the stock higher.

Nevertheless, BofA's markets-related businesses may continue to face a difficult operating environment. Indeed, mortgage repurchase and related litigation costs probably will stay high for some time to come. Too, consumer loan demand is still very soft. Including the unusual items in the June and September quarters, we now tentatively look for Bank of America to break even in 2011, compared with our previous estimate of a loss of \$0.30 a share. We are, however, scaling back our 2012 share-net estimate, from \$1.30 to \$0.80, and BAC stock remains an untimely selection.

T.B.

**EL PASO CORP. (EP; 24.66)**

Latest Report page 614 9-9-11

**EL PASO ELECTRIC (EE; 31.57)**

Latest Report page 2240 8-5-11

**EL PASO PIPELINE (EPB; 33.07)**

Latest Report page 625 9-9-11

**KINDER MORGAN ENERGY (KMP; 75.35)**

Latest Report page 629 9-9-11

Shares of El Paso Corporation, an operator of natural gas pipelines, traded sharply higher after the company announced plans to be acquired by rival Kinder Morgan, Inc. (KMI). The proposed deal values EP at roughly \$26.87 per share (or \$38 billion), based on pricing information for both companies prior to the announcement of the deal. Moreover, the combination would create the largest midstream and the fourth-largest energy company in North America. Shareholders of EP would have three payment options to choose from: \$25.91 in cash; 0.9635 of a share of KMI common stock; or \$14.65 in cash plus 0.4187 of a share of KMI common stock. All three choices include 0.640 KMI warrants per share of EP common stock, with a five-year term and an exercise price of \$40 per share. The transaction has already been approved by the boards of directors of both companies. If completed, it is expected to be immediately accretive to dividends per share at Kinder Morgan, Inc., distributions per unit at Kinder Morgan Energy Partners, dividends per share

at Kinder Morgan Management (KMR), and distributions per unit at El Paso Pipeline Partners. The acquisition is still pending shareholder and regulatory approvals, but is anticipated to close in the second quarter of 2012. In light of the pending acquisition, we have suspended the Timeliness rank on El Paso Corporation stock. Meantime, El Paso Electric shares carry our Highest (1) rank for year-ahead performance, while El Paso Pipeline and Kinder Morgan stock are neutrally ranked selections over the next six to 12 months.

*B.F.*

#### **FIRST CASH FIN'L SVCS (FCFS; 43.36)**

Latest Report page 2549 8-19-11

Pawn lender First Cash Financial has reported solid third-quarter earnings, as same-store sales increased 20% in Mexico and 13% in the United States. The elevated unemployment rate, uneven U.S. economy, and tight lending standards at most banks continue to drive individuals to First Cash and other pawn lenders in order to cover short-term financial needs. For the September quarter, First Cash achieved share earnings of \$0.59, a penny below our estimate, but \$0.04 higher than Wall Street's consensus expectation. Management also raised its full-year earnings guidance to \$2.23-\$2.25, up from its previous range of \$2.16-\$2.20. We are leaving our estimate intact at \$2.25. Although the report appeared largely favorable, First Cash shares fell on the news. However, we believe that the price decline was largely unwarranted.

First Cash has been aggressively expanding its business, and opened 88 stores over the past 12 months. It now operates more than 665 locations in the United States and Mexico. In our view, the company's near-term prospects remain healthy. The U.S. unemployment rate continues to hover above 9% and will likely remain elevated over the next couple of years. In addition, banks and other traditional financial institutions ought to maintain tight lending standards, which will make it difficult for individuals with weak credit scores to obtain financing. Thus, strong demand for First Cash's pawn loans should persist. For 2012, we estimate that the bottom line will reach \$2.65 a share, 18% higher than our call for this year. All told, we view this neutrally ranked stock's recent price decline as a good buying opportunity.

*I.G.*

#### **GOOGLE, INC. (GOOG; 590.51)**

Latest Report page 2624 8-19-11

Internet search giant Google saw its neutrally ranked shares head north after it reported better-than-anticipated third-quarter results. Revenues of \$9.7 billion marked a 33% advance year over year, easily topping

our \$9.2 billion estimate. The company continues to benefit from healthy ad sales, with paid clicks up 28% in the September period.

Despite rising operating costs associated with a 10% increase in its workforce and the recent acquisition of Motorola Mobility, the company earned \$8.33 a share, up 24% over 2010's figure and well above our \$7.75 expectation.

Strong ad sales, coupled with the continued success of its recent initiatives (smartphones and social networking) should support Google's performance through the end of fiscal 2011. In fact, we are raising our top- and bottom-line estimates by \$525 million and \$1.00, to \$37.6 billion and \$32.00 a share, respectively. It is also worth noting, that we think the company's prospects out to 2014-2016 and beyond are bright, due to its position to benefit from the global proliferation of Internet search, which should continue to drive ad sales.

*K.M.D.*

#### **HOSPIRA INC. (HSP; 29.51)**

Latest Report page 1605 10-14-11

Neutrally ranked shares of drug manufacturer Hospira plunged after the company lowered its bottom-line estimate for 2011. Hospira now expects to earn between \$2.95 and \$3.05 per share, well below our previous forecast of \$3.95. The reduced earnings outlook is the result of efforts to improve quality in response to a 2010 warning letter from the Food and Drug Administration (FDA). The letter was related to inspections of two Hospira manufacturing facilities, with the FDA seeking process improvements. Though recently introduced products continue to boost the top-line, quality-improvement initiatives (which the company has made a top priority) have resulted in a significant slowdown in production and have hurt operating performance. As a result, we have reduced our bottom-line call to \$3.00 per share for 2011.

However, Hospira's long-term prospects appear more favorable, since the company should benefit from a robust product pipeline in the coming years. Its lower-cost generic medications ought to remain popular, as efforts to reduce healthcare costs become increasingly important. Investment in the Specialty Injectables line should also bear fruit. Thus, we expect solid growth in revenues and share earnings from 2012 onward.

