# La Doria

Q121 results and outlook

## Looking ahead with confidence

Food & beverages

**La Doria has posted another strong quarter, with revenue and EBITDA growth notwithstanding the strong base. Revenue growth was mainly price-driven, and mostly driven by the UK business. While the outlook for the sector remains favourable, the company continues to expect revenues and volumes to fall during 2021 as consumption gradually returns to normal and following the exceptionally strong performance during FY20. Management expects EBITDA to improve as the benefits of the investment plan start to flow through in full. We leave our estimates unchanged.**

| Year end | Revenue (€m) | PBT* (€m) | EPS* (c) | DPS (c) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 12/19 | 717.7 | 32.7 | 64.0 | 18.0 | 27.4 | 1.0 |
| 12/20 | 848.1 | 63.3 | 182.8 | 50.0 | 9.5 | 2.8 |
| 12/21e | 805.7 | 61.8 | 153.5 | 41.0 | 11.3 | 2.3 |
| 12/22e | 813.8 | 66.5 | 164.1 | 44.0 | 10.6 | 2.5 |

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

## Q121 results ahead once again

Q121 group revenue was €222.3m, up 3.9% on the prior year. Organic growth was 4.9%, mainly driven by pricing. Q1 EBITDA was up 27.9% vs the prior year, with margins up 170bp to 9.1% thanks to stronger pricing and the full benefits of the four-year investment plan now coming through. Net debt was €125.6m compared to €129m at end Q120, and €140.2m at the end of FY20.

## Forecasts unchanged, softer FY21 expected

The volume growth experienced in FY20 reflecting the effects of COVID-19 and its ramifications is not sustainable. Additionally, La Doria's benefit from operational gearing will reduce as volumes fall, but its cost-cutting efforts will continue to have a positive impact on the bottom line. We also believe the pandemic has led to a structural and potentially lasting increase in at-home consumption owing to more working from home in future. Overall, while the company has had a strong start to the year, we expect sales to decline through the rest of FY21, in line with company guidance. Selling prices and margins should benefit from positive demand dynamics and hence we leave our forecasts unchanged.

## Valuation: Fair value unchanged at €20.00/share

Our DCF model indicates a fair value of €20.00 per share (unchanged), or c 15% upside from the current share price. La Doria trades on a P/E of 11.3x FY21e, a c 35% discount to its private-label peer group. On EV/EBITDA it trades at 7.6x FY21e, a c 10% discount, and its dividend is well covered, with a yield of 2.3%. We believe La Doria remains an attractive proposition, given the strength of its market position in the private-label segment. Management remains committed to improving the stability of the business, while continuing to invest to maintain its competitive edge.

**27 May 2021**

| | |
|---|---|
| **Price** | **€17.66** |
| **Market cap** | **€540m** |
| Net debt (€m) at Q121 | 125.6 |
| Shares in issue | 30.6m |
| Free float | 37% |
| Code | LD |
| Primary exchange | Borsa Italia (STAR) |
| Secondary exchange | N/A |

### Share price performance


| % | 1m | 3m | 12m |
|---|---|---|---|
| Abs | 2.2 | 26.0 | 68.5 |
| Rel (local) | 1.0 | 15.4 | 21.4 |
| 52-week high/low | | €18.22 | €10.42 |

### Business description

La Doria is the leading manufacturer of private-label preserved vegetables and fruit for the Italian (17% of revenues) and international (83% of revenues) markets. It enjoys leading market share positions across its product ranges in the UK, Italy, Germany and Australia.

### Next events

| | |
|---|---|
| H121 results | September 2021 |
| 9M21 results | November 2021 |

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# Investment summary

## Company description: A leading private-label manufacturer

La Doria is a leading manufacturer and processor of tomatoes, sauces, pulses and fruit-based products. It has a presence in both the Italian market (c 20% of sales) and internationally (c 80% of revenue). Management has been shifting the product mix towards higher-value and higher-margin products, which also tend to exhibit less volatility, and expanding into new markets.

The company was founded in 1954 by the Ferraioli family. The family maintains active management of the company. Antonio Ferraioli is group chairman and co-CEO, and his brother Andrea Ferraioli is co-CEO. Maria Teresa Ferraioli, Diodato Ferraioli and Enzo Lamberti are members of the board, meaning the family fills five of the nine board positions and owns 63% of the group's share capital.

