

La Doria

Storming ahead

FY20 results

La Doria has had an outstanding year, driven by record volume growth as consumers were forced to eat more meals at home. Volumes were up an impressive 16.2% during the year, which led to significant operating leverage. Margins also benefited from the cost savings coming through from the industrial plan launched in 2018, hence were up 200bps at the EBITDA level. The board has proposed a dividend of €0.50/share, and has approved a new three-year strategic plan, given that the FY20 results exceeded the FY22 goal. The new plan continues to target growth in the value-added and higher-margin product categories, and recognises that FY20 was an exceptional year: revenues are expected to fall in FY21 as consumption slowly returns towards more normal levels, though profitability will continue to benefit from the aforementioned cost savings.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/19	717.7	32.7	64.0	18.0	26.5	1.1
12/20	848.1	63.3	182.8	50.0	9.3	3.0
12/21e	805.7	61.8	153.5	41.0	11.0	2.4
12/22e	813.8	66.5	164.1	44.0	10.3	2.6

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

An excellent FY20 performance

Group revenues for FY20 were €848.1m, up 18.2% on FY19, while Q4 revenues were €214.7m (+16.0% y-o-y). FY20 EBITDA was €83.1m (+48.4% on FY19), with margins up 200bp. Q420 EBITDA was €26.6m (+68.4%), with margins up 390bp. Net debt was €140.2m, versus €105.2m at the end of the first nine months of 2020 (9M20). All segments and geographies contributed to the excellent revenue growth: international growth was 20%, while domestic markets (17% of sales) were up 8%. The sauces line witnessed sales growth of 24%, and hence contributed to a positive mix effect given its higher margins.

FY21 will be softer, still ahead of FY19 expectations

The volume growth experienced in FY20 is not sustainable, and indeed we expect lower volumes in FY21. 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 caused a structural and lasting increase in at-home consumption owing to more working from home in future.

Valuation: Fair value of €20.00

Our DCF model indicates a fair value of €20.00 per share (previously €17.00), or c 20% upside from the current share price. La Doria trades on a P/E of 11.0x FY21e, a c 40% discount to its private-label peer group. On EV/EBITDA it trades at 7.9x FY21e, a c 10% discount. 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.

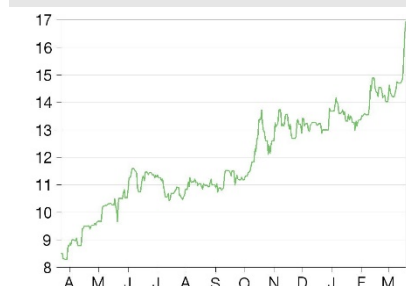
Food & beverages

22 March 2021

Price €16.94
Market cap €525m

Net debt (€m) at 31 December 2020	140.2
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	16.5	28.1	106.6
Rel (local)	11.4	16.4	32.2
52-week high/low	€16.94	€8.19	

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) market. It enjoys leading market share positions across its product ranges in the UK, Italy, Germany and Australia.

Next events

Q121 results	14 May 2021
AGM	10 June 2021
H121 results	10 September 2021
9M21 results	12 November 2021

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FY20 results review and outlook

Consolidated revenues were up 18.2% to €848.1m year-on-year, or +19.1% at constant currency. EBITDA was up 48.4% to €83.1m, with the EBITDA margin up 200bp to 9.8%. EBIT was up 87.5% to €64.8m, with the margin up 280bp to 7.6%. Net debt was €140.2m vs €148.8m at the end of FY19 and €105.2m at the end of 9M20 (net debt at the 9m stage is always at a seasonal high). As planned investment – detailed in the 2018 industrial plan – to upgrade La Doria's business capabilities and UK logistics platform has come to an end, we should see net debt falling at a faster rate over the next few years.

We illustrate how the FY20 results fared compared to our expectations in Exhibit 1 below.

Exhibit 1: Estimates vs actual FY20 results (€m)

	Forecast	Actual	% change
Revenue	839.7	848.1	1.0
EBITDA	72.3	83.1	15.0
EBIT	55.3	64.8	17.2
PBT (pre-exceptional)	53.8	63.3	17.8
Net profit	41.4	56.7	37.0
Net debt	130.3	140.2	7.6
EBITDA margin	8.6%	9.8%	120bp
EBIT margin	6.6%	7.6%	100bp

Source: Edison Investment Research, La Doria data

Performance was good across all categories, with the ready-made sauces segment as the stand-out performer, up 23.8% in revenue terms. The red line performed strongly, with organic sales up 19.8%. The pulses and vegetables and fruit lines also showed good growth (+10.3% and 4.3%, respectively), while 'other lines' (ie the trading business that goes through UK subsidiary LDH) was up 27.4%.

