



# ERIK PENSER BANK

Penser Access | Food: Specialty/Candy | Sweden | 23 October 2020

## Midsona

### An unusual quarter

#### Reverse stockpiling

Sales rose to SEK 821m (765), which was 9% below our expectation. The difference is partly because the lifting of Covid-19 restrictions led to a reverse stockpiling effect, and partly because of weak growth in consumer health products. This also had an impact on the gross margin since this category has a high margin. As a result, the GM fell to 27.2% (30.1%) vs our expectation of 31%.

#### System Frugt bought for 7.8x EV/EBITDA

System Frugt is a leader in dried fruit and nuts for the grocery trade. The company's product portfolio complement and strengthen Midsona's position in the categories of healthy snacks and plant-based foods. The purchase price amounts to approximately SEK 298m. This represents EV/EBITDA of 7.8x, and 4.1x including synergies that the company estimates at SEK 34m annually with full effect in 2023.

#### EPS cut by 6% for '21e

Following the report, we are cutting our EPS estimate for '21e by 6% as a consequence of 1) the reverse stockpiling effect 2) weaker sales in consumer health products than we previously expected and 3) slightly higher raw material prices. On our estimates, the share is traded at P/E 15.9x for '21e, which means a 15% discount to its peers. However, we are cutting our fair value to SEK 85-90 (90-95) due to slower EPS growth.

Estimate Changes (SEK)				Estimates (SEK)					Risk and Potential	
	Now	Before		19	20e	21e	22e	Motivated value	85.00 - 90.00	
EPS, adj 20e	2.57	3.03	-15.2%	Sales,m	3,081	3,622	4,201	4,243	Current price	SEK71.40
EPS, adj 21e	4.49	4.76	-5.7%	Sales Growth	8.0%	17.5%	16.0%	1.0%	Risk level	Medium
EPS, adj 22e	4.65	5.04	-7.8%	EBITDA, m	284	394	561	574		
				EBIT, m	170.0	257.7	441.1	454.0		
				EPS, adj	1.49	2.57	4.49	4.65		
				EPS Growth	(46.8)%	72.1%	74.9%	3.5%		
				Equity/Share	35.7	36.8	39.3	41.4		
				Dividend	1.25	1.50	2.00	2.50		
				EBIT Marginal	5.5%	7.1%	10.5%	10.7%		
				ROE (%)	4.9%	7.0%	11.4%	11.2%		
				ROCE	4.1%	5.6%	9.3%	9.4%		
				EV/Sales	1.99x	1.70x	1.46x	1.45x		
				EV/EBITDA	21.6x	15.6x	10.9x	10.7x		
				EV/EBIT	36.1x	23.8x	13.9x	13.5x		
				P/E, adj	47.8x	27.8x	15.9x	15.4x		
				P/Equity	2.0x	1.9x	1.8x	1.7x		
				Dividend yield	2.5%	2.1%	2.8%	3.5%		
				FCF yield	4.9%	7.1%	11.8%	11.5%		
				Net Debt/EBITDA	4.8g	3.8g	2.4g	1.9g		

Calendar Events	
Q4 rapport	5 feb 2021
Q1 rapport	29 apr 2021
Q2 rapport	22 juli 2021

Key Figures (mkr)	
Number of Shares	65.0m
Market cap	4,641
Net Debt	1,500
EV	6,141
Free Float	65.00%
Avg. No. of Daily Traded Sh.	71.0(k)
Reuters/Bloomberg	MSONb.ST/MSONB SS

#### One Year Performance Chart

Analysts	
johan.lochen@penser.se	
Analysavdelningen	



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## Overview

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### An unusual quarter

#### Investment Case

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Midsona is a Nordic leader in health and well-being. The company's ambition is to make it easier for people to make their own contribution to a healthier everyday life. The company develops, manufactures and markets products in the areas of dietary supplements, natural remedies and health foods. Midsona currently has a strong position in the Nordic market, with several well-known own brands in its product portfolio. We anticipate growth in excess of 10% per year for the company's eight priority brands over the next two years.

#### Company Profile

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Midsona states that cost synergies from Davert will be achieved primarily in areas such as production, purchasing and cross-selling. In 2022, these synergies are expected to have an annual effect on EBITDA of approximately SEK 40m. The first synergies are expected to be realised in 2019. We forecast that the company will manage to achieve synergies of SEK 10m and SEK 20m for 2019e and 2020e respectively. Midsona's Nordic programme, aimed at streamlining the organisation alongside the international expansion, is expected to provide annual cost savings of SEK 40m in 2021. We expect Midsona to be able to realise around SEK 8m in synergies from System Frugt in 2021. In total, we expect SEK 34m annually with full effect in 2023.

