CENTRALE DEL LATTE D'ITALIA

Company Update | **Buy (maintained)**

14 March 2018 – 5:30PM | *MARKET PRICE:* ***EUR3.24*** | *TARGET PRICE:* ***EUR3.92 (from EUR4.71)***

Food & Beverage

Data

Shares Outstanding (m):	14.00	
Market Cap. (EURm):	45.36	
Enterprise Value (EURm):	110.57	
Free Float (%):	37.8%	
Av. Daily Trad. Vol. (m):	0.01	
Main Shareholder:	Finanziaria Centrale del Latte di Torino 37.8%	
Reuters/Bloomberg:	CLI.MI	CLI IM
52-Week Range (EUR)	2.8	4.3

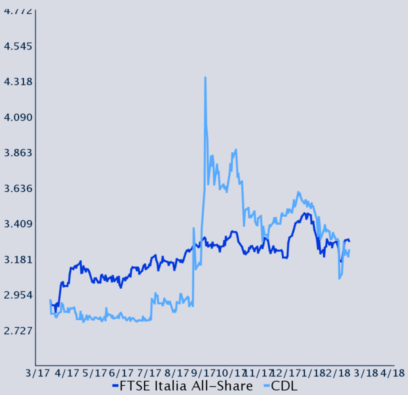
Source: Factset, UbiBanca estimates

Performance

	1m	3m	12m
Absolute	-2.1%	-2.9%	10.4%
Rel. to FTSE IT	-4.6%	-2.5%	-5.3%

Source: Factset

Graph area Absolute/Relative 12 M



Source: Factset

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Sales in line but profitability weaker than expected in 4Q17

CLT reported sales in line with our forecasts in 4Q17 with organic growth of 3%, less than the 6% reported in the first nine months of the year due to decreasing raw milk prices. Organic growth for the full year of 4.1% confirmed the positive trend after years of stagnation, with good improvements for fresh milk, vegetable drinks and exports, which began to show the benefit of the partnership with Alibaba, partially offset by weaker revenues for yogurt, UHT milk and salads. The 4Q17 EBITDA margin of 4.6% (vs. 2.0% in 4Q16) was below our expectations. The full year net attributable result was negative for EUR0.3 million, also due to non-recurring expenses and higher D&A costs, while net debt increased to EUR62.4 million (vs. EUR60.2 million at Dec-16). The company will not distribute a dividend. We have revised our estimates (and introduced 2020 forecasts) decreasing our top line forecasts for 2018-19 (-5.5% on average) and EBITDA (-8.1% on average). Despite this downgrade to estimates, we reiterate our positive stance on the shares: CLT not only presents attractive market conditions (increasing demand for premium products and lower pricing pressure) and an expanded product range that includes new highly profitable niche sectors (for example, vegetable drinks and yogurt and vegan products) but is exploring new export markets and we see potential cost and cross-selling synergies stemming from the merger with CLT which are likely to emerge in the coming quarters.

> Although results were below our expectations, we believe 2017 represented a major leap forward for CLI: the company gained market share in traditional products (7.6% in fresh milk vs. 7.3% in 2016), delivered strong growth in vegetable drinks and exports, improved its EBITDA margin (3.9% vs. 3.6% in 2016 on a pro-forma basis) and increased investments to upgrade its plants (almost EUR10 million vs. EUR4.2 million in 2016).

> However, the speed of the recovery in profitability is somewhat below our expectations. This, coupled with declining milk prices (-15% since the beginning of 2018) has prompted us to reduce our estimates for 2018-19 (-8% on average at the EBITDA level).

> Consequently, our target price has been reduced to EUR3.92 per share (from EUR4.71) implying potential upside of >20%. Buy confirmed.

