THE BULL, BEAR & LION

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REVELRY IN FEBRUARY

Bottlers, Brewers, & Beverage Brands Embrace Sophomore Month

By Sean Lange

February is the unsung month for celebrations. What it lacks in national holidays evoking season's greetings or summer grill-outs, it makes up for with events that honor everything from romance to superstition; from sport, to history, to religion. It packs all of these tributes into the fewest days of any month of the year.

The revelry in February regularly calls attention to an industry that had three companies break into *Investor Business Daily's* list of the top twenty "Big Cap" companies to invest in during the new year: the beverage sector. Ranked among powerhouse companies like Alphabet, Caterpillar, and Facebook were Monster (NASDAQ: MNST), Constellation Brands (NYSE: STZ), and Brown Forman (NYSE: BFB), suggesting success on tap in 2018 for the makers and distributors of beer, wine, energy drinks, espressos, spirits, and soda. While the second month of the year doesn't cater to the volume sales and peak quarterly earnings for beverage companies that June, July, or August do, or serve as the prosperous period for product testing like the months of November and December, the February calendar page doubles as extensive offering of opportunities to gain bottled brand loyalty.

Especially, the Winter Olympics, running in 2018 from February 8th to the 24th in PyeongChang, South Korea, are quadrennial publicity showcases for adventure lifestyle-fueling beverage brands, like private label Red Bull and public corporation Monster Energy. Coming on the heels of the Winter X-Games each January in Aspen, Colorado, the Olympics are now inclusive of trick-based and maximum air-coveting events. Competitors endorsed by Monster at the 2018 Games include 17-year-old American snowboarder and Women's Halfpipe gold medalist Chloe Kim, and American skier David Wise, who took the gold medal in the Men's Halfpipe. Monster, which markets highly caffeinated, "alternative energy" juices and sodas to extreme athletes, has watched its stock go up 66% year to date; and has seen its fluorescent logo brandished repeatedly to the average 22.3 million viewers of NBC's Olympics broadcasts each night the past two weeks.

Surprisingly, energy drinks aren't the only beverages that have received significant television time during the PyeongChang Games. Watchers of multiple Olympics airings have no doubt seen the popular commercial run by Team USA sponsor Milk Life, the program formerly known by its tagline "Got Milk?". The ad, featuring U.S. halfpipe skier Maddie Bowman, encourages how milk's nutrients power her elite training. However, the dairy-industry advocacy may be more valuable for another holiday. While not selling milk as a standalone beverage, Hershey [NYSE: HSY] uses it as an integral ingredient in its signature product and in its February sales success. The legendary candy maker prides itself on sourcing all of the dairy for its milk chocolate from farms within 100 miles of its Pennsylvania headquarters; and sales of the famous Bars, Kisses, and Reese's Cups no doubt contributed to the record \$19.6 billion spent by U.S. consumers on candy this Valentine's Day. Hershey stock trades consistently around \$100 and is projected for \$3.66 EPS this year.

On the other hand, Coca-Cola [NYSE: KO] made the most of February by *spending* almost \$20 million, purchasing two ads across 90 seconds of air time during the Super Bowl LII broadcast. The brand has been a stalwart of Super Bowl commercial breaks for the past 12 years, running highly anticipated ads, which have customarily featured its polar bear mascots. The airtime gives Coca-Cola the chance to promote itself as an American brand at a time where soda's popularity is fizzing out. The maker of its namesake colas, Sprite, and Powerade recently cheered beats on quarterly revenues and EPS, at \$7.51 billion and \$0.39 cents, for the fiscal period ending this past January, in spite of slumping sales.

President's Day, celebrated on February 19th, might have provided another reason to look to the beverage sector -- to honor the nation's forefathers. In particular, Thomas Jefferson is regarded as "America's first wine connoisseur" by some U.S. historians, who recount that the fifth president once spent \$7,500 in 1785 to meticulously import a cache of Bordeaux, Burgundy, and Rhone directly from France -- an expense that amounts to over \$186,000 in 2018 currency. In homage to Jefferson, beverage distributor Constellation Brands saw its revenue grow 12% year-over-year in 2017 on the strength of distributing brands like Ruffino wines from Italy, Corona beer from Mexico, and Svedka vodka from Sweden. Earnings for the company, which are forecasted for 2018 at \$8.53 per share on its current share price of \$216, are projected to grow an average of 26% for each of the next three years.

Constellation

Find the **full list of employers** that will be at TCNJ's Career Fair this Wednesday, 2/21, **inside this edition** of *The BB&L*! See Page A2

On the metaphorical end of the things, it may seem like Groundhog's Day for Snapple: sold to Cadbury-Schweppes in 2000 and spun into its Dr. Pepper-Snapple division in 2008, the maker of tea and juice drinks will be moved again, to under the Keurig-Green Mountain [NASDAQ: GMCR] title, in the largest beverage acquisition in history. The deal, announced on February 1st, will create an \$11 billion drink juggernaut, with revenues coming from coffee pod and grinds, and the Dr. Pepper, Snapple, Sunkist, and 7Up brands. Holiday imagery is also fitting for National Beverage Corporation [NASDAQ: FIZZ], which has grew its revenue 20% to \$244 million in past quarter. The maker of LaCroix seltzer flaunts a purple and gold logo, reminiscent of the colors Mardi Gras, the Christianity-based celebrations that concluded with Ash Wednesday last week.

National Beverage Corp.

Then, Brown Forman, the owner of brands like Jack Daniel's whiskey and Herradura Tequila, has used its recent success -- its shares are up over 40% year-to-date, and it beat EPS and revenue expectations by 23% and 10%, respectively, in the previous quarter -- to boost many of its projections. The hard liquor-centric company has boosted 2018 earnings guidance from consensus \$1.85 per share to a range of \$1.90 to \$1.98, and projects an average of over \$900 million in net sales each quarter. On February 7th, the company also announced a 4:1 stock split in the form of a stock dividend, handing out one Class B share for every four shares of either Class A or Class B owned. Its stockholders are set to receive the additional shares on February 28th; and the timing couldn't be more appropriate. February, too, carrying out its celebration, sometimes adds an extra day for its four weeks. ◆

THE BB&L

Commerce & Culture

Amazon Meets its Match

Previously a languishing program, Amazon Lending revamps with the help of Bank of America

BY AASHNA GANDHI

Spanning back to 2011, Amazon, the leading e-retailer in the U.S., has worked on launching a platform known as Amazon Lending. Through this service, Amazon aspires to provide its small business vendors with loans to purchase inventory and expand business operations, with the outcome being the overall advancement of Amazon.com. This endeavor proves profitable for both the small business owners, who have more capital to enhance their sales, and for Amazon who receives a small percentage of money accrued from each transaction on its website.

Amazon CEO Jeff Bezos stated in his annual letter to shareholders in December 2016 that his company was anticipating teaming up with a financial institution to extend the venture. On February 14th, Amazon announced that partner in Bank of America Merrill Lynch. In past years, Amazon had independently granted loans ranging from $1,000 to $750,000 to its top vendors, which either qualified for or were invited to the program. The new strategic partnership with Bank of America allows Amazon to provide more capital to more of its sellers, while distributing some of the risk.

Prior to the deal with Bank of America, the Amazon Lending platform had stagnated year-over-year in the volume of funds it allocated ($661 million in 2016 up to only $692 million in 2017), which was coupled with a decline in vendors interested in the program.


BEZOS & BLANKFEIN: the Amazon CEO, left, and the Bank of America chief executive, right, will see their companies partner under a newly announced credit facility plan

With competition coming on from well-advertised, lending-specializing platforms like Kabbage, PayPal, and Square, which are capable of offering more attractive interest rates to developing businesses, Amazon Lending and its 11% to 13% annual interest had been quickly losing popularity.

