

The Merriam Report **THS** **QEJun-09** **Treehouse Foods**

All amounts in millions except for earnings per share

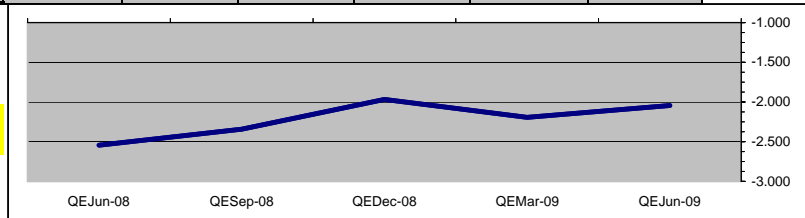
Quarterly period ending:	QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09	Averages	
Earnings Per Share (Incl. Ext. Items)	\$ 0.260	\$ 0.350	\$ 0.220	\$ 0.390	\$ 0.580	\$ 0.360	
% Change in E.P.S. (from prev. qtr.)		34.6%	-37.1%	77.3%	48.7%	30.9%	
Total Revenues	367.37	374.58	398.08	355.40	372.61	373.61	
% Change in Revenues (from prev. qtr.)		2.0%	6.3%	-10.7%	4.8%	0.6%	
Cost of Revenues	298.7	301.4	318.2	283.7	292.8	299.0	
Accounts Receivable:	87.2	92.6	86.8	81.7	84.0	86.5	
% Change in Receivables (from prev. qtr.)		6.1%	-6.2%	-5.9%	2.8%	-0.8%	
DSO's (# of days it took customers to pay)	21.6	22.5	19.9	20.9	20.5	21.1	
Inventories:	275.7	288.3	245.8	255.2	275.8	268.1	
% Change in Inventory (from prev. qtr.)		4.6%	-14.7%	3.8%	8.1%	0.4%	
Inventory as a % of Sales	75.0%	77.0%	61.7%	71.8%	74.0%	71.91%	
Prepaid Expenses:	0.00	0.00	0.00	0.00	0.00	0.0	
Other Current Assets:	19.9	22.0	21.2	18.5	18.0	19.9	
Property, Plant & Equip. (net):	265.7	266.4	270.7	275.5	278.1	271.3	
% Change in P,P & E (from prev. qtr.)		0.3%	1.6%	1.8%	0.9%	1.2%	
Accounts Payable:	141.5	176.1	187.8	172.5	163.8	168.3	
% Change in Payables (from prev. qtr.)		24.5%	6.7%	-8.1%	-5.1%	4.5%	
Quarterly period ending:	QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09		
Total Liabilities:	791.6	788.2	735.6	722.4	721.1	751.8	
Shareholder equity:	638.8	651.5	620.1	631.6	669.9	642.4	
Retained Earnings (Accum. Deficit)	96.0	107.1	113.9	126.7	145.1		
Operating Cash Flow (OCF)	-392.4	-379.3	-343.2	-330.7	-306.7	-350.5	
OCF as % of Revenues	-106.8%	-101.3%	-86.2%	-93.0%	-82.3%	-90.7%	
Balance Sheet Cash Flow (BSCF)	543.0	497.6	439.8	449.6	455.2	477.0	
BSCF as % of Revenues	147.8%	132.8%	110.5%	126.5%	122.2%	123.0%	
Spread between OCF & BSCF	-935.4	-876.9	-783.0	-780.3	-761.9	-827.5	
Ratios							
Spread to Revenues	-254.62%	-234.11%	-196.69%	-219.55%	-204.49%	-2.219	
Spread to OCF							
MR Dual Cash-Flow Figure	-2.546	-2.341	-1.967	-2.196	-2.045		

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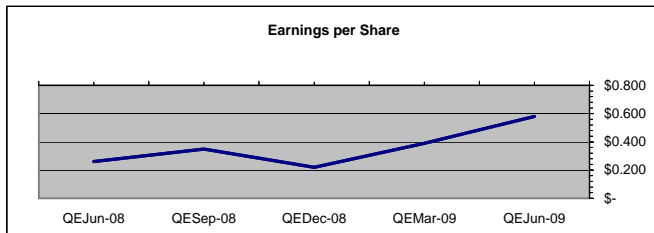
Treehouse Foods	THS	QEJun-09			
Quarterly period ending:	QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09
MR Dual Cash-Flow Figure	-2.546	-2.341	-1.967	-2.196	-2.045

