



Centrale del Latte d'Italia



ANALYST PRESENTATION
Star Conference 2016
London, October 6th 2016



Centrale del Latte d'Italia

Business combination through the merger by incorporation of Centrale del Latte di Firenze Form and terms for the transaction

From September, the 30th the merger by incorporation of CLF in CLT has taken effect.

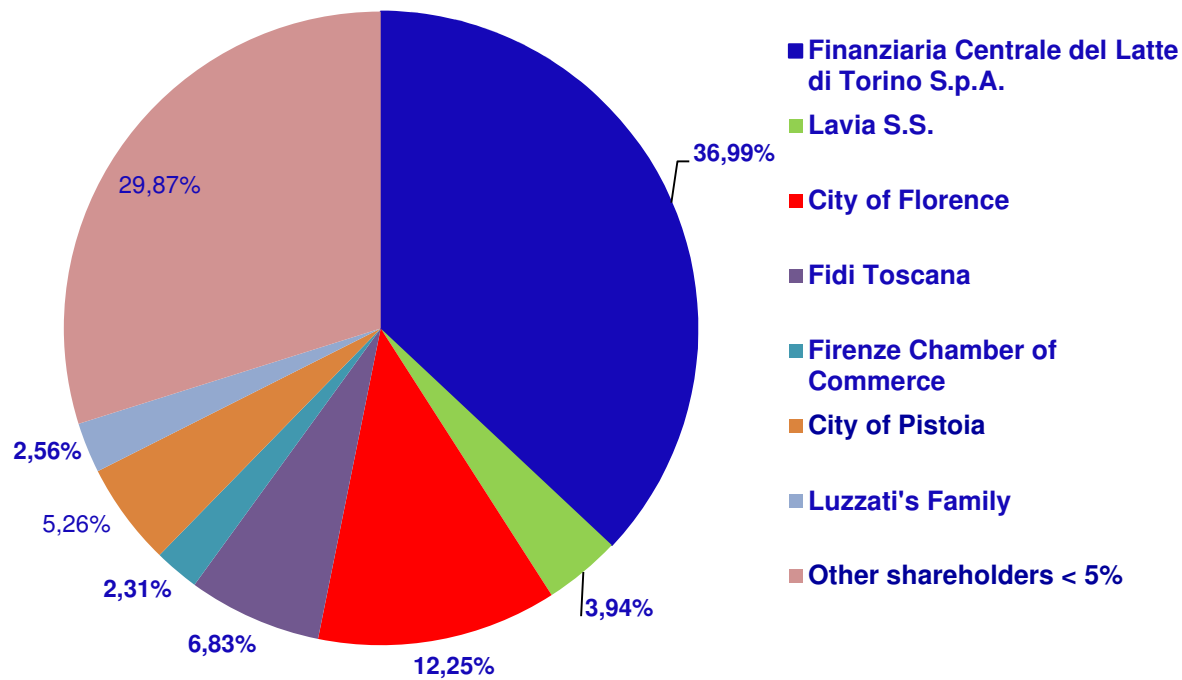
TERMS FOR THE TRANSACTION

- **Exchange Rate** n. 1 new ordinary share of CLT for 6.1965 ordinary CLF shares;
- **CLT has increased its share capital** from Euro 20,600,000 to 28,840,041.20 by issuing 4,000,020 new ordinary shares;
- Further to the merger, CLT has changed the name in **CENTRALE DEL LATTE D'ITALIA S.p.A.** and the ordinary shares are still listed on the MTA STAR segment organized and managed by Borsa Italiana S.p.A. (**Alphanumeric Code: CLI**);
- Immediately after the effectiveness of the merger, CLI has transferred the firm CLF at the value of 24,780,000 Euro into a new company 100% subsidiary of CLI called **Centrale del Latte della Toscana S.p.A.** with the head office and plant in Florence.