Many sources have concluded that the slowdown of Amazon's Lending program was an intentional tactic that borrowed the company time to reassess its credit risk and to become more acclimated with the loan marketplace. Last year, Amazon also made a $13.7 billion purchase of grocery retailer chain Whole Foods, and began to invest in more of its own warehouses and shipping facilities. Thus, it may be presumed that Amazon believed its capital would be better suited elsewhere during the prior period. However, now that Bank of America is in the picture, it will be worth seeing the lending program that Amazon formulates with the second-largest bank in the United States. ◆

Jared Kofsky:

NEW JERSEY, NEW BUSINESS

B.GOOD is continuing its expansion into New Jersey, a vacant Jersey City lot will soon be redeveloped, and Bayonne's tallest buildings are about to be constructed.

Jersey City is continuing to attract new restaurants and stores, particularly in neighborhoods near the Hudson River waterfront. However, the increase in business in New Jersey's second largest city has come with an increase in rents, prompting some residents to consider moving to a neighboring municipality with a lower cost of living. Here is a special Hudson County edition of Garden State business stories, as initially featured on JerseyDigs.com.

Over the last 15 years, **B.GOOD** has been expanding its presence throughout the East Coast of the United States along with parts of Canada, Germany, and Switzerland. The Boston-based fast casual restaurant franchise, which is known for its kale and grain bowls, salads, burgers, sandwiches, and milkshakes, currently has New Jersey locations in Fair Lawn, Marlton, Ridgewood, Mount Laurel, and Jersey City. Now, the latter community will be getting a second B.GOOD restaurant. Company spokesperson Colin Geaghan confirmed that a location will be coming to the ground floor of 30 Montgomery Street near Exchange Place. The restaurant is expected to open to customers in the summer. 30 Montgomery Street, which consists of retail and office space, recently underwent a renovation in order to attract new tenants. In addition to B.GOOD, two other new occupants of the building include CAVA and Bluestone Lane Coffee.

Just a few blocks away, a nationwide chain of gyms will be opening a location to serve this growing neighborhood. Boca Raton, Florida-based **Orangetheory Fitness** is coming to 475 Washington Boulevard within the recently constructed Monaco complex. There is still a long way to go before the fitness center opens, since construction has yet to begin inside the ground floor space. Once it is completed, it will be the company's 19th location in New Jersey.

Since nearly every vacant lot near the Jersey City waterfront is now developed, companies are now looking to neighborhoods that are further inland as places to build. One of those neighborhoods is Bergen-Lafayette, which is served by the Liberty State Park Station on the Hudson-Bergen Light Rail. **PE Real Estate Holdings** of Manhattan plans to begin construction at some point in the next few months on its new 'Pine Street Lofts' project at 65-71 Monitor Street. When completed, the five-story building is expected to include 72 rentals, ground floor retail space, a dog run, a roofdeck, a wet bar, a lounge, and a co-working space, according to project co-manager Phillip Gesue. Five percent of the units will be designated as affordable housing.

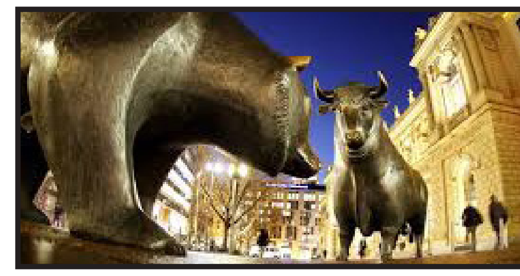
While PE Real Estate Holdings continues to develop in Jersey City, other developers are beginning to propose projects in the municipality's southern neighbor. Although Bayonne saw few developments in the late 20th century, the opening of the Hudson-Bergen Light Rail along the city's Route 440 corridor has prompted developers to take a closer look at the community. Now, construction is about to begin on two 22-story towers next to the 8th Street Light Rail Station that will be the tallest buildings between Jersey City and New Brunswick. The **L Group** and **Cali Futures** are planning for the massive new complex to include 340 residential rental units, 25,020 square feet of commercial space, and a four-story underground parking garage, according to Silbert Realty & Management. The site, which had been vacant for over a decade, was acquired by the developers in 2015 for $4.6 million. The new towers are expected to attract existing Bayonne residents and people from Jersey City and New York who are looking for lower rents. ◆

