

SMUCKER J M CO
Form 425
October 08, 2008

Investor Presentation
October 2008

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The J. M. Smucker Company
The J. M. Smucker Company
Filed by The J. M. Smucker
Company

Pursuant to Rule 425 under the Securities Act of 1933
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Under the Securities Exchange Act of 1934

Subject Company: The J. M. Smucker
Company

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152451

Forward Looking Statement

Forward Looking Statement

This presentation contains forward-looking statements, such as projected operating results, earnings and cash flows, that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from any future results, performance

or
achievements
expressed
or
implied
by
those
forward-looking
statements.

The
projected
financial data included in this presentation reflect numerous estimates and assumptions relating to, among other things,
the
ability
of
Smucker
to
successfully
operate
P&G's
coffee
business

(the
Coffee
Business)
outside
of
P&G
and

Smucker's existing business operations and are subject to significant economic, industry and competitive uncertainties,
including
those
risk
factors
referenced
below,

and,
accordingly,
such
data
may
not
be
indicative
of
future
results.

You
should understand that the risks, uncertainties, factors and assumptions listed and discussed in this presentation,
including

the
following
important
factors
and
assumptions,
could
affect
the
future
results
of
Smucker
following
the

transactions between P&G and Smucker (the Transactions) and could cause actual results to differ materially from those expressed in the forward-looking statements: (i) volatility of commodity markets from which raw materials, particularly corn, wheat, peanuts, soybean oil, milk and green coffee beans, are procured and the related impact on costs; (ii) the successful integration of the Coffee Business with Smucker's business, operations and culture and the ability to realize synergies and other potential benefits of the Transactions within the time frames currently contemplated; (iii) crude oil price trends and their impact on transportation, energy, and packaging costs; (iv) the ability to successfully implement price changes; (v) the success and cost of introducing new products and the competitive response; (vi) the success and cost of marketing and sales programs and strategies intended to promote growth in Smucker's businesses, which will include the Coffee Business after the completion of the Transactions; (vii) general competitive activity in the market, including competitors pricing practices and promotional spending levels; (viii) the concentration of certain of Smucker's businesses, which will include the Coffee Business after the completion of the Transactions, with key customers and the ability to manage and maintain key customer relationships; (ix) the loss of significant customers or a substantial reduction in orders from these customers or the bankruptcy of any such customer; (x) changes in consumer coffee preferences, and other factors affecting the Coffee Business, which will represent a substantial portion of Smucker's business after the completion of the Transactions; (xi) the ability of Smucker and Folgers to obtain any required financing; (xii) the timing and amount of Smucker's capital expenditures, restructuring, and merger and integration costs; (xiii) the outcome of current and future tax examinations and other tax matters, and their related impact on Smucker's tax positions; (xiv) foreign currency and interest rate fluctuations; (xv) other factors affecting share prices and capital markets generally; and (xvi) the

other
factors
described
under
Risk
Factors
in
the
registration
statements
filed
by
Folgers
and
Smucker
with

the Securities and Exchange Commission and in the other reports and statements filed by Smucker with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K and the proxy materials prepared in connection with the Folgers transaction.

You are cautioned not to unduly rely on such forward-looking statements, which speak only as of the date made, when evaluating the information presented in this presentation. None of Smucker, Folgers, P&G or any of their respective advisors assumes any obligation to update or revise these forward-looking statements to reflect new events or circumstances.

1

2
Transaction Overview
Transaction Overview

The transaction is structured as an exchange offer followed by a merger

Tendering P&G shareholders will exchange their P&G shares for shares in Smucker

Smucker to guarantee \$350MM of Folgers debt upon close

Smucker to finance special dividend

P&G shareholders will own ~53.5% of the combined company

~63MM shares will be issued as part of the transaction

~118MM shares outstanding for the combined Smucker

If the split-off is consummated but not fully subscribed, P&G will distribute remaining Folgers shares (which will be converted into Smucker shares) to its shareholders on a pro-rata basis

Tendering & Accepted

Shareholders

Non-Tendering

Shareholders

Variable

Cap

12%

20%

Discount

3

Why Invest in Smucker?

Why Invest in Smucker?

