



Nomad Foods (NOMD)

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The logo for Nomad Foods, featuring the word "Nomad" in a dark blue font with a small blue dot above the "o", followed by "Foods" in a lighter blue font.

I. Investment Overview

Buy NOMD at 1.5% Allocation (10% Implied Upside)

1

Leading Company in Best Food Sub Sector

- Frozen foods are one of the fastest growing food sectors in Europe
- Completely devoted to frozen foods, especially healthy/sustainable frozen foods(90% of brands)
- #1 in market share of savory frozen foods in Western Europe with emphasis on region expansion

2

Strong European Brands

- Own second best selling food brand in the UK, Bird's Eye (only beaten by Coca-Cola)
- Brands are often share leaders in their respective markets, ranking #1 or #2 in market share across 90% of core portfolio
- Have different brands and marketing strategies for different regions in Europe

3

Organic Growth + Growth Through Acquisitions

- 16 consecutive quarters of revenue growth, with 5.4% organic revenue growth in 2020
- All past acquisitions have been successful in reaching new markets due to strong management
- Currently in exclusive negotiations with Forenova, which would give access to Eastern Europe

4

Post-COVID Packaged Food Sentiment is Overblown

- Investor sentiments packaged foods losing revenue Post-COVID is overblown
- Company has positioned itself to focus on food trends, such as healthy/fresh frozen foods, that are independent from COVID
- Post COVID sales will remain high as company looks to continue expansion through acquisitions

5

Very Strong Management Team with Clear Growth Plans

- Strong leadership with extensive buy-side experience that has made, and will continue to make the most of strategic acquisitions
- Has reduced gross margin every year as company scales, even with sustainable sourcing
- Management is extremely transparent about growth plans, financials, and investor relations

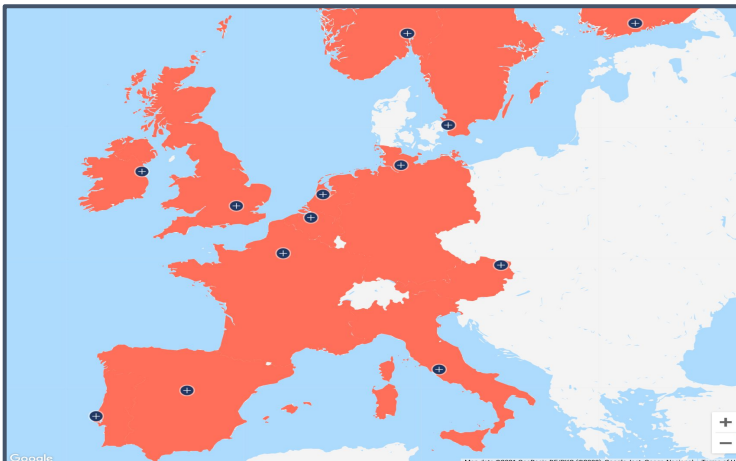
Business Description

- NOMD is a European frozen foods provider and distributor
- Largest market share of Western European frozen foods
- Third largest savory frozen foods brand globally
- String of recent acquisitions (Findus Foods, Froneri Frozen Foods, Fortenova) to drive growth and expansion

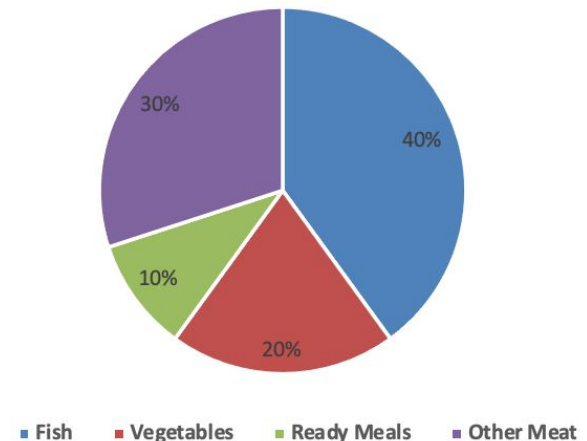
Key Statistics

GICS Sub-Industry	Packaged Foods & Meats
Market Cap	\$4.537B
Revenue	\$2.212B
Current Price	\$25.77
52-Week Range	\$14.08 - 26.99
Beta	0.84
Dividend Yield	N/A
Credit Rating	BB-

