

La Doria

H121 results

Another strong quarter

Yet again, La Doria has posted strong H1 results notwithstanding the tough comparatives. Revenues were down 4.1%, as expected, as food consumption normalised compared to the pandemic peak in Q220. EBITDA was up 22%, with an impressive 210bp increase in margin to 9.8%. The outlook for the sector remains favourable, and the seasonal tomato campaign has been successful in terms of industrial yields and product quality. We see upside to our FY21 forecasts given the strong performance so far, though we are mindful of rising input costs, consumer demand normalising, and a poorer 2021 fruit crop.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/19	717.7	32.7	64.5	18.0	26.4	1.1
12/20	848.1	63.3	185.5	50.0	9.2	2.9
12/21e	814.2	62.7	157.9	41.0	10.8	2.4
12/22e	814.2	66.6	166.6	44.0	10.2	2.6

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

H121 results strong yet again

H121 revenue was €423.8m, down 4.1% on the prior year, as expected, given the extremely strong comparatives, particularly during Q2. Volumes declined while pricing was up. The Sauces business continued to be the stand-out performer, with sales up 3% despite the extremely strong base, and once again the international business outperformed the domestic business. EBITDA was €41.7m, up 22% on the prior year, and benefited both from the positive trend in pricing and the rewards of its four-year investment programme. Net debt was €82.4m compared to €89.2m at end H120.

Upside to forecasts

We raise our FY21 forecasts slightly to reflect the good H1 performance, although we recognise that demand is continuing to slowly normalise, and input costs are rising. The first phase of the tomato campaign has gone well, with good weather resulting in a high-quality crop and therefore benefiting industrial yields. While – as normal – negotiations are not yet complete, we expect FY21 profitability in the segment to again improve, as demand continues to be high and stocks are relatively low. We therefore see upside to our FY21 forecasts. We leave our FY22 forecasts broadly unchanged at this stage, as we are mindful of rising input costs and a poorer 2021 fruit crop.

Valuation: Fair value increases to €22.00/share

Our DCF model indicates a fair value of €22 per share (from €20 previously), or c 30% upside from the current share price. La Doria trades on a P/E of 10.2x FY22e, a c 20% discount to its private-label peer group. On EV/EBITDA it trades at 7.0x FY22e, a c 5% discount, and its dividend is well covered, with a yield of 2.6%. We believe La Doria remains an attractive proposition, given the strength of its market position in the private-label segment.

Food & beverages

16 September 2021

Price €17.06

Market cap €522m

Net debt (€m) at 30 June 2021 82.4

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 (6.5) (5.0) 48.3

Rel (local) (3.5) (5.3) 14.2

52-week high/low €19.52 €11.00

Business description

La Doria is the leading manufacturer of private-label preserved vegetables and fruit for the Italian (16% of revenues) and international (84% of revenues) markets. It enjoys leading market share positions across its product ranges in the UK, Italy, Germany and Australia.

Next events

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FY21 results March 2022

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H121 results review and forecasts

Consolidated revenues were €423.8m, down 4.1% on the prior year, and down 4.5% at constant currency. EBITDA was €41.7m, up 22% versus the prior year, with margins up 210bp to 9.8%. Group EBIT was €31.9m, versus €25.9m in H120, thus resulting in the EBIT margin increasing 160bp to 7.5%. Net debt was €82.4m, compared to €89.2m at end H120 and €125.6m at the end of Q121.

The Sauces business was up 3% in revenue terms, building on an increase of 30% in the comparable period. The fruit line was flat during the period, while other divisions declined, given the strength of performance in the base period: the tomato-based business was down 4.7% (+22% in H120), the Pulses and Vegetables line was down 6.2% (+17% in the comparable period) and the 'other' (trading) line was down 5.9% (+33% a year ago). Overall, the international business (84% of the H1 total) declined by 3.4%, while the domestic business declined by 7.3%. Once again, margin improvement was driven both by operating leverage and the benefits of the four-year investment plan, with increased efficiencies and lower costs.

We raise our FY21 forecasts slightly to reflect the continued good performance through Q2 and hence forecast a better performance for the full year. The first phase (July and August) of the seasonal tomato campaign has gone well, with favourable weather leading to a good-quality crop and hence increased industrial yields and higher volumes. Negotiations are not yet complete, and indeed the tomato campaign is still ongoing, but we expect profitability to improve in the segment in FY22 as the commercial landscape continues to be favourable and the campaign has gone well so far. That said, we recognise that consumer demand patterns continue to slowly normalise, and raw material costs are rising across the board. We therefore leave our forecasts unchanged for FY22 and beyond.

We forecast the usual seasonality to La Doria's cash flows for FY21, and hence expect net debt to increase to €102m by end FY21 (from €82m at end H121 and a material improvement from the end 2020 level of €140m). From FY21, we expect capital expenditure to fall as La Doria's four-year investment programme comes to an end and it starts to reap the rewards of its investments, which are leading to greater efficiencies, particularly on the logistics side at LDH, and lower costs. We forecast strongly positive cash flows to contribute to a minimal net debt by the end of FY23 (our forecast is €21m).

Our forecasts are shown in Exhibit 1. As a reminder, we do not assume any further significant lockdowns in La Doria's main markets.

Exhibit 1: New versus old forecasts									
€m	2021e			2022e			2023e		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	805.7	814.2	1.1%	813.8	814.2	0.1%	830.1	830.5	0.1%
EBITDA	83.8	84.7	1.1%	89.5	89.6	0.1%	95.5	95.5	0.1%
EBIT	62.8	63.7	1.4%	67.5	67.6	0.1%	73.5	73.5	0.1%
PBT	61.8	62.7	1.4%	66.5	66.6	0.1%	72.5	72.5	0.1%
Net profit	47.6	48.3	1.4%	50.9	50.9	0.1%	52.9	52.9	0.1%
Net debt	100.8	102.4	1.6%	63.8	62.8	-1.6%	21.5	20.5	-4.7%
EBITDA margin	10.4%	10.4%	0.0%	11.0%	11.0%	0.0%	11.5%	11.5%	0.0%
EBIT margin	7.8%	7.8%	0.0%	8.3%	8.3%	0.0%	8.8%	8.9%	0.0%

Source: Edison Investment Research

Valuation

We illustrate La Doria's valuation versus its peers in Exhibit 2 below. On our 2022 estimates, La Doria currently trades at a c 20% discount on a P/E basis, and a c 5% discount on an EV/EBITDA basis, which we believe is unwarranted given that the company is starting to reap the cost-saving and efficiency benefits of its four-year investment programme, industry supply for the red line is now more balanced with demand, and industry stock levels remain low. In addition, the company's balance sheet is conservatively managed.

Exhibit 2: Benchmark valuation of La Doria relative to peers

	Market cap (m)	P/E (x)		EV/EBITDA (x)		Dividend yield (%)	
		2021e	2022e	2021e	2022e	2021e	2022e
Greencore	£680.4	37.1	13.0	10.9	7.4	0.6	2.8
Ebro Foods	€ 2,508.3	15.6	15.1	9.1	8.9	3.8	3.9
Bonduelle	€ 715.4	12.1	10.1	7.9	7.3	2.2	2.5
Valsoia	€ 152.4	18.8	18.0	9.9	9.6	2.7	2.7
Centrale del Latte d'Italia	€ 48.8	5.6	5.4	4.1	4.0	0.0	0.0
Newlat	€ 292.3	22.2	15.7	5.4	4.5	0.0	0.0
Peer group average		18.6	12.9	7.9	6.9	1.5	2.0
La Doria	€ 521.4	10.8	10.2	7.4	7.0	2.4	2.6
Premium/(discount) to peer group		(41.8%)	(20.6%)	(6.5%)	0.2%	56.7%	31.5%

Source: Edison Investment Research estimates, Refinitiv. Note: Priced at 15 September 2021.

We have rolled forward our DCF to commence in 2021, so our fair value rises to €22.00 per share (from €20.00 previously). This is based on our assumptions of a 1.5% terminal growth rate and a 7.0% terminal EBIT margin. Our WACC of 6.4% is predicated on an equity risk premium of 4%, borrowing spread of 6% and beta of 0.8 (unchanged). Below, we show a sensitivity analysis to our assumptions and note that the current share price is discounting, for example, a terminal EBIT margin of 5.5% (which compares with La Doria's FY19 EBITDA margin of 7.8% and EBIT margin of 4.8%, with the latter representing a trough level, and FY20 margins of 9.8% and 7.6% respectively) and a terminal growth rate of 0.8%.

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

		EBIT margin					
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%
Terminal growth	-2.5%	14.0	14.7	15.3	16.0	16.6	17.3
	-1.5%	14.7	15.5	16.2	16.9	17.7	18.4
	-0.5%	15.6	16.4	17.3	18.1	19.0	19.8
	0.5%	16.7	17.7	18.7	19.7	20.7	21.8
	1.5%	18.3	19.5	20.8	22.0	23.2	24.4
	2.5%	20.7	22.3	23.8	25.4	26.9	28.5
	3.5%	24.8	26.9	29.0	31.1	33.2	35.3

Source: Edison Investment Research

Exhibit 4: 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	814.2	814.2	830.5	847.1
Cost of Sales		(581.7)	(604.2)	(706.9)	(675.3)	(672.1)	(683.0)	(695.8)
Gross Profit		106.2	113.5	141.3	138.9	142.1	147.5	151.3
EBITDA		52.8	56.0	83.1	84.7	89.6	95.5	98.3
Operating Profit (before amort. and except.)		34.8	34.6	64.8	63.7	67.6	73.5	78.3
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	63.7	67.6	73.5	78.3
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	62.7	66.6	72.5	77.3
Profit Before Tax (FRS 3)		36.3	27.7	68.2	62.7	66.6	72.5	77.3
Tax		(8.9)	(7.9)	(11.5)	(14.4)	(15.6)	(19.6)	(20.9)
Profit After Tax (norm)		27.3	19.9	56.7	48.3	50.9	52.9	56.4
Profit After Tax (FRS 3)		27.3	19.9	56.7	48.3	50.9	52.9	56.4
Average Number of Shares Outstanding (m)		31.0	30.8	30.6	30.6	30.6	30.6	30.6
EPS - normalised fully diluted (c)		88.2	64.5	185.5	157.9	166.6	173.2	184.5
EPS - (IFRS) (c)		88.2	64.5	185.5	157.9	166.6	173.2	184.5
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	8.9	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	459.1	498.2	549.0	601.5
Stocks		204.4	219.1	247.2	235.7	235.2	240.4	243.5
Debtors		110.2	109.8	126.1	125.4	125.4	128.7	131.3
Cash		86.8	42.0	51.1	88.9	128.5	170.8	217.6
Other		18.0	13.5	9.1	9.1	9.1	9.1	9.1
Current Liabilities		(242.3)	(246.6)	(276.2)	(260.7)	(259.5)	(262.1)	(264.5)
Creditors		(148.4)	(153.9)	(172.2)	(156.7)	(155.4)	(158.1)	(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	341.1	390.3	448.0	509.8
CASH FLOW								
Operating Cash Flow		48.2	38.7	54.9	67.1	73.1	70.1	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)	(15.3)	(12.5)	(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	37.8	39.6	42.3	46.7
Opening net debt/(cash)		98.2	112.3	148.8	140.2	102.4	62.8	20.5
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	102.4	62.8	20.5	(26.3)

Source: Edison Investment Research, company accounts

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