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Costa Group Hld (CGC)

Smashed avo hits a berry blast

Recommendation
Buy (unchanged)
Price
$3.24
Target (12 months)
$4.30 (unchanged)

GICS Sector

Food Beverage and Tobacco

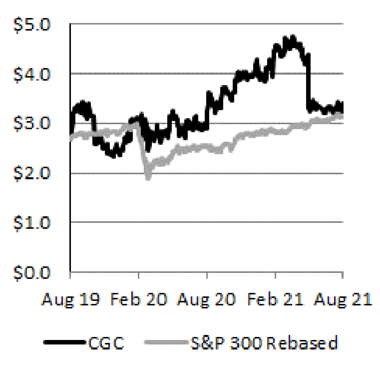
Expected Return	
Capital growth	**32.7%**
Dividend yield	**2.8%**
Total expected return	**35.5%**

Company Data & Ratios	
Enterprise value	**$2,142m**
Market cap	**$1,505m**
Issued capital	**464.4m**
Free float	**100%**
Avg. daily val. (52wk)	**$8.7m**
12 month price range	**$2.88-4.81**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	3.33	4.27	2.91
Absolute (%)	-2.70	-24.12	11.25
Rel market (%)	-4.15	-30.83	-12.00

Absolute Price



SOURCE: IRESS

1H21 Results at a glance

CGC reported a 1H21 underlying EBITDASL in line with expectations at $124.4m (BPe $124.0m). Key operating statistics of the result included:

Operating results: Revenue of $612.4m was flat YOY (vs. BPe $617.0m and guidance of ~$627m). EBITDAS of $124.4m up +4% YOY (vs. BPe of $124.0m and guidance of ~$124m). Underlying NPATS of $44.4m was up +4 YOY (vs. BPe of $44.0m and guidance of ~$44m). Headline results included ~$2.5m of COVID-19 disruption costs in the business ($10.4m in CY20) and ~$25m revenue impact from hail damage to citrus and grape crops.

Cashflow and balance sheet: Lease adjusted operating cashflow of $49.2m compares to a cashflow of $48.7m in 1H20. Net debt exited the period at $208m, compared to $143.9m in CY20. Post balance date CGC completed the acquisition of 2PH citrus and its associated equity raising.

Outlook: CY21 guidance is unchanged with EBITDAS and NPATS to be marginally ahead of CY20 excluding the acquisition of 2PH. Citrus crop and yield is in line with expectations and demand is strong from key Asian markets heading into 2H21e; while berry pricing has been positive YTD. Citrus and Berries are the largest two commodity drivers for 2H21e.

Following the result we have made no material changes to our CY21-23e EBITDAS forecasts. Our target price also remains unchanged at $4.30ps.

Investment view: Retain Buy rating

Our Buy remains unchanged. Our favourable view on CGC is driven by: (1) expansion and maturation of the international berry operations; (2) expansion and maturation of the avocado orchards; (3) non-recurrence of hail impacting citrus and grape operations in CY21e; and (4) further investment in capacity (avocado, citrus and tomato) to grow earnings beyond CY21e. In the near term we note reasonable export citrus pricing and strong off season berry pricing trends as supportive of the 2H21e outlook.

Earnings Forecast

Year end December	2020	2021e	2022e	2023e
Sales (A$m)	1164.9	1167.5	1303.1	1395.3
EBITDAS ($m)	197.2	213.8	262.9	309.0
EBITDA ($m)	205.2	207.8	262.9	309.0
NPAT (adjusted) (A$m)	62.6	49.2	76.4	98.1
NPAT (reported) (A$m)	54.7	49.2	76.4	98.1
EPS (adjusted) (Acps)	15.5	11.3	16.4	21.0
EPS growth (%)	104.0	(27.2)	44.8	28.5
PER (x)	20.9	28.7	19.8	15.4
EV/EBITDAS (x)	10.9	10.0	8.2	6.9
Dividend (A cps)	9.0	9.0	10.0	11.0
Franking (%)	100.0	100.0	100.0	100.0
Yield (%)	2.8	2.8	3.1	3.4
ROE (%)	10.2	6.2	9.2	11.2

SOURCE: BELL POTTER SECURITIES ESTIMATES

CY20 Result at a glance

Result: CGC reported underlying EBITDAS in line with our expectations and previous guidance at $124.4m. A stronger result in the International division, driven by a +19% YOY uplift in Moroccan volumes and +35% YOY uplift in China berry volumes, more than mitigated a softer than expected performance in the Produce division, which incurred a $25m impact from hail damage to the grape and citrus crops. Lease adjusted operating cashflow of $49.2m is broadly consistent with 1H2o levels of 48.7m and net debt exited the period at $208.0m, compared to $143.9m in CY20. Post balance date CGC completed an equity raising to fund the acquisition of the 2PH citrus business.

Figure 1 – 1H21 Result overview

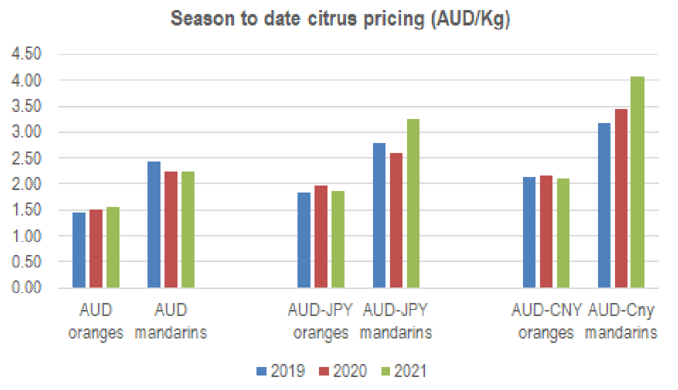
	2016	2017	1H18	2H18	2018	1H19	2H19	2019	1H20	2H20	2020	1H21	1H21e	YOY
Produce	789.3	841.4	398.5	425.6	824.1	443.9	425.4	869.3	443.7	486.5	930.2	412.9	437.5	-7%
Costa Farms and logistics	152.7	153.9	76.1	79.1	155.2	72.9	76.2	149.1	73.0	86.5	159.5	72.6	72.0	-1%
International	5.1	13.5	70.8	6.5	77.3	83.5	8.2	91.7	121.4	29.0	150.4	151.6	133.0	25%
Intersegment	(88.4)	(55.8)	(32.7)	(23.1)	(55.8)	(26.9)	(35.4)	(62.2)	(25.8)	(49.4)	(75.2)	(24.7)	(25.5)	-4%
Revenue	**858.7**	**953.0**	**512.7**	**477.6**	**1,000.8**	**573.4**	**474.4**	**1,047.9**	**612.3**	**552.7**	**1,164.9**	**612.4**	**617.0**	**0%**
Produce	80.1	114.0	59.3	38.9	98.2	48.1	21.1	69.2	28.6	56.6	85.2			
Costa Farms and logistics	10.3	2.6	2.2	3.6	5.8	2.9	3.6	6.5	3.1	3.1	6.2			
International	8.9	10.4	28.3	(7.1)	21.2	31.4	(8.7)	22.7	62.1	(8.8)	53.3			
EBITDASL	**99.3**	**127.0**	**89.9**	**35.3**	**125.2**	**82.4**	**16.0**	**98.4**	**93.8**	**50.9**	**144.7**	**95.1**		
...EBITDAS Margin (%)	12%	13%	18%	7%	13%	14%	3%	9%	15%	9%	12%			
Produce						18.0	18.7	36.7	19.2	20.5	39.7			
Costa Farms and logistics						4.4	4.3	8.7	4.3	4.3	8.6			
International						1.6	1.6	3.2	2.0	2.2	4.2			
AASB16 lease costs						**24.0**	**24.6**	**48.6**	**25.5**	**27.0**	**52.5**	**29.3**		
Produce	80.1	114.0	59.3	38.9	98.2	66.1	39.8	105.9	47.8	77.1	124.9	36.0	47.7	-25%
Costa Farms and logistics	10.3	2.6	2.2	3.6	5.8	7.3	7.9	15.2	7.4	7.4	14.8	6.3	7.6	-15%
International	8.9	10.4	28.3	(7.1)	21.2	33.0	(7.1)	25.9	64.1	(6.6)	57.5	82.1	68.7	28%
EBITDAS	**99.3**	**127.0**	**89.9**	**35.3**	**125.2**	**106.4**	**40.6**	**147.0**	**119.3**	**77.9**	**197.2**	**124.4**	**124.0**	**4%**
