

# La Doria

9M18 results

## A tough environment

The consumer environment remains tough for La Doria and the adverse weather conditions for the seasonal tomato campaign have led management to slightly edge down its FY18 profit outlook earlier this year. During 9M18, underlying sales were up 2%, which represents a slowdown from the +3.7% in H1. This was caused by a deceleration in growth in the “other lines” of the trading business during Q3, ie the non-core part. Management is forging ahead with its four-year investment plan and the Acerra plant has now closed. We trim our forecasts in line with the revised outlook and our fair value moves to €15.40 from €16.10.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/16	653.1	37.3	108.8	18.0	7.4	2.2
12/17	669.1	39.7	98.1	23.0	8.2	2.9
12/18e	689.2	37.8	88.9	24.0	9.0	3.0
12/19e	709.8	41.0	96.4	25.0	8.3	3.1

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

## Tomato campaign to dent profitability

As discussed at the H1 results, overall tomato costs did indeed turn out to be higher and, coupled with lower volumes, which affect fixed-cost leverage, profitability will be dented. Increased sales prices will partly mitigate the damage, but FY18 and H119 will be affected. Industry stock levels of tomato are low and hence bode well for the 2019 tomato campaign (which will have an effect in FY20).

## 9M18 results broadly in line, but outlook reduced

The performance was mixed, with good revenue growth in the red line, pulses and vegetables, and the trading business. The sauces line was stable, with good volume growth offset by price reductions. The fruit line's performance was disappointing, mainly due to lower domestic fruit juice sales. Now that the full outcome of the customer negotiations is known, we trim our forecasts for Q418 and beyond to reflect the lower efficiency of the tomato campaign and its lower crop volumes. Our FY18e EBITDA moves from €59.2m to €56.1m. As a reminder, management's business plan, released at the start of the year, guided towards €58m in EBITDA in FY18e.

## Valuation: Fair value of €15.40/share

Our DCF model indicates a fair value of €15.40 per share (previously €16.10), or c 90% upside from the current share price. La Doria trades on 8.3x FY19e P/E, a c 50% discount to its private-label peer group. On EV/EBITDA it trades at 6.5x FY19e, or a c 25% discount. We believe La Doria remains an attractive proposition, given the strength of its market position in the private-label segment, as well as management's commitment to improving the stability and visibility of the business by reducing reliance on the more volatile tomato line, while continuing to invest behind the business in order to maintain its competitive edge.

## Food & beverages

21 November 2018

**Price** €8.03

**Market cap** €249m

Net debt (€m) at 30 September 2018 79.1

Shares in issue 31.0m

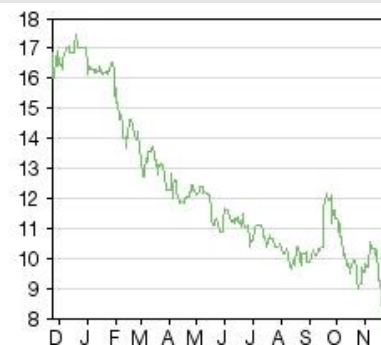
Free float 37%

Code LD

Primary exchange Borsa Italia (STAR)

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs (19.1) (20.7) (51.7)

Rel (local) (16.1) (11.2) (41.6)

52-week high/low €17.5 €8.0

## Business description

La Doria is the leading manufacturer of private-label preserved vegetables and fruit for the Italian (20% of revenues) and international (80% of revenues) market. It enjoys leading market share positions across its product ranges in the UK, Italy, Germany and Australia.

