Consumer

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Written by

Beulah Meriam K

I do deep-dive analyses

multiple segments,

goods and t... more

into the top companies in

including retail, consumer

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119.90

183.10

126.58

1,406.33

1,381.09

337.31

368.13

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2,334.89 -0.70%

390,359.99 -0.30%

Symbol - Price

AAPL

ABNB

BCPC

BKNG

CMG

CTAS

DPZ

ENSG

HEI

HSIC

IDXX

MA

MCO

MTCH

% Chg

-1.23%

0.33%

0.28%

-1.28%

2.00%

-1.14%

-1.06%

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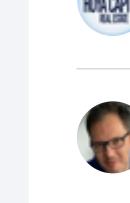
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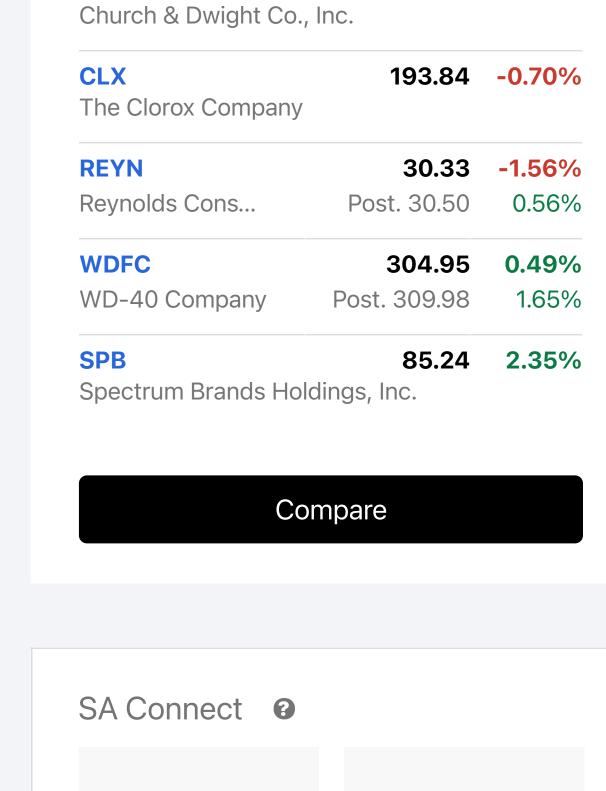
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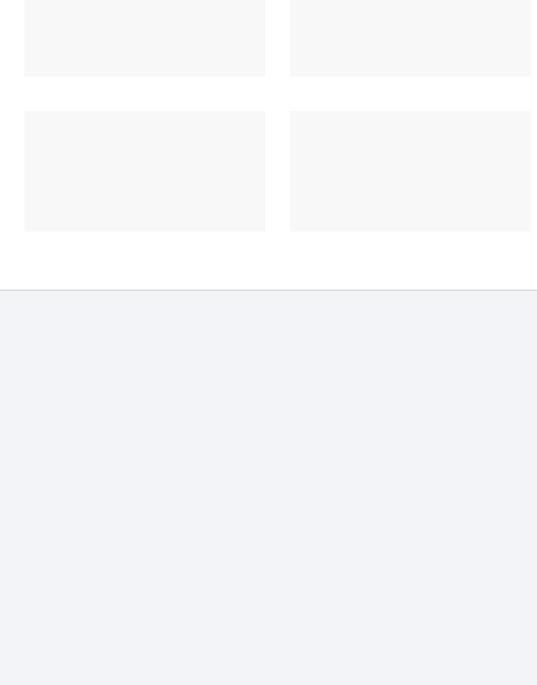
Symbol