## Valuation: Significant upside remains

Our DCF model assumes 1.5% terminal growth and 7.0% terminal EBIT margin, and our fair value is unchanged at €20.00 per share, or c 15% upside. As ever, there is good visibility regarding the current year's numbers: pricing for the tomato, vegetable, fruit and sauces lines is complete and costs are fully calculated, as the 2020 seasonal campaigns are over and the annual pricing rounds have occurred. Conversely, the outcome of the 2021 seasonal campaigns (affecting mainly FY22) is still unknown. Demand remains strong and industry stocks are low, hence the current outlook for selling prices is positive. The updated three-year rolling industrial plan, announced in March, extended the previous strategy, as expected, which is to improve the stability of the business, while continuing to invest to maintain its competitive edge. We also look at La Doria's key metrics compared to its peer group. At 11.3x 2021e P/E and 7.6x 2021e EV/EBITDA, it trades at discounts of c 35% and c 10%, respectively, to its peers.

## Q121 results and outlook

The year has started well, with further revenue and operating margin growth despite the strong base in Q120. Revenues were up 3.9% to €222.3m and EBITDA was up 27.9% to €20.2m, with EBITDA margin up 170bps to 9.1%. Net debt was down to €125.6m from €140.2m at year-end.

Revenue continued to grow in the quarter despite consumption gradually returning to more normal levels. EBITDA benefited from a favourable negotiating environment as a result of sustained demand and low sector stock levels. The margin improved across all product lines, with the 'red line' (tomato business) witnessing the greatest improvement. UK margins were slightly down on the prior year due to higher inventory costs: these were as a result of a planned build-up of inventories towards the end of Q4 to deal with the eventuality of a hard Brexit and are expected to normalise during Q2.

The outlook remains favourable, although the company expects that there will be a gradual return towards more normal consumption patterns as COVID-19-related restrictions are relaxed and hence revenues are expected to decline slightly in 2021 due to the challenging comparatives. The board reconfirms the targets and the 2021–23 Business Plan, which was issued with the FY20 results. Our forecasts are unchanged.

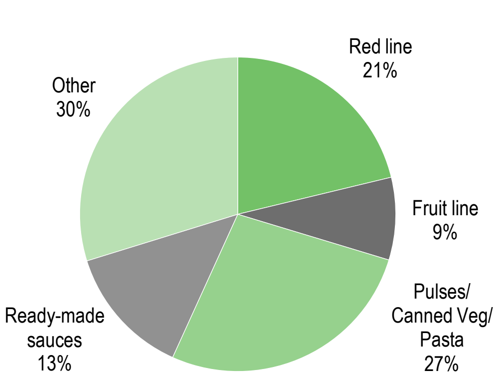
## Sensitivities: Raw materials still a key variable

La Doria's key sensitivities include: input cost inflation on the agricultural commodities it processes to manufacture its products; the supply/demand balance affecting the achievability of price inflation on finished goods (particularly for the red line); consumer consumption patterns and competitive pressures; and FX, specifically euro/sterling due to the consolidation of its trading subsidiary, LDH.

## Company description: Specialising in private label

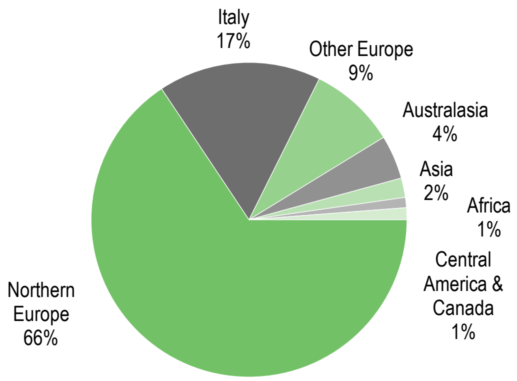
La Doria is the leading European producer of tinned tomatoes, processed pulses and vegetables and private-label, ready-made sauces. It is among the largest Italian producers of fruit juices and beverages, and the largest within the Italian private-label segment. Exhibits 1 and 2 below break down revenues by category and by geography. In FY20, 17% of revenue was from the domestic market and 83% was international. Its largest market by far is the UK (c 50% of revenues), gained through its subsidiary LDH.

**Exhibit 1: Revenue split by category (FY20)**




Source: La Doria

**Exhibit 2: Revenue split by geography (FY20)**




Source: La Doria

La Doria supplies a very wide selection of food retailers. Tesco is its largest customer, but it also supplies Asda, Sainsbury's, Carrefour, Morrisons, Walmart, Aldi, Lidl and many more. The overwhelming majority (97%) of La Doria's sales are in the private-label segment, with 3% of sales from branded products and the balance from co-packing arrangements for branded manufacturers.