Financials

	2017	2018E	2019E	2020E
Revenues (EURm)	183.45	189.91	200.17	210.44
EBITDA (EURm)	7.24	9.91	11.85	13.04
EBITDA margin (%)	3.9%	5.1%	5.8%	6.1%
EBIT (EURm)	0.66	3.36	5.10	6.15
EPS (EUR)	-0.0	0.1	0.2	0.3
CFPS (EUR)	0.5	0.7	0.8	0.8
DPS (EUR)	0.0	0.0	0.1	0.1

Source: Company Data, UBI Banca Estimates

Ratios **priced on 13 March 2018**

	2017 *	2018E	2019E	2020E
P/E(x)	nm	25.9	15.0	11.9
P/CF(x)	7.1	5.5	4.6	4.2
P/BV(x)	0.7	0.7	0.7	0.6
Dividend Yield	0.0%	1.2%	2.2%	3.1%
EV/EBITDA(x)	15.4	11.2	9.2	8.2
Debt/Equity (x)	1.0	0.9	0.8	0.8
Debt/EBITDA (x)	8.6	5.9	4.8	4.2

Source: UBI Banca Estimates ** Based on 2017 average price*

Key Financials

(EURm)	2017	2018E	2019E	2020E
Revenues	183.45	189.91	200.17	210.44
EBITDA	7.24	9.91	11.85	13.04
EBIT	0.66	3.36	5.10	6.15
NOPAT	0.44	2.25	3.42	4.12
Free Cash Flow	-1.83	3.72	2.56	2.46
Net Capital Employed	125.48	123.51	123.98	125.34
Shareholders' Equity	63.10	64.85	67.32	70.15
Net Financial Position	62.38	58.66	56.66	55.18

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2017	2018E	2019E	2020E
Net Debt/Ebitda (x)	8.6	5.9	4.8	4.2
Net Debt/Equity (x)	1.0	0.9	0.8	0.8
Interest Coverage (%)	0.6	3.2	5.1	6.4
Free Cash Flow Yield (%)	-4.3%	8.2%	5.6%	5.4%
ROE (%)	-0.5%	2.7%	4.5%	5.4%
ROI pre-tax (%)	0.5%	2.4%	3.7%	4.4%
ROCE (%)	0.3%	1.6%	2.5%	3.0%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2017 *	2018E	2019E	2020E
P/E (x)	nm	25.9	15.0	11.9
P/BV (x)	0.7	0.7	0.7	0.6
P/CF (x)	7.1	5.5	4.6	4.2
Dividend Yield (%)	0.0%	1.2%	2.2%	3.1%
EV/Sales (x)	0.6	0.6	0.5	0.5
EV/EBITDA (x)	15.4	11.2	9.2	8.2
EV/EBIT (x)	169.3	33.0	21.3	17.4
EV/CE (x)	0.9	0.9	0.9	0.9

Source: Company data, UBI Banca estimates ** Based on 2017 average price*

Key Value Drivers

(%)	2017	2018E	2019E	2020E
Payout	0.0%	31.9%	32.3%	36.8%
NWC/Sales	3.5%	2.8%	2.2%	1.9%
Capex/Sales	5.0%	3.0%	4.0%	4.0%

Source: Company data, UBI Banca estimates

Recent Developments

> In 2017 revenues increased 56% to EUR183.5 million but pro-forma revenues rose just 4.1% (as Centrale del Latte di Toscana was merged into CLI from October 2016), benefitting from the increase in selling prices (about 5%, introduced in June-17). Centrale del Latte di Torino increased revenues by 5.4%, Centrale del Latte di Vicenza by 10.8% and Centrale del Latte di Toscana by 4.7% based on our calculations. Sales by product are not significant as 2016 included CLT only in the last quarter of the year. However there was a sharp increase in fresh milk (+8.2%), vegetable drinks, exports and other products in 4Q17, which is a comparable period to 4Q16, while salads, yogurt, UHT and bulky milk declined.

> Transport costs rose slightly (to 10.2% of value of production vs. 10.0% in 2016) and raw material costs increased to 52.6% of value of production (50.9% in 2016) due to the increase in fresh milk prices (the average spot price rose 21.8% compared to 2016). Labour costs declined to 14.0% vs. 15.2% of value of production in 2016. Non-recurring costs of EUR0.2 million, linked to management replacement, led to an EBITDA margin of 3.9% (vs. 3.6% in 2016 on a pro-forma basis) equating to an EBITDA margin of 4.1% excluding non-recurring costs.

> After D&A of EUR6.6 million, slightly above our expectations, the operating profit was EUR0.7 million compared with an operating profit of EUR1.3 million in 2016 on a pro-forma basis. The Company substantially broke-even at the pre-tax level resulting in a negative bottom line of EUR0.3 million. This compares with a positive result of EUR12 million for 2016 which was sustained by a EUR13.9 million adjustment arising from the business combination (the difference between the assets acquired for EUR25.2 million and the fair value of the new shares issued for the business combination: EUR11.3 million). As in 2016, the company will not distribute a dividend.