*M.N.*

#### **INT'L BUSINESS MACH. (IBM; 178.90)**

Latest Report page 1409 10-7-11

Dow-30 component International Business Machines has turned in another quarter of generally favorable results in the September interim, but investors didn't cheer the technology bellwether's earnings report, as they usu-

ally do. The stock, which had recently touched new highs, fell on the news.

The provider of software, services, and mainframe computers earned \$3.19 a share in the September quarter, after \$0.09 of acquisition costs, exceeding our estimate of \$3.05 and results in the year-earlier quarter of \$2.82.

Revenue growth slowed to 8%, or a 3% increase on a constant-currency basis, as compared with a 12% advance in the June period (up 5% adjusted for currency).

Within IBM's business segments, services revenues rose at a slightly faster clip (up 13% compared with a 10% increase in the June period). But IBM's systems revenues advanced at only a 4% pace compared with a 17% year-to-year increase in the June period, as the company anniversaried the launch of its *System z* mainframe computer in the third quarter of 2010. Soft economic activity worldwide may also be having some negative impact on plans by companies to upgrade their computer systems. In the software business, key branded middleware revenue growth remained strong, up 17% in the period compared with a 21% increase in the June interim.

On a geographic basis, revenues in IBM's major markets rose 5%, but were flat when adjusted for currency. Emerging markets revenue rose 19%, compared with a 23% increase in the June period.

Although gross margins in the services businesses expanded nicely, margins in the software and systems businesses contracted modestly from the June period. Operating expenses declined 12% year to year. Repurchases of stock under IBM's share buyback plan enhanced share net.

The company has again raised its outlook for reported earnings in 2011 to \$12.95 a share, up from its forecast of \$12.87 at the time of its June-quarter earnings report. We've increased our 2011 share-net estimate to \$12.95, but are not changing our 2012 earnings outlook of \$14.25 at this time. Meanwhile, IBM shares are ranked favorably for relative price performance in the year ahead.

*T.B.*

#### **INTEL CORP. (INTC; 23.40)**

Latest Report page 1362 10-7-11

Chip industry leader Intel has reported some good results for the September quarter, and the timely stock rose on the news. The behemoth chipmaker posted revenues of over \$14.2 billion, which compared favorably with the year-earlier tally of \$11.1 billion and our \$13.9 billion estimate. What's more, share net came in at \$0.65, which represented a 25% improvement over the comparable 2010 figure.

Intel's strength came as a bit of a surprise to Wall Street. Indeed, the company has been on quite a roll of late, outdistancing its own guidance, along with most

others' expectations, over the past several quarters. However, a somewhat lackluster domestic economy gave us reason for caution with our top- and bottom-line estimates. Nevertheless, Intel surpassed most financial targets, thanks to double-digit unit growth in notebook personal computers, along with continued healthy demand at the Data Center group, driven by strength from mobile and cloud computing applications.

As a result of the recent news, we have increased our full-year revenue estimate from \$54.0 billion, to \$54.8 billion. This reflects management's guidance of roughly \$14.7 billion in revenues for the December quarter, which is far above the 2010 tally of about \$11.5 billion. The fourth quarter, it should be noted, is generally one of the company's seasonally strongest, reflecting the holiday selling season. Also, we now expect earnings per share of \$0.70 and \$2.45 for the December period and full year, respectively. If achieved, this would represent a nearly 20% gain from 2010's full-year bottom-line figure.

Intel also remains a compelling story for the 3 to 5 years ahead, in our view. The company has historically been known as the leader in the personal computer industry. However, given that this segment is a mature market with only moderate growth prospects, Intel has focused its efforts on other areas. The relatively recent acquisition of McAfee, which is involved in Internet security, is a testament to this. The company also has augmented its exposure to lucrative areas of the semiconductor market, such as mobile and cloud computing.

We believe that Intel's immense size and clean balance sheet give it a leg up on its competitors. Through economies of scale (along with improved production efficiencies such as die shrink), it can manufacture products at a cheaper rate than most, if not all, of its competitors. Also, the company invests heavily in new products and manufacturing technologies, as evidenced by its projected 2011 capital spending budget of \$10.5 billion. It appears that free cash flow will remain strong in the years ahead, which might well be used for share buybacks (mostly to offset stock-option dilution), dividend increases, or future acquisitions.

*A.H.*

#### **JOHNSON & JOHNSON (JNJ; 64.42)**

Latest Report page 223 8-26-11

Johnson & Johnson, the world's largest healthcare company, has reported third-quarter results. Sales were \$16.0 billion, 7% ahead of the year-earlier figure and in line with our target. Management said that operations contributed about three percentage points of the gain, and currency tailwinds accounted for the remainder. Share earnings, excluding a mark-to-market adjustment to the value of the currency option associated with the planned acquisition of Synthes, were \$1.24. The result was a penny bet-

ter than both the 2010 number and our estimate.

Worldwide Consumer sales came in at \$3.7 billion, representing an increase of 5%. Almost all of the advance was attributable to favorable exchange rates, though. Furthermore, domestic revenues fell 5%, as sales in U.S. over-the-counter medicines continue to be hurt by the suspension of manufacturing at the McNeil facility in Pennsylvania, as well as the impact on production volumes related to ongoing quality-enhancement initiatives. On the bright side, international revenues were up 10%, which enabled J&J to offset the weakness it experienced on the home front. Global Pharmaceutical sales jumped 9%, to \$6.0 billion, and slightly more than half of the gain was credited to internal growth. Once again, the company's strong showing overseas enabled it to offset domestic softness. Indeed, sales in the United States were hurt by generic competition for LEVAQUIN, partially offset by the strong performance of recently launched products. Finally, worldwide Medical Devices & Diagnostics sales rose 6%, to \$6.3 billion. Once again, strong international growth mitigated a weak domestic showing, while favorable currency translation accounted for almost three-quarters of the advance.