## Next event

FY18 results March 2019

## Analysts

Sara Welford +44 (0)20 3077 5700

Paul Hickman +44 (0)20 3681 2501

[consumer@edisongroup.com](mailto:consumer@edisongroup.com)
[Edison profile page](#)

**La Doria is a research client of  
Edison Investment Research  
Limited**

## 9M results review and outlook

---

Consolidated revenue for 9M18 of €512.2m was 1.3% ahead of the prior year and up 2% at constant currency. This was a slowdown from the 3.7% constant currency growth witnessed during H118. The performance was mixed, with the red line underlying sales up 4.4% during the period, and the pulses and vegetables business up 3.5% at constant currency. The sauces line was flat in underlying terms, with volume growth offset by some price erosion. This was a trend already seen during H118 as La Doria management made the conscious decision to implement targeted price reductions in order to gain or maintain market share. The 'other' line (the trading business) also witnessed growth, with underlying sales up 5.3%. On the negative side, the fruit line contracted substantially, with underlying sales down 10.4%, mainly attributable to lower domestic market fruit juice sales.

Group EBITDA was €40.5m for 9M18, down from €42.4m in the prior-year period. EBITDA margin was therefore down 50bp to 7.9% as lower sales prices weighed on margins. Reported end-September net debt was €79.1m, an increase from the 30 September 2017 level of €68.7m, and the 30 June 2018 level of €64.4m, as capital expenditure on the four-year investment plan continued. Due to the seasonality of the business, we expect the usual cash outflow in H2. We forecast net debt of €122m at end-FY18e as capex on the four-year plan continues. As a reminder, the Acerra plant closed at the end of September, as scheduled. The new lines of sauces in Parma and cans in Sarno are being built, and building of the new logistics centre for the UK LDH business should start in H2. The four-year industrial plan aims at increasing production capacity in categories with stronger growth potential and higher margin (such as pasta sauces), the improvement of industrial and logistics efficiency in order to reduce overall cost and become more competitive.

The annual tomato campaign runs from the end of July to the end of September/start of October. Typically, La Doria negotiates annual contracts with its customers – and, therefore, prices – just before or during the processing season, which gives it good visibility on its profitability outlook through to Q3 of the following year, when the next pricing rounds occur. The situation for pulses is also expected to become slightly tougher, as increased tariffs on US pulses have contributed to a general uplift in global pulse costs. Thus, we expect the pulses and vegetables market to witness an overall increase in pricing to offset the rising costs.

The sauces business had a good 9M18 and we expect volume growth to continue, although the pricing environment is likely to remain competitive. The fruit and fruit juices segment is likely to remain under pressure, as reduced selling prices and severe competition continue to be a problem in the domestic Italian market.

We illustrate our changes to forecasts in Exhibit 1 below. As discussed earlier, now that the full outcome of the customer negotiations is known, we trim our forecasts for Q418 and beyond to reflect the lower efficiency of the tomato campaign and its lower crop volumes. Our FY18e EBITDA moves from €59.2m to €54.8m, and our FY19e EBITDA also moves lower, in line with management's guidance that for FY18 there will be a reduced margin "to a slightly greater extent than envisaged in the Plan".

**Exhibit 1: Old vs new forecasts (€m)**

	2018e			2019e		
	Old	New	% chg	Old	New	% chg
Revenue	689.2	689.2	0.0%	709.8	709.8	0.0%
EBITDA	59.2	54.8	-7.4%	64.5	60.0	-7.0%
EBIT	44.2	39.8	-10.0%	47.5	43.0	-9.6%
PBT	42.2	37.8	-10.4%	45.5	41.0	-10.0%
Net profit	30.8	27.6	-10.4%	33.2	29.9	-10.0%
Net debt	119.8	122.3	2.1%	114.7	119.4	4.1%

Source: Edison Investment Research

## Valuation

We illustrate La Doria's valuation vis-à-vis its peers in Exhibit 2 below. On 2019 estimates, La Doria currently trades at a c 50% discount on P/E, which we believe is unwarranted given the balance sheet is conservatively managed. On EV/EBITDA, it trades at a c 25% discount.