A history of solid returns

Clear strategy of owning a strong portfolio of

#1 brands

Making great brands better

Addition of an iconic #1 brand with *Folgers*

Enhanced estimated cash flow, margins,
and strong balance sheet

Unique culture

®

4

Over 110 years old

Headquartered in
Orrville, Ohio

Leading North
American brands

Five generations of
family management

Basic Beliefs: quality,
people, ethics, growth,
& independence
The J. M. Smucker Company
The J. M. Smucker Company

5
Share Price Performance
Share Price Performance
\$0
\$500
\$1,000
\$1,500

\$2,000
\$2,500
\$3,000
S&P 500
DJIA
SJM

Note: The graph shows the value of \$20 (Smucker's IPO price in 1959) invested over a 48+ year period in Smucker's common stock, the DJIA and S&P 500.

Indexed Share

Price

APR = 10.3%

APR = 10.3%

APR = 6.2%

APR = 6.2%

APR = 5.8%

APR = 5.8%

Base = \$20

Base = \$20

SJM

versus

Major

Indices

November
30,
1959
through
September
30,
2008

6
\$0.0
\$0.5
\$1.0
\$1.5
\$2.0
\$2.5

\$3.0

FY2002

FY2003

FY2004

FY2005

FY2006

FY2007

FY2008

Net Sales

\$650MM

\$1.3B

\$2.0B

\$2.1B

5-Year CAGR through FY2008 = 15%

10-Year CAGR through FY2008 = 16%

Sales Growth

Sales Growth

\$1.4B

\$2.2B

\$2.5B

7
Income Growth
Income Growth
\$0.0
\$50.0
\$100.0
\$150.0

\$200.0

FY2002

FY2003

FY2004

FY2005

FY2006

FY2007

FY2008

Net Income

\$30.9

\$96.3

\$129.1

\$157.2

\$111.4

\$143.4

\$170.4

5-Year CAGR through FY2008 = 12%

10-Year CAGR through FY2008 = 18%

(\$ in Millions)

8

Vision Statement

Vision Statement

We will own and market food brands which hold the #1 market position in their respective category, with an emphasis on North America
We

will
achieve
balanced
growth
through:

Increased market share of our brands

New products that provide convenience,
are "good and good for you," and make
the consumer smile

Acquisition of other leading food brands

Enhanced Center-of-Store Strategy
Enhanced Center-of-Store Strategy
ABC Store

Greater
relevance to
retailers

Destination
category

Enhanced cross
promotional
opportunities

Capitalize on
relationship with
sales agent

Distribution
efficiency
Center-of-the-store is an important profit center for retailers

10
Pro Forma Sales by Category
Pro Forma Sales by Category
42%
42%
21%
21%

25%
25%
12%
12%
Spreads
Baking
All Other
Coffee
Estimated After Transaction
(1)
(1)
Based
on
FY2008
Smucker
adjusted
for
approximately
\$1.8B
of
FY2008
Folgers
net
sales.

11

Source: IRI 52 Week Ending 9/7/08 --

TTL Grocery, Mass, Drug & Walmart Panel

Does NOT include Private Label

Smucker Market Share Leadership

Smucker Market Share Leadership

#1 in 8 out of 13 categories

Folgers adds another #1 market share
% Dollar Share of Category

12
Growing Market Opportunity
Growing Market Opportunity
\$15.0
\$8.0
\$3.0
\$1.0

FY 2002

FY 2004

FY2005

FY2009E

Market opportunity (\$ in billions)

Greater opportunity as share of
market in each category expands

13
Acquisition Expertise
Acquisition Expertise
12 Center-of-Store Transactions in 6 years
Enabling

Smaller in size

New capabilities

Capitalize on Smucker resources

Bolt-on

Increase category presence

Leverage existing infrastructure

Transformational

Large in size

Game changing

New markets & categories

(1) Announced June 4, 2008 with expected closing November 2008

14

Making Great Brands Better
Making Great Brands Better

Increased sales over 40%

Increased market share to

over 40 share points from 34
share points

Increased operating margin

New products including *Jif*
®
snack nuts and *Jif To Go*

Packaging and product
innovator

Expanded
Crisco
®
brand
in
oils
segment

New products including *Simple*

Measures,
Crisco
Puritan
®
with
Omega-3 DHA and *Crisco*
cooking sprays

15
Making Great Brands Better
Making Great Brands Better

Expanded products and
leveraged existing
presence

Introduced new line extensions; grew frosting to the #2 brand

Improved product quality and enhanced packaging

Increased sales from \$2 million to \$115 million in ten years

New offerings

Produce five million sandwiches per week in an integrated bakery plant

16

Attractive Strategic Fit
Attractive Strategic Fit

Strong #1 Brand
Strong #1 Brand

Center-of-Store
Center-of-Store

North America
North America
VISION STATEMENT
VISION STATEMENT
We will own and market food
We will own and market food
brands which hold the #1
brands which hold the #1
market position
market position
in
in
their
their
respective category, with an
respective category, with an
emphasis on **North America**
emphasis on **North America**

