



KRI KRI S.A

Outlook:

We upgrade KRI KRI's fair estimated price to 5.00Euros/Share from 4.00Euros/Share previously, taking into consideration the solid performance of Yoghurt sector, the accelerated revenue contribution of the foreign markets which the Company operates and the improved operating margins as depicted in the HY'18 results.

KRI-KRI HY'18 results at a glance:

KRI KRI's financial results (HY'18) demonstrate a +23.80% revenue growth on a half-year basis.

Ice Cream sector's sales increased by 25.00% surpassing our expectations that called for a mild increase.

The Yogurt sector continues its robust performance demonstrating a +23.00% growth, surpassing our projections that called for a 6% growth on half year basis.

The Company managed to substantially increase its operating margins and overall profitability vs. the previous compared financial period.

Net Profitability stood at 7.35mn.Euros.

Date: 26/09/18

FAIR ESTIMATED PRICE: **5.00Euros/Share**

Investment Thesis: **IV**

Key Statistics:

VALUATION	26/9/2018
Share Price	4,89
Price High 52 week	4,89
Price Low 52 week	2,87
Current num. of shares	33.065.136
P/E	16
Market Cap.	161.688.515
EPS (E)	0,30
DPS (FY17)	0,09
<i>*Closing Price as 25/09/2018</i>	

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KRI KRI's latest financial results are clearly indicating the emphatic revenue growth in all lines with foreign market sales in the helm; paired with the satisfactory improvement in operating results.

Yoghurt sector's revenues demonstrate a strong (23,00%) growth both attributed to the foreign markets' revenue growth (37,00%) and to the ongoing substantial acceleration of the domestic market on a half year basis. The Ice Cream sector already marks substantial revenue growth for both the domestic market and foreign market respectively, terminating the previous revenue downward trend. In terms of operating profitability, the Company improved its overall operating earnings due to: A) the COGS reduction in the Ice Cream sector and B) the lower overall OPEX costs incurred in the HY'18 period.

KRI KRI's half year results are robust both in the domestic and the foreign markets and indicate a new era for the company. Specifically, the strong double digit growth in export sales imply a much better performance and penetration for KRI KRI's products sooner than perceived. In addition, domestic yoghurt sales show an acceleration much higher than expected in the short term that clearly signifies that the company is gaining market in Greece. Finally, Ice Cream sales in Greece appear to have fully recovered thanks to the addition of more point of sales. Following the above, we believe that the company is able to surpass the 100mn. Euros mark in total revenues for the FY18, much earlier than our previous estimates and without harming its operating margins.

KRI KRI's strategic positioning on the top of operating efficiency and the utilization of economies of scale indicate sustainable operating margins for the forthcoming period. We remain confident regarding the Company's ability to generate positive FCFE despite the 18,00mn.Euros capacity expansion plan and without harming its healthy capital structure. It is evident that the operating performance will alleviate the CAPEX effect regarding to the FY'18 FCFE and the completion of the capacity plan in the current year will pave the way for significantly higher cash flows in the coming periods and maintain a sufficient dividend yield. Accordingly we further upgrade KRI KRI's Fair Estimated Price to 5,00Euros/Shares previously and will be buyers in any possible price weakness.

FINANCIAL SUMMARY AND VALUATION TABLES

Table I: Income Statement

INCOME STATEMENT	2018E	2019E	2020E	2021E	2022E
Revenues	100.407.144	116.703.489	127.537.277	133.823.351	137.757.127
COGS	61.248.358	71.189.128	79.073.112	82.970.478	85.409.418
Gross Profit	39.158.786	45.514.361	48.464.165	50.852.873	52.347.708
Other Income	20.884.686	24.274.326	26.527.754	27.835.257	28.653.482
Sales Expenses	3.363.639	3.909.567	4.272.499	4.483.082	4.614.864
Admin. Expenses	127.397	148.073	164.472	172.579	177.652
R&D Expenses.	500.000	500.000	500.000	500.000	500.000
Other Expenses.					
EBITDA	17.723.897	20.681.683	21.372.643	22.450.705	23.125.347
D&A	3.313.436	3.851.215	4.208.730	4.416.171	4.545.985
EBIT	14.410.461	16.830.468	17.163.913	18.034.534	18.579.362
Interest Expense	400.000	400.000	400.001	400.002	400.002
EBT	14.010.461	16.430.468	16.763.912	17.634.532	18.179.360
Taxation	4.063.034	4.764.836	4.861.534	5.114.014	5.272.014
Net Income/Loss	9.947.427	11.665.632	11.902.377	12.520.518	12.907.346

Source: Company's statements, N.Chrysochoidis Research Department estimates.

Table II: Cash Flows

FCFF (E)	2018E	2019E	2020E
EBIT	14.410.460,91	16.830.468,16	17.163.912,87
Tax Rate	71%	71%	71%
Nopat	10.231.427,24	11.949.632,39	12.186.378,14
D&A	3.313.435,76	3.851.215,15	4.208.730,14
CAPEX	6.500.000,00	3.300.000,00	3.300.000,00
IWC	5.122.081,72	3.911.122,83	2.600.109,06
FCFF	1.922.781,28	8.589.724,71	10.494.999,22

Source: Company's statements, N.Chrysochoidis Research Department estimates

Table III: Valuation Metrics

GROWTH	12/18E	12/19E	12/20E
Sales growth	26,99%	9,28%	4,93%
EBITDA growth	37,05%	16,69%	3,34%
Net Profit/Loss growth	36,20%	17,27%	2,03%
RATIOS	12/18E	12/19E	12/20E
Debt/Equity	0,20	0,20	0,20
Capex/EBITDA	37%	16%	15%
ROE	17%	21%	21%
WACC	7,00%	7,00%	7,00%
VALUATION	12/18E	12/19E	12/20E
Book Value	1,72	1,80	1,80
P/BV	2,84	2,85	2,85
P/E	16	15	15

Ρήτρα Περιορισμού Ευθύνης:

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Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price
MCAP:	Κεφαλαιοποίηση	Capitalization
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio
DY:	Απόδοση Μερισμάτων	Dividend Yield
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price

Οδηγός Συστάσεων/Ratings

UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk Stock Price < 20% of Fair
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk Stock Price < 10% of Fair
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk 10% < Stock Price < 10%
OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk Stock Price > 10% of Fair
OV	Υπερτιμημένη Μετοχή	Overvalued Stock Price > 20% of Fair
N/R	Μη Αποτιμημένη Μετοχή	Not Rated