> Net debt increased to EUR62.4 million at Dec-17 (vs. EUR60.2 million at Dec-16) due to much higher capex (EUR9.5 million vs. EUR4.2 million in 2016) related to the upgrade of the plants of Florence and Vicenza. Gearing was 0.98x, the net debt/EBITDA ratio was 8.6x. Operating NWC was negative for EUR0.7 million with trade receivables at 64 days, trade payables at 84 days and inventories equal to 18 days. Fixed assets totalled EUR132 million and total net invested capital was EUR138.7 million, substantially stable compared with 2016 leading to a capital turnover of 1.32x.

> Revenue growth was slower in 4Q17 (+3.0% vs. +6.0% in the first nine months of the year) while the EBITDA margin was 4.6% reflecting continuous quarter-on-quarter improvement (1.6% in 1Q17, 3.9% in 2Q17 and 5.4% in 3Q17) confirming the ability of the management to extract synergies from the merger with CLT, the improvement in the product mix and the positive impact of higher selling prices (mostly from 3Q17). It was, however, below our expectations. Higher D&A costs linked to the consolidation of CLT had an adverse impact on EBIT (EUR0.5 million vs. EUR1.3 million expected). The pre-tax result was EUR0.2 million in 4Q17.

> At the end of November CLI completed the issue of a EUR15 million bond reserved for institutional investors which was fully subscribed. The bond has 5 years duration (expiry in December 2024) and a floating rate (Euribor 6 months plus a spread of 3.25%) and is expected to contribute to the investment programme of almost EUR15 million to upgrade CLI’s main plant in Turin.

> The trend in the milk market was positive in 2017 after years of stagnation: the

average spot price for raw milk soared by 21.8% (source: Assolatte) and volumes in Italy increased by 3.6% (4.5% in Piedmont, 3% in Veneto and 1.2% in Tuscany). Since the beginning of 2018, raw milk prices have declined by 15.1%, falling by 20% in March.

Figure 1 – 2017 results

(EURm)	2016A	2016A Pro-forma *	2017A	% Chg.	% Chg. vs. Pro-forma *	2017E UBI	% Chg.
Sales	117.88	176.20	183.45	55.6%	4.1%	184.96	-0.8%
Value of production	119.76	178.61	187.48	56.5%	5.0%	188.80	-0.7%
EBITDA	**2.90**	**6.28**	**7.24**	**149.4%**	**15.3%**	**7.92**	**-8.5%**
% margin	**2.4%**	**3.5%**	**3.9%**			**4.2%**	
EBIT	-1.61	1.30	0.66	nm		1.47	-55.0%
Pre tax	11.46		-0.31	nm		0.52	nm
Net attributable result	**12.02**		**-0.26**	**nm**		**0.29**	**nm**
Net debt/(cash)	60.23		62.38	3.6%		55.76	11.9%

*Source: Company data, UBI Banca estimates * Pro-forma data assume the full consolidation of CLT*

Figure 2 – 4Q17 results

(EURm)	4Q16A	4Q17A	% Chg.	4Q17E	% Chg.
Sales	46.08	47.44	3.0%	48.96	-3.1%
Value of production	47.18	48.69	3.2%	50.01	-2.6%
EBITDA	**0.95**	**2.26**	**138.6%**	**2.94**	**-22.9%**
% margin	**2.0%**	**4.6%**		**5.9%**	
EBIT	-0.86	0.51	nm	1.32	-61.1%
Pre tax	-0.83	0.20	nm	1.03	-80.9%
Net attributable result	**-0.34**	**0.16**	**nm**	**0.70**	**-77.9%**

