

NJ Analyst

Stock Pitch:

Coca- Cola Amatil Ltd
(ASX:CCL)

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1. Valuation

We value CCL as a **SELL** with a target price of **\$7.91**

Valuation was done by using DCF method and being supported by the outcome of multiple analysis with CCL as **overvalued**.

Multiple analysis was done by comparing CCL with Woolworths, PepsiCo and Dr Pepper Snapple Group.

2. Company Background

- Public listed company on ASX
- Industry: Food, beverages and tobacco
- Operates in 5 countries, ie Australia, New Zealand, Indonesia, Papua New Guinea and Fiji
- Market Cap: 8.15 Billion Number of outstanding shares: 763.59 Million
- Strategy:
Growing Australia's F&B market by finding new entry in order to improve return

3. THEMATIC ISSUES

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MICRO FACTORS

Low cash flow to debt ratio suggests that CCL is having less cash flow and too much debt.

500 million dollar investment in Indonesia- Based on past trends, its highly likely that CCL will continue losing market share there to lower priced competitors.

While the bottled water industry is a key growth area, the company has had trouble differentiating the its brand.

MACRO FACTORS

Health trends in Australia are shifting away from carbonated drinks towards a healthier alternative.

Governments and NGOs are actively launching health programs which discourage public from taking carbonated drinks.

CATALYST

Wages of new employees are slashed to work for less. Decreased employee benefits would likely decrease productivity.

260 jobs have been shed in order to cut \$100mil. Contraction of labour force indicates a decrease in productive capacity.