Merriam Report Signals:

- Recent Bearish
- Confirmed Bearish
- Recent Bullish
- Confirmed Bullish



MR Dual Cash-Flow Figure (avg.) -2.219



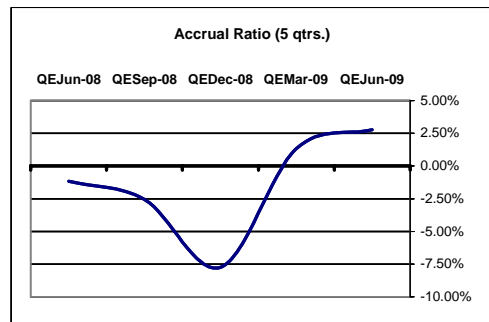
	QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09
Accrual Ratios	-1.18%	-2.57%	-7.75%	1.32%	2.78%
Average Accruals	-1.48%				

Revenue Metrics (as % of Sales)

	Recent Qtr.	Combined Avg.
Research & Development	#VALUE!	#DIV/0!
Cost of Sales	78.57%	80.02%
S/G/A	12.98%	11.96%
Payables	43.96%	45.06%

Capital Productivity

	Recent Qtr.	Combined Avg.
Inventory / Revenues	\$ 0.740	\$ 0.718
Receivables / Revenues	\$ 0.225	\$ 0.231
Inventory & Receivables / Revenues	\$ 0.966	\$ 0.949
P,P&E / Revenues	\$ 0.75	\$ 0.73



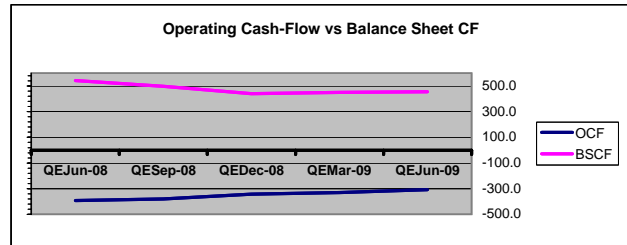
Accrual Ratios: According to the MR model, a ratio of -5 or less is very bullish and a ratio of +5 or more is very bearish. THS's most recent ratio of +2.78 is worse than the average for all periods and we assign a bearish rating.

Summary of Merriam Report Signals

Dual Cash-Flow Figures	Confirmed Bullish / Recent Bullish					
		QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09
Operating Cash-Flow Trend	Bullish	OCF	-392.4	-379.3	-343.2	-330.7
		BSCF	543.0	497.6	439.8	449.6
Balance Sheet Cash-Flow Trend	Bullish					-306.7

Comparison of Recent Quarter Changes to Average

EPS	Bullish	
Revenues	Bullish	
Accounts Receivable	Bearish	
Days Sales Outstanding	Bullish	
Inventory	Bearish	
Accounts Payable	Bullish	
Accrual Ratios	Bearish	



Summary : Treehouse Foods (THS)

Although Operating Cash-Flow is trending higher sequentially in the previous four periods reviewed, it remains negative. We are encouraged to see a general decline in Balance-Sheet Cash flows (and as a % of sales), but we do note the June '09 quarter BSCF figure is higher than the previous two periods (Q4 2008 and Q1 2009) respectively.

Also worth noting is that the Merriam Report dual-cash flow figure for June '09 is fractionally lower than the dual cash figure posted in the period ending Dec. '08.

On the balance sheet side of things, the recent 8.1% jump in inventory levels against a 4.8% increase in sales catches our eye. Keep in mind, that inventory is two-steps away from cash. It needs to be sold first and then collected (receivable). Inventory as a % of sales in the latest period has also increased slightly against the average. Also, a good chunk of the increase in current assets is due to inventory.

Accounts Payable: At first glance the 5.1% decline in June '09 payables does not appear strange until you compare it to cost of sales in the same period.

Revenue metrics improved in all categories except for S,G&A, which increased \$4.1 million in the second quarter of 2009 compared to 2008. According to the 10-Q filing, *"The increase was primarily related to incentive based compensation expense and stock based compensation related to the Company's performance"*.