Centrale del Latte d'Italia

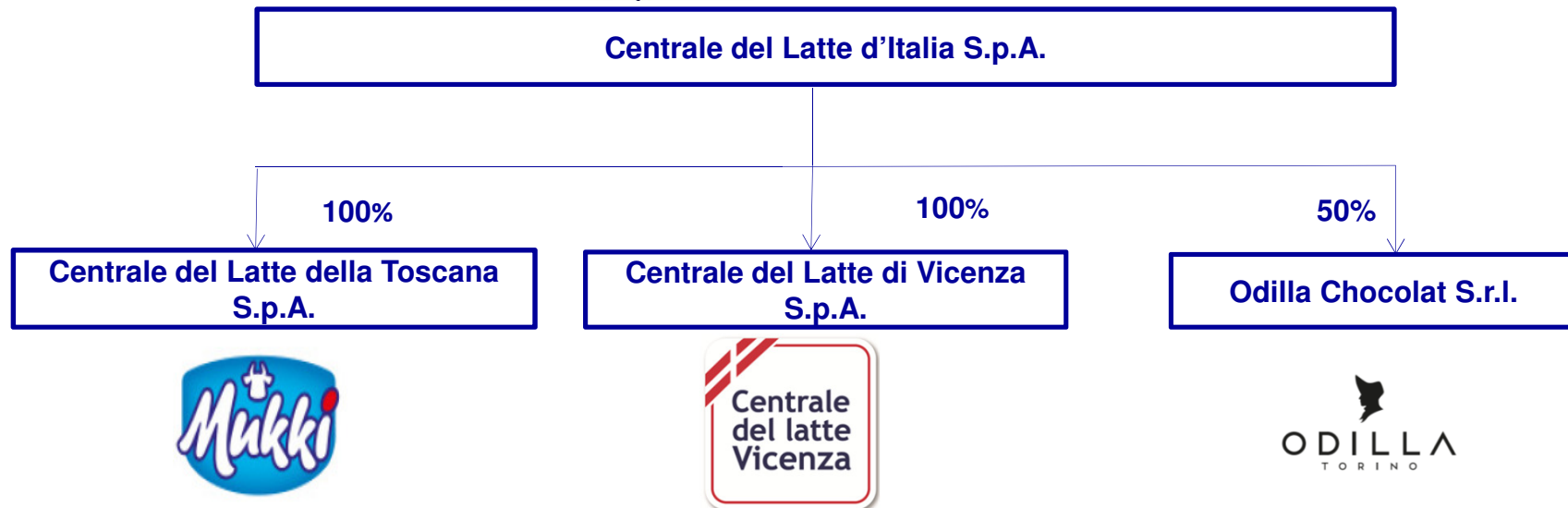
Shareholders after the transaction





Centrale del Latte d'Italia

The new Company

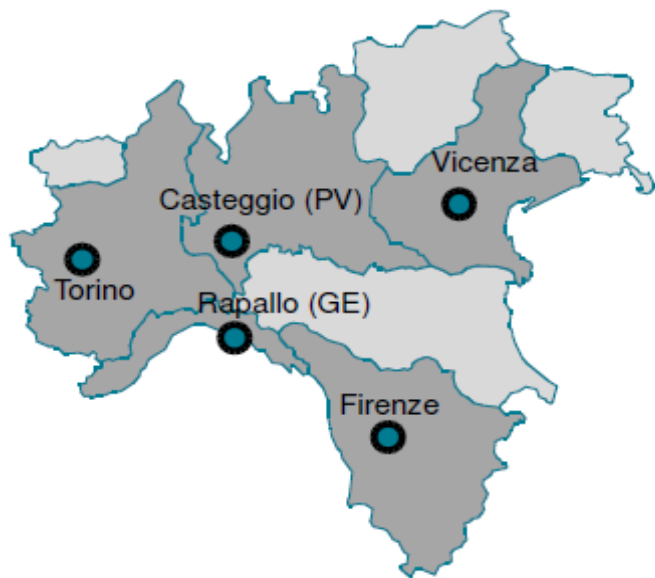




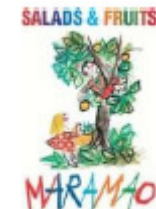
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Plants and Brands

