EDISON

La Doria

Q116 results

Weathering the storm

Food & beverages

Following a tough tomato campaign in 2015, La Doria management has kept costs under control and delivered another quarter of results in line with expectations. The overarching strategy of shifting the production mix towards non-seasonal, value-added products with higher operating margins and lower volatility is paying off. La Doria continues to trade at a significant discount to its peers, and our DCF value of €15.84 (unchanged) suggests 26% upside to the share price.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	748.3	61.0	144.6	25.0	8.7	2.0
12/16e	684.7	51.9	117.1	26.0	10.8	2.1
12/17e	718.9	57.7	130.3	27.0	9.7	2.1
12/18e	762.1	62.9	142.1	28.0	8.9	2.2

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

Weak Q116 results, as anticipated

Consolidated sales of €168.3m were down 9% on Q115. As expected, there was significant deflation in tomato product sales prices following the tough negotiations during the 2015 tomato campaign. EBITDA of €14.7m was down 11% on last year, with margins down 20bps. The management has worked hard to mitigate the impact of the sales decline by improving efficiencies. We expect this trend to continue through Q2 and Q3. Q4 will depend on the 2016 tomato campaign and the associated customer negotiations.

The right strategy

The management team has been working towards shifting the group's mix away from the tomato business, which can be volatile and is highly seasonal, thus causing inherent inefficiencies in asset utilisation. The acquisition of Pa.fi.al in 2014 fit the strategy perfectly: sauces are a more stable business and have higher margins. We expect a continuation of this strategy as the group migrates further towards more value-added products with structurally higher margins and more attractive growth rates. The tomato business will continue to be an important segment within the group, and the 2016 tomato campaign will depend on a number of factors, not least the quality of the crop.

Valuation: Material upside remains

Based on our forecasts, our DCF model points to a fair value of €15.84 per share, or 26% upside from the current share price. We calculate that La Doria now trades on 10.8x 2016e P/E and 7.7x 2016e EV/EBITDA, at c 40% and c 20% discounts to its private-label peer group, respectively. We believe it continues to be an attractive proposition, especially given the strength of its market position within the private-label segment.

31 May 2016

Price	**€12.60**
Market cap	**€391m**

Net debt (€m) at 31 March 2016	130.1
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	(0.8)	(1.9)	(5.5)
Rel (local)	0.4	(5.8)	18.2
52-week high/low		€13.60	€8.89

Business description

La Doria is the leading manufacturer of private-label preserved vegetables and fruit for the Italian (20% revenues) and international (80% revenues) market. It enjoys leading market share positions across its product ranges in the UK and Italy.

Next events

AGM	14-16 June
H1 results	29 August

Analysts

Sara Welford	+44 (0) 20 3077 5700
Paul Hickman	+44 (0)20 3681 2501

consumer@edisongroup.com

Edison profile page

La Doria is a research client of Edison Investment Research Limited

Investment summary

Company description: Strength in private label

Through the parent company La Doria SpA and its 98.3% holding in Eugea Mediterranea, La Doria Group is a leading private-label (PL) processor and manufacturer of tomatoes, sauces, pulses and fruit-based products. La Doria's overarching strategic objective is to change the product mix towards higher added-value and hence higher-margin products, and grow its market share in the PL segment. La Doria also owns 57.9% of its UK subsidiary LDH (La Doria) Ltd (LDH), which distributes both its own products and other PL products mainly manufactured by LDH's minority shareholders.

La Doria was founded in 1954 by the Ferraioli family. The family maintains active management of the company. Antonio Ferraioli is group CEO and with Andrea and Iolanda Ferraioli, the family fills four of the eight board positions and owns 63% of the group's share capital.

Valuation: Material upside despite strong run

Based on our forecasts, we calculate a fair value based on our DCF model of €15.84, which represents 26% upside. The key sensitivities to our forecasts and valuation are outlined below. However, overall we believe the visibility and outlook are steadily improving. For 2016, pricing for the tomato, vegetable and fruit lines is complete, and costs are fully calculated, as the seasonal campaigns are over and the annual pricing rounds have occurred. In the longer term, the balance of supply and demand for Italian tomatoes has greatly improved through a change in legislation, and sector consolidation, with demand fuelled by the growing consumer preference for PL over branded products, and strong international demand for healthy ingredients of Italian origin.