**Exhibit 2: Benchmark valuation of La Doria relative to peers**

	Market cap (m)	P/E (x)		EV/EBITDA (x)		Dividend yield (%)	
		2019e	2020e	2019e	2020e	2019e	2020e
Greencore	£1,364.1	12.1	11.3	8.6	8.1	3.1	3.3
Ebro Foods	£2,766.1	16.1	14.6	9.7	9.1	3.5	3.7
Parmalat	€ 5,175.4	28.9	22.5	N/A	N/A	0.7	0.8
Bonduelle	€ 1,032.2	11.1	10.4	6.9	6.4	1.8	2.0
Valsoia	€ 129.9	16.6	N/A	9.0	N/A	2.7	N/A
<b>Peer group average</b>		<b>17.0</b>	<b>14.7</b>	<b>8.6</b>	<b>7.9</b>	<b>2.4</b>	<b>2.4</b>
La Doria	€ 248.9	8.3	7.3	6.5	5.9	3.1	3.2
<b>Premium/(discount) to peer group</b>		<b>-50.9%</b>	<b>-50.1%</b>	<b>-24.6%</b>	<b>-24.8%</b>	<b>31.3%</b>	<b>33.5%</b>

Source: Edison Investment Research estimates, Bloomberg consensus. Note: Prices at 20 November 2018.

Our primary valuation methodology is DCF analysis and we calculate a fair value of €15.40/share (previously €16.10), or c 90% upside from the current level. This is based on our assumptions of a 1.0% terminal growth rate and an 8.0% terminal EBIT margin. Our WACC of 6.4% is predicated on an equity risk premium of 4.5%, borrowing spread of 6% and beta of 0.8. Below, we show a sensitivity analysis to these assumptions and note that the current share price is discounting a terminal EBIT margin of 6.5% (which compares to La Doria's FY17 EBITDA margin of 9.0% and EBIT margin of 6.2%) and a terminal growth rate of c -2%.

**Exhibit 3: DCF sensitivity to terminal growth rate and EBIT margin (€/share)**

		EBIT margin					
		6.5%	7.0%	7.5%	8.0%	8.5%	9.0%
Terminal growth	-2.5%	7.7	8.3	8.9	9.4	10.0	10.5
	-1.5%	8.4	9.1	9.7	10.3	11.0	11.6
	-0.5%	9.3	10.1	10.8	11.5	12.3	13.0
	0.5%	10.5	11.4	12.3	13.1	14.0	14.9
	1.5%	12.2	13.3	14.4	15.4	16.5	17.5
	2.5%	14.8	16.2	17.5	18.9	20.2	21.6
	3.5%	19.2	21.0	22.9	24.7	26.5	28.4

