

VFB – 8-Oct-16

Hans D'Haese

Sell-side equity analyst Benelux food & bev. and holding & portfolio cies

Ter Beke	+74%
The INfrastructure Company (TINC)	+15%
Ahold Delhaize	+19%
BEL20 / DJ Europe STOXX return index	+11% / +2%

New selection: **Greenyard** and **Refresco**, picked out from a broader
“Degroof Petercam Preference List” of Benelux stocks

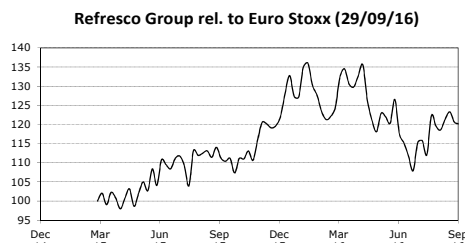
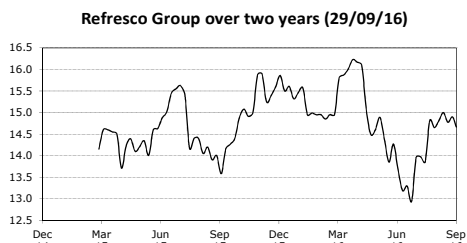
Refresco Gerber is the leading European bottler of soft drinks and fruit juices for retailers and branded customers.

EUR 14.67 (29/09/16)
Buy

Target price:	20.00	Market cap. (m):	1,190
High-Low 1 year:	16.44 - 12.94	Shares outstanding (m):	81.16
1 year price variation:	4.0%	Free float:	59%
Diff. with Euro Stoxx:	2.0%	Avg daily vol. (shares):	128,601
Net debt 12/16e (m):	613	Net debt/EBITDA 12/16e :	2.75

EUR	Sales (bn)	EBITDA (m)	Adj. profit (m)	EPS	Div.	EV/ EBITDA (*)	P/E (*)	FCF Yield (*)	Yield (*)
12/12	1.54	110	0.0	-	-	-	-	-	-
12/13	1.59	111	0.0	-	-	-	-	-	-
12/14	2.04	195	47.3	0.64	0.00	-	-	-	-
12/15	2.02	195	77.9	0.98	0.34	9.1	16.2	3.3%	2.1%
12/16e	2.11	222	83.2	1.03	0.37	8.2	14.3	6.8%	2.5%
12/17e	2.37	266	106	1.31	0.48	6.6	11.2	8.8%	3.3%
12/18e	2.42	282	118	1.45	0.55	6.0	10.1	9.6%	3.8%

(*) 2012-2015 figures of EV, P/E and Yield are based on end F.Y. price



BULL POINTS

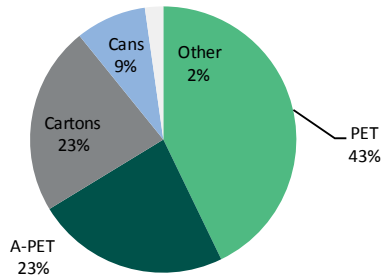
- Leading European bottler of CSDs, juices, energy drinks and waters
- Well positioned to play private label and outsourcing trend
- Solid balance sheet and cash flow used to strengthen market positions
 - Europe: Pepsi Germany, DIS Netherlands , San Pellegrino in Italy
 - North America: Whitlock nice springboard North America
- 40% EPS growth in 2016 – 2018 on the back of M&A
- Skills of integration
- Strong cash generation
- Organic growth to improve thanks to increased exposure to co-packing
- Attractive valuation: 2017 EV/EBIT 10x, FCF Yield 9%

BEAR POINTS

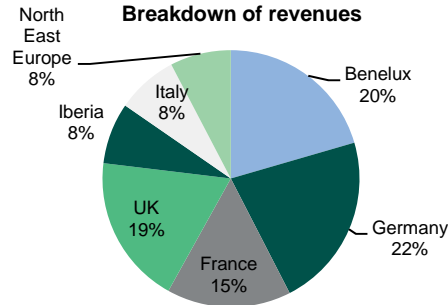
- No pricing power, but able to pass on
- No organic growth in past years
- Health discussion/sugar tax creates pressure on soft drink market
- Merger of CC Bottling company: risk or opportunity?
- European demographics negative

- So far the investment community is disappointed by the organic growth as reported by Refresco. In H1 2016 organic growth was depressed by poor weather conditions, while the **health trend** of moving away from carbonated soft drinks to water seemed to have accelerated. On top of that, Refresco **walked away from some low margin contracts**.
- However, in our view Refresco is not about organic growth, it is **about cash generation and consolidation of the market**. It's leading market position and strong cash generation allows for earnings enhancing M&A.
- This year it announced four deals, strengthening its position in Europe and creating a nice foothold in the US. By acquiring Withlock, it has a nice springboard for **further growth in the US**. Moreover, co-packing now accounts for some 35% of volumes vs. some 20% a year ago. The higher co-packing share should allow for more organic growth.
- Because of this we foresee more than **40% EPS growth in the next two years**. With more deals in the pipeline and a solid track record of integration, we expect the strong EPS growth to continue beyond 2018.
- All of this all comes at a very **attractive valuation** i.e. a discount of more than 30% to the peer group. Based on our estimates the stock trades at a:
 - 2017 PER 11x vs. 16x for the peer group
 - 2017 EV/EBIT of 10x vs 13x for the peer group 13x
 - 2017 FCF yield of almost 9% vs. 4.5% for the peer group
- We expect the market focus to gradually **shift towards next year earnings**. That should reveal how cheap Refresco really is.

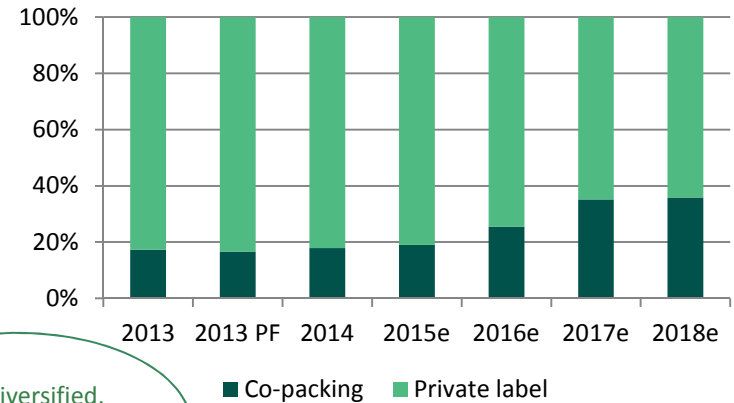
Breakdown of volumes



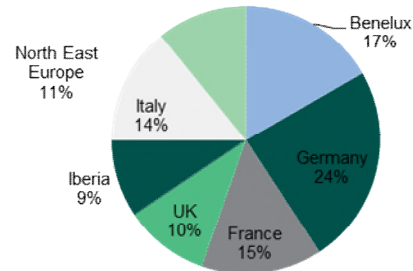
Breakdown of revenues



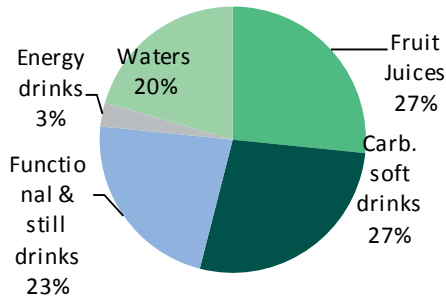
Co-Packing/private label volume share



Regional breakdown of volumes

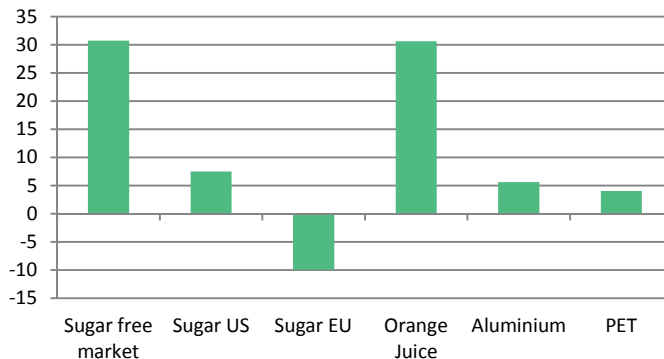


Well diversified,
geographically,
product wise...