17
Compelling Transaction
Compelling Transaction

Acquisition
of
the

#1
Folgers
brand

Addition
of
rights
to
sell
Dunkin
Donuts
®
in
retail

Smucker's first +\$1B brand

Expanding
Leading Brands
Strengthened
Product Portfolio
Scale Benefits &
Synergies
Attractive
Financial Impact
(1)

Builds upon established center-of-store strategy

Broadens and diversifies product offering

Provides attractive cross-marketing opportunities

Expect strong synergy opportunities of \$80MM+ annually

Significantly enhances Smucker's scale and expected profitability

Increased financial fundamentals

Expected to increase pro forma EBITDA margins by > 250 bps

Expected to be accretive to earnings
(2)

Expected to more than triple FCF vs. FY2008 Smucker
historical

Enhances already strong balance sheet
(1)

Pro forma FY2009E assumes Folgers transaction had closed on May 1, 2008 and approximately \$80MM in run-rate synergies.

(2)

EPS accretion based on dividend adjusted FY2009 full year run-rate financial projections.

18
Strength of
Folgers
Strength of
Folgers

Superior brand equity

Highest level of unaided consumer awareness

Strong market leader

#1 retail packaged coffee brand

Leader in product innovation

Folgers
Crystals

Folgers
decaffeinated

AromaSeal

plastic
canister

Folgers Simply Smooth

19
Dunkin
Donuts
Dunkin
Donuts

Strong presence in

gourmet coffee
category

Long-term license of
brand for retail

\$130MM net sales
from August 2007 to
June 2008

20
Percent of Sales from #1 Brands
Percent of Sales from #1 Brands
75% of Sales
Projected to Come
From #1 Brands

21
The Best Part of Wakin
Up
The Best Part of Wakin
Up

22

The Best Way to End the Day

The Best Way to End the Day

23
Long Term Financial Objectives
Long Term Financial Objectives
Net Sales Growth
Operating Profit
Growth
EPS Growth

Dividend Payment
6%
Organic 3-4%
Acquisitions 2-3%
8%
Improve Efficiencies
Target 40% Payout
> 8%
Share Repurchase
Debt Retirement

24
Net Sales and EBITDA
Net Sales and EBITDA
\$0.0
\$1.0
\$2.0
\$3.0

\$4.0
\$5.0
\$6.0
FY2008
FY2009E
FY2010E
Net Sales
\$0
\$250
\$500
\$750
\$1,000
FY2008
FY2009E
FY2010E
0.0%
5.0%
10.0%
15.0%
20.0%
25.0%
30.0%
EBITDA
(Excluding
Merger
and
Integration
Costs)
Pro forma (1) (2)
\$2.5B
\$4.7B
\$4.9B
\$371
\$820
\$869
14.7%
17.3%
17.5%
Pro forma (2)
(1) Includes approximately \$80 million in run-rate synergies.
(2) Assumes Folgers transaction had closed on May 1, 2008.
Pro forma
Pro forma

25
Cash Flow From Operations
Cash Flow From Operations
4%
\$ 116
\$ (76)
\$ 192

FY2008

7%

\$ 390

\$(115)

\$ 505

FY2009E

(1)

Pro forma

\$ 425

Free Cash Flow

7%

Free

Cash

Flow

Yield

(2)

\$(120)

Capital Expenditures

\$ 545

Cash Flow From

Operations

FY2010E

Pro forma

(\$ in millions)

(1) Assumes Folgers transaction had closed on May 1, 2008 and approximately \$80MM in run-rate synergies.

(2) Based on approximately 57 million shares outstanding and market price of \$49.88 for FY2008 (based on closing price of Smucker shares on April 30, 2008) and approximately 118 million shares outstanding and market price of \$50.69 for FY2009E and FY2010E (based on closing price of Smucker shares on September 30, 2008).

