

## Cremonini

Small Caps

### Public tender offer at €3.0 per share

Today before the opening of the market, Cremonini's controlling shareholders announced a public tender offer of €3.0 per share on the remaining shares. Main rationale of the transaction is that, following recent deals, from being an industrial entity, CRM has turned into a holding company. The offered price matches our €3.0 target price and we recommend holders to tender the shares.

#### Terms and time table

Cremonini's controlling shareholders Luigi Cremonini, Cremofin and Ci-Erre Lux (combined 59.95% of share capital and 65.91% of voting rights) have announced a €3.0 per share public tender offer for the remaining 31% of CRM's outstanding shares, net of treasury shares. The offering period is likely to start at the beginning of May 2008 and acceptance period to last between 15 and 25 days. The payment of the proposed €0.08 per share dividend should be pushed back to July 3 2008 from May 22.

#### Rationale of the transaction

Following the listing of the 57%-owned MARR (BUY, TP €) in June 2005 and the JV with Brazilian leading beef producer JBS S.A finalised in March 2007, CRM has turned from an industrial entity into a holding company. Furthermore, in the opinion of the controlling shareholders, the market may not be fully appreciative of the company's potential following the deal with JBS, which should enhance profitability of the production division and, on the other hand, provide financial flexibility to develop the catering business.

#### From BUY to tender the shares

The offered price represents a +14.1% premium vs. Friday's closing price and +26.3% vs. the average of the last 3 months and matches our € DCF based target price. At €3.0 per share CRM is valued at 7.3x EV/EBITDA08e and 20.2x P/E08e. In light of the low liquidity of the shares and the unlikely scenario of an improved counter-offer, we change our recommendation from BUY to tender the shares.

	2006	2007	2008e	2009e	2010e
EPS €	0.10	0.08	0.15	0.16	0.19
YoY growth %	-14%	-19%	91%	5%	25%
Dividend €	0.08	0.08	0.09	0.10	0.12
P/E x	22.97	31.51	17.9	17.05	13.69
Dividend Yield ord %	3.6	3.3	3.4	3.9	4.5
PEG x		0.9			
EV/sales x	0.5	0.5	0.5	0.4	0.4
EV/EBITDA x	8.1	8.1	7.0	6.8	6.6
EV/EBIT x	12.8	12.8	10.3	10.1	9.6
EV/capital employed x	1.2	1.2	1.4	1.4	1.3
ROE %	4.2	3.3	6.3	6.9	8.3
ROCE %	4.0	4.8	6.4	6.5	6.8
Debt/Equity x	2.1	1.9	1.1	1.2	1.2
FCF Yield %	0.9	10.9	8.1	nm	2.6

Source: Company data, GBL estimates

March 31 2008

## Tender the shares

(from rating BUY)

Target price € 3.0  
Current price: € 2.7  
(price as of 28/03/2008)

Outstanding shares (m)

142

Mkt. Cap. (€m)

377

Avg daily volumes (30 days)

281,200

Main shareholders

Luigi Cremonini 66%

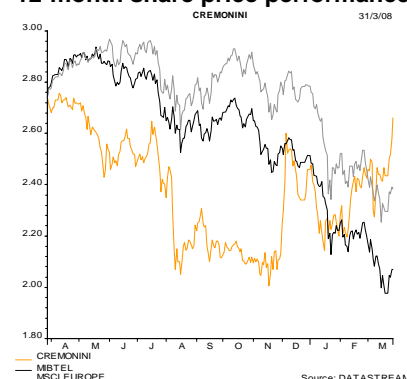
Reuters/Bloomberg

CRM.MI/CRM IM

Last 12 months

High: € 2.8 Low: € 2.0

#### 12-month share price performance



Performance	1M	3M	12M
Absolute (%)	9	8	-3
To MIBTEL (%)	16	26	22
To MSCI Europe (%)	13	25	9

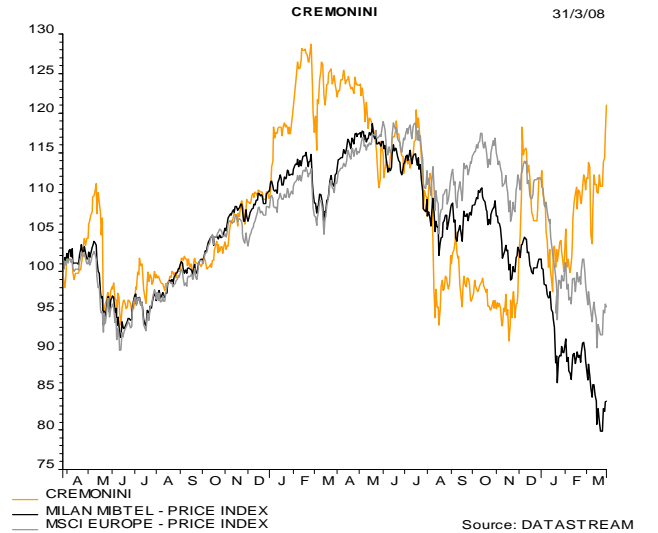
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# Price charts

Cremonini share price performance (2-yr)