#### Valuation approach

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The company is traded on our projections at P/E 15.9x for 2021e, compared with P/E 19.1x for the Nasdaq all share index. The sector (comprising Atria, Cloetta and Olvi) is traded on average at P/E 18.6x for 2021e. We believe that Midsona is undervalued based on: 1) the strong brand portfolio; 2) the company's successful acquisition strategy and strong cash flows; 3) the niche in health, well-being and organic, which we regard as structurally growing.

#### Target Price

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Given the company's growing EPS trend, we see no reason for it to trade at a discount to the sector, which means an upside of 20% to a fair value of SEK 85-90.

## Latest acquisitions

In Q4 2020, Midsona bought System Frugt, which has sales of approximately SEK 562m and adjusted EBITDA of around SEK 38m in 2020. The purchase price amounts to approximately SEK 298m on a debt-free basis and corresponds to an EV multiple of 7.8x EBITDA for 2020 and 4.1x EBITDA including synergies, which are estimated by the company at SEK 34m annually with full effect from the end of 2022. The acquisition has been financed through existing cash and credit facilities.

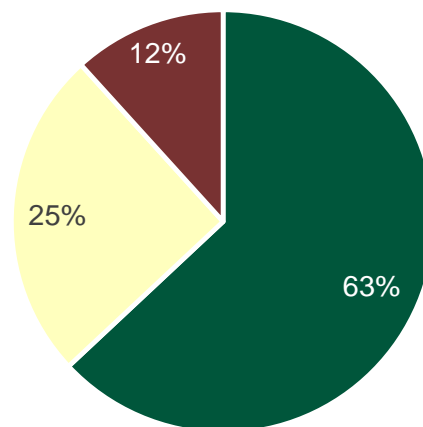
At the end of June 2020, Midsona acquired the Gainomax brand and strengthened its position in sports nutrition. Gainomax had sales in 2019 of SEK 80m and sells in Sweden and Finland. The company's EBITDA margin is in line with Midsona's, leading to an estimated acquisition multiple of 8.2x EV/EBITDA. Through the acquisition, Midsona takes over all trademark rights from 1 September 2020.

In the summer of 2019, Midsona purchased companies that have sales in excess of SEK 530m (Alimentation SEK 420m, Eisblümerl around SEK 100m and Ekko SEK 10m). German Eisblümerl was acquired for SEK 83 million (EV/EBITDA 4.6x) and was financed through bank loans. Eisblümerl will be integrated into Midsona's German operations, Davert, which we believe will lift Davert's EBITDA margin. Alimentation Santé is a leading player in organic and plant-based foods in France and Spain. It is worth pointing out that the company is active in the rapidly growing segment for plant-based meat alternatives. The purchase price for Alimentation corresponded to an EV/EBITDA multiple of 11.5x. Midsona expects to capitalise cost synergies of approximately SEK 21m annually from 2021, leading the acquisition multiple to drop to 8.2x.

### Aktiestruktur, ledning

	Röster	Aktier
Största aktirägare		
Stena Adactum AB	23,43%	28,03%
La Financière de l'Echiquier	10,87%	9,84%
Creades AB	5,90%	5,34%
Swedbank Robur Fonder	5,16%	4,67%
Övriga	54,64%	52,12%
Ordförande	Ola Erici	
Verkställande direktör	Peter Åsberg	
Finansdirektör	Lennart Svensson	
Investerarkontakt	-	
Hemsida	midsona.com	

