

Centrale del Latte d'Italia

Solid performance

Despite the challenging economic and political environment in Italy during Q118, Centrale del Latte d'Italia's (CLI) price increases, implemented mostly during Q217, continued to drive revenue growth. We should see the effect of this subsidy during Q218 as we start to cycle a full year of price increases. Vegetable-based drinks and the export business continued to witness excellent growth, albeit from a low base. At this early stage, we leave our FY18 forecasts unchanged, and our fair value remains at €3.30 per share.

Year end	Total revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/16	119.8	(2.09)	(19.57)	6.00	N/A	1.9
12/17	187.5	(0.11)	(2.21)	0.00	N/A	0.0
12/18e	184.4	0.35	1.64	4.29	197.6	1.3
12/19e	186.2	1.38	6.43	4.29	50.4	1.3

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Price increases still driving revenue growth

Price increases were implemented on 1 April 2017 to offset some cost inflation and were fully rolled out on 1 June 2017, so we should see the effects of these subsidy during Q218 as we lap the price increases. Q118 organic growth continued to be impressive at 5.1%, with EBITDA margin of 3.8%. Raw materials remain a challenge, with liquid milk prices now softening somewhat, but butter and cream prices are still rising. For FY18, we forecast 0.5% revenue growth and EBITDA margins up 30bp to 4.2% – unchanged from our previous estimates.

Category performance mixed

We note there was a divergence of performance across CLI's categories: fresh milk has stabilised, while UHT milk continued to decline amid strong promotional activity by the competition. The yogurt segment and prepared salads witnessed the greatest declines as competition remained tough in the former, and a tough economic backdrop affected consumption of the latter. Bulk milk and cream is a by-product of dairy processing and is mostly influenced by seasonal supply and demand. Other prepared products continued to do well, as more lines were added to the jarred ready-prepared sauces and vegetables. Raw materials were also a mixed picture, with raw milk costs starting to decline slightly, while butter and cream prices remained firm.

Valuation: Fair value of €3.30 per share

Our DCF model points to a fair value of €3.30 per share (unchanged), implying that the stock is fairly valued. We calculate that for FY19e CLI now trades on a P/E of 50.4x and EV/EBITDA of 13.0x. The P/E is inflated in part due to the high interest costs as a result of the elevated level of debt in the short term associated with the merger by incorporation with CLF in September 2016. On EV/EBITDA, CLI trades at a premium of c 40% to our peer group of dairy processors. Our EPS forecasts move up 6% and 2% for FY18 and FY19 respectively on the back of a lower dividend forecast, but our underlying forecasts remain unchanged.

Q118 results

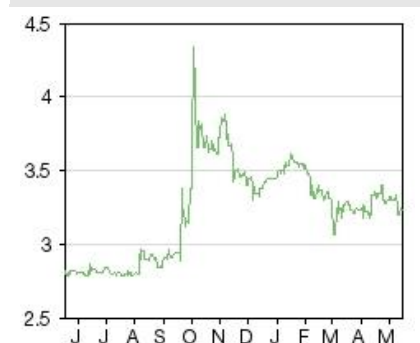
Food & beverages

16 May 2018

Price €3.24
Market cap €45m

Net debt (€m) at 31 March 2018	69.1
Shares in issue	14.0m
Free float	37%
Code	CLI
Primary exchange	STAR (Borsa Italiana)
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(3.0)	(3.9)	14.9
Rel (local)	(6.7)	(10.5)	3.4
52-week high/low	€4.3	€2.8	

Business description

Centrale del Latte d'Italia produces and distributes fresh and long-life milk (UHT and ESL) and dairy products such as cream, yoghurt and cheese. It has a leading position in milk in the Piedmont region of northern Italy and it has expanded to the Veneto, Liguria and Tuscany regions.

Next events

H118 results	02 August 2018
9M18 results	30 October 2018

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**Centrale del Latte d'Italia is a
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Investment summary

Company description: Beyond milk

CLI started as Centrale del Latte di Torino (CLT), a milk supplier/distributor in the Turin area. Over time, the company extended its reach to the whole Piedmont region, where it is market leader, and subsequently added two more regions (Veneto and Liguria) in Northern Italy. In 2016 it merged with Centrale del Latte di Firenze, Pistoia e Livorno (CLF), adding Tuscany as a new region, and the enlarged entity was renamed Centrale del Latte d'Italia (CLI). The main focus remains milk, but over the years the company has added long-life and extended shelf-life (ESL) milk, fresh and long-life cream, yoghurt and fresh cheeses. More recently, it has distributed fresh pasta, eggs and prepared salads.

