MARKET UPDATE

Spain | Food, Beverage and HPC | Small & Mid Cap | 27-February-2017

Deoleo

Struggling on high raw material prices

We decrease our FV by 23% to Eur0.24 and downgrade Deoleo from BUY to NEUTRAL. We are turning more cautious after the shares have outperformed the sector by 28% over the L3M, but also as the operational outlook is again looking grimmer. Raw material price pressures haven't shown any signal of abating after the 2016/17 harvest mostly as production in Italy fell by 64%. Deoleo is currently pursuing an essential industrial restructuring but we think that might hurt the dedication management must give to its brands and to commercial performance. We fear the company has not been able to leverage on the strength of its brands or capitalise on growing olive oil consumption enough. After the recent run up of the shares, we feel the risk reward is no longer attractive enough. The mid-term upside risks from a normalization of raw material prices and the 2017-20 strategic update and the possibility that CVC could delist Deoleo are still potential targets, but at the current level the shares look quite expensive and leverage is becoming riskier as the company is not being able to deleverage (due to pressure on the operational performance). Our FV cut of 23% comes from lowering EBITDA 2017-18 estimates by 35%, partially offset by the roll-over of the FV to 2017.

Growth and margins should stay subdued in 2017 due to lower GMs

Despite savings from the ongoing industrial restructuring process, which should be positive for EBITDA margins, we expect them to be offset by rising raw material prices which will drive down gross margins and limit EBITDA growth. We also expect more non-recurrent costs (Eur10m HTGe), mostly associated with the 30% workforce adjustment. This 'turmoil' from the ongoing restructuring has already led to strikes and should affect both commercial strength and execution/delivery throughout the year.

Struggling to deliver on the so-called 'liquid gold' potential

Deoleo faces different environments in its main markets (Southern Europe) and its exports. While domestically it should continue to lose revenues as total olive oil consumption is decreasing slightly and competitive pressure is intense, in international sales volumes are growing which will help margins and hopefully offset the European market decline. As this gradually happens, EBITDA margins should improve as on average prices are 2x higher in the new markets. Although we still expect this improvement in margins and EBITDA to happen, we are being more cautious as risks are rising due to the persistently high price of raw materials and due to the company's need to accelerate its restructuring which may take its focus off its commercial activity. We now expect revenues and EBITDA to grow at a CAGR17-21 of 1.8% and 7.6%, respectively. Under this scenario, Deoleo should generate a total of Eur90m of FCF and bring down ND/EBITDA from 10.6x to 6.0x in 2021E, which is still a high level at a time when it will have to renegotiate with creditors.

4Q16 should see the same trends as 3Q16 but ND should come down

Yet again, amid rising raw material prices (+7% QoQ), we expect 4Q16 results to show a QoQ deterioration with GMs decreasing by 240bps and EBITDA falling 22% QoQ (-70bps). As there will still be several non-cash items (e.g. brand impairments) and some non-recurrent expenses, we are expecting another negative quarter for earnings. Nonetheless, ND should evolve positively QoQ, remaining constant YoY, mostly thanks to a positive contribution from WC.

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NEUTRAL 6% downside

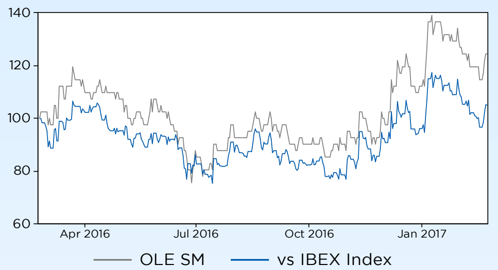
Fair Value €0.24

Bloomberg ticker	**OLE SM**
Share Price	€0.25
Market Capitalisation	€294.44m
Free Float	49%

EUR m Y/E 31-dic	2015A	2016E	2017E	2018E
Revenues (m)	817,3	679,5	690,7	702,6
EBITDA (m)	35,6	48,9	51,8	59,7
EPS	(0,1)	(0,0)	(0,0)	0,0
DPS	0,0	0,0	0,0	0,0
FCF to equity ps	(0,0)	0,0	(0,0)	0,0
EV (m)	787,4	811,6	814,3	797,2
Economic Net Debt (m)	521,4	516,7	519,5	502,3
Econ. Net Debt/Ebitda (x)	14,7	10,6	10,0	8,4

Y/E 31-Dec	2015A	2016E	2017E	2018E
EV/Sales (x)	1,0	1,2	1,2	1,1
EV/Ebitda (x)	22,1	16,6	15,7	13,3
PE (x)	(4,3)	(14,6)	(149,8)	23,6
Dividend Yield (%)	0,0	0,0	0,0	0,0
FCF Yield (%)	(0,2)	1,59	(0,94)	5,84
Capex / Depreciation (x)	0,4	0,1	0,3	0,5