Plants' location



Brands

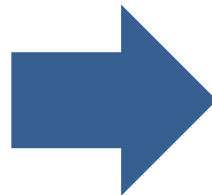




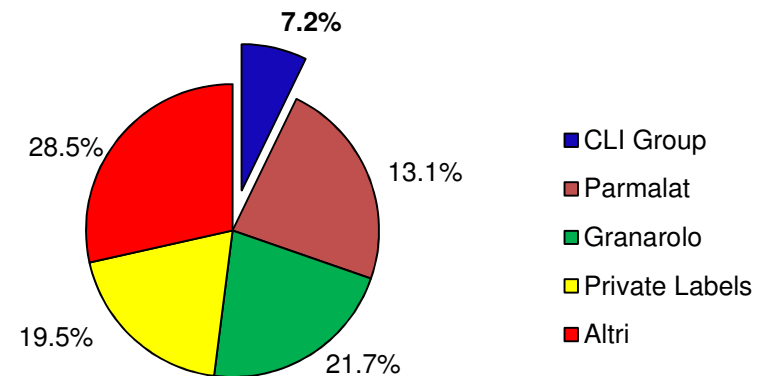
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Centrale del Latte d'Italia – Market overview – Fresh Milk Iper + Super JAN – JUNE 2016 COMPETITOR ANALYSIS – MARKET SHARE VALUE

ITALY



FRESH MILK € 282 mln



Source: IRI Infoscan I+S



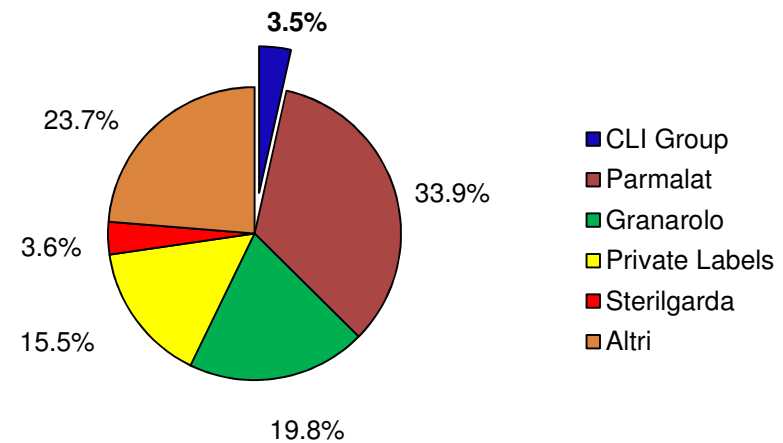
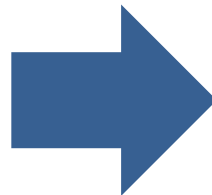
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Centrale del Latte d'Italia – Market overview – UHT

JAN – JUNE 2016 COMPETITOR ANALYSIS – MARKET SHARE VALUE

ITALY

UHT MILK € 427 mln



Source: IRI Infoscan I+S

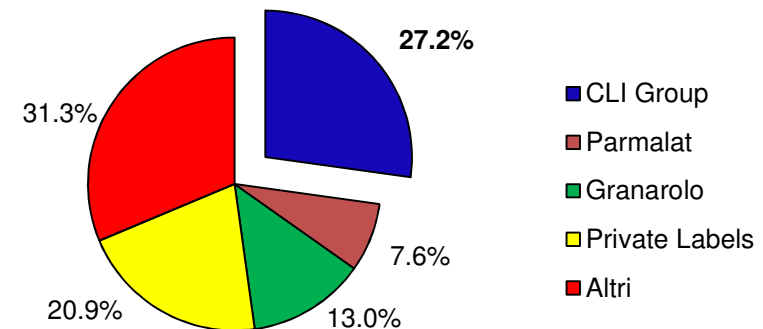


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Centrale del Latte d'Italia – Market overview – Fresh Milk Iper + Super JAN – JUNE 2016 COMPETITOR ANALYSIS – MARKET SHARE VALUE

PIEM-LIG-TOS-VEN

FRESH MILK € 75 mln



Source: IRI Infoscan I+S

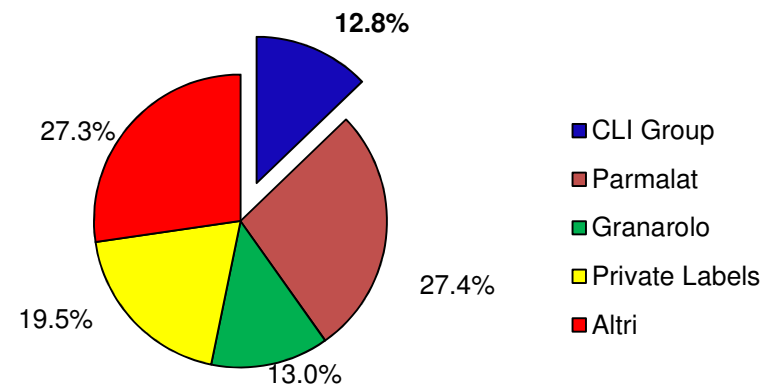


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Centrale del Latte d'Italia – Market overview – UHT Milk Iper + Super JAN – JUNE 2016 COMPETITOR ANALYSIS – MARKET SHARE VALUE

