



## ERIK PENSER BANK

Penser Access | Food: Specialty/Candy | Sweden | 10 November 2021

# Midsona

## Midsona Q3'21

### Higher sales and profit driven by acquisitions

Sales increased by 8.8% compared to last year, driven by acquisitions. Organic growth decreased by 3.9%, and this weakness was mainly due to disruptions in the supply chain. The EBITDA margin was 9.0% (8.8%), with the improvement attributable to larger volumes, cost synergies from acquisitions and a stronger gross margin thanks to a better mix and price increases.

### Perfect storm in supply chain affected volumes...

Midsona is in a perfect storm, with its entire supply chain exposed. Poor harvests for most inputs are impacting availability and prices, while container shortages are leading to shipping problems. On top of this is a shortage of packaging materials. This has continued into Q4, and price increases are planned as a response. There was a new rights issue and continued acquisitions during the quarter.

### ... leading to downgrades

We are therefore cutting back our EPS estimates, for 2021 by 42% and for 2022 by 38%. However, we believe that organic growth will recover in 2022. We have reduced our fair value to SEK 58–62 per share, which means a small but justified premium against its peers.

Estimate Changes (kr)				Estimates (kr)					Risk and Potential	
	Now	Before		20	21e	22e	23e	Motivated value	58.0 - 62.0	
EPS, justerad 21e	1.95	3.35	-41.9%	Sales, mkr	3,709	3,822	4,051	4,173	Current Price	SEK51.6
EPS, justerad 22e	2.46	3.99	-38.4%	Sales Growth	20%	3%	6%	3%	Risk level	Medium
EPS, justerad 23e	2.83	4.24	-33.4%	EBITDA, mkr	404	413	485	524		
				EBIT, mkr	257	236	294	328		
				EPS, justerad	2.7	1.9	2.5	2.8		
				EPS tillväxt	81%	(28)%	26%	15%		
				EK/aktie	31.8	39.4	40.6	42.2		
				Utdelning/aktie	1.3	1.3	1.3	1.3		
				EBIT-marginal	6.9%	6.2%	7.3%	7.9%		
				ROE	7.6%	4.6%	6.0%	6.7%		
				ROCE	6.1%	5.0%	6.1%	6.6%		
				EV/Sales	1.3x	1.3x	1.2x	1.2x		
				EV/EBITDA	12.3x	12.1x	10.3x	9.5x		
				EV/EBIT	19.4x	21.1x	16.9x	15.2x		
				P/E, justerad	19.1x	26.5x	21.0x	18.2x		
				P/EK	1.6x	1.3x	1.3x	1.2x		
				Direktavkastning	1.6%	2.4%	2.4%	2.4%		
				FCF yield	(1.7)%	(3.2)%	4.3%	5.6%		
				Nettosk./EBITDA	3.9g	3.1g	2.5g	2.1g		

Calendar Events	
Q4 report	4 Feb 2022
Q1 report	28 April 2022
Q2 report	5 May 2022

Key Figures (mkr)	
Number of Shares	73m
Börsvärde	3,752
Net Debt	1,237
EV	4,989
Free Float	65%
Genomsnittlig handelsvolym	67(k)
Reuters/Bloomberg	MSONb.ST/MSONB SS

One Year Performance Chart	

Analysts	
henrik.holmer@penser.se	



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## Overview

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### Midsona Q3'21

#### Investment Case

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Midsona's exposure to organic and plant-based foods means it should be able to experience more rapid organic growth than the food industry as a whole. Its acquisition strategy has meant strong growth in both sales and profitability. The company has consolidated the Nordic market and is now contributing to consolidation in the rest of Europe. Acquisitions are bringing cost synergies and economies of scale throughout the value chain, from purchasing to sales. Increased consumer awareness and a focus on sustainability and health mean that Midsona's products are able to make the shift from the specialist health trade into grocery stores in Europe, just as has happened in the Nordic countries. This contributes to good organic growth.

#### Company Profile

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Midsona is a leading supplier in organic and plant-based foods, health foods and consumer health in the Nordic region, and its ambition is to be at the vanguard in Europe. The company develops, manufactures and markets several well-known brands aimed at helping people live a healthy life. These products are available through multiple sales channels – grocery stores, pharmacies, health food stores, gyms and online. Midsona has targeted average annual expansion of 15 percent through both organic and acquired growth. It has delivered this historically, and we believe the company should be able to continue to achieve this with its existing strategy.

