

Market Snapshot

Shares Outstanding (m)	165.75
Market Cap (USD m)	\$3,890
52-week low	\$18.21
52-week high	\$23.80
TTM P/E	25.58
Beta	1.28

Investment Thesis

We issue a BUY recommendation on DAR with a target price of \$35.14, presenting 12.94% upside. Our opinion is based on a 70%/30% mix of intrinsic (FCFF) and relative (EV/EBITDA & P/E) valuation respectively.

Multiple Business Segments:

DAR has 3 main business segments with over 200 manufacturing plants on five continents. This results in a diversified portfolio that helps reduce/ hedge risk in the case of an economic shock. Darling Ingredients also has a long history with years of experience, giving them the advantage in economies of scale. They are also committed to sustainable food, feed, and fuel ingredients. As the rise climate change and concern for the environment grows, this can have an advantage over competitors.

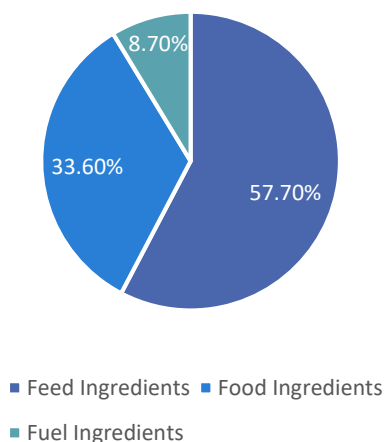
Largest Producer of Sustainable Natural Ingredients

DAR is one of the largest producers of sustainable natural ingredients. They operate in Europe, China, South America, North America, and Australia. According to the World Bank, global growth continues to rise each year at about 1%. With the growth in world population, the need for food, feed, and fuel with also continue to increase. This means that the ingredients needed to fuel these three will also need to increase. Along with DAR's commitment to operating in the most sustainable and environmentally friendly way and consumer's demand for more companies to be sustainable, their future growth seems optimistic.

Valuation

Methodology	Weight	Price
Intrinsic	80%	\$ 24.27
Relative	20%	\$ 34.51
Target Price		\$ 26.32

2018 Sales by Segment



Business Description

Darling ingredients Inc. was founded in 1882 and is currently based in Irving, Texas with around 9,800 employees. Darling Ingredients Inc. develops, produces, and sells natural ingredients from edible and inedible bio-nutrients. DAR operates in three main segments: Feed Ingredients, Food Ingredients, and Fuel Ingredients. DAR creates a range of ingredients and custom specialty solutions in the pharmaceuticals, food, pet food, feed, industrial, fuel, bioenergy, and fertilizer industries. The company collects and transforms animal by-products into useable and specialty ingredients such as gelatin, edible fats, feed-grade fats, animal proteins and meals, plasma, pet food ingredients, organic fertilizers, yellow grease, fuel feedstock, green energy, natural casings, and hides. The company also recovers, and coverts used cooking oils, animal fats, and residual bakery products into valuable feed and fuel ingredients. DAR also has services such as grease trap collection and disposal services to food services establishments. Over the last few years, DAR

has continued to invest more and more into their Fuel Ingredients Segment. The company has begun working with various partners to grow this segment.

Feed Ingredients:

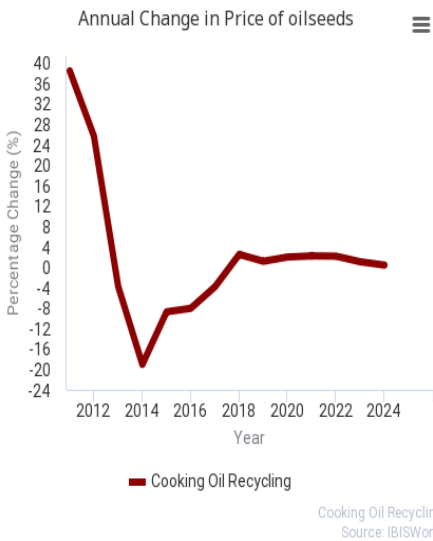
This segment refers to the company’s global activities related to the collection and processing of beef, poultry, pork by-products, bakery residuals, used cooking oil, porcine and bovine, and other by-products, in order to be sold to third parties and used as ingredients in animal feed, pet food, and agriculture. This segment of DAR’s business has slowly been decreasing over the past 3 years. In 2016 we saw this segment contribute to 61.6% of the company’s revenue, 61.1% in 2017, and 57.7% in 2018. The decrease in revenue is primarily due to a decrease in net sales, as stated in their 10-K. They state, “The decrease in other rendering net sales was primarily due to the Company’s sale of a portion of its interest in a majority owned consolidated subsidiary operating in cattle hides as part They also state that in 2018 a “decrease in freight revenue represents the impact from adoption of the new revenue standard on current year Feed Segment revenue.” However, In Q3 2019, this segment shows growth over the previous year’s quarter with an increase of 3%.