La Doria holds leading private-label market share positions in its largest markets (the UK and Italy), across many of its product categories, and in many of its other markets (Germany, Scandinavia and Australia). The company has benefited from its scale in its private-label categories and its reliability when dealing with its major customers, which all have high demands in terms of service and quality levels.

Over the past decade or so, the group strategy has been to gradually shift the sales mix towards non-seasonal, value-added products, to reduce the volatility of results and to increase margins. The sauces business lends itself particularly well here. For example, in FY08, the tomato business (red line) accounted for 31% of sales and 60% of EBITDA. In FY20 the tomato business represented 21% of sales and we estimate c 30% of EBITDA. The business plan announced in March builds on that of previous years.

# Updated business plan to FY23

La Doria outlines its financial targets and strategic business plan for a rolling three-year period at the beginning of each financial year. The industrial plan (restructuring programme) set out in March 2018 has now been fully implemented: its main aim was to improve the efficiency of the business by closing some sites and investing to maintain cost competitiveness. The new UK logistics platform is now operational and the benefits of the investment are coming through fully for the first time in FY21.

The business plan was updated on 15 March 2021 with the FY20 results. The new profit targets were increased (see our note) in light of the exceptional performance in FY20, which exceeded the 2022 target originally set in the 2020–22 plan. However, FY20 volume growth was unsustainable, buoyed by the pandemic, and indeed management expects a volume decline in FY21, but margins are still expected to expand. The expected expansion in margins results from cost savings stemming from the industrial plan and to a more favourable supply/demand balance in the industry (given stocks remain low).

Q121 showed the year started well, but as lockdown restrictions ease and comparatives get harder, we leave our forecasts unchanged for now.

Looking ahead to FY21, we forecast consumption to return to more normal levels as lockdown restrictions are eased, and hence volumes to be down. While the retail environment remains competitive, we expect the pricing environment to be more favourable.

We compare our forecasts to guidance in the Financials section on page 8.

## Strategic guidelines

The 2021–23 strategic guidelines confirm those set out in 2018 and are as follows:

- Expand higher value-added product ranges, investing in the premium and organic and healthy segments, which are higher margin. The growth should be sustainable and responsible.
- Strengthen existing group market positions in international markets, for example the UK, Germany, France, Scandinavia, Japan and Australia.
- Extend growth in markets where La Doria is currently underrepresented (mainly the US), or where there is high potential, such as emerging markets (China, Russia, South-East Asia, Latin America).
- Remain cost-competitive by continuously implementing organisational and operational efficiencies.

The above guidelines should drive both revenue growth and margin expansion, with the latter coming through from improved mix.

As a result of the COVID-19 pandemic, La Doria witnessed materially higher consumption of its products as lockdowns in its main markets favoured at-home consumption, and its exposure to the horeca (hotel, restaurant, catering) sector is relatively low. Of course, much of this increased consumption is expected to normalise through FY21 as lockdowns are eased in most markets, but management believes there is likely to be a lasting and structural increase in at-home consumption as incomes are squeezed and remote working becomes more prevalent.

# Business overview

La Doria operates in four distinct categories: tomato-based products; pulses and vegetables; ready-made sauces; and fruit-based products. In addition, it sells both its products and those of third parties through a holding in its UK subsidiary, LDH. We look at demand and supply in each of these in turn.

## Tomato-based products – the red line

La Doria is the largest producer in Europe of peeled and chopped tomatoes and it is market leader in UK, Australian and Japanese private-label canned tomatoes. As illustrated in Exhibit 1, the red line (tomato-based products) contributed 21% of revenues in FY20.

La Doria's tomato business is seasonal and can be volatile. Over the last decade, the supply of Italian tomatoes has stabilised considerably thanks to legislative reform and structural consolidation. The industry now operates more effectively as a cohort and interests are better aligned to avoid significant overproduction. Indeed, over the past few years, production has been broadly in line with expectations, and huge overproduction seems to be an issue of the past.

Sector consolidation among the producers has also helped pricing, as there were a number of small businesses that at times made seemingly irrational pricing choices. Although consolidation has helped to mitigate the fragmentation issue, some small players still remain and pricing still comes under pressure if campaign conditions are imperfect.

