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Snyder's Lance acquired by Campbell's Soup

Today, Campbell's Soup (CPB) announced the intent to acquire Snyder's Lance (LNCE) for $50 a share. LNCE has been a core holding since the launch of White Brook Capital when we acquired shares in the low to mid 30s and ascribed a base case target price of $40 using conservative assumptions. While the stock appreciated passed the base case, value continued to be created in excess of the stock's appreciation. When Brian Driscoll took over this year as CEO after several quarters of underwhelming results, earlier this year, I wrote this, in the second quarter 2017 commentary.

> *"Finally, Lance-Snyder (LNCE), was another underperformer during the second quarter. I've written about Lance-Snyder before, and the Model Portfolio is still up on the position despite the drawdown during the quarter.*
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> *During the 2nd quarter, the Company negatively preannounced and announced that the former CEO of Diamond Foods Bob Driscoll would be interim (and now permanent) CEO. While the previous management team was instrumental in putting together a great collection of assets that are positioned squarely at the future of healthy snacking, there were significant changes, particularly in the cost structure, that the previous team dragged its feet in obtaining. My confidence in Lance at the time of the initial investment was informed by Mr. Driscoll's presence on the board and the operational talent that was part of Diamond Foods. Driscoll's ascension to CEO of Lance-Snyder is a value creating event, that as shareholders, we are lucky to have had occur.*
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> *White Brook's expectation moving forward is that the Company will follow the blueprint Mr. Driscoll established at Hostess Brands and Diamond Foods. The following quarters should exhibit slow revenue growth but with significant margin improvement, followed by a resumption of revenue growth that further enhances profit growth and dramatic stock price appreciation.*
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> *The stock is owned by both the Model and Concentrated Opportunities portfolios, and I expect the process initiated by Mr. Driscoll to provide substantial returns in the medium term with the potential for the process to be shortened by a sale to a larger company in need of its "better for you", non-Amazon/Whole Foods exposed assets"*

The timeline to realizing value was significantly shorter than I expected, but the overall value is in line to what I'd hoped to achieve over a multi-year period. The bear case against Lance was always that its margins were low and that it's valuation was relatively high. The bull case that White Brook subscribed to was that the asset quality was very high, the company was strategically well positioned for the future, margin bleeding assets could be rationalized, larger structural changes could unleash more margin potential and that with a good manager, execution could dramatically improve the margin structure.

White Brook sold your shares in Snyder's Lance with the deal announcement this morning.

This is the second portfolio company of White Brook's to be acquired in the past two quarters and the fourth in the past year (Level 3 Communications, Baker Hughes). White Brook believes that the deals announced this week, confirm the validity of its strategy to buy and hold high quality, well positioned assets that trade at cheap to reasonable prices with a long-term perspective.

Regards,

Basil F. Alsikafi
Portfolio Manager
White Brook Capital LLC

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