The company was founded in 1950 but largely remains a family-owned business. The largest shareholder is Finanziaria Centrale del Latte di Torino, which is controlled by the CLT founding families and in which the municipality of Turin owns a 20% stake. Another shareholder is Lavia, which is also owned by one of the founding families.

Valuation: Fair value of €3.30

We calculate a fair value based on our DCF model of €3.30, which represents 2% upside. The main sensitivities to our forecasts and valuation are outlined below. In the longer term, the company is trying to diversify away from liquid cow's milk, and into fresh produce and export markets for long-life milk. These are more attractive and profitable markets.

As an alternative to our DCF valuation, we look at CLI's key metrics versus the peer group. We calculate that CLI now trades on 198x 2018e P/E and 13.8x 2018e EV/EBITDA. The P/E is inflated due to the relatively elevated debt level in the short term associated with the CLF acquisition, and hence the high interest costs. For 2019, these ratios fall to 51.4x and 13.0x respectively. On EV/EBITDA, CLI trades at a premium of 40% to the average of our peer group of dairy processors.

Financials: Capital investment dents cash flow

The Q118 results demonstrate the company has started the year well, despite the challenging domestic political and economic environment. That said, we expect comparatives to get tougher for the rest of the year, as we start to lap the price increases implemented during Q217. We therefore leave our forecasts unchanged at this stage. Net debt remains high, at €62.4m at December 2017 (and €69.1m at 31 March 2018). Given management's plans to upgrade the Turin plant, we forecast net debt of €67.8m at end FY18, which equates to 8.7x net debt/EBITDA coverage, although it declines to 7.8x by FY21.

Sensitivities: Raw milk pricing is key variable

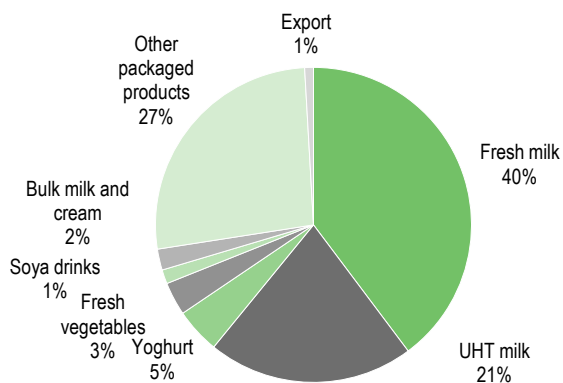
CLI's key sensitivities include:

- Input cost inflation, particularly for raw milk, which is its main raw material.
- The supply/demand balance affecting the achievability of price inflation on finished goods.
- Consumer consumption patterns and the competitive landscape. The economic backdrop has been weak in the domestic Italian market.
- Private label gaining share at the expense of the company's brands.
- The CLF merger has taken up a significant amount of management time. No hard synergies were expected from the merger, but we believe the enlarged business should be in a better negotiating position with suppliers, given its increased scale, and revenue synergies have come through as new products have been rolled out across existing distribution channels.

Company description: Not just milk

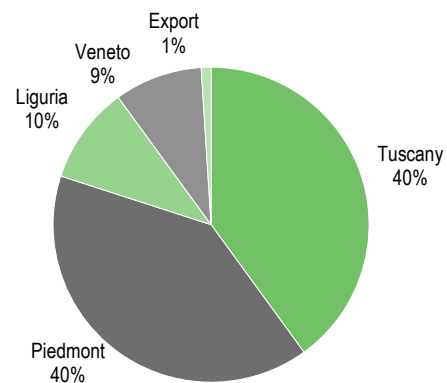
CLI is the third-largest dairy producer in Italy, after Parmalat and Granarolo. The company has a strong base in fresh milk, UHT milk and yoghurt. It has also diversified into branded fresh food products, with ranges of eggs, cheese, pasta, vegetables and ready-to-eat salads, and over the last few years it has also successfully launched non-dairy milk drinks such as rice, soy and oat milk. CLI's key differentiating factor vis-à-vis its larger competitors is that it is a regional rather than a national player, as it operates in four main regions in Italy. We illustrate the breakdown of revenues by category and by geography in Exhibit 1 and 2 below.