PIEM-LIG-TOS-VEN

UHT MILK € 116 mln



Source: IRI Infoscan I+S

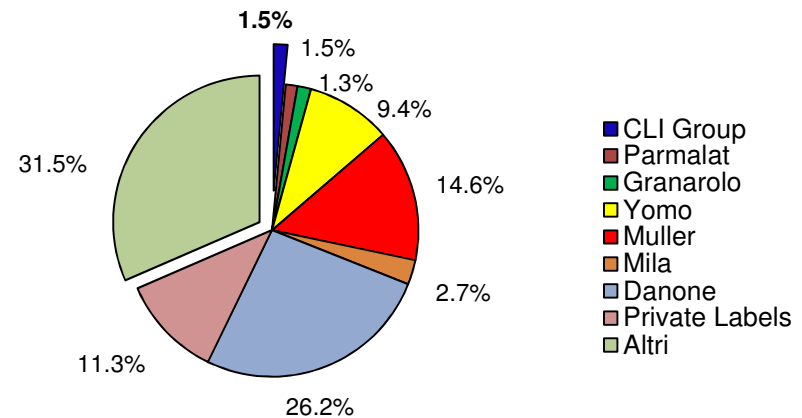


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Centrale del Latte d'Italia – Market overview – Yogurt Iper + Super JAN – JUNE 2016 COMPETITOR ANALYSIS – MARKET SHARE VALUE

PIEM-LIG-TOS-VEN

YOGURT € 180 mln



Source: IRI Infoscan I+S



Centrale del Latte d'Italia

New products launched in 2016

Range of milk products:

- 250 ml format for UHT milk and cream;
- Half litre bottle;
- Promotional packaging (UHT milk);
- Vintage bottle edition for Eataly;
- Organic chocolate milk.



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New products launched in 2016

Range of milk products:





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New products launched in 2016

Other products:

- Plant milk (soy, rice, oat), in different format;
- Lactose-free yogurts;
- Cured meats;
- Soy drink for specific channels.



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New products launched in 2016





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Product innovation



In 2016, our company has been the first milk company in Italy to use **100 % packaging produced with renewable materials.**



Centrale del Latte d'Italia

Marketing

Marketing investments

The company always supported its strong positioning in regional markets with **strong marketing and communication investments**.

€ 2.0 millions

(4.1% of revenues 1 H 2015)

€ 2,3 millions

(4.7% of revenues 2016)





Centrale del Latte d'Italia

Marketing

Main marketing activities in 2016

- Advertising campaign;
- Social media activity;
- Sponsorship of public events;
- Organization of promotional events;
- Partecipation to sector's international fairs:
 - 20° FHC (Shanghai, China);
 - Gourmet Expoforum (Turin, Italy);
 - Salone Carrefour 2016 (Milan, Italy);
 - SIAL (Paris, France);
 - Salone del gusto (Turin, Italy).



Centrale del Latte d'Italia

Marketing - Advertising

Stesso
LATTE
Stesso
MARE

Bello il Tigullio, buono il suo latte.

Un latte, buono e sostenibile.
Da oltre 50 anni. Una cura pastorica,
22 litri al litro, la freschezza di un latte.
latte
tigullio
Centro Latte Rapallo
La freschezza in casa tua.

Bevande Vegetali della Centrale

Non c'è **2**
SENZA **1**

Soia
Avena
Il Riso

Novità

ARRIVANO LE NUOVE CONFEZIONI
100% GREEN.

E IL NOSTRO MARE È SEMPRE PIÙ BLU.

Aviamo il modo di fare latte e per dirci che abbiamo scelto di utilizzare
una nuova confezione 100% green. Completamente rinnovabile,
dal campo alla carta, a meno emissioni di CO2 per noi e per te.
Scegli il più alto sito delle nostre confezioni.

latte
tigullio
Centro Latte Rapallo
La freschezza in casa tua.