Share Price Performance



Source: Haitong Research, Company Data, Bloomberg

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Figure 1 Summary financials

DEOLEO

Rating	**Neutral**
Fair value (Eur):	**0,24**
Share Price (24/02/2017, Eur):	0,26
Upside / Downside potential	-6%
Previous Fair value (Eur):	0,31
% change to fair value	-23%
Bloomberg	OLE SM
Reuters	OLE.MC
Shares in Issue (Less Treasury)(m)	1.154,7
Market Cap (Eur m)	**294,4**
Net Debt 2016E	520,2
Adjustments for Associates & Minorities (Eur m)	0,5
Enterprise Value (Eur m)	**815,2**

Forthcoming Catalysts

4Q16 Results	Feb-17
Strategic Update	2016YE

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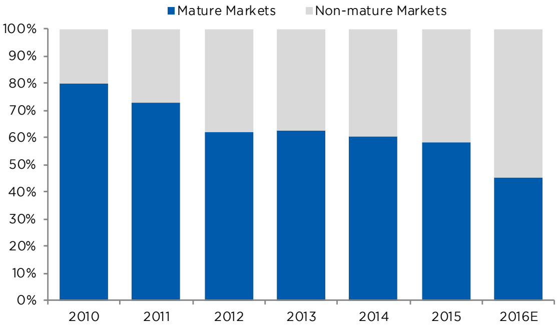
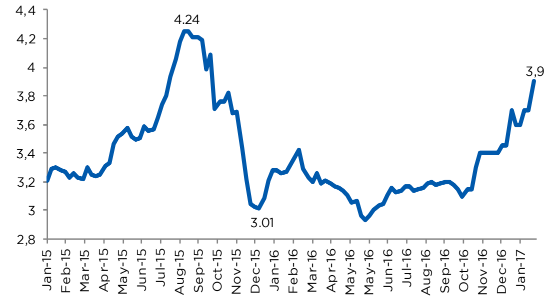
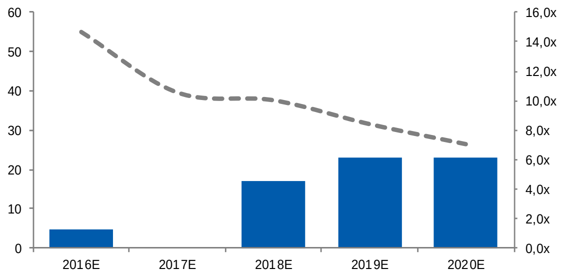
Revenues breakdown per type of market



Extra-Virgin Olive Oil Prices (Jaén, Spain) Eur/ton



FCF generation (Eur m) and evolution of ND/EBITDA(x)



Valuation Metrics (Year end Dec)	2014	2015	2016E	2017E	2018E	2019E
Recurrent P/E (x)	-5,8	-4,3	-14,6	-149,8	23,6	15,1
Reported P/E (x)	-5,8	-4,3	-14,6	-149,8	23,6	15,1
EV / Sales (x)	1,2	1,0	1,2	1,2	1,1	1,1
EV / EBITDA (x)	15,5	22,1	16,6	15,7	13,3	11,4
EV / EBIT (x)	22,5	-22,6	290,3	30,2	17,4	14,1
FCF Yield (%)	-7,1%	-15,2%	1,6%	-0,9%	5,8%	7,9%
Dividend yield (%)	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Key Ratios	2014	2015	2016E	2017E	2018E	2019E
EBITDA margin	7,6%	4,4%	7,2%	7,5%	8,5%	9,5%
EBIT margin	5,2%	-4,3%	0,4%	3,9%	6,5%	7,7%
Capex / Revenue (x)	0,0	0,0	0,0	0,0	0,0	0,0
Capex / Depreciation (x)	0,3	0,4	0,1	0,3	0,5	0,6
Net Debt / EBITDA (x)	8,1	14,7	10,6	10,0	8,4	7,1
EBITDA / Net Interest (x)	1,2	1,0	1,7	1,7	2,0	2,3
ROE	-13,1%	-12,1%	-4,1%	-0,4%	2,5%	3,8%

