



Quarterly performance

The IAA 80: the Unigrains indicator of European listed agri-food stocks

Created by Unigrains, the IAA 80 consists of 80 listed agri-food stocks based in 13 countries of Western Europe (Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom). It is weighted by market capitalisation. The selected stocks have a market capitalisation of more than €50m and a minimum free float of 15%. Additional information on the composition of the IAA 80 indices is available in annex. All figures in this memorandum come from the S&P Capital IQ database and are calculated in euro.



2nd quarter of 2019 (Q219): key facts

IAA 80: growth slows down but remains positive

After a strong rebound the IAA 80 and the MSCI Europe slow down and tend to converge, at +2.9% vs +1.0% respectively over Q219. This reflects the revival of the US-China commercial war, which is currently the main driver of concerns over the world economic growth. In addition, the absence of Brexit agreement continues to weigh on the stock markets.

Over one year the IAA 80 largely overperforms the MSCI Europe, at +9.9% versus +2.9%. The index is underpinned by market leaders such as Nestle, Danone, Pernod Ricard and Diageo. They globally have returned to a more sustainable growth path, after having been fragilised by the combination of political and economic hiccups in several emerging markets with anaemic demand in developed countries.

Most of the French stocks have now returned to growth

The French sub-index ("FR 14", comprising 14 French companies) growth also slowed down in Q219, at +6.1% against +17.2% over the past 6 months. However, it remains ahead of the CAC 40 (+3.0%) and the IAA 80 (+2.9%). Most of the French stocks came back to positive trend over the last 3 months, which is not true when looking back over a full year. The +14.8% annual performance of the FR 14 fully relies on its 3 biggest components, namely Danone, Pernod Ricard and Remy Cointreau.

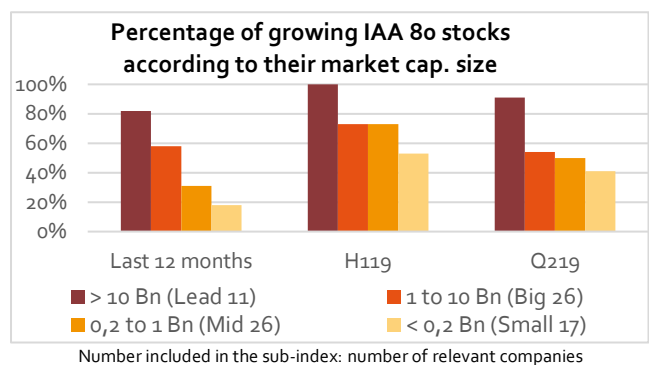
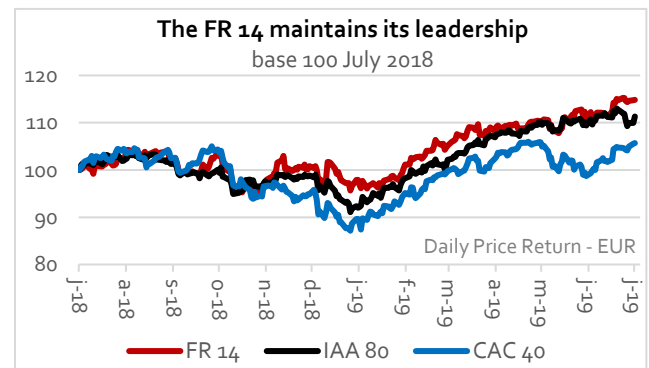
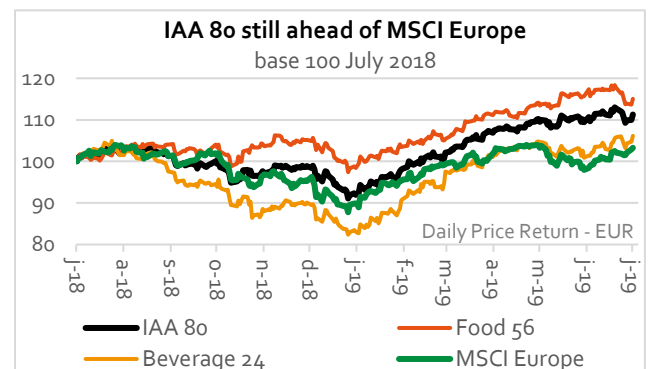
The stocks that are still losing value in Q219 face specific issues such as the Brexit (champagne and wine stocks), or a significant exposure to the strong increase in pork prices resulting from the African swine fever crisis in China.

