

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 grow 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](#)

NPAT USD view chart	2015	2016	2017	2018
Base	\$0.99 Mil	\$0.73 Mil	\$0.95 Mil	\$1.03 Mil
Political Food Fight!	\$0.99 Mil	\$0.73 Mil	\$1.04 Mil	\$1.77 Mil
Keeps the Doctor Away	\$0.99 Mil	\$0.74 Mil	\$1.00 Mil	\$1.13 Mil
Bad Fruit	\$0.99 Mil	\$0.66 Mil	\$0.85 Mil	\$0.94 Mil

BUY

20 Apr, 2016

Price at 20 Apr 2016 (USD): \$2.01
 Base Price Target (USD): \$2.40
 52-week range (USD): \$105-140

Share Data

Shares outstanding (m) [1.20](#)
 Enterprise value (USDm) 2.42
 Daily trading volume 90,800

Key Data

Price/book value 12
 Net gearing 66.6%
 CAGR sales 2016-18 1.0%
 CAGR EPS 2016-18 -1.6%

Interactive Model ([click to explore](#))



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