Source: Edison Investment Research estimates

**Exhibit 4: Financial summary**

€m	2015	2016	2017	2018e	2019e	2020e	2021e
December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>							
Revenue	748.3	653.1	669.1	689.2	709.8	731.1	753.1
Cost of Sales	(616.9)	(545.4)	(555.7)	(577.9)	(592.4)	(607.2)	(621.7)
Gross Profit	131.5	107.8	113.4	111.3	117.5	123.9	131.4
EBITDA	77.6	56.3	60.1	54.8	60.0	65.4	71.9
Operating Profit (before amort. and except.)	61.0	39.9	41.6	41.1	44.4	39.8	43.0
Intangible Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FX Gain / (loss)	3.6	8.9	0.2	0.0	0.0	0.0	0.0
Operating Profit	64.6	48.8	41.8	39.8	43.0	48.4	53.9
Net Interest	(3.6)	(2.7)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)
Profit Before Tax (norm)	57.4	37.3	39.7	37.8	41.0	46.4	51.9
Profit Before Tax (FRS 3)	61.0	46.2	39.9	37.8	41.0	46.4	51.9
Tax	(16.1)	(12.4)	(9.5)	(10.2)	(11.1)	(12.5)	(14.0)
Profit After Tax (norm)	44.8	33.7	30.4	27.6	29.9	33.9	37.9
Profit After Tax (FRS 3)	44.8	33.7	30.4	27.6	29.9	33.9	37.9
Average Number of Shares Outstanding (m)	31.0	31.0	31.0	31.0	31.0	31.0	31.0
EPS - normalised fully diluted (c)	144.6	108.8	98.1	88.9	96.4	109.3	122.2
EPS - (IFRS) (c)	144.6	108.8	98.1	88.9	96.4	109.3	122.2
Dividend per share (c)	28.0	18.0	23.0	24.0	25.0	26.0	27.0
Gross Margin (%)	17.6	16.5	16.9	16.1	16.5	16.9	17.4
EBITDA Margin (%)	10.4	8.6	9.0	7.9	8.4	8.9	9.5
Operating Margin (before GW and except.) (%)	8.1	6.1	6.2	6.0	5.8	6.1	6.6
<b>BALANCE SHEET</b>							
Fixed Assets	177.6	173.3	174.0	220.0	236.0	246.1	253.6
Intangible Assets	10.6	10.0	6.1	5.4	4.7	4.0	3.3
Tangible Assets	143.3	143.9	149.9	196.6	208.3	206.0	199.7
Investments	23.7	19.4	18.0	18.0	23.0	36.1	50.6
Current Assets	398.8	367.8	394.2	357.3	368.4	396.2	430.5
Stocks	199.8	187.0	209.5	196.5	201.4	206.5	208.3
Debtors	107.7	103.9	106.5	106.8	110.0	113.3	116.7
Cash	77.9	62.8	66.7	42.5	45.5	64.9	94.0
Other	13.3	14.2	11.5	11.5	11.5	11.5	11.5
Current Liabilities	(220.7)	(187.9)	(209.8)	(201.0)	(203.7)	(206.4)	(209.1)
Creditors	(129.3)	(126.4)	(142.1)	(133.4)	(136.1)	(138.8)	(141.5)
Short term borrowings	(91.4)	(61.5)	(67.6)	(67.6)	(67.6)	(67.6)	(67.6)
Long Term Liabilities	(157.3)	(144.5)	(131.5)	(120.7)	(114.1)	(114.1)	(114.1)
Long term borrowings	(116.6)	(106.1)	(97.2)	(97.2)	(97.2)	(97.2)	(97.2)
Other long term liabilities	(40.7)	(38.3)	(34.3)	(23.5)	(16.8)	(16.8)	(16.8)
Net Assets	198.4	208.8	227.0	255.7	286.7	321.8	360.9
<b>CASH FLOW</b>							
Operating Cash Flow	58.2	65.7	39.9	48.5	43.4	47.3	55.4
Net Interest	(3.6)	(2.7)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)
Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capex	(8.4)	(13.0)	(18.7)	(61.0)	(28.0)	(14.0)	(11.0)
Acquisitions/disposals	(4.9)	0.0	0.0	0.0	0.0	0.0	0.0
Financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	(9.3)	(8.4)	(7.6)	(9.6)	(10.5)	(11.9)	(13.3)
Other	(23.3)	(16.3)	(5.2)	0.0	0.0	0.0	0.0
Net Cash Flow	8.7	25.3	6.6	(24.2)	3.0	19.4	29.1
Opening net debt/(cash)	138.2	130.1	104.8	98.2	122.4	119.4	100.0
HP finance leases initiated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(0.6)	(0.1)	0.1	0.0	0.0	(0.0)	0.0
Closing net debt/(cash)	130.1	104.8	98.2	122.3	119.4	100.0	70.9

Source: Edison Investment Research, La Doria

---

## General disclaimer and copyright

This report has been commissioned by La Doria and prepared and issued by Edison, in consideration of a fee payable by La Doria. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

**Copyright:** Copyright 2018 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

Neither this Communication nor any copy (physical or electronic) of it may be (i) taken or transmitted into the United States of America, (ii) distributed, directly or indirectly, in the United States of America or to any US person (within the meaning of regulations Regulation S made under the US Securities Act 1933, as amended), (iii) taken or transmitted into or distributed in Canada, Australia, the Republic of Ireland or the Republic of South Africa or to any resident thereof, except in compliance with applicable securities laws, (iv) taken or transmitted into or distributed in Japan or to any resident thereof for the purpose of solicitation or subscription or offer for sale of any securities or in the context where the distribution thereof may be construed as such solicitation or offer, or (v) taken or transmitted into any EEA state other than the United Kingdom. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction. The distribution of this Communication in or into other jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.