THE BB&L

In the School of Business

Stock Picks: 10 Names to Buy on the Pullback

BY CONNOR C. INTRONA



On Monday, February 5th, and Thursday, February 8th, the stock market suffered its two worst session drops in history, with the Dow Jones Industrial Average closing down 1,033 points and 1,175 points on each day, respectively. With the Dow having reversed roughly half of the historic deficit in the two weeks since, staff writer Connor Introna provides his insights about which stocks may be worth buying now on the market's way back up.

1. **AbbVie Inc. (NYSE: ABBV)**
Industry: Healthcare (Pharmaceuticals)

Established in 2013 when Abbott Laboratories (NYSE: ABT) spun off its biopharmaceutical business, AbbVie has since been an unrelenting favorite of investors. Up until the February decline, AbbVie's stock had been virtually unstoppable -- climbing more than 100% in just the past year alone. AbbVie's prospects, especially, don't correlate with anything that caused the market's short-term tank. In fact, it just reported an outstanding quarter, fueled by heightened demand for its impressive lineup of drugs. AbbVie is the maker of Humira (adalimumab), which can treat ulcerative colitis, Crohn's disease, and rheumatoid arthritis, as well as Lupron (Leuprolide), which can treat prostate cancer and endometriosis. Its stock trades at just under 30x earnings, making it very inexpensive when factoring in its cash flow and future earnings potential from developing franchises in oncology, virology, and neurological disease treatments.

2. Parker-Hannifin (NYSE: PH)
Industry: Industrials (Machinery, Equipment & Components)

Parker-Hannifin is one of those core-value industrials that has quietly rallied double-digit percentage points over the past year while its industry peers have hogged all of the headlines. Recently, it seems that not a day has gone by in the Trump economy where Boeing (NYSE: BA), United Technologies (NYSE: UTX), or Lockheed Martin (NYSE: LMT) has not been looked to as a front-runner of the rally; but what about the component companies? Parker-Hannifin manufactures motion and control technologies for capital goods and aerospace systems, and provides specialty products to industrials. The aerospace sector, carried by the above companies, has robust growth; and Parker-Hannifin has a share in that space. The stock of the company trades at just around 20x earnings (a discount inherent to the industrials), has a 1.5% yield, and is currently down more than 12% after an otherwise stellar quarter. As the stocks of its industry peers return to their record highs, and as the company's clients thrive in the near future, there is little question that Parker-Hannifin will resume to climbing to record highs right alongside them.

3. PayPal (NYSE: PYPL)
Industry: Technology (Financials Technology)

The recent pullback in PayPal should not come across to the market as anything less than a handout. Like it did back in November of 2017 when it sat around $70 before it gained up to 20% in the following months, the stock has taken a break from smashing through new high after new high, and has once again given investors the golden opportunity to buy into an excellent growth story. Along with Visa (NYSE:V), MasterCard (NYSE:MA), and Square (NYSE:SQ), this electronic payment processor and credit provider is on the front lines of the financial-technology revolution. Trading at a discount due to the market pullback and the news of it losing a key contract in eBay, PayPal is a solid buy. Two key themes are driving this company's growth: digital payments are rapidly growing and are here to stay; and its digital payment app, Venmo, is extremely popular with Millennials. PayPal has a big market share of the payments space (37%) already, and Venmo has barely been monetized. If it's cheap considering the present, it's a gift considering the future.