As further support to our DCF valuation, we look at La Doria's key metrics versus the peer group. At 10.8x 2016e P/E and 7.7x 2016e EV/EBITDA, it trades at c 40% and c 20% discounts, respectively, to its peers, which we believe to be too conservative.

Q116 Financials: Still experiencing weakness from the 2015 tomato campaign

Consolidated sales of €168.3m were 9% below Q115. This was down to organic growth declining 7.5%, and a currency impact of 1.8%. EBITDA of €14.7m was 11% below last year, with margins down 20bps. Fears of an overabundant crop towards the start of the 2015 tomato campaign caused some panic in the industry and resulted in the acceptance of lower pricing. The fears turned out to be unfounded, although total production was still above 2014 (in line with forecasts); nevertheless the contracts had been agreed and the industry is now bearing the costs of the lower sales prices. Management has worked hard to mitigate the impact on profitability, and indeed industrial efficiencies and lower raw material prices have helped with this. FX movements have further exacerbated the results. We expect Q2 and Q3 to witness similar trends and it will only be in Q4 that the results of the 2016 tomato campaign will start to come through. It is early days (the campaign runs from July to September), but the industry forecast is for production to be 4.8-5.0m tonnes. We note our group forecasts are broadly in line with the company's targets.

Sensitivities: Improved visibility results in lower volatility

La Doria's key sensitivities include:

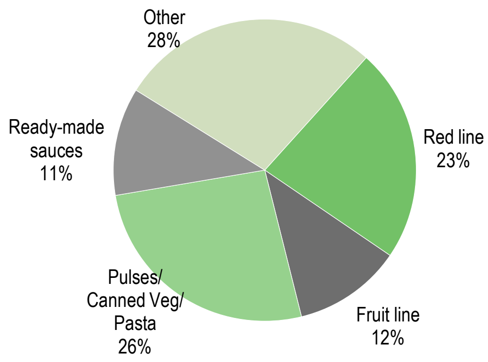
- input cost inflation on the agricultural commodities it processes to manufacture its products;
- the supply/demand balance affecting the achievability of finished goods price inflation (particularly for the red line);
- consumer consumption patterns and competitive pressures; and

- FX, specifically euro/sterling due to the consolidation of its trading subsidiary LDH.

Company description: A private-label champion

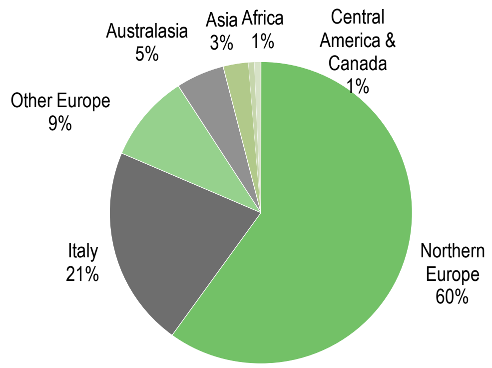
La Doria SpA is the leading Italian producer of tomato-based products – including chopped (53%), peeled (25%), passata (15%) and other (7%) – and processed pulses and vegetables for the domestic Italian and international markets. It is the largest producer of private label ready-made sauces. It is the second-largest producer of fruit juices and beverages in the Italian market. Exhibits 1 and 2 below break down revenues by category and by geography. In FY15, 21% of revenue was domestic Italian and 79% international. Its largest market by far is the UK (c 50% revenues), gained through its subsidiary LDH.

Exhibit 1: Group revenue split by category (FY15)



Source: La Doria data

Exhibit 2: Group revenue split by geography (FY15)



Source: La Doria data

Approximately 90% revenues are for the PL segment, with La Doria serving a wide customer base mostly within the pan-European food retail sector, including Tesco (its largest customer), Sainsbury, Carrefour, Auchan, Selex, Conad and Waitrose. La Doria also has a value-added branded business in the UK under the Cook Italian brand name. Launched in 2011, it still represents a small percentage of group revenue (c 3%), but is fast-growing.

With leading market share positions in its largest markets (the UK and Italy), and some of its other markets (Germany, Japan and Australia), as well as across many of its product categories, La Doria is well positioned to benefit from the increasing consumer preference for high-quality private-label products over branded. In addition, demand for Italian products in some smaller markets is driving revenue growth in these regions well into double digits. Both factors provide a strong structural growth outlook.

The acquisition of Pa.fi.al at the end of 2014 was strategically significant. In line with management's plan, it further shifted the production mix of the group towards non-seasonal, value-added products. Ready-made sauces have higher operating margins and lower volatility than tinned tomatoes. In addition, the acquisition should help drive growth in countries where La Doria was historically under-represented, providing revenue synergies as well as material cost synergies over the next few years as Pa.fi.al continues to be integrated into the group.

Updated rolling three-year plan provides continuity

La Doria outlines its financial targets and strategic business plan for a rolling three-year period, usually at the beginning of each financial year. The financial targets outlined in February 2016 were mostly below those set out last year, as shown in Exhibit 3 below.

Exhibit 3: Current vs prior financial targets (2016e-17e)

	2016e			2017e		
€m	Old	New	% change	Old	New	% change
Revenue	750.0	685.4	-8.6%	777.0	722.5	-7.0%
EBITDA	74.3	68.4	-7.9%	79.3	72.9	-8.1%
EBIT	59.9	55.3	-7.7%	64.9	60.1	-7.4%
PBT	55.8	52.1	-6.6%	61.2	57.3	-6.4%
Net profit (pre minorities)	36.7	36.8	0.3%	40.5	41.2	1.7%
Group net profit	32.2	36.8	14.3%	35.7	41.2	15.4%
Net debt	105.8	110.4	4.3%	81.1	86.9	7.2%
EBITDA margin (%)	9.9%	10.0%	0.1%	10.2%	10.1%	-0.1%
EBIT margin (%)	8.0%	8.1%	0.1%	8.4%	8.3%	0.0%

Source: La Doria data

The lower sales prices for new contracts (negotiated in summer 2015 with validity from 2016) were to blame for the reduction in sales targets. That said, it is testament to management's commitment to stem the volatility of the business and to reduce the overall dependence on the 'red line' that a larger cut to the top line is mitigated throughout the P&L and the net profit targets (pre-minorities) were broadly unchanged. Net profit targets (pre-minorities) benefit from a lower forecast tax rate, and at the group level the main benefit stems from eliminating minority interests. La Doria increased its stake in the UK subsidiary, La Doria Holding (LDH), from 51% to 57.9% in Q315. More importantly, the LDH shareholder agreement was reviewed and updated. This has led to a change in the accounting treatment of the minorities: La Doria now consolidates 100% of its minorities, and treats as debt the value of the put options that exist against it.

We compare our forecasts relative to group guidance in the financials section on page 9.

Strategic guidelines

To help achieve its financial targets, the company sets out the following strategic guidelines:

- Further growth in markets where La Doria is a current market leader, including the UK, Japan, Australia and Germany. Worldwide export growth in Italian tomato purchases has been well into the double digits over the past three years.
- Achieve growth in markets where La Doria is currently under-represented (mainly the US), through new supply agreements.
- Develop new markets, in particular emerging markets (China, South-East Asia and UAE). In 2012, La Doria joined Tradizione Italiana, a consortium of 12 leading Italian food companies, representing a wide range of specialities and food categories, to promote the quality of Italian food in emerging markets. Although these markets are currently small, growth rates have been high, suggesting there is potential to build and develop La Doria's position.
- Develop the ready-made sauces business and continue to grow the acquired Pa.fi.al business in La Doria's existing markets such as the UK. The growth of the ready-made sauces market ties in with the overarching objective of reducing the volatility of the business and improving visibility through the development of higher value-added, non-seasonal products, which are also margin enhancing.
- Improve market share in Italy of its Althea brand (acquired through Pa.fi.al) in ready-made sauces. More generally, La Doria is striving to improve market share across its product range,

taking advantage of the growing market share of private label over branded products and also the relative immaturity of the Italian private-label market. The ambition is to become a leading tomato-based product player. We note La Doria is already number one in private-label domestic fruit-based beverages, and is a leading player in private-label vegetables.

