

Market pricing in fancy burgers...
with less ketchup!

Our base case V what's priced in

Our base case assumes Fruity continues to suffer declining Orange volumes, margins, and stagnation in Apples. We believe the silver lining is in the Tomato business where strong growth will add \$0.7M to profits by 2018, however, the market is has gone cold on tomatoes with the recent trend in fancy burger with less ketchup.

Our base case Target Price = \$2.40 (+20%) [view assumptions](#)

What's Priced In: *less ketchup!*

Bacon jam, garlic mayo, and spicy BBQ. What do these toppings have in common? They represent the new wave of burger condiments which are delicious, but low in tomato content. Our research and pulse on the market indicates that many investors believe fancy burger toppings spell the end of ketchup as we know it. On our interactive scenario (link below), we have shown that *if we reduce our tomato volume growth rate by -1.7% per quarter across the forecast period, our price target drops to Fruity's current price of \$2.01.*

What's priced in @ \$2.01 (+0%) [view assumptions](#)

Why we disagree with the market

Fancy burgers are a trend across restaurant preferences and we believe this trend is more likely to bring in new burger eaters rather than cannibalize existing demand from burger purists (ketchup & mustard). We also do not see the major fast food chains: McDonald's, Burger King, and Wendy's moving to 'fancy' burgers any time soon.

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](#))



Base	2015	2016	2017	2018
NPAT	\$0.99 Mil	\$0.73 Mil	\$0.95 Mil	\$1.03 Mil
Salad (Tomato) Gross Profit	\$0.11 Mil	\$0.29 Mil	\$0.68 Mil	\$1.00 Mil
Tomato Sales kg	103K	234K	431K	540K
Tomato Sales growth rate	N/A	126%	85%	25%
What's Priced in: <i>less ketchup!</i>	2015	2016	2017	2018
NPAT	\$0.99 Mil	\$0.73 Mil	\$0.92 Mil (-3%)	\$0.96 Mil (-7%)
Salad (Tomato) Gross Profit	\$0.11 Mil	\$0.28 Mil (-3%)	\$0.63 Mil (-8%)	\$0.87 Mil (-14%)
Tomato Sales kg	103K	228K (-2%)	398K (-8%)	467K (-14%)
Tomato Sales growth rate	N/A	121%	75%	17%

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