Centrale del Latte d'Italia

Marketing - Advertising

io lo riciclo e tu?

**A Torino
i contenitori Tetra Pak®
si raccolgono con la carta.**

In collaborazione con:

TAPPOROSSO
Centrale del Latte di Torino
Per noi la qualità è centrale.

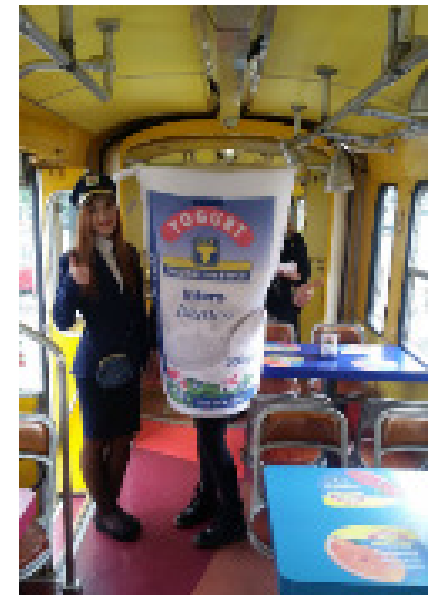
PROTEGGE
Tetra Pak®
LA BONTÀ

amiat
gruppo irèn



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Marketing – promotional event





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Marketing – sector's fairs





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MAIN MUKKI PRODUCTS





Centrale del Latte d'Italia

2016 Mukki investments

€ 4.975 millions
(6.2% of revenues 2015)

Gioca e Vinci!

Più Buoni con Mukki

Buono da 2.000€
per la vincenza del tuo sogno!

Premio Finale

100€ Buoni Sconto
di prodotti Mukki!

GIUCA IL CODICE
vai ai prodotti

Gioca il codice che trovi sulle confezioni di latte aderenti all'iniziativa o sulle cartoline promozionali e scopri subito se hai **VINTO 100 € IN BUONI SCONTO** di prodotti Mukki!

GIUCA LO SCONTRINO
vai ai prodotti

Acquista tutti gli altri prodotti Mukki e carica i dati dello **SCONTRINO** per accumulare punti e scegliere tra **TANTI FANTASTICI PREMI!**



Centrale del Latte d'Italia

Planned activities

Investments made for
the complete food
processing chain
(contratto di filiera)

New group industrial
plan

Projects

Merge Implementation

Launch of new
products



Centrale del Latte d'Italia

Centrale del Latte di Torino & C. Pro – forma Income statement

	Half Year 2016		Year 2015	
Sales	87,357	99,2%	176,657	98,7%
Value of production	88,105	100,0%	179,032	100,0%
Services	(26,606)	-30,2%	(51,666)	-28,9%
Raw materials	(43,486)	-50,0%	(89,613)	-50,1%
Others operating costs	(1,024)	0,0%	(2,172)	0,0%
Costs of production	(71,116)	-81,3%	(143,451)	-80,1%
Personnel costs	(13,312)	-15,1%	(25,731)	-14,4%
EBITDA	3,677	4,2%	9,850	5,5%
Depreciation & Amortization	(3,212)	-3,6%	(5,951)	-3,3%
EBIT	,465	0,5%	3,899	2,2%
Interest income	,156	0,2%	,373	0,2%
Financial expenses	(,797)	-0,9%	(2,202)	-1,2%
Profit (loss) before tax	(,176)	-0,2%	2,070	1,2%
Tax	(,172)	-0,2%	(,634)	-0,4%
Group's profit (loss) after tax	(,348)	-0,4%	1,436	0,8%



