

# Food Dive

## Why B&G Foods has 51 brands — and is still looking for more

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One of the most noticeable things about B&G Foods is the company's large and eclectic family of brands.

As a serial acquirer, B&G Foods completed 20 acquisitions from 1997 to 2017. The company, which currently owns 51 brands, grew from \$129 million to \$1.4 billion in net sales — a 985% increase — in just a decade.

But it's not just the rapid-fire acquisitions. It's also the seemingly unrelated brands that B&G seeks out that's earned the company the tongue-in-cheek nickname "The Frankenstein's Monster of Packaged Goods." With brands ranging from Cream of Wheat to Pirate's Booty to Molly McButter to Static Guard to Green Giant, it's understandable to wonder about the company's business strategy.

Not to worry, CFO Bruce Wacha told Food Dive. B&G is on a carefully planned course of growth, he said, and there is indeed a method to the madness.

From pickles to a stable of diverse brands

B&G Foods traces its roots to the Bloch and Guggenheimer families, immigrants who came to America and started selling pickles in Manhattan in 1889. In 1996, New York investors formed B&G Foods to acquire Bloch & Guggenheimer, and the strategy to grow by purchasing other brands began.

"We've always been a highly acquisitive company," Wacha told Food Dive. "Our early roots in private equity ownership laid the foundation for how we manage as a public company. We have an enduring commitment to delivering, and then with that, a disciplined acquisition strategy."

That strategy includes looking for brands that will immediately add to cash flow and return a meaningful portion of cash to shareholders. Wacha said that despite initial appearances, B&G Foods' brands have many common threads.

"If you look at our business, we manufacture, sell and distribute high quality, branded, shelf-stable products across the U.S., Canada and Puerto Rico." Wacha added that the company looks for new brands in similar categories, where there could be synergies for sales and manufacturing.

Beyond looking for synergies, B&G targets brands with solid reputations as leaders, which have opportunity left untapped by their current ownership. B&G's mission is to find those brands, buy them, and reinvigorate them.

### Making frozen veggies cool

There's no better case in point than the makeover of Green Giant, which B&G acquired in 2015.

Initially, the plan was to buy just the brand's canned lines, Wacha said. But as the company learned more about the opportunities in frozen vegetables, B&G decided to take a leap and enter the frozen food business.

"The prior owners hadn't introduced anything new in a long time," Wacha said. "We set out to reinvigorate the brand with a common theme to make it easier for consumers to eat more vegetables."

B&G added 25 frozen vegetable SKUs in 2016, including riced veggies, veggie tots, mashed cauliflower and roasted vegetables. This year, Green Giant is adding veggie spirals, an alternative to pasta.

The timing couldn't be better. As paleo, low carb and healthier eating trends continue, shoppers are searching for easy swaps for potatoes, pastas and rice. And frozen vegetables, which were once considered a less healthy option to fresh, are being seen differently through new research touting unique advantages in nutrition and convenience.

Consumers are paying attention. Green Giant's riced veggie line is one of the two fastest growing brands in the frozen aisle and top 12 overall in the store, Wacha said.

Other food companies are also taking notice. Nestle, Pinnacle Foods and Conagra have recently revamped their frozen food portfolios with offerings that boast bold flavors, plant-based meat alternatives and organic and gluten-free options.

Despite frozen food success, investors lukewarm to B&G

Not all acquisitions are as groundbreaking as Green Giant, and the very strategy that the company banks on may also put it on shaky ground.

"Not too many companies can tout 50 brands," Lou Biscotti, national leader of Marcum LLP's food and beverage services, told Food Dive. "It's a two edged-blade. The good part is they've shown diversification and they have a number of different products, but on the negative side, a lot of brands they have are in the center of the store and processed foods are suffering."

In addition, B&G's focus on strong brands may make them vulnerable as millennials and younger generations continue to be less brand loyal, Biscotti said.

"The brands they have are strong and well known, but not up with the current trends of organic, healthy or nutritious," he said. Green Giant is an exception, he said, "catapulting their sales in the correct direction."

But Green Giant's success may not be strong enough to compensate if other brands are declining, Biscotti said. Considering the diverse product lines for B&G, he said he would love to see a profit and loss statement by brand.

"There's criticism that products are declining, and some are increasing in sales volume," he said. Biscotti suggested B&G consider where margins are dropping and take a hard look at whether the company should shed some product lines in order to make acquisitions.

B&G's net sales for its 2017 fiscal year were \$1.67 billion, 20% higher than 2016. However, the company's earnings before interest, taxes, depreciation and amortization missed analysts' forecast because of increased freight and transportation costs felt industrywide, President and CEO Robert Cantwell, said in a February release. The company is expected to release its first-quarter earnings on May 3. It is currently in its pre-earnings quiet period, and representatives were unable to comment directly on financial performance.

Moving forward is better than standing still

Even if B&G's aggressive acquisition strategy makes some investors uneasy, at least B&G is doing something, said Biscotti.

"They have the guts to move forward and make acquisitions where some of the big food companies have been sitting on their laurels," he said.

B&G's diverse brands give it another advantage, A.T. Kearney Partner in CPG, Food and Retail Randy Burt told Food Dive.

"They have an ability to sell to food, drug, mass, convenience, and can leverage this as they continue to acquire brands," he said. The challenge is getting the scale to drive a cost structure to compete — particularly with the increase in private label competition.

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Despite the challenges, Burt sees the upside in B&G's strategy.

"I think there's opportunity," Burt said. "Continuing their brand acquisition strategy is viable."

B&G Foods is aware that food trends, such as for fresh and less processed foods can work against the company. Wacha said they are making changes.

"If you look at our portfolio today, we have successfully shifted it. More than 50% is better for you snacking," he said.

In addition to Green Giant, some of the brands Wacha said were providing consumers with healthier options include Pirate Booty's baked snacks, Victoria's organic pasta sauces, Polaner All Fruit made with non-GMO ingredients and Back to Nature Foods, which is the company's newest acquisition.

In the meantime, Wacha said B&G will continue to look for new opportunities. As food and beverage M&A is anticipated to increase in 2018, Wacha says the company will stand out from the competition by leveraging its reputation as a known buyer of brands and as a natural partner for anyone looking to sell a food brand.

"The biggest thing for us is that there's always going to be a lot of opportunity," Wacha said. "It's just remaining disciplined in terms of what makes sense in our portfolio, in what we can manage and what we can do a good job growing and maintaining, and being disciplined with the purchase price and not letting the price get ahead of us."