Is Fruity a lemon?

3 potential events could trigger a significant revaluation

Our base case assumes Fruity continues to suffer declining Orange volumes, margins, and stagnation in Apples. The silver lining is in the Tomato business where strong growth will add $0.7M to profits by 2018. We have also explored 3 additional scenarios that could play out over the next 2 years.

Base case Price = $2.40  view assumptions

Political Food Fight!

We see the tomato business having significant upside potential if the next US president is a real bad fruit. Unhappy voters could take to the streets with tomatoes in hand and turn the streets of D.C. into a US version of festival La Tomatina. In such a scenario, tomato sales could continue to growth at 20% per quarter well into 2018.

Target Price = $6.42  view assumptions

Keeps the Doctor Away

The US Department of Health is planning an ambitious “two apples a day keep the doctor away” Twitter campaign to combat declining fruit consumption in our children. We see a scenario where tech savvy Apple users become vitamin heavy apple eaters to complement their 140 character attention spans. If this happens, the stagnant Apple business could see growth increase from 1% per quarter to 3% per quarter.

Target Price = $2.98  view assumptions

Bad Fruit

Careful now, California hasn’t showered in months, and something smells off. No, it’s not all the extra methane from the Aliso Canyon blowout. It's bad fruit! Orchard yields are expected to fall, and if Fruity cannot source enough supplies at a reasonable price we could see fruit sales takes a hit of -10% across the board. We see tomatoes unaffected as we are still not convinced that tomato is a fruit.

Target Price = $1.83  view assumptions

<table>
<thead>
<tr>
<th>NPAT USD</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>$0.99 Mi</td>
<td>$0.73 Mi</td>
<td>$0.95 Mi</td>
<td>$1.03 Mi</td>
</tr>
<tr>
<td>Political Food Fight!</td>
<td>$0.99 Mi</td>
<td>$0.73 Mi</td>
<td>$1.04 Mi</td>
<td>$1.77 Mil</td>
</tr>
<tr>
<td>Keeps the Doctor Away</td>
<td>$0.99 Mi</td>
<td>$0.74 Mil</td>
<td>$1.00 Mil</td>
<td>$1.13 Mil</td>
</tr>
<tr>
<td>Bad Fruit</td>
<td>$0.99 Mi</td>
<td>$0.66 Mil</td>
<td>$0.85 Mil</td>
<td>$0.94 Mil</td>
</tr>
</tbody>
</table>

Jeremy Winks
Research Analyst
jeremy.winks@weresearch.com

WeResearch Inc. DISCLOSURES

The views expressed above accurately reflect the personal views of the authors about the subject companies and its (their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. WeResearch Inc does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors.