EUROBANK Equities

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INITIATION OF COVERAGE

Kri-Kri

Flavorful growth; initiating coverage with a Buy

Leading Greek yogurt producer with international footprint, strong branded positioning and dominance in local private label – Kri-Kri is one of the leading Greek dairy companies focused on the production and selling of yogurt and ice-cream. The business model is based on the provision of a quality offering at affordable prices, an increasing focus on niche categories, the extensive distribution network, the proximity to raw materials and an expanding foreign footprint (international c48% of sales). The main value driver is the yogurt segment (79% of sales), with KRI being a key player in Greece thanks to its strong branded share and the dominance in private label, which effectively insulates it from private label competition evident in other markets.

Record 2023 to be followed by at least high single-digit sales growth in the coming years – Although the yogurt market is in general a segment with tepid volume growth, it does offer scope for growth in niches such as kids/infants as consumers become health conscious and the popularity of yogurt as a stand-alone snack increases. On its part, KRI has managed to deliver c16% sales CAGR since 2015 as, contrary to foreign peers, it has sustained strong volume growth while delivering price/mix accretion thanks to innovation. Following 2-digit price/mix increases in 2022-23 set to lead to 24% sales growth in 2023e, we expect a sequential deceleration in 2024e revenue growth to +9% (volume-led) as pricing rolls off. We expect KRI to remain on a sustainable high single-digit revenue growth trajectory in the coming years mainly driven by volumes further augmented by c1% price/mix. We see further optionality to this path stemming from KRI's upcoming foray into the US market through a frozen yogurt offering.

EBIT reset at c€35m, 2x vs 2019 levels – Kri-Kri is prone to swings in commodity prices, quite natural given that COGS accounts for >70% of total costs. Following a 12ppts erosion in gross margins in 2022, 2023 is set to see a full reversal (+16ppts yoy) thanks to the combination of pricing and simultaneous easing of cost inflation. We expect a partial unwinding of pricing in 2024e, and although this will drive EBIT down yoy (-14%), we still estimate EBIT will settle at 2x 2019 levels, corresponding to a material reset near the €35m mark, a level we see as sustainable. Post 2024e, we see a return to a c8-11% profit growth algorithm, with EBIT margins settling at c15% over 2024-26e.

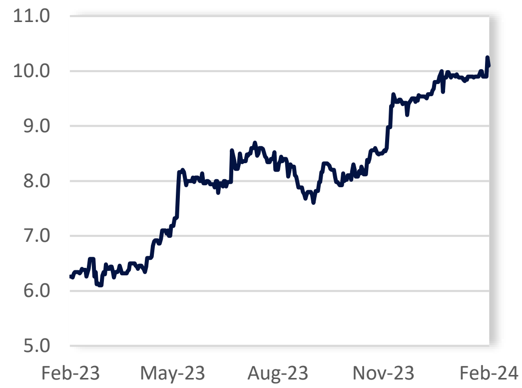
Investments to be funded by internally generated FCF; scope for heftier cash returns – KRI has been a consistent cash generator converting >70% of EBITDA into OCF in the last 7 years, thus being able to fund capex with organic FCF. The cash generative characteristics of the business are validated by sector-leading returns and an ungeared balance sheet (2023e net cash at €8.5m). Strong FCF will pave the way for a compelling shareholder remuneration policy in the future, with our assumed c40% payout leaving room for heftier cash returns or more aggressive international expansion.

Valuation; initiating with a Buy – Despite the c65% rally in the past 12 months, KRI still trades at <8x 2024e EV/EBITDA, namely >25% discount vs food manufacturing and dairy peers despite offering a superior growth profile (vs 2024e) and enjoying a healthier balance sheet. Our DCF-based valuation, based on 9.7% WACC, generates a PT of €13.6/share, effectively valuing KRI at c9x 2025e EV/EBITDA, c15% discount vs peers.