The annual tomato campaign runs from the end of July to the end of September. Typically, La Doria negotiates annual contracts with its customers, and hence volumes and prices, just before or during the processing season. This gives La Doria good visibility over the outlook for its profitability until Q3 of the following year, when the next pricing rounds occur.

In 2020 the tomato campaign resulted in the overall fresh tomato crop volume in southern Italy being in line with the 2019 campaign (while the northern Italian crop increased, La Doria sources its tomatoes in southern Italy). This was below market expectations, and hence caused an increase in raw material costs. However, coupled with low inventory levels and higher demand levels owing to the pandemic, this resulted in a more favourable commercial landscape for the industry.

In 2020 the overall Italian tomato crop came in at 5.2m tonnes, up c 7.5% on the 2019 crop (which had been affected by the weather and yields were lower than expected), and vs 4.9m tonnes on average during the 2017–19 period.

On the demand side, Italian tomato consumption rose significantly as a result of the pandemic, after years of decline. During FY20 the market (including the discount channel) was up 10% in volume and up 16% in value terms (source: IRI Infoscan). This compares to volumes and value down 2% and 0.8% respectively in FY19. Private-label share rose to 34.5% in FY20 from 31.4% in FY19 (source: IRI Infoscan).

La Doria's larger export markets also expanded significantly during the pandemic. In the UK, in FY20, the tomato-based products market was up 18% in volume terms and 22% in value terms (source: Kantar Worldpanel). Private label maintained its market share (72.5% vs 72.7% in FY19).

### 2021 outlook

It is still early days for the 2021 campaign, but our current forecast is for a slight increase in tomato production at national level, or c 5.4–5.5m tonnes. As ever, the quality of the crop and industrial yield will only be determined once the campaign is nearly over. As previously, we do not expect the COVID-19 pandemic to significantly affect campaign volumes, as the vast majority of the harvest is performed by machines. Pricing should again be favourable, as industry stock levels are extremely low.

## Pulses and beans

La Doria is market leader in Europe (including the UK) in private-label preserved pulses. As shown in Exhibit 1, the vegetable line (pulses and beans) represented 27% of revenues in FY20.

FY20 was mainly affected by the 2019 summer harvest. This witnessed broadly stable harvest quantities compared to the prior year, and hence stable procurement prices. Finished product prices were slightly up.

On the consumption side, the pandemic led to a significant increase in demand for canned produce in general, and specifically pulses. During FY20 the Italian canned vegetable market grew by c 10% in both volume and value terms (source: IRI InfoScan). The private-label segment gained 60bps of volume share to 62.4%. In the UK, La Doria's key product in the category is private-label baked beans. In 2020 the overall baked beans market grew by 9.3% in volume terms and an impressive 16.3% in value terms. Private-label share was up 170bps to 46.9% (source: Kantar Worldpanel).

La Doria management has expanded the vegetable line over time. The division balances the more commoditised red line products and also has the advantage that production can occur throughout the year, rather than being concentrated in the three summer months of the tomato processing campaign. Expansion of the vegetable line has helped to improve group efficiency and reduced the volatility of the overall group.

### Outlook

We expect costs may start to increase as packaging material costs are moving up, and consumption should normalise as expected: volumes will fall following the exceptionally strong FY20, but we expect selling prices to increase during FY21 as raw material costs increase.

## The fruit line

During FY20 the fruit business accounted for 9% of revenues (Exhibit 1). La Doria remains the market leader in Italian private-label fruit juices and fruit beverages, and is one of the main producers in the Italian market overall. The profitability of the fruit line is below that of other segments, as it has suffered years of underperformance caused by weak economic conditions, reduced consumption and general industry overcapacity. As for the other divisions, 2020 pricing was mainly driven by the 2019 crop, which was broadly stable and hence procurement costs were also broadly in line with the prior year. The final months of FY20 were driven by the summer 2020 processing campaign, which witnessed a decline in supply owing to spring frosts, and hence this led to an increase in production prices. Turning to selling prices, during FY20 the Italian fruit juice market witnessed broadly stable pricing, with a slight decline in H1 and a recovery during Q4 due to the rising costs discussed above.

On the demand side, volume was boosted by the pandemic and was up 2.4%, following years of declines. The market was broadly stable in value terms (source: IRI InfoScan). The private-label segment increased its volume market share substantially to 54.2% (from 45.2% in 2019).

## Sauces

La Doria is the market leader in Europe in private-label pasta sauce, and the segment accounted for 13% of revenues in FY20 (see Exhibit 1).

During the year the overall Italian sauces market (excluding the discount channel) witnessed growth in both value (+10.7%) and volume (+8.6%) terms (source: IRI InfoScan). Tomato-based sauces volumes were up 7.5%, while pesto sauce volumes were up 13.1% (source: IRI InfoScan). Private-label continued to outperform and take share, with tomato-based sauce volumes up 10.3%, and pesto sauce volumes up 14.0%. In FY20 private label held a 31.9% market share in tomato-based sauces and a 28.7% share in pesto sauces, having gained share in both subcategories (source: IRI InfoScan).

In the UK, the sauces market (excluding pesto) was up 15.9% in both volume and value (source: Kantar Worldpanel). Private-label share grew by 400bp to 54.9% at the expense of the brands. The pesto market volumes were up 20% while value rose by 22.9%. Again, private-label share expanded 110bp, and now stands at 74.7%.

### Other lines (trading as LDH)

La Doria owns 63.9% of its subsidiary La Doria Holdings or LDH. For accounting purposes, it consolidates 100% of its minorities, and treats as debt the value of the put options that exist against it. LDH is the leader in the British market for private-label, tomato-based products, baked beans, dry pasta and canned tuna. The 'other' category is mainly composed of LDH's sales and accounted for 30% of group sales in FY20.

The remaining 36.1% stake in LDH is owned by a combination of Thai Union Group, Di Martino (an Italian pasta maker) and management. LDH's three major shareholders – La Doria, Thai Union Group and Di Martino – together supply the majority of its ranges across tomatoes, pulses, tuna, pasta and pasta sauces.

We note that La Doria increased its holding in LDH by 5.9% in March 2021. The shares were purchased from two minority shareholders who are part of LDH management.

## Financials

### Q121 results

Q121 group revenue was €222.3m, up 3.9% on the prior year, mainly driven by increased pricing but with some volume growth. Group EBITDA was up 27.9% to €20.2m, which resulted in EBITDA margin improvement of 170bps to 9.1%. EBIT margins improved 140bp to 6.9%.

Revenue continued to grow in the quarter despite consumption gradually returning to more normal levels. The tomato-based product line witnessed the strongest revenue growth, at 11%, followed by ready-made sauces, which grew by 3%. Fruit lines were flat while pulses declined by 5% owing to the very tough comparative from Q120. Other lines (sold through LDH) also performed well, with revenues up 9%. Export markets grew revenues by 7%, while domestic sales were down 10.3% in the quarter. Domestic consumption fell compared to the record levels in Q120, which witnessed heavy stockpiling by consumers as the pandemic took hold slightly earlier in Italy.

EBITDA benefited from a favourable negotiating environment as a result of sustained demand and low sector stock levels. The margin improved across all product lines, with the 'red line' witnessing the greatest improvement. UK margins were slightly down on the prior year due to higher inventory costs: these were as a result of a planned build-up of inventories towards the end of Q4 to deal with the eventuality of a hard Brexit and are expected to normalise during Q2.

Reported group pre-tax profit was €9.9m in the quarter versus €16.1m in the prior year, affected by a currency loss of €5.4m vs a gain of €4.7m in the comparable period. Reported net profit was similarly affected by this and came in at €6.7m versus €12.1m. Net debt was €125.6m compared to €129m at end Q119, and €140.2m at the end of FY20.

### Forecast revisions

As discussed above, we leave our estimates unchanged following the Q121 results. The year started well, as expected, but we believe consumption will normalise through the remainder of the year, in line with the company's budgets. We illustrate below how our forecasts compare to La

Doria's published targets. We forecast net debt to fall more rapidly than the company's business plan given management's conservative track record when it comes to net debt.

The balance sheet remains conservative: net debt/EBITDA peaked in FY19 at 2.7x as capital was invested in the industrial plan, but leverage should rapidly decline in FY21 and FY22 (it was 1.7x in FY20). As ever, we expect the outcome of the 2021 campaigns to be partially known by the H1 results (scheduled for September), but a clearer picture will not emerge until later in the year. Customer negotiations on the red line side will be almost complete, and good progress should be made in the vegetable, sauces and fruit lines.

**Exhibit 3: Edison forecasts vs company targets**

| | 2021e | | | 2022e | | | 2023e | | |
|---|---|---|---|---|---|---|---|---|---|
| | Target (€m) | Forecast (€m) | Diff (%) | Target (€m) | Forecast (€m) | Diff (%) | Target (€m) | Forecast (€m) | Diff (%) |
| Revenue | 800 | 805.7 | 0.7% | 813 | 813.8 | 0.1% | 831 | 830.1 | (0.1%) |
| EBITDA | 83 | 83.8 | 1.0% | 91 | 89.5 | (1.6%) | 95 | 95.5 | 0.5% |
| EBIT | 62 | 62.8 | 1.3% | 69 | 67.5 | (2.2%) | 73 | 73.5 | 0.6% |
| PBT | 62 | 61.8 | (0.3%) | 68 | 66.5 | (2.2%) | 73 | 72.5 | (0.8%) |
| Net profit | 46 | 47.6 | 3.4% | 51 | 50.9 | (0.2%) | 54 | 52.9 | (2.1%) |
| Net debt | 105 | 100.8 | (4.0%) | 68 | 63.8 | (6.2%) | 26 | 21.5 | (17.3%) |
| EBITDA margin | 10.4% | 10.4% | 0bps | 11.2% | 11.0% | (19bps) | 11.4% | 11.5% | 7bps |

Source: La Doria targets, Edison Investment Research estimates

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## Valuation

We illustrate La Doria's valuation versus its peers in Exhibit 4 below. On our FY21 estimates, La Doria currently trades at a c 35% discount to its peers on P/E, which we believe is unwarranted given the company's balance sheet is conservatively managed, and its dividend is well-covered. On EV/EBITDA, La Doria trades at a c 10% discount.

**Exhibit 4: Benchmark valuation of La Doria relative to peers**

| | Market cap | P/E (x) | | EV/EBITDA (x) | | Dividend yield (%) | |
|---|---|---|---|---|---|---|---|
| | (m) | 2021e | 2022e | 2021e | 2022e | 2021e | 2022e |
| Greencore | £764.7 | 30.9 | 13.7 | 11.1 | 7.9 | 1.6 | 2.5 |
| Ebro Foods | € ,671.9 | 16.5 | 15.2 | 9.6 | 9.1 | 3.6 | 3.8 |
| Bonduelle | €711.2 | 11.6 | 10.1 | 7.7 | 7.1 | 2.2 | 2.4 |
| Valsoia | €165.3 | 20.3 | 19.5 | 10.8 | 10.4 | 2.5 | 2.5 |
| Centrale del Latte d'Italia | €46.4 | 5.0 | 4.7 | 6.4 | 6.2 | 0.0 | 0.0 |
| Newlat | €301.1 | 22.7 | 21.5 | 5.9 | 5.8 | 0.0 | 0.0 |
| **Peer group average*** | | **17.8** | **14.1** | **8.6** | **7.7** | **1.6** | **1.9** |
| La Doria | €539.7 | 11.3 | 10.6 | 7.6 | 7.2 | 2.3 | 2.5 |
| **Premium/(discount) to peer group** | | **(36.4%)** | **(24.9%)** | **(11.1%)** | **(7.7%)** | **41.0%** | **33.4%** |

Source: Edison Investment Research estimates, Refinitiv. Note: Prices at 26 May 2021.

Our primary valuation methodology is DCF analysis and we calculate a fair value of €20.00/share unchanged) or c 20% upside from the current level. This is based on our (unchanged) assumptions of a 1.5% terminal growth rate and a 7.0% terminal EBIT margin. Our WACC of 6.2% is predicated on an equity risk premium of 4.5%, a borrowing spread of 6% and beta of 0.8. Below, we show a sensitivity analysis to these assumptions and note that based on our estimates and assumptions the current share price is broadly discounting a terminal EBIT margin of c 6% (which compares to La Doria's reported EBIT margin of 7.6% in FY20, 4.8% at the trough in 2019, and 8.1% at the peak in 2015) and a terminal growth rate of c 1.0%. We forecast an EBIT margin of 7.8% in FY21, given the strong revenue and margin growth in Q121, and the favourable pricing environment. We currently forecast 0% revenue CAGR to FY24, but 3.6% revenue CAGR FY19–24 as FY20 was an exceptional year and we expect a drop in FY21 before the business resumes growth.