- Extend higher value-added product ranges, including ready-made sauces, soups and minestrone, organic pulses and enriched baked beans, which are margin enhancing and have the added benefit of reducing volatility and seasonality.
- Further use of innovative packaging with a low environmental impact.
- Increase the number of long-term contracts with strategic customers, improving volume and pricing visibility, thus helping to reduce volatility.
- Simplify the supply chain through direct relations with producers of strategic raw materials, building partnerships and long-term contracts with a smaller number of strategic suppliers, thus delivering economies of scale and reducing volatility.
- Improve efficiency and promote sustainable development through reducing energy, water consumption and waste.

The red line

As illustrated in Exhibit 1, the red line (tomato-based products) contributed 23% of revenues in FY15 and is the single largest contributor to group profits.

Over the past few years, there have been a number of structural changes in the Italian tomato market that have been favourable to the company, as they have shifted the balance of supply and demand back in favour of the processors by stabilising the level of production in the market. These have had the effect of improving the profitability outlook while reducing the volatility of the business, thus increasing the visibility of forecasts. Primarily these factors are:

- Legislative reform – the implementation of the European Fruit and Vegetable Reform took effect in 2011, meaning that agricultural farm subsidies are no longer linked specifically to the quantity of tomatoes grown. This led to a material reduction in Italian tomato production from 5.65m tonnes in 2009 to a nadir of 4.1m tonnes in 2013 (-27%). 2014 production bounced off the lows and stood at 4.9m tonnes, and 2015 production increased again to 5.4m tonnes. This was in line with expectations, which stood at 5.3m tonnes. Legislative reform has effectively reduced the supply/demand imbalance in Italian tomatoes and reduced the level of stock, thus improving pricing stability.
- Sector consolidation – there has been a c 40% reduction in the number of companies operating in the Italian tomato industry over the last 10 years as the less efficient and smaller players have exited. This underlying long-term trend was accelerated by the financial crisis. It has resulted in a more stable and rational pricing environment among the remaining players, as well as market share gains, though there is still room for improvement here.

These factors have resulted in an alignment of interests; all stakeholders in the value chain of the Italian tomato industry now have an interest in avoiding overproduction. In April 2014, a number of stakeholders created the cluster 'district of the Central and Southern Italian industrial tomato'. This was set up to promote coordination among the different areas and to improve efficiency through better planning. By collaborating as a cohort, the industry should be better placed to match supply with demand, thus avoiding large-scale overproduction.

The issue with the 2015 campaign was down to unfounded fears of overproduction. At the very start of the campaign, record temperatures in southern Italy during the month of July caused an acceleration in the ripening of the tomatoes, hence causing an abundance of crop. This turned out to be a timing issue rather than a sign of an excess crop, but the unfounded fears caused pricing to soften. La Doria, however, has managed to mitigate the impact of lower pricing thanks to lower raw material costs and greater production efficiencies. We note, however, that overall 2015 production did increase on the 2014 level, though the increase was in line with industry expectations.

On the demand side, there have been a number of factors that have improved La Doria's outlook:

- Private-label growth – this has been a trend across the consumer space, as the market becomes polarised between the leading brands and private label. The long-term trend of the secondary and tertiary brands being squeezed is set to continue. Specifically within the tomato-based products space, in FY15 private label overall lost 140bps volume share in Italy (source: IRI Infoscan), and gained 10bps in the UK (source: Kantar Worldpanel). Demand for tomato-based products was down 470bps in volume terms in Italy (source: IRI Infoscan), and private label share was down due to aggressive promotional activity by the brands. In contrast, however, in the UK demand for tomato-based products was up 340bps in volume terms (source: Kantar Worldpanel), and private label share was stable despite the aggressive promotional environment. In Italy La Doria now holds an 18.9% private label share (source: Symphony IRI) and in the UK this is 38% (source: LDH management estimates using Kantar Worldpanel data). This compares with 17.7% and 38.5% respectively in 2015. Over the last few years La Doria has made significant progress in both markets, as in 2012 private label share was 12.4% in Italy and 36.5% in the UK.
- Italian tomato demand – the demand for tomatoes specifically designated as Italian is increasing, with the export of Italian tomatoes growing by 15% 2012-15 (source: ANICAV based on FederAlimentare data). Approximately 80% of La Doria revenues are exported. On the back of the favourable perception towards Italian cooking, La Doria launched the umbrella brand Cook Italian in the UK in 2011. Within the tomato segment, the brand has now reached 3.9% market share, or 10% share of the branded tomato segment.

