SIENA college

BJORKLUND FUND

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Newell Brands: NWL

Alexandre Thiam

Sector: Consumer Goods
Industry: Conglomerates
Current Price: $46.17
Target Price: $67.40

Newell Brands is an American company marketer of consumer goods and commercial products which owns a portfolio of brands. The company was founded in 1903 by Edgar Newell in Ogdensburg, New York. The firm started as manufacturer of metal curtain rods, and started to acquire other businesses in order to grow. The headquarters are now located on Hoboken, New Jersey after relocating in 2016 from Atlanta. Newell Brands owns companies like Rubbermaid food storage, PaperMate, Waterman etc. and operates within a multitude a markets ranging from hair care, beverage containers, to printers and fragrances.

BUY

Current Price:	$46.17
Target Price:	$67.40
Market Cap:	22B
Beta:	1.16
P/E:	38.88
EPS:	1.25

Thesis:

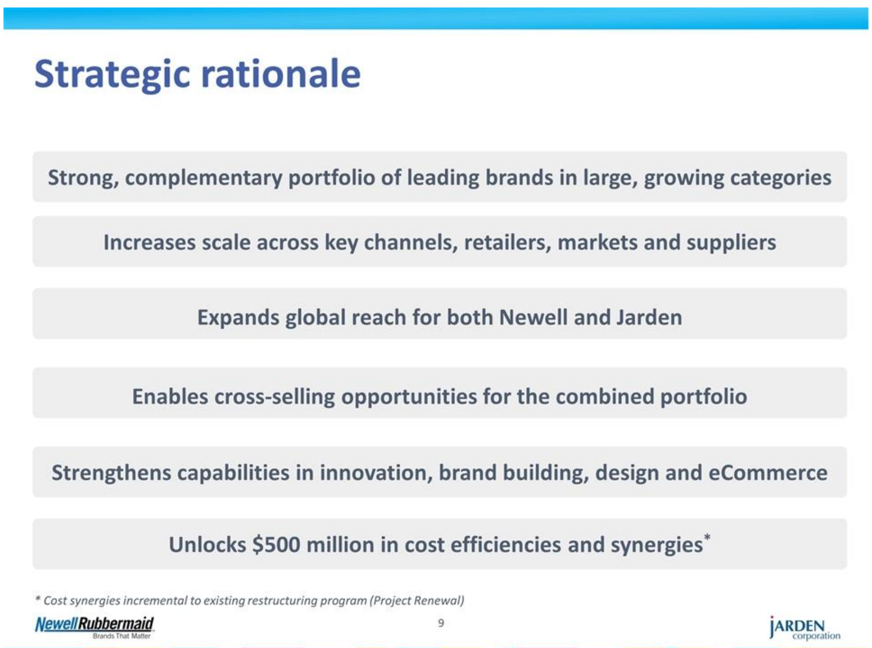
It is tough to navigates in times where markets are fluctuating around all-time highs. The reason being that investors using past and historical data see their metrics becoming obsolete. Yet, it remains obvious that investments opportunities are there somewhere. Hence the reason why, it is always good to look at consumer staples suppliers, in other words companies that sell products with an inelastic demand and see if they are planning at becoming better. Newell Brands appeared to me as a good bet in this period due to fact that the company acquired multiple strategic acquisition and will see the payoffs rather soon. The company has been doing good over the last 10 years and is set to perform even better in the coming years. The company showed impressive sales CAGR well above 30% in the last decade. P/E is currently high at 38 which is due to the several acquisition the company made recently, the forward P/E is standing at 14 which is below industry average. Even though P/E is high the company is still a good value.

Catalysts:

- Debt Payments will show more attractiveness to investors with the company deleveraging
- Acquisition will show payoffs in a near future.
- Growth Game Plan is aiming at creating more and more value over the long term.