Forecasts

As usual with its full year results, La Doria has published its updated rolling three-year business plan. In light of the exceptional performance in FY20, which exceeded the 2022 target originally set in the 2020–22 plan, targets have been raised. As mentioned above, FY20 volume growth is unsustainable, and indeed management now expects a decline in FY21, though margins are still expected to expand. This is due to the profitability continuing to benefit from cost savings stemming from the industrial plan and to a more favourable supply/demand balance in the industry (given stocks remain low). We illustrate the change in targets in Exhibit 2 below.

Exhibit 2: Old vs new company financial targets

€m	2021e			2022e		
	Old	New	% chg	Old	New	% chg
Revenue	753	800	6.2	757	813	7.4
EBITDA	63	83	31.7	66	91	37.9
EBIT	42	62	47.6	46	69	50.0
PBT	40	62	55.0	44	68	54.5
Net Profit	31	46	48.4	34	51	50.0
Operating cash flow	54	66.0	22.2	56	69.0	23.2
Capex	12	13.0	8.3	12	13.0	8.3
FCF	42	53.0	26.2	44	56.0	27.3
Dividend payout (on parent company profit)	30%	30%		30%	30%	
Net cash flow	27	35	29.6	30	37	23.3
Net debt	129	105	(18.6)	99	68	(31.3)
Debt/EBITDA (x)	2.0	1.3	(35.0)	1.5	0.7	(53.3)
Gearing (x)	0.4	0.3		0.3	0.2	
ROI	10.1%	14.7%	460	11.2%	16.3%	510
ROE	10.7%	14.4%	370	10.8%	14.4%	360

Source: La Doria data

We have adjusted our FY21–23 forecasts to reflect the FY20 results and updated guidance. Our revenue forecasts are cut slightly (although we believe management is being conservative in its guidance), while EBITDA increases materially thanks to the higher FY20 base.

Exhibit 3: Old vs new forecasts

€m	2021e			2022e			2023e		
	Old	New	% chg	Old	New	% chg	Old	New	% chg
Revenue	814.5	805.7	-1.1%	822.6	813.8	-1.1%	834.9	830.1	-0.6%
EBITDA	72.5	83.8	15.5%	74.1	89.5	20.8%	76.0	95.5	25.6%
EBIT	53.5	62.8	17.3%	54.1	67.5	24.8%	56.0	73.5	31.1%
PBT	52.0	61.8	18.8%	52.6	66.5	26.5%	54.5	72.5	32.9%
Net profit	40.1	47.6	18.8%	40.2	50.9	26.5%	39.8	52.9	32.9%
Net debt	101.0	100.8	-0.2%	74.1	63.8	-13.9%	43.1	21.5	-50.1%

Source: Edison Investment Research

Valuation

We illustrate La Doria's valuation versus its peers in Exhibit 4 below. On 2021 estimates, La Doria currently trades at a c 40% discount on P/E, which we believe is unwarranted given the company's balance sheet is conservatively managed. On EV/EBITDA, La Doria trades at a c 10% discount.

Exhibit 4: 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	£821.4	37.6	34.5	14.2	12.0	0.0	1.5
Ebro Foods	€ 2,649.1	13.2	15.1	8.0	9.1	3.6	3.6
Bonduelle	€ 710.0	11.8	11.5	8.2	7.5	2.2	2.2
Valsoia	€ 145.4	17.4	17.7	9.4	9.8	2.8	2.8
Centrale del Latte d'Italia	€ 42.2	11.6	4.6	8.8	5.3	0.0	0.0
Newlat	€ 270.5	17.6	19.6	5.8	5.9	0.0	0.0
Peer group average		18.2	17.1	9.1	8.3	1.4	1.7
La Doria	€ 525.1	11.0	10.3	7.9	7.4	2.4	2.6
Premium/(discount) to peer group		(39.3%)	(39.8%)	(12.6%)	(10.0%)	70.4%	54.7%

Source: Edison Investment Research estimates, Refinitiv. Note: Prices at 17 March 2021.

Our primary valuation methodology is DCF analysis and we calculate a fair value of €20.00/share (previously €17.00) 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 6.4% 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 our assumptions and note that the current share price is discounting a terminal EBIT margin of 5.5% and a terminal growth rate of c 1%. This compares with La Doria's FY19 EBITDA margin of 7.8% and trough EBIT margin of 4.8%, and FY20 margins of 9.8% and 7.6% respectively.

Exhibit 5: 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%	11.7	12.4	13.0	13.7	14.4	15.0
	-1.5%	12.4	13.2	13.9	14.7	15.4	16.2
	-0.5%	13.3	14.2	15.0	15.9	16.8	17.6
	0.5%	14.5	15.5	16.6	17.6	18.6	19.7
	1.5%	16.2	17.5	18.7	20.0	21.3	22.5
	2.5%	18.8	20.4	22.1	23.7	25.3	26.9
	3.5%	23.4	25.6	27.9	30.1	32.3	34.6

Source: Edison Investment Research estimates

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	62.8	67.5
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	7.8	8.3	8.8
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)	(19.8)	(15.5)	(12.7)	(13.7)	(14.3)
Other		(4.6)	(7.0)	(5.9)	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

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