La Doria has a number of internal strategies to enhance profitability and reduce volatility:

- Moving up the value chain – increasing exposure to higher-margin value-added products such as ready-made sauces. The Pa.fi.al acquisition fit perfectly within this strategy. This had the dual benefit of reducing exposure to the lower-value peeled tomato category and increasing underlying margins. In addition, it also reduced the seasonality of the business.
- Best practice – management has consistently been driving through changes to improve procurement, fixed-cost efficiencies and volume leverage throughout the business.

2016 outlook

The annual tomato campaign runs from the end of July to the start of October. Typically La Doria negotiates annual contracts with its customers, and hence 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. La Doria establishes both the volume and pricing of the contracts, so by the end of the processing campaign the total cost is broadly known.

As stated above, 2015 production stood at 5.4m tonnes, compared to sector forecasts of 5.3m tonnes. As discussed, the main problem with the 2015 campaign was the intense heat at the start of the season. This brought forward part of the harvest and created concerns regarding overproduction, which ultimately proved to be unfounded. The total cost of the 2015 campaign was down on the prior year due to a reduction in the raw material costs and also a significantly higher industrial yield given the efficiency of the campaign during the first few weeks. Prices for 2016 are down in the region of 10%.

It is still early days for the 2016 campaign but the current forecast is for a 10% decline in total tomato production at national level, to c 4.8-5.0m tonnes. La Doria management expects the cost of tomatoes to be flat, and hence the 2016 campaign should be benign.

The vegetable line

As shown in Exhibit 1, the vegetable line (pulses and beans) represented 26% of revenues in FY15. The 2014 season saw a reduction in the cost of raw materials, and hence 2015 pricing for La Doria's products was slightly down as a result. The 2015 season saw a greater reduction in raw material costs due to an improvement in crop yields, and hence 2016 pricing is expected to be down again. In Italy, the canned vegetable market witnessed 2.5% volume growth during 2015, and 3.8% value growth. The market leader won back a small amount of market share, while the other brands declined. The private label sub-segment, which is where La Doria mainly competes, also declined slightly (source: Iri Infoscan). In the UK, La Doria's key product in the category is private-label baked beans, where it holds a 48.4% market share, down 420bps vs 2014 (source: LDH management estimates using Kantar Worldpanel data). The decline was caused by one of La Doria's customers introducing another supplier, but management expects market share to recover during 2016 as its new range of baked beans with inclusion gains traction. In 2015, the overall baked beans market was down in both volume (-2.1%) and value (-0.8%) terms; however private label grew volume by 90bps (source: Kantar Worldpanel).

La Doria management is keen to expand the vegetable line. The division offsets the more commoditised red line products and also has the advantage that production can occur throughout the year, rather than being concentrated within the three summer months of the tomato processing campaign. Expanding the vegetable line therefore would help improve group efficiency.

The fruit line

The fruit line accounted for 12% of revenues in FY15 (Exhibit 1). The profitability of the segment, however, is below that of the others, as it has suffered through several years of underperformance during the recent period of economic difficulties. As for the other divisions, 2015 pricing was mainly driven by the 2014 crop. Lower raw material costs resulted in decreasing prices. The 2015 fruit crop, however, witnessed a decline in volumes and hence raw material pricing was up sharply. This increase in raw material costs caused a stabilisation in both juices and concentrates pricing. In 2015, the Italian market was stable both in volume and value terms (source: IRI Infoscan). This is a marked improvement following years of significant volume and value decline. Private label continued to gain volume share of the total fruit juice market (c 50bps, according to Symphony IRI), though La Doria itself had a slight decline in share (c 90bps, according to company data based on Symphony IRI).