### Försäljning per marknad



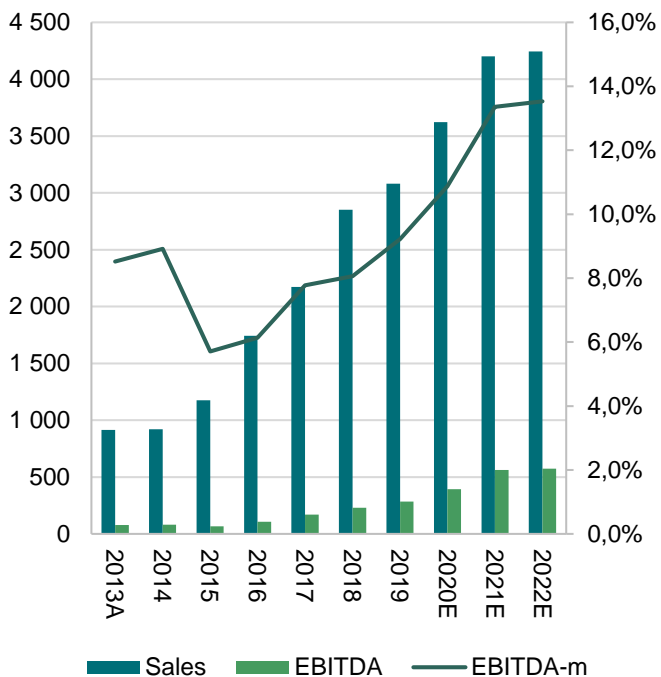
■ Nordics ■ North Europe ■ South Europe

### Midsona – Peers

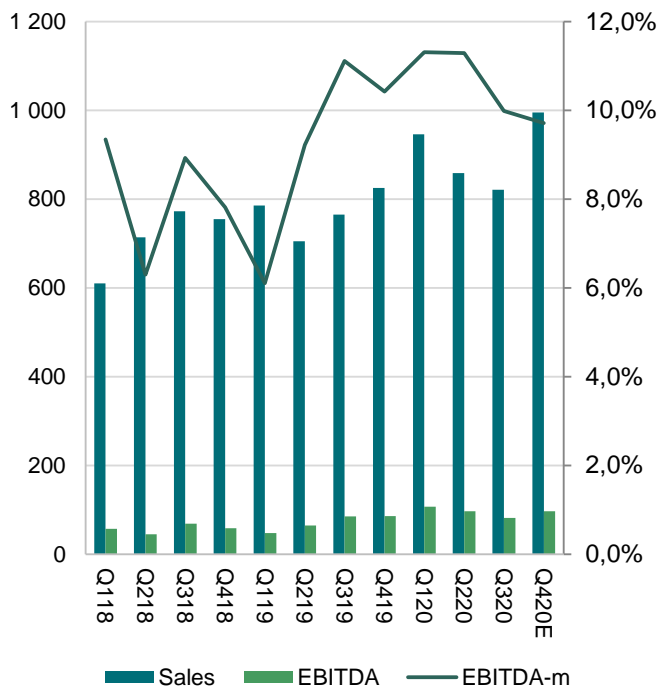
	Kurs (lokal)	MV (mdkr)	EV/EBIT (just.)			P/E (just.)			Dir.avk. 21e	EBIT-marg.			EPS-växt			EPS-trend		Kursutveckling		
			20e	21e	22e	20e	21e	22e		20e	21e	22e	20e	21e	22e	1mån	6mån	1mån	6mån	
Atria Oyj	9,9	EUR	3	13,8	10,6	9,5	12,2	9,9	9,3	5,0%	2,5%	2,9%	3,0%	43%	23%	6%	0%	-2%	11%	5%
Cloetta	22	SEK	6	15,5	12,0	10,7	16,9	13,2	12,0	4,5%	9,6%	11,4%	12,1%	-27%	28%	10%	1%	-21%	2%	1%
Olvi Oyj	42,5	EUR	9	15,3	13,7	12,3	20,8	18,2	16,9	2,7%	13,3%	13,8%	14,2%	1%	14%	8%	0%	-3%	3%	16%
Orkla ASA	92	NOK	87	18,6	17,1	16,6	20,0	19,0	18,3	3,0%	11,5%	12,0%	12,1%	9%	6%	4%	3%	5%	2%	-4%
Scandi Standard	65	SEK	4	12,9	11,6	11,3	12,6	10,7	9,6	5,0%	4,9%	5,3%	5,4%	31%	18%	11%	0%	0%	-2%	-3%
Tyson Foods	59	USD	184	11,0	9,6	7,7	na	na	na	3,2%	6,8%	7,2%	8,5%	na	na	na	na	na	-1%	-4%
Unilever	47	EUR	634	16,7	15,9	15,3	21,6	20,9	19,9	3,6%	19,1%	19,4%	19,5%	-14%	3%	5%	-2%	-4%	1%	12%
Nestle S.A	106	CHF	2 959	22,3	21,7	20,8	25,2	23,8	22,1	2,6%	17,8%	18,0%	18,4%	-4%	6%	8%	0%	-5%	-2%	2%
Procter & Gamble Company	142	USD	3 083	23,1	20,9	19,8	27,8	25,6	24,0	2,2%	22,8%	24,0%	24,6%	na	na	na	na	na	5%	20%
<b>Midsona</b>	<b>72</b>	<b>SEK</b>	<b>5</b>	<b>23,8</b>	<b>13,9</b>	<b>13,5</b>	<b>27,8</b>	<b>15,9</b>	<b>15,4</b>	<b>2,1%</b>	<b>7,1%</b>	<b>10,5%</b>	<b>10,7%</b>	<b>29%</b>	<b>40%</b>	<b>9%</b>	<b>3%</b>	<b>-4%</b>	<b>13%</b>	<b>61%</b>
Medel				17,2	15,4	14,4	20,6	18,6	17,3	3,2%	11,5%	12,5%	12,9%	8%	17%	8%	1%	-4%	3%	10%
Median				16,1	14,8	13,8	20,8	19,0	18,3	3,0%	10,5%	11,7%	12,1%	5%	16%	8%	0%	-3%	2%	3%

Källa: Factset, Bolagsdata

## Resultatutveckling, helår



## Resultatutveckling, kvartal



## Resultaträkning

	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Nettoomsättning	920	1 174	1 744	2 173	2 852	3 081	3 622	4 201	4 243
Övriga intäkter	0	0	0	0	0	0	0	0	0
Extraordinära intäkter	0	0	0	0	0	0	0	0	0
Kostnad sålda varor	-499	-699	-1 127	-1 430	-1 980	-2 178	-2 585	-2 861	-2 881
<b>Bruttovinst</b>	<b>421</b>	<b>475</b>	<b>617</b>	<b>743</b>	<b>872</b>	<b>903</b>	<b>1 037</b>	<b>1 340</b>	<b>1 362</b>
Försäljningskostnader	-271	-323	-377	-425	-473	-505	-535	-643	-649
Administrationskostnader	-87	-103	-149	-179	-212	-240	-273	-290	-293
Övriga intäkter	21	28	30	38	59	151	177	168	168
Övriga kostnader	-2	-10	-14	-8	-16	-25	-12	-14	-14
Extraordinära kostnader	0	0	0	0	0	0	0	0	0
<b>Rörelseresultat (EBITDA)</b>	<b>82</b>	<b>67</b>	<b>107</b>	<b>169</b>	<b>230</b>	<b>284</b>	<b>394</b>	<b>561</b>	<b>574</b>
Avskrivningar	-15	-19	-25	-35	-52	-114	-136	-120	-120
Goodwillnedskrivningar	0	0	0	0	0	0	0	0	0
<b>Resultat (EBIT)</b>	<b>67</b>	<b>48</b>	<b>82</b>	<b>134</b>	<b>178</b>	<b>170</b>	<b>258</b>	<b>441</b>	<b>454</b>
Extraordinära Poster	0	0	0	0	0	0	0	0	0
<b>Justerat Resultat (EBIT)</b>	<b>67</b>	<b>48</b>	<b>82</b>	<b>134</b>	<b>178</b>	<b>170</b>	<b>258</b>	<b>441</b>	<b>454</b>
Finansella intäkter	0	0	0	0	0	0	0	0	0
Finansiella kostnader	-8	-9	-24	-22	-15	-54	-49	-76	-76
<b>Resultat före skatt</b>	<b>59</b>	<b>39</b>	<b>58</b>	<b>112</b>	<b>163</b>	<b>116</b>	<b>209</b>	<b>365</b>	<b>378</b>
Skatter	4	27	-13	-28	-34	-19	-42	-73	-76
Minoritetsintressen	0	0	0	0	0	0	0	0	0
<b>Nettoresultat Rapporterat</b>	<b>63</b>	<b>66</b>	<b>45</b>	<b>84</b>	<b>129</b>	<b>97</b>	<b>167</b>	<b>292</b>	<b>302</b>
<b>Nettoresultat (just)</b>	<b>63</b>	<b>66</b>	<b>45</b>	<b>84</b>	<b>129</b>	<b>97</b>	<b>167</b>	<b>292</b>	<b>302</b>

## Kassaflödesanalys

	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
Nettoresultat Rapporterat	73	64	103	146	182	221	345	485	498
Icke kassaflödespåverkande poster	0	0	0	0	0	0	0	0	0
Förändringar i rörelsekapital	-17	23	-34	6	30	-23	78	-14	42
<b>Kassaflöde från den operationella verksamheten</b>	<b>56</b>	<b>87</b>	<b>69</b>	<b>152</b>	<b>212</b>	<b>198</b>	<b>423</b>	<b>471</b>	<b>540</b>
Investeringar	-54	-254	-848	-91	-357	-712	-473	-168	-170
Avyttringar	0	0	0	0	0	0	0	0	0
<b>Fritt Kassaflöde</b>	<b>2</b>	<b>-167</b>	<b>-779</b>	<b>61</b>	<b>-145</b>	<b>-514</b>	<b>-50</b>	<b>303</b>	<b>371</b>
Utdelningar	-9	-20	-23	-51	-58	-81	-98	-130	-163
Nyemission/återköp	-5	203	801	-18	247	670	0	0	0
Förvärv	0	0	0	0	0	0	378	0	0
Lånefinansiering och övriga justeringar	0	0	0	0	0	0	0	0	0
<b>Kassaflöde</b>	<b>-12</b>	<b>16</b>	<b>-1</b>	<b>-8</b>	<b>44</b>	<b>75</b>	<b>231</b>	<b>173</b>	<b>208</b>
Icke kassaflödespåverkande poster	0	0	0	0	0	0	0	0	0
<b>Nettoskuld (just)</b>	<b>151</b>	<b>258</b>	<b>662</b>	<b>652</b>	<b>1 116</b>	<b>1 353</b>	<b>1 500</b>	<b>1 327</b>	<b>1 119</b>

## Balansräkning

	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E
<b>TILLGÅNGAR</b>									
Goodwill	875	1 067	1 940	2 129	2 466	3 058	3 016	2 943	2 867
Övriga immateriella tillgångar	0	0	0	0	0	0	0	0	0
Materiella anläggningstillgångar	9	47	55	58	254	585	922	970	1 019
Räntebärande anläggningstillgångar	0	0	0	0	0	0	0	0	0
Innehav i intresseföretag och andelar	0	0	0	0	0	0	0	0	0
Övriga anläggningstillgångar	48	81	84	102	78	101	101	101	101
<b>Summa anläggningstillgångar</b>	<b>932</b>	<b>1 195</b>	<b>2 079</b>	<b>2 289</b>	<b>2 798</b>	<b>3 744</b>	<b>4 039</b>	<b>4 014</b>	<b>3 987</b>
Varulager	100	151	244	272	482	529	453	467	424
Kundfordringar	100	131	209	213	259	290	362	420	424
Övriga omsättningstillgångar	17	17	23	29	59	44	44	44	44
Likvida medel	50	61	65	54	101	173	404	577	785
<b>Summa omsättningstillgångar</b>	<b>267</b>	<b>360</b>	<b>541</b>	<b>568</b>	<b>901</b>	<b>1 036</b>	<b>1 263</b>	<b>1 508</b>	<b>1 677</b>
<b>SUMMA TILLGÅNGAR</b>	<b>1 199</b>	<b>1 555</b>	<b>2 620</b>	<b>2 857</b>	<b>3 699</b>	<b>4 780</b>	<b>5 301</b>	<b>5 521</b>	<b>5 665</b>
<b>Eget Kapital och skulder</b>									
Eget Kapital	751	877	1 349	1 550	1 630	2 322	2 391	2 553	2 693
Minoritetsintressen	0	0	0	0	0	0	0	0	0
<b>Summa Eget Kapital</b>	<b>751</b>	<b>877</b>	<b>1 349</b>	<b>1 550</b>	<b>1 630</b>	<b>2 322</b>	<b>2 391</b>	<b>2 553</b>	<b>2 693</b>
Långfristiga finansiella skulder	148	250	706	665	1 130	1 382	1 760	1 760	1 760
Pensionsavsättningar	0	0	0	0	0	0	0	0	0
Uppskjutna skatteskulder	80	135	207	221	271	321	321	321	321
Övriga långfristiga skulder	4	0	4	5	83	92	92	92	92
<b>Summa Långfristiga skulder</b>	<b>232</b>	<b>385</b>	<b>917</b>	<b>891</b>	<b>1 484</b>	<b>1 795</b>	<b>2 173</b>	<b>2 173</b>	<b>2 173</b>
Kortfristiga finansiella skulder	53	69	21	41	87	144	144	144	144
Leverantörsskulder	88	132	212	220	357	288	362	420	424
Skatteskulder	0	0	0	0	0	2	2	2	2
Övriga Kortfristiga skulder	75	92	121	155	141	229	229	229	229
<b>Summa kortfristiga skulder</b>	<b>216</b>	<b>293</b>	<b>354</b>	<b>416</b>	<b>585</b>	<b>663</b>	<b>737</b>	<b>795</b>	<b>799</b>
<b>Summa Eget Kapital och skulder</b>	<b>1 199</b>	<b>1 555</b>	<b>2 620</b>	<b>2 857</b>	<b>3 699</b>	<b>4 780</b>	<b>5 302</b>	<b>5 522</b>	<b>5 666</b>

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Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM

tel: +46 8 463 80 00 fax: +46 8 678 80 33 [www.penser.se](http://www.penser.se)