Unigrains will soon publish a short report commenting the annual results of the French agri-food listed companies.

High correlation between a company's size and its stock performance

The size of a company is a meaningful factor underpinning the resilience of its operating performance. It notably provides a significant marketing power and/or reflects a certain degree of geographic or product diversification.

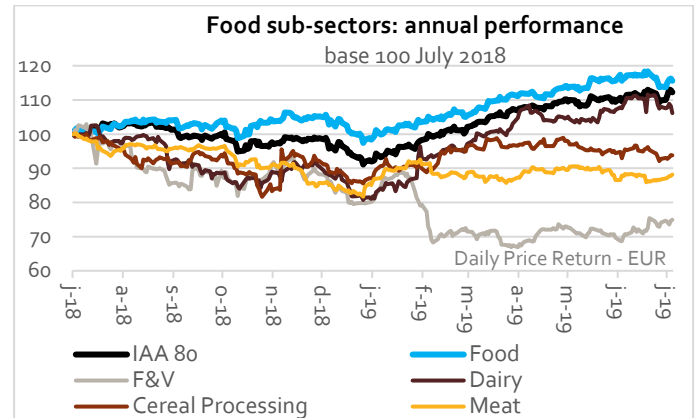
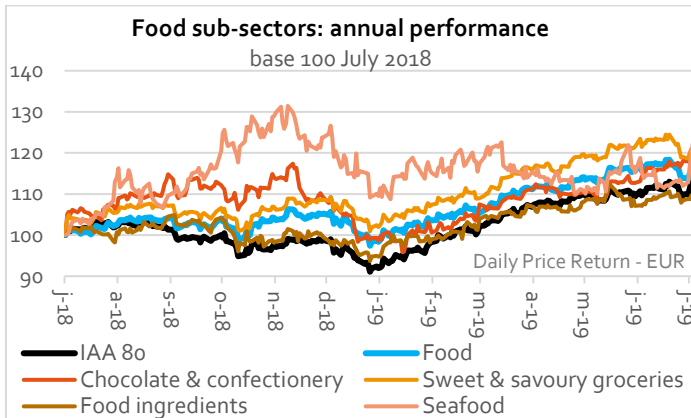
Over one year the « Lead 11 » and « Big 26 » sub-indexes, which typically include companies enjoying a wide geographic coverage, are the only ones experiencing growth. They respectively grew by +10.8% and +6.4%. Even though the smaller sub-indexes turned back to growth at the beginning of the year (around +12.5% on average over the past 6 months), the latter has not been strong enough yet to fully erase the losses made during the second half of 2018.





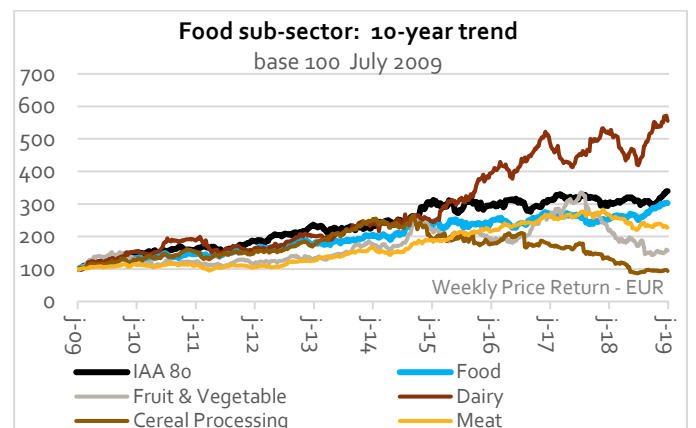
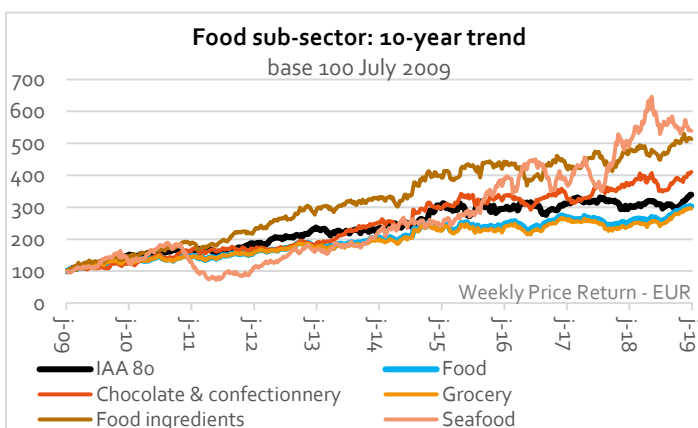
Food