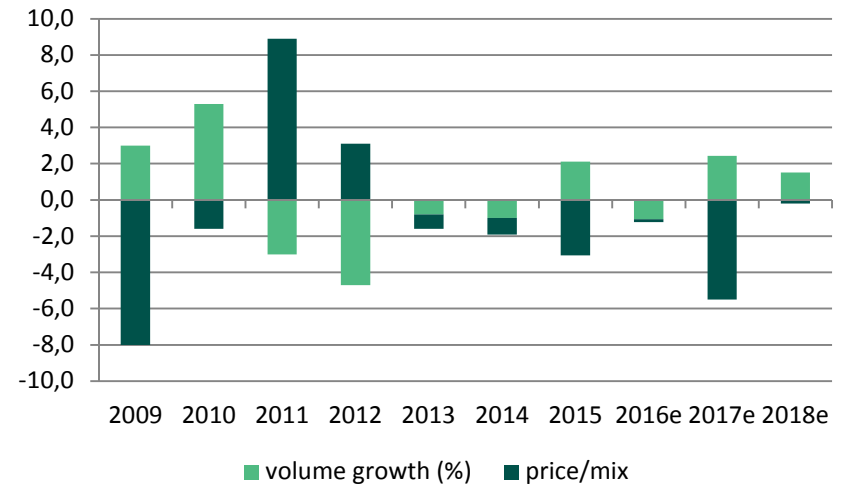


Raw materials

% price change last month vs. LTM avg



Organic sales growth



Largest fruit and vegetables supplier globally, with splendid sourcing and supply capabilities. Sales amount to EUR 4bn and are generated in EU, where it maintains strong relationships with 28 out of the 30 largest food retailers.

EUR 15.85 (29/09/16)
Buy

Target price:	18.00	Market cap. (m):	704
High-Low 1 year:	15.85 - 11.61	Shares outstanding (m):	44.40
1 year price variation:	19.1%	Free float:	29%
Diff. with Euro Stoxx:	17.1%	Avg daily vol. (shares):	22,942
Net debt 03/17e (m):	335	Net debt/EBITDA 03/17e :	2.33

EUR	Sales (m)	REBIT-DA (m)	Adj. profit (m)	EPS	Div.	EV/REBITDA	P/E (*)	FCF Yield (*)	Div. Yield (*)
03/13	-	-	-	-	-	-	-	-	-
03/14	-	-	-	-	-	-	-	-	-
03/15	4,012	148	23.0	0.52	0.00	7.8	32.0	-0.2%	0.0%
03/16p	3,967	136	24.8	0.56	0.20	7.5	23.9	29.0%	1.5%
03/17e	4,146	146	40.3	0.91	0.22	7.5	17.5	8.1%	1.4%
03/18e	4,249	161	49.6	1.12	0.24	6.4	14.2	10.0%	1.5%
03/19e	4,354	167	55.7	1.26	0.26	5.8	12.6	11.3%	1.6%

(*) 2012-2015 figures of EV, P/E and Yield are based on end F.Y. price

Greenyard over two years (29/09/16)

Greenyard rel. to Euro Stoxx (29/09/16)


BULL POINTS

Although operating in a mature market, expect growth momentum to increase thanks to:

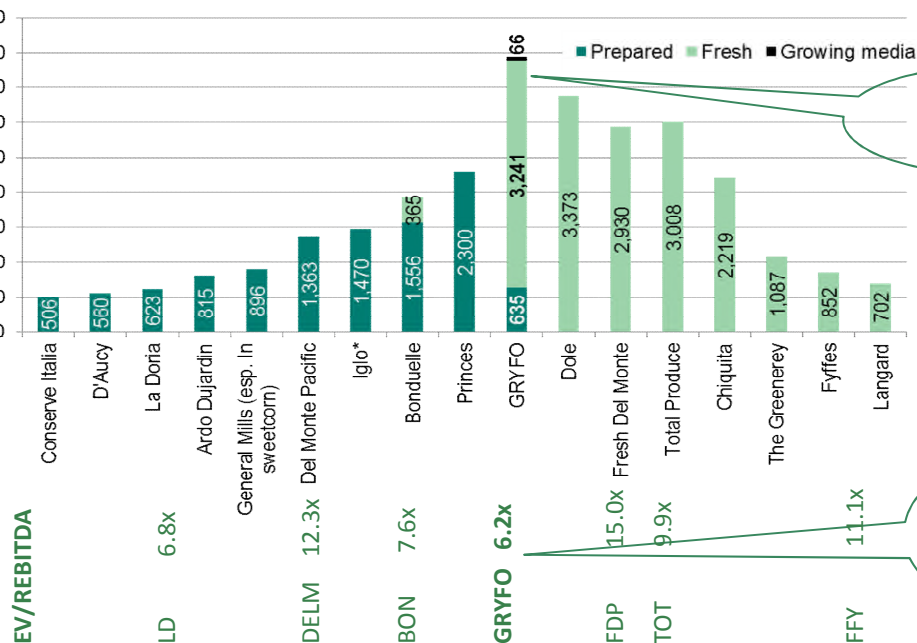
- **Health challenges:** Calls for healthier food consumption. Fruit & vegetables are a cheap and suitable way to meet this trend.
- **Higher environmental awareness:** Fruit & vegetables have a lower environmental food print.
- **Size matters:** Market leader and consolidator in a fragmented market. Proven **M&A track-record**, both in the *Fresh* and *Prepared* segments. Market share in BEL, NDL & GER: >20%.
- **Splendid sourcing & supply capabilities** all around the world. Allows to guarantee a reliable and high-quality stream of fruits & vegetables throughout the entire year.
- **Global customer base**, including most of the leading retailers in Europe. Moreover, the new combination of Fresh & Prepared offers **cross-selling opportunities**.
- Market leader **priced below peer group** multiples: Superior **FCF generation** profile, showing FCF yield FY17/18e of 10%.