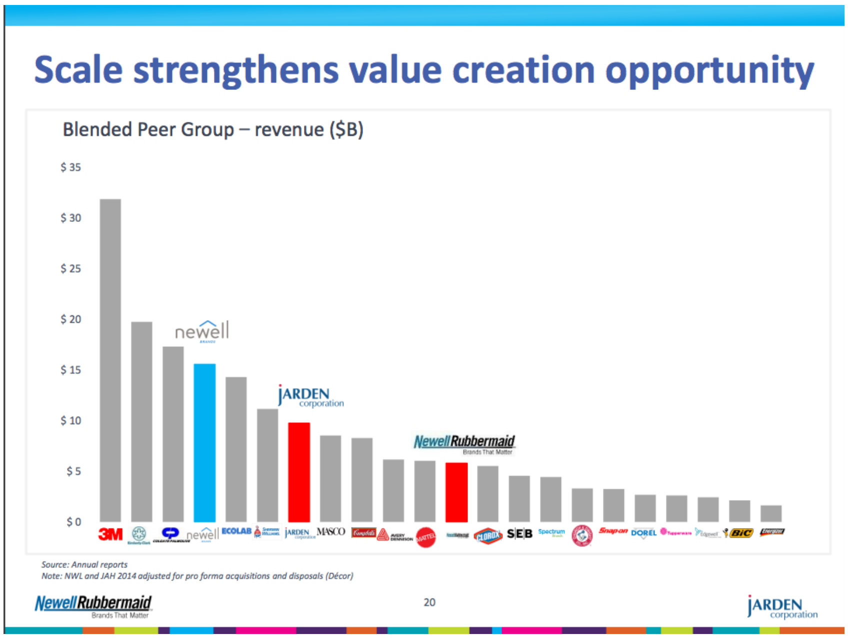
Business Model's Rebirth:

I believe that one of the main driver for the coming increase in value would be innovation of products but also in terms of business model . Indeed, NWL has decided to launch a new wave of innovation within its range of product and intends to flood the markets with using it but the company also announced in October 2016, its Growth Game plan detailing actions attempted in order to further innovate. The core idea behind this plan is to shift from a holding company to an operating company. In other words, Newell tends towards the consolidation of all of its businesses and form a united front. The company set new investment priorities and directions, as well a simplifying and sharpening the portfolio of businesses. The company will simplify its portfolio of 32 units and break them into 16 operating divisions. Furthermore, I found interesting that the company was willing the get rid of some of its business that shown the least relevance regarding the company's new plan. With the cash collected from the sales, Newell is planning the accelerate the down payments of its debt. More recently, the company agreed upon the sale of two of its businesses: Pine Mountains and Diamond matches. The company will sell these units to Royal Oaks for an undisclosed amount. The company held about 10% of its portfolio for sale. In 2015, the company sold $1.5 billion worth of assets. The company also sold Rubbermaid consumer storage business to United Solutions . In addition Newell agreed upon the sale of its European Teutonia stroller unit to a single private investor. "We will drive growth acceleration over time through more effective and scaled commercial operations, increased investment in our brands and capabilities, and the delivery of bigger, better innovation across a broader set of categories." Said Michael Polk, Newell Brands CEO. This shows the company's plans to skim its portfolio but also acquire smarter business in parallel. In 2016, the company also announced another major program, the project renewal which goes along with the Growth Game Plan. The company claim to have delivered over $210 million of cost saving due to synergies and project renewal. The management plans is to utilize most of the savings to accelerate business growth and therefore CAPEX. The company expected the savings to reach $500 million ultimately by the end of 2017 and the remaining is expected to be reflected in earnings.



Merger, Acquisition, and Consolidation:

Accordingly, with the plans mentioned above, Newell Brands has agreed on the sale but also acquisition of businesses. Currently being a holding, Newell has been acquiring several businesses in the last 20 years. It is important to note that before becoming Newell "Brands" the company was solely focusing on manufacturing metal curtain rods. The company slowly acquired companies in the 1920's to serve the single purpose of creating a vertical integrated system. It is in 1965 that the company opted for an acquisition based strategy slowly drifting towards becoming a multi-sector conglomerate. In 1999, the company merged with Rubbermaid in a $5.8 billion deal resulting in the creation of a single company called Newell Rubbermaid. More recently, the company acquired Jarden Corp creating a giant consumer goods company. Jarden Corp is focusing on the outdoor and home appliance markets. The company generated more than $8 billion during the last fiscal year and had 30,000+ employees. Total assets of the company were valued at $10.8 billion. This shows the considerable size of the deal. Newell agreed on a $15.4 billion deal and pay $60 per share which represented a 25% premium based on Jarden stock price. "The combination of our two great organizations creates a powerhouse consumer goods company and sets up a very exciting long-term growth and value creation story. I am honored to have the opportunity to lead Newell Brands and the development of our business. We expect Newell Brands to unlock far greater upside than either company could have on their own. I want to thank Martin Franklin, Ian Ashken and Jim Lillie for their achievements and leadership at Jarden and for the role they have played in helping us bring our companies together. Our immediate focus will be to deliver our 2016 financial objectives, start the work of integrating the two companies and develop the long term corporate and portfolio strategy that will guide the choices we make and the realization of the company's full potential." said Michael Polk, Newell Brands Chief Executive Officer. The combination between the two holdings created an unprecedented platform of innovative value creation and both the Growth Game Plan, and the Project Renewal Program, will support and strengthens this creation. The company merged into one entity in 2015 and the management strongly believe that the operation will yield in the coming quarters. Earlier this month the freshly formed conglomerate acquired Sistema a New Zealand based firm for $460 million. Sistema Plastics is manufacturer and marketer of food storage containers and will therefore open the doors of the Australian, U.K. and European markets for Newell. This acquisition expected to be directly accretive to normalized earnings. All in all the company created a lot of value through mergers and acquisitions.