P&L Summary (Eur m, unless stated)	2014	2015	2016E	2017E	2018E	2019E
Revenue	**773**	**817**	**679**	**691**	**703**	**715**
% change	-4,9%	5,7%	-16,9%	1,7%	1,7%	1,8%
EBITDA	**58,6**	**35,6**	**48,9**	**51,8**	**59,7**	**67,9**
% change	-25,0%	-39,3%	37,7%	5,8%	15,3%	13,8%
% margin	7,6%	4,4%	7,2%	7,5%	8,5%	9,5%
Adjusted EBITDA	**58,6**	**20,2**	**18,9**	**41,8**	**59,7**	**67,9**
Depreciation & Amortisation	18,3	70,4	46,2	24,9	13,8	13,0
EBIT	**40,3**	**-34,8**	**2,8**	**26,9**	**45,9**	**55,0**
% change	-32,9%	-186,5%	-108,0%	863,6%	70,3%	19,8%
% margin	5,2%	-4,3%	0,4%	3,9%	6,5%	7,7%
Associates	0,0	0,0	0,0	1,0	2,0	3,0
Operating Profit	**40,3**	**-34,8**	**2,8**	**27,9**	**47,9**	**58,0**
Net Financials	-47,6	-34,9	-29,7	-29,6	-29,3	-29,0
Other Pre-tax Income	0,0	0,0	0,0	0,0	0,0	0,0
Pre-Tax Profit	**-7,3**	**-69,8**	**-26,9**	**-2,7**	**16,6**	**26,0**
Income Tax Expense	-66,8	8,5	6,7	0,7	-4,1	-6,5
Discontinued Operations/non-recurrent	0,0	0,0	0,0	0,0	0,0	0,0
Minority Interests	0,0	0,0	0,0	0,0	0,0	0,0
Net Income	**-74,1**	**-61,3**	**-20,2**	**-2,0**	**12,4**	**19,5**
Recurrent Net Income	-74,1	-61,3	-20,2	-2,0	12,4	19,5
Reported EPS (Eur)	-0,06	-0,05	-0,02	0,00	0,01	0,02
Recurrent EPS (Eur)	**-0,06**	**-0,05**	**-0,02**	**0,00**	**0,01**	**0,02**
DPS (Eur)	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
Payout Ratio	0%	0%	0%	0%	0%	0%

Cash Flow Summary (Eur m)	2014	2015	2016E	2017E	2018E	2019E
EBITDA	**58,6**	**20,2**	**48,9**	**51,8**	**59,7**	**67,9**
Taxes Paid	-66,8	8,5	6,7	0,7	-4,1	-6,5
Interest Paid / Received	-47,6	-34,9	-29,7	-29,6	-29,3	-29,0
Change in Working Capital	37,6	7,1	14,1	-8,7	-2,0	-2,2
Associate & Minority Dividends	36,8	0,0	0,0	0,0	0,0	0,0
Other Operating Cash Flow	-44,1	-33,6	-30,0	-10,0	0,0	0,0
Operating Cash Flow	**-25,5**	**-32,8**	**10,1**	**4,1**	**24,2**	**30,3**
Capital Expenditure	-5,0	-7,5	-5,4	-6,9	-7,0	-7,2
Free Cash Flow	**-30,5**	**-40,3**	**4,7**	**-2,8**	**17,2**	**23,2**
Acquisitions & Disposals	0,0	0,0	0,0	0,0	0,0	0,0
Dividend Paid to Shareholders	0,0	0,0	0,0	0,0	0,0	0,0
Equity Raised / Bought Back	0,0	0,0	0,0	0,0	0,0	0,0
Other Financing Cash Flow	0,0	2,5	0,0	0,0	0,0	0,0
Net Cash Flow	**-30,5**	**-37,8**	**4,7**	**-2,8**	**17,2**	**23,2**