Geographic Breakdown



Segment Breakdown





Stefan Descheemaeker – CEO (Since 2015)

- Appointed CEO of Nomad in 2015
- CFO of international food retailer Delhaize Group SA between 2008-2011
- Worked numerous company strategy and growth directorships since 1996



Samy Zekhout- CFO

- Joined Nomad in 2018
- Previously CFO of Proctor & Gamble, after a 30 year career there
- Experiential focus on increased profitability and cash flow performance, and acquisition integration

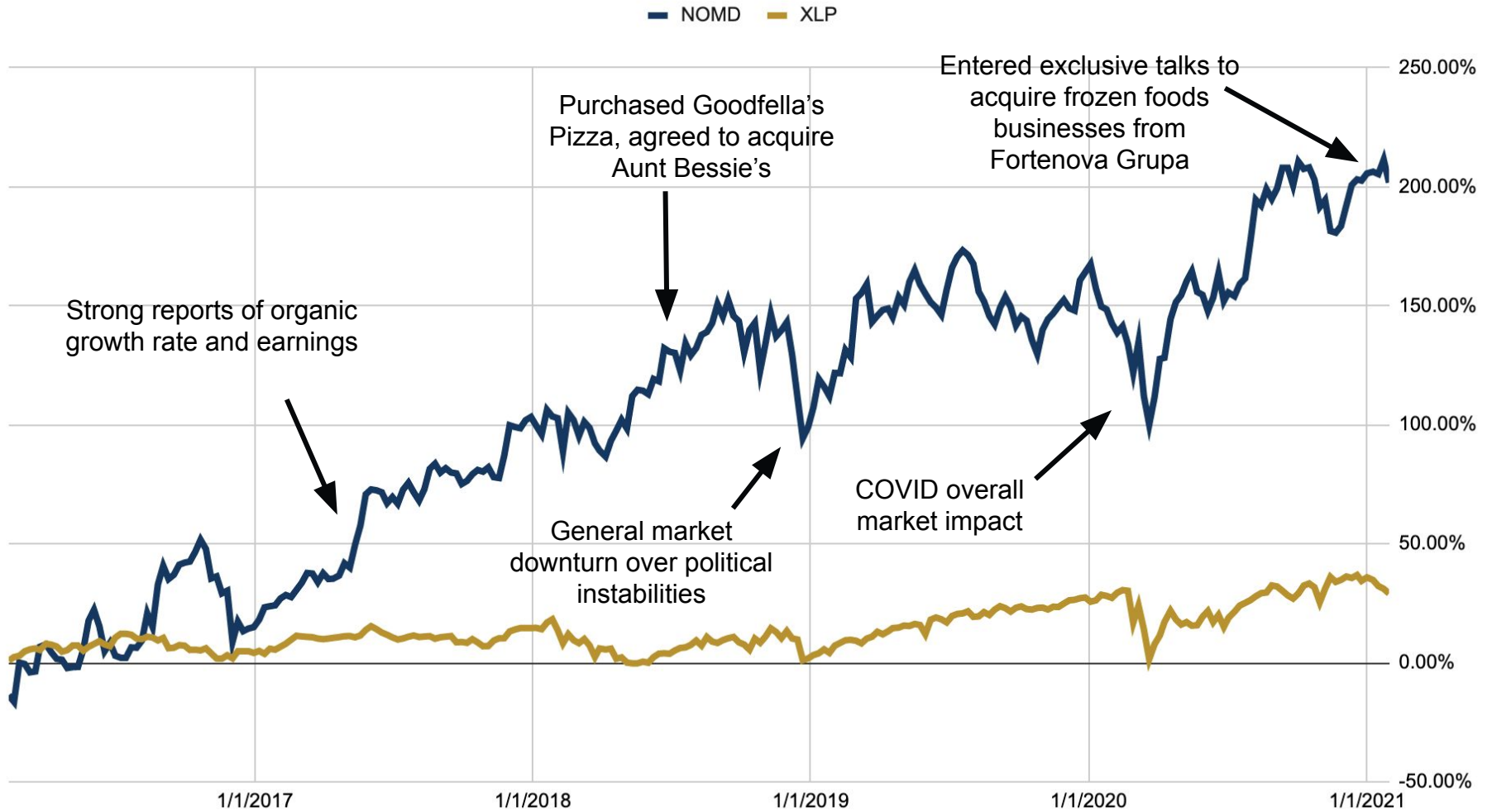


Noam Gottesman - Co-Founder/Co-Chairman

- Director of Nomad since April 2014
- Founder and Managing Partner of TOMS Capital LLC since 2012.
- Co-Founder & non-executive director of Landscape Acquisition Holdings Limited - Completed IPO in 2017

Experienced and qualified executive team with ample experience in early stage company development.

5-Year Stock Performance

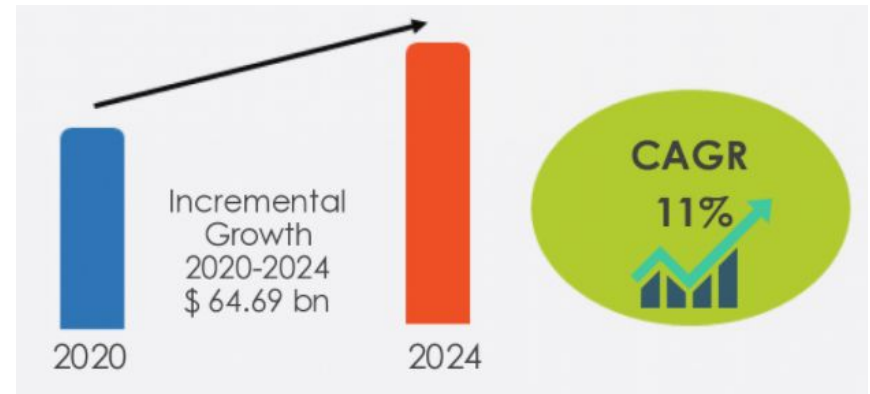


Frozen Food Industry

- **Veganism** - The rising demand for plant-based products due to the growing vegan population has widened the growth opportunities for the industry