CHD

Last Price % Chg

87.92 **-0.75**%





Church & Dwight: Investing In The

Stock Ideas

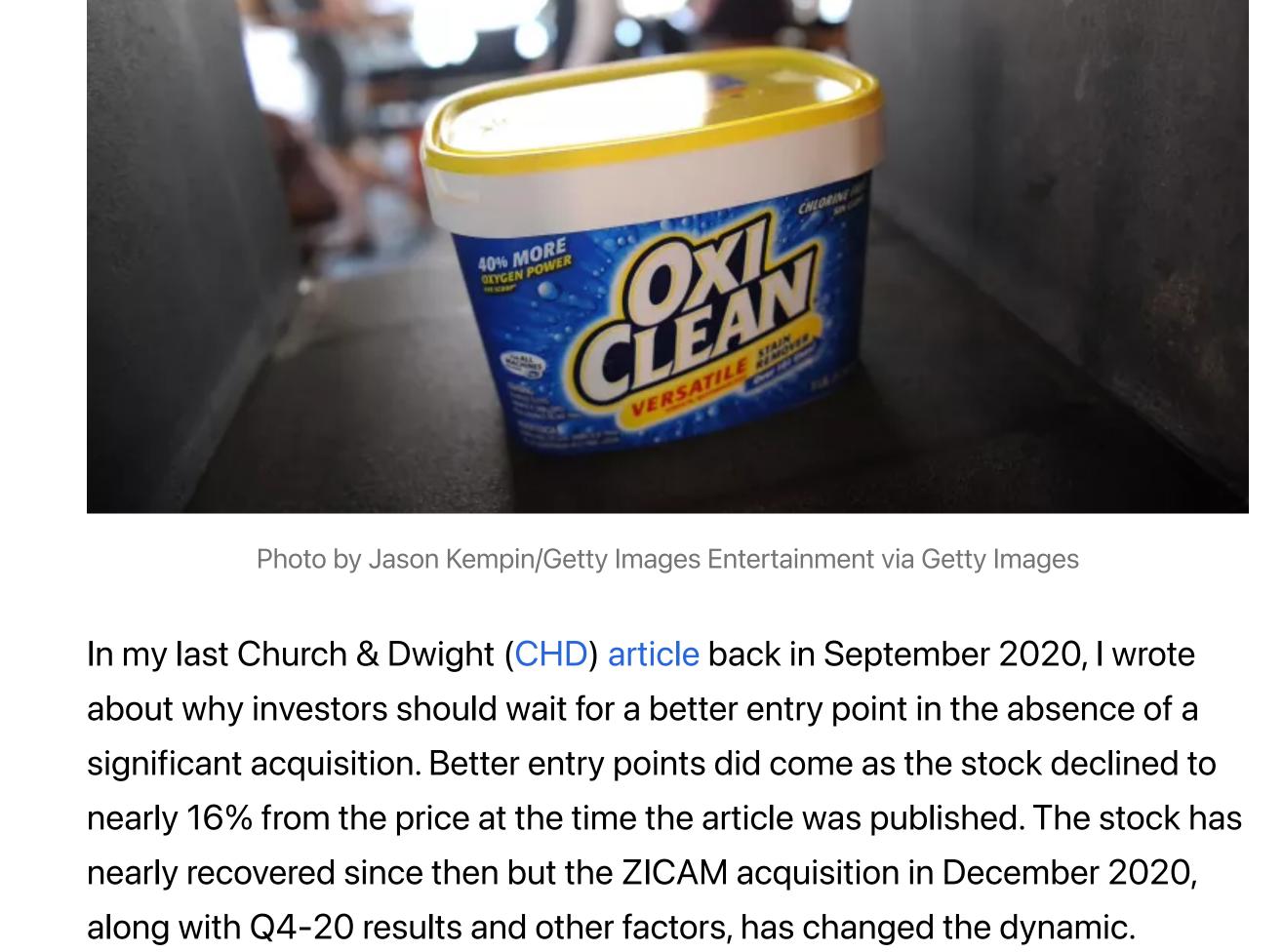
Dividends ETFs

Next 20 Years Mar. 30, 2021 5:45 PM ET | Church & Dwight Co., Inc. (CHD) | 2 Comments | 3 Likes

Summary

The ZICAM acquisition is another stepping stone in Church & Dwight's growth trajectory.

