



THIRD AND FOURTH QUARTER 2009
COMPANIES COVERED:
AN IN-DEPTH ANALYSIS OF PUBLICLY TRADED
FOOD & BEVERAGE COMPANIES

COMPANIES FEATURED:
THE J.M. SMUCKER COMPANY
THE HAIN CELESTIAL GROUP, INC.
LANCASTER COLONY CORPORATION

WYATT MATAS
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An Investment Banking Firm

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THE J.M. SMUCKER COMPANY

The J.M. Smucker Company's fourth quarter 2009 results, including:

- Financial performance
- Financing analysis for the quarter
- Acquisition environment for the quarter
- Operations overview
- Company provided guidance for 2010

THE J.M. SMUCKER COMPANY

FOURTH QUARTER, 2009 (ENDING APRIL 30, 2009)

KEY FINDINGS THROUGH APRIL 30, 2009:

1. Record year for revenue during a very challenging market illustrates the general trend of US consumers shifting to greater at-home consumption.
2. Completed the Folgers transaction and in less than eight months have achieved the majority of their key integration milestones and associated synergies, which shows an ability to manage the merger process efficiently with future acquisitions.
3. Generated record levels of cash putting them in strong position for future add-on acquisitions.

Financial Chart:

Company Name	The J. M. Smucker Company	Enterprise Value	\$7.03B	TTM Revenue	\$3.76B
Ticker	SJM	Enterprise Value/Revenue	1.87	TTM Gross Profit	\$1.25B
Recent Stock Price	\$50.11	Enterprise Value/EBITDA	10.69	TTM EBITDA	\$657.31M
% of 52 Week High	88.4%	MRQ Total Debt	\$1.54B	TTM Gross Margin	33.2%
Market Capitalization	\$5.96 B	Total Debt/EBITDA	2.34	TTM EBITDA Margin	17.5%

The following are highlights from the Company's fourth quarter:

Financial performance:

For Three-Month Period Ended April 30, 2009

- Net sales were \$3.76 billion in 2009, an increase of \$1.23 billion, or 49%, compared to 2008. Acquisitions contributed approximately \$1.03 billion of the increase, including \$924.8 million from Folgers. Excluding acquisitions and foreign currency exchange, net sales increased 9%.
- Gross profit increased \$469.3 million and improved from 31.0% in 2008 to 33.3% of net sales in 2009. The primary driver of the gross profit improvement was the addition of Folgers.
- Selling, distribution, and administrative ("SD&A") increased 38.4% from 2008 to \$673.6 million in 2008, resulting from increased marketing spending and additional costs related to the acquired Eagle businesses. Higher restructuring and merger and integration costs in 2009 compared to 2008 also negatively impacted operating income.
- Operating income increased 58.7% in 2008 to \$451.0 million compared to 2008, while also increasing as a percentage of net sales from 11.3% in 2008 to 12.0% in 2009.
- Net income increased 56.1% to \$265.9 million compared to \$170.4 million in 2008.
- EBITDA in 2009 was \$657.31 million, or 17.5% of revenue compared to \$317,358 million or 12.6% of revenue for 2008.
- Cash flow from operations was \$444.8 million in 2009, an increase of \$265.3 million or 147.8%, compared to 2008.
- Free cash flow for 2009 was \$336.0 million compared to \$103.0 million last year.
- Days sales outstanding (DSO) has increased from 23.2 in 2008 to 25.5 in 2009.

Financing analysis for the quarter:

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- SJM spent \$3,735.8 million on the Folgers Coffee Company (Folgers) acquisition.
- Issued \$350.0 million of new debt, along with total transaction cost of \$82.8 million incurred to date.
- By June 1st, SJM had paid off \$75 million of long-term debt from available cash.
- 2010 is forecasted to have a payment of \$550 million in debt maturing during the year.
- Capital expenditures were approximately \$120.0 million or 2.7% of sales.
- Currently SJM has \$180 million revolver credit available.
- The Folgers acquisition accounted for 90% of the increase in gross profit for 2009.

Operations overview:

- The Folgers acquisition was the largest transaction in the company's history and within 8 months of merger integration they are forecasted to realize \$80 million in synergies.
- In addition to Folgers, acquisitions during 2009 and 2008 include the Knott's Berry Farm brand, Europe's Best, Inc., the Canadian Carnation brand canned milk business, and Eagle Family Foods Holdings, Inc. for aggregate cash consideration of approximately \$279 million and the assumption of \$115 million in debt.
- The Folgers transaction, the leading marketer and manufacturer of retail packaged coffee products in the U.S., is consistent with the Company's strategy to own and market number one brands in North America.
- Richard Smucker, Co-CEO: "We're always looking for acquisitions and I doubt if you're going to see a transformational one in the short-term period like this last one, but we have our lines in the water as we always say. You just never know when those are going to hit, but most of those would be bolt-ons or you might call them tuck-ins, but we have nothing to announce at this time."