Cremonini share price vs. Italy and EU (2-yr rebased at 100)



## Earnings model

Profit & Loss (€m)	2006	2007	2008e	2009e	2010e	CAGR 2007-10e
<b>Revenues</b>	<b>2351</b>	<b>2471</b>	<b>2100</b>	<b>2194</b>	<b>2291</b>	<b>-2.5%</b>
YoY growth	10.4%	5.1%	-15.0%	4.5%	4.4%	
COGS	-1993	-2081	-1759	-1835	-1932	
YoY growth	9.7%	4.4%	-15.5%	4.3%	5.2%	
<b>Gross Margin</b>	<b>357</b>	<b>390</b>	<b>341</b>	<b>359</b>	<b>359</b>	<b>-2.6%</b>
YoY growth	14.9%	9.1%	-12.5%	5.3%	0.2%	
Labour costs	-218	-241	-205	-214	-204	
YoY growth	12%	10%	-15%	4%	-5%	
<b>EBITDA</b>	<b>139</b>	<b>149</b>	<b>136</b>	<b>145</b>	<b>155</b>	<b>1.4%</b>
YoY growth	19%	7%	-9%	6%	7%	
margin	5.9%	6.0%	6.5%	6.6%	6.8%	
Depreciation & Amortisation	-51	-55	-44	-47	-49	
Total provisions	0	0	0	0	0	
<b>EBIT</b>	<b>88</b>	<b>94</b>	<b>92</b>	<b>98</b>	<b>106</b>	<b>4.3%</b>
YoY growth	23%	7%	-2%	6%	9%	
margin	3.7%	3.8%	4.4%	4.5%	4.6%	
Financial Income (Losses)	-30	-47	-27	-29	-26	
YoY growth	43%	59%	-44%	8%	-10%	
Extraordinary items	-1	0	0	0	0	
Extr. Gains from Marr	0	0	0	0	0	
<b>Pretax profit</b>	<b>57</b>	<b>46</b>	<b>66</b>	<b>69</b>	<b>80</b>	<b>20.2%</b>
YoY growth	-26%	-19%	42%	5%	17%	
Taxes	-29	-21	-30	-31	-33	
tax rate	53%	45%	45%	45%	45%	
<b>Net profit before minorities</b>	<b>28</b>	<b>25</b>	<b>35</b>	<b>38</b>	<b>47</b>	<b>23.3%</b>
YoY growth	-47%	-9%	40%	8%	24%	
Minority Interests	-15	-15	-17	-18	-19	
<b>Net profit after minorities</b>	<b>13</b>	<b>10</b>	<b>19</b>	<b>20</b>	<b>28</b>	<b>41.5%</b>
YoY growth	-68%	-23%	87%	9%	39%	
Net extraordinaries	-1	0	0	0	0	
<b>Adj. Net profit</b>	<b>14</b>	<b>10</b>	<b>19</b>	<b>20</b>	<b>28</b>	<b>41.5%</b>
YoY growth	-2%	-29%	87%	9%	39%	

Source: Company data, GBL estimates

Profit & Loss (weight on sales)	2006	2007	2008e	2009e	2010e	Avg. 2007-10e
<b>Revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
COGS	-84.8%	-84.2%	-83.8%	-83.7%	-84.3%	-83.9%
<b>Gross Margin</b>	<b>15.2%</b>	<b>15.8%</b>	<b>16.2%</b>	<b>16.3%</b>	<b>15.7%</b>	<b>16.1%</b>
Other operating costs	-9.3%	-9.7%	-9.7%	-9.7%	-8.9%	-9.5%
<b>Added Value</b>	<b>5.9%</b>	<b>6.0%</b>	<b>6.5%</b>	<b>6.6%</b>	<b>6.8%</b>	<b>6.6%</b>
Labour Costs	-9.3%	-9.7%	-9.7%	-9.7%	-8.9%	-9.5%
<b>EBITDA</b>	<b>5.9%</b>	<b>6.0%</b>	<b>6.5%</b>	<b>6.6%</b>	<b>6.8%</b>	<b>6.6%</b>
D&A and others	-2.2%	-2.2%	-2.1%	-2.1%	-2.1%	-2.1%
<b>EBIT</b>	<b>3.7%</b>	<b>3.8%</b>	<b>4.4%</b>	<b>4.5%</b>	<b>4.6%</b>	<b>4.5%</b>
Financial Income (Losses)	-1.3%	-1.9%	-1.3%	-1.3%	-1.1%	-1.2%
<b>Pretax Profit</b>	<b>2.4%</b>	<b>1.9%</b>	<b>3.1%</b>	<b>3.1%</b>	<b>3.5%</b>	<b>3.3%</b>
Taxes	-1.2%	-0.9%	-1.4%	-1.4%	-1.5%	-1.4%
<b>Net Profit Excl. Minorities</b>	<b>1.2%</b>	<b>1.0%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>2.1%</b>	<b>1.8%</b>
<b>Net Profit Incl. Minorities</b>	<b>0.6%</b>	<b>0.4%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>1.0%</b>
<b>Adj. Net Profit</b>	<b>0.6%</b>	<b>0.4%</b>	<b>0.9%</b>	<b>0.9%</b>	<b>1.2%</b>	<b>1.0%</b>