Not surprisingly, there was little reaction on Wall Street, as JNJ shares were essentially flat following the unexciting earnings announcement. We are sitting tight, too, keeping our 2011 estimates largely unchanged. We continue to expect share earnings of \$4.95, which is at the low end of management's revised guidance (\$4.95-\$5.00). Our top-line call also remains the same, at \$65.4 billion. (We will update our presentation to include Synthes when the planned acquisition has been completed.)

Investors should note that this blue chip is still an excellent buy-and-hold candidate. As far as earnings go, J&J is the world leader in the broader healthcare sector, with the financial prowess to continue investing in R&D and making acquisitions. This ought to enable the company to stay ahead of the curve and continue growing at a nice pace moving forward. As far as the income component is concerned, this Dow-30 stock has a solid dividend yield, which is currently about 3.5%. All in all, neutrally ranked JNJ shares' long-term total-return potential is worthwhile and very well-defined.

E.A.A.

#### **LOWE'S COS. (LOW; 21.49)**

Latest Report page 1139 9-30-11

Lowe's, the world's second-largest home-improvement retailer, has announced plans to close 20 underperforming stores and scale back its expansion plans. Ten locations have already been shuttered, with the remaining 10 set to close in approximately one month. Lowe's expects that this move will result in a share-net

charge between \$0.17 and \$0.20 to fiscal 2011 earnings (years end in January). The charge covers items related to lease obligations, employee termination, inventory adjustments, impairment of long-lived assets, etc. Additional details will be provided when the company reports October-period results on November 14th. However, we currently expect to exclude the charge from our earnings presentation as a nonrecurring item and are leaving our fiscal 2011 bottom-line estimate unchanged at \$1.60 a share.

In a related story, the company now anticipates opening 10-15 stores per year in North America starting in 2012, compared with its prior forecast of 30 stores. However, Lowe's, whose shares are neutrally ranked for Timeliness, remains on track to open 25 locations this year, as planned.

M.E.S.

#### **MATTEL, INC. (MAT; 27.29)**

Latest Report page 2314 8-12-11

Mattel, the world's largest toy company, posted a third-quarter profit that matched both our and the Street's expectations, but the overall picture was not as pretty. The maker of *Barbie* dolls and *Hot Wheels* toys saw its shares slide when investors dug deeper into the report and realized that gross margins had fallen by a larger percentage than anyone predicted. A rise in the cost of raw materials upped the price on everything from plastics to paper. With that, producing, packaging, and transporting its toys has become more expensive. Too, the demand for higher wages by laborers in China has encumbered the company's profitability. A rise in the U.S. dollar against foreign currencies like the euro in September also hurt, to the tune of a 180 basis point drop in gross margins. We are maintaining our EPS outlook of \$2.10 for this year, but caution that this situation will need to be monitored, as the company heads into its crucial holiday season.

In more positive news, Mattel announced that its stock-repurchase program would be increased by \$500 million. This stock is a timely selection for relative year-ahead price performance.

M.F.

#### **NAVISTAR INT'L (NAV; 40.38)**

Latest Report page 169 8-26-11

Navistar International, a manufacturer of commercial trucks, diesel engines, and buses, got a recent boost of confidence thanks to news that activist investor Carl Icahn has taken a 9.8% stake in the company. The billionaire has purchased about 7.1 million shares for \$118 million since August 23rd, making him the second-largest shareholder. He believed the stock was undervalued, as its price has fallen dramatically since hitting its 12-

month high of over \$71 back in April. The market seemed to agree, as this timely issue climbed on the news. Mr. Icahn, who has a history of challenging the management of companies he invests in, has held discussions with Navistar leadership about the possible addition of new board members. Although the news is favorable, it does not affect our projections for the company. Therefore, we are maintaining our 2011 top- and bottom-line estimates of \$14.3 billion and \$5.65 per share, respectively.

*I.D.*

#### **NATIONAL CINEMEDIA (NCMI; 11.62)**

Latest Report page 2382 8-12-11

National CineMedia, which offers advertising and other services in its movie theaters, confirmed its outlook for the September quarter but lowered it for the fourth quarter; this untimely stock plunged on the news. The reason for the reduced revenue and earnings expectations was an anticipated dip in scatter bookings for the fourth quarter, compared with the 2010 September period, when scatter revenues jumped 43% from the recession-affected 2009 time frame. The slower economy may be holding advertisers back, and the company thinks Japanese car companies are still suffering from the natural disasters that hit that country. But relatively low availability of television scatter time could still rebound to National CineMedia's benefit in the fourth quarter. Nonetheless, we've lowered our 2011 earnings call by \$0.07 a share, to \$0.60; for the time being, we're holding our 2012 forecast at \$0.75, as the company has recently added about 8% to its likely viewer count, and the Japanese car companies should come through next year.

*S.B.R.*

#### **NEWFIELD EXPLORATION (NFX; 36.02)\***

Latest Report page 533 9-9-11

Newfield, which is engaged in the exploration and production of crude oil and natural gas, has reported weaker-than-expected third-quarter results and issued a disappointing outlook. Excluding nonrecurring items, the company earned \$1.04 a share in the September period, below both our \$1.20 estimate and the year-earlier tally of \$1.10.

Moreover, Newfield trimmed its 2011 production guidance to the equivalent of 300 billion-304 billion cubic feet of gas (Bcfe), down from its previous forecast of 312 billion to 316 billion. There were a number of factors for the cut, including rising operating costs that have caused the company to curtail activity in the Williston Basin. Asset sales and inclement weather in the Gulf of Mexico also contributed to the reduced outlook. The neutrally ranked stock fell on the news.

*M.E.S.*

*\*Price as of 2:30P.M. EDT on 10-20-11*

#### **NTELOS HLDGS. (NTLS; 17.92)**

Latest Report page 935 9-23-11

NTELOS Holdings, a provider of communications services in seven Mid-Atlantic states, has announced plans to complete the separation of the Wireline unit (33% of total revenues) from the rest of the company (i.e., the Wireless operation) on October 31st. Terms call for the payment of a tax-free dividend involving the distribution of all the common stock of Lumos Networks (the new entity) held by NTELOS to NTELOS stockholders. Moreover, NTELOS would effect a one-for-two reverse stock split of NTELOS common stock immediately prior to the distribution of Lumos Networks common stock to NTELOS stockholders. (In the distribution, NTELOS shareholders would get one share of Lumos Networks common stock for every one share of NTELOS common stock they hold, post the reverse stock split.)