Annual performance



- Suedzucker, the only sugar company included in the IAA 80, is eventually regaining strength. The stock increased by 32.5% over Q219 and by +10.6% over one year.** As of 30 June, its market capitalisation was back up to the same level as 10 years ago. For management as for financial analysts, “the worst is over” and losses should bottom in 2019. The decrease in planted surfaces together with lower yields during the 2018-2019 campaign should bring the European market back to equilibrium. This will support higher-priced annual sugar contracts from next October and therefore future operating results.
- Over the last 3 months, 3 components of the sub-index remained on a negative trend:** Cereal processing (-3.7%) – driven down by Aryzta -, Seafood (-2.2%) – presumably only experiencing a technical adjustment in a market which remains on a positive long-term trend – and Meat (-0.3%). Cranswick is confronted to the Brexit uncertainties, while Atria suffers from a strong increase in its feed costs due to the last summer drought in Finland. The other decreasing stocks are impacted by skyrocketing European pork prices, a side-effect of the African swine disease currently ravaging the Chinese pig farms.
- Fleury Michon fell by 12.9% in Q219, as it could not fully pass cost increases on to its food retail customers.** The latter generate 85% of its sales. The group started to diversify its sales by geography and channel, but the resulting positive effects are yet to be substantial. The Swiss group Bell (-3.8%) suffers from its strong exposure to the German food retail sector. In contrast, his fellow company Orior (+2.9%) is doing well. It is not impacted by any pork price hike since most of its pork-based products are made in Switzerland and of Swiss porc, which is already much more expensive than in any other European country. Ter Beke (-7.5%), which generates most of its revenues in Belgium and the Netherlands, experienced a steep fall in its meat unit’s profits due to the combination of declining pork consumption and the increase in pork cost as a raw material.

10-year trend

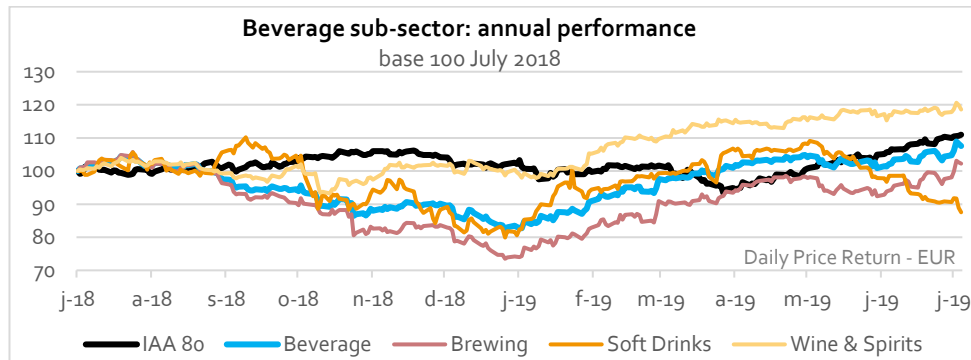


- The Seafood (8 companies) and the Dairy (2 companies) stocks remain the best performers,** with compounded annual growth rates (CAGR) of respectively +18,7% and +18,3%.
- The IAA Ingredients component (7 companies) are just behind, with a CAGR of +17,2%.** Their good health reflects solid sector growth, which benefits from positive underlying long-term trends. The food manufacturers are increasing the frequency of new product launches in order to boost their own top-line growth, therefore transferring the sector added value on their suppliers. In addition, the Ingredient companies take advantage from the consumers’ shift towards more natural food products.