Financials:

Newell Brand currently owns too much debt to be attractive at the present moment. The current Debt-to Equity ratio is at 1.05 meaning that the firms holds debt as much as equity. Nonetheless, I found interesting the plan currently undertaken. The company is currently selling and hopes to complete the divestiture of assets before the end of Q2 2017. To resolves the current debt issue the company will use the proceeds to accelerate the debt disbursements in order to achieve a target leverage ratio of 3.5 times EBITDA. In other words, the company wants strong cash flow and aim at deleveraging. As shown in the table below free cash flow drastically increased during the last two fiscal years due the synergy and assets divestitures.

Cash from Operations	602.8	582.6	561.3	618.5	605.2	634.1	565.8	1,828.5	1,828.5		
Capital Expenditures	-153.3	-164.7	-222.9	-177.2	-138.2	-161.9	-211.4	-441.4	-444.0	-437.3	-423.0
Free Cash Flow	449.5	417.9	338.4	441.3	467.0	472.2	354.4	1,387.1	1,384.5	1,128.3	1,728.5

CAPEX also increased logically with the merger with Jarden announced in 2015. The company is in a restructuring era but is still willing to grow considerably and create value. As I mentioned earlier the leftovers of the divesture are expected to reflect in earnings and returned to shareholders in cash. At the present moment, the company pays dividends of 1.61% but plans to increase dividends in the coming years as well repurchase so share with cash in order to avoid too much dilution.

Equity Valuation | CDS Spreads | Profitability | Balance Sheet | ESG

Name (BICS Best Fit)	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth (%)	Net Profit	ex/Sales (%)	Return on Invested	Return on Assets
Average	21.08%	25.66%	12.88%	11.02%	38.83%	7.55%	3.02%	12.88%	8.49%
100) NEWELL BRANDS INC	124.22%	142.86%	17.70%	14.40%	106.64%	8.50%	3.33%	8.01%	5.48%
101) DONG YI RI SHENG HOME...	34.79%	--	--	7.87%	75.74%	5.85%	1.53%	15.76%	7.24%
102) TUPPERWARE BRANDS CO...	-3.10%	-3.51%	17.40%	14.80%	5.61%	9.53%	2.78%	26.25%	13.24%
103) TTK PRESTIGE LTD	9.86%	18.24%	11.98%	10.60%	24.38%	7.53%	1.13%	15.66%	12.07%
104) MAISONS DU MONDE SA	--	--	--	--	--	1.97%	4.89%	--	--
105) GLARUN TECHNOLOGY CO...	21.10%	--	--	20.30%	31.30%	18.08%	2.98%	13.73%	11.28%
106) TAKARA STANDARD CO LTD	2.58%	-2.81%	9.38%	6.50%	8.97%	4.71%	3.74%	5.24%	3.73%
107) KOKUYO CO LTD	1.10%	19.91%	7.13%	5.02%	58.14%	3.68%	0.85%	4.46%	3.90%
108) LEGGETT & PLATT INC	-4.27%	0.19%	16.62%	13.55%	4.35%	9.45%	3.31%	18.49%	11.90%

The table above shows the profitability adjusted to the merger with Jarden Corp. with sales amount being 2x bigger (Jarden total sales = $8b) I believe that the merger created a consumer good giant that is managed by competent executive that will make the company strive in the rather difficult environment. EBITDA Margins shows a slightly higher figure than peers with 17.70% against 12.88%.