4. Honeywell International (NYSE: HON)
Industry: Industrials (Industrial Conglomerates)

The total antithesis of the struggling General Electric (NYSE: GE), Honeywell is planning with prudence and operating with a heavyweight set of teeth. The company exceeded all of its yearly guidances in 2017, including a 10% beat on EPS at $7.11, and is expected to be supported by a flourishing aerospace segment in 2018, where it reports a 22.2% margin on revenue. This strength is enhanced by addition to a strong home and building division and a high-growth materials and technology business.

5. UnitedHealth Group (NYSE: UNH)
Industry: Healthcare (Providers & Services)

If any remnant of the Affordable Care Act or public healthcare exists after the Trump presidency, UnitedHealth wins. If health insurance becomes privatized, UnitedHealth wins. If business titans like Warren Buffett, Jamie Dimon, and Jeff Bezos say that healthcare in America is going to change, UnitedHealth, once again, wins. This company is the largest health insurer in the world by revenue, and it will take a lot more than policy rhetoric to knock it off its pedestal. Not only does it have an impressive revenue stream to the tune of $201 billion in 2017, the company has a robust pharmacy benefit management play, and its stock trades at just under 25x earnings. What makes UnitedHealth an attractive buy right now? There have not been many times in the stock's history that it has paused like it has, so load up on this name while it's in recovery.

6. Waste Management (NYSE: WM)
Industry: Industrials (Professional and Commercial Services)

What is so glamorous about a company that deals with garbage? Quite a lot actually, especially when it comes to its stock. Waste Management is a quintessential industrial, and is a huge infrastructure play. The demolition of old, crumbling structures, along with the construction zone management for new ones, produces a high need for debris and materials disposal. Waste Management would no question benefit from the new construction promised in Trump's infrastructure plan and has already seen business from the rebuilding efforts following last year's hurricanes. The company just reported a terrific quarter, with a two-cent beat on EPS and a 5.5% beat on revenue.

7. Becton Dickinson (NYSE: BDX)
Industry: Healthcare (Healthcare Equipment & Supplies)

The life sciences and medical equipment segment of the health-care industry can often be the strongest and most consistent of all. While there are exceptions to this in the form of a few strong drug companies and the insurers (although not considered true health-care companies), this cohort has many great winners, including Edward Lifesciences (NYSE: EW) and Boston Scientific (NYSE: BSX). But of all of these, Becton Dickinson is the best in show. From its two strong medical equipment businesses in diabetes treatment devices and disease detection systems, its recent acquisition of specialty medtech supplier C.R. Bard, and its fast-growing biomedical devices research and development, B.D. is quite the heavy hitter. The stock, with almost a 1.5% yield, is down more than 10% from its January high, has had its short interest be cut almost 70%, and is trading just 2.7x its tangible book value. At these levels, Becton Dickinson is a solid buy.

8. XPO Logistics (NYSE: XPO)
Industry: Industrials (Freight & Logistics Services)

After your company's stock soars 116% in just under a year, a renewed "overweight" rating from Goldman Sachs and freshly issued "Buy" tags from DeutscheBank and JPMorgan last week may be surprising. However, the growth story for the Connecticut-based company is manifold -- part usual business progression and part unexpected outperformance. In addition to planning to open 30 new centers this year in North America for its transportation network, XPO management announced that it expects 29% of its total revenue this year to come from e-commerce dealings.

9. Goldman Sachs (NYSE: GS)
Industry: Financials (Investment Banking & Investment Services)

If there is one company that will benefit in the long-run from higher interest rates, deregulation in the Trump Economy, and increased volatility in market, it is Goldman Sachs. While it's true that the same could be said for Citigroup (NYSE: C), Bank of America (NYSE: BAC), and J.P. Morgan Chase (NYSE: JPM), Goldman Sachs is the undisputed kingpin of Wall Street banking. It's the industry leader which usually deserves to trade at a premium to the markets. However, it recently has been denied of this anointment. When Goldman Sachs reported back at the beginning of 2018 earnings season, investors were not pleased with the 50% decline in its fixed-income and commodities business in the previous quarter. However, that circumstance would most likely change given higher interest rates on bonds.