SGARA	0.4	8.4	(4.6)	(1.5)	(6.1)	10.2	(5.9)	4.3	1.1	6.9	8.0	(6.0)	0.0	N.A.
EBITDA	**99.7**	**135.4**	**85.3**	**33.8**	**119.1**	**116.6**	**34.8**	**151.3**	**120.4**	**84.8**	**205.2**	**118.4**	**124.0**	**-2%**
Depreciation & Amortisation	(24.2)	(30.8)	(18.9)	(20.1)	(39.0)	(42.7)	(46.7)	(89.4)	(49.2)	(47.4)	(96.6)	(50.3)	(55.0)	2%
EBIT	75.5	104.6	66.4	13.7	80.1	73.9	(12.0)	61.9	71.2	37.4	108.6	68.1	69.0	-4%
...EBIT Margin (%)	9%	11%	13%	3%	8%	13%	-3%	6%	12%	7%	9%	11%	0%	-4%
Net Interest Income	(4.4)	(5.8)	(4.1)	(4.3)	(8.4)	(13.0)	(13.0)	(26.0)	(13.8)	(11.7)	(25.6)	(11.6)	(12.5)	-16%
Pre-tax profit	71.1	98.7	62.3	9.4	71.7	60.9	(25.0)	35.9	57.4	25.7	83.1	56.4	56.5	-2%
Tax	(26.1)	(27.2)	(14.7)	(2.8)	(17.5)	(14.6)	5.5	(9.2)	(7.0)	(6.8)	(13.8)	(7.0)	(7.0)	0%
Minorities	1.0	(0.8)	(2.7)	0.4	(2.3)	(1.9)	2.8	0.8	(7.0)	0.3	(6.7)	(9.8)	(5.5)	41%
NPAT	**46.0**	**70.7**	**45.0**	**6.9**	**51.9**	**44.4**	**(16.8)**	**27.6**	**43.4**	**19.2**	**62.6**	**39.6**	**44.0**	-9%
Abnormals post tax	(6.4)	37.1	(4.3)	(2.7)	(7.0)	(3.3)	(57.3)	(60.5)	(2.2)	(5.6)	(7.9)	19.1	13.5	N.A.
Reported NPAT	**39.5**	**107.8**	**40.7**	**4.2**	**44.9**	**41.1**	**(74.0)**	**(32.9)**	**41.2**	**13.5**	**54.7**	**37.4**	**44.0**	-9%
Balance Sheet	**2016**	**2017**	**1H18**	**2H18**	**2018**	**1H19**	**2H19**	**2019**	**1H20**	**2H20**	**2020**	**1H21**		
Reported Net Debt	91.0	214.1	184.0	244.6	244.6	304.5	178.9	178.9	181.5	143.9	143.9	208.0		15%
AASB1016 Lease liabilities			0.0	0.0		300.6	293.7	293.7	330.8	318.1	318.1	309.5		-6%
Group indebtedness	**91.0**	**214.1**	**184.0**	**244.6**	**244.6**	**605.1**	**472.6**	**472.6**	**512.3**	**462.0**	**462.0**	**517.5**		1%
Operating cashflow inc. leases	70.9	80.5	75.3	22.0	97.3	21.4	43.2	64.6	48.7	84.9	133.6	49.2		1%
SIB Capex	(14.2)	(16.3)	(10.1)	(10.7)	(10.7)	(12.4)	(13.6)	(26.0)	(11.6)	(17.0)	(28.6)	(18.5)		59%
Growth Capex	(32.0)	(50.9)	(43.4)	(56.7)	(110.2)	(53.5)	(67.6)	(121.1)	(30.6)	(19.7)	(50.3)	(33.3)		9%
Free cashflow pre-dividends	**24.7**	**13.3**	**21.7**	**(45.4)**	**(23.7)**	**(44.5)**	**(38.0)**	**(82.5)**	**6.6**	**48.2**	**54.7**	**(2.6)**		-139%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Outlook: CY21e guidance has been retained at EBITDAS and NPATS to be marginally ahead of CY20 prior to the 2PH acquisition and associated funding. The 2PH acquisition was completed in Jul'21 and on an annualised basis is on track to deliverCY21e EBITDAS of $29m.