Estimates					
EURm unless otherwise stated	2021	2022	2023e	2024e	2025e
Revenues	134.6	171.9	213.8	232.4	256.9
Adj. EBITDA	21.0	8.9	47.6	42.6	47.5
Net Profit reported	13.2	3.2	34.9	32.8	34.5
EPS (EUR)	0.40	0.10	1.05	0.99	1.04
DPS (EUR)	0.20	0.20	0.40	0.40	0.42
Valuation					
Year to end December	2021	2022	2023e	2024e	2025e
P/E	19.7x	67.0x	7.2x	10.2x	9.7x
EV/EBITDA	12.2x	24.9x	5.1x	7.6x	6.5x
EBIT/Interest expense	59.9x	15.3x	79.2x	156.5x	182.2x
Dividend Yield	2.5%	3.1%	5.2%	4.0%	4.2%
ROE	16.6%	3.9%	37.5%	28.1%	25.1%

Recommendation	**BUY**
Prior Recommendation	**N/A**
Target Price	**€ 13.60**
Prior Target Price	**NA**
Closing Price (20/02)	€10.10
Market Cap (mn)	€334.0
Expected Return	34.7%
Expected Dividend	4.0%
Expected Total Return	38.6%

Kri-Kri Share Price



Stock Data

Reuters RIC	KRIr.AT
Bloomberg Code	KRI GA
52 Week High (adj.)	€10.40
52 Week Low (adj.)	€6.10
Abs. performance (1m)	1.8%
Abs. performance (YTD)	5.4%
Number of shares	33.1mn
Avg Trading Volume (qrt)	€162k
Est. 3yr EPS CAGR	121.5%
Free Float	27%

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See Appendix for Analyst Certification and important disclosures.

Contents

Investment Summary

One of the leading dairy companies in Greece, with increasing international footprint, value-oriented offering and market leading position in the domestic market thanks to strong branded share and dominance in private label

Kri-Kri is one of the leading Greek dairy producers, specializing in the production and selling of yogurt and ice-cream. The main value driver for the group is the yogurt segment, which accounts for c79% of revenues and is set to be a key value creation pillar given increasing international demand for Greek yogurt and subsequent rise in yogurt exports. The business model is based on the provision of a quality offering at affordable prices, an increasing focus on niche categories underpinned by innovation, an extensive distribution network in Greece (local distributors and supermarket chains) and proximity to raw materials guaranteeing the freshness and quality of products while keeping a lid on production costs. Kri-Kri is also a dominant player in the Greek yoghurt private label (PL) market accounting for the bulk of volumes produced for retailers, thus being insulated from PL competition evident in other markets while enjoying consistent market share gains. Geographically the portfolio is quite balanced (c48% of revenues generated by exports) with Kri-Kri having grown its presence to 42 countries, among which are the key markets of UK and Italy.

Kri-Kri's categories poised for mid-single digit growth on our estimates, underpinned by niches and innovation

In general, the yoghurt market is a segment with tepid volume growth, at least for the mainstream strained category, but offering scope for growth in niches such as kids/infants, protein and lactose-free as consumers become more health conscious and the popularity of yogurt as a stand-alone snack increases. On the other hand, price/mix has scope to be slightly positive, mainly on the back of mix initiatives, and as such our analysis suggests Greek yoghurt internationally can be a mid-single digit category. In Greece, the market looks rather mature but with Kri-Kri having a solid track record of gaining share at the expense of competitors even in the branded category (KRI's branded value share is >16%). As for ice-cream, the market is positioned for c4% growth (value) internationally, but we reckon prospects for Greece are rosier given the outlook for inbound tourism (c3% growth through to 2030e), climate conditions (extension of the summer period) and innovation (e.g. Frozen Yogurt).