#### Valuation approach

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The share is traded on our forecasts at P/E 21.0x for 2022e, which is in line with the Nasdaq Stockholm All Share Index's P/E 21.2x. The sector is traded at an average P/E of 17.2x for 2022e. We believe that Midsona should be traded at a premium based on: 1) its strong brand portfolio; 2) the company's successful acquisition strategy; and 3) its niche towards health, well-being and organic that we regard as growing structurally. We regard the company's new investment in plant-based proteins as an asset that may be upwardly valued given how shares in this area are priced. Midsona has historically traded at P/E 24.

#### Target Price

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Given the above reasoning, we assess that the share should be valued at a premium to other companies in the sector. Due to the temporary supply chain setbacks impacting sales volumes, we have trimmed back our fair value to SEK 58–62 from SEK 75–80 driven by the EPS reduction.

## A perfect storm of external factors in the short term, but the long-term case is strong

The situation that has arisen this autumn is unique in that almost all variables throughout the entire value chain are going wrong at the same time. Midsona is used to swings and roundabouts, with the positives outweighing the negatives. There have been poor harvests for several important inputs this autumn, leading to shortages and price hikes. The transport problems in the global supply chain have also made it even more difficult to bring in goods, and there has even been a shortage of packaging. In addition, Midsona had some production problems in its Danish factory for System Frugt.

Midsona's business benefited during the first half of 2020 from the pandemic shutdown. Some of Midsona's products sold well as a result of hoarding, and demand for multiple products benefited from restaurant visits being replaced with home cooking. This in turn led to tough comparison numbers in the first half of 2021, but these were expected to ebb away in the third quarter to make comparisons easier. The effect was instead negative as restaurant visits were prioritized over home consumption, especially in southern Europe. Another effect of the opening up of society was that consumers who chose to shop in their local health food store during the pandemic, where Midsona's products are mainly sold in France and Spain, now began to buy more at the large supermarkets, where Midsona's products are not as well represented.

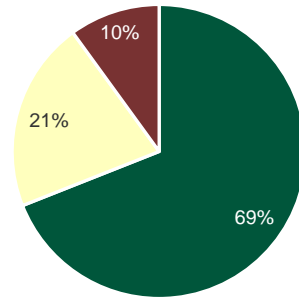
We expect that Midsona will be able to offset the increased input and logistics costs through price hikes, although this will be with some lag. The important Christmas trade will be smaller than normal as the company is not getting its products out to customers, so we expect this to impact sales in Q4 as well. It is difficult to estimate how protracted the situation will be, but we assume that the shipping issues will improve and normalize next year. Midsona's rollout of its brands to the important grocery trade in Europe has gone well, and we expect this to continue. The market penetration of organic food in Europe lags far behind the Nordic market, which means good prospects for growth. In addition, a continued improvement in the product mix should contribute positively to future growth.

This leads us to believe that organic growth will return next year. In addition, the company will continue to acquire, consolidate and grow in the European market, where its exposure to organic, health and well-being will lead to structural growth exceeding the food industry as a whole.

## Shareholders

Shareholders	Votes	Shares
Stena Adactum AB	27,5%	29,0%
Swedbank Robur Fonder	7,6%	8,3%
La Financière de l'Echiquier	5,4%	5,9%
Peter Wahlberg	4,5%	5,0%
Övriga	55,0%	51,8%
Chairman	Ola Erici	
CEO	Peter Åsberg	
CFO	Max Bokander	
Contact	-	
Website	midsona.com	