Source: SeekingAlpha

Food Ingredients:

This segment refers to the company’s global activities related to the purchase and processing of anime by-products into good grade ingredients. The collagens produced are then sold to third parties to be used as ingredients in pharmaceutical, nutraceutical, good, pet good, and technical industries. The Natural casings produced are sold to third parties to be used as an ingredient in the production of sausages and similar foods. While DAR Feed Ingredients segment has been slowly decreasing, their Food Ingredients segment has been slowly growing, in terms of Net Sales. In 2016, we saw this segment make up about 31% of net sales, 32% of net sales in 2017, and about 33.6% of net sales in 2018. In Q3 of 2019, DAR reports strong demand for their collagen and peptan products and show a 4% increase in Q3 revenue in comparison to Q3 2017.



Source: IBIS World

Fuel Ingredients:

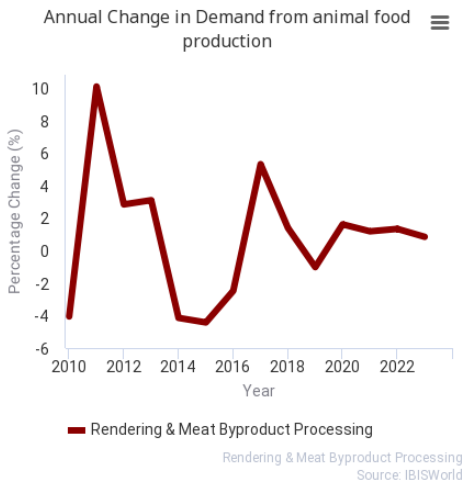
Darling Ingredients final segment is Fuel Ingredients. The company’s fuel ingredients segment converts fats into renewable diesel, organic sludge and food waste into biogas, and fallen stock into low-grade energy sources. The fuel segment shows growth over the past year with it contributing to 8.7% of net sales in 2018 compared to the 7.3% of net sales in 2016 and 2017. Overall sales increased in DAR’s Fuel Ingredients segment primarily due to higher sales at Ecoson and in North America due to approval of the Blenders Tax Credit.

Industry Overview

Feed Ingredients Industry:

The Farm Animal Feed production industry is valued at 35.5 billion in 2018. With growth expected to grow about 0.9% annualized with a revenue of about \$37.1 billion by 2023. A few key trends in this industry are the decline in feed prices that have affected the industries revenue. We also see that livestock producers are willing to pay higher prices for organic feed. Another key driver of growth in this industry is the forecasted growth of global meat consumption to double over the next three decades. This in turn leads to growth of the need of animal feed.

The overall Animal Food Production, Industry is valued at 63.8 billion in 2019 and is expected to growth at 0.7% annualized and reach \$66.1 billion in 2024. This included both the demand for pet food and farm animal feed. The demand for pet food is also expected to continue to grow due to the increase of pet ownership. This growth in pet ownership and pet food will drive the demand for raw materials in pet food.