Strong track record of 16% revenue CAGR over 2015-23e, on robust volume growth and positive price/mix; we see high single digit volume and sales growth as sustainable in the coming years

Contrary to the case for foreign dairy companies, Kri-Kri has a history of very strong organic growth both in terms of volumes (2022 c38% higher than 2019) and price/mix (positive in most years). Overall, total sales have grown at an impressive 16% CAGR over 2015-23e thanks to c31% growth in exports further underpinned by c9% CAGR in Greece. This compares with the <4% organic sales growth delivered by Danone over the same period, indicative of Kri-Kri's growth momentum and prospects. Looking ahead, following a stellar 2023e with 2-digit volume growth further boosted by pricing/mix (EEe +13% for the latter), we model a rolling-off of pricing initiatives taken in the previous 2 years, and, as such anticipate c1.6% price/mix dilution. However, this will be offset by c10% volume growth, thus leading to a c9% increase in the top line despite the tough comp. Looking further out, we expect Kri-Kri to remain on a sustainable (at least) high single digit volume growth trajectory in the coming years further augmented by c1% price/mix, thus leading to sales growth in the high single digits. We see further optionality to this path stemming from Kri-Kri's foray into the US market through a frozen yogurt offering (with our estimates including just a trivial contribution at the current juncture).

Following a record 2023e, we expect margins to normalize in 2024 as pricing gets rolled back; but still expect 2024e EBIT to settle at c2x vs 2019 levels, a material and sustainable profit reset

On the profit front, with COGS accounting for >70% of total costs, it becomes evident that KRI is prone to swings in raw material prices. This was indicative in 2022 when the spike in raw milk prices coupled with record energy costs led to a 12ppt erosion in gross margins. The latter more than fully reversed in 2023e (EEe gross margins +16ppts) thanks to the combination of pricing and simultaneous easing of cost inflation, but we expect a partial unwinding in 2024e as price/mix normalizes (2024e gross margins -3.7ppts). Although this will drive EBIT down yoy (Eee €35m, -14% yoy), we estimate that 2024e will still be c2x the level of 2019, corresponding to a material profit reset for the group at EBIT levels c€35m. We expect the EBIT growth algorithm to return to at least high single digit annually in 2025-26e with EBIT margins settling at c15% over 2024-25e, at the high end among EU peers, also propelled by cost efficiencies.

Capacity expansion to be funded by internally generated cash flow; solid FCF generation provides optionality and leaves scope for hefty shareholder returns

Kri-Kri has been a consistent cash generator converting >70% of EBITDA into operating cash flow in the previous 7 years. This high cash generation has enabled the company to use internal cash flow to invest in the business, without leveraging the balance sheet. Indicatively, capex/sales has averaged near c8% since 2015 absorbing just part of the operating cashflow, thus leading to €33m total equity FCF over 2015-22, with another >€20m set to be delivered in 2023e alone. The cash generative characteristics of the business are validated by sector-leading

– within an international context – returns (ROE >20% from 2023e onwards) and an ungeared financial position (net cash c€8.5m in 2023e). We believe this paves the way for a compelling shareholder remuneration policy in the future, with our assumed c40% payout leaving room for heftier returns to shareholders or more aggressive expansion internationally.

Despite last year's rally, the valuation looks palatable given the material discount vs peers

Despite the rally over the past year (+65%), Kri-Kri still trades at <8x 2024e EV/EBITDA, namely >25% discount vs food manufacturing and dairy peers. This is notwithstanding Kri-Kri's superior growth profile (using the "new normal" 2024e as basis), higher returns, stronger financial position and balance sheet deployment optionality. Our DCF-based valuation, predicated on a 9.7% WACC, generates a PT of €13.6 per share, effectively valuing the group at c10.3x 2024e EV/EBITDA, still a small discount vs its dairy peers on 2024e (and c15% discount on 2025e) as we argue that the higher growth should partly offset the drawback of the company's smaller size/liquidity.