Centrale del Latte d'Italia

Centrale del Latte di Torino & C. Pro – forma Balance sheet

	30-june-16	%	31-dec-15	%
Technical fixed assets	105,168		105,524	
Intagibles fixed assets	18,572		18,576	
Equity investments and securities	2,774		2,762	
Financial receivables from affiliates	,140		,140	
Total fixed assets	126,654	94,6%	127,002	94,2%
Trade receivables	24,908		25,918	
Inventories	7,572		7,329	
Other short terms assets	14,716		14,972	
Trade payables	(33,000)		(33,971)	
Other payables	(7,482)		(6,811)	
Net working capital	6,714	5,0%	7,437	5,5%
Non-current assets held for sale	,446	0,4%	,446	0,3%
NET ASSETS	133,814	100,0%	134,885	100,0%
Employee severance indemnity & other provisions	11,230	8,4%	11,018	8,2%
Cash & equivalent	(12,380)		(14,253)	
Financial debt	70,500		72,399	
Net Financial debts	58,120	43,4%	58,146	43,1%
Share capital & reserves	65,019		65,204	
Profit (loss) for the period	(,555)		,517	
Shareholder's equity	64,464	48,2%	65,721	48,7%
NET LIABILITIES	133,814	100,0%	134,885	100,0%



Centrale del Latte d'Italia

Centrale del Latte di Torino & C. Consolidated income statement

	Half Year 2016		Year 2015	
Sales	48,784	98,9%	96,851	98,7%
Value of production	49,346	100,0%	98,319	100,0%
Services	(14,906)	-30,2%	(28,032)	-28,5%
Raw materials	(24,515)	-50,0%	(49,719)	-50,6%
Others operating costs	(0,499)	0,0%	(1,045)	0,0%
Costs of production	(39,920)	-81,3%	(78,796)	-80,1%
Personnel costs	(7,874)	-16,0%	(14,673)	-14,9%
EBITDA	1,552	3,1%	4,850	4,9%
Deperciatione & Amortization	(1,826)	-3,7%	(3,151)	-3,2%
EBIT	(0,274)	-0,6%	1,699	1,7%
Interest income	,011	0,0%	,028	0,2%
Financial expenses	(,316)	-0,6%	(1,124)	-1,1%
Profit (loss) before tax	(,579)	-1,2%	0,603	0,6%
Tax	,024	0,0%	(,086)	-0,1%
Group's profit (loss) after tax	(,555)	-1,1%	0,517	0,5%



Centrale del Latte d'Italia

Centrale del Latte di Torino & C. Consolidated balance sheet

	30-june-16	%	31-dec-15	%
Technical fixed assets	51,830		52,009	
Intagibles fixed assets	11,536		11,539	
Equity investments and securities	,096		,097	
Financial receivables from affiliates	,141		,141	
Total fixed assets	63,603	92,4%	63,786	92,6%
Trade receivables	13,618		14,371	
Inventories	3,522		3,541	
Other short terms assets	12,048		11,328	
Trade payables	(18,855)		(20,052)	
Other payables	(5,569)		(4,554)	
Net working capital	4,764	6,9%	4,634	6,7%
Non-current assets held for sale	,446	0,7%	,446	0,6%
NET ASSETS	68,813	100,0%	68,866	100,0%
Employee severance indemnity & other provision:	7,616	11,1%	7,401	10,7%
Cash & equivalent	(11,397)		(12,192)	
Financial debt	33,122		32,846	
Net Financial debts	21,725	31,6%	20,654	30,0%
Share capital & reserves	40,027		40,294	
Profit (loss) for the period	(,555)		,517	
Shareholder's equity	39,472	57,4%	40,811	59,3%
NET LIABILITIES	68,813	100,0%	68,866	100,0%



Centrale del Latte d'Italia

Centrale del Latte di Torino & C. – Equity Company note

2Q/1H16 Results



Centrale del Latte di Torino - Key estimates and data				
Y/E December		2015A	2016E	2017E
Revenues	EURM	96.85	96.85	97.34
EBITDA	EUR M	4.85	4.04	4.54
EBIT	EUR M	1.70	0.90	1.40
Net income	EUR M	0.52	-0.90	-0.50
Dividend ord.	EUR	0.06	0	0
Adj. EPS	EUR	0.05	-0.09	-0.05
EV/EBITDA	x	11.4	12.1	10.8
Adj. P/E	x	67.4	Neq.	Neq.

Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. Note: forecasts are for CLT Group standalone.