Source: IBIS World

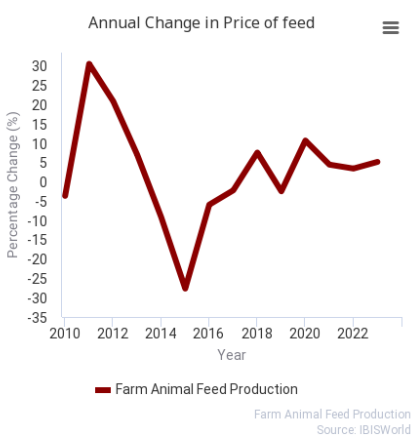
Food Ingredients Industry:

In 2018 the Rendering & Meat Byproduct processing was valued \$4.9 billion. According to IBIS World the industry is expected to grow by 1.1% annualized by 2023 to \$5.2 billion. The demand from animal food production is also expected to growth at a rate of 2.7% annualized over the next five year. A few key drivers of this growth can be attributed to the demand for meat byproducts, growth of domestic imports, the increase in the number of companies operating in the industry and the investment into biofuel from the meat byproducts.

Fuel Ingredients Industry:

Biofuel is a growth field because of its physical properties being like those of petroleum diesels, but as a cleaner-burning alternative. This gives this industry a unique positioning because they act as a substitute for the petroleum diesel industry. In 2016 about 22% annualized of the market share belonged to the give largest companies.

According to the “Biofuel Manufacturing – Quietly Update” from First Research Industry Profile, in May of 2019 the global sales of biofuel are around \$170 million and expected to grow to about \$250 million by 2024. The United States, Brazil, Germany, Argentina, and China are the largest countries of biofuel manufacturing. The growth of government regulation, mandates, and incentives are continuing to grow. This is driven most due to the growing concern about the environment, dependence on fossil fuels, and managing the waste produced by humans.



Source: IBIS World

Competitive Positioning

Threat of New Entrants:

The Threat of New Entrants for DAR is overall very low. DAR has a long history of operation, beginning in 1882. DAR also has the advantage of Economies of Scale and has already heavily invested in capital and infrastructure. This overall gives DAR a cost advantage and allows them to produce a larger volume at a lower price than any potential new entrants.

This industries DAR operates in also has very high capital requirements. Building processing facilities for animal by-products and biofuel have high cost and can be difficult for new entrants to acquire. DAR also operates on a global scale. The capital requirement to operate abroad can also hinder the potential for any potential entrants. DAR already has the infrastructure and capital to operate at a global scale in their industries.

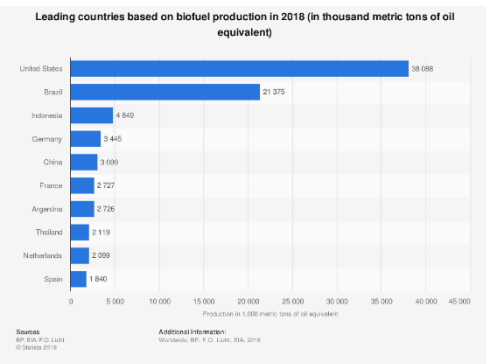


Source: DAR ESG 2019 report

Finally, access to distribution networks and government policy are a big barrier for new entrants. Acquiring the raw materials for each industry require a large distribution network to run efficiently. This has is also a large barrier for new entrants. Each industry that DAR operates in is heavily regulated by both the United States and in Europe. Changing operations in order to comply with new government regulation can also be a large barrier for new entrants. DAR has the scale and experience to adapt to any government regulations.

Bargaining Power of Suppliers:

Suppliers are abundant in the three industries that DAR operates in. This means that the suppliers have overall low bargaining power. However, as DAR operates on sustainability, this does reduce the number of worldwide suppliers that DAR can utilize. The type of raw materials that DAR collects is also abundant. The worldwide industry of meat production is also large; therefore, the industry of animal by-products is also abundant. There is also a low threat of suppliers moving toward forward integration and moving into competition with DAR. One exception to this is one of DAR main competitors, Tyson.



Bargaining Power of Buyers:

Bargaining power of Buyers is moderate for DAR. In the overall industry, the bargaining power is not very high but since DAR operates with a more sustainable business model, the number of buyers is more limited. However, since DAR does operate on a global scale and in three different industries, this means that their customers are diverse. Since there are less buyer of DAR products, this means they have a slightly higher control over prices then the overall industry. On the other hand, since DAR's products are focused on more sustainability, this gives DAR more product differentiation then their competitors, meaning they also have some control of the prices they set.