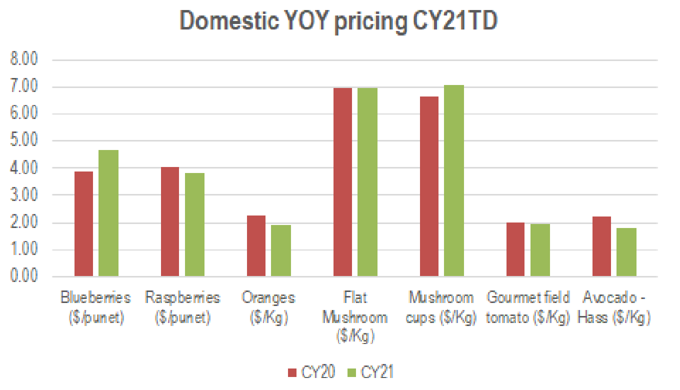
Pricing trends: The two biggest drivers of 2H21 outlook are the pricing of citrus and berries. To this end, we are witnessing strong YOY gains in blueberry pricing YTD and generally a flat outcome in citrus market. Citrus data below is based on Australian FOB data and then isolated for major trading partners from host nation customs data.

Figure 2 - Export citrus market pricing (A$/Kg) – May-Jun



SOURCE: BASED ON ABS AND REGIONAL CUSTOMS DATA

Figure 3 - Domestic category pricing - YTD

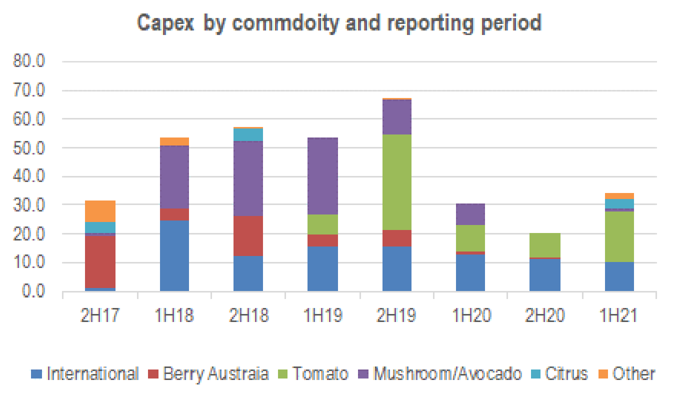


SOURCE: BASED ON MARKET DATA

We would note that since CGC last gave tangible outlook commentary the AUDUSD has weakened (beneficial for export pricing) and that avocado pricing has firmed ~30%, albeit from material lower YOY levels.

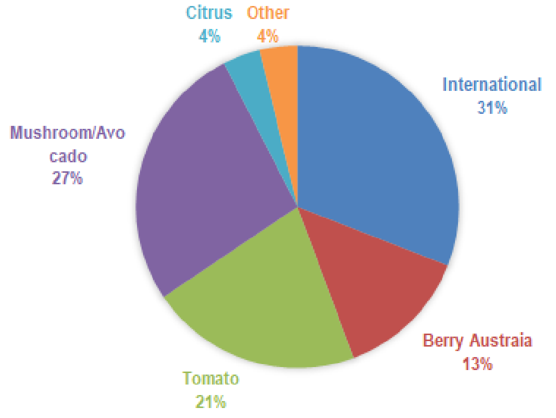
Capex: 1H21 capex totalled $51.8m, with $3.3m of growth capital deployed in the half and SIB capex at $18.5m. In addition $45.8m in capital was deployed to acquire K&W and the initial deposit on 2PH. Growth capex is expected to lift to ~$57m in 2H21e reflecting the timing of offshore capital deployments in berries and a further ~$210m to be deployed on 2PH.

