# CFT

## Food for thought

**The recently completed merger between Glenalta and CFT creates a business with significant funding to support the group's ambition to be a leading consolidator of processing, packaging and sorting technologies in the food and beverage sector. Benefiting from the global population megatrends or urbanisation and growing middle classes demanding higher-quality food and drink products, CFT should also augment growth by entering new product segments with high growth dynamics.**

### Creation of a new platform for growth

CFT was formed on 30 July 2018, through the merger of special acquisition company Glenalta with CFT, a company with more than 70 years of experience in the food packaging and processing market. The merger provided a substantial €88m capital injection for CFT and the opportunity for its shareholders to cash out for €10m. Glenalta shareholders represented 8.9% of its capital and opted to withdraw before the merger, receiving almost €9m. The pro forma net cash of the merged entity on 30 June 2018 stood at c €8m. Sales are split between processing machinery and systems (62% of sales), packaging and bottling equipment (28%) and higher-margin optical selection and inspection equipment for quality control (10%). The company has a broad and varied geographic customer base and 86% of sales going to markets outside Italy.

### Consolidating from strong segment positions

The strong balance sheet will be used to promote the group's growth strategy, primarily through M&A. The focus will be on expanding the product offering by acquiring new technologies through organic investment and M&A. In addition the company, with a revised and relatively youthful management team, will seek to consolidate some parts of the value chain to increase competitiveness. The organic growth strategy is to be supported by investment in robotics and automation. The recent purchase of a majority stake in Co.Mac, a producer of kegging, bottling and canning plants, is an example of the intention to consolidate CFT's strong presence in core activities, in this case the beer segment.

### Valuation: Reflects lack of track record

Using December 2017 pro-forma net cash €45m, the current enterprise value (EV) for the group stands at c €68m. The historic pro-forma FY17e EV/EBITDA of 3.5x appears undemanding relative to food processing machinery peers in Europe. The rating could offer potential if the deal-driven strategy is executed successfully.

**Historical financials**

| Year end | Revenue (€m) | EBITDA (€m) | EPS (€) | DPS (€) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 12/15 | 167.2 | 11.4 | - | - | N/A | N/A |
| 12/16 | 183.5 | 17.3 | - | - | N/A | N/A |
| 12/17PFe* | 200.7 | 19.7 | 0.39 | - | 18.9 | N/A |

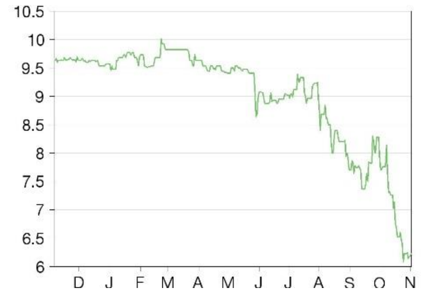
Source: Company reports. Note: *Pro forma as if merger structure had been in place.

**Food processing & packaging**

**Price** €6.22

**Market cap** €113m

**Share price graph**




**Share details**

| | |
|---|---|
| Code | CFT |
| Listing | AIM Italia |
| Shares in issue | 18.2m |

**Business description**

CFT designs and manufactures processing, packaging and sorting machinery for the food industry. It offers complete turnkey solutions along the whole manufacturing cycle from requests for proposal through to design and machine production, assembly and testing, and after-sales support.

**Bull**

- Strong market positions in some segments provide a foundation for growth.
- Relatively fragmented machinery market by product lines provides opportunities for niche consolidation.
- A global presence and customer base is supported by consistent engineering investment and innovation to meet customer needs.

**Bear**

- Food machinery market is mature and competitive.
- Refreshed management team needs to establish track record following merger.
- As with all M&A-driven strategies, acquisitions carry an execution risk that must be overcome.

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