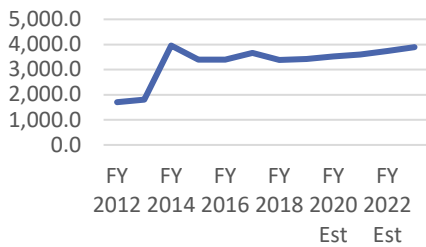
Threat of Substitute:

There are very few substitutes in the industries that DAR operates in. This means that there is a low threat of substitutes for DAR's products. As stated before, DAR operates with more sustainability in mind. This means that DAR provides a unique product when compared to their competitors and any potential substitutes.

Competitive Rivalry:

The number of competitors in DAR's industry is also very few. Like DAR, the competitors are large in scale and already have established themselves within the industry. This means that any change to any company's business models within this industry will be noticed by DAR and the other competitors. As most of the companies that operate in this industry are large, each firm is focused on trying to differentiate themselves and gain market share. This means that competitive rivalry among existing firms is high.

Revenue Growth



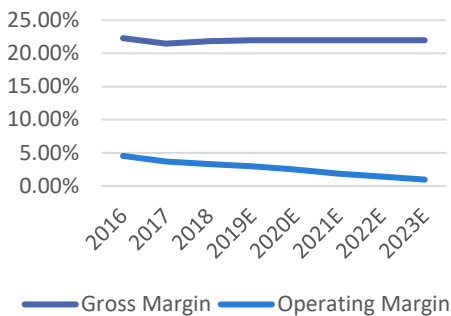
Valuation

We issue a BUY recommendation for DAR with our target price of \$35.14, reflecting an upside of 12.94% from their price of \$28.41 per share as of January 11th, 2019. Our target price is comprised of a relative valuation model and an intrinsic valuation model using the Free Cash Flow to Firm model. Our relative valuation model is based on peer companies and their forward P/E and their EV/EBITDA. Our relative valuation model gave us a relative price of \$35.14. Our intrinsic valuation gave us a target price of \$30.78. We then weighted the intrinsic valuation at a weight of 70% and relative valuation model with a weight of 30%. The intrinsic valuation was weighted higher due to the various industries that DAR operates within.

Revenues:

We forecast DAR's overall revenue is going to increase over the next 5 years. We believe that they will continue to grow based on the recent growth of their three segments. We also based this on the growth for more sustainable and environmentally friendly product that are demanded by DAR's customers.

Margin Growth



Margins:

We expect Darling Ingredients' gross margins are expected to grow in each segment. This can help maintain future operations and support their growth in each of their segments. As DAR continues to grow and take advantage of economies of scale, their margins will continue to grow.

Capital Expenditures:

In 2018 DAR had a Capital Expenditure of \$321.9 million as compared to \$274.2 million in 2017 or an increase of \$47.7 million. In 2019 DAR expects to spend about \$233 million on capital expenditure of maintenance, compliance, and approximately \$67.0 million on new construction, totaling approximately \$300 million.

million. DAR plans on financing these expenditures by cash flows from operations.

Tax rate



Taxes:

DAR operates globally with many subsidiaries abroad in different tax rates. Along with various government tax-break or tax-credits, DAR’s tax rate can cause their tax rate to fluctuate year over year. In 2018 DAR’s effective tax rate was 10.2%, this is a slight reduction from their 2017 tax rate of 10.7%. We decided to keep the tax rate stable due to the historic tax rate and the growth in the fuel segment further driving government incentives.

Terminal Growth Rate:

A terminal growth rate of 3% was used based on the growth of GDP at around 2%. Also, we added a premium about 1% to the GDP growth due to the growth we see in the fuel segment as the growth for sustainable energy continues to grow.

Relative Valuation:

6 peers were identified to have similar products or operate in similar industries as DAR. Due to DAR’s business model of operating in three different industries, a mix of peers were used. Some peers may only operate in one or two of the same industries. P/E and EV/EBITDA were used to compare the various peers to DAR. This was done based on common practices within the industry.