The board of directors intends that following the separation, NTELOS stockholders who retain their Lumos Networks shares would receive the same quarterly cash dividend rate of \$0.28 a share that existed before the spinoff, or \$0.56 a share on a post reverse stock split basis. (The first dividend is expected to be paid next January.) Meanwhile, NTELOS would likely pay a quarterly dividend at the initial rate of \$0.42 a share, payable in January, 2012.

Management contends that the move would better enable the two companies to execute their respective business plans. As a result of these developments, the stock's Timeliness rank was suspended. We note that Lumos Networks is expected to begin trading on the NASDAQ under the ticker symbol LMOS on November 1st.

*F.H.*

#### **POLYCOM, INC. (PLCM; 16.61)\***

Latest Report page 967 9-23-11

Untimely shares of Polycom, a manufacturer of unified communications (UC) solutions, sold off sharply after the company released third-quarter earnings and forward-looking guidance. Revenues grew 23%, only slightly less than we had expected. Sales in emerging geographies rose a robust 50% and bookings with the U.S. Federal sector climbed 40% year over year. Nevertheless, share net of \$0.13 compared with our estimate of \$0.17, and the prior-year mark of \$0.10. The weaker-than-expected result was attributable to less-than-anticipated gross margin expansion, as well as costs related to the recent acquisition of HP Visual Collaboration. However, the investor reaction was likely spurred by management's subpar December-quarter top-line outlook.

In fact, the company expects revenues to advance just 5% to 6% sequentially (roughly 18% year over year) in the current quarter, in light of weakness in the broader

economy. Looking to 2012, management noted that it sees the potential for meaningful margin improvements in each quarter. For now, we have cut our 2011 share-earnings forecast by \$0.08, to \$0.67, and our 2012 estimate by \$0.15, to \$0.85.

D.C.

\*Price as of 2:30P.M. EDT on 10-20-11

#### **POWERWAVE TECHNOLOGIES (PWAV; 0.81)\***

Latest Report page 593 9-9-11

Neutrally ranked shares of wireless solutions provider Powerwave Technologies sold off sharply after the company announced weaker-than-anticipated preliminary revenues for the fiscal third quarter (ended October 2nd). Management cited weakness in international markets, restrained spending among North American operators, and a slowdown in business from its original equipment manufacturing customers as the main reasons for the shortfall. Powerwave now expects revenues of between \$75 million and \$79 million for the quarter, considerably lower than our \$165 million estimate.

As a result of these developments, we are lowering our fiscal 2011 top-line estimate by \$155 million, to \$500 million, and now expect Powerwave to report a deficit for the full year.

K.M.D.

\*Price as of 2:30P.M. EDT on 10-20-11

#### **AT&T INC. (T; 29.21)**

Latest Report page 923 9-23-11

AT&T, the second-largest wireless carrier in the United States behind rival Verizon, has reported roughly in-line results for the September quarter, leaving the price of this high-quality Dow-30 component little changed in the aftermath of the report. Revenues were slightly lighter than we had anticipated during the period, as pay-TV customer growth appeared to cool off a bit against an uneven macroeconomic backdrop, and as wireless activation activity slowed moderately ahead of Apple's launch of its next-generation *iPhone 4S*. (AT&T added 319,000 high-margined postpaid wireless subscribers, down from 331,000 during the June interim.) But share net of \$0.61 matched our estimate and Wall Street's consensus view, thanks to lower equipment subsidies and strong cost controls across all business segments. Moreover, the near-term future for AT&T still looks pretty bright.

Key wireless subscriber additions ought to pick up in the fourth quarter, supported by *iPhone 4S* momentum (we are not overly concerned about the extra competition from Sprint Nextel) and heightened demand for *Android* smartphones. (Sales of devices powered by *An-*

*droid*, Google's mobile operating system, more than doubled in the September period.) Also, we see postpaid average revenue per user (APRU), rising as more customers switch from traditional cellular phones to feature-rich smartphones that necessitate higher fixed-rate data plans.

Meanwhile, we are optimistic regarding the legacy wireline operations, despite the heavy pressure on America's cash-strapped consumers. Indeed, we still envision *U-verse*, AT&T's new video service, being a solid growth engine for years to come, which should help the company to offset weakness in the access-line base. And the business solutions unit ought to be more than stable, buoyed by customers' healthy appetites for new IP (Internet Protocol) and cloud-based products.

This latest earnings report was somewhat overshadowed by AT&T's ongoing, and very public, battle to close its proposed \$39 billion acquisition of T-Mobile USA. Little was said by management about the controversial merger, however, which is being aggressively contested by the U.S. Justice Department. And even without T-Mobile USA, the fourth-largest domestic mobile operator, we have high hopes for AT&T's now-core wireless segment.

We continue to recommend these timely shares for defensive, income-oriented investors. Notably, too, in the wake of the third-quarter report, we are leaving our share-net estimates for 2011 and 2012 unchanged at \$2.40 and \$2.60, respectively.

J.H.

#### **TRAVELERS COS. (TRV; 51.46)**

Latest Report page 773 9-16-11

Property/Casualty insurance behemoth The Travelers Companies has reported third-quarter earnings that were below our expectations and the year-earlier tally. Although the news doesn't appear to be encouraging at first glance, deeper analysis reveals that the company's underlying fundamentals remain relatively intact. The market seemed to reach the same conclusion, driving the stock price solidly higher.