Capital productivity declined in all categories except for accounts receivable.

Investment Opinion: AVOID and/or SHORT

We like the company's niche markets in non-dairy creamers, pickles and their private label exposure to soups, jams, salad dressings, etc.

However, the real concern in our view is a noticeable spike in the use of accruals the past two quarters. After peaking at -7.5% in Q4 2008, it has since reversed and accelerated to a +2.75% reading in the recent period ending June '09. The June reading is the highest of all periods shown and the reversal trend is very bearish in our view.

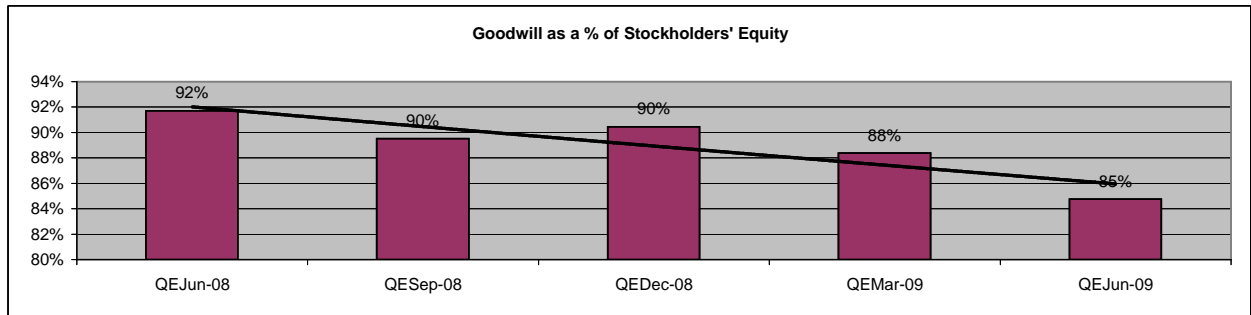
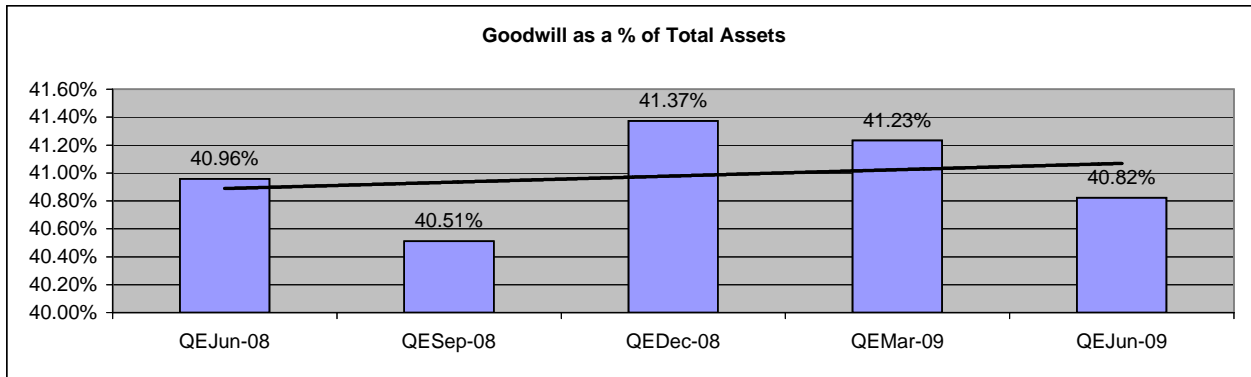
Our investment opinion is largely supported by the deteriorating accrual trend as it does not validate otherwise bullish dual cash flow indicators.

Although we note a slight improvement in Goodwill as a % of Stockholder Equity, it remains elevated at 85%. Goodwill as a % of Assets also has shown improvement in the latest period, but the exponential trend remains elevated (see page 3 for goodwill charts).

Short-term trading range looks to be in the \$36 - 38 area. Our first target support level on the downside would be \$34, and if violated, we think a return to the \$32 area is not out of the question.

Patient investors looking to enter THS on the long-side, might consider taking partial positions near the \$34 area and full positions on any pullback to \$32.

Earnings Quality: B-



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Disclosure of holdings: None

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