Source: Company data, GBL estimates

<b>Cash Flow Statement (€m)</b>	<b>2006</b>	<b>2007</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>	<b>Avg. 2007-10e</b>
Net profit and minorities	28	25	35	38	47	40
D&A	51	55	44	47	49	47
Others	0	0	0	0	0	0
Change in working capital	-11	14	24	-25	-26	-9
<b>Cash Flow from Operations</b>	<b>68</b>	<b>94</b>	<b>103</b>	<b>60</b>	<b>70</b>	<b>78</b>
Capex	-65	-56	-73	-60	-60	-64
Financial Investments	0	0	0	0	2	1
Acquisition /Disposals	-33	-51	290	0	0	97
<b>Free Cash Flow</b>	<b>-30</b>	<b>-13</b>	<b>320</b>	<b>0</b>	<b>12</b>	<b>111</b>
Dividends	-32	-22	-11	-13	-15	-13
Change in equity and others	-10	7	-27	-9	-15	-17
<b>Change in net cash /(debt)</b>	<b>-72</b>	<b>-29</b>	<b>282</b>	<b>-22</b>	<b>-18</b>	<b>81</b>
Net debt /(cash) beginning of period	-512	-584	-613	-331	-353	-432
<b>Net Debt /(cash) end of period</b>	<b>-584</b>	<b>-613</b>	<b>-331</b>	<b>-353</b>	<b>-371</b>	<b>-351</b>

Source: Company data, GBL estimates

<b>Balance Sheet (€m)</b>	<b>2006</b>	<b>2007</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>
Intangible fixed assets	147	157	157	157	157
Gross tangible assets	595	638	365	393	419
Depreciation fund	0	0	12	-4	-18
Net tangible assets	595	638	377	390	401
Financial assets	37	20	20	20	20
<b>Fixed assets</b>	<b>780</b>	<b>815</b>	<b>554</b>	<b>567</b>	<b>578</b>
<b>Net working capital (NWC)</b>	<b>266</b>	<b>252</b>	<b>228</b>	<b>253</b>	<b>280</b>
Severance and Indemnity Fund	-112	-102	-86	-90	-86
Other risk and provision funds	0	0	0	0	0
<b>Net Capital Employed</b>	<b>933</b>	<b>965</b>	<b>695</b>	<b>730</b>	<b>771</b>
Shareholders' capital	74	74	74	74	74
Reserves	196	198	197	202	208
Net profit	13	10	19	20	28
<b>Shareholders' Equity</b>	<b>283</b>	<b>282</b>	<b>289</b>	<b>297</b>	<b>310</b>
Minorities' equity	66	71	76	81	88
Cash and marketable securities	-113	-135	-178	-173	-168
Financial short term debt	326	433	294	304	312
Financial l/m term debt	371	315	215	221	228
<b>Net financial debt</b>	<b>584</b>	<b>613</b>	<b>331</b>	<b>353</b>	<b>373</b>
<b>Net Invested Capital</b>	<b>933</b>	<b>965</b>	<b>695</b>	<b>730</b>	<b>771</b>

Source: Company data, GBL estimates

#### GBL historical target price and rating changes for Cremonini in the last 12 months

Date	Target price (€)	Rating	Initiating coverage
28/02/2007	2.8	HOLD	28/02/2007
08/08/2007	2.7	HOLD	
06/09/2007	2.3	HOLD	
07/12/2007	3.0	BUY	
31/03/2008	3.0	Tender the shares	

Source: GBL estimates

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## Definition of table items

EPS €	Earnings adjusted for extraordinary items diluted as appropriate
YoY	Year on year growth rate
QoQ	Quarter on quarter growth rate
Dividend/DPS €	Gross dividend per share
P/E ×	Share price / EPS
Dividend Yield %	Gross dividend per share / Share price
PEG ×	P/E / CAGR EPS 2006-09e
EV/Sales ×	(Market Cap + net debt)/Sales
EV/EBITDA ×	(Market Cap + net debt)/EBITDA
EV/EBIT ×	(Market Cap + net debt)/EBIT
EV/Cap. Employed ×	(Market Cap + net debt)/Cap. Employed
ROE %	Net Profit / Shareholders' Equity
ROCE %	Operating Profit / Capital Employed
Debt/Equity ×	Net Debt / Shareholders' Equity
Free Cash Flow Yield	Free Cash Flow / Market Cap.
Interest cover ×	EBIT / Net financial charges
Pay out ratio %	Total Dividend paid / Net profit
Debtors rotation (days)	Debtors *365 / Net sales
Inventories rotation (days)	Inventories *365 / Net sales
Creditors rotation (days)	Creditors *365 / Operating costs
Sales / Capital employed	Net sales / Net Capital employed
NFP €m	Net Financial Position
Free Float %	Shares below 2% owned by shareholders

## Rating System

1. BUY 12/18-month total expected return > 10%
2. HOLD 12/18-month total expected return between +10% and -10%
3. SELL 12/18-month total expected return < 10%

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