Source: Company data, UBI Banca estimates

Figure 3 – 4Q17 and 2017 sales by product

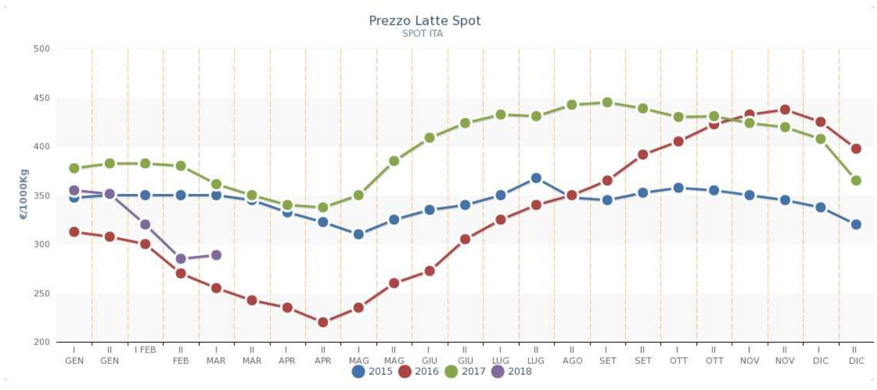
(EURm, %)	4Q16A	4Q17A	% change	2016A *	2017A	% change
Fresh milk	19.0	20.5	8.2%	49.1	73.0	48.7%
UHT milk	10.8	5.4	-49.7%	24.1	38.7	60.5%
Yogurt	1.9	1.4	-27.8%	7.0	8.5	20.9%
Salads	1.4	1.3	-5.1%	5.9	6.3	6.9%
Vegetable drinks	0.5	0.8	67.1%	1.8	2.6	50.3%
Other products	11.0	16.1	45.9%	26.0	48.5	86.3%
Bulk milk	1.3	1.0	-27.4%	3.2	4.0	25.0%
Export	0.2	0.9	434.7%	0.8	1.9	128.5%
Total sales	**46.1**	**47.4**	**3.0%**	**117.8**	**183.4**	**55.6%**

*Source: Company data * 2016A include Centrale del Latte della Toscana only in 4Q16*

Financial Projections

- > CLI stated that revenues grew by 3% in January 2018 and that the current year could be another year of consolidation with further cost efficiencies and the impact of the new organizational structure.
- > Since the beginning of the year the Italian fresh milk spot price has declined by 15% on average (to EUR0.32 per litre vs. EUR0.377) prompting us to reduce estimated organic growth to about 4.5% for 2018-19 from 7% previously expected. However, our growth projections are above the forecast trend for CLI’s core market, due to our expectations of strong growth in revenues from vegetable drinks and exports. Our forecasts for fresh and UHT milk imply lower volumes but higher prices resulting in growth of about 1% p.a. In summary, we expect the top line to exceed EUR210 million in 2020 with a 2017-20 CAGR of 4.7%.
- > The company typically signs quarterly agreements with 150 farmers and sometimes purchases raw milk on the spot market. In this way, the company is partially protected from fluctuations in the price of raw milk, increasing its margin when the raw milk price rises but experiencing lower profitability if the raw milk price declines. Therefore, CLI’s EBITDA could be adversely affected in the first part of 2018 but should benefit from lower fresh milk purchasing price in the longer term. We also expect a better product mix, cost efficiencies, economies of scale and operational leverage, leading to an EBITDA margin of 5.2% in 2018 (vs. 5.4% expected before), growing to >6.0% in 2020.
- > Lower EBITDA estimates coupled with higher D&A costs prompted an average decrease of EBIT forecasts for 2018-19 of about 18%. Consequently our 2018-19 bottom line forecasts have been cut by 22% on average.
- > CLI had net debt of EUR62.4 million at Dec-17, pushed up by higher than expected investments. In coming years, despite investment to restructure the Turin operations (EUR15 million in 2019-22 partly covered by a contribution from the Piedmont regional authorities), operating cash flow generation is expected to improve. We forecast a slight reduction in net debt to EUR58.6 million at Dec-18 and a further decline in 2019-20. We expect net debt of EUR56.7 million at Dec-19 and EUR55.2 million at Dec-20 excluding any new acquisitions.

Figure 4 – Spot price of milk in Italy: a four-year comparison



Source: Assolatte

Figure 5 – Old vs. New estimates

(EURm)	2017A	2018E		2019E		2020E
		Old	New	Old	New	New
Total Sales	183.45	199.36	189.91	213.63	200.17	210.44
% change			-4.7%		-6.3%	
EBITDA	**7.24**	**10.68**	**9.91**	**13.03**	**11.85**	**13.04**
% change			**-7.2%**		**-9.0%**	
EBIT	0.66	4.10	3.36	6.31	5.10	6.15
% change			-18.1%		-19.1%	
Net Profit	**(0.26)**	**2.27**	**1.75**	**3.83**	**3.03**	**3.81**
% change			**-22.6%**		**-20.9%**	
EPS	(0.02)	0.16	0.13	0.27	0.22	0.27
% change			-22.6%		-20.9%	
Net Debt/(Cash)	62.38	54.38	58.66	53.18	56.66	55.18
EBIT margin	**0.4%**	**2.1%**	**1.8%**	**3.0%**	**2.5%**	**2.9%**
EBITDA margin	**3.9%**	**5.4%**	**5.2%**	**6.1%**	**5.9%**	**6.2%**