Travelers posted operating share net (excludes capital gains and losses from the investment portfolio) of \$0.79, which compares unfavorably with our \$1.35 estimate and the prior-year figure of \$1.81. However, this divergence requires an explanation. The third quarter was significantly impacted by a large number of catastrophe-related claims, primarily due to Hurricane Irene and Tropical Storm Lee. These events resulted in a \$489 million increase in pretax catastrophe losses, which added 8.6% to the combined ratio for the interim. The combined ratio (the sum of the loss and expense ratios) was 104.5% for the period, a nearly 14% deterioration from last year's comparable tally. This implies that the

company lost money (4.5%) on its earned premiums during the quarter. However, this doesn't come as a surprise to us, given the large number of catastrophes during the interim.

As a result of the recent news, we have reduced our share-earnings expectation for this year, from \$4.00 to \$3.40. Although we have shaved a few cents from our December-quarter estimate, the lion's share of the decrease was due to the third period's storm activity. Indeed, the company's fundamentals remain in pretty good shape. Net premiums earned roughly matched our estimate in the September quarter, as new business wins and pricing gains in some product segments helped to shore up results. What's more, although net investment income declined 6% from last year, this isn't bad, considering that yields on fixed-income securities are near all-time lows and the broader economy is quite uneven. Reserves to estimated losses appear to be in pretty good shape, too, which augurs well for the future. This should result in more favorable prior-year reserve development (which adds to earnings) and less chance of reserve strengthening (cuts into profits).

Travelers remains a solid company for the 3- to 5-year pull, in our opinion. Its immense size gives it the wherewithal to bargain with its customers to achieve favorable terms & conditions and pricing gains when the operating climate warrants. Travelers doesn't have to write business "at any cost" just to win new customers. Instead it can focus on selectively boosting margins, and can offer prices and other terms that may be better than the competitors' due to its considerable size. Although these factors ought to benefit this industry giant once the economy improves and conditions in the P/C market perk up, this stock is an untimely selection for relative year-ahead price performance.

A.H.

#### **UNITED TECHNOLOGIES (UTX; 74.12)**

Latest Report page 1770 10-21-11

United Technologies, the diversified manufacturer and Dow-30 component, has reported third-quarter results that were slightly better than we had anticipated. It also bumped up its full-year profit guidance. Share earnings of \$1.47 exceeded our \$1.44 forecast and the 2010 comparable period tally of \$1.30. Revenues of \$14.8 billion were a bit above our expectation, with gains realized across each of the six operating segments. The operating margin remained in step with the prior-year quarter. The impact of cost reductions was offset by higher development outlays and currency headwinds at the Pratt & Whitney aircraft engine unit, as well as certain negative factors at the Otis elevator segment. The company now looks for share net of \$5.47 for the year, versus our pre-

vious estimate of \$5.45.

In terms of the construction-related divisions, Otis' sales climbed a solid 12%, behind strength in equipment demand from China and Russia, along with rising service revenues. However, pricing weakness and commodity cost hikes pressured divisional margins somewhat. Secondly, Carrier, the HVAC division, reported 8% higher sales with growth in North America driven by sales of split systems, mitigated by lower gas furnace demand. Carrier's operating profits advanced 11%, as margins widened despite a greater mix of lower efficiency products. Finally, UTC Fire & Security posted a modest income gain on 5% top-line expansion. Product sales ascended high-single digits and service and install sales descended by low-single digits.

On the aerospace side, Pratt & Whitney's revenues rose modestly due to increased aftermarket sales and commercial deliveries, though military orders declined. Segment profits fell by 2%. Elsewhere, Hamilton Sundstrand's operating profit gain of 11% on 8% sales growth was fueled by soaring sales of commercial spare engines and reduced costs. Also, Sikorsky registered a robust bottom-line advance, propelled by international aircraft deliveries and aftermarket volumes.

Order trends point to ongoing improved performance, as illustrated by a 9% year-over-year uptick in the backlog. China was instrumental, particularly at Carrier, where orders rose 12%. Notably, too, Hamilton's order level was up a hefty 24%. Carrier's U.S. orders were improved, though mix issues may persist. Pratt and UTC Fire's backlogs are running slightly up from last year. These shares are neutrally ranked for relative year-ahead price performance.

D.C.

