

Centrale del Latte d'Italia

Q117 results

Steady

Food & beverages

22 June 2017

Price €2.80

Market cap €9m

Net debt (€m) at 31 December 2016 60.23

Shares in issue 14.0m

Free float 41%

Code CLI

Primary exchange STAR (Borsa Italiana)

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	1.4	(1.1)	0.7
Rel (local)	3.4	(6.8)	(17.5)

52-week high/low €3.35 €2.57

Business description

Centrale del Latte d'Italia produces and distributes fresh and long-life milk (UHT and ESL), and dairy products such as cream, yoghurt and cheese. It has a leading position in milk in the Piedmont region of northern Italy, and it has expanded to the Veneto, Liguria and Tuscany regions.

Next events

H117 results 3 August 2017

9m17 results 10 November 2017

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The domestic market remains subdued, and raw material costs have been increasing. Centrale del Latte d'Italia (CLI) implemented some price increases on 1 April in order to offset some cost inflation, with full effect from 1 June. However, spot milk prices are starting to fall, both domestically and across Europe, so we expect a more benign cost environment during H217. We leave our forecasts unchanged and our fair value moves to €2.82 per share (from €2.85).

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	98.3	0.46	0.30	6.00	N/A	2.1
12/16	119.8	(2.09)	(19.57)	6.00	N/A	2.1
12/17e	177.5	0.54	3.95	6.00	70.9	2.1
12/18e	178.4	1.02	7.48	6.00	37.4	2.1

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

Q117 as expected, forecasts maintained

It is difficult to fully assess the performance of CLI in Q117 given the addition of the Centrale del Latte di Firenze, Pistoia e Livorno (CLF) business, but in underlying terms fresh milk and extended shelf life (ESL) milk made progress, while UHT milk and yoghurt continued to decline. Vegetable drinks remained on their strong growth trajectory. EBITDA margin suffered on an underlying basis (1.5% in Q117 vs 4.3% in Q116) due to the above-mentioned increase in raw material costs. Lower labour costs offset some of the gross margin decline, but EBITDA margin was still sharply lower. We expect the raw material picture will improve during H2 and thus leave our forecasts unchanged at this stage. We currently forecast EBITDA margin of 4.8% for FY17 vs 1.5% in Q1, hence implying 6.0% margin during the balance of 2017.

CLF merger starting to deliver

While the guidance regarding the CLF merger specifically stated cost synergies would be limited, revenue synergies were always deemed more likely as the two companies could leverage their products across each other's distribution platform. We are starting to see evidence of this coming through, with new yoghurt drinks being launched recently across all four of CLI's regions. Similarly, the prepared salads segment witnessed strong growth and this was due to existing lines from the CLT legacy business being launched across Tuscany (CLF's territory). We expect this trend to continue as the CLF business is further integrated into CLI.

Valuation: Fair value of €2.82 per share

Our DCF model points to a fair value of €2.82 per share (from €2.85), implying that the stock is fairly valued. We calculate that for FY17e CLI now trades at 70.9x P/E and c 11.3x EV/EBITDA, with a 2.1% dividend yield. The P/E is inflated due to the elevated debt level in the short term associated with the CLF acquisition, hence the high interest costs. We expect these to normalise by 2019. On EV/EBITDA, CLI trades at a premium of 12.4% to the average of our peer group of dairy processors.

Investment summary

Company description: Not just milk

CLI's main focus is milk: it started as Centrale del Latte di Torino (CLT), a milk supplier/distributor in the Turin area. Over time, however, the company expanded beyond its initial distribution area, adding the whole Piedmont region, where it is currently market leader, and then two more regions in Northern Italy (Veneto and Liguria). In 2016 it merged with Centrale del Latte di Firenze, Pistoia e Livorno, adding a new region (Tuscany) and the new entity was renamed Centrale del Latte d'Italia (CLI). Over the years the company has diversified its product offering, adding long-life and extended shelf life (ESL) milk, fresh and long-life cream, yoghurt and fresh cheeses. More recently it has added categories such as fresh pasta, eggs and prepared salads.

The company was founded in 1950 but largely remains a family-owned business. The largest shareholder is Finanziaria Centrale del Latte di Torino, which is controlled by the CLT founding families, and of which the municipality of Turin owns a 20% stake. Another shareholder is Lavia, which is also owned by one of the founding families.