WACC: In our valuation we arrived at a WACC of 7.97% for DAR. The detailed breakdown of our WACC is displayed down below:

ASSUMPTION	RATE	METHODOLOGY
Risk-Free Rate	1.84%	US 30-year Treasury Bond
Market Return	8%	S&P500 return
Beta (x)	1.19	Value Line
Cost of Equity	9.17%	Calculated via CAPM
Cost of Debt	5.2%	Estimated future borrowing rate of MSFT based on AAA Standard & Poor's Rating
Tax Rate	10.20%	Effective Tax Rate
WACC	7.97%	

Financial Analysis

Capital Expenditure:

DAR is projecting to spend more than \$300 million on capital expenditures in order to increase their operations in their fuel ingredients segment and drive growth. This higher investment in capital will help them scale their operation world-wide. This is also to comply with environmental regulations.

Increasing leverage and strong cash flow generation:

Over the past 5 years, Darling Ingredient’s leverage has remained consistent. This shows that DAR has been able to keep consistent their Assets compared to any liabilities they might incur. We have also seen their cash-flow to increase over the past 5 years.

Investment Risk

Market Risk | Payment of Fixed Price Commitments

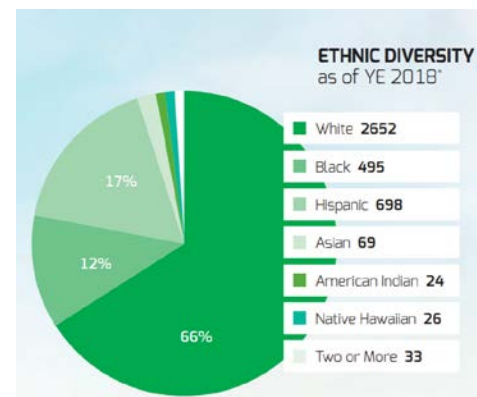
DAR poses the risk of activities involved with the receipt or payment of fixed price commitments. There could be potential downsides in the market that can affect their commitments. There are global fears in 2020 of a looming recession due to slowing down economies. However, in the case of recessions stocks such as DAR or consumer staples are known to outperform.

Market Risk | Trade Tensions

World-wide trade tensions have been escalating in 2019. This has lowered overall growth in many industries due to rising cost and tariffs being implemented. With the addition of tariff-taxes the cost of raw materials can increase and reduce over gross margin for the three segments DAR operates in. As we see tensions slowly de-escalating in 2020, we can see potential boost to overall gross margins.

Market Risk | World-Wide cost of Energy.

As the World population continues to grow the demand to fuel cities and people’s homes will also continue to grow, this can heavily fluctuate based on country. As the cost of renewable energy such as biofuel continue to fluctuate, the price of energy could decrease and reduce DAR’s overall revenue.



Environmental, Social and Corporate Governance

Environmental:

In April of 2019 DAR announced a \$1.1billion upgrade of their renewable diesel refinery in NORCO, LA. This was also in partnership with Valero Energy that will increase their renewable diesel production capacity. They are also committed to reducing their carbon footprint by using the best practices and innovative technology. Their rendering business current produces more water than it consumes which they return not local watersheds for public use.

Social:

DAR states in their ESG report for 2019 that they are committed to, “Safe food and feed, better communities and workplaces. To achieve this goal, they work

to build a culture and working environment that is inclusive and respectful and where our employees can do their best work and feel valued...” They implement high quality standards and operational standards to achieve their goals.

Corporate Governance:

DAR corporate governance is implemented at the board level. They monitor the financial, compliance, and reputational risks. Since the founding of DAR, they have worked to have a diverse, qualified, and strong board. In 2018 DAR appointed their fourth woman as the Director. They also increased their diversity to 36%, which is very different from their industry peers.