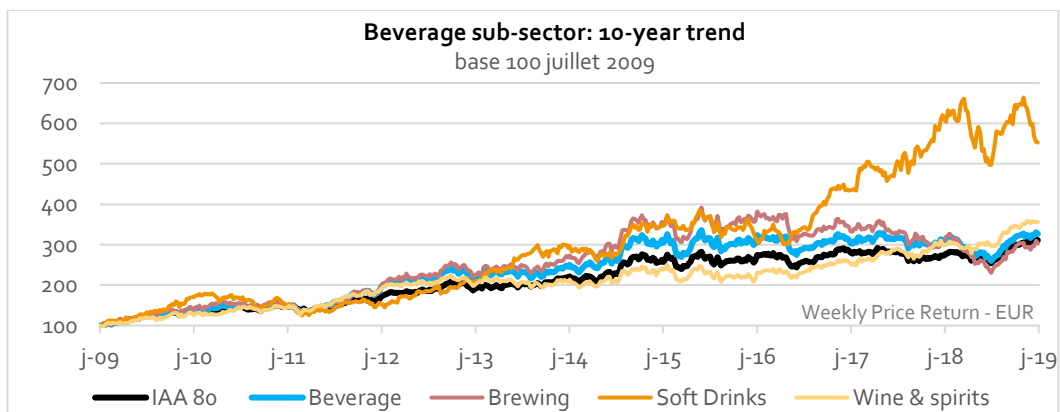
Beverage

Annual performance



- **The Soft Drinks component, exclusively composed of British groups, decreased by 14,7% in Q219. They drove the Beverage sub-index down below the IAA 80**, although they keep on overperforming the FTSE. The stocks reached historical peaks during the spring before starting to deteriorate due to weakening growth prospects. Brexit uncertainties keep on weighing while investors question the impact of consumers' shift towards drinks with lower sugar content or the possible implementation of a new packaging regulation. AG Barr is notably perceived as being too dependant on the Soft drinks market and on developed, mature countries for its sales. Fervertree experienced the strongest drop as the British gin market is coming closer to maturity, and as investors have adopted a wait-and-see approach towards the effects of its sales diversification towards the promising US market.
- **The apparent good health of the Wine & Spirits component hides disparities:** the big players are driving its growth while the wine and champagne stocks remain in the negative territory. In Q219 the component performed below the larger Beverage sub-index, at +2% against +3.7%. Despite having put in place a reasonably successful diversification and premiumisation strategy, the champagne companies continue to suffer from their exposure to the UK. Advini delivered results which were below expectations and has to face a strong price pressure. Lucas Bols' sales have been decreasing since mid-2017, as its international sales are not able to offset the decline it is experiencing on its historic European markets.

