

5th February 2016

Food & Beverages

Nestlé

Price CHF74.40

Nestlé offers to acquire the remaining stake in Israel's Osem

Fair Value CHF76 (+2%)

NEUTRAL

ANALYSIS

- Nestlé has announced its intention to buy the 36.3% of the capital it does not currently own in Israel's food company, Osem. The Swiss group has offered a price of ILS82.50 per share, implying a premium of 24.8% vs Wednesday's closing price. This would value the group at CHF840m.
- This transaction does not change our forecast for Nestlé's 2016e net debt/EBITDA ratio of 0.8x (0.9x in 2015e), a level at which an upgrade to AAA by S&P is possible. In our view, the group could well announce a share buyback programme at the full year results release on 18th February. If Nestlé were to repurchase shares for CHF15bn, its net debt/EBITDA ratio would increase to 1.2x in 2016, thereby enabling the group to avoid an upgrade to its rating. We calculate an EPS accretion of 1.0% in the first year and 4.5% in the second.

VALUATION

- At yesterday's share price, the stock is trading at 21.7x 2016e P/E vs 19.4x for Danone and 20.2x for Unilever.

NEXT CATALYSTS

- The group is due to release its full year results on 18th February
- The Annual General Meeting is scheduled for 7th April

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Virginie Roumage, vroumage@bryangarnier.com

Bloomberg	NESN.VX
Reuters	NESZn.VX
12-month High / Low (CHF)	76.8 / 67.5
Market Cap (CHF)	237,217
Avg. 6m daily volume (000)	6 061

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.2%	-1.8%	0.9%	-0.2%
Food & Bev.	-1.9%	-4.9%	-1.4%	-3.3%
DJ Stoxx 600	-7.8%	-13.5%	-17.6%	-10.1%

	2014	2015e	2016e	2017e
P/E	21.7x	22.5x	21.7x	20.2x
Div yield (%)	3.0%	3.0%	3.1%	3.2%

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BUY ratings 61,2%

NEUTRAL ratings 29,9%

SELL ratings 9%

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London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
Authorised and regulated by the	Financial Conduct Authority (FCA) and		Regulated by the	Fax +91 11 2621 9062
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