Source: Company data, UBI Banca estimates

Figure 6 – 2014-2020E sales by product

(EURm)	2014	2015	2016	2017E	2018E	2019E	2020E	CAGR 17-20
Fresh milk	42.2	40.8	49.1	73.0	73.8	74.9	75.6	1.2%
UHT milk	20.7	18.5	24.1	38.7	39.2	39.6	40.2	1.3%
Yogurt	7.8	7.7	7.0	8.5	8.3	8.3	8.3	-0.8%
Salads	4.7	5.5	5.9	6.3	6.5	6.7	6.9	3.6%
Vegetable drinks	0.0	1.3	1.8	2.6	3.3	3.9	4.5	19.6%
Other products	20.3	19.5	26.0	48.7	51.2	56.3	61.1	7.8%
Bulk milk	3.8	2.8	3.2	4.0	4.1	4.2	4.4	3.5%
Export	0.9	0.9	0.8	1.9	3.5	6.2	9.4	72.0%
Total sales	**100.4**	**97.0**	**176.2**	**183.7**	**189.9**	**200.2**	**210.4**	**4.6%**

Source: Company data, UBI Banca estimates

Valuation

> Given the revisions to our forecasts, our DCF valuation has decreased by 22% to EUR3.68 per share (from EU4.74) and our relative valuation based on a sample of dairy producers to EUR3.83 per share from EUR4.15 per share. Our relative valuation based on two large multinational food producers (Danone and Nestlé), after applying a 30% discount to reflect the limited size of CLI and its minimal international exposure gives a fair value of EUR4.24 per share (EUR5.24 before). The simple average of our DCF and the relative valuations gives a target price of EUR3.92 (vs. EUR4.71 before) implying potential upside of >20% which supports our positive stance.

> CLI is trading at a significant discount to its direct peers on EV/Sales (43% on average), mainly due to its smaller size. However, it trades at a premium on P/E and EV/EBITDA as it is penalised by its lower margins. We do not believe these multiples reflect the long-term potential of the company, which is expected to have a significant improvement in profitability in the future while other companies are expected to have stable profitability. In addition, CLI's current market capitalization (EUR45 million) is well below its net invested capital (EUR125 million at Dec-17) which implies that CLI would be a strong value destroyer in future. We believe this scenario is unlikely given the growing EBITDA expected for 2018-20 and the impact of the Turin plant upgrade which should improve profitability in the long run.

> At our target price, Centrale del Latte d'Italia trades at 12.1x 2018 EV/EBITDA, which is above the median multiple of our peer sample of dairy product manufacturers (10.4x) but lower than Danone and Nestlé (12.5x and 13.9x respectively).

Figure 7 – Valuation summary

(EUR)		Weight	13-Nov 17	Delta
DCF Valuation	3.68	33.3%	4.74	-22.4%
Relative Valuation Dairy producers	3.83	33.3%	4.15	-7.6%
Relative Valuation Large multinationals (30% discount)	4.24	33.3%	5.24	-19.1%
Target price	**3.92**		**4.71**	**-16.9%**
Current price	3.24		3.67	-11.7%
Potential upside	20.8%		28.5%	

Source: UBI Banca estimates

Figure 8 – DCF Valuation

Our DCF valuation implies 12.3x EV/EBITDA at terminal value.