10. Johnson and Johnson (NYSE: JNJ)
Industry: Healthcare (Pharmaceuticals)

It's not just a company that many TCNJ School of Business students go to work for post-graduation -- Johnson & Johnson is a comprehensive value powerhouse. With a prevalent medical device business, a profit-generating pharmaceutical arm, and a vast portfolio of recognizable household products, this company has little reason to be trading as cheaply as it currently is. While the stock fell in the correction, and as a result of lighter-than-expected pharmaceutical sales figures in the fourth quarter of 2017, the overall health-care conglomerate also reported an 11.5% year-over-year increase in revenue in 2017.

THE BB&L

REVIEW

BOOK

Modern Slavery by Siddharth Kara

Review by Paul Mulholland

By Siddharth Kara's conservative estimate, there are 31.2 million slaves in the world today. In his third and most comprehensive book on slavery, Modern Slavery, Kara describes how and where slavery is able to persist today.

Kara has interviewed over 5,000 slaves, and many of the slaveholders and middle-men that make the slave trade possible. The book is filled with stories of angry and suspicious managers and recruiters and a number of risky situations the author found himself in. But it also contains the words of the slaves themselves that describe the conditions of enslavement.

The most vulnerable of the world are the ones that are targeted for the trade: the poor, refugees, foreign migrants, racial and caste minorities. The ease of modern transport and social apathy make slaves a relatively low-risk option in some areas, and their exchange can bring stupefying profit margins.

Bonded labor is the most common form of slavery. Poor people are offered transit to wealthier countries to work for higher wages, often illegally. The cost of transit is borrowed by the workers and is theoretically to be paid off with their labor. They are then paid far less than promised and live in worse conditions. They have no choice but working off the debt because it is often enforced with violence against them and their families back home: cartels and mafias kill them, or local shamans curse them and they become outcasts. They have no access to modern capital markets, or to legal protection or retribution.

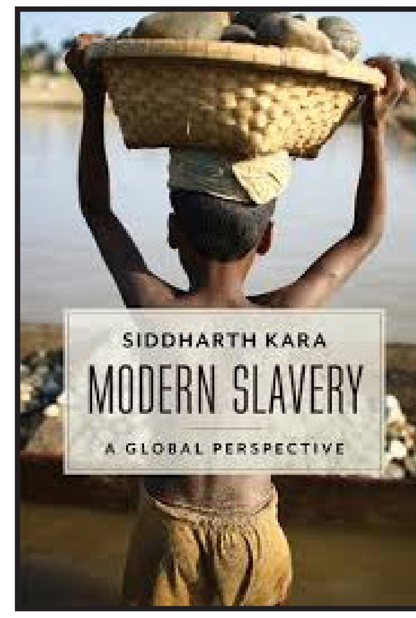
The United States still has slaves in its agricultural sector. Many illegal immigrants work off debts in perpetuity and exist outside of the law. Those who come legally are also enslaved, surprisingly. The H-2A visa only allows the workers to stay for one year, making them illegal when a debt forces them to stay past that time; and only allows them to work for one employer, meaning they cannot switch when they are being underpaid.

The suffering that Kara describes is appalling. From Thai fishermen being shot and thrown overboard for being injured and unable to work, to girls that are lied to and sold into sex slavery until they die young of STDs, there is no limit to the cruelty that profit-motives will drive humans to, especially at the expense of the vulnerable.

Many will find Kara's work useful, and anyone will find it enlightening and shocking. His work is filled with history, economics, cultural studies and interesting journalistic approaches. There are few supply-lines in global commerce that are not tainted by the dehumanizing and unpaid toil of those who have no other option. ◆

GLOBAL IMPACT

"The ease of modern transport and social apathy make slaves a relatively low-risk option in some areas, and their exchange can bring stupefying profit margins."



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