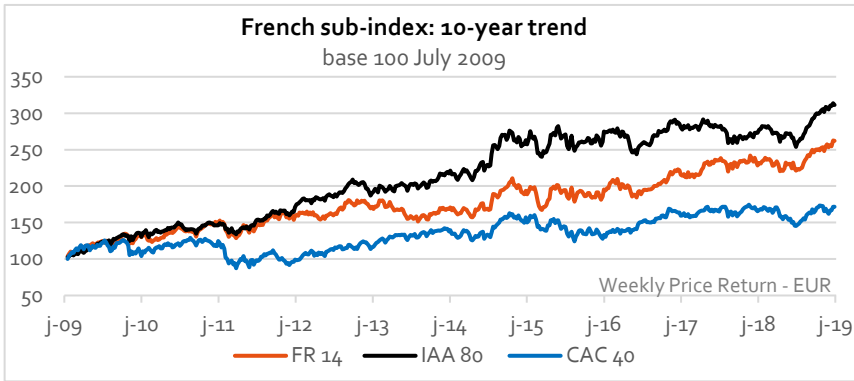
10-year trend



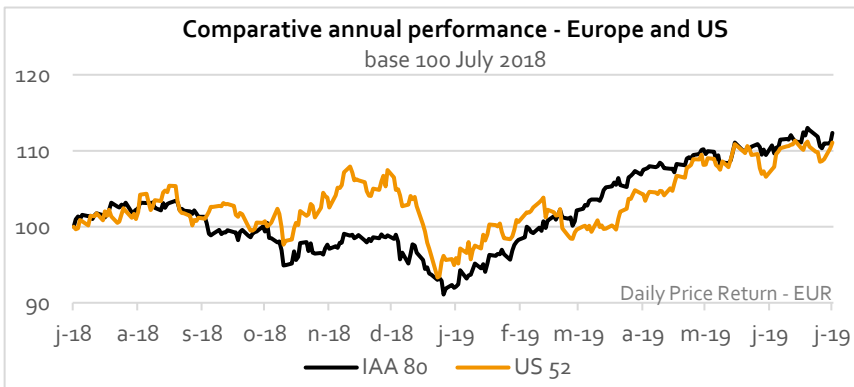
- **Despite a slow down over the past few months, the Soft Drinks component retains the highest ten-year performance of the Beverage sub-index.** Its CAGR reached +18.5% (Beverage: +12%).
- **The Wine & Spirits component also significantly overperformed the Beverage category with a +13.5% CAGR**, underpinned by players benefitting from an international geographic coverage such as Pernod Ricard, Diageo, Campari and Remy Cointreau. The latter remains exclusively focused on cognac, but its long-term growth prospects are perceived as more sustainable since it significantly improved its geographic sales diversification by reducing its dependency on China.
- **The Brewery component is the only one to underperform the Beverage sub-index:** AB-Inbev's colossal debt keeps on weighing on its stock. The company is caught in a dilemma: either reduce its debt burden or increase its spending to manage its growth prospects. The IPO attempt for its Asian subsidiary as well as the sale of its Australian activities tend to show that the group is eventually determined to put an end to its debt drama.



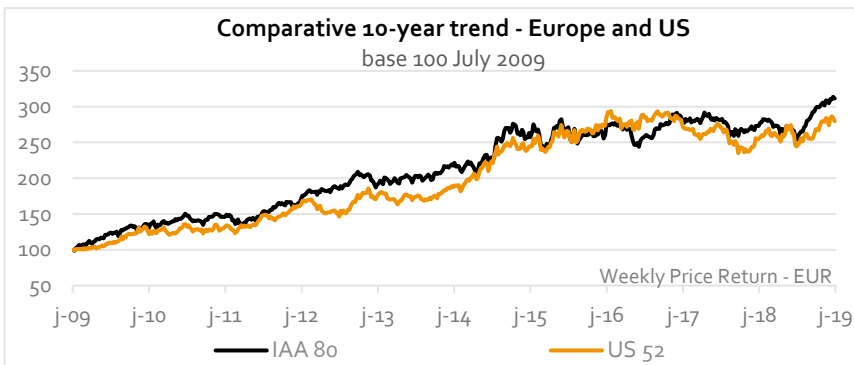
Other Information



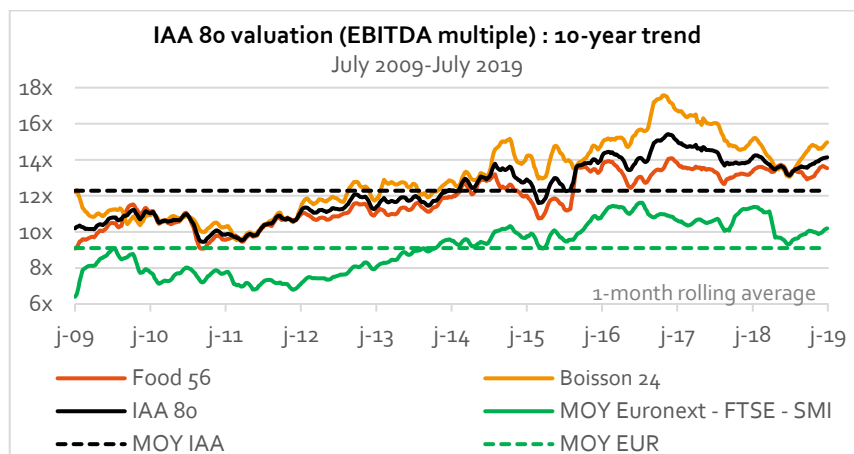
Over 10 years the FR 14 largely overperformed the CAC 40 with a CAGR of +10.1% versus +5.9%, but remains below the IAA 80 (+12.1%).



On a 1-year period the IAA 80 grew just above the US52 (52 listed agri-food US companies), with a rate of +11% against +10.3%.



The IAA 80 keeps overperforming the US 52 when looking at a 10-year period : its CAGR reached +12% against 10.8% of its US counterpart.



As for the stock indexes, the average value of the IAA 80 companies, measured as a multiple of their EBITDA, experienced on average a meaningful decrease between 2017 and the end of 2018. We also note that the Beverage sub-index shows a higher volatility than the Food one.