- **Younger Generations** - Millennials and Gen Z have more interest in frozen foods than previous generations. This bodes well for demand growth beyond the pandemic.
- **Working Population** - The large working population is gradually shifting towards frozen food products for easy preparation of meals.
- **The New Consumer** - Health-conscious customers make up between 25-30% of all grocery customer in the US and Europe. Many of these consumers are willing to pay a high price for healthier options.
- Global market is expected to grow at a **CAGR of 11%** from 2020 to 2024, signifying an incremental growth of **\$65bn**.

Effect of Coronavirus

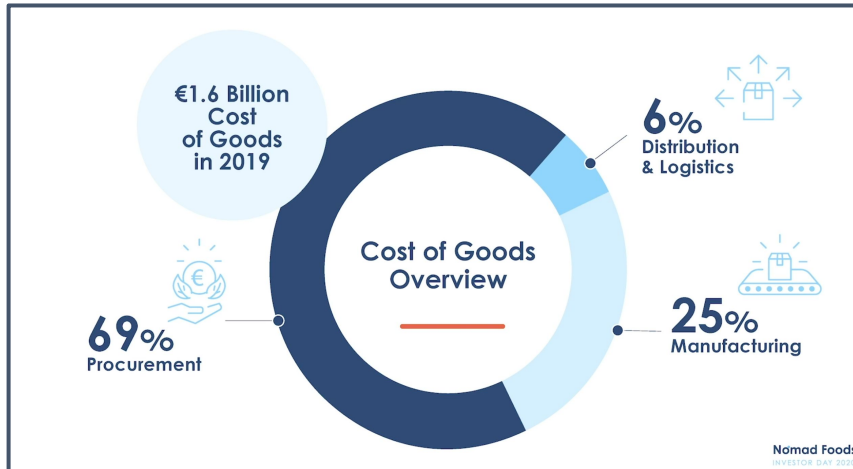
- **Panic buying** – During the early stages of the pandemic, the threat of indefinite lockdowns led to a considerable increase in the demand for packaged and frozen foods.
- **Online distribution** – Companies are focusing on altering their supply chains in order to reinforce their online delivery measures. These shifts towards online distribution channels will likely continue post COVID-19