	(EUR m)	(% weight)
Sum of PV 2018-26 FCF	31.2	26%
Terminal value	89.1	74%
Total Enterprise value	**120.3**	**100%**
- Pension Provision	(6.5)	
- Net debt (+ cash)	(62.4)	
Total Equity value	**51.5**	
Fully diluted number of shares (m)	14.0	
Fair value per share (EUR)	**3.68**	

Source: UBI Banca estimates

Figure 9 – Dairy producers: peer comparison and valuation based on multiples (priced on 13 March 2018)

Company	Market Cap (EURm)	Country	P/E 2018E	P/E 2019E	P/E 2020E	EV/EBITDA 2018E	EV/EBITDA 2019E	EV/EBITDA 2020E	EV/Sales 2018E	EV/Sales 2019E	EV/Sales 2020E
Parmalat	5,621	Italy	24.8 x	21.6 x		9.4 x	8.3 x		0.7 x	0.7 x	
Dean Foods Company	683	US	13.8 x	11.7 x	12.4 x	5.6 x	5.1 x	4.9 x	0.24 x	0.24 x	0.24 x
Dairy Crest Group	875	UK	14.0 x	13.5 x		10.4 x	10.6 x		2.13 x	2.09 x	
Saputo	9,974	Canada	18.8 x	17.0 x		12.0 x	10.8 x		1.26 x	1.18 x	
Emmi	3,608	Switzerland	21.8 x	22.0 x	20.7 x	12.4 x	11.5 x	10.8 x	1.27 x	1.21 x	1.15 x
Average			**18.6 x**	**17.2 x**	**16.6 x**	**10.0 x**	**9.3 x**	**7.9 x**	**1.13 x**	**1.08 x**	**0.69 x**
Median			**18.8 x**	**17.0 x**	**16.6 x**	**10.4 x**	**10.6 x**	**7.9 x**	**1.26 x**	**1.18 x**	**0.69 x**
CLI current market multiples	45		25.9 x	15.0 x	11.9 x	11.2 x	9.2 x	8.2 x	0.57 x	0.53 x	0.50 x
Premium (discount) to average			38.9%	-12.9%	-28.2%	11.9%	-1.2%	4.4%	-49.4%	-50.7%	-28.2%
Valuation based on median (EUR)			**2.35**	**3.69**	**4.51**	**3.14**	**4.96**	**3.40**	**12.92**	**12.79**	**6.50**

Source: Factset, UBI Banca estimates

Figure 10 – Large multinationals: peer comparison and valuation based on multiples (priced on 13 March 2018)

Company	Market Cap (EURm)	Country	P/E 2018E	P/E 2019E	P/E 2020E	EV/EBITDA 2018E	EV/EBITDA 2019E	EV/EBITDA 2020E	EV/Sales 2018E	EV/Sales 2019E	EV/Sales 2020E
Danone	45,434	France	18.1 x	16.5 x	15.0 x	12.6 x	11.4 x	10.5 x	2.38 x	2.21 x	2.09 x
Nestlé	203,689	Switzerland	19.9 x	18.3 x	16.6 x	14.0 x	13.2 x	12.4 x	2.82 x	2.75 x	2.67 x
Average			**19.0 x**	**17.4 x**	**15.8 x**	**13.3 x**	**12.3 x**	**11.4 x**	**2.60 x**	**2.48 x**	**2.38 x**
CLI current market multiples	45		25.5 x	14.8 x	11.8 x	11.1 x	9.1 x	8.2 x	0.57 x	0.53 x	0.50 x
Premium (discount) to average			34.3%	-15.0%	-25.6%	-16.5%	-26.1%	-28.4%	-78.2%	-78.7%	-79.1%
Valuation based on average (EUR)			**2.38**	**3.77**	**4.30**	**5.22**	**6.40**	**6.71**	**31.03**	**31.41**	**31.85**

Source: Factset, UBI Banca estimates

Figure 11 – Implicit multiples based on our EUR3.92 target price

(x)	2018E	2019E	2020E
P/E	31.30 x	18.10 x	14.41 x
EV/EBITDA	12.11 x	9.97 x	8.95 x
EV/EBIT	35.79 x	23.18 x	18.98 x
EV/Sales	0.62 x	0.58 x	0.54 x
P/BV	0.85 x	0.82 x	0.78 x
EV/ Capital employed	0.97 x	0.95 x	0.93 x

Source: UBI Banca estimates

Income Statement

(EURm)	2017	2018E	2019E	2020E
Value of production	187.48	194.07	204.44	214.85
EBITDA	7.24	9.91	11.85	13.04
EBITDA margin	3.9%	5.1%	5.8%	6.1%
EBIT	0.66	3.36	5.10	6.15
EBIT margin	0.4%	1.7%	2.5%	2.9%
Net financial income /expense	-1.00	-0.85	-0.77	-0.71
Associates & Others	0.00	0.00	0.00	0.00
Profit before taxes	-0.34	2.51	4.33	5.44
Taxes	0.05	-0.75	-1.30	-1.63
Minorities & discontinuing ops	0.00	0.00	0.00	0.00
Net Income	-0.29	1.75	3.03	3.81