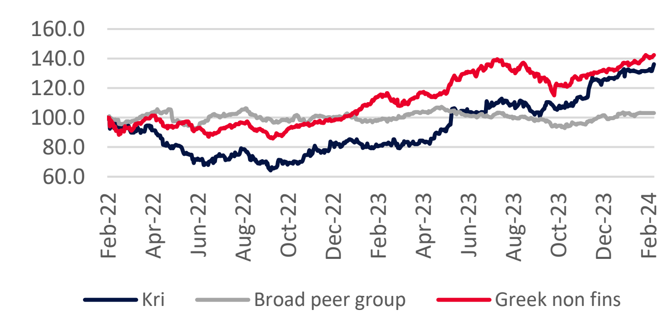
Share price performance and valuation

Stock price performance

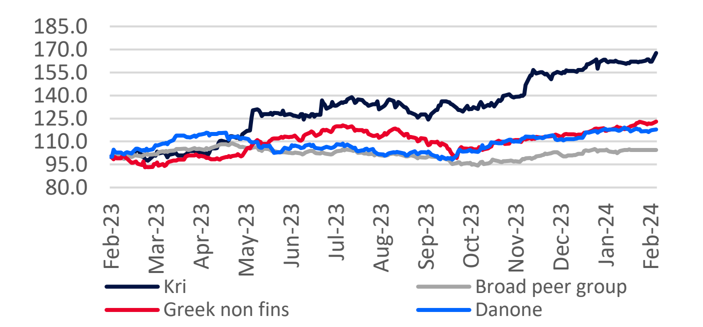
Record price in the light of record profits

Kri-Kri has had a bifurcated performance in the last couple of years, with the stock suffering heavy losses in 2022 (c25%) in the face of the challenging input cost management before bouncing >50% in 2023 thanks to the strong operating momentum which eclipsed management's expectations leading to continuous upgrades to the guidance. As a result, the stock is now hovering at all-time highs mirroring the record profitability set to be delivered in 2023e (EBIT at >€40m, c+147% vs 2021 levels).

2-year performance (rebased to 100)



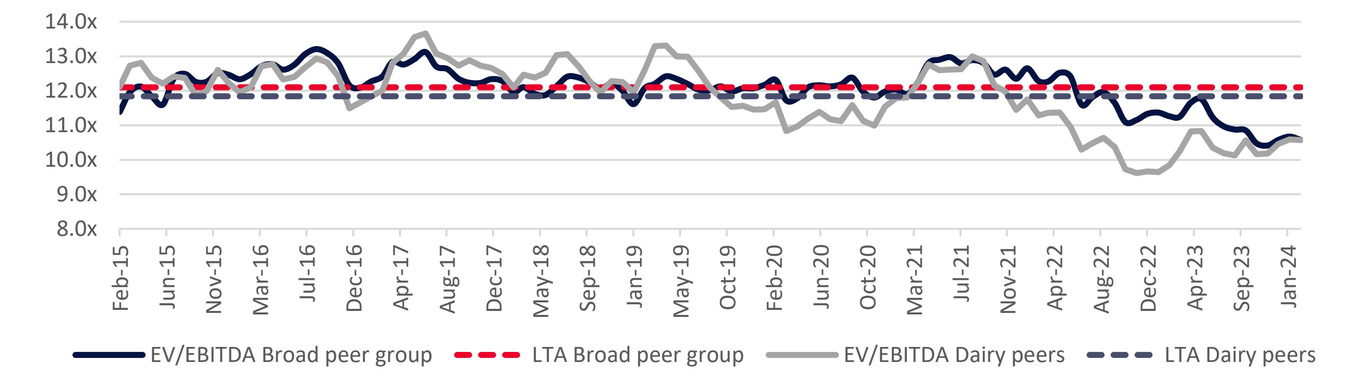
1-year performance (rebased to 100)



Source: Eurobank Equities Research, Bloomberg.

As far as valuation is concerned, we have looked at the track record of companies involved in food manufacturing in general ("broad" peer group) and dairy companies in particular. Food manufacturers have historically traded at an average of c12x EV/EBITDA, ranging from c10x to c13x depending on growth prospects and policy conditions. Dairy peers, which constitute a more focused group, have traded at a similar valuation in the