Exhibit 1: Group revenue split by category (FY17)



Source: Centrale del Latte d'Italia data

Exhibit 2: Estimated group revenue split by geography



Source: Edison Investment Research

Although CLI is significantly smaller than Parmalat and Granarolo, it is a regional champion, with leadership positions in the regions in which it competes. CLI has five factories, which are all well invested with the latest technology for the production, treatment and packaging of its products. The Turin plant is scheduled for an upgrade from 2018, with a focus on increasing efficiency on the logistics side, while the legacy CLF business is due to be migrated to the existing SAP platform.

CLI has created its own strong local brands to support its portfolio. Over the past three years, CLI has set its sights on international expansion: it started exporting UHT milk to China, and also signed an agreement with a distributor for the UAE, Kuwait, Saudi Arabia and Oman. Last October it signed a deal with Alibaba to accelerate its push into China.

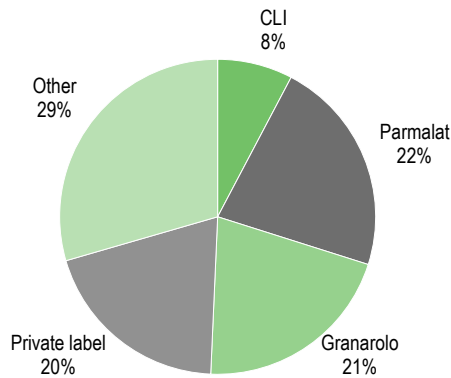
The merger with CLF was large (CLF sales were c €85m in 2015 vs CLT's sales of €97m), and we expect it will take a few years for the integration to be fully complete. Nevertheless, we believe more acquisitions are likely in future as the business continues to grow and the strategy to diversify and to enhance scale continues.

Fresh milk and ESL

The Italian fresh milk and extended shelf-life (ESL) market was worth €543m in 2017 (source: IRI Infoscand Hypermarkets + Supermarkets) but was highly localised, with different players in different regions of Italy. While fresh milk typically lasts a few days before souring, ESL milk lasts for up to a month, but still requires refrigeration. Milk brands tend to be local or regional, and indeed consumers are used to buying milk brands from their own local province or region. There has been some degree of consolidation, with Parmalat and Granarolo emerging as the two leading players on a national scale, both with c 20% market share, but even they use several local brands in addition to their main brand (eg Centrale del Latte di Roma and Centrale del Latte di Milano, respectively). A significant proportion of milk in Italy is bought on a regular basis, and hence in local shops rather than in supermarkets or hypermarkets. This also affects distribution, and tends to favour local and regional brands.

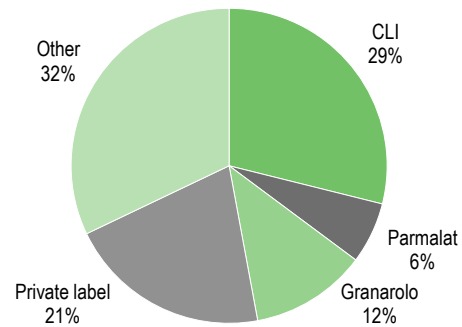
The market has steadily declined over the last few years, mainly as a result of volume declines. The economic crisis in Italy caused consumption to fall across the board in the consumer space, and more recently a fashion for vegan and dairy-free diets has also caused a shift in consumer behaviour, which has led to volume declines. CLI has been gaining share in the regions in which it operates, thanks to the strength of its brands.

Exhibit 3: Fresh milk and ESL share at national Italian level



Source: IRI Infoscan Hypermarkets + Supermarkets

Exhibit 4: Fresh milk and ESL milk share in Piedmont, Valle d'Aosta, Liguria, Veneto and Tuscany