Annex 1 – Additional data and definitions

Agri-Food Indices Performance* as of 30/06/2019

	Annualised Growth						
	1 month	3 months	6 months	1 year	3 years	5 years	10 years
IAA 80	0,5%	2,9%	19,5%	9,9%	4,5%	7,6%	12,1%
Food 57	(1,7%)	2,3%	15,6%	13,7%	7,0%	8,5%	11,8%
Beverage 23	3,9%	3,7%	26,0%	4,7%	0,8%	6,2%	12,7%
FR 14	3,6%	6,1%	17,2%	14,8%	10,3%	9,2%	10,1%
MSCI Europe	5,0%	1,0%	14,5%	2,9%	4,9%	2,1%	6,2%

*Price return throughout the corresponding period, excluding dividends

Volatility: average weekly variation (absolute)

	1 year	3 years	5 years	10 years
IAA 80	1,0%	1,2%	1,4%	1,4%
Food 57	1,0%	1,2%	1,4%	1,4%
Boisson 23	1,6%	1,5%	1,8%	1,8%
FR 14	1,4%	1,4%	1,6%	1,7%
MSCI Europe	1,3%	1,2%	1,5%	1,7%

Key financial data : 2018

Average	Sales (M€)	EBITDA/Sales	ROCE	Gearing	Leverage
IAA 80	4 777	15%	10%	0,7	2,7
Food 56	4 916	13%	10%	0,7	2,5
Boissons 24	4 472	19%	10%	0,6	3,3
Lead 11	25 999	23%	11%	0,7	1,9
Big 26	2 501	18%	13%	0,4	1,4
Mid 26	692	12%	8%	1,1	3,3
Small 17	382	11%	6%	0,4	5,4
France 14	3 481	11%	5%	0,7	5,1*
Euronext 100	23 107	22%	9%	0,3	2,0

*The high FR 14 leverage ratio largely reflects the presence of 3 champagne groups (Vranken-Pommery, Lanson-BCC and Laurent-Perrier) together with Advini in the sub-index component. Their business model demands high inventory levels in relation to the wine and champagne ageing process.

Definitions:

MSCI Europe: European stock index, weighted average index entailing 439 Western European stocks

EBITDA Multiple = EV / EBITDA

EV (entreprise value) = market capitalisation + net financial debt + minority interests

ROCE (return on capital employed) = EBIT * (1-33%) / (fixed assets + working capital) av. n/n-1

Gearing = financial net debt/equity

Leverage = financial net debt / EBITDA

Financial data are retrieved from the CIQ database, which adjusts them using its own methodology. Therefore, all the indicators included in this document are comparable.



Annex 2 – Stocks in the indices

IAA 8o

Dairy Crest was acquired by Saputo, Inc. on 15 April 2019. The stock was replaced by Lucas Bols, a Netherlands-based manufacturer and distributor of spirits. The group generates its sales mostly in Western Europe, in the US and in Asia-Pacific.