#### **BLACKSTONE GROUP LP (BX; 13.48)**

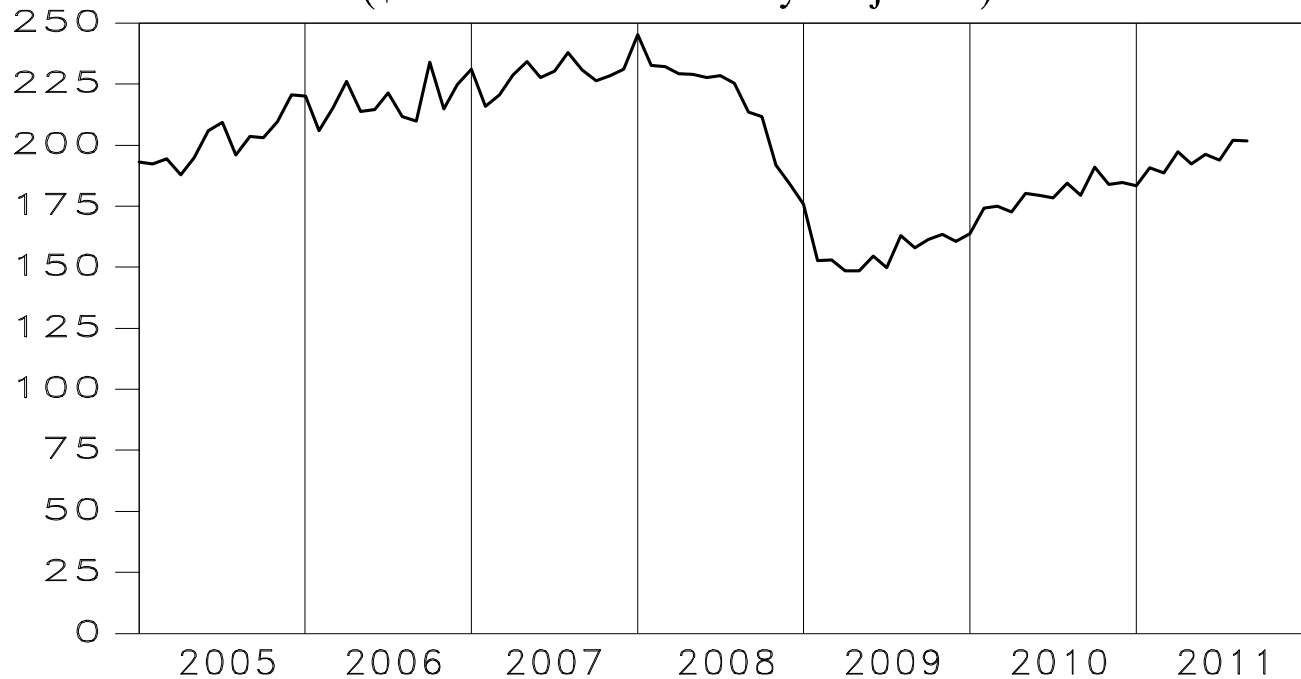
Latest Report page 2643 8-9-11

Blackstone, a private-equity company and global alternative asset manager, reported a large and unexpected loss in the third quarter. Indeed, the company posted a deficit of \$0.31 per unit in the period, far below both our forecast of a \$0.40 profit and the year-earlier tally of a \$0.30 gain. The company cited weakness in global financial markets for the loss, which reduced the carrying value of investments, as well as the risk aversion and volatility that dominated the September term. On the plus side, assets under management jumped 32% in the period. Although the stock's price was little changed on the news, its Timeliness rank has fallen two notches, from 1 (Highest) to 3 (Average).

M.E.S.

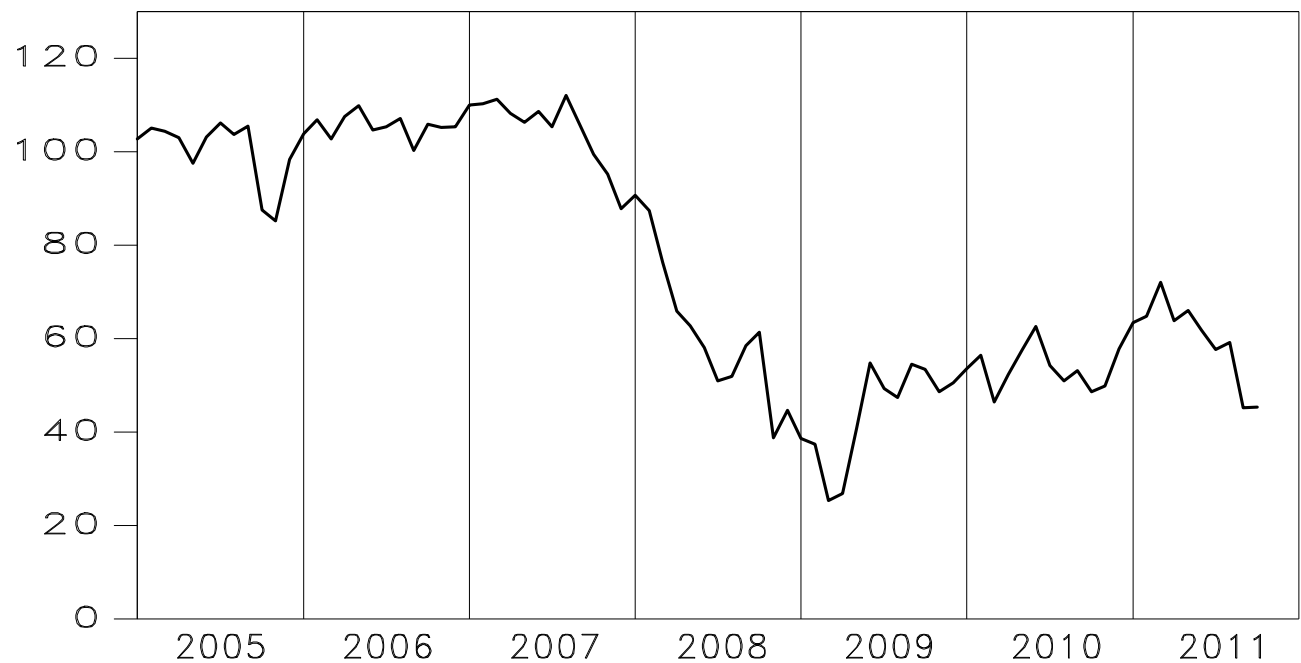
(Supplements continued on page 2042)

## New Orders for Durable Goods (\$ Billions - Seasonally Adjusted)



Source: U.S. Dept. of Commerce

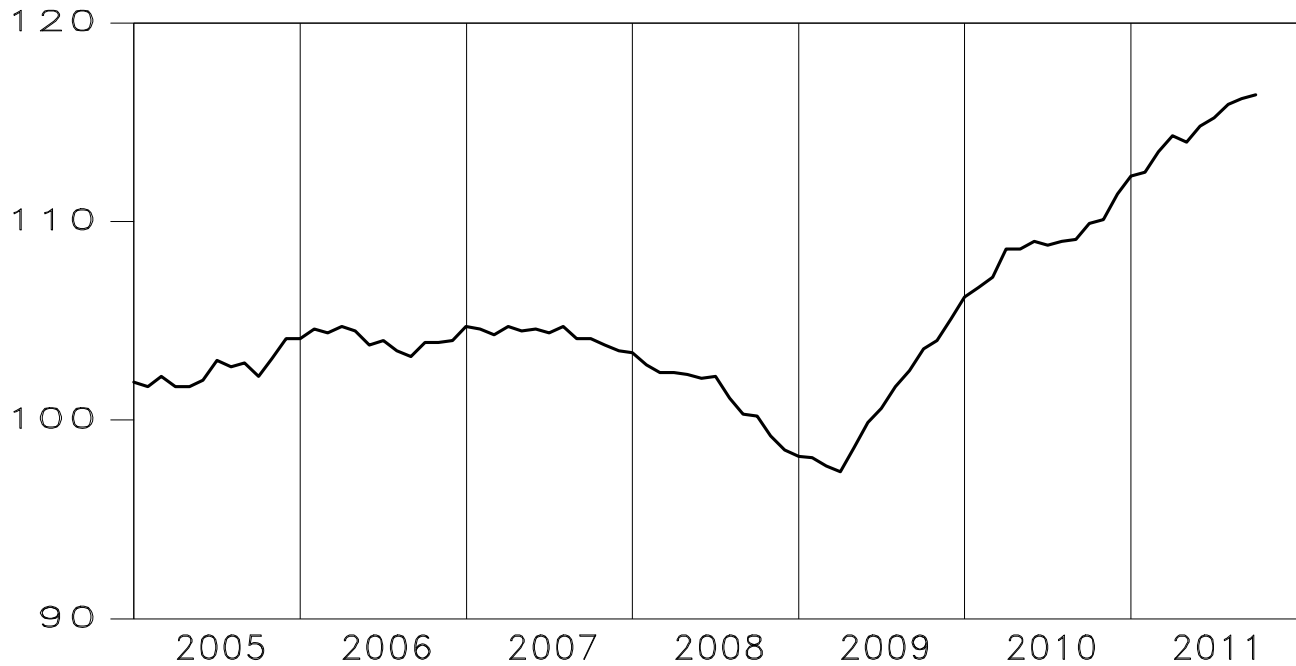
## Consumer Confidence Index: 1985 = 100 (Seasonally Adjusted)