APPENDIX 1: FINANCIAL RATIOS

Ratios	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Gross Margin	27.55%	25.66%	21.06%	21.88%	22.30%	21.47%	21.86%	22.00%	22.00%	22.00%	22.00%	22.00%
Operating Margin	13.62%	10.70%	5.90%	4.61%	4.54%	3.69%	3.32%	2.98%	2.48%	1.87%	1.44%	0.96%
Interest Burden		58.94%	11.24%	12.45%	13.99%	-349.76%	12.22%	27.36%	25.21%	19.65%	18.60%	15.40%
Tax Burden	56.43%	56.51%	27.52%	50.18%	66.50%	95.06%	90.18%	0.00%	0.00%	0.00%	0.00%	0.00%
Net Margin	7.69%	6.05%	1.62%	2.31%	3.02%	3.51%	3.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Asset Turnover		2.40	1.69	4.08	3.72	3.67	3.95	3.77	3.73	3.74	3.72	3.72
Return on Assets	0.08	0.03	0.01	0.02	0.02	0.03	0.02	0.00	0.00	0.00	0.00	0.00
Financial Leverage	1.46	1.61	2.50	2.43	2.26	2.13	2.09	2.26	2.22	2.18	2.18	2.18
Return on Equity	0.12	0.05	0.03	0.04	0.05	0.06	0.04	0.00	0.00	0.00	0.00	0.00
Current Ratio	3.17	2.65	1.67	1.70	1.79	1.88	1.91	1.79	1.82	1.85	1.85	1.85
Quick Ratio	1.71	6.01	1.26	1.32	1.24	1.07	1.03	1.16	1.17	1.14	1.10	1.12
Debt/Equity	0.24	0.44	1.05	0.99	0.84	0.74	0.72	0.85	0.82	0.79	0.78	0.79
Net Debt/Equity	250.32	887.27	2152.49	1960.08	1751.00	1714.24	1674.48	1778.93	1813.83	1807.13	1869.32	1968.03

APPENDIX 2: INCOME STATEMENT

In Millions of USD except Per Share	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Revenue	3,397.4	3,391.9	3,662.3	3,387.7	3,421.6	3,521.4	3,594.7	3,738.5	3,888.1
+ Sales & Services Revenue	3,397.4	3,391.9	3,662.3	3,387.7	3,421.6	3,490.0	3,594.7	3,738.5	3,888.1
- Cost of Revenue	2,654.0	2,635.5	2,875.9	2,647.1	2,668.9	2,746.7	2,803.9	2,916.1	3,032.7
+ Cost of Goods & Services	2,654.0	2,635.5	2,875.9	2,647.1	2,668.9	2,746.7	2,803.9	2,916.1	3,032.7
Gross Profit	743.4	756.4	786.4	740.6	752.8	774.7	790.8	822.5	855.4
+ Other Operating Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Operating Expenses	586.9	602.5	651.3	628.1	650.8	687.2	723.7	768.7	818.0
+ Selling, General & Admin	322.6	314.0	347.5	309.3	307.9	316.9	323.5	336.5	349.9
+ Research & Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Depreciation & Amortization	269.9	289.9	302.1	321.2	344.8	371.4	401.1	434.0	469.6
Over Revenue	7.9%	8.5%	8.2%	9.5%	7.4%	7.7%	8.0%	8.2%	8.2%
+ Other Operating Expense	-5.6	-1.4	1.7	-2.4	-2.0	-1.1	-1.0	-1.7	-1.6
Operating Income (Loss)	156.5	153.9	135.1	112.6	101.9	87.5	67.2	53.8	37.4
- Non-Operating (Income) Loss	33.3	29.5	72.6	-58.8	-34.2	-35.4	-36.9	-39.3	-40.2
+ Interest Expense, Net	94.9	94.2	88.9	86.4	90.3	93.1	93.7	96.3	101.2
+ <i>Interest Expense</i>	94.9	94.2	88.9	86.4	90.3	93.1	93.7	96.3	101.2
- <i>Interest Income</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Foreign Exch (Gain) Loss	4.9	1.9	6.9	6.4	6.5	6.7	6.8	7.1	7.4
+ (Income) Loss from Affiliates	-73.4	-70.4	-28.5	-159.2	-136.9	-140.9	-143.8	-149.5	-155.5
+ Other Non-Op (Income) Loss	6.8	3.9	5.3	7.6	5.8	5.7	6.3	6.8	6.7
Pretax Income (Loss), Adjusted	123.2	124.3	62.5	171.4	136.1	122.9	104.1	93.1	77.6
- Abnormal Losses (Gains)	24.4	1.8	-1.7	53.4					
Pretax Income (Loss), GAAP	98.8	122.5	64.2	118.0	136.1	122.9	104.1	93.1	77.6
- Income Tax Expense (Benefit)	13.5	15.3	-69.2	12.0	34.0	31.4	22.9	22.0	18.4
+ Current Income Tax	8.5	27.7	31.5	27.6	43.1	42.6	31.1	29.9	25.0
+ Deferred Income Tax	5.0	-12.4	-100.6	-15.6	-9.1	-11.2	-8.2	-7.9	-6.6
+ Tax Allowance/Credit	—	—	—	—					
Income (Loss) from Cont Ops	85.3	107.2	133.4	105.9	102.1	91.5	81.2	71.1	59.2
- Net Extraordinary Losses (Gains)	0.0	0.0	0.0	0.0					
+ Discontinued Operations	0.0	0.0	0.0	0.0					
+ XO & Accounting Changes	0.0	0.0	0.0	0.0					
Income (Loss) Incl. MI	85.3	107.2	133.4	105.9					
- Minority Interest	6.7	4.9	4.9	4.4	5.2	4.9	5.0	5.3	5.6
Net Income, GAAP	78.5	102.3	128.5	101.5	96.9	86.5	76.2	65.9	53.6