Valuation: Fair value of €2.82

We calculate a fair value based on our DCF model of €2.82, which represents 0.8% upside. The main sensitivities to our forecasts and valuation are outlined below. In the longer term, the company is trying to diversify away from liquid cow's milk and into fresh produce, which is a more attractive and profitable market.

As an alternative to our DCF valuation, we look at CLI's key metrics versus the peer group. We calculate that CLI now trades on 70.9x 2017e P/E and 11.3x 2017e EV/EBITDA. The P/E is inflated due to the relatively elevated debt level in the short term associated with the CLF acquisition, and hence the high interest costs. We expect these to normalise by 2019. On EV/EBITDA, CLI trades at a premium of 12.4% to the average of our peer group of dairy processors.

Financials: Cautious outlook retained

Management's outlook for FY17 is cautious as the overall market remains subdued. Consumption of fresh milk in Italy has suffered due to the recession, which has put pressure on both pricing and volumes, but also due to a shift in consumption and the increased fashion for dairy-free and vegan diets. Q117 results were in line with the cautious tone set out at the start of the year, which continued from 2016.

Net debt remains high, at €60.2m at December 2016. We forecast net debt to rise to €66.7m at end FY17, which equates to c 8x net debt/EBITDA coverage, though it declines to 7.1x by FY19.

Sensitivities: Raw milk pricing is a key variable

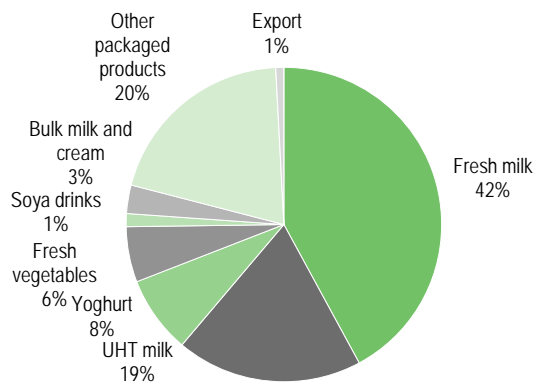
CLI's key sensitivities include:

- Input cost inflation, particularly for raw milk, which is its main raw material.
- The supply/demand balance affecting the achievability of price inflation on finished goods.
- Consumer consumption patterns and the competitive landscape. The economic backdrop has been weak in the domestic Italian market.
- Private label gaining share at the expense of the company's brands.
- Although the CLF business continues to be run separately, the merger is taking up a significant amount of management time. No hard synergies are expected from the merger, but we believe the enlarged business should be in a better negotiating position with suppliers, given its increased scale.

Company description: Regional dairy

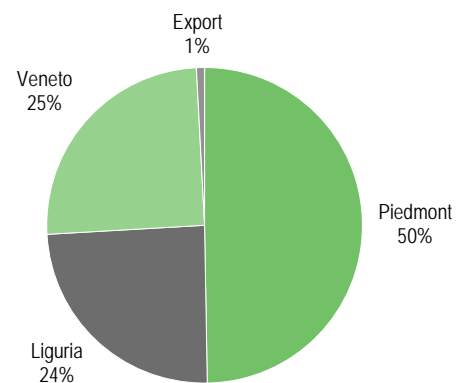
CLI is the third-largest dairy producer in Italy. The company has a strong base in fresh milk, UHT milk and yoghurt. It has also diversified into branded fresh food products, with ranges of eggs, cheese, pasta, vegetables and ready-to-eat salads. CLT started in Turin in 1950 to serve the market in Piedmont, and subsequently acquired operations in two other northern Italian regions, namely Liguria and Veneto. The merger with CLF transformed the business by adding a fourth region (Tuscany) and almost doubling sales. We illustrate the breakdown of revenues by category and by geography in Exhibit 1 and 2 below.

Exhibit 1: Group revenue split by category (FY16)



Source: Centrale del Latte d'Italia data

Exhibit 2: Group revenue split by geography (FY16)



Source: Centrale del Latte d'Italia data

CLI has leadership positions in its key markets, thus making it a regional champion. CLI has five factories, which are all well invested with the latest technology for production, treatment and packaging of its products.

CLI has a base milk business, but has also diversified into other fresh dairy products, such as yoghurt, cream and fresh cheese, and also perishable fresh packaged food products, namely fresh prepared vegetables, salads, fresh pasta and eggs. It has created its own strong local brands to support its portfolio. Over the past three years, CLI has set its sights on international expansion: it started exporting UHT milk to China, and also signed an agreement with a distributor for the UAE, Kuwait, Saudi Arabia and Oman.