Figure 4 – Growth capex by commodity



SOURCE: COMPANY DATA

Figure 5 – Capex FY17-1H21



SOURCE: COMPANY DATA

Costa Group Holdings

COMPANY BACKGROUND

Where the asset is owned by CGC we have assumed that the asset life is sustained through capital investment. For agreements with Vital Harvest, CK Life, and MAFM we assume the asset is held for the duration of the lease term, in most cases through to 2036-38.

The CGC business can trace its roots back more than 130 years to a fruit shop established in 1888 in Geelong. Today, CGC is Australia's largest horticultural company with diversified operations across the supply chain from farming and packing too marketing and distribution. Globally, CGC operates ~5,300Ha of farming assets across five key categories (in berries, avocados, citrus, tomatoes and mushrooms) across three regional hubs (Australia, Morocco and China)

TARGET PRICE

Our target price for CGC is $4.30ps and based upon our NPV based approach. Our NPV assumes a cost of equity of 8.6%. Where the asset is owned by CGC we have assumed that the asset life is sustained through capital investment. For agreements with Vital Harvest, CK Life, and MAFM we assume the asset is held for the duration of the lease term, in most cases through to 2036-38.

RISKS

An investment in CGC is exposed but not limited to the following risks:

COVID-19: The substantial impact of COVID-19 on the global and domestic economies is creating enormous volatility and uncertainty in global share markets. The forecasts in the report may be subjected to significant changes if this situation continues for an extended period of time.

Crop risk: The onset of adverse weather conditions (such as drought), insect damage and disease have the ability to impact crop yields and commodity prices. Adverse impacts on crop can have a meaningly impact on the financial performance of the Produce and International segments of CGC.

Input cost risk: Fertiliser, chemical and water costs represent a material component of orchards cash costs. A material uplift in the price of these inputs can have a meaningful impact on CGC's earnings.

Commodity price risk: Australian crop prices are determined by supply and demand dynamics in the underlying commodity. Changes in supply and demand dynamics can lead to movements in commodity prices which may adversely impact the return CGC can generate on its farming operations and the carrying value of the assets.

Exchange price movement: A substantial portion of the citrus crop sold by CGC is sold into global markets. In addition earnings from the International division are exposed to the EUR, MAD and CNY. Movements in the AUD against counterparty currencies can impact the returns that CGC is capable of generating in the Produce and International divisions.

Competition risk: The markets in which CGC operates are highly competitive and in competition with other suppliers of fresh fruit and vegetables. If overall industry production in categories in which CGC competes are higher than expected, CGC's operating results can be negatively impacted. Industry production depends on season harvest results (including yield and timing) and industry capacity which changes over time.

Access to water: CGC relies on access to its allocated water rights for half of its citrus and grape crop in the Riverland and surrounding Southern regions. CCG has access to permanent water licences and their allocated water rights in respect of approximately 50% of its needs from the Murray River. The balance is purchased by CGC under forward supply agreements, temporary water purchases and carry over. Water rights are contingent on there being sufficient water in the Murray River. If there was insufficient water in the Murray River, then some or all of CGC's allocated water rights may not be available. This could increase the costs of temporary water rights and ultimately could have a material adverse impact on the ability of CGC to obtain sufficient water to maintain healthy citrus trees, grape vines or viable fruit and consequently impact Costa's citrus and grape crop yield and the financial performance and prospects of CGC. Prolonged drought conditions and changes in government can increase the risk of regulatory changes, which may result in adverse modifications to CGC's allocated water rights.

Loss of IP: CGC relies on a combination of plant breeder's rights (or equivalent), trademarks and non-disclosure agreements and other methods to protect its intellectual property rights. Additionally, CGC has in place a number of licensing agreements for intellectual property owned by third parties used by CGC and intellectual property owned by CGC and licensed to third parties. The failure to obtain or maintain CGC's intellectual property rights or to defend against claims of infringement of intellectual property rights may diminish CGC's competitiveness and materially harm CGC's business. A number of CGC's products are grown from proprietary plant varieties. It is possible for problems to arise with the varietal genetics (such as the recent "crumbly fruit" that has resulted in high waste and labour costs) in which case it may take considerable time to be able to source available substitutes. If CGC's processes are insufficient to identify these genetic issues at an early stage, the impacts will be heightened and longer lasting

Leased Property: CGC leases a significant portion of the land that it uses to grow and distribute its produce. In addition CGC utilises a number or leased distribution centres to provide distribution services to third parties as part of its CF&L business division. In leases there are obligations on both tenants and landlords and renewal dates. Failure to maintain access to leased properties on acceptable terms may result in a material adverse impact on the earnings of CGC.