Conclusion:

On top of the relevant and consistent restructuring plans, the company also decided to focus a little bit more on product innovation. Hence the reason why the company build in early 2015 a brand-new Design Center located in Michigan. "The opening of our new Design Center represents another step forward in our ambition to become a design and innovation led company," said Michael Polk, President and Chief Executive Officer. I believe that all the necessary ingredients are present for the company to create adequate value and therefore send the share price up north. Newell is one of those companies whose decided to make change not because the company was close to bankruptcy or was performing badly, but because management saw an opportunity to grow differently than using the existing model. Based on the chart above the company lost 25 % of its value last year and I believe that when the new structure will yield investors will jump back in the boat immediately. Hence the reason I see an opportunity in Newell Rubbermaid Jarden

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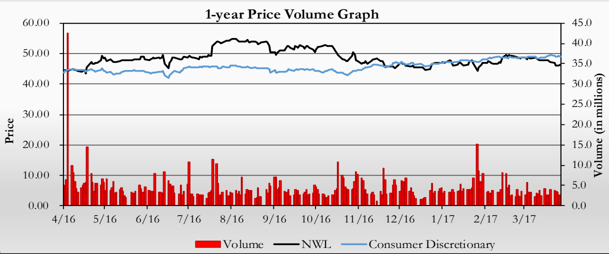
Newell Brands Inc. (NWL) — CENTER FOR GLOBAL FINANCIAL STUDIES — BULLISH

Analysis by Alexandre Thiam	Current Price:	$46.17	Intrinsic Value	$58.52	Target 1 year Return: 48.2%
4/12/2017	Divident Yield:	2.2%	Target Price	$67.40	Probability of Price Increase: 95.6%



Description

Newell Brands Inc. designs, sources, and distributes consumer and commercial products worldwide.

General Information

Sector	Consumer Discretionary
Industry	Household Durables
Last Guidance	November 3, 2015
Next earnings date	May 8, 2017
Estimated Country Risk Premium	5.05%
Effective Tax rate	30%
Effective Operating Tax rate	-128%

Market Data

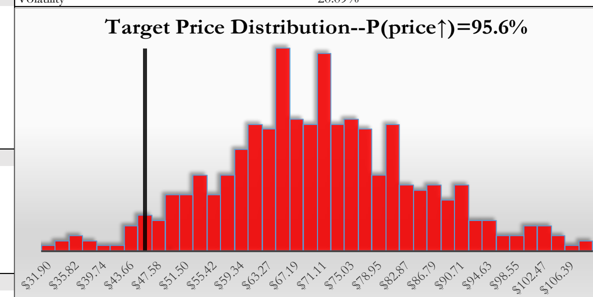
Market Capitalization	$22,272.41
Daily volume (mil)	2.48
Shares outstanding (mil)	482.40
Diluted shares outstanding (mil)	423.10
% shares held by institutions	62%
% shares held by investments Managers	85%
% shares held by hedge funds	3%
% shares held by insiders	0.93%
Short interest	3.70%
Days to cover short interest	4.46
52 week high	$55.45
52-week low	$43.20
Levered Beta	0.93
Volatility	20.09%

Past Earning Surprises

Quarter ending	Revenue	EBITDA
12/31/2015	N/A	N/A
3/31/2016	-1.51%	-3.69%
6/30/2016	-2.72%	-7.36%
9/30/2016	-4.86%	-11.68%
12/31/2016	-7.56%	11.76%
Mean	-4.16%	-2.74%
Standard error	1.3%	5.1%

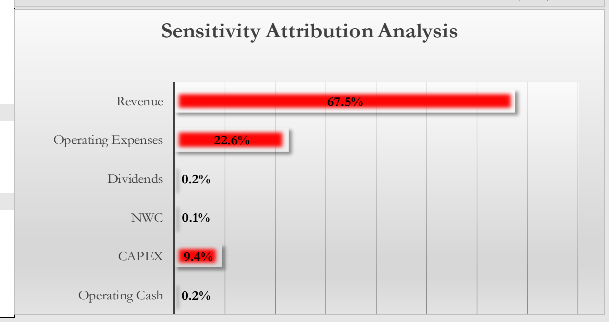
Peers

The Estée Lauder Companies Inc.
Colgate-Palmolive Company
Church & Dwight Co., Inc.
The Procter & Gamble Company
Libbey Inc.
Tupperware Brands Corporation
Lifetime Brands, Inc.
CTI Industries Corporation