Acquisition environment for the quarter:

- Increased margins were aided primarily in coffee driven by a combination of efficient trade expenditures and lower short-term commodity costs.
- U.S. retail consumer market segment increased 14% to \$995.5 million, while profit margins increased from 11.4% in 2008 to 12.5% in 2009.
- U.S. retail oils and baking market segment increased 10% to \$1.1 billion, while profit margins fell from 23.4% in 2008 to 22.6% in 2009.
- U.S. retail coffee market segment increased revenue by \$855.6 million due to the acquisition of Folgers, which helps increase overall margins by contributing a profit margin of 28.2%.
- Special markets segment increased 24% to \$803.6 million, while profit margins fell from 14.2% in 2008 to 13.9% in 2009 due to unfavorable foreign exchange rates.

Company provided guidance for 2010:

- Net Sales increase is forecasted to be approximately \$4.5 billion, which represents a 20% increase over 2009.
- Folgers additional revenue is anticipated to contribute sales of \$800-\$850 million to total revenue in 2010.
- Sales in traditional Smucker businesses are expected to decrease by approximately 3%, primarily reflecting the full year impact of price declines in oils and baking.
- Volume is expected to increase 1%.
- Non-GAAP earnings per share for fiscal 2010 are forecasted to range from \$3.65 to \$3.80, ahead of their original June 2008 guidance of \$3.62 to \$3.72.
- EBITDA is projected to exceed \$900 million or approximately 20% of net sales, this would place them a year ahead of schedule for their EBITDA forecast.
- Gross margins are anticipated to increase between 2.5 to 3.5% for 2009 because of the full year impact of the higher margin coffee business and approximately \$100 million in lower raw material cost excluding green coffee.
- SD&A including amortization is expected to approximate 20% of sales.
- Interest expense for 2010 is expected to be \$66 million, which reflects the impact of debt maturities occurring during the year along with assumed borrowings under their revolving credit facility.

THE HAIN CELESTIAL GROUP, INC.

The Hain Celestial Group's fourth quarter 2009 results, including:

- Financial performance
- Financing analysis for the quarter
- Acquisition environment for the quarter
- Operations overview
- Company provided guidance for 2009

THE HAIN CELESTIAL GROUP, INC.

FOURTH QUARTER, 2009 (ENDING MARCH 31, 2009)

KEY FINDINGS THROUGH MARCH 31, 2009:

1. Coupon promotions have significantly increased in consumer popularity, so low cost providers within different natural and organic product lines will have a distinct advantage to take market share.
2. HAIN's strong balance sheet and cash position will give them the ability to be aggressive in implementing their growth strategy through add-on acquisitions to auxiliary businesses.
3. Consumers have reacted to the economic environment by increasing at home food consumption, but natural and organic products have seen resiliency in demand because consumers are not willing to give up quality for cheaper substitutes.

Financial Chart:

Company Name	The Hain Celestial Group Inc.	Enterprise Value	\$954.4 M	TTM Revenue	\$1.15 B
Ticker	HAIN	Enterprise Value/Revenue	0.83	TTM Gross Profit	\$284.3 M
Recent Stock Price	\$16.90	Enterprise Value/EBITDA	10.62	TTM EBITDA	\$89.9 M
% of 52 Week High	54.1%	MRQ Total Debt	\$291.3 M	TTM Gross Margin	24.7%
Market Capitalization	\$687.1 M	Total Debt/EBITDA	3.24	TTM EBITDA Margin	7.8%

The following are highlights from the Company's fourth quarter:

Financial performance:

For Three-Month Period Ended March 31, 2009

- Net sales for third quarter 2009 were \$267.7 million, an increase of \$3.1 million, or 1.2%, over net sales of \$264.6 million in 2008. Sales were primarily impacted from weakening foreign currencies, distributors and retailers inventory de-stocking efforts and the peanut recall in the United States.
- Gross Profit for third quarter 2009 was \$62.8 million, a decrease of \$5.9 million from 2008. As a percentage of net sales was 23.5% compared to 26.0% in 2008. The decrease in gross profit was primarily attributed to the unfavorable sales mix between higher margin antibiotic-free and conventional product and decreased gross margins resulting from higher feed costs, resulting in a decrease of gross margins by 3.6%.
- SG&A decreased by \$1.3 million, or 2.6%, to \$50.0 million for the third quarter 2009 compared to \$51.3 million in 2008. The decrease is primarily a result of restructuring actions previously taken and a \$3.0 million insurance reimbursement recorded for professional fees previously incurred in connection with the investigation of our stock option practices.
- Non-cash impairment charges for goodwill and other intangibles totaled \$52.6 million during third quarter 2009. The charges included \$49.6 million for goodwill, net of minority interest of \$7.6 million and \$3.0 million for other intangibles.
- There was an operating loss of \$39.7 million for the third quarter 2009 compared to operating income of \$17.4 million in 2008. The decrease in operating income is primarily a result of the goodwill and intangible impairment charges.
- Third quarter 2009 was a net loss of \$41.2 million compared to net income of \$8.3 million in 2008. This was primarily an affect of the goodwill and intangible impairment charges.
- EBITDA for third quarter 2009 was a loss of \$23.5 million compared to positive EBITDA of \$31.8 million in 2008.

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- Cash flow from operations was a loss \$9.4 million due to the impairment charges of \$52.6 million compared to positive operating cash flow of \$21.2 million in 2008.
- Days sales outstanding (DSO) has decreased from 41.2 in 2008 to 39.8 in 2009.
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Financing analysis for the quarter:

- Capital expenditures were approximately \$10.0 million or 1.2% of sales for the first nine months of 2009 compared to \$11.3 million in 2008.
- HAIN has repaid \$17.0 million of borrowings under their credit facility for through third quarter 2009 compared to \$78.0 million of drawings made during the first three quarters of 2008 primarily used to fund acquisitions.
- HAIN has \$150 million in aggregate principle amount of senior notes outstanding due May 2016, which bear a semi-annual interest payment at 5.98%.
- Currently HAIN has \$250 million revolving credit facility available, which expires May 2011.

Operations overview:

- 2007-2008 acquisitions include Gaily Bread, Ltd., assets of the turkey production facility and distribution center of Pilgrim's Pride Corporation, nSpired Natural Foods, TenderCare International Inc., and Plainville Turkey Farm Inc.
- Third quarter 2009 was charged \$.5 million for walking away from a potential acquisition. This was in the best interest of the company given it would have had a negative impact on shareholder value long-term.
- Acquisitions continue to be one of the primary methods of which HAINS grows their business, so they will stay aggressive and disciplined in their search for additional add-on companies.

Acquisition environment for the quarter:

- Consolidation of operations started in third quarter 2009 will account for \$6-10 million in savings over a 12 month period
- Grocery/Snack segment revenue increased by 4%, with gross margins increasing 1% from third quarter 2008.
- Personal Care segment revenue was flat from previous quarter due to market difficulties, but was offset by strong Avalon organic products.
- Personal Care gross margins increased .5% from third quarter 2008.
- Key initiatives taken to decrease SG&A: (1) consolidate warehouses (2) consolidate IT operations (3) transfer retail coverage for HAINS natural businesses from broker to in-house merchandising team
- United States operation sales increased 5.9% to \$211.8 million for third quarter 2009 compared to 2008.
- Canada operation sales decreased 3.9% to \$12.8 million for third quarter 2009 compared to 2008.
- Europe operation sales decreased 20.9% to \$33.1 million for third quarter 2009 compared to 2008.

Company provided guidance for 2009:

- Sales for 2009 are estimated to range between \$1.162B to \$1.170B.
- EPS for 2009 is projected to range between \$1.25 to \$1.30.
- Stock compensation expenses for the year should total \$.10 of EPS for 2009.

LANCASTER COLONY CORPORATION

Lancaster Colony Corporation's third quarter 2009 results, including:

- Financial performance
- Financing analysis for the quarter
- Acquisition environment for the quarter
- Operations overview
- Company provided guidance for 2009

LANCASTER COLONY CORPORATION

THIRD QUARTER, 2009 (ENDING MARCH 31, 2009)

KEY FINDINGS THROUGH MARCH 31, 2009:

1. Gross margins have increased due to the combination positive affect of pricing power declining commodity prices.
2. Since the sales of non-core assets in November 2007, LANC has shifted focus toward specialty foods because of the strong pricing power and future growth outlook.
3. Improvement in cash flow primarily from better inventory management and higher margins has resulted in a large reduction in debt.
4. A strong balance sheet has put the company in an advantageous position to pursue acquisitions.