Cash Flow / Allocation of Cash
(after expiration of two year repurchase limitation)
Cash Flow / Allocation of Cash
(after expiration of two year repurchase limitation)
5-Year Historic Use of Cash
28%
28%
22%
22%
Acquisition
Capital
Expenditures
Stock Repurchase
Dividends
26
Free Cash Flow
Free Cash Flow
Free Cash Flow
Cash
From
Operations
Cash
From
Operations
Dividends
Dividends
Acquisition
Acquisition
Repurchase
Repurchase
CapEx =
2½
-
3% of Net Sales

27
Synergy Opportunities
Synergy Opportunities
(\$ in millions)
4%
\$ 80
\$ 65

\$ 15

Synergy

Estimate

Total Synergies

Estimated Synergies as % of Projected

2009 Folgers Net Sales

SG&A

COGS

28

Debt Profile Supports

Continued Growth

Debt Profile Supports

Continued Growth

Stronger balance sheet post-closing

Ample liquidity

Modest leverage and strong cash flow will facilitate pursuit of shareholder value

Investments

Acquisitions

Share repurchase / dividends

FY2009E

Standalone Smucker

FY2009E

(1)

Combined Smucker

Total Debt

\$790mm

\$1,540mm

Debt / EBITDA

2.1x

1.9x

Interest Coverage

8.1x

8.6x

(2)

(1) Assumes Folgers transaction had closed on May 1, 2008 and approximately \$80MM in run-rate synergies.

(2) Interest coverage assumes an estimated weighted-average borrowing rate of 6.0% on the anticipated financing in part based on three-month forward LIBOR as of October 1, 2008.

29
Dividends and Share Repurchase
Dividends and Share Repurchase
\$0
\$50
\$100
\$150

\$200

\$250

\$300

\$350

\$400

\$450

FY2004

FY2005

FY2006

FY2007

FY2008

FY2009E

Dividends

Share Repurchase

(\$ in millions)

(1) Estimated dividends assumes current quarterly dividend rate, payment of special dividend, and payment of dividend on shares issued in the Transaction for two quarters.

(1)

30
Core Competencies
Core Competencies
Ability to
Implement
Ability to
Implement

Relationships
Relationships
Emotional
Bond
Emotional
Bond
Strategic
Advantage
Strategic
Advantage

31
Relationships
Relationships
Retailers
Sales Agent
Employees
Suppliers

32

Emotional Bond

Emotional Bond

Focus on Consumer

Mealttime Moments

Memorable Tag Lines

With a Name Like
Smucker s,
It Has to be Good

Choosy Moms Choose Jif

The Best Part of
Wakin
Up

33
Ability to Implement
Ability to Implement
Single IS Platform
Acquisition experience
Improved Productivity
\$283

\$552

\$777

\$0

\$300

\$600

\$900

\$1,200

Sales / Employee

(000 s)

Net

Income

/

Employee

(000 s)

\$13

\$35

\$52

\$0

\$20

\$40

\$60

\$80

\$100

FY2002

FY2005

FY2008

FY2002

FY2005

FY2008

Continuity of process
and people

34
15.0%
17.0%
19.0%
21.0%
23.0%
25.0%

FY2002

FY2003

FY2004

FY2005

FY2006

FY2007

FY2008

24.6%

21.6%

21.7%

20.0%

20.3%

20.6%

19.4%

SD&A as % of Net Sales

SD&A as % of Net Sales

35

Why Invest in Smucker?

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Clear strategy of owning a strong portfolio

of #1 brands

Making great brands better

Addition of an iconic #1 brand with *Folgers*

Enhanced estimated cash flow, margins,
and strong balance sheet

Unique culture

The J. M. Smucker Company
The J. M. Smucker Company
Investor Presentation
October 2008
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Appendix
Appendix

38

Regulation G Compliance

Regulation G Compliance

You are also reminded that during this presentation, certain non-GAAP financial measures, such as EBITDA and Free Cash Flow may be discussed. These measures should not be considered an alternative to net income, or

any other measure of financial performance or liquidity presented in accordance with generally accepted accounting principles (GAAP). These measures are not necessarily comparable to a similarly titled measure of another company. Please refer to the accompanying slides for information that reconciles these discussed figures with the most comparable GAAP measures.