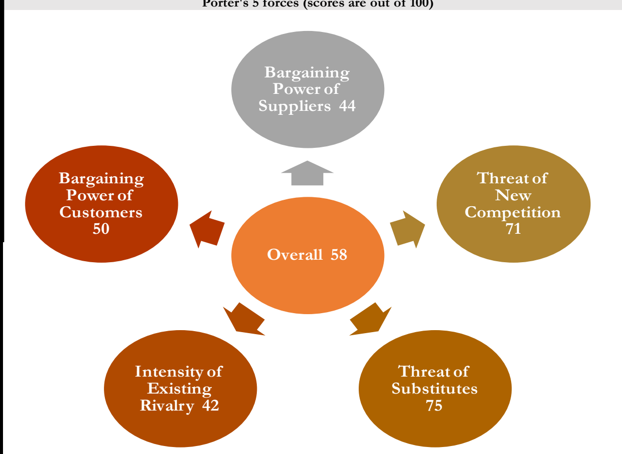


Management	Position	Total compensations growth	Total return to shareholders
Polk, Michael	Chief Executive Officer and	118.26% per annum over 6y	-0.08% per annum over 6y
Tarchetti, Mark	President	32.64% per annum over 3y	9.62% per annum over 3y
Nicoletti, Ralph	Chief Financial Officer and	N/M	N/M
Burke, William	Chief Operating Officer and	22.02% per annum over 6y	-0.08% per annum over 6y
Laird, Fiona	Chief Human Resources & Comm	N/M	N/M
Cunningham, James	Chief Accounting Officer and	N/M	N/M

Profitability	NWL (LTM)	NWL (5 years historical average)	Industry (LTM)
ROIC	286.3%	30.21%	10.46%
NOPAT Margin	88%	16.75%	9.6%
Revenue/Invested Capital	3.24	1.80	1.09
ROE	2302.7%	238.31%	12.79%
Adjusted net margin	86%	15.53%	8.6%
Revenue/Adjusted Book Value	26.87	15.34	1.48
Invested Funds	**NWL (LTM)**	**NWL (5 years historical average)**	**Industry (LTM)**
Total Cash/Total Capital	1.8%	2.5%	11%
Estimated Operating Cash/Total Capital	1.5%	2.2%	N/A
Non-cash working Capital/Total Capital	10.0%	9.8%	36%
Invested Capital/Total Capital	24.0%	35.9%	84%
Capital Structure	**NWL (LTM)**	**NWL (5 years historical average)**	**Industry (LTM)**
Total Debt/Common Equity (LTM)	0.56	0.31	0.31
Cost of Existing Debt	9.14%	3.82%	4.28%
Estimated Cost of new Borrowing	3.29%	4.23%	4.28%
CGFS Risk Rating	BBB	CCC	CCC
Unlevered Beta (LTM)	0.77	1.25	0.95
WACC	8.14%	9.42%	8.18%



Porter's 5 forces (scores are out of 100)



Valuation

Period	Revenue growth	NOPAT margin	ROIC/WACC
Base Year	124.2%	88.4%	35.16
12/31/2017	9.4%	7.6%	1.82
12/31/2018	0.3%	8.7%	1.66
12/31/2019	3.4%	9.7%	1.83
12/31/2020	4.7%	12.6%	2.44
12/31/2021	2.5%	13.8%	2.64
12/31/2022	2.5%	13.8%	2.64
12/31/2023	2.6%	13.7%	2.66
12/31/2024	2.6%	13.7%	2.70
12/31/2025	3.0%	13.7%	2.78
12/31/2026	3.5%	13.7%	2.89
Continuing Period	4.0%	13.8%	3.05

Period	Invested Capital	Net Claims	Price per share
Base Year	$2,772.52	$12,228.68	$57.89
12/31/2017	$2,541.14	$12,230.39	$66.69
12/31/2018	$3,320.19	$10,843.53	$75.68
12/31/2019	$3,503.26	$9,079.00	$84.79
12/31/2020	$4,094.59	$7,156.99	$93.94
12/31/2021	$7,717.97	$4,784.01	$103.58
12/31/2022	$9,665.30	$2,679.65	$112.56
12/31/2023	$10,163.73	$632.58	$121.43
12/31/2024	$10,345.70	-$1,350.10	$130.18
12/31/2025	$10,745.07	-$3,270.84	$138.80
12/31/2026	$10,995.60	-$5,128.99	$147.26
Continuing Period			