APPENDIX 3: BALANCE SHEET

In Millions of USD except Per Share	2012A	2013A	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	2023E
Total Assets												
+ Cash, Cash Equivalents & STI	103.2	870.9	108.8	156.9	114.6	106.8	107.3	113.9	122.8	119.5	123.4	130.9
+ Accounts & Notes Receivable	98.1	112.8	409.8	371.4	388.4	391.8	385.7	371.1	390.4	407.2	420.9	440.5
+ Inventories	65.1	65.1	401.6	344.6	330.8	358.2	341.0	336.5	349.5	362.0	377.2	393.8
+ Other ST Assets	23.8	78.7	88.4	58.9	59.5	99.6	63.9	69.9	71.6	76.6	82.3	81.1
Total Current Assets	290.3	1,127.5	1,008.6	931.8	893.3	956.4	897.9	891.4	934.3	965.3	1,003.7	1,046.3
+ Property, Plant & Equip, Net	453.9	666.6	1,574.1	1,508.2	1,515.6	1,645.8	1,687.9	1,658.9	1,726.2	1,795.3	1,867.1	1,941.7
+ LT Investments & Receivables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Other LT Assets	808.2	1,450.1	2,543.8	2,349.6	2,289.1	2,356.0	2,303.6	2,255.7	2,363.8	2,443.4	2,535.3	2,654.4
Product/Brand Segments	—	701.6	1,320.4	1,233.1	1,225.9	1,301.1	1,229.2					
Feed Ingredients	—	663.9	847.6	796.9	797.7	832.3	776.1					
Food Ingredients	—	0.0	346.2	323.4	317.0	344.5	335.2					
Fuel Ingredients	—	37.7	126.7	112.8	111.2	124.4	117.9					
+ <i>Other Intangible Assets</i>	337.4	588.7	932.4	782.3	711.9	676.5	595.9					
+ Deferred Tax Assets	—	—	17.3	16.4	15.0	14.0	15.0					
+ Derivative & Hedging Assets	0.0	0.0	—	—	0.0	0.0	0.0					
+ Investments in Affiliates	—	—	202.7	247.2	292.7	302.0	410.2					
+ Misc. LT Assets	89.5	159.8	71.0	70.6	43.6	62.3	53.4					
Total Noncurrent Assets	1,262.2	2,116.6	4,117.9	3,857.8	3,804.7	4,001.8	3,991.4	3,914.6	4,090.0	4,238.7	4,402.4	4,596.2
Total Assets	1,552.4	3,244.1	5,126.5	4,789.6	4,698.0	4,958.2	4,889.4	4,805.9	5,024.3	5,204.0	5,406.1	5,642.5
Liabilities & Shareholders' Equity												
+ Payables & Accruals	131.5	156.9	426.0	392.1	427.9	541.0	529.8	519.8	536.4	557.7	584.7	602.5
+ ST Debt	0.1	19.9	54.4	47.2	23.2	16.1	7.5	7.5	7.8	8.1	8.4	8.8
+ Other ST Liabilities	0.1	0.0	3.0	4.4	0.7	2.3	3.2	2.6	2.7	2.5	2.9	3.1
Total Current Liabilities	131.7	176.8	483.4	443.7	451.9	559.5	540.5	529.9	546.9	568.3	596.0	614.4
+ LT Debt	250.1	866.9	2,098.0	1,912.8	1,727.7	1,698.1	1,666.9	1,731.6	1,788.7	1,819.9	1,883.3	1,983.0
+ Other LT Liabilities	108.2	179.4	494.0	458.5	442.2	373.0	346.1	402.2	414.2	418.1	422.5	446.6
Total Noncurrent Liabilities	358.3	1,046.4	2,592.0	2,371.2	2,169.9	2,071.0	2,013.0	2,133.7	2,203.0	2,238.1	2,305.8	2,429.6
Total Liabilities	490.0	1,223.2	3,075.4	2,815.0	2,621.8	2,630.5	2,553.5	2,663.6	2,749.8	2,806.3	2,901.8	3,044.0
Total Equity	1,062.4	2,021.0	2,051.1	1,974.6	2,076.2	2,327.7	2,335.8	2,142.3	2,274.5	2,397.6	2,504.3	2,598.5
Total Liabilities & Equity	1,552.4	3,244.1	5,126.5	4,789.6	4,698.0	4,958.2	4,889.4	4,805.9	5,024.3	5,204.0	5,406.1	5,642.5