39
Reconciliation of Non-GAAP
Financial Measures
Reconciliation of Non-GAAP
Financial Measures
(\$ in Millions)
FY2008

| | |
|----------------------------------|--|
| Income before income taxes | |
| \$ 255 | |
| Add (deduct): | |
| Interest income | |
| (13) | |
| Interest expense | |
| 42 | |
| Amortization | |
| 4 | |
| Share-based compensation expense | |
| 12 | |
| Depreciation | |
| 58 | |
| Merger and integration costs | |
| 8 | |
| Cost | |
| of | |
| products | |
| sold | |
| - | |
| restructuring | |
| 2 | |
| Other restructuring costs | |
| 3 | |
| EBITDA | |
| \$ 371 | |

40

Financial Forecasts

Financial Forecasts

The preceding financial forecasts were prepared by Smucker management in evaluating the Transaction. For fiscal years after 2009 through 2013, Smucker assumed compounded annual growth rates for Folgers and Smucker of approximately 2.5% and 5.0%, respectively, for net sales and approximately 3.9% and 6.1%, respectively, for EBITDA, recognizing that year to year increases fluctuate between years.

Synergies

\$ 350

\$ 387

EBITDA

FY2009 Forecast

35

79

Depreciation and amortization

1,304

1,970

Cost of goods sold

\$1,910

\$2,829

Net sales

291

551

Selling, distribution and administration

606

859

Gross profit

Combined EBITDA

315

308

Earnings before interest and taxes

Folgers

Smucker

\$737

83

\$820

(\$ in Millions)

41

Additional Information

Additional Information

Smucker and Folgers have filed registration statements with the U. S. Securities and Exchange Commission

(SEC)

registering

the
common
shares
to
be
issued
to
P&G
shareholders in connection with
the Folgers transaction. Smucker has also filed a proxy statement with the SEC which has been sent to
the
shareholders
of
Smucker.

Shareholders
are
urged
to
read
the
prospectus
included
in
the
registration

statements and any other relevant documents when they become available, because they will contain important information about Smucker, Folgers and the proposed transaction. The proxy statement, prospectus and other documents relating to the proposed transaction can be obtained free of charge from the SEC's website at www.sec.gov. The documents can also be obtained free of charge from Smucker upon written request to The J. M. Smucker Company, Shareholder Relations, Strawberry Lane, Orrville, Ohio 44667 or by calling (330) 684-3838, or from P&G upon written request to The Procter & Gamble Company, Shareholder Services Department, P.O. Box 5572, Cincinnati, Ohio 45201-5572 or by calling (800) 742-6253.

This communication is not a solicitation of a proxy from any security holder of Smucker and shall not constitute an offer to sell or the solicitation of an offer to buy securities, nor shall there be any sale of securities in any jurisdiction in which such solicitation or sale would be unlawful prior to registration or qualification

under
the
securities
laws
of
such
jurisdiction.

However,
P&G,
Smucker
and
certain
of

their

respective directors and executive officers may be deemed to be participants in the solicitation of proxies from shareholders in connection with the proposed transaction under the rules of the SEC. Information about the directors and executive officers of The J. M. Smucker Company may be found in its 2008 Annual Report on Form 10-K filed with the SEC on June 27, 2008, and its definitive proxy statement relating to its 2008 Annual Meeting of Shareholders filed with the SEC on July 14, 2008. Information about the directors and executive officers of The Procter & Gamble Company may be found in its 2008 Annual Report on Form 10-K filed with the SEC on August 28, 2008, and its definitive proxy statement relating to its 2008 Annual Meeting of Shareholders filed with the SEC on August 29, 2008.

42

Additional Information

Additional Information

P&G, *Folgers*, the Folgers logo, *AromaSeal*, *Folgers Gourmet*

Selections,

The

Best

Part
of
Wakin
Up
is
Folgers
in
your

Cup,
Millstone
and the Millstone logo are the registered trademarks of
The Procter & Gamble Company. *Pillsbury*, the Pillsbury Logo,
and Poppin' Fresh the Pillsbury Doughboy are the registered
trademarks of

The
Pillsbury
Company,
LLC.

Carnation
is
the
registered trademark of Societe des Produits Nestle S.A. *Dunkin'*

Donuts,
and
the
Dunkin'

Donuts

Logo

are

the

registered

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