- Extrapolating from past performance shows ample opportunity for share price growth. • The current valuation level implies significant underlying value over the
- long-term investment horizon.



I am now bullish once again on CHD at the current as-of-writing price of

\$88.58. Although the acquisition has not been accretive to Q4-20 earnings due to transition, amortization of intangibles, and other acquisition-related factors, it is "expected to be approximately 3% accretive to cash earnings in 2021." My thesis, however, is based on a long-term view of the company visa-vis the current valuation, and it looks like a worthwhile investment at this time, specifically for long-term investors.

Although FY-20 was a good year in terms of sales growth (10% organic) and

repeated. Indeed, the company's own guidance figures of 3% organic sales

earnings growth (15%), it was an anomaly that we can't expect to be

However, the company is also a lot more flexible after dealing with the

growth and 6% to 8% EPS growth for FY-21 reflect a stabilization at historical levels of growth.

decades, as we'll see.

earnings call:

conservative.

1.5

and April.

2016

Source: Federal Reserve Bank of New York

the period - a CAGR of 13%.

entirely unreasonable forward assumption.

of excess cash and debt capacity.

handsome total return as a long-term investor.

almost-flawless manner, if you're excuse the pun.

for anyone getting in at this time.

Beulah Meriam K

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Metric: Total Return *

414,53% • SP500TR 269,54%

Chart: The Balance • Get the data • Add this chart to your site

Stable Growth Moving Forward

Thesis:

uncertainties of the peak pandemic period. Not only has it aligned itself to the digital needs of its consumers (13% of overall sales in FY-20) but has successfully navigated pandemic-related headwinds to its core product lines. Moreover, it has already identified key growth drivers from these product lines for FY-21, which will help support organic growth in the guided range. The real clincher is not the guidance, though, but rather the actual performance of the company at the top and bottom over the past two

and the economic conditions that will prevail through the first half of 2021 aren't likely to change. In addition, the shift to digital has been perceived by many as being a permanent one that won't roll back once the air clears of the coronavirus threat.

The elevated levels of demand during 2020 have helped CHD line-up its

product portfolio to the needs of the new normal. Although there's still a long

and uncertain road ahead in 2021, a few of its Power Brands will continue to

of the Power Brands, helped yield an average organic growth rate of 9.8%,

perform well. As reported by the company, 12 of its 17 brands, including most

That's one plausible reason why the company is confident about its guidance

- it is realistic to the extent of being pessimistic. In a best-case scenario, we

could see Q1-21 and Q2-21 numbers come in much higher. New customers

represents a critical entryway for long-term customer loyalty. Per Executive

We added 8.6 million households to ARM & HAMMER, More Power To

You, 2.4 million to OXICLEAN Stain Figther [sic]. And in the second half

have been acquired across multiple brands at an impressive rate and it

Vice President & Chief Marketing Officer Britta Bomhard at the Q4-20

alone, VITAFUSION added 3 million more households.

We know that we have category-leading repeat rates. This means once these households experience our brands, they enjoy them and come back to them, laying the foundation for strong growth in 2021. There's still significant momentum in multiple segments, including vitamin supplements, power flossers, and the FLAWLESS line, which now has Halle Berry as its brand spokesperson, among other celebrities promoting the

brand. Poised and waiting on the sidelines are other brands such as Trojan

and the company's dry shampoo brand, Batiste, which the company hopes

will recover their growth trajectories as socializing becomes more prevalent.

Recent reports from sources such as McKinsey & Company also reveal that

consumer discretionary spending is 'on the verge of a surge' as consumers

plan to escalate their spending on non-essentials. That puts essentials on

rock-solid ground as well, which is yet another sign that CHD's guidance is

Median Expected Change in Household Spending Over the Next 12 Months Households asked in December 2020 about future spending said they expected to spend about 3% more in the next 12 months, the largest expected change in total spending since the Fed began monitoring it in August 2015. 3.5

2018

Consumers reported expecting all-time-high spending increases in essential items

expected growth in household spending three times per year-in August, December,

(4.1%) and non-essential items (1.6%) in the coming year. The Fed tracks median

2017

2020

2019

2021

the balance

Source **Investor's Angle** CHD is a solid company to invest in, no doubt, but your cost basis is an important consideration. Due to the slow and measured growth cadence of the stock as well as the company's revenue trajectory, it's important to maximize your returns over time. However, it is the actual figures underlying those assumptions of slow and steady growth that help make a compelling investment case for CHD.