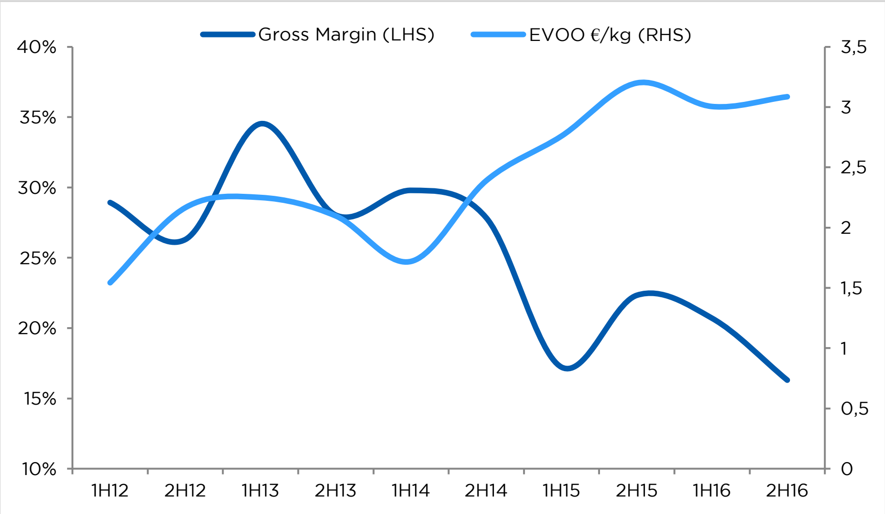
Balance Sheet Summary (Eur m)	2014	2015	2016E	2017E	2018E	2019E
Cash & Equivalents	79,9	42,0	46,7	43,9	61,1	84,3
Tangible Fixed Assets	127,6	121,6	110,9	102,9	96,1	90,3
Goodwill & Intangibles	858,7	819,6	819,6	819,6	819,6	819,6
Associates & Financial Investments	99,2	94,1	94,1	94,1	94,1	94,1
Other Assets	347,0	336,5	310,7	321,5	325,6	330,1
Total Assets	**1.512**	**1.414**	**1.382**	**1.382**	**1.397**	**1.418**
Interest Bearing Debt	558,1	568,4	568,4	568,4	568,4	568,4
Other Liabilities	388,3	339,1	327,5	329,5	331,6	333,9
Total Liabilities	**946**	**908**	**896**	**898**	**900**	**902**
Shareholders' Equity	565,5	505,8	485,7	483,8	496,2	515,8
Minority Interests	0,5	0,4	0,4	0,4	0,4	0,4
Total Equity	**566**	**506**	**486**	**484**	**497**	**516**
Net Debt reported	490	525	520	523	506	483

Source: Haitong Research for estimates, Bloomberg, Company Data

Investment Case

Deoleo is a very cyclical company, as its margins are highly dependent on volatile raw material prices, eg olives. Olives mostly come from Mediterranean countries and due to the sensitivity of the fruit to the weather conditions each year harvests are volatile in quantity and quality. In 2015 and 2016 raw material prices have been persistently high which hurts the margins of the major brands like the ones controlled by Deoleo. This happens due to intense competition in the main consumption markets and an inability to raise prices as much as the increase in raw materials and low capacity utilization. In 2016E Deoleo should see an improvement in EBITDA as raw material prices were lower in 9M16, but the recent price increase after the 2016 harvest makes us cautious as we enter 2017. Deoleo is working on recovering margins per litre sold, which it is achieving, but the drop in volumes overshadows this and leads to lower capacity utilization. The company is undergoing an industrial restructuring to adjust this excessive production capacity which may be an upside risk in the future. At this point we fear 2017 will be another challenging year, with volumes under pressure and still some restructuring costs. Therefore and until we have more visibility on the new industrial plan and we have more confidence that olive prices can normalize we move to Neutral. In addition, given its high level of debt, if raw material prices continue to be high (as they have been for the past 3 years) the company may have to consider a capital increase. Currently its ability to lower debt is relatively limited.

Figure 2 Gross margins (%) vs EVOO price (€/ton)



Source: Haitong Research, Company Data, Bloomberg

The past 5 years...

Deoleo has been losing market share at home...and abroad

Since 2011, OLE has lost 30% of its sales vs a 6% decline in olive oil consumption worldwide. This decrease is particularly noteworthy in mature markets, where OLE revenues have fallen by 56% mostly due to: 1) a decrease in consumption of 16%; and 2) a direct loss in market share to private labels, namely in Spain. In other markets consumption was flat but OLE was not able to sufficiently leverage on its branded olive oil and global leadership position to offset declining revenues in Southern Europe.

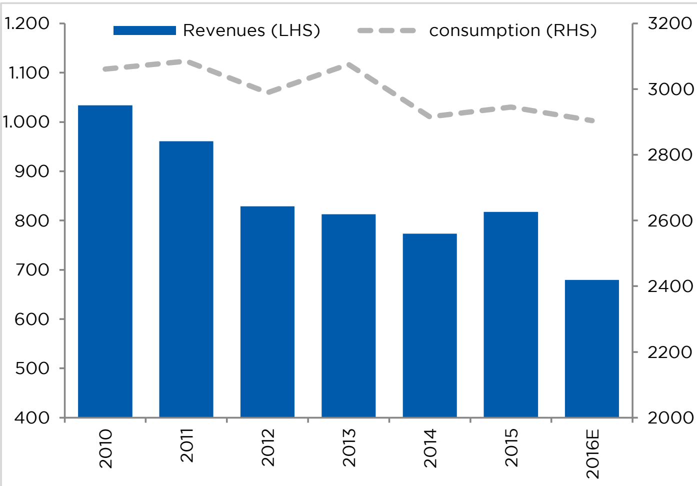
Selling less and with lower gross margins

Even though the weight of international sales with ASPs c.2x higher has increased since 2011, raw material prices have more than offset this postive effect dragging down GMs. We estimate that in Spain, at the current EVOO prices of Eur3.7/lt and a pre-retail/tax price of Eur3.8/lt, there is a very thin margin per bottle sold before other expenses such as marketing that are crucial for a branded business. Altogether, lower selling volumes and lower margins have precipitated a decrease in EBITDA that was also affected by several years of non-recurring expenses.