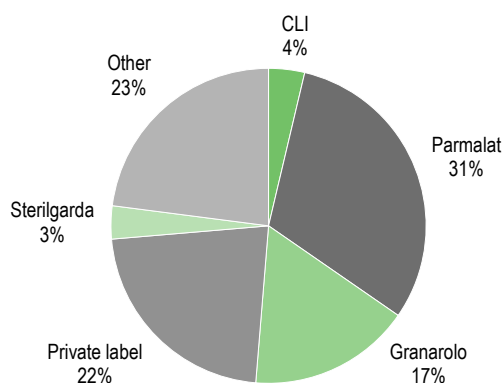


Source: IRI Infoscan Hypermarkets + Supermarkets

UHT milk

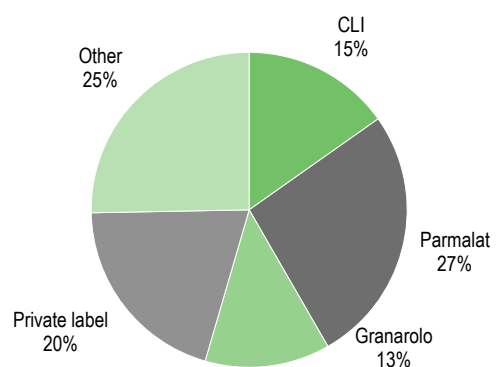
The Italian UHT milk market was worth €831m in 2017 (Source: IRI Infoscan Hypermarkets + Supermarkets). UHT milk is ultra heat-treated and hence is an ambient product with a shelf life of around three months. The ambient nature of the product means it is more widely bought as part of a bigger shopping basket and hence distribution is more skewed towards the mass retail channel. Promotion is much more prevalent in the UHT segment, although over recent years volumes have suffered for the same reasons as fresh milk, namely the economic crisis and the consumer shift away from dairy consumption. 2017, however, saw a stabilisation in the market, with value flat vs 2016. CLI's market share is small at national level, but improves in its key markets.

Exhibit 5: UHT milk share at national Italian level



Source: IRI Infoscan Hypermarkets + Supermarkets

Exhibit 6: UHT milk share in Piedmont, Liguria, Tuscany and Veneto



Source: IRI Infoscan Hypermarkets + Supermarkets

In 2014 CLT began exporting UHT milk to China, and in October 2017 it announced a strategic partnership with Alibaba. Volumes remain small, but this could present an interesting growth opportunity. In 2015 CLT signed an agreement with a Dubai-based distributor.

Yoghurt

The Italian yoghurt market is dominated by the major players, with Danone, Muller and Yomo/Granarolo making up 50% of the market. CLI is a small player at both national and regional level. With deep-pocketed multinational competitors on the scene, CLI cannot compete on the R&D front with new products, but it can react quickly to new launches given its smaller size, and has been successful in tapping into the market for lactose-free/soy-based products. The market remains competitive and dominated by price promotions by the multinationals. CLI chooses not to compete on price, as it recognises it does not have the same scale as the major players, and hence in 2017 the division underperformed.

Prepared salads

This segment accounted for 3% of sales in 2017 and encompasses a range of ready-washed, dried and often pre-mixed salads. These products have been developed for the local, more traditional trade mentioned above, where a lot of fresh milk is still bought. These local shops do not have the logistics of the larger food retail chains, and hence rely on more regional fresh produce. Due to the relatively short shelf life of both fresh milk and prepared salads, CLI can leverage some of its fixed costs and has added the prepared salads line to enhance its offering. The offering has been successfully introduced across the CLF platform, demonstrating management's plans for revenue synergies and cross-distribution are coming to fruition. With the recent tougher economic backdrop, however, this segment has experienced some softening as consumers have gravitated towards buying traditional salads (unwashed and not pre-mixed), which are significantly cheaper.

Vegetable drinks

CLI launched a soy milk in Q213, and followed this with the launch of a rice milk in Q415. It launched an oat milk during 2016. Dairy-free milk is proving successful given the trend in Italy for vegan and dairy-free diets. Although the segment is small, growth continues to be impressive.

Bulk milk and cream

This segment acts as a by-product of the fresh packaged milk business: CLI's contracts with its milk suppliers stipulate that CLI will buy all the milk produced by the farmer. This obviously changes daily but the main variation is due to seasonality. In addition, the volume of milk required by the fresh packaged milk business can have its own (separate) seasonal variations. Any excess milk, therefore, is sold on as bulk milk and cream to local businesses, mainly cheese- and butter-making businesses and ice cream shops or factories. The segment is very small (it accounted for 2% of sales in 2017), but is subject to wide swings as it is dependent on spot pricing.

Other packaged products

This includes a diverse range of fresh products, spanning from fresh cheese to eggs, packaged fresh pasta and pesto sauces, eggs and pre-sliced and packaged cured meats. The strategy here is the same as for the prepared salads segment, so the products have been developed for the local shops. More recently, CLI has also started to produce branded products for major players under co-packing agreements, and private label products for major European retailers. The segment accounted for 27% of sales in 2017.

Sensitivities

CLI's key sensitivities include:

- **Raw material pricing:** the group's main raw material is raw milk and as a commodity this fluctuates. The company draws up annual agreements with its suppliers. The milk price is

negotiated with the milk producers at the start of the 'dairy year', which runs from 1 April to 31 March. Prices are typically set quarterly, although there are some exceptions and some purchases are made on the spot market. CLI has good relationships with its farmers, which it values, and hence when the spot milk price falls, CLI does not gain all the benefit of the lower raw material cost as it does not believe in squeezing the farmers unreasonably. Conversely, when the spot milk price rises, therefore, CLI is slightly cushioned against sudden rises.