In reality, although CHD seems locked in to the '3% organic at the top and

6%-8% at the bottom' rhythm of growth that has become a mantra for the

management team, they're growing much faster than that. In combination

revenues have grown from \$1.05 billion to \$4.9 billion, representing a CAGR

of about 8%. Similarly, trailing earnings have gone from \$0.27 to \$3.12 during

Assuming a conservative straight-line earnings CAGR of 10% over the next

Hypothetical, of course, but borne out by historical growth rates and not an

Its ongoing M&A activities have helped it build a formidable portfolio of

10 years, the current price represents a trailing P/E ratio of under 11.

with accretions from key acquisitions over the past two decades, TTM

market-leading products, and this is supported by the defensive nature of the products themselves, the careful capital allocation and debt management practices of the company, and the overall health of the books. We have a very strong balance sheet. We have a lot of financial capacity. We expect to end the year at 1.3 times debt-to-EBITDA at the end of 2021. And so we have a lot of dry powder, what do we do? We have the ability to do up to a \$4.2 billion deal and still maintain our credit rating. So just a lot

With a company like Church & Dwight, the best way to grow your money is to

invest in the dips, the most recent one being the decline from around \$83 to

under \$78 earlier this month. Nevertheless, even at the current as-of-writing

price of \$88.58, there's significant value in this stock. And when you add the

10-year dividend growth rate of nearly 17%, you're looking at a pretty

2017 2015 2021 Source: Seeking Alpha The advantage of investing in a company like CHD comes from the 'boringly' predictable' nature of the business. It's not an investment that one might shout from the rooftops about, but it's as solid as they come. The leadership

team has found a strategy that works and has executed that strategy in an

No doubt, there have been external disruptions, sub-par acquisitions, and

periods of less-than-optimal organic or acquisition-driven growth, but those

are largely absorbed into the overall strategy when you take a long-term view.

If the last 20 years are anything to go by, the next 20 will be equally lucrative

I do deep-dive analyses into the top companies in multiple segments, including retail, consumer goods and t... more **Disclosure:** I/we have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

Print

2 Comments

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Comments (2) Sort by Newest Add your comment... Share your comment: **Publish** hal54 Yesterday, 7:21 PM Comments (28) | + Follow CHD has been in my family since the company was founded. My great grandfather and Dr. Church

were friends. My middle name is Church as were my dad and grandad. The stock has been rock solid with a steady growth over the years. It also tends to split more often than most. CHD is the only "hands off" stock in my portfolio. I'm 67 and will be willing my shares to my kids. ⇒ Reply **∆** Like (2) **Beulah Meriam K** Yesterday, 10:28 PM

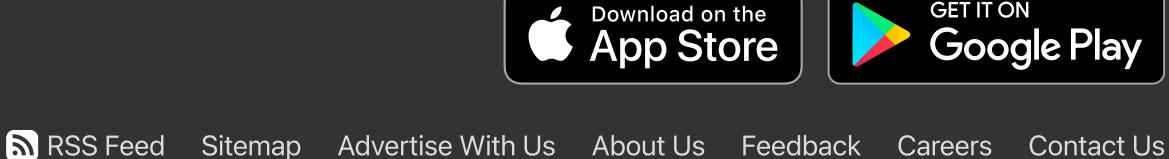
Author's Reply @hal54 Wow, that's a family heirloom of sorts! Thanks for sharing; always

Contributor Premium Comments (157) | + Follow

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an honor to meet someone who's held a stock for so long.

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