So despite the decrease on debt, Deoleo remains highly leveraged

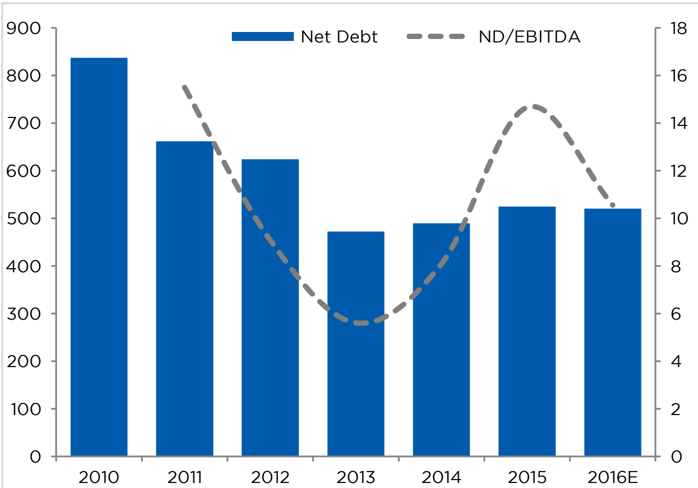
With decreasing revenues and lower gross margins, cash flow generation over the last 5 years has been disappointing. Moreover, we estimate that over the last 5 years, the company has spent nearly (Eur100m HTGe) on non-recurrent costs further hurting its deleveraging process. From 2011 to 2016E, we expect its debt position to have improved by only Eur150m but as its EBITDA is now at comparatively lower levels, ND/EBITDA continues to be at extremely high levels (10x vs 2x for peers in 2017; source BBG). Consequently its fixed interest coverage ratio declined to just an avg. of 1.4x EBITDA (2011-16). Still, as the company has no refinancing needs until 2021 there could still be some time to tackle this weakness.

Figure 3 Deoleo's revenues (Eur mn) and olive oil consumption (k/tons)



Source: Haitong Research, Company Data

Figure 4 Net Debt (Eur mn) and ND/EBITDA



Source: Haitong Research, Company Data

...and the coming 5 Year Strategic Plan (2017-21)

How can market trends affect industrial reorganization volumes and mgs?

For the next 5 years we broadly expect the current sector trends to persist. However the new strategic plan could bring some financial savings. This industrial restructuring plan is characterized by an important scaling back of production capacity by approx. 45%. With this, production utilisation shall leap from 35% to over 60%, instantaneously removing significant fixed costs, which will be positive for margins. With this structural change in mind, our central scenario assumes that:

- **Sales volumes in mature markets should continue to decline –** the European Union expects that until 2026 consumption per capita in mature olive oil markets will decline by an extra 0.8 litres/person/year (total of c.100m litres). We expect market share for private labels to remain stable.

Table 1 EU olive oil market balance (k tons)

	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	CAGR 17-26E
Production															
Total	**2483**	**1435**	**2313**	**2218**	**2245**	**2272**	**2297**	**2322**	**2346**	**2369**	**2392**	**2414**	**2436**	**2455**	1%
of which ES-PT	1873	903	1436	1436	1462	1487	1511	1534	1557	1579	1600	1621	1642	1660	1%
of which IT-FR	596	522	760	760	761	762	764	765	766	767	768	769	770	771	0%
Consumption															
Total	**1757**	**1595**	**1750**	**1750**	**1750**	**1751**	**1752**	**1754**	**1755**	**1757**	**1759**	**1761**	**1763**	**1766**	0%
of which ES-IT-GR-PT	1381	1217	1347	1347	1334	1323	1312	1302	1292	1282	1272	1263	1254	1245	-1%
of which other EU	377	378	403	403	416	428	440	452	463	475	487	498	510	521	2%
Consumption per capita															
per capita ES-IT-GR-PT (kg)	*10,8*	*9,5*	*10,6*	*10,6*	*10,5*	*10,4*	*10,3*	*10,2*	*10,2*	*10,1*	*10*	*10*	*9,9*	*9,8*	
per capita other EU (kg)	*0,9*	*0,9*	*0,8*	*1,1*	*1,1*	*1,1*	*1,1*	*1,2*	*1,2*	*1,2*	*1,3*	*1,3*	*1,3*	*1,3*	

Source: European Union: Agricultural outlook 2016-2026

- **Sales volumes in non-mature markets should finally grow.** Despite the value of its brands, we believe that the constant changes in top management since 2014 have weakened the commercial strength of the company to grow abroad. In our view, to assume a higher pace of growth we believe that Deoleo would have to be more aggressive on prices, lowering margins.