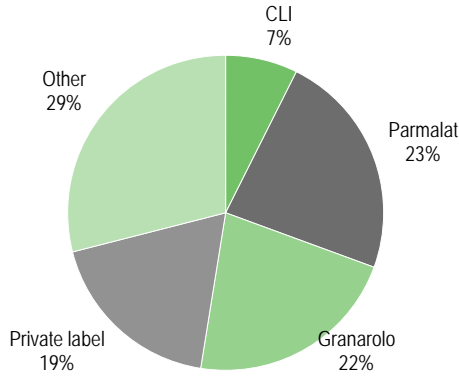
The merger with CLF was large (CLF sales were c €85m in 2015 vs CLT's sales of €97m), and we expect it will take a few years for the integration to be fully complete. Nevertheless, we believe more acquisitions are likely in future as the business continues to grow and the strategy to diversify and to enhance scale continues.

Fresh milk and ESL

The Italian fresh milk and ESL (extended shelf life) milk market was worth €551m in 2016 (source: IRI Infoscan Hypermarkets + Supermarkets), but it is very localised, with different players in the different regions. Milk brands tend to be local and tied to each region or province, and indeed consumers are used to buying local milk brands. There has been some degree of consolidation, with Parmalat and Granarolo emerging as the two leading players on a national scale, both with c 23% market share, but even they use several local brands in addition to their main brand (eg Centrale del Latte di Roma and Centrale del Latte di Milano, respectively). Distribution is also affected by the local nature of the business, with a significant proportion of fresh milk bought on a regular basis, and hence in local shops rather than in supermarkets or hypermarkets. This again tends to favour regional and local brands. While fresh milk typically lasts a few days before souring, ESL milk lasts up to one month, but still requires refrigeration.

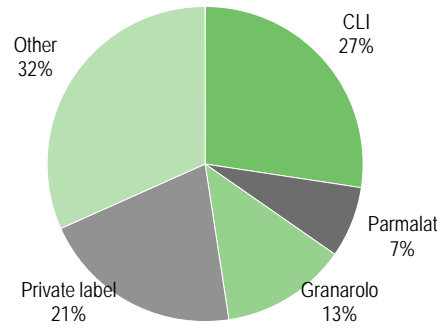
The market has steadily declined over the last few years, mainly as a result of volume declines. The economic crisis in Italy caused consumption to fall across the board in the consumer space, and more recently a fashion for vegan and dairy-free diets has also caused a shift in consumer behaviour, which has led to volume declines. CLI has been gaining share in the regions in which it operates thanks to the strength of its brands.

Exhibit 3: Fresh milk and ESL share at national Italian level



Source: IRI Infoscan Hypermarkets + Supermarkets

Exhibit 4: Fresh milk and ESL milk share in Piedmont, Valle d'Aosta, Liguria, Veneto & Tuscany



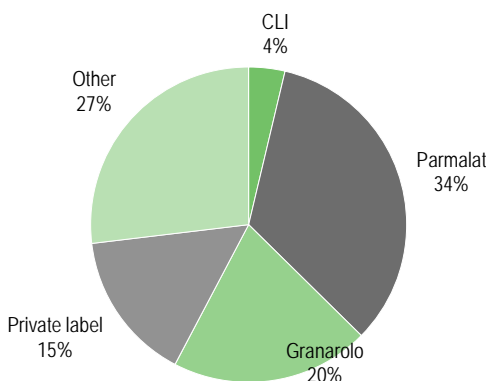
Source: IRI Infoscan Hypermarkets + Supermarkets

UHT milk

The Italian UHT milk market was worth €831m in 2016 (Source: IRI Infoscan Hypermarkets + Supermarkets). UHT milk is ultra heat-treated and hence is an ambient product with a shelf life of around three months. The ambient nature of the product means it is more widely bought as part of a bigger shopping basket and hence distribution is more skewed towards the mass channel. Promotion is much more prevalent in the UHT segment, though volumes have suffered for the same reasons as fresh milk, namely the economic crisis and the consumer shift away from dairy consumption. CLI's market share has fluctuated somewhat, and this has been caused predominantly by promotional activity in the market.

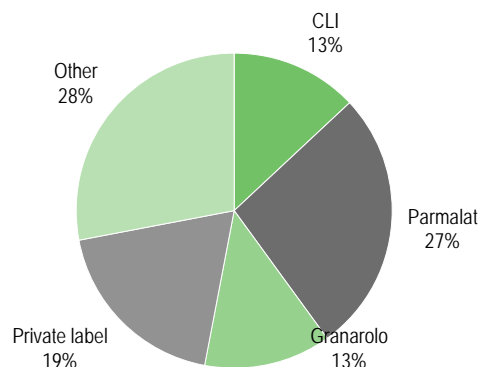
Again, at national level CLI's market share is very small, but improves at regional level. Nevertheless, CLI's national share has more than doubled during 2016, from 1.5% to 3.7%.

Exhibit 5: UHT milk share at national Italian level



Source: IRI Infoscan Hypermarkets + Supermarkets

Exhibit 6: UHT milk share in Piedmont, Liguria, Tuscany and Veneto



Source: IRI Infoscan Hypermarkets + Supermarkets

In 2014 CLT began exporting UHT milk to China. Volumes remain small, but this could present an interesting growth opportunity. In 2015 CLT signed an agreement with a Dubai-based distributor.

Yoghurt

The Italian yoghurt market was worth €1.2bn in 2015 (source: FY15 results presentation). The market is dominated by the major players, with Danone, Muller and Yomo/Granarolo making up 50% of the market. CLI is a small player at both national and regional level. With deep-pocketed multinational competitors on the scene, CLI cannot compete on the R&D front with new products, but it can react quickly to new launches given its smaller size, and in the past it has been successful in tapping into the market for lactose-free products. In 2016, however, CLI's yoghurt sales declined 10.7% due to lower revenues in full fat natural yoghurt and also overall market weakness in the multipack probiotic segment.

Prepared salads

This segment accounted for 8% of sales in 2016 and it encompasses a range of ready-washed, dried and often pre-mixed salads. These products have been developed for the local, more traditional trade mentioned above, where a lot of fresh milk is still bought. These local shops do not have the logistics of the larger food retail chains, and hence rely on more regional fresh produce. Due to the relatively short shelf life of both fresh milk and prepared salads, CLI can leverage some of its fixed costs and has added the prepared salads line to enhance its offering. Sales were up 5.6% during 2016 as prepared salads were successfully introduced across the CLF platform.

Vegetable drinks

CLI launched a soy milk in Q213, and followed this with the launch of a rice milk in Q415. It launched an oat milk during 2016. Dairy-free milk is proving successful given the trend in Italy for vegan and dairy-free diets. Although the segment is small, growth continues to be impressive, and was a stellar 28.9% in 2016.

Bulk milk and cream

This segment acts as a by-product of the fresh packaged milk business: CLI's contracts with its milk suppliers stipulate that CLI will buy all the milk produced by the farmer. This obviously changes daily but the main variation is due to seasonality. In addition, the volume of milk required by the fresh packaged milk business can have its own (separate) seasonal variations. Any excess milk, therefore, is sold on as bulk milk and cream to local businesses, mainly cheese- and butter-making businesses and ice cream shops or factories. The segment is very small (it accounted for 2% of sales in 2016), but is subject to wide swings as it is dependent on spot pricing.

Other packaged products

This includes a diverse range of fresh products, spanning from fresh cheese to eggs, packaged fresh pasta and pesto sauces, eggs and pre-sliced and packaged cured meats. The strategy here is the same as for the prepared salads segment, so the products have been developed for the local shops. The segment accounted for 22% of sales in 2016 and posted strong sales growth of 9.5%.

The merger

In 2016, Centrale del Latte di Torino (CLT) executed a merger by incorporation with Centrale del Latte di Firenze, Pistoia e Livorno (CLF), and the new entity was named Centrale del Latte d'Italia (CLI). The merger between the two companies was highly complementary as the two businesses were very local in their own territories and had leading market shares at the regional level in their respective areas. They also operated in similar channels. The highlights of the transaction were as follows:

- It created the third-largest dairy/cheese player in Italy, with leading market positions in Northern Italy. CLT and CLF had complementary positions in nearby regions, with no overlap. CLT had a strong business in Piedmont, Liguria and Veneto, while CLF was rooted in Tuscany.
- Azienda Mukki (the operating company of CLF; Mukki was CLF's main consumer brand) was placed within a new company, which is fully owned by CLI, and is headquartered in Florence. This is to guarantee the stability of employment levels at the production site for CLF. The CLF business was fully complementary to CLT and hence cost synergies are minimal. The production site at CLF has continued to operate as before.
- Separate corporate structures for the businesses have been retained, allowing continuity of management and preserving employment levels and relationships with local suppliers.
- Cost synergies are limited, as employment levels and contracts with local agricultural suppliers have continued with no changes. There are more synergies on the distribution and commercial side, and indeed some are now starting to come through:
 - The greater scale of the business should lead to improved negotiating power with CLI's customers.
 - Given the complementary positions of the two entities, there are revenue synergies by increasing the distribution reach of each product, and in particular there is a more complete product range due to the addition of the Mukki portfolio. The Mukki range has been the main beneficiary of the expanded distribution network, as it will be distributed throughout the existing CLT network.
 - The export channel (albeit small at present) could also benefit from a greater offering, and CLF's Mukki products could be exported to China.
 - R&D and product innovation will benefit from the group's enlarged scale.

Sensitivities

CLI's key sensitivities include:

- **Raw material pricing:** The group's main raw material is raw milk and as a commodity this fluctuates. The company draws up annual agreements with its suppliers. The milk price is negotiated with the milk producers at the start of the "dairy year", which runs from 1 April to 31 March. Prices are typically set quarterly, although there are some exceptions and some purchases (7%) are made on the spot market. CLI has good relationships with its farmers, which it values, and hence when the spot milk price falls, CLI does not gain all the benefit of the lower raw material cost as it does not believe in squeezing the farmers unreasonably. Conversely, when the spot milk price rises, therefore, CLI is slightly cushioned against sudden rises.
- **Supply/demand balance:** This affects the achievability of price inflation on its finished goods. In recent years consumer demand in the domestic Italian market has been weak due to the fragile economic backdrop, and even defensive staples such as fresh milk have been affected. There is always the danger that private label could gain share at the expense of the company's brands.
- **Consumer consumption patterns and competitive landscape:** Again the economic backdrop has been weak in the domestic Italian market, but CLI has witnessed positive trends in its branded segment. In addition, the company correctly identified the consumer trend toward alternative and vegetable drinks, and is hence witnessing stellar growth in this area.

Valuation

CLI's recent share price performance has been stable and it has underperformed relative to the FTSE MIB on a three-month, six-month and 12-month basis. On 2017 estimates, CLI now trades on 70.9x 2017e P/E and 11.3x 2017e EV/EBITDA. The P/E is inflated due to the relatively elevated debt level in the short term associated with the CLF acquisition, and hence the high interest costs. We expect these to normalise by 2019. On EV/EBITDA, CLI trades at a premium of 12.4% to the average of our peer group of dairy processors.

Exhibit 7: Benchmark valuation of CLI relative to peers

	Market cap (m)	P/E (x)		EV/EBITDA (x)		Dividend yield (%)	
		2017e	2018e	2017e	2018e	2017e	2018e
Valsoia	€ 173.0	19.4	17.3	10.5	9.0	1.5%	1.7%
Parmalat	€ 5,699.0	31.0	30.7	9.8	8.2	0.6%	0.6%
Dairy Crest	£879.6	16.7	15.9	12.0	11.5	3.7%	3.8%
Dean Foods	\$1,646.8	13.4	12.5	5.7	5.2	2.1%	2.4%
Saputo	\$16,270.1	20.7	19.0	12.3	11.2	1.5%	1.7%
Peer group average		20.2	19.1	10.0	9.0	1.9%	2.0%
CLI	€39.2	70.9	37.4	11.3	10.8	2.1%	2.1%
Premium/(discount) to peer group		249.9%	96.3%	12.4%	19.4%	13.0%	5.2%

Source: Edison Investment Research estimates and Bloomberg consensus. Note: Prices at 21 June 2017.

We use DCF analysis to value the shares, and we calculate a fair value of €2.82, or 0.8% upside from the current level. We have assumed no cost synergies from the recent merger, which is in line with company guidance. For the sake of prudence, we have assumed no revenue synergies and we have based our CLF forecasts on the information that is currently available.

Our DCF is based on our assumptions of a 1.5% terminal growth rate and a 3% terminal EBIT margin. Our WACC of 5.8% is predicated on an equity risk premium of 4.5%, a borrowing spread of 5% and beta of 0.9. Below, we show a sensitivity analysis to these assumptions and note that the current share price is discounting a terminal EBIT margin of 3% (which compares to CLT's reported EBIT margin of 2.7% in 2014, 1.6% in 2015, and -1.1% in 2016) with a terminal growth rate of c 1.5%.

Exhibit 8: DCF sensitivity (€/share) to terminal growth rate and EBIT margin

		Terminal EBIT margin					
		2.00%	2.50%	3.00%	3.50%	4.00%	4.50%
Terminal growth	0.00%	0.80	1.28	1.77	2.25	2.74	3.22
	0.50%	0.99	1.52	2.05	2.59	3.12	3.65
	1.00%	1.22	1.81	2.40	2.99	3.58	4.17
	1.50%	1.50	2.16	2.82	3.48	4.15	4.81
	2.00%	1.85	2.60	3.36	4.11	4.86	5.61
	2.50%	2.31	3.18	4.05	4.92	5.79	6.66
	3.00%	2.94	3.97	5.00	6.02	7.05	8.08
	3.50%	3.83	5.09	6.35	7.60	8.86	10.12
	4.00%	5.22	6.83	8.44	10.05	11.66	13.27

Source: Edison Investment Research estimates

Financials

P&L: Raw materials cause volatility

On an underlying basis, we forecast 0.7% revenue CAGR translating into 8% EBITDA CAGR 2016-19. 2017 reported figures will obviously contain an extra nine months of the CLF figures compared to 2016, as the merger only completed on 30 September 2016. We have assumed low sales growth in underlying terms, and margins should benefit in 2017 from the inherently higher margins in the CLF business (3.4% in 2014 vs CLT's 2.7%), but again in underlying terms we forecast a more muted improvement.

In top-line terms, we see milk and basic dairy products as a stagnating category with stable or slightly declining volumes and pricing driven mainly by the movement of the underlying commodity. We forecast some improvement in the underlying gross margin and EBIT margin as we expect the latter to recover following a disappointing 2016. The merger is margin-enhancing given CLF's higher base, and we then assume the margin settles at our 3% terminal EBIT margin assumption (see our DCF valuation section above: we run a 10-year DCF and hence our terminal EBIT margin is in 2027).

We expect the underlying net finance costs to remain broadly flat over the forecast period to 2019, though of course the additional debt taken on from CLF will add to the finance costs, and this is incorporated into our overall forecasts. Management has indicated that capex levels are likely to remain elevated as the Turin plant is modernised and some investment is made into the Vicenza factory. We forecast the operating cash flow will go towards capex, and hence debt will increase slightly due to the dividend payments. In the longer term, however, we expect capital expenditure to normalise at much lower levels, given the business has relatively low top-line growth and is not overly capital intensive.

We expect the tax rate to be 35% in underlying terms. It is bound to vary year-on-year depending on any exceptionals and also subject to rebates, but we believe the long-term rate will be c 35%.

Fluctuating commodity costs are an issue for all food manufacturers, and this is particularly the case for food that is relatively unprocessed such as fresh milk. Earnings are therefore likely to be more volatile due to changes in the raw milk price. We currently forecast a flat dividend.

Cash flow: Plant modernisation dents cash flow in the near term

As alluded to above, the Turin plant is undergoing modernisation. This is a staged process, with the upgrade of the pasteurisation phase and new tanks (currently ongoing), the automation of the logistics side (planned for FY18-19), and an upgrade of the production lines (FY20). In addition, some investment is being made to automate the packaging lines in the Vicenza factory, and these should become operational by Q417. On the CLT side, the Florence site is undergoing investment to increase the capacity of the existing automated warehousing facility. This results in elevated levels of capital expenditure in the medium term, with management expecting these to normalise again by 2020. This will depress free cash flow generation in the medium term and we forecast net debt to increase marginally over the period.

Balance sheet: Adequate maturity profile

Although CLI has an elevated level of debt vs its market cap (c 150%), within the consumer staples universe it is an efficient capital structure. The debt maturity profile is adequate, and well-balanced with 27% of debt maturing within one year as of 31 December 2016 and 27% of debt with a term over five years.