BEAR POINTS

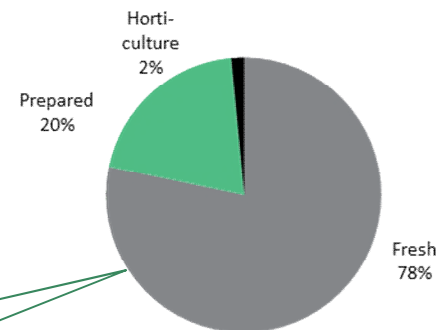
- Unlike the evolution in developing countries, we are witnessing **low growth of fruits & vegetables** consumption in Europe.
- Low added value in Greenyard's largest segment, Fresh, which by definition is **private label** and hence low margin business with high customer concentration.
- **Stretched balance sheet:** NFD/REBITDA of 2.8x (off-balance receivables financing further rolled out, leading to increase in liquidity at a lower cost)

- Greenyard's organic growth is driven by its increasing scale in the market and relevance to retailers (delivering to >80% of the top retailers in Europe), combined with the expansion of its activities overseas (UK, US) and the generation of post-merger synergies.
- Greenyard is an active consolidator in a fragmented market which is providing M&A opportunities in the coming years.
- The share price performance has been hampered after a FY 2015/16 release that remained below expectations due to a temporary issue with ERP-implementation in France and ongoing price pressure (and recent harvest difficulties - Prepared segment).
- Thanks to the gradual unlocking of further synergy potential of the business combination and ongoing improvement in both top-line and margin performance we expect earnings momentum to improve again.
- Increasing FCF will enable rapid balance sheet deleverage, allowing Greenyard to continue being a consolidator, as its balance sheet should rapidly de-lever.
- We are banking on a REBITDA CAGR until 2020 of 5.9%. Moreover, we are anticipating a EUR 10m positive effect from net financial expense saving thanks to the refinancing of outstanding 7.875% EUR 284m Univeg bonds as of Nov-16, and marginally lower taxes as well.
- For FY 2016/17e we anticipate REBTIDA to come in at EUR 146m, up 7% vs. last year. For FY 2017/18e we foreseen an EBITDA of EUR 161m (+11% y/y).
- On our estimates, GRYFO trades at 7.3x (6.3x) REBITDA.
Applying a FY 2016/17e (FY 2017/18e) peer group REBITDA multiple of 7.7x (7.5x), we are arriving at an equity value of EUR 18.2 per share. In our view, there are several arguments to assume even a higher multiple, though...

GRYFO: The Pinguin, Noliko, Univeg, Peatinvest combination



Revenue split FY 15/16

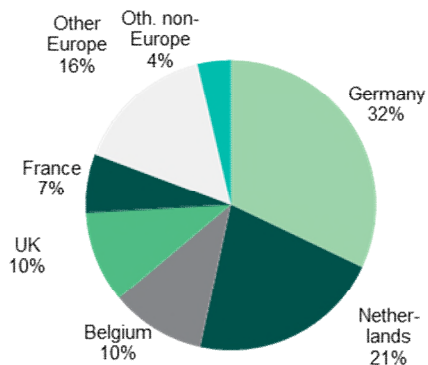


A true market leader...