Company	Country	Sector	Sub-sector	Market cap. 01/01/19 (M€)
NESTLE	CH	Food	Sweet & savoury groceries	215 586
UNILEVER	NL	Food	Sweet & savoury groceries	123 933
AB-INBEV	BE	Beverage	Brewing	112 904
DIAGEO	UK	Beverage	Wine & Spirits	74 174
HEINEKEN	NL	Beverage	Brewing	44 064
DANONE	FR	Food	Sweet & savoury groceries	39 781
PERNOD-RICARD	FR	Beverage	Wine & Spirits	37 864
ABF	UK	Food	Sweet & savoury groceries	17 679
KERRY	IE	Food	Food ingredients	15 250
LINDT & SPRUENGLI	CH	Food	Chocolate & confectionery	14 438
CARLSBERG	DK	Beverage	Brewing	13 942
MOWI (ex-Marine Harvest)	NO	Food	Seafood	9 452
DAVIDE CAMPARI	IT	Beverage	Wine & Spirits	8 487
BARRY CALLEBAUT	CH	Food	Chocolate & confectionery	7 396
ORKLA	NO	Food	Sweet & savoury groceries	6 818
REMY COINTREAU	FR	Beverage	Wine & Spirits	5 018
SALMAR	NO	Food	Seafood	4 837
GLANBIA	IE	Food	Food ingredients	4 837
LERØY SEAFOOD	NO	Food	Seafood	3 936
TATE & LYLE	UK	Food	Food ingredients	3 372
EMMI	CH	Food	Dairy	3 216
AAK	SE	Food	Food ingredients	3 044
ROYAL UNIBREW	DK	Beverage	Brewing	2 992
FEVERTREE	UK	Beverage	Soft Drinks	2 806
EBRO FOODS	ES	Food	Cereal, oilseed and protein crop processing	2 683
NOMAD FOODS	UK	Food	Sweet & savoury groceries	2 521
BRITVIC	UK	Beverage	Soft Drinks	2 319
SUDZUCKER	DE	Food	Sugar	2 309
VISCOFAN	ES	Food	Food ingredients	2 243
AUSTEVOLL SEAFOOD	NO	Food	Seafood	2 161
P/F BAKKAFROST	DK	Food	Seafood	2 064
L.D.C.	FR	Food	Meat	1 837
LOTUS BAKERIES	BE	Food	Cereal, oilseed and protein crop processing	1 706
BELL	CH	Food	Meat	1 688
CRANSWICK	UK	Food	Meat	1 491
GREENCORE	IE	Food	Sweet & savoury groceries	1 384
GRIEG SEAFOOD	NO	Food	Seafood	1 133
A.G. BARR	UK	Beverage	Soft Drinks	981
ARYZTA	CH	Food	Cereal, oilseed and protein crop processing	951
BONDUELLE	FR	Food	F&V	879
C&C GROUP	IE	Beverage	Wine & Spirits	843
HILTON FOOD	UK	Food	Meat	809
NORWAY ROYAL SALMON	NO	Food	Seafood	781
SAVENCIA	FR	Food	Dairy	776



Company	Country	Sector	Sub-sector	Market cap. 01/01/19 (M€)
CLOETTA	SE	Food	Chocolate & confectionery	686
OLVI OYJ	FI	Beverage	Brewing	652
ROYAL WESSANEN	NL	Food	Sweet & savoury groceries	611
LAURENT-PERRIER	FR	Beverage	Wine & Spirits	562
NICHOLS	UK	Beverage	Soft Drinks	556
ORIOR	CH	Food	Meat	456
STOCK SPIRITS	UK	Beverage	Wine & Spirits	453
BARON DE LEY	ES	Beverage	Wine & Spirits	446
FROSTA	DE	Food	Sweet & savoury groceries	433
SCANDI STANDARD	SE	Food	Meat	400
RAISIO	FI	Food	Sweet & savoury groceries	368
GREENYARDS FOOD	BE	Food	F&V	313
PREMIER FOODS	UK	Food	Sweet & savoury groceries	305
THE SCOTTISH SALMON	UK	Food	Seafood	296
B.F.	CH	Food	Sweet & savoury groceries	271
LA DORIA	IT	Food	F&V	246
LANSON-BCC	FR	Beverage	Wine & Spirits	212
VRANKEN POMMERY	FR	Beverage	Wine & Spirits	210
TER BEKE	BE	Food	Meat	210
MASSIMO ZANETTI	IT	Beverage	Coffee	197
LUCAS BOLS	NL	Beverage	Wine & Spirits	189
ATRIA	FI	Food	Meat	185
FLEURY MICHON	FR	Food	Meat	166
EUROGERM	FR	Food	Food ingredients	147
FINSBURY FOOD	UK	Food	Cereal, oilseed and protein crop processing	144
MIKO	BE	Food	Sweet & savoury groceries	135
SCHLOSS WACHENHEIM	DE	Beverage	Wine & Spirits	132
HOCHDORF	CH	Food	Food ingredients	126
GROUPE MINOTERIES	CH	Food	Cereal, oilseed and protein crop processing	113
ADVINI	FR	Beverage	Wine & Spirits	107
DEOLEO	ES	Food	Sweet & savoury groceries	79
HKSCAN	FI	Food	Meat	77
MARIE BRIZARD	FR	Beverage	Wine & Spirits	74
TIPIAK	FR	Food	Sweet & savoury groceries	64
APETIT	FI	Food	Sweet & savoury groceries	56
NATRA	ES	Food	Chocolate & confectionery	53