- **Supply/demand balance:** this affects the achievability of price inflation on its finished goods. In recent years consumer demand in the domestic Italian market has been weak due to the fragile economic backdrop, and even defensive staples such as fresh milk have been affected. There is always the danger that private label could gain share at the expense of the company's brands.
- **Consumer consumption patterns and competitive landscape:** again, the economic backdrop has been weak in the domestic Italian market, but CLI has witnessed positive trends in its branded segment. In addition, the company correctly identified the consumer trend towards alternative and vegetable drinks, and is hence witnessing stellar growth in this area.

Where next?

In 2016, Centrale del Latte di Torino (CLT) executed a merger by incorporation with Centrale del Latte di Firenze, Pistoia e Livorno (CLF), and the new entity was named Centrale del Latte d'Italia (CLI). This became Italy's third-largest dairy producer. The transaction was highly complementary as the two businesses had leading market shares at the regional level in their respective areas, and operated in similar channels. The integration is not yet complete as the legacy CLF business is due to be migrated to the existing SAP platform during FY18. The enlarged entity reported its first full financial year in March, however, and the management is already looking ahead.

- The market has stabilised, and CLI operates in a mature segment.
- CLI is present in four regions, which gives geographical diversification vis-à-vis the local players.
- Private label accounts for c 25% of the milk market in Italy, and following a period of structural growth, it has stabilised and matured.

The management has identified several growth opportunities:

- Co-packing for strategic partners. Increasingly, the multinational fast-moving consumer goods players are slimming down their assets and entering co-packing arrangements. Smaller, efficient players can benefit by improving their own capacity utilisation.
- Export. Although this is still a small business, it is growing at a substantial rate. Management announced a strategic partnership with Alibaba in Q417, and there are existing distribution arrangements for the Middle East.
- Online sales. During the course of FY18, management plans to push further into online food sales, in collaboration with the food retailers. At present, online sales only represent 1% of food retail spend in Italy, so the market remains nascent.
- Food service. The hotel, restaurant and catering (horeca) segment remains important for the group, and management plans to continue to strengthen and develop it with new products. Its mixes for food service ice cream (Easy Gelato) and its UHT cream have been very successful.
- Private label. The group has already started collaborations with national food retailers and discounters. As with co-packing, private label can provide an opportunity to improve capacity utilisation.

In order to remain competitive and retain production efficiencies, management is continuously appraising the group's manufacturing footprint and capabilities. The logistics for the Vicenza plant

have been upgraded and fully automated, while the upgrade of the manufacturing and production side is scheduled for 2018. The Turin plant is due for an upgrade during 2018, with both manufacturing and logistics being improved, and the latter being fully automated.

Valuation

CLI's share price performance has underperformed the FTSE MIB on a three-month and six-month basis, although the shares have performed broadly in line on a 12-month basis. On 2019 estimates, CLI trades on a P/E of 50.4x and EV/EBITDA of 13.0x. The P/E multiples are inflated due to the high level of debt following the merger, and hence the high interest costs.

On EV/EBITDA, CLI trades at a premium of c 40% to the average of our peer group of dairy processors, although we note that the companies in our peer group are much larger than CLI.

Exhibit 7: Benchmark valuation of CLI relative to peers

	Market cap (m)	P/E (x)		EV/EBITDA (x)		Dividend yield (%)	
		2018e	2019e	2018e	2019e	2018e	2019e
Parmalat	€ 5,528.3	28.7	23.8	9.3	8.2	0.6%	0.6%
Dairy Crest	£770.0	15.1	14.2	11.2	10.5	4.2%	4.3%
Dean Foods	\$916.2	15.3	12.6	5.9	5.4	3.7%	3.8%
Saputo	\$16,650.8	22.4	19.6	13.6	12.6	1.5%	1.6%
Peer group average		20.4	17.6	10.0	9.2	2.5%	2.6%
CLI	€ 45.4	197.8	50.4	13.8	13.0	1.3%	1.3%
Premium/(discount) to peer group (%)		871.1%	186.6%	37.7%	41.9%	(46.8%)	(49.1%)

Source: Edison Investment Research estimates and Bloomberg consensus. Note: Prices at 14 May 2018.