- **Raw material prices to normalize? –** This remains the main upside risk to our investment case as COGS represent 75-80% of OPEX and we don't think that prices can continue at current levels. We estimate that over the long-run gross margins will stabilize at 20%.

- **Savings with fixed costs shall help EBITDA margins but…**we believe that in such a business future EBITDA growth must come from higher sales volumes abroad partially offsetting the decline at home. We estimate EBITDA margins over the long run to stabilize at 9%.

Bottom line, we believe the challenging operational backdrop will continue over the next 5 years and that Deoleo will not be able to meaningfully increase sales volumes and/or margins so that FCF generation improves. FCF shall also be undermined by possibly higher capex to make up for several years of underinvestment (capex/depreciation 2010-16 0.5x) and a low interest coverage ratio leading to a low EBITDA to cash flow ratio. On our estimates, ND/EBITDA21 would still be at the rather high level of 6.0x vs approximately 2.0x for the sector today (source: BBG).

Valuation Update

In this market update we lower our FV by 23% to Eur0.24 per share. We roll over our FV to 2017 with an increase in ND of 10%. Moreover, we are cutting our operational estimates with an average cut of 20% in revenues and of 35% in EBITDA 2017-18 With the exception of the industrial reorganization plans already announced which shall significantly impact personnel and other expenses, we make no changes to our model.

Table 2 Changes in SoP (Eur m)

	New	Old	Change	Methodology
Total EV	794	951	-17%	WACC at TV of 7.5%, g = 1.5%)
Net Debt 16E YE	521	472	10%	
Minorities	0,5	0,5	-4%	
Equity Value	**272**	**479**	**-43%**	
# shares (m)	1155	1155		
FV (Eur p/share)	**0,24**	**0,31**	**-23%**	

Source: Haitong Research for estimates, Company Data

Changes in Estimates

We are cutting our estimates in the short-term to reflect: i) decrease in sales volumes in mature markets witnessed during 2016 and lack of growth abroad; ii) persistently high raw material prices that we expected to have normalized by now; iii) factoring in the impacts of the industrial reorganization.

Table 3 Changes in Estimates (Eur m)

	FY16			FY17			FY18		
	New	Previous	Change	New	Previous	Change	New	Previous	Change
Revenue	679	828	**-18%**	691	851	**-19%**	703	890	**-21%**
EBITDA	49	60	**-17%**	52	85	**-39%**	60	92	**-35%**
EBITDA mg	7,2%	7,2%	**0,1pp**	7,5%	9,9%	**-2,4pp**	8,5%	10,3%	**-1,8pp**
Net Income	-20,1	12,8	**n.a.**	-2,0	31,3	**-106%**	12,5	36,4	**-66%**
Net Debt	520	485	**7%**	523	440	**19%**	506	407	**24%**

Source: Haitong Research for estimates

Table 4 Operational estimates breakdown (Eur m)

	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	CAGR 17-27
Total	691	703	715	729	743	758	774	791	809	815	*1,9%*
Mature Markets (Southern Europe)	299	296	293	290	287	284	281	278	276	273	*-1,0%*
Non-mature markets	378	393	409	425	442	460	479	499	520	529	*3,8%*
North Europe	100	101	102	103	104	105	106	108	109	110	*1,0%*
RoW	111	116	122	128	135	141	149	156	164	167	*4,7%*
North America	167	176	184	194	203	214	224	235	247	252	*4,7%*
BtB	14	14	14	14	14	14	14	14	14	14	
EBITDA	52	60	68	70	71	72	74	75	77	73	*3,9%*
Mature Markets (Southern Europe)	12	12	12	12	11	11	11	11	11	11	*-1,0%*
Non-mature markets	32	40	48	50	52	53	55	56	58	55	*6,1%*
North Europe	3	5	5	5	5	5	5	4	4	4	*4,3%*
RoW	12	14	17	18	19	19	19	21	21	20	*6,2%*
North America (United States, Canada, Mexico)	18	21	26	27	27	29	30	31	32	30	*6,2%*
BtB	8	8	8	8	8	8	8	8	8	8	
EBITDA margins	*7,5%*	*8,5%*	*9,4%*	*9,6%*	*9,5%*	*9,5%*	*9,6%*	*9,5%*	*9,5%*	*9,0%*	
Mature Markets (Southern Europe)	1,7%	1,7%	1,6%	1,6%	1,5%	1,5%	1,5%	1,4%	1,4%	1,3%	
Non-mature markets	*8,5%*	*10,2%*	*11,7%*	*11,8%*	*11,6%*	*11,6%*	*11,5%*	*11,2%*	*11,1%*	*10,3%*	
North Europe	*3,0%*	*5,0%*	*5,0%*	*5,0%*	*5,0%*	*5,0%*	*5,0%*	*4,0%*	*4,0%*	*4,0%*	
RoW	*10,5%*	*12,0%*	*14,0%*	*14,0%*	*14,0%*	*13,5%*	*13,0%*	*13,5%*	*13,0%*	*12,0%*	
North America	*10,5%*	*12,0%*	*14,0%*	*14,0%*	*13,5%*	*13,5%*	*13,5%*	*13,0%*	*13,0%*	*12,0%*	