II. Business Segments

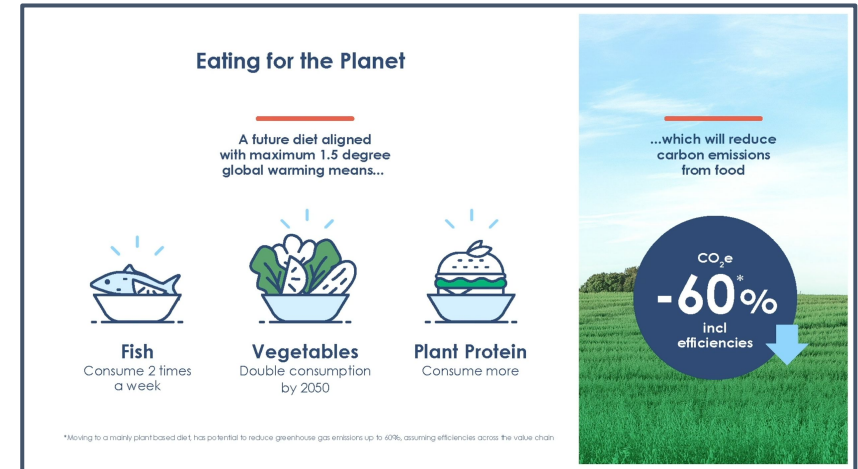
Segment Overview

- The Nomad business model is simplistic overall offering natural frozen foods but provides a diverse product line within their offerings.
 - fish fingers, coated fish, and natural fish
 - many vegetables
 - poultry and meat products
 - readily made meals (ex. noodles, soups, batters)
- The company sells its products to supermarkets and food retail chains directly or through distribution arrangements primarily under the Birds Eye, Iglo, Findus / Goodfella's, La Cocinera, San Marco, and Aunt Bessie's brands respectively.



EU Frozen Foods Macro Trends

- EU Frozen Food market is growing at a **CAGR of 4%** from 2018-2023, signifying an **incremental growth of \$19bn**
- European frozen food markets thrive due to low competition in the fast food industry and less commercialization of processed/unhealthy foods.
 - Consumer Preferences increasingly organic and healthy
- Dual-parent employment rate increasing, which signifies less time available for preparing meals for families. This then increases demand for quick and easy meal solutions.
 - Covid provides additional temporary boosts



Segment Overview

- Recently as of January 4, 2021, Nomad has acquired **Findus Foods** which adds to their supply of **Frozen Fish** which makes up over 40% of their revenue.
- Currently in the deal making process to make an offer on **Fortenova** making an expansion of consumer awareness.
 - They offer a similar product line with the addition of fruits, pastries, and dairy products
- They have had 16 consecutive quarters of **Organic Earnings Growth** besides these acquisitions. **ROA** and **ROIC** for **TTM** are **3.71%** and **6.43%** respectively