Our DCF is based on our (unchanged) assumptions of a 1.5% terminal growth rate and 3% terminal EBIT margin. Our WACC of 5.8% is based on an equity risk premium of 4.5%, a borrowing spread of 5% and beta of 0.9. Below, we show a sensitivity analysis to these assumptions and note that the current share price is discounting a terminal growth rate of 1.5% with a terminal EBIT margin of 3% (which compares to CLT's pre-merger reported EBIT margin of 2.7% in 2014 and 1.6% in 2015).

Exhibit 8: DCF sensitivity (€/share) to terminal growth rate and EBIT margin

		Terminal EBIT margin					
		2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
Terminal growth	0.0%	1.00	1.54	2.09	2.64	3.19	3.74
	0.5%	1.21	1.81	2.42	3.02	3.62	4.22
	1.0%	1.47	2.14	2.81	3.47	4.14	4.81
	1.5%	1.79	2.54	3.30	4.04	4.79	5.53
	2.0%	2.19	3.04	3.89	4.74	5.60	6.45
	2.5%	2.71	3.70	4.68	5.66	6.65	7.63
	3.0%	3.42	4.58	5.75	6.91	8.07	9.24
	3.5%	4.43	5.85	7.27	8.69	10.11	11.53
	4.0%	5.99	7.81	9.63	11.45	13.27	15.09

Source: Edison Investment Research

Financials

P&L

In revenue terms, we see milk and basic dairy products as a mature category with stable or slightly declining volumes, and pricing driven mainly by the fluctuations of the underlying commodity (ie milk). We forecast 0.8% revenue CAGR translating into 6.5% EBITDA CAGR in 2017-20. We forecast some improvement in the underlying gross margin and EBITDA and EBIT margins. In particular, we have assumed 30bp EBITDA margin improvement in FY18, followed by 20bp improvement in FY19 and FY20, although fluctuations in raw material costs could affect our forecasts. The CLF merger was margin-enhancing given CLF's higher base, and we expect the FY18 margin to see some benefit from the price increases put through during Q217. The benefit will fall away during FY18 and hence our forecast for FY19 and FY20 margin expansion falls to 20bp. In the long term, we assume the margin settles at our 3% terminal EBIT margin assumption (see our DCF valuation section).

We expect net finance costs to remain broadly flat over the forecast period. The group successfully completed a €15m bond issue during the latter part of FY17, which allows it to diversify its sources of debt. We note the terms were attractive, with a 3.25% coupon. Management has indicated that capex levels are likely to remain elevated as the Turin plant is modernised. We forecast that the operating cash flow will be largely reinvested in capex, hence debt will reduce slowly. In the longer term, however, we expect capital expenditure to normalise at much lower levels, given the business has relatively low top-line growth and is not overly capital-intensive.

We expect the tax rate to be 35% in underlying terms. It is bound to vary year-on-year depending on any exceptionals and also subject to rebates, but management guidance is for a long-term rate of c 35%.

Fluctuating commodity costs are an issue for all food manufacturers, and this is particularly the case for food that is relatively unprocessed such as fresh milk. Earnings are therefore likely to be more volatile due to changes in the raw milk price.

We have trimmed our dividend forecast for FY18-20 to €0.04 from €0.06 (as there was no dividend in FY17), as the company prioritises deleveraging. We believe management is more likely to reinstate a dividend at a lower level, to reflect the increase in number of shares as a result of the CLF merger (from 10m to 14m shares), leading to the estimated dividend-related cash outflow of €600,000.

The reduction in our dividend forecast causes a reduction in interest charge forecasts, and hence an upgrade to our EPS estimates. Our FY18 forecast moves up by 6% and our FY19 forecast by 2%.

Cash flow: Capex projects dent near-term cash flow

The Vicenza plant improvements are now complete and the packing lines and logistics there are now fully automated. The Turin plant is still undergoing an upgrade, and it is a staged process, with the upgrade of the pasteurisation phase and new tanks (completed during FY17), the automation of the logistics side (currently ongoing), and an upgrade of the production lines (FY20). On the CLF side, the legacy CLF business is due to be migrated to the existing SAP platform during FY18. This results in elevated levels of capital expenditure in the medium term, with management expecting these to normalise again by 2020. This will depress free cash flow generation in the medium term and we forecast net debt to increase marginally over the period. Following the investment, the business should be better placed to compete in a challenging environment.

Balance sheet – diversified sources of debt

Although CLI has an elevated level of debt vs its market cap (c 130%), within the consumer staples universe it is an efficient capital structure. The group's bond issue during Q417 allowed it to diversify its sources of debt. The debt maturity profile is adequate and relatively well balanced, with 34% of debt maturing within one year as of 31 December 2017 and 24% of debt with a term over five years.

Q118 results: Good performance continues

The environment was extremely tough in the quarter, as the economic and political climate was very uncertain as a result of the general elections in Italy and there being no clear winner. Consumers generally remained cautious during Q118.

Raw materials witnessed a mixed picture during the quarter, with liquid milk prices starting to ease, while cream and butter prices continued to increase.

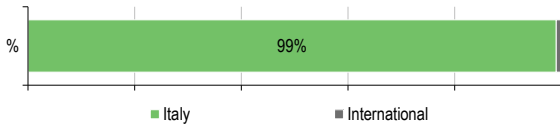
The yoghurt business had a tough start to the year. The overall yoghurt market was under pressure in Q1, and CLI's business in particular suffered from increased promotional activity by the competition, which caused a loss of volume and market share. As a reminder, yoghurt only accounted for 5% of sales in FY17 so, although continued weakness is a concern, the size of the business is relatively small.

Q1 gross margins were up sharply (18.4% vs 16.4% in Q117) and this was mainly driven by the price increases implemented during Q217. Labour costs were down 20bp and EBITDA margins were up an impressive 220bp to 3.8% in Q118. We leave our underlying forecasts unchanged at this time, as it is still early in the year, and comparatives will get tougher as we start to cycle the price increases implemented during 2017. We trim our dividend forecast from €0.06 to €0.04 as we believe management is more likely to reinstate a dividend at a lower level, which reflects the increased number of shares following the CLF transaction. This results in lower interest expenses and hence an upgrade to our EPS forecasts.