Source: Haitong Research for estimates, Company Data

4Q16 Preview (Eur m)

Table 5 4Q16 Preview

	4Q15	1Q16	2Q16	3Q16	4Q16E	YoY	QoQ	FY15	FY16E	YoY
Revenues	**189**	**169**	**170**	**181**	**156**	**-17%**	**-14%**	**817**	**676**	**-17%**
Opex	-185	-159	-155	-167	-146			-782	-628	
EBITDA	**3,7**	**9,6**	**14,4**	**14,0**	**11,0**	**200%**	**-22%**	**35,6**	**49,0**	**38%**
D&A, interest and taxes	-40	-20	-24	-21	-16			-97	-81	
Net Income	**-36,6**	**-9,9**	**-9,9**	**-7,0**	**-5,0**	**86%**	**28%**	**-61,3**	**-31,9**	**48%**
EBITDA mg	1,9%	5,7%	8,5%	7,7%	7,0%	5,1pp	-0,7pp	4,4%	7,2%	2,9pp

Source: Haitong Research for estimates, Company Data

Raw material prices have already increased c.30% since 2016 lows

In spite of a normal 2016/17 harvest in Spain of 1.3m tons, global production should have declined by 14% (source: IOC). The bulk of this fall is explained by a 64% decrease in Italy's production (0.2m tons less) due to another Xylella Fastidiosa infestation. As such, Italian producers have been flocking to the Spanish market looking for quality EVOOs, putting upward pressure on prices. Since the 2H16 lows the price of olive oil in Spain has increased by 26% to Eur3.9/kg and according to Olimerca should even go above the Eur4/kg threshold in the coming weeks despite the good production levels achieved in January (premium EVOO's spot prices are already at Eur4.5/kg) – source: Olimerca. The main explanation for this surge on prices lies in the fact that Italy has a shortage of supply. We expect prices to remain at high levels (c.Eur3.5/kg) until we know more about the next harvest. Going forward we are assuming slight improvements in Deoleo's gross margins as the weight of sales in mature markets increases.