2025 Long Term Financial Targets



Sustain organic revenue growth at the high-end of LSD%



Expand Adj. EBITDA margins within the existing business



Convert 100% of Adj. Profit into Adj. Free Cash Flow

Long-term targets assume organic growth complemented by acquisitions

Findus and Fortenova Breakdown

- **Findus** provides value creation including the opportunity to realize commercial and procurement synergies. The transaction is expected to be immediately accretive to **Adjusted EPS**.
 - Purchase Price of **\$110 million** funded through **cash flow on hand**. Bought from Nestle.
- The acquisition of **Fortenova Frozen Foods Group** would create a catalyst for potential future consolidation within **Central and Eastern Europe**.
- Fortenova's CEO Fabris Perusko said he expects sale agreement by **Q1 end** and transaction completion by **Summer 2021**
- The company was saved from **bankruptcy** in a restructuring deal with local and foreign creditors in mid-2018



III. Valuation

Company	Market Cap	5Y Rev CAGR	Forward EV/EBITDA	Forward PE	Operating Margin	T12 M FCF Margin	Dividend Yield
Nomad Foods	\$4.61B	-	11.24x	14.01x	10.35%	14.21%	-
Lancaster Colony Corporation	\$5.09B	3.41%	18.52x	33.6x	9.82%	7.45%	3.00%
Hain Celestial Group	\$4.40B	-4.79%	17.29x	31.95x	5.13%	8.75%	-
Premium Brands	\$3.70B	23.43%	14.29x	24.87x	4.28%	3.48%	2.16%
Pilgrim's Pride Corp.	\$5.28B	7.64%	7.46x	10.91x	6.4%	3.06%	-
Median	\$4.62B	7.42%	13.76x	23.09x	7.20%	7.39%	2.58%

Positives

- **Margins** - Higher Operating and FCF Margins. Business is more profitable than many competitors.
- **FWD EV/EBITDA** - Multiple is lower than current EV/EBITDA(12.8), signifying increased EBITDA growth

Negatives

- **Dividend** - Lack of a dividend, company is likely more growth focused than peers

Sensitivity Analysis (9.9% Implied Upside)

		Exit Multiple				
		10.5x	11.0x	11.5x	12.0x	12.5x
WACC	3.30%	\$ 23.23	\$ 24.48	\$ 25.73	\$ 26.98	\$ 28.23
	3.80%	\$ 22.45	\$ 23.67	\$ 24.89	\$ 26.11	\$ 27.33
	4.30%	\$ 21.70	\$ 22.89	\$ 24.08	\$ 25.27	\$ 26.46
	4.80%	\$ 20.96	\$ 22.12	\$ 23.28	\$ 24.45	\$ 25.61
	5.30%	\$ 20.24	\$ 21.38	\$ 22.51	\$ 23.65	\$ 24.78

Model Assumptions

- Sizeable upside assuming continuing and steady growth
- Very conservative revenue growth rate through 2025 at just 0.255% compared to historical growth. Valuation is likely to be higher.
- WACC in-line with Bloomberg and analyst figures

WACC Assumptions

Tax Rate	20.95%
Exit Multiple (EBITDA)	11.5x

WACC Calculation

Risk Free Rate	0.47%
Beta(5y)	0.7
Market Risk Premium	8.10%
Cost of Equity	6.1%
Pre-Tax Cost of Debt	0.75%
Market Cap	\$ 4,614
BV of Debt	\$ 2,286
Equity-to-Value	66.9%
Debt-to-Value	33.1%
WACC	4.30%

IV. Conclusion

		Risk	Mitigation
1	Brexit	<ul style="list-style-type: none"> • 95% of revenue derived from the EU • Trade agreements could negatively affect Nomad Food's financial and supply arrangements 	<ul style="list-style-type: none"> • Expanding geographical reach through constant acquisitions • 85% of its operations are spread across Europe; company may use those facilities should extra tariffs come into play in the UK
2	Competition from Discounters	<ul style="list-style-type: none"> • Increased competition from discounter channel on top of traditional, well-established frozen food manufacturers 	<ul style="list-style-type: none"> • Strong brand recognition and local provenance of its brands across Europe
3	Decreased Sales Post-COVID	<ul style="list-style-type: none"> • Restaurant business will pick up post-COVID • Healthy eating habits fueled by COVID have also increased the demand for fresh foods 	<ul style="list-style-type: none"> • Consumer shift towards frozen foods category during COVID likely to persist post-COVID • Responding to changing consumer shopping habits and expanding its range of products continue to be its foundation for long-term growth