Exhibit 9: Financial summary

	€'000s	2014	2015	2016	2017	2018e	2019e	2020e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue		102,558	98,319	119,762	187,478	184,364	186,208	188,070
Cost of Sales		(82,415)	(78,796)	(98,652)	(153,937)	(150,287)	(151,604)	(152,932)
Gross Profit		20,143	19,523	21,110	33,541	34,077	34,604	35,138
EBITDA		5,845	4,851	2,905	7,245	7,834	8,285	8,744
Normalised operating profit		2,752	1,554	(1,254)	864	1,920	2,951	3,356
Amortisation of acquired intangibles		0	0	0	0	0	0	0
Exceptionals		(134)	145	(355)	(202)	0	0	0
Share-based payments		0	0	0	0	0	0	0
Reported operating profit		2,618	1,699	(1,609)	661	1,920	2,951	3,356
Net Interest		(811)	(678)	(692)	(996)	(1,674)	(1,673)	(1,665)
Joint ventures & associates (post tax)		(4)	(418)	(143)	107	107	107	107
Exceptionals		0	0	13,903	(81)	0	0	0
Profit Before Tax (norm)		1,937	458	(2,089)	(106)	353	1,384	1,798
Profit Before Tax (reported)		1,803	603	11,459	(309)	353	1,384	1,798
Reported tax		(1,012)	(87)	556	47	(123)	(485)	(629)
Profit After Tax (norm)		809	30	(2,153)	(310)	229	900	1,169
Profit After Tax (reported)		791	517	12,015	(261)	229	900	1,169
Minority interests		0	0	0	0	0	0	0
Discontinued operations		0	0	0	0	0	0	0
Net income (normalised)		809	30	(2,153)	(310)	229	900	1,169
Net income (reported)		791	517	12,015	(261)	229	900	1,169
Basic average number of shares outstanding (m)		10	10	11	14	14	14	14
EPS - basic normalised (€)		0.08	0.00	(0.20)	(0.02)	0.02	0.06	0.08
EPS - diluted normalised (€)		0.08	0.00	(0.20)	(0.02)	0.02	0.06	0.08
EPS - basic reported (€)		0.08	0.05	1.09	(0.02)	0.02	0.06	0.08
Dividend (€)		0.06	0.06	0.06	0.00	0.04	0.04	0.04
Revenue growth (%)		2.6	(4.1)	21.8	56.5	(1.7)	1.0	1.0
Gross Margin (%)		19.6	19.9	17.6	17.9	18.5	18.6	18.7
EBITDA Margin (%)		5.7	4.9	2.4	3.9	4.2	4.4	4.6
Normalised Operating Margin		2.7	1.6	-1.0	0.5	1.0	1.6	1.8
BALANCE SHEET								
Fixed Assets		64,185	64,540	129,773	132,731	132,717	132,969	133,224
Intangible Assets		11,706	11,539	19,484	19,521	19,507	19,493	19,479
Tangible Assets		51,671	52,010	107,335	110,817	110,817	111,083	111,352
Investments & other		808	992	2,954	2,393	2,393	2,393	2,393
Current Assets		36,689	41,122	60,457	78,611	73,956	74,409	75,133
Stocks		3,438	3,541	7,698	9,114	8,898	8,976	9,055
Debtors		15,720	14,370	28,209	31,449	31,606	31,922	32,241
Cash & cash equivalents		10,051	12,192	9,521	25,475	20,878	20,938	21,263
Other		7,481	11,019	15,030	12,573	12,573	12,573	12,573
Current Liabilities		(33,232)	(35,004)	(68,199)	(77,372)	(77,437)	(77,842)	(78,251)
Creditors		(23,744)	(24,247)	(42,910)	(46,223)	(46,288)	(46,694)	(47,103)
Tax and social security		(468)	(357)	(697)	(914)	(914)	(914)	(914)
Short term borrowings		(9,021)	(10,401)	(24,592)	(30,234)	(30,234)	(30,234)	(30,234)
Other		0	0	0	0	0	0	0
Long Term Liabilities		(27,178)	(29,847)	(58,489)	(70,874)	(65,910)	(65,910)	(65,910)
Long term borrowings		(18,219)	(22,446)	(45,159)	(57,624)	(57,624)	(57,624)	(57,624)
Other long term liabilities		(8,960)	(7,402)	(13,330)	(13,250)	(8,286)	(8,286)	(8,286)
Net Assets		40,464	40,810	63,542	63,097	63,326	63,626	64,195
Minority interests		0	0	0	0	0	0	0
Shareholders' equity		40,464	40,810	63,542	63,097	63,326	63,626	64,195
CASH FLOW								
Op Cash Flow before WC and tax		5,845	4,851	2,905	7,245	7,834	8,285	8,744
Working capital		1,811	(1,942)	(30)	1,547	124	12	11
Exceptional & other		(129)	(1,262)	(15,092)	(359)	107	107	107
Tax		(1,012)	(87)	556	47	(123)	(485)	(629)
Net operating cash flow		6,515	1,560	(11,661)	8,480	7,941	7,919	8,232
Capex		(2,107)	(3,914)	(4,095)	(9,849)	(5,900)	(5,586)	(5,642)
Acquisitions/disposals		0	0	0	0	0	0	0
Net interest		(811)	(678)	(692)	(996)	(1,674)	(1,673)	(1,665)
Equity financing		0	0	0	0	0	0	0
Dividends		(600)	(600)	(600)	0	0	(600)	(600)
Other		2,293	5,031	(1,131)	21,436	0	0	0
Net Cash Flow		5,291	1,399	(18,178)	19,071	367	60	326
Opening net debt/(cash)		19,950	17,189	20,654	60,230	62,383	66,979	66,920
FX		0	0	0	0	0	0	0
Other non-cash movements		(2,529)	(4,865)	(21,397)	(21,224)	(4,964)	0	0
Closing net debt/(cash)		17,189	20,654	60,230	62,383	66,979	66,920	66,594

Source: Edison Investment Research, company data

Contact details	Revenue by geography
Via Filadelfia 220 10137 Torino Italy +39 011 3240200 http://centralelatteitalia.com	 <p>■ Italy ■ International</p>
Management team	
Chairman: Luigi Luzzati Luigi Luzzati has been executive chairman of CLT since May 1999 and was one of the previous owners of Centro Latte Rapallo. He assumed chairmanship of CLT on its formation.	Executive vice chairman and managing director: Riccardo Pozzoli Riccardo Pozzoli was chairman of CLT from 1985 to 2000 and has been vice chairman since 2000. He is a member of one of the founding families.
CFO: Vittorio Vaudagnotti Vittorio Vaudagnotti is CFO, director of administration & control and head of IR.	Investor Relations: Edoardo Pozzoli Edoardo Pozzoli is corporate director and also head of IR.
Principal shareholders	(%)
Finanziaria Centrale del Latte di Torino SpA	38.63
Comune di Firenze	12.31
Fidi Toscana SpA	6.83
Comune di Pistoia	5.26
Lavia	3.94
Luzzati Family	2.56
Camera di Commercio di Firenze	2.31
Companies named in this report	
Parmalat (PLT IM), Dairy Crest (DCG LN), Dean Foods (DF), Saputo (SAP CN), Valsoia (VLS IM), Danone (BN FP)	

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