



## Position Close Update: Snyder's-Lance Inc. (LNCE)

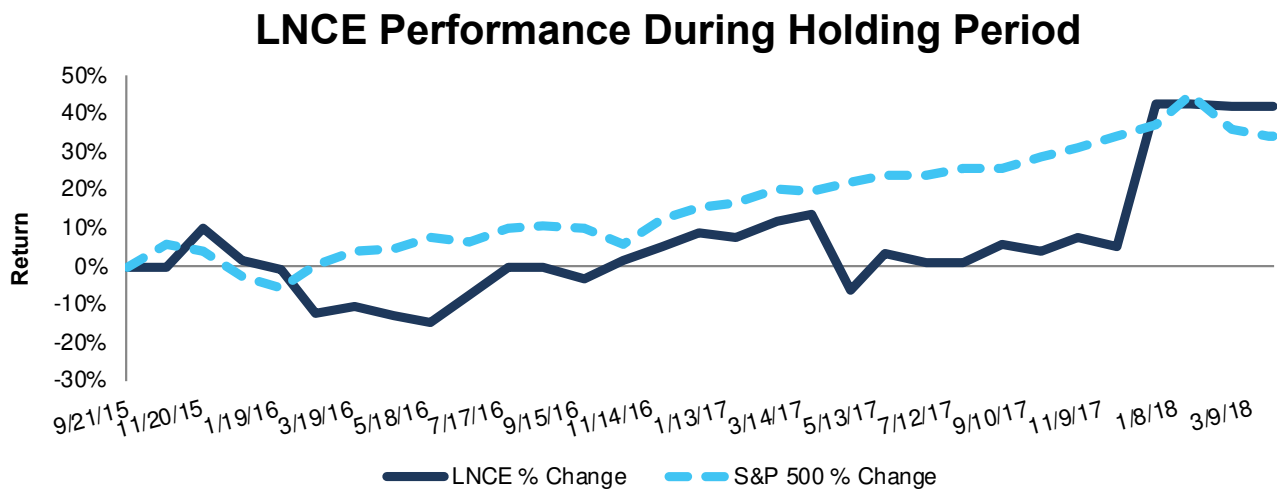
**Snyder's-Lance Inc. (LNCE: \$50/share) – Closing Short Position – up 42% vs. S&P up 34%**

Snyder's-Lance was originally selected as a [Danger Zone pick on 9/21/15](#). At the time of the report, the stock received a Very Unattractive rating. Our short thesis highlighted declining [economic earnings](#) (despite rising GAAP net income), competitive disadvantages, and overly optimistic expectations baked into the stock price.

The largest risk to any short thesis is what we call "[stupid money risk](#)." We noted in our original report that an acquisition could occur, despite LNCE being overvalued, as the snack food market has undergone consolidation in recent years. On 3/23/18, Campbell Soup (CPB) completed an acquisition of LNCE that will earn a paltry 3% ROIC (\$138 million NOPAT from LNCE divided by the \$4.9 billion acquisition price). The 3% ROIC on the deal will depress CPB's 14% ROIC and economic earnings. This deal destroys value for CPB shareholders.

During the 927-day holding period, LNCE underperformed as a short position, rising 42% compared to a 34% gain for the S&P 500. Prior to the acquisition announcement, LNCE was outperforming as a short and was up just 12% while the S&P 500 was up 35%. Due to the acquisition, we have closed this position and removed it from our [Focus List – Short Model Portfolio](#).

**Figure 1: LNCE vs. S&P 500 – Price Return**



Sources: New Constructs, LLC and company filings

Note: Gain/Decline performance analysis excludes transaction costs and dividends.

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*Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.*

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