- 2Q/1H16 results.** The key points of the 1H16 results were: 1) a flat trend in total revenues in 2Q16A and in 1H16A, leading to EUR 49.3M in 1H16A; 2) 1H16 revenues, net of bulk milk and cream, were up 0.8%; and 3) EBITDA was down from EUR 3.1M in 1H15 to EUR 1.6M in 1H16, reflecting higher advertising to support brands, labour costs and an increase in service costs to strengthen existing areas. Overall, 1H16 EBITDA showed a higher concentration of operating costs to support the group's commercial and distribution activities despite the flat raw material milk price. 1H16A net debt came in at EUR 21.7M vs. EUR 20.6M in FY15A.
- Outlook.** The group expects to continue to strengthen its market share although the reference market context remains uncertain due to the continuing weakness in families' food consumption combined with an overall deflationary trend. Regarding the raw material milk price, management expects the stability recorded in 1H16 to continue also in FY16. We highlight that the group sets its raw material milk price contracts three months in advance.
- Timeframe of merger with CLF.P.L.** After the CLT and CLF approval of the merger which was subscribed on 4 December 2015, pending Consob's final approval, the group expects the merger to be effective by 30 September 2016. The merger of the two groups will lead to a new entity called Centrale Latte d'Italia which should become the third largest milk/cheese player in Italy.
- Estimates revision for CLT group.** We have revised our FY16E-17E estimates after the weak 1H16 results. We now expect a FY16E flat revenue growth, in line with guidance, and a +0.5% increase in FY17E. Our key assumptions are a flat raw material milk cost and an increase in operating costs to support the group's commercial and distribution activities.
- Valuation of the merged entity.** We have incorporated in our DCF based valuation our Centrale Latte d'Italia's earnings assumptions and have updated the risk premium to 6.25% vs. 5.5% previously. Our valuation points to a **EUR 2.8/share target price (EUR 3.1/share previously) confirming our HOLD recommendation.** In our multiples comparison, CLT (based on a post-merger simulation) trades in line with peers in terms of FY17E EV/EBITDA. As potential synergies from the merger are not included in our forecasts, we include a sensitivity analysis to our DCF based equity valuation.
- Key risks.** In our view, the key risks of the ongoing merger process with CLF.P.L. mostly relate to the undefined timeframe and thus its execution. Other company risks relate to, in our view, potentially lower volumes sold as a result of a possible increase in the raw milk price. We also view the increasing competition from private labels as a risk, especially in the fresh milk product category, despite the group's key brand being quite defensive.



Centrale del Latte d'Italia

Centrale del Latte di Torino & C. – Initiation of coverage



Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	98.3	0.5	0.30	6.00	N/A	2.2
12/16e	122.0	1.1	6.51	6.00	42.9	2.2
12/17e	186.9	3.1	14.52	6.00	19.2	2.2
12/18e	186.9	3.7	17.07	6.00	16.3	2.2

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

CLF merger significantly expands the company

Centrale del Latte di Torino (CLT) has been acquisitive over the past 20 years, slowly increasing its geographic reach beyond the Turin area and throughout three regions in Northern Italy. The acquisition of CLF is its largest yet and will add Tuscany as a new region. In addition the Mukki brand (owned by CLF) is an attractive proposition and could be rolled out across CLT's existing portfolio, and potentially beyond to international markets to which CLT has started exporting.

Valuation: Fair value of €3.00

Based on our forecasts, our DCF model points to a fair value of €3.00 per share for the combined entity, or 8% upside from the current share price. We calculate that CLT now trades on 18.1x 2017e P/E and c 8.4x 2017e EV/EBITDA (again on a post-merger basis). This is a premium of c 0.5% on P/E, and a discount of 3.4% on EV/EBITDA, to the average of our peer group of dairy processors. We estimate that the CLF acquisition is significantly earnings-enhancing (c 80% accretion in the first full year).

Diversification strategy

The management team has been working towards shifting the group's mix away from the liquid milk business, which is seasonal, can be volatile and suffers from low margins. The company has diversified into other fresh food products such as yoghurts, fresh cheeses and prepared salads, which offer higher margins, and the acquisition of CLF is also margin enhancing. In recent years the UHT milk business has grown somewhat at the expense of the fresh milk market as consumers have opted for longer shelf life. Over the last two years the group has begun exporting UHT milk to China, and this could prove an interesting growth opportunity. The fresh milk business will continue to be an important segment within the group, and the farmgate cost of liquid milk will remain a key variable for profitability.



Centrale del Latte d'Italia

Web sites

www.centralelatteitalia.com

www.centralelatte.torino.it



www.mukki.it



www.lattetigullio.it



www.centralelatte.vicenza.it





Centrale del Latte d'Italia

Contacts

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