Sauces

This segment was carved out following the acquisition of Pa.fi.al. It combined the acquired business with La Doria's existing ambient ready-made sauces. The segment accounted for 11% of revenues in FY15 (Exhibit 1). During 2015 the domestic Italian market witnessed strong growth in terms of both value and volume. Tomato-based sauces were up 4.7% in volume terms and 5% in value terms, while pesto sauces were up 10% in both volume and value terms (source: Symphony IRI). Private label also grew and market share was up within the tomato-based segment. In the UK the ambient ready-made sauces market witnessed fairly stable volumes (+0.5%) but sharply lower value (-6%) (source: Kantar Worldpanel). Private label share expanded at the expense of the brands. Within the pesto subcategory, the UK market was up an impressive 12.3% in volume terms, with private label share expanding significantly (over 400bps in volume terms).

LDH (La Doria)/Other

La Doria owns 58.0% of its subsidiary LDH. The LDH shareholder agreement was reviewed and updated following La Doria's purchase of an additional 7.0% stake during 2015. This has led to a change in the accounting treatment of the minorities: La Doria now 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, pulses, dry pasta and canned tuna. The 'other' category is mainly composed of LDH's sales and accounted for 28% of group sales in FY15.

The remaining 42.1% stake in LDH is owned by a combination of Thai Union Group, Di Martino 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 and pasta.

During FY15 the 'other' line witnessed stable volumes and a slight reduction in pricing.

Valuation

La Doria's recent share price performance has been positive. It has recovered significantly in the last three months, and it has outperformed relative to the FTSE MIB on a three-month, six-month and 12-month basis. Despite this, on 2016 estimates La Doria trades at 10.8x P/E and 7.7x EV/EBITDA, with a 2.1% dividend yield. This is at a discount of c 40% on P/E and c 20% on EV/EBITDA to the average of our peer group of private-label and small-cap food manufacturers, which we believe is unwarranted.

Exhibit 4: Benchmark valuation of La Doria relative to peers

		P/E (x)		EV/EBITDA (x)		Dividend yield (%)	
	Market cap (m)	2016e	2017e	2016e	2017e	2016e	2017e
Greencore	£1,446.7	18.0	16.2	13.1	11.6	1.9%	2.1%
Ebro Foods	€ 3,223.5	19.0	17.7	10.7	9.9	3.2%	3.3%
Parmalat	€ 4,300.1	22.7	19.3	7.8	6.9	1.0%	0.9%
Bonduelle	€ 740.2	11.7	10.6	6.7	5.9	1.9%	2.1%
Valsoia	€ 186.2	17.8	16.2	9.3	8.5	1.7%	1.9%
Peer group average		**17.8**	**16.0**	**9.5**	**8.6**	**1.9%**	**2.1%**
La Doria	€ 390.6	10.8	9.7	7.7	7.2	2.1%	2.1%
Premium/(discount) to peer group		**-39.7%**	**-39.6%**	**-18.6%**	**-15.6%**	**6.1%**	**4.5%**

Source: Edison Investment Research estimates and Bloomberg consensus. Note: Prices at 31 May 2016.

Our primary valuation methodology is DCF analysis, and we calculate a fair value of €15.84, or 26% upside from the current level. This is based on our assumptions of a 1.0% terminal growth rate and an 9.0% terminal EBITDA margin. Our WACC of 6.0% is predicated on an equity risk premium of 4%, a borrowing spread of 5% and beta of 0.8. Below, we show a sensitivity analysis to these assumptions and note that the current share price is discounting a terminal EBITDA margin of 8% (which compares to La Doria's already reported EBITDA margin of 10.4% in 2015) and a terminal growth rate of c -0.5%.

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

		EBITDA margin					
		7.5%	8.0%	8.5%	9.0%	9.5%	10.0%
Terminal growth	-2.0%	9.1	9.7	10.3	10.9	11.5	12.1
	-1.0%	10.0	10.7	11.4	12.1	12.8	13.5
	0.0%	11.3	12.1	12.9	13.7	14.5	15.3
	1.0%	13.0	13.9	14.9	15.8	16.8	17.8
	2.0%	15.4	16.6	17.8	19.0	20.2	21.4
	3.0%	19.3	20.9	22.4	24.0	25.5	27.1
	4.0%	26.4	28.7	30.9	33.1	35.3	37.5

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;
- consumer consumption patterns and competitive pressures, particularly in Europe with a subdued economic environment, although La Doria and PL in general should benefit from consumers trading down; and
- FX, specifically euro/sterling due to the consolidation of its trading subsidiary LDH.

Financials

Q116 results

On 12 May, La Doria reported Q1 results in line with expectations. Consolidated revenue for the quarter of €168.3m was down 9.3% versus the prior year. The main culprit for the sales decline was a contraction in selling price, but currency movements also contributed to the reduction in sales. FX alone was responsible for a 1.8% decline in sales. International markets were down 12% in Q1, reversing a long period of revenue growth. Again, this was down to the combination of lower sales prices and adverse currency movements. The domestic market, however, was up 1.6% in revenue terms. The decline in organic growth in Q1 was mainly down to a reduction in selling prices, with volumes broadly stable.

Tomato-based product volumes were flat during the quarter, though pricing was substantially lower as a result of the 2015 tomato campaign. The vegetable line also witnessed a contraction in pricing caused by lower prices of many raw materials. Margins, however, held up well. Volumes were also somewhat lower. La Doria continued to extend its product range in the UK by launching baked beans enriched with a range of ingredients. The fruit line had a better quarter, with stable volumes and lower prices, both in the UK and in the domestic Italian market. The sauces line also witnessed stable volumes and lower prices. Growth in 'other lines' was again negative, driven by lower selling prices by LDH of dried pasta, canned salmon and corn.

By geography, domestic sales were up 1.6%, which is encouraging given the backdrop of the challenging 2015 tomato campaign. International sales were down 12%, also exacerbated by FX effects. International markets now represent 78% of sales.

We make no material changes to our forecasts, and we illustrate below our forecasts versus La Doria's own targets for a range of metrics. Our forecasts are broadly in line with current targets. With current and forecast net debt/EBITDA comfortably below 2x, the balance sheet remains conservative.

Exhibit 6: Edison forecasts vs company targets for key metrics

	2016e			2017e		
	Target (€m)	Forecast (€m)	Difference (%)	Target (€m)	Forecast (€m)	Difference (%)
Revenue	685.4	684.7	-0.1	722.5	718.9	-0.5
EBITDA	68.4	68.3	-0.2	72.9	73.1	0.3
EBIT	55.3	54.9	-0.8	60.1	60.7	1.0
PBT	52.1	51.9	-0.5	57.3	57.7	0.7
Net profit	36.8	36.3	-1.3	41.2	40.4	-1.9
Net debt	110.4	109.3	-1.0	86.9	85.4	-1.7

Source: La Doria, Edison Investment Research estimates

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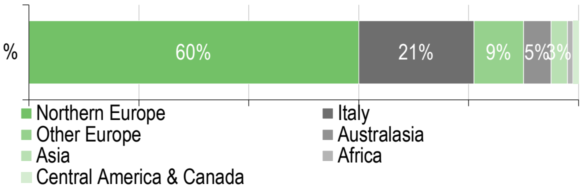
Exhibit 7: Financial summary