Source: Conference Board

## Leading Economic Indicators

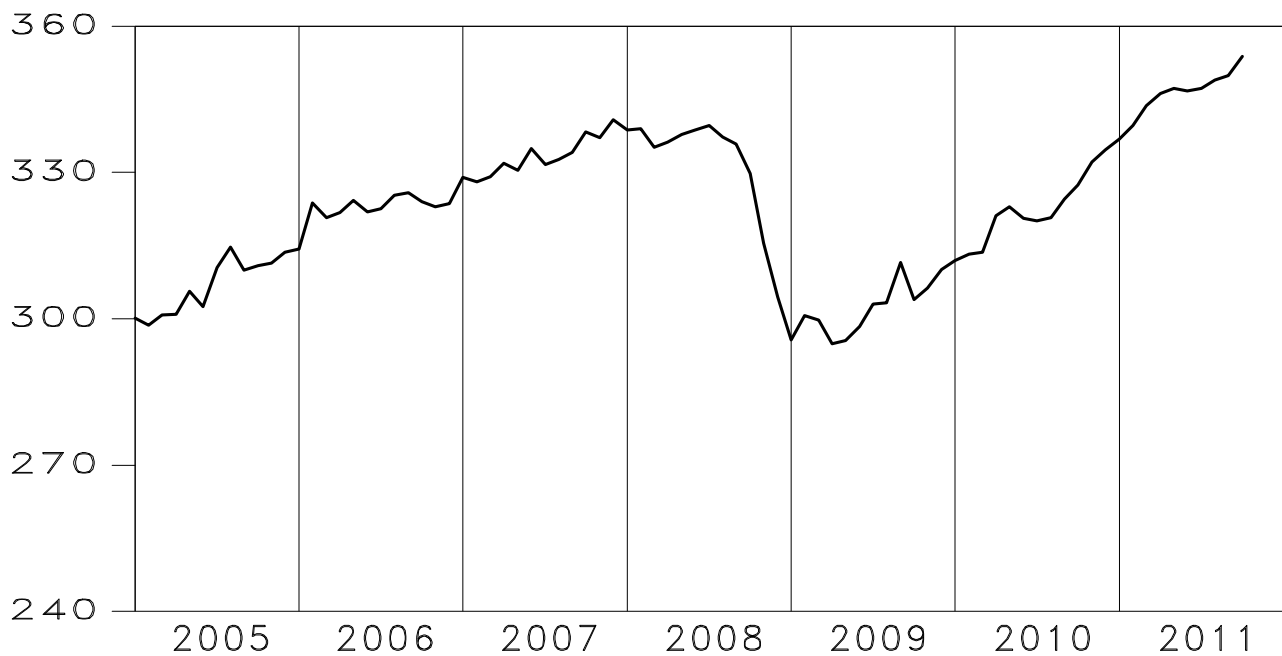
Index: 1992 = 100



Source: U.S. Dept. of Commerce

## Monthly Retail Sales

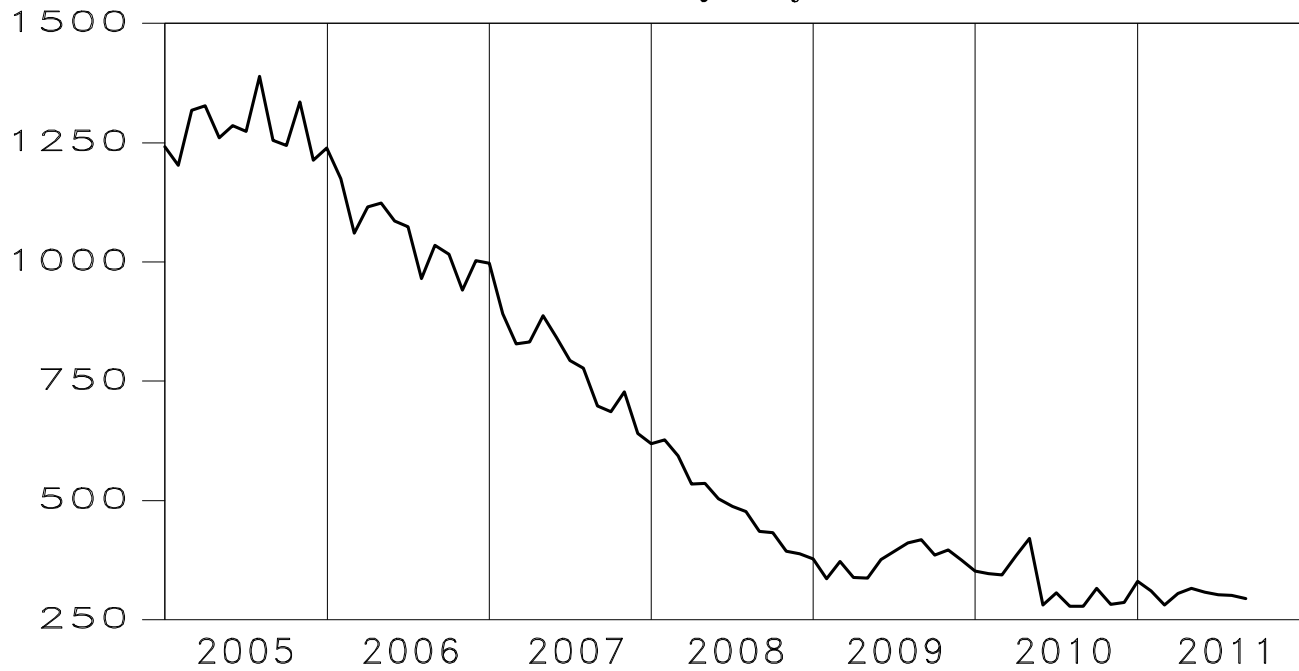
(In Billions of Dollars - Seasonally Adjusted)