Etats-Unis

Company	Sector	Sub-sector	Market cap. 01/01/2019 (M€)
THE COCA-COLA COMPANY	Beverage	Soft Drinks	174 579
PEPSICO, INC.	Beverage	Soft Drinks	135 083
MONDELEZ INTERNATIONAL, INC.	Food	Sweet & savoury groceries	50 410
THE KRAFT HEINZ COMPANY	Food	Sweet & savoury groceries	45 462
CONSTELLATION BRANDS, INC.	Beverage	Wine & Spirits	26 470
MONSTER BEVERAGE CORPORATION	Beverage	Soft Drinks	23 575
GENERAL MILLS, INC.	Food	Sweet & savoury groceries	20 128
HORMEL FOODS CORPORATION	Food	Meat	19 764
BROWN-FORMAN CORPORATION	Beverage	Wine & Spirits	19 634



Company	Sector	Sub-sector	Market cap. 01/01/2019 (M€)
THE HERSHEY COMPANY	Food	Chocolate & confectionery	19 478
KELLOGG COMPANY	Food	Sweet & savoury groceries	17 137
TYSON FOODS, INC.	Food	Meat	16 913
MCCORMICK & COMPANY, INC	Food	Sweet & savoury groceries	15 876
MOLSON COORS BREWING COMPANY	Beverage	Brewing	10 509
LAMB WESTON HOLDINGS, INC.	Food	Sweet & savoury groceries	9 332
THE J. M. SMUCKER COMPANY	Food	Sweet & savoury groceries	9 212
CONAGRA BRANDS, INC.	Food	Sweet & savoury groceries	8 985
CAMPBELL SOUP COMPANY	Food	Sweet & savoury groceries	8 602
INGREDION INCORPORATED	Food	Ingredients	5 598
POST HOLDINGS, INC.	Food	Sweet & savoury groceries	5 148
LANCASTER COLONY CORPORATION	Food	Sweet & savoury groceries	4 211
SEABOARD CORPORATION	Food	Meat, agricultural commodities etc	3 587
FLOWERS FOODS, INC.	Food	Pastry & Bakery	3 374
PILGRIM'S PRIDE CORPORATION	Food	Meat	3 345
NATIONAL BEVERAGE CORP.	Beverage	Soft Drinks	2 899
DARLING INGREDIENTS INC.	Food	Ingredients	2 744
TREEHOUSE FOODS, INC.	Food	Sweet & savoury groceries	2 460
THE BOSTON BEER COMPANY, INC.	Beverage	Brewing	2 371
J&J SNACK FOODS CORP.	Food	Sweet & savoury groceries	2 351
SANDERSON FARMS, INC.	Food	Meat	1 905
TOOTSIE ROLL INDUSTRIES, INC.	Food	Chocolate & confectionery	1 891
CAL-MAINE FOODS, INC.	Food	Eggs	1 782
B&G FOODS, INC.	Food	Sweet & savoury groceries	1 651
COCA-COLA CONSOLIDATED, INC	Beverage	Soft Drinks	1 437
THE HAIN CELESTIAL GROUP	Food	Sweet & savoury groceries	1 430
THE SIMPLY GOOD FOODS COMPANY	Food	Sweet & savoury groceries	1 340
FRESH DEL MONTE PRODUCE INC.	Food	F&V	1 185
CALAVO GROWERS, INC.	Food	F&V	1 110
HOSTESS BRANDS, INC.	Food	Sweet & savoury groceries	947
MGP INGREDIENTS, INC.	Beverage	Wine & Spirits	833
JOHN B. SANFILIPPO & SON, INC.	Food	F&V	547
PRIMO WATER CORPORATION	Beverage	Soft Drinks	468
FARMER BROS. CO.	Food	Sweet & savoury groceries	342
NEW AGE BEVERAGES CORPORATION	Beverage	Soft Drinks	338
LANDEC CORPORATION	Food	F&V, ingredients	316
DEAN FOODS COMPANY	Food	Dairy	302
SUNOPTA INC.	Food	Ingredients	292
CRAFT BREW ALLIANCE, INC.	Beverage	Brewing	240
SENECA FOODS CORPORATION	Food	F&V	239
BRIDGFORD FOODS CORPORATION	Food	Sweet & savoury groceries	156
CASTLE BRANDS INC.	Beverage	Wine & Spirits	124
REED'S, INC.	Beverage	Soft Drinks	50