Q117 results: In line with expectations

Consumers generally remained cautious during Q117 and the overall domestic Italian market continues to be weak. Raw materials – in particular liquid milk – were up significantly during the quarter, in line with previous guidance. Management has already taken action and increased list prices from 1 April 2017, with full effect from 1 June 2017. This means there will continue to be some pressure on underlying margins in Q2, but it should ease in H2.

The yoghurt business had a tough start to the year. The overall yoghurt market was under pressure in Q1, and CLI's business in particular suffered from increased promotional activity by the competition, which caused a loss of volume and market share. Q2 is unlikely to show much improvement, particularly given the cool weather (yoghurt consumption rises in warmer weather) during April. There should be some recovery in H2, however, as prices on existing lines are realigned as of 1 June to address the price gap, and new products are launched across the CLI regional platforms (including a plant-based yoghurt).

Q1 gross margins were down sharply (16.0% vs 20.2% in Q116) and this was caused by the significant increase in raw material costs. Labour costs were down 150bp and hence somewhat mitigated the impact at the EBITDA level, but the margin was still down to 1.5% (vs 4.3% in Q116). As mentioned above, we expect that the price increases implemented by the company, coupled with a more benign outlook for raw materials in H2, should help the business recover during the remainder of the year. We leave our forecasts unchanged at this time.

Exhibit 9: Financial summary

	€'000s	2013	2014	2015	2016	2017e	2018e	2019e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue		99,967	102,558	98,319	119,762	177,464	178,351	179,243
Cost of Sales		(80,923)	(82,415)	(78,796)	(98,652)	(141,665)	(142,195)	(142,727)
Gross Profit		19,044	20,143	19,523	21,110	35,799	36,157	36,517
EBITDA		4,911	5,845	4,851	2,905	8,547	8,946	9,349
Normalised operating profit		1,379	2,752	1,554	(1,254)	2,683	3,166	3,984
Amortisation of acquired intangibles		0	0	0	0	0	0	0
Exceptionals		(250)	(134)	145	(355)	0	0	0
Share-based payments		0	0	0	0	0	0	0
Reported operating profit		1,129	2,618	1,699	(1,609)	2,683	3,166	3,984
Net Interest		(675)	(811)	(678)	(692)	(2,002)	(2,006)	(2,002)
Joint ventures & associates (post tax)		(4)	(4)	(418)	(143)	(143)	(143)	(143)
Exceptionals		1,646	0	0	13,903	0	0	0
Profit Before Tax (norm)		2,347	1,937	458	(2,089)	537	1,016	1,839
Profit Before Tax (reported)		2,097	1,803	603	11,459	537	1,016	1,839
Reported tax		(827)	(1,012)	(87)	556	(188)	(356)	(644)
Profit After Tax (norm)		2,042	809	30	(2,153)	553	1,047	1,895
Profit After Tax (reported)		1,270	791	517	12,015	349	661	1,195
Minority interests		0	0	0	0	0	0	0
Discontinued operations		0	0	0	0	0	0	0
Net income (normalised)		2,042	809	30	(2,153)	553	1,047	1,895
Net income (reported)		1,270	791	517	12,015	349	661	1,195
Basic average number of shares outstanding (m)		10	10	10	11	14	14	14
EPS - basic normalised (€)		0.20	0.08	0.00	(0.20)	0.04	0.07	0.14
EPS - diluted normalised (€)		0.20	0.08	0.00	(0.20)	0.04	0.07	0.14
EPS - basic reported (€)		0.13	0.08	0.05	1.09	0.02	0.05	0.09
Dividend (€)		0.06	0.06	0.06	0.06	0.06	0.06	0.06
Revenue growth (%)		N/A	2.6	(4.1)	21.8	48.2	0.5	0.5
Gross Margin (%)		19.0	19.6	19.9	17.6	20.2	20.3	20.4
EBITDA Margin (%)		4.9	5.7	4.9	2.4	4.8	5.0	5.2
Normalised Operating Margin		1.4	2.7	1.6	(1.0)	1.5	1.8	2.2
BALANCE SHEET								
Fixed Assets		65,064	64,185	64,540	129,773	129,410	129,336	129,528
Intangible Assets		11,777	11,706	11,539	19,484	19,411	19,337	19,264
Tangible Assets		52,652	51,671	52,010	107,335	107,045	107,045	107,310
Investments & other		634	808	992	2,954	2,954	2,954	2,954
Current Assets		35,647	36,689	41,122	60,457	71,854	71,979	72,374
Stocks		3,473	3,438	3,541	7,698	11,054	11,095	11,137
Debtors		16,210	15,720	14,370	28,209	42,501	42,714	42,927
Cash & cash equivalents		7,822	10,051	12,192	9,521	3,007	2,877	3,018
Other		8,141	7,481	11,019	15,030	15,293	15,293	15,293
Current Liabilities		(34,211)	(33,232)	(35,004)	(68,199)	(86,908)	(87,139)	(87,370)
Creditors		(23,402)	(23,744)	(24,247)	(42,910)	(61,619)	(61,849)	(62,080)
Tax and social security		(333)	(468)	(357)	(697)	(697)	(697)	(697)
Short term borrowings		(10,475)	(9,021)	(10,401)	(24,592)	(24,592)	(24,592)	(24,592)
Other		0	0	0	0	0	0	0
Long Term Liabilities		(25,776)	(27,178)	(29,847)	(58,489)	(51,306)	(51,306)	(51,306)
Long term borrowings		(17,297)	(18,219)	(22,446)	(45,159)	(45,159)	(45,159)	(45,159)
Other long term liabilities		(8,479)	(8,960)	(7,402)	(13,330)	(6,147)	(6,147)	(6,147)
Net Assets		40,723	40,464	40,810	63,542	63,051	62,871	63,226
Minority interests		0	0	0	0	0	0	0
Shareholders' equity		40,723	40,464	40,810	63,542	63,051	62,871	63,226
CASH FLOW								
Op Cash Flow before WC and tax		4,911	5,845	4,851	2,905	8,547	8,946	9,349
Working capital		1,715	1,811	(1,942)	(30)	(2,280)	(23)	(24)
Exceptional & other		31	(129)	(1,262)	(15,092)	(143)	(143)	(143)
Tax		(827)	(1,012)	(87)	556	(188)	(356)	(644)
Net operating cash flow		5,829	6,515	1,560	(11,661)	5,936	8,424	8,539
Capex		(781)	(2,107)	(3,914)	(4,095)	(5,501)	(5,707)	(5,557)
Acquisitions/disposals		0	0	0	0	0	0	0
Net interest		(675)	(811)	(678)	(692)	(2,002)	(2,006)	(2,002)
Equity financing		0	0	0	0	0	0	0
Dividends		(200)	(600)	(600)	(600)	(840)	(840)	(840)
Other		(5,923)	2,293	5,031	(1,131)	0	0	0
Net Cash Flow		(1,748)	5,291	1,399	(18,178)	(2,408)	(129)	140
Opening net debt/(cash)		25,676	19,950	17,189	20,654	60,230	66,744	66,874
FX		0	0	0	0	0	0	0
Other non-cash movements		7,474	(2,529)	(4,865)	(21,397)	(4,107)	0	0
Closing net debt/(cash)		19,950	17,189	20,654	60,230	66,744	66,874	66,733