Source: U.S. Dept. of Commerce

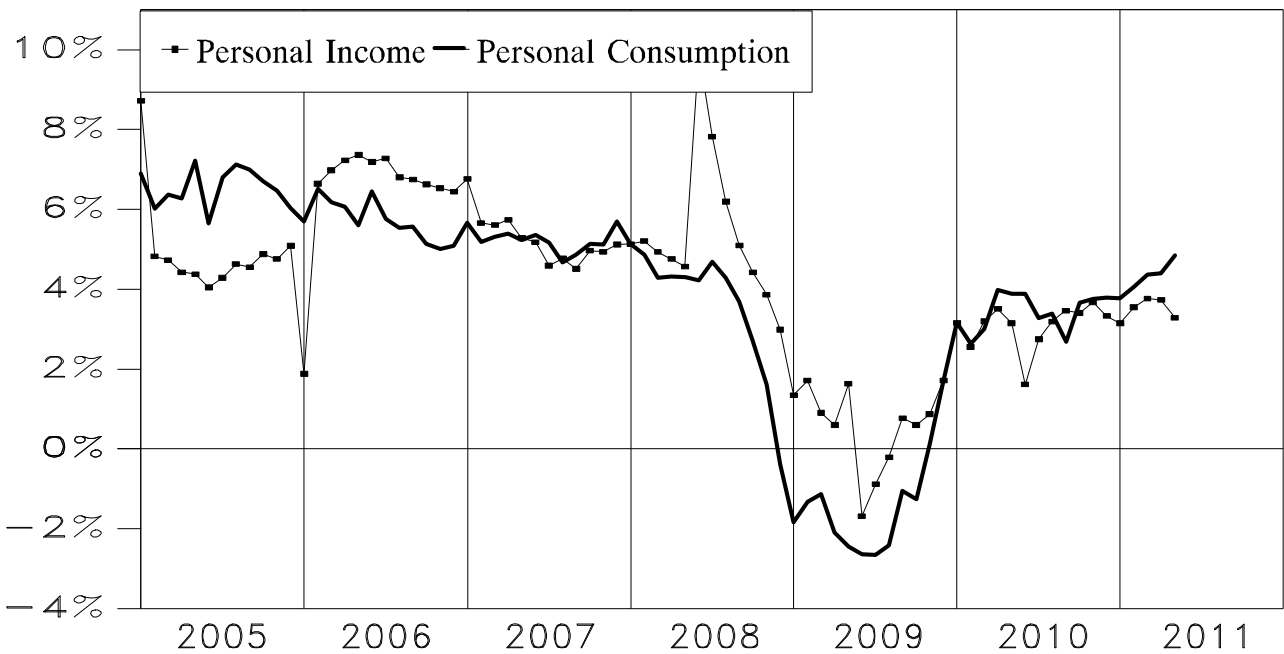
## New Home Sales

In Thousands at Seasonally Adjusted Annual Rates



Source: U.S. Dept. of Commerce

## Personal Income and Personal Consumption (Annualized Percent Change - Current Dollars)



Source: U.S. Dept of Commerce

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**YAHOO! INC. (YHOO; 15.47)**

Latest Report page 2639 8-19-11

Latest Supplementary Report page 1640 10-3-11

Neutrally ranked shares of digital-media company and web-portal provider Yahoo! advanced following its third-quarter earnings release. The company reported revenues and share earnings of \$1.2 billion and \$0.23, respectively. Although each marked a decline from the comparable prior-year figure, results actually exceeded market expectations. Excluding traffic acquisition costs, display revenues roughly equaled the prior-year total, but search sales declined a bit. Premium display revenue was helped by page-view growth on the company's media properties, though non-premium display sales fell.

In other news, Yahoo! and Microsoft have agreed to extend a revenue per search agreement in the U.S. and Canada through March of 2013. We have left our full-year 2011 top-line estimate of \$5.02 billion unchanged, but have raised our share-net call by \$0.05, to \$0.80.

More important, investors seemed encouraged by the possibility that Yahoo! may be acquired, with AOL chief executive Tim Armstrong reportedly trying to build shareholder support for a merger between the two companies. Other potential suitors include Alibaba and several private equity firms. This isn't the first time that the company has been an acquisition candidate. Several years ago, Microsoft attempted to buy Yahoo!, but that deal fell through at the eleventh hour. It's worth noting that nothing definitive has been announced, and this is pure speculation at this point.

M.N.

**STOCK SPLITS AND DIVIDENDS DECLARED**

	Next Payment	Ex- Date	See Page
Eastman Chemical	2 for 1	Oct. 4	2433
ITT Corp.	1 for 2 †	Nov. 1	1754
★ NTELOS Holdings	1 for 2 †	Nov. 1	935

† Reverse split

★ Newly added this week

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