APPENDIX 4: INTRINSIC VALUATION

In Millions of USD except Per Share	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	Terminal Value
Net Income	102.3	128.5	101.5	96.9	86.5	76.2	65.9	53.6	
Depreciation & Amortization	289.9	302.1	321.2	344.8	371.4	401.1	434.0	469.6	
Deferred Income Taxes	-11.5	-98.8	-17.0	-9.1	-11.2	-8.2	-7.9	-6.6	
Change in Non-Cash Work Cap	-4.3	-36.7	-40.0	50.6	12.5	-2.1	-7.2	24.4	
Cash from Operations	376.4	295.1	365.7	483.3	459.2	467.0	484.7	541.1	557.3
CapEx	-244	-281	-326	-223	-261	-267	-272	-270	
FCFF	133	14	40	260	198	200	213	271	279
Discount Rate (WAAC)				8%	8%	8%	8%	8%	8%
Time Amount				1/0/1900	1/1/1900	1/2/1900	1/3/1900	1/4/1900	
<i>PV of FCFF</i>				259.3	182.5	170.9	168.6	198.9	4,121.41

FCFF	Values
Total PV of FCFF	\$ 5,101.55
PV of Terminal Value	\$ 4,121.41
Add Cash	\$ 107.26
Less Debt	\$ 1,674.43
Equity Value	\$ 3,534.38
Number of Shares	165.75
Current Price	28.41
Target Price (FCFF)	\$30.78
Margin of Safety	8.34%
Relative Valuation Price Target	\$ 35.14

APPENDIX 5: RELATIVE VALUATION

Ticker	Company	P/E	EV/EBITA
HRL	Hormel Foods Corp.	24.59	18.07
CPB	Campbell Soup Co	18.29	15.39
HSY	Hershey Company	24.38	17.28
K	Kellogg Inc	16.35	14.95
KO	Coca-Cola	24.02	24.68
TSN	Tyson	12.11	11.08
Average		19.96	16.91

Multiples	Weight	Price Target
P/E	50%	\$ 13.77
EV/EBITA	50%	\$ 56.51
Target Price		\$ 35.14