Industry Leader in Growing Business of Frozen Foods

- Strong brand recognition in Europe
- Has had 16 consecutive quarters of earnings growth

Consistent Acquisitions Give Access to New Regions

- Since its creation in 2015, its acquisitions have created a portfolio in excess of 2.5 billion in revenues
- Expected to acquire frozen foods business Fortenova, opening Nomad Food's access to Southeastern Europe

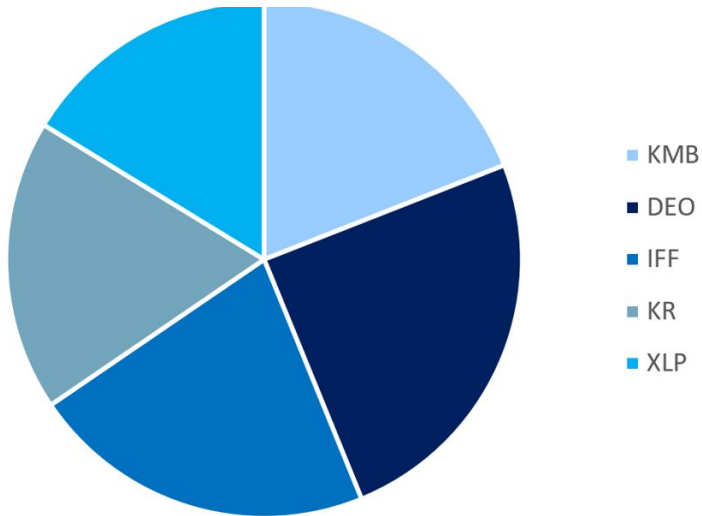
Positioned Well with Food Trends Post-COVID

- Consumers continue to increasingly invest in cooking at home during COVID
- Over 90% of its products are considered “healthy meal choices”, appealing to healthier and environmentally friendlier consumers

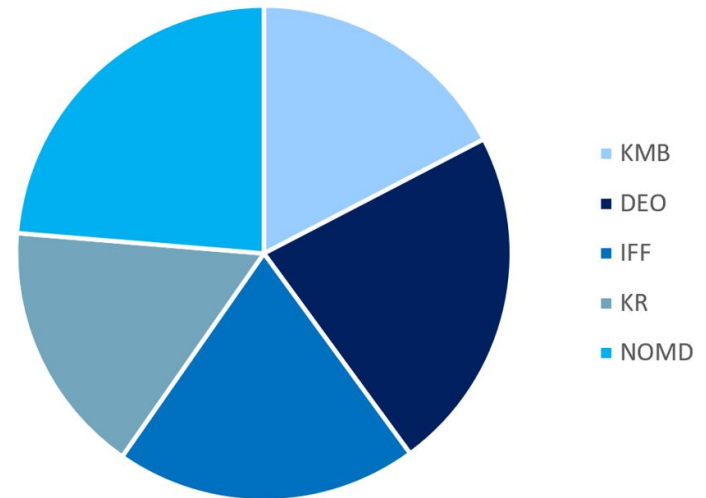
Rationale: Replace Consumer Staples ETF (XLP) with Nomad Foods (NOMD)

- Currently no exposure to packaged foods
- Gives exposure to one of best packaged foods sub-sectors; frozen foods
- Diversifies portfolio towards smaller, growing, foreign markets

Current Portfolio



Prospective Portfolio



<u>Name</u>	<u>Position</u>	<u>Phone Number</u>	<u>Email</u>
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V. Appendix