... dominant in « Fresh », and...

... still cheaply valued (commercial synergies still to be exploited)

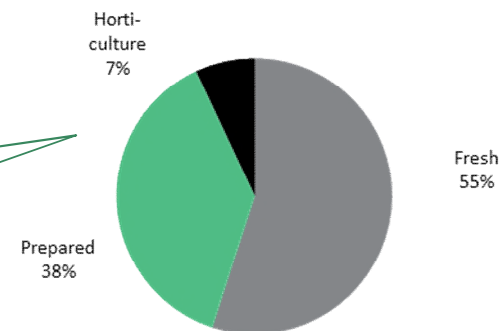
Geo revenue split FY 15/16



Primarily active in Western-Europe...

... with higher margins from « Prepared », surfing on the convenience wave

Rebitda split FY 15/16



ANALYSTS

Stefaan Genoe, Head of Research	Telecom/Technology	+32 2 662 8299
Amal Aboulkhouatem	Real Estate	+32 2 662 8303
Marcel Achterberg	Technology/Services	+31 20 573 5463
Jean-Marie Caucheteux	Real Estate	+32 2 287 9920
Fernand de Boer	Retail/Food & Beverages	+31 20 573 5417
Nathalie Debruyne, CFA	Chemicals	+32 2 662 8308
Hans D’Haese	Holding cies/Food & Bev.	+32 2 287 9223
Bart Jooris	Financials/Utilities	+32 2 287 9279
Michael Roeg	Media	+31 20 573 5422
Luuk van Beek	Energy/Engineering/Construction	+31 20 573 5471
Herman van der Loos, CFA	Real Estate	+32 2 662 8304
Roderick Verhelst, PhD	Life Sciences	+32 2 662 8305

MIDDLE OFFICE

Christophe Swinnen	+32 2 662 8298
Joost Ceulemans	+32 2 662 8285
Sven Dhondt	+32 2 662 8286
Katia Foy	+32 2 662 8296
Antoine Miest	+32 2 662 8294
Hilde Van Den Bossche	+32 2 662 8297

ADMINISTRATION

Christel De Clerck	+32 2 662 8302
Monique Gérard	+32 2 662 8301
Tineke Hosselaer	+32 2 662 8290
Alexandra Krauss	+32 2 287 9797
Charlotte Mertens	Roadshow Coordinator +31 20 573 5416

SALES

Gert Potvlieghe, Head of Sales	+32 2 662 8289
Sandra Aznar y Gil (Real Estate)	+32 2 662 8291
Damien Crispiels (Real Estate)	+32 2 287 9697
Quentin De Decker	+32 2 287 9287
Raymond de Wolff	+31 20 573 5414
Damien Fontaine	+32 2 662 8287
Laurent Goethals	+32 2 287 9185
Pascal Magis	+32 2 287 9781
Jurgen Smits van Oyen	+31 20 573 5413
Jochen Vercauteren	+32 2 662 8288

JPP EUROSECURITIES

Simon Vlamincx	+1 212 521 6735
-----------------------	-----------------

SALES TRADING

Hans de Jonge, Head of Sales Trading	+31 20 573 5404
Pascal Burm	+32 2 662 8283
Veronique De Schoemaeker	+32 2 662 8280
Kristof Joos	+32 2 662 8284
Frans van Wakeren	+31 20 573 5407

This document is intended for the benefit of institutional and professional investors and is sent for information only. Under no circumstances may it be used or considered as an offer to sell or as seeking an application to buy securities. Although the information contained in this report has been obtained from sources considered to be reliable, we guarantee neither its accuracy nor its completeness. The Managing Director of Degroof Petercam Institutional Research & Sales bears final responsibility of this report. This document may not be reproduced in whole or in part or communicated in any other way without our written consent. Degroof Petercam may make markets or specialize in, have positions in and effect transactions in securities of companies mentioned and may also perform or seek to perform investment banking services for those companies. Institutional Sell-side Research is performed out of Belgium by Degroof Petercam S.A. under regulatory supervision of the Belgian “Financial Services and Markets Authority (FSMA)”. The analyst(s) claim(s) not to have any meaningful financial interest in one of the above mentioned companies nor to have any conflict of interest.