Financial Chart:

Company Name	<i>Lancaster Colony Corp.</i>	Enterprise Value	<i>\$1.2B</i>	TTM Revenue	<i>\$1,030,000,000</i>
Ticker	<i>LANC</i>	Enterprise Value/Revenue	<i>1.17</i>	TTM Gross Profit	<i>\$157,340,000</i>
Recent Stock Price	<i>43.69</i>	Enterprise Value/EBITDA	<i>9.38</i>	TTM EBITDA	<i>\$127,920</i>
% of 52 week high	<i>89.31%</i>	MRQ Total Debt	<i>\$15M</i>	TTM Gross Margin	<i>15.28%</i>
Market Capitalization	<i>\$1.22B</i>	Total Debt/EBITDA	<i>0.12</i>	TTM EBITDA Margin	<i>12.42%</i>

The following are highlights of the Company's third quarter:

Financial performance:

For Three-Month Periods Ended March 31, 2009

- Net sales for the third quarter increased 7% to \$246 million compared to \$230.8 million; sales growth was driven by increased sales in Specialty Foods segment as partially offset by a decline in sales of the glassware and candles segment.
- Operating income increased 164.6% to \$32.5 million or 13.2% of revenue compared to \$12.3 million or 5.3% of revenue for the third quarter 2009.
- Net income increased 145.9% to \$21.2 million compared to \$8.6 million in 2009.
- SG&A expense as a percent of revenue stayed nearly flat moving from 8.2% in 2008 to 8.4% in 2009.
- Gross margin was 21.4% in third quarter 2009 compared to 13.7% for the same quarter in 2008.
- EBITDA was \$48.8 million, or 19.9% of revenue compared to \$32.3 million or 12.0% of revenue during the 3rd quarter 2009.
- Cash flow from operations was \$92,776 million over the third quarter of 2009. Cash flow from operations increased 46% compared to the previous year. This reflects some comparatively favorable changes in working capital components, especially from inventories as well as the impact of a higher level of consolidated income

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through March.

- Days sales outstanding declined in March 2009 14.3% from the prior year due to greater focus on collections, creating a stronger cash flow.

Financing analysis for the quarter:

- LANC spent \$2.2 million on capital expenditures in the third quarter 2009 and \$8.9 million year-to-date. The company will continue to invest in equipment upgrades. The Company estimated 2009 capital expenditures to total less than \$15 million compared to the \$16 million in 2008.
- LANC in March 2009 still has loans outstanding of \$15.0 and \$55.0 million that are used for general corporate purposes.
- In regards to financing activities, John Boylan, CFO, reported, "Our long-term debt of roughly \$15 million has dropped \$40 million since June 30, in part reflecting the extent of cash flow generated on our higher levels of profitability. We are obviously pretty well capitalized at the present time, with our gross debt outstanding a relatively modest 4% or so of total capitalization."

Acquisition environment for the quarter:

- No acquisitions took place during third quarter 2009, though they have been actively searching since November 2007, when the company sold most consumer and floral glass operating assets to be a food-focused business
- Jay Gerlach, CEO, said on their acquisition pursuits "we continue to look for opportunities, but it's been a very, very quiet deal market. We're obviously interested there. Longer term, I think that's an opportunity that the strong balance sheet may help us execute on if the opportunity develops. But it's very quiet right now."
- They currently have several manufacturing plants related to divested businesses lines. These properties do have some carrying cost and management does not expect these properties to be sold in the near future.

Operations overview:

- Specialty foods segment saw growth of 10% in the third quarter 2009, of which about 7% was pricing. Most product lines contributed to sales growth with pricing being the main determinant because unit volume was nearly flat to the retail channel. Margins for the specialty food segment were 16.5% for the quarter. Short-term for luxury food items will be challenging, but core specialty products are holding. Private label are taking some share away, but not significant due to small difference in pricing.
- Better inventory control has assisted in reducing outstanding debt. On a year-over-year basis, inventories declined \$15 million or 14% in March 2009.
- The high cost of wax put significant pressure on margins in their candle segment in 2009; though they are currently off their high, there will be a lag time before it affects the bottom line. They have been able to maintain bargaining power through having a limited number of wax suppliers. Operating margins are currently negative and do not expect a change until 2010.

Company-provided guidance for 2009:

LANC has put a share repurchase on hold and is being very careful with capital expenditures, as well as building a strong balance sheet for these uncertain times and opportunities in the future.

The CEO said on guidance for the rest of 2009 that "while the fourth quarter will have comparatively less favorable pricing impact in the third quarter, ingredient costs should be more favorable. We expect that off-season candle demand may pick up a bit from our earlier expectations, but operating margins are not likely to see significant improvement from lower wax costs and the benefits any higher volumes until fiscal 2010."

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