Source: Edison Investment Research, Centrale del Latte d'Italia data

Contact details		Revenue by geography	
Via Filadelfia 220 10137 Torino Italy +39 011 3240200 http://centralelatteitalia.com			
Management team		Executive Vice Chairman and Managing Director: Riccardo Pozzoli	
Chairman: Luigi Luzzati		Riccardo Pozzoli was chairman of CLT from 1985 to 2000 and has been vice-chairman since 2000. He is a member of one of the founding families.	
Luigi Luzzati has been executive chairman of CLT since May 1999 and was one of the previous owners of Centro Latte Rapallo. He assumed chairmanship of CLT upon its formation.		Investor Relations: Edoardo Pozzoli	
CFO: Vittorio Vaudagnotti		Edoardo Pozzoli is corporate director and also head of IR.	
Vittorio Vaudagnotti is CFO, director of administration & control and head of IR.			
Principal shareholders			
		(%)	
Finanziaria Centrale del Latte di Torino SpA		37.00	
Comune di Firenze		12.25	
Fidi Toscana SpA		6.83	
Comune di Pistoia		5.26	
Lavia		3.94	
Luzzati Family		2.56	
Camera di Commercio di Firenze		2.31	
Companies named in this report			
Parmalat (PLT IM), Dairy Crest (DCG LN), Dean Foods (DF), Saputo (SAP CN), Valsoia (VLS IM)			

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