Regulatory risks: CGC is required to comply with a range of laws and regulations. Regulatory areas which are of particular significance to CGC include food standards, labelling and packaging, ethical sourcing, fair trading and consumer protection, employment, property and the environment (including water), quarantine, customs and tariffs, foreign investment, taxation and climate change. The introduction of any new laws or changes to existing laws, codes (or government policies), such as changes to food standards, food labelling or climate change regulations and increasing ethical sourcing requirements, could result in increased costs being incurred by CGC and therefore have a material adverse impact on the financial performance and prospects of CGC.

Access to capital: To sustain expansion in the orchard asset base, CGC requires access to capital. This can be through access to debt, equity of third party leasing arrangements. Failure to access capital may limit the scope for CGC to continue growing its productive asset base.

Execution risk: CGC has developed a growth strategy that includes expansion projects in Australia and through expansion of the farming footprints for the Morocco and China joint ventures. There is a risk that CGC may not be able to effectively execute its growth strategy and may encounter delays in construction or execution, or operational difficulties, which may lead to increased costs and/or strain management resources or have a negative impact on CGC's brand and reputation. As a result, CGC's growth strategies may generate lower than, or later than, expected revenue or incur unforeseen costs.

Product and brand safety risk: Any contamination, spoilage, or the presence of foreign objects or substances in CGC's products may injure CGC's customers. The risk of injury can result from activities throughout the life cycle of CGC's products, including growing, harvesting, packaging, processing or sale phases. CGC has from time to time, issued recalls. The risk of injury from Costa's products exposes Costa to loss of product, damage to relationships with wholesalers and retailers, liability (including monetary judgements, fines, injunctions, and criminal sanctions) and publicity risks. Adverse publicity may arise from rumours or unsubstantiated claims of customer injury may impact demand for CGC's commodities.