## Sales by market



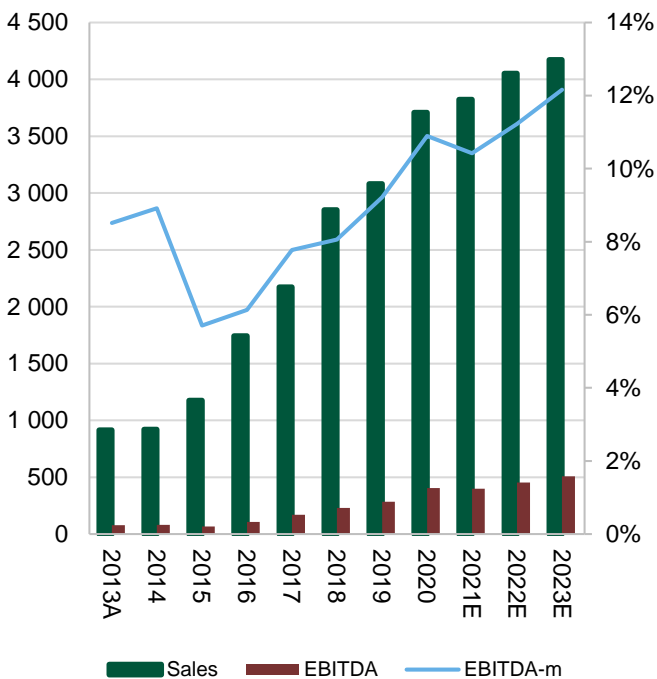
■ Nordics ■ North Europe ■ South Europe

## Peers

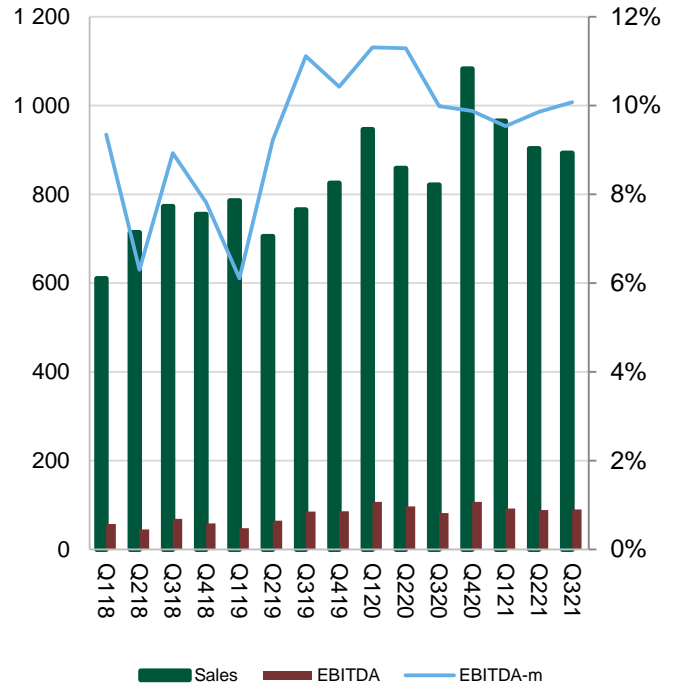
	Price		MCAP		EV/EBIT (adj)			P/E (adj)			Div yield	EBIT-marg.			Share performance
	(local)		(local ccy)		21e	22e	23e	21e	22e	23e	22e	21e	22e	23e	YTD
Atria Oyj Class A	11,4	EUR	322		9,9	11,2	10,5	11,5	10,6	10,0	4,6%	3,4%	2,9%	3,1%	16%
Cloetta AB Class B	28,3	SEK	8 168		15,9	13,8	12,9	17,0	15,6	14,5	3,9%	10,5%	11,7%	12,4%	15%
Olvi Oyj Class A	52,1	EUR	1 080		16,9	15,0	13,7	22,1	19,9	18,2	2,5%	13,3%	13,7%	14,2%	7%
Orkla ASA	86,4	NOK	86 504		17,1	16,2	15,9	17,1	16,4	15,8	3,5%	11,9%	12,1%	12,1%	-1%
Scandi Standard AB	43,8	SEK	2 893		19,1	13,7	12,5	23,6	13,1	12,0	5,8%	2,5%	3,4%	3,6%	-36%
Tyson Foods, Inc. Class A	81,6	USD	29 184		9,0	10,4	10,3	10,3	11,7	11,1	2,4%	8,8%	7,5%	7,7%	27%
Unilever PLC	39,0	EUR	100 344		15,3	14,6	14,0	18,0	17,0	16,1	3,9%	18,2%	18,2%	18,4%	-11%
Nestle S.A.	123,2	CHF	346 752		25,8	24,3	23,0	27,6	25,7	24,0	2,4%	17,2%	17,3%	17,6%	18%
Procter & Gamble Company	146,0	USD	353 409		20,8	21,7	20,4	25,8	24,6	22,9	2,4%	23,7%	23,3%	23,8%	5%
<b>Midsona</b>	<b>53,2</b>	<b>SEK</b>	<b>3 871</b>		<b>21,1</b>	<b>16,9</b>	<b>15,2</b>	<b>26,5</b>	<b>21,0</b>	<b>18,2</b>	<b>2,8%</b>	<b>6,2%</b>	<b>7,3%</b>	<b>7,9%</b>	<b>-32%</b>
Average					16,6	15,7	14,8	19,2	17,2	16,1	3,5%	12,2%	12,2%	12,5%	
Median					16,9	14,6	13,7	18,0	16,4	15,8	3,5%	11,9%	12,1%	12,4%	