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2017	2018E	2019E	2020E
Net working capital	6.63	5.34	4.58	4.26
Net Fixed assets	132.10	132.12	134.45	137.07
M/L term funds	-13.25	-13.83	-14.42	-15.02
Capital employed	125.48	123.64	124.61	126.31
Shareholders' equity	63.10	64.84	67.37	70.21
Minorities	0.00	0.00	0.00	0.00
Shareholders' funds	63.10	64.84	67.37	70.21
Net financial debt/(cash)	62.38	58.80	57.24	56.10

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2017	2018E	2019E	2020E
NFP Beginning of Period	60.23	62.38	58.80	57.24
Group Net Profit	-0.29	1.75	3.08	3.82
Minorities	0.00	0.00	0.00	0.00
D&A	6.37	6.56	6.75	6.89
Change in Funds & TFR	0.00	0.00	0.00	0.00
Gross Cash Flow	6.08	8.30	9.84	10.71
Change In Working Capital	1.55	1.29	0.77	0.32
Other	0.00	0.00	0.00	0.00
Operating Cash Flow	7.63	9.59	10.60	11.03
Net Capex	-9.46	-6.01	-8.49	-8.91
Other Investments	0.00	0.00	0.00	0.00
Free Cash Flow	-1.83	3.59	2.11	2.12
Dividends Paid	0.00	0.00	-0.56	-0.98
Other & Chg in Consolid. Area	-0.35	0.00	0.00	0.00
Chg in Net Worth & Capital Incr.	0.00	0.00	0.00	0.00
Change in NFP	-2.18	3.59	1.55	1.14
NFP End of Period	62.41	58.80	57.24	56.10

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2017	2018E	2019E	2020E
ROE	-0.5%	2.7%	4.6%	5.4%
ROI	0.3%	1.6%	2.5%	3.0%
Net Fin. Debt/Equity (x)	1.0	0.9	0.8	0.8
Net Fin. Debt/EBITDA (x)	8.6	5.9	4.8	4.3
Interest Coverage	0.6	3.2	5.2	6.4
NWC/Sales	3.5%	2.7%	2.2%	1.9%
Capex/Sales	-5.0%	-3.0%	-4.0%	-4.0%
Pay Out Ratio	-0.0%	32.1%	31.8%	36.6%

Source: Company data, UBI Banca estimates

Per Share Data

(EUR)	2017	2018E	2019E	2020E
EPS	-0.02	0.13	0.22	0.27
DPS	0.00	0.04	0.07	0.10
Op. CFPS	0.54	0.68	0.77	0.79
Free CFPS	-0.13	0.27	0.18	0.18
BVPS	4.51	4.63	4.81	5.01

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2017	2018E	2019E	2020E
P/E	0.0	26.0	14.7	11.9
P/OpCFPS	5.6	4.7	4.3	4.1
P/BV	0.7	0.7	0.7	0.6
Dividend Yield (%)	0.0%	1.2%	2.2%	3.1%
Free Cash Flow Yield (%)	-4.3%	7.9%	4.7%	4.7%
EV (EURm)	111.73	110.57	109.22	108.15
EV/Sales	0.6	0.6	0.5	0.5
EV/EBITDA	15.4	11.2	9.2	8.3
EV/EBIT	169.3	33.1	21.1	17.5
EV/Capital Employed	0.9	0.9	0.9	0.9

Source: Company data, UBI Banca estimates ** Based on 2016 average price*

Growth Rates

(%)	2017	2018E	2019E	2020E
Growth Group Net Sales	56.5%	3.5%	5.3%	5.1%
Growth EBITDA	149.4%	36.9%	19.6%	10.0%
Growth EBIT	nm	408.4%	51.9%	20.6%
Growth Net Profit	nm	nm	72.9%	25.6%

Source: Company data, UBI Banca estimates

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100%	*100%*	*-*	*100%*

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Date	*Rating*	*Target Price (EUR)*	*Market Price (EUR)*
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