€m	2013	2014	2015	2016e	2017e	2018e
Year end December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue	604.4	631.4	748.3	684.7	718.9	762.1
Cost of Sales	(521.2)	(527.6)	(616.9)	(567.9)	(595.5)	(630.5)
Gross Profit	83.2	103.8	131.5	116.9	123.4	131.6
EBITDA	43.4	60.0	77.6	68.3	73.1	79.0
Operating Profit (before amort. and except.)	31.3	48.1	61.0	54.9	60.7	66.6
Intangible Amortisation	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
FX Gain / (loss)	2.5	0.3	0.0	0.0	0.0	0.0
Operating Profit	33.8	48.4	61.0	54.9	60.7	66.6
Net Interest	(4.7)	(4.1)	0.0	(3.0)	(3.0)	(3.7)
Profit Before Tax (norm)	26.6	44.0	61.0	51.9	57.7	62.9
Profit Before Tax (FRS 3)	29.2	44.3	61.0	51.9	57.7	62.9
Tax	(7.9)	(14.3)	(16.1)	(15.6)	(17.3)	(18.9)
Profit After Tax (norm)	19.7	29.9	44.8	36.3	40.4	44.0
Profit After Tax (FRS 3)	21.2	29.9	44.8	36.3	40.4	44.0
Average Number of Shares Outstanding (m)	29.5	30.6	31.0	31.0	31.0	31.0
EPS - normalised fully diluted (c)	45.1	80.5	144.6	117.1	130.3	142.1
EPS - (IFRS) (c)	52.5	81.5	144.6	117.1	130.3	142.1
Dividend per share (c)	12.0	22.0	25.0	26.0	27.0	28.0
Gross Margin (%)	13.8	16.4	17.6	17.1	17.2	17.3
EBITDA Margin (%)	7.2	9.5	10.4	10.0	10.2	10.4
Operating Margin (before GW and except.) (%)	5.2	7.6	8.1	8.0	8.4	8.7
BALANCE SHEET						
Fixed Assets	114.8	179.6	177.6	175.2	173.3	171.4
Intangible Assets	4.0	10.6	10.6	9.9	9.2	8.5
Tangible Assets	98.9	146.6	143.3	141.6	140.4	139.2
Investments	11.9	22.3	23.7	23.7	23.7	23.7
Current Assets	336.1	374.0	398.8	419.1	461.7	508.9
Stocks	194.1	212.9	199.8	204.4	214.4	233.3
Debtors	89.0	100.3	107.7	102.7	111.4	118.1
Cash	27.9	41.1	77.9	98.7	122.5	144.2
Other	25.1	19.6	13.3	13.3	13.3	13.3
Current Liabilities	(214.8)	(229.1)	(220.7)	(211.4)	(221.8)	(234.0)
Creditors	(129.2)	(143.7)	(129.3)	(120.0)	(130.4)	(142.7)
Short term borrowings	(85.7)	(85.4)	(91.4)	(91.4)	(91.4)	(91.4)
Long Term Liabilities	(82.8)	(136.6)	(157.3)	(147.2)	(131.7)	(131.7)
Long term borrowings	(50.7)	(93.9)	(116.6)	(116.6)	(116.6)	(116.6)
Other long term liabilities	(32.1)	(42.6)	(40.7)	(30.5)	(15.1)	(15.1)
Net Assets	153.3	187.9	198.4	235.8	281.5	314.6
CASH FLOW						
Operating Cash Flow	23.3	53.7	54.6	43.8	47.5	46.8
Net Interest	(4.7)	(4.1)	0.0	(3.0)	(3.0)	(3.7)
Tax	0.0	0.0	0.0	0.0	0.0	0.0
Capex	(9.1)	(17.2)	(8.4)	(11.0)	(10.5)	(10.5)
Acquisitions/disposals	0.0	(64.8)	(4.9)	0.0	0.0	0.0
Financing	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	(4.4)	(6.3)	(9.3)	(9.1)	(10.1)	(11.0)
Other	2.8	8.6	(23.3)	0.0	0.0	0.0
Net Cash Flow	8.0	(30.2)	8.7	20.7	23.9	21.6
Opening net debt/(cash)	118.0	108.5	138.2	130.1	109.3	85.4
HP finance leases initiated	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.5	0.5	(0.6)	0.0	0.0	0.0
Closing net debt/(cash)	108.5	138.2	130.1	109.3	85.4	63.8

Source: Edison Investment Research, La Doria data

Contact details	Revenue by geography (2015)
Via Nazionale 320 84012 Angri Italy +39 081 516611 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	(%)
Antonio Ferraioli	10.17
Andrea Ferraioli	9.54
Rosa Ferraioli	8.66
Iolanda Ferraioli	8.66
Giovanna Ferraioli	8.66
Raffaella Ferraioli	8.66
Teresa Maria Ferraioli	8.66

Companies named in this report

Greencore(GNC.LN), Ebro Foods (EBRO.SM), Parmalat (PLT.IM), Bonduelle (Bon.EN), Valsoia (VLS.IM)