Source: Factset, Bloomberg

## Performance, full year



## Performance, quarters



## Income Statement

Income Statement	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net sales	1 174	1 744	2 173	2 852	3 081	3 709	3 822	4 051	4 173
Other operating income	0	0	0	0	0	0	0	0	0
Extraordinary income	0	0	0	0	0	0	0	0	0
Cost of goods sold	-699	-1 127	-1 430	-1 980	-2 178	-2 672	-2 762	-2 917	-2 983
<b>Gross profit</b>	475	617	743	872	903	1 037	1 059	1 134	1 189
Selling expenses	-323	-377	-425	-473	-505	-542	-582	-579	-593
Administrative expenses	-103	-149	-179	-212	-240	-284	-282	-304	-313
Other working costs	28	30	38	59	151	199	224	240	247
Other costs	-10	-14	-8	-16	-25	-6	-6	-6	-7
Extraordinary costs	0	0	0	0	0	0	0	0	0
<b>EBITDA</b>	67	107	169	230	284	404	413	485	524
Depreciation/amortization	-19	-25	-35	-52	-114	-147	-177	-190	-196
Good will depreciation	0	0	0	0	0	0	0	0	0
<b>EBIT</b>	48	82	134	178	170	257	236	294	328
Extraordinary items	0	0	0	0	0	0	0	0	0
<b>Adjusted EBIT</b>	48	82	134	178	170	257	236	294	328
Financial income	0	0	0	0	0	0	0	0	0
Financial costs	-9	-24	-22	-15	-54	-53	-71	-71	-71
<b>Profit before taxes</b>	39	58	112	163	116	204	165	223	257
Income tax	27	-13	-28	-34	-19	-28	-33	-45	-51
Minority interest	0	0	0	0	0	0	0	0	0
<b>Net income</b>	66	45	84	129	97	176	132	179	206
<b>Net income (adjusted)</b>	66	45	84	129	97	176	132	179	206

## Balance Sheet

Balance Sheet	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
<b>Assets</b>									
Goodwill	1 067	1 940	2 129	2 466	3 058	3 289	3 289	3 289	3 289
Other intangible assets	0	0	0	0	0	0	0	0	0
Tangible fixed assets	47	55	58	254	585	548	562	534	505
Interest bearing fixed assets	0	0	0	0	0	0	0	0	0
Shares in associated companies	0	0	0	0	0	0	0	0	0
Other fixed assets	81	84	102	78	101	89	89	89	89
<b>Total fixed assets</b>	1 195	2 079	2 289	2 798	3 744	3 926	3 940	3 912	3 883
Inventory	151	244	272	482	529	643	764	810	835
Accounts receivable	131	209	213	259	290	290	409	433	446
Other current assets	17	23	29	59	44	73	73	73	73
cash and cash equivalents	61	65	54	101	173	195	495	566	685
<b>Total current assets</b>	360	541	568	901	1 036	1 201	1 742	1 882	2 039
<b>Total Assets</b>	1 555	2 620	2 857	3 699	4 780	5 127	5 682	5 794	5 922
<b>Equity and liabilities</b>									
Equity	877	1 349	1 550	1 630	2 322	2 313	2 864	2 952	3 066
Minority interest	0	0	0	0	0	0	0	0	0
<b>Total equity</b>	877	1 349	1 550	1 630	2 322	2 313	2 864	2 952	3 066
Non-current liabilities	250	706	665	1 130	1 382	1 526	1 526	1 526	1 526
Provisions for pensions	0	0	0	0	0	0	0	0	0
Deferred tax liabilities	135	207	221	271	321	342	342	342	342
Other non-current liabilities	0	4	5	83	92	38	38	38	38
<b>Total non-current liabilities</b>	385	917	891	1 484	1 795	1 906	1 906	1 906	1 906
Current liabilities	69	21	41	87	144	253	253	253	253
Accounts payable	132	212	220	357	288	405	409	433	446
Tax liability	0	0	0	0	2	0	0	0	0
Other current liabilities	92	121	155	141	229	250	250	250	250
<b>Total current liabilities</b>	293	354	416	585	663	908	912	936	949
<b>Total equity and liabilities</b>	1 555	2 620	2 857	3 699	4 780	5 127	5 682	5 794	5 922