Costa Group Hld
as at 26 August 2021

Recommendation	Buy
Price	$3.24
Target (12 months)	$4.30

Table 1 - Financial summary

Year end December	2017	2018	2019	2020	2021e	2022e	2023e
Profit & Loss (A$m)							
Sales revenue	953.0	1,000.8	1,047.9	1,164.9	1,167.5	1,303.1	1,395.3
. . . Change		5.0%	4.7%	11.2%	0.2%	11.6%	7.1%
EBITDAS	**127.0**	**125.2**	**147.0**	**197.2**	**213.8**	**262.9**	**309.0**
SGARA	8.4	(6.1)	4.3	8.0	(6.0)	0.0	0.0
EBITDA	135.4	119.1	151.3	205.2	207.8	262.9	309.0
Deprec. & amort.	(30.8)	(39.0)	(89.4)	(96.6)	(110.3)	(126.0)	(140.9)
EBIT	104.6	80.1	61.9	108.6	97.5	136.8	168.1
Interest expense	(5.8)	(8.4)	(26.0)	(25.6)	(25.4)	(28.1)	(27.8)
Pre-tax profit	98.7	71.7	35.9	83.1	72.1	108.7	140.3
Tax expense	(27.2)	(17.5)	(9.2)	(13.8)	(13.8)	(22.7)	(31.7)
. . . tax rate	28%	24%	26%	17%	19%	21%	23%
Minorities	(0.8)	(2.3)	0.8	(6.7)	(9.1)	(9.6)	(10.5)
Net Profit	**70.7**	**51.9**	**27.6**	**62.6**	**49.2**	**76.4**	**98.1**
Abs. & extras.	37.1	(7.0)	(60.5)	(7.9)	0.0	0.0	0.0
Reported Profit	**107.8**	**44.9**	**(32.9)**	**54.7**	**49.2**	**76.4**	**98.1**
Cashflow (A$m)							
EBITDA	127.0	125.2	147.0	197.2	213.8	262.9	309.0
Net Interest Expense	(5.5)	(9.0)	(10.1)	(7.5)	(7.0)	(7.4)	(27.9)
Tax Paid	19.6	(25.4)	(5.7)	0.3	(13.8)	(18.3)	(27.2)
Change in Wkg Capital	4.9	7.2	(11.6)	10.5	0.0	1.3	0.9
Lease principal payments			(50.1)	(52.6)	(53.4)	(55.2)	(36.7)
Other	(65.4)	(0.7)	(4.9)	(14.1)	(9.1)	(9.6)	(10.5)
Operating Cash Flow	**80.5**	**97.3**	**64.6**	**133.6**	**130.4**	**173.7**	**207.5**
Capex	(67.2)	(120.9)	(147.1)	(78.9)	(130.0)	(140.2)	(99.5)
Dividend paid	(35.1)	(43.2)	(27.2)	(24.0)	(38.6)	(41.8)	(46.4)
Free Cash Flow	**(21.9)**	**(66.8)**	**(109.7)**	**30.7**	**(38.2)**	**(8.3)**	**61.5**
Asset Sales	9.0	1.3	2.5	5.3	1.2	0.0	0.0
Aquisitions	(61.6)	(0.0)	(0.7)	0.0	(264.8)	0.0	(31.0)
Other	0.0	0.0	2.9	(0.7)	0.0	0.0	0.0
Equity Issues (Reduction)	0.0	0.0	170.8	(0.3)	186.6	0.0	0.0
(Inc.) /dec. in net debt	**(74.4)**	**(65.5)**	**65.8**	**35.0**	**(115.2)**	**(8.3)**	**30.5**
Balance Sheet (A$m)							
Cash & near cash	1.0	45.8	36.0	32.5	32.5	32.5	32.5
Inventories	19.9	25.4	24.4	27.0	27.0	30.2	32.3
Receivables	85.5	92.5	88.3	96.9	97.1	108.4	116.1
Biological assets	47.1	48.3	49.2	58.3	58.3	58.3	58.3
Other	64.7	17.4	15.6	13.3	13.3	14.8	15.9
Current assets	**218.2**	**229.5**	**213.6**	**227.9**	**228.2**	**244.2**	**255.0**
Fixed assets	261.9	325.3	414.2	498.9	515.7	796.4	854.3
Right of use asset			285.2	302.8	340.2	338.7	338.7
Intangibles	247.4	255.6	213.4	209.5	227.4	227.4	227.4
Other	75.6	126.6	123.4	66.3	330.3	110.7	88.4
Non current assets	**584.9**	**707.5**	**1,036.1**	**1,077.4**	**1,413.5**	**1,473.1**	**1,508.7**
Total assets	**803.0**	**937.0**	**1,249.7**	**1,305.3**	**1,641.7**	**1,717.3**	**1,763.7**
Creditors	110.5	130.2	113.5	135.1	135.4	151.1	161.8
Borrowings	0.0	0.4	7.8	14.3	14.3	14.3	14.3
Lease liabilities	0.0	0.0	33.9	34.1	35.0	35.8	36.7
Other	26.3	21.1	27.4	33.5	37.3	60.4	79.7
Current liabilities	**136.8**	**151.8**	**182.6**	**217.1**	**222.0**	**261.7**	**292.6**
Borrowings	215.1	290.0	207.0	162.0	277.2	285.5	254.9
Lease liabilities			259.8	283.9	320.5	318.1	317.2
Other	18.0	32.1	22.8	25.7	25.7	25.7	25.7
Non current liabilities	**233.1**	**322.2**	**489.7**	**471.7**	**623.4**	**629.3**	**597.9**
Total liabilities	**369.8**	**474.0**	**672.2**	**688.8**	**845.4**	**891.0**	**890.4**
Net assets	**433.2**	**463.0**	**577.4**	**616.6**	**796.3**	**826.2**	**873.3**
Share capital	402.4	404.7	580.8	580.7	767.3	767.3	767.3
Reserves	76.3	95.9	67.7	100.9	86.7	86.7	86.7
Retained earnings	(56.6)	(56.6)	(92.0)	(92.7)	(85.3)	(55.4)	(8.4)
Outside equity Interests	11.1	19.0	20.9	27.6	27.6	27.6	27.6
S/holders' funds	**433.2**	**463.0**	**577.4**	**616.6**	**796.3**	**826.2**	**873.3**
Net Debt (Cash)	214.1	244.6	178.9	143.9	259.1	267.3	236.8
Indebtedness	214.1	244.6	472.6	462.0	614.5	621.3	590.7