Figure 5 Extra Virgin Olive Oil prices - Jaén

Multiples

Table 6 Multiples

	BBG		Last	Market	Price performance (%)			EV/EBITDA			EBITDA CAGR	PER			EPS CAGR	ND/ EBITDA
Company	Ticker	FX	Price	Cap	1M	3M	6M	2017E	2018E	2019E	17-19E	2017E	2018E	2019Y	17-19E	2017E
Danone	BN FP	EUR	62,65	41.092	6%	4%	-8%	12,2x	11,2x	10,5x	9%	18,5x	16,8x	14,9x	11%	2,3x
Lancaster Colony Corp.	LANC US	USD	133,86	3.672	-10%	-5%	-1%	15,6x	14,7x	n.a.	8%	27,9x	26,8x	23,9x	8%	-0,5x
Huegli Holding AG	HUE SW	CHF	797,50	223	4%	2%	-1%	9,9x	8,9x	n.a.	6%	17,9x	16,5x	n.a.	9%	1,5x
Orior AG	ORON SW	CHF	80,00	474	2%	3%	13%	9,9x	9,5x	n.a.	1%	15,8x	15,4x	n.a.	3%	0,9x
Hain Celestial Group Inc.	HAIN US	USD	34,61	3.580	-15%	-11%	-6%	10,3x	9,6x	8,5x	4%	16,7x	15,9x	15,4x	4%	2,3x
Bonduelle S.C.A	BON FP	EUR	25,85	827	4%	16%	15%	7,7x	7,2x	6,4x	9%	14,1x	12,1x	11,2x	12%	2,5x
Emmi AG	EMMN SW	CHF	646,00	3.456	1%	9%	-2%	11,1x	10,2x	8,8x	6%	22,7x	21,1x	17,7x	13%	0,6x
Grupo Alfa	ALFAA MM	MXN	26,03	133.287	-5%	2%	-15%	5,8x	5,4x	5,8x	5%	10,7x	9,2x	10,3x	2%	3,0x
Glanbia plc	GLB ID	EUR	18,15	5.372	15%	15%	5%	15,4x	13,8x	12,3x	8%	19,9x	18,1x	17,1x	8%	1,3x
Kellogg Co.	K US	USD	75,23	26.416	4%	1%	-9%	13,6x	11,9x	11,8x	7%	19,1x	17,4x	16,5x	8%	3,9x
Kerry Group PLC	KYG ID	EUR	72,64	12.785	11%	9%	-5%	14,9x	13,4x	11,8x	7%	20,9x	18,9x	17,1x	11%	1,8x
Lindt & Sprungli	LISN SW	CHF	64.190	8.735	-3%	8%	-4%	19,5x	17,8x	n.a.	8%	32,8x	30,0x	n.a.	9%	1,1x
McCormick & Co. Inc.	MKC US	USD	99,33	11.289	4%	8%	-2%	16,6x	16,6x	14,7x	6%	24,3x	22,3x	21,0x	8%	1,8x
Premier Foods	PFD LN	GBp	39,00	32.465	-4%	-9%	-25%	6,3x	6,1x	5,8x	3%	5,5x	5,2x	5,0x	5%	5,2x
General Mills Inc.	GIS US	USD	61,37	35.595	-3%	-1%	-14%	12,9x	12,4x	12,2x	3%	20,0x	18,5x	17,9x	6%	2,7x
Nestle	NESN VX	CHF	74,50	231.856	1%	8%	-4%	13,8x	12,9x	12,0x	6%	21,1x	19,7x	18,5x	7%	0,9x
Kraft Heinz Inc.	KHC US	USD	93,08	113.291	5%	12%	5%	16,7x	15,2x	14,4x	0%	24,5x	22,6x	21,6x	7%	3,9x
Unilever NV	UNA NA	EUR	44,48	76.271	13%	19%	9%	14,2x	13,0x	12,0x	0%	21,8x	20,1x	18,4x	9%	1,4x
Median of Global Peers					**3%**	**6%**	**-3%**	**13,3x**	**12,2x**	**11,8x**	**6%**	**19,9x**	**18,3x**	**17,1x**	**8%**	**1,8x**
Ebro Foods (Buy, FV €24.0)	EBRO SM	EUR	19,35	2.977	0%	-1%	-5%	8,9x	8,3x	7,9x	3,4%	15,1x	14,2x	13,9x	4,5%	0,8x
Viscofan (Neutral, FV €47)	VIS SM	EUR	49,41	2.303	4%	11%	2%	10,4x	10,3x	10,1x	1,2%	17,8x	17,8x	17,7x	0,3%	-0,2x
Deoleo	OLE SM	EUR	0,26	294	-6%	34%	28%	15,7x	13,3x	11,4x	15%	n.a.	23,6x	15,1x	57%	10,0x

Source: Haitong Research estimates for covered stocks, Bloomberg consensus estimates for not rated stocks, Company Data

Valuation Methodology

We value Deoleo using a DCF methodology with explicit forecasts from 2017E to 2026E. To discount the cash flows we use a rolling WACC that averages 7.5% with a terminal g of 1.5%.

Risks to Fair Value

i) potential deterioration in the success of its brands owing to inadequate positioning or inability to differentiate its products; (ii) the volatility of olive oil prices as they depend on the success of the harvests, the weather conditions, import/export restrictions or transportation costs; and (iii) weaker-than-expected consumption rates, higher pressure from private labels and consolidation of distribution companies.

Deoleo *OLE SM*

Report date		Recommendation	Fair value	Share price
2016	April 7	Buy	€0.31	€0.22
2015	October 8	Buy	€0.41	€0.34
2014	October 7	Neutral	€0.41	€0.39

Source: Bloomberg, Haitong Research

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	Total Haitong Research		Total Investment Banking Clients			Total Haitong Research		Total Investment Banking Clients		
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12 Month Rating:										
Buy	81	38.8%	7	70.0%	3.3%	406	46.1%	33	66.0%	3.7%
Neutral	81	38.8%	3	30.0%	1.4%	314	35.6%	16	32.0%	1.8%
Sell	47	22.5%	0	0.0%	0.0%	161	18.3%	1	2.0%	0.1%
Restricted	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%
Under Review	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%
Trading Rating:										
Trading Buy	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%
Trading Sell	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%
Total Recommendations	209	100%	10	100%	4.8%	881	100%	50	100%	5.7%

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