**Exhibit 5: DCF sensitivity (€/share) to terminal growth rate and EBIT margin**

| | | EBIT margin | | | | | |
|---|---|---|---|---|---|---|---|
| | | 5.5% | 6.0% | 6.5% | 7.0% | 7.5% | 8.0% |
| Terminal growth | **-2.5%** | 11.7 | 12.4 | 13.0 | 13.7 | 14.3 | 15.0 |
| | **-1.5%** | 12.4 | 13.2 | 13.9 | 14.7 | 15.4 | 16.1 |
| | **-0.5%** | 13.3 | 14.2 | 15.0 | 15.9 | 16.8 | 17.6 |
| | **0.5%** | 14.5 | 15.5 | 16.5 | 17.6 | 18.6 | 19.6 |
| | **1.5%** | 16.2 | 17.4 | 18.7 | 20.0 | 21.2 | 22.5 |
| | **2.5%** | 18.8 | 20.4 | 22.0 | 23.6 | 25.3 | 26.9 |
| | **3.5%** | 23.3 | 25.6 | 27.8 | 30.0 | 32.3 | 34.5 |

Source: Edison Investment Research estimates

## Sensitivities

La Doria's key sensitivities include:

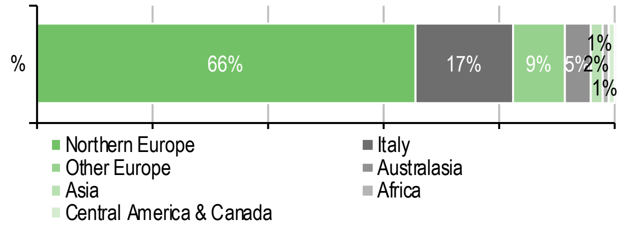
- input cost inflation on the agricultural commodities it processes to manufacture its products;
- the supply/demand balance affecting the achievability of finished goods price inflation, particularly for the red line;
- consumer consumption patterns and competitive pressures, particularly in Europe with a subdued economic environment, although La Doria and the private label segment in general tend to benefit from consumers trading down;

■ FX, specifically euro/sterling due to the consolidation of its trading subsidiary, LDH. The UK represents c 50% of group sales.