Rating	Buy
Share price (A$ps)	3.24
Target price (A$ps)	4.30
Shares on issue (m)	464.4
Market cap (A$m)	1,504.6
Net Debt (A$m)	282.0
Lease Liabilities (A$m)	355.9
Enterprise Value (A$m)	2,142.4

Year end December	2017	2018	2019	2020	2021e	2022e	2023e
Valuation Ratios							
Adjusted EPS (¢ps)		16.2	7.6	15.5	11.3	16.4	21.0
Change (%)		-16.0%	-53.1%	104.0%	-27.2%	44.8%	28.5%
Adjusted PE (x)		20.0	42.6	20.9	28.7	19.8	15.4
EV/EBITDAS (x)		17.1	14.6	10.9	10.0	8.2	6.9
EV/EBITDASL (x)		14.3	18.2	12.3	11.3	8.6	7.1
NTA ($ps)		1.40	1.41	1.51	1.69	1.75	1.86
P/NTA (x)		2.32	2.30	2.14	1.92	1.85	1.75
Book Value ($ps)		1.45	1.44	1.54	1.71	1.78	1.88
Price/Book (x)		2.24	2.25	2.11	1.89	1.82	1.72
DPS (¢)		13.5	5.5	9.0	9.0	10.0	11.0
Payout (%)		83.2%	72.3%	58.0%	79.6%	61.1%	52.3%
Yield (%)		4.2%	1.7%	2.8%	2.8%	3.1%	3.4%
Performance Ratios							
EBITDA/sales (%)	13.3%	12.5%	14.0%	16.9%	18.3%	20.2%	22.1%
EBIT/sales (%)	11.0%	8.0%	5.9%	9.3%	8.3%	10.5%	12.0%
OCF Realisation (%)	79%	107%	55%	84%	82%	86%	87%
FCF Realisation (%)	-31%	-129%	-397%	49%	-78%	-11%	63%
ROE (%)	16.3%	11.2%	4.8%	10.2%	6.2%	9.2%	11.2%
ROIC (%)	16.2%	11.3%	8.2%	14.3%	9.2%	12.5%	15.1%
Asset turn (years)	4.12	3.21	1.64	2.04	1.94	2.09	2.19
Capex/Depn (x)	2.18	3.10	1.64	0.82	1.18	1.11	0.71
Interest cover (x)	17.88	9.54	2.38	4.25	3.84	4.87	6.05
Net Debt/EBITDASL (x)	1.69	1.95	1.22	0.73	1.21	1.02	0.77
Indebtedness/EBITDAS (x)	1.69	1.95	3.21	2.34	2.87	2.36	1.91
Net debt/equity (%)	49%	53%	31%	23%	33%	32%	27%
Segmentals							
Produce	841.4	824.1	869.3	930.2	906.4	1,026.0	1,093.2
Costa Farms and logistics	153.9	155.2	149.1	159.5	155.5	176.0	187.5
International	13.5	77.3	91.7	150.4	178.9	184.1	202.9
Intersegment	(55.8)	(55.8)	(62.2)	(75.2)	(73.3)	(83.0)	(88.4)
Revenue	**953.0**	**1,000.8**	**1,047.9**	**1,164.9**	**1,167.5**	**1,303.1**	**1,395.3**
Produce	114.0	98.2	105.9	124.9	126.2	172.1	213.6
Costa Farms and logistics	2.6	5.8	15.2	14.8	13.0	13.8	14.3
International	10.4	21.2	25.9	57.5	74.5	77.0	81.1
EBITDAS	**127.0**	**125.2**	**147.0**	**197.2**	**213.8**	**262.9**	**309.0**
SGARA	8.4	(6.1)	4.3	8.0	(6.0)	0.0	0.0
EBITDA	**135.4**	**119.1**	**151.3**	**205.2**	**207.8**	**262.9**	**309.0**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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