Discounted Cash Flow



	Historical			Expected	Projected				
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	\$ 1,957	\$ 2,173	\$ 2,324	\$ 2,487	\$ 2,592	\$ 2,709	\$ 2,838	\$ 2,981	\$ 3,138
% YoY Growth	N/A	11.05%	6.97%	6.98%	4.26%	4.51%	4.77%	5.02%	5.28%
Cost of Goods Sold	\$ 1,357	\$ 1,514	\$ 1,626	\$ 1,744	\$ 1,820	\$ 1,905	\$ 1,999	\$ 2,102	\$ 2,216
Gross Profit	\$ 599	\$ 659	\$ 698	\$ 743	\$ 772	\$ 804	\$ 840	\$ 879	\$ 922
% Margin	30.63%	30.34%	30.03%	29.88%	29.78%	29.68%	29.58%	29.48%	29.38%
EBITDA	319	345	382	422	438	455	474	494	517
% Margin	16.30%	15.90%	16.42%	16.99%	16.89%	16.79%	16.69%	16.59%	16.49%
Less: Depreciation	7	7	9	9	17	26	35	46	58
EBIT	312	338	373	414	421	429	438	448	459
Less: Taxes	65	71	78	87	88	90	92	94	96
EBIT*(1-T)	247	268	295	327	333	339	346	354	363
Add: Depreciation	7	7	9	9	17	26	35	46	58
Less: Inc. in NWC		8	41	(164)	197	9	10	12	13
Less: CapEx	(38)	(35)	(47)	(58)	(58)	(58)	(58)	(58)	(58)
FCF to Firm	291	302	310	558	211	413	429	447	466
PV Factor					0.96	0.92	0.88	0.84	0.81
PV of FCF					202	380	378	378	378
PV of Terminal Value									4807.6

Firm Value	6,523.2
Less: Debt	\$ 2,286
Equity Value	4,237.6
Shares Outstanding	176
Share Price (EU)	\$ 24.08
Share Price (USD)	\$ 29.13
% upside	9.94%

	Historical			Expected	Projected					Steps	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	1-5Y	6-10Y
Drivers:											
Revenue Growth	N/A	11.05%	6.97%	6.98%	4.26%	4.51%	4.77%	5.02%	5.28%	0.26%	-0.10%
Margin Expansion:											
Gross Margin	30.63%	30.34%	30.03%	29.88%	29.78%	29.68%	29.58%	29.48%	29.38%	-0.10%	-0.05%
EBITDA Margin	16.30%	15.90%	16.42%	16.99%	16.89%	16.79%	16.69%	16.59%	16.49%	-0.10%	0.05%
Depreciation (% of Sales)	0.3%	0.3%	0.4%	0.3%	0.65%	0.95%	1.25%	1.55%	1.85%	0.30%	0.05%
Net Working Capital:											
A/R	\$ 94.7	\$ 98.3	\$ 143.6	\$ 203.1	\$ 212.5	\$ 222.8	\$ 234.2	\$ 246.7	\$ 260.6	365	365
DSO	17.67	16.51	22.55	29.81	29.91	30.01	30.11	30.21	30.31	0.10	-0.05
Inventory	\$ 306.9	\$ 342.5	\$ 323.2	\$ 358.4	\$ 374.7	\$ 392.7	\$ 412.5	\$ 434.4	\$ 458.6	365	365
DIO	82.5	82.6	72.5	75.0	75.1	75.2	75.3	75.4	75.5	0.10	-0.05
A/P	\$ 289.4	\$ 321.1	\$ 306.5	\$ 564.8	\$ 393.4	\$ 412.3	\$ 433.1	\$ 456.0	\$ 481.4	365	365
DPO	77.8	77.4	68.8	118.2	78.9	79.0	79.1	79.2	79.3	0.10	-0.05
NWC	\$ 112.2	\$ 119.7	\$ 160.3	\$ (3.3)	\$ 193.7	\$ 203.2	\$ 213.6	\$ 225.1	\$ 237.8		
Change in NWC	\$	\$ 7.5	\$ 40.6	\$ (163.6)	\$ 197.0	\$ 9.5	\$ 10.4	\$ 11.5	\$ 12.7		
CapEx (% of Sales)	-1.94%	-1.61%	-2.04%	-2.34%	-2.24%	-2.14%	-2.04%	-1.94%	-1.84%	0.10%	-0.05%