**Exhibit 6: Financial summary**

| €m | 2018 | 2019 | 2020 | 2021e | 2022e | 2023e | 2024e |
|---|---|---|---|---|---|---|---|
| Year end 31 December | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| **PROFIT & LOSS** | | | | | | | |
| Revenue | 687.9 | 717.7 | 848.1 | 805.7 | 813.8 | 830.1 | 846.7 |
| Cost of Sales | (581.7) | (604.2) | (706.9) | (668.3) | (671.7) | (682.7) | (695.5) |
| Gross Profit | 106.2 | 113.5 | 141.3 | 137.4 | 142.1 | 147.4 | 151.2 |
| EBITDA | 52.8 | 56.0 | 83.1 | 83.8 | 89.5 | 95.5 | 98.2 |
| Operating Profit (before amort. and except.) | 34.8 | 34.6 | 64.8 | 62.8 | 67.5 | 73.5 | 78.2 |
| 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) | 3.2 | (5.0) | 4.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating Profit | 37.9 | 29.5 | 69.7 | 62.8 | 67.5 | 73.5 | 78.2 |
| Net Interest | (1.7) | (1.8) | (1.5) | (1.0) | (1.0) | (1.0) | (1.0) |
| Profit Before Tax (norm) | 33.1 | 32.7 | 63.3 | 61.8 | 66.5 | 72.5 | 77.2 |
| Profit Before Tax (FRS 3) | 36.3 | 27.7 | 68.2 | 61.8 | 66.5 | 72.5 | 77.2 |
| Tax | (8.9) | (7.9) | (11.5) | (14.2) | (15.6) | (19.6) | (20.8) |
| Profit After Tax (norm) | 27.3 | 19.9 | 56.7 | 47.6 | 50.9 | 52.9 | 56.4 |
| Profit After Tax (FRS 3) | 27.3 | 19.9 | 56.7 | 47.6 | 50.9 | 52.9 | 56.4 |
| 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) | 88.2 | 64.0 | 182.8 | 153.5 | 164.1 | 170.6 | 181.8 |
| EPS - (IFRS) (c) | 88.2 | 64.0 | 182.8 | 153.5 | 164.1 | 170.6 | 181.8 |
| Dividend per share (c) | 18.0 | 18.0 | 50.0 | 41.0 | 44.0 | 46.0 | 49.0 |
| Gross Margin (%) | 15.4 | 15.8 | 16.7 | 17.1 | 17.5 | 17.8 | 17.9 |
| EBITDA Margin (%) | 7.7 | 7.8 | 9.8 | 10.4 | 11.0 | 11.5 | 11.6 |
| Operating Margin (before GW and except.) (%) | 5.1 | 4.8 | 7.6 | 7.8 | 8.3 | 8.8 | 9.2 |
| **BALANCE SHEET** | | | | | | | |
| Fixed Assets | 203.5 | 246.0 | 246.8 | 255.4 | 264.2 | 273.8 | 285.5 |
| Intangible Assets | 5.5 | 5.1 | 7.5 | 6.8 | 6.1 | 5.4 | 4.7 |
| Tangible Assets | 175.9 | 221.6 | 219.5 | 212.2 | 203.9 | 195.6 | 188.3 |
| Investments | 22.1 | 19.3 | 19.9 | 36.5 | 54.3 | 72.8 | 92.5 |
| Current Assets | 419.4 | 384.4 | 433.5 | 456.9 | 497.0 | 547.8 | 600.2 |
| Stocks | 204.4 | 219.1 | 247.2 | 233.2 | 235.1 | 240.3 | 243.4 |
| Debtors | 110.2 | 109.8 | 126.1 | 124.1 | 125.3 | 128.7 | 131.2 |
| Cash | 86.8 | 42.0 | 51.1 | 90.5 | 127.5 | 169.8 | 216.5 |
| Other | 18.0 | 13.5 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 |
| Current Liabilities | (242.3) | (246.6) | (276.2) | (259.4) | (259.4) | (262.1) | (264.4) |
| Creditors | (148.4) | (153.9) | (172.2) | (155.4) | (155.4) | (158.0) | (160.4) |
| Short term borrowings | (93.9) | (92.7) | (104.0) | (104.0) | (104.0) | (104.0) | (104.0) |
| Long Term Liabilities | (139.3) | (130.3) | (112.7) | (112.7) | (112.7) | (112.7) | (112.7) |
| Long term borrowings | (105.2) | (98.2) | (87.3) | (87.3) | (87.3) | (87.3) | (87.3) |
| Other long term liabilities | (34.1) | (32.2) | (25.4) | (25.4) | (25.4) | (25.4) | (25.4) |
| Net Assets | 241.4 | 253.6 | 291.5 | 340.2 | 389.2 | 446.8 | 508.6 |
| **CASH FLOW** | | | | | | | |
| Operating Cash Flow | 48.2 | 38.7 | 54.9 | 68.9 | 70.7 | 70.0 | 74.0 |
| Net Interest | (1.7) | (1.8) | (1.5) | (1.0) | (1.0) | (1.0) | (1.0) |
| Tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capex | (46.5) | (59.4) | (19.1) | (13.0) | (13.0) | (13.0) | (12.0) |
| Acquisitions/disposals | 0.0 | 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 | (9.6) | (6.9) | (6.9) | (15.5) | (12.7) | (13.7) | (14.3) |
| Other | (4.6) | (7.0) | (18.8) | 0.0 | (7.0) | 0.0 | 0.0 |
| Net Cash Flow | (14.1) | (36.5) | 8.6 | 39.4 | 37.0 | 42.3 | 46.7 |
| Opening net debt/(cash) | 98.2 | 112.3 | 148.8 | 140.2 | 100.8 | 63.8 | 21.5 |
| HP finance leases initiated | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | (0.0) | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | 0.0 |
| Closing net debt/(cash) | 112.3 | 148.8 | 140.2 | 100.8 | 63.8 | 21.5 | (25.2) |

Source: Edison Investment Research, company data

| Contact details | Revenue by geography |
|---|---|
| Via Nazionale 320<br>84012 Angri<br>Italy<br>+39 081 516611<br>www.gruppoladoria.com |  |



**Management team**

| CEO: Antonio Ferraioli | CFO: Alberto Festa |
|---|---|
| Antonio Ferraioli joined the company in 1974. He has been CEO since 1984 and is a member of the founding Ferraioli family. | Alberto Festa joined the company in 2007, having held various positions in a number of Italian consumer products companies. |

| Principal shareholders | (%) |
|---|---|
| Holding Antonio Ferraioli Srl | 10.17 |
| Andrea Ferraioli | 0.5 |
| Holding Andrea Ferraioli I Srl | 6.0 |
| Holding Andrea Ferraioli II Srl | 3.0 |
| Holding Rosa Ferraioli Srl | 8.66 |
| Holding Iolanda Ferraioli Srl | 8.66 |
| Holding Giovanna Ferraioli Srl | 8.66 |
| Holding Raffaella Ferraioli Srl | 8.66 |
| Holding Rosaria Ferraioli Srl | 8.66 |

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