## Cash Flow Statement

### Cash Flow Statement

	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net income	64	103	146	182	221	319	309	369	402
Items not affecting cash flow	0	0	0	0	0	0	0	0	0
Changes in working capital	23	-34	6	30	-23	-36	-236	-46	-24
<b>Cash flow from operating activities</b>	<b>87</b>	<b>69</b>	<b>152</b>	<b>212</b>	<b>198</b>	<b>283</b>	<b>73</b>	<b>323</b>	<b>377</b>
Investments	-254	-848	-91	-357	-712	-369	-191	-162	-167
Divestments	0	0	0	0	0	0	0	0	0
<b>Free cash flow</b>	<b>-167</b>	<b>-779</b>	<b>61</b>	<b>-145</b>	<b>-514</b>	<b>-86</b>	<b>-118</b>	<b>161</b>	<b>211</b>
Dividends	-20	-23	-23	-51	-58	-81	-81	-91	-91
Right issue/Share buyback	203	801	-46	240	647	0	500	0	0
Acquisitions	0	0	0	0	0	378	0	0	0
Debt financing and other adjustments	0	0	0	0	0	0	0	0	0
<b>Cash flow</b>	<b>16</b>	<b>-1</b>	<b>-8</b>	<b>44</b>	<b>75</b>	<b>211</b>	<b>300</b>	<b>70</b>	<b>120</b>
Adjustments for non-cash items	0	0	0	0	0	0	0	0	0
<b>Net debt (adjusted)</b>	<b>258</b>	<b>662</b>	<b>652</b>	<b>1 116</b>	<b>1 353</b>	<b>1 584</b>	<b>1 284</b>	<b>1 213</b>	<b>1 094</b>

## Per Share Data

### Per Share Data

	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EPS	2,70	1,77	1,83	2,80	1,49	2,71	1,82	2,46	2,83
EPS adjusted	2,70	1,77	1,83	2,80	1,49	2,71	1,95	2,46	2,83
FCF per share	3,06	1,62	3,30	4,61	3,05	4,35	1,00	4,44	5,19
Dividend per share	1,00	1,10	1,25	1,25	1,25	1,25	1,25	1,25	1,25
Equity per share	30,85	31,63	33,69	35,43	35,72	35,58	39,39	40,59	42,17
Number of shares	28,43	42,65	46,01	46,01	65,00	65,00	72,71	72,71	72,71

### Valuation

	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
P/E	18,3	22,1	28,5	19,5	33,1	28,7	26,5	21,0	18,2
P/EK	1,6	1,2	1,5	1,5	1,4	2,2	1,3	1,3	1,2
P/FCF	16,1	24,2	15,7	11,9	16,2	17,9	51,6	11,6	9,9
Div yield	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Payout ratio	0,4	0,6	0,7	0,4	0,8	0,5	0,7	0,5	0,4
EV/Sales	1,4	1,3	1,4	1,3	1,5	1,8	1,3	1,2	1,2
EV/EBITDA	24,8	21,8	18,0	15,8	16,1	16,4	12,1	10,3	9,5
EV/EBITDA	34,6	28,4	22,7	20,4	26,8	25,8	21,1	16,9	15,2
Share price year end	49,4	39,1	52,0	54,8	49,4	77,8	0,0	0,0	0,0
EV, year end	1662,5	2330,0	3044,4	3635,2	4564,2	6641,4	4989,0	4989,0	4989,0

### Growth and Margins

	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A
Sales growth	28%	49%	25%	31%	8%	20%	3%	6%	3%
EBIT growth	-28%	71%	63%	33%	-4%	51%	-8%	25%	12%
ESP growth	-2%	-35%	3%	54%	-47%	81%	-28%	26%	15%
EBITDA margin	6%	6%	8%	8%	9%	11%	11%	12%	13%
EBIT margin	4%	5%	6%	6%	6%	7%	6%	7%	8%
Tax rate	-69%	22%	25%	21%	16%	20%	20%	20%	20%

### Profitability

	2015A	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
ROE	8%	4%	6%	8%	5%	8%	5%	6%	7%
ROCE	4%	5%	6%	7%	5%	6%	5%	6%	7%

Last paid	49,40	39,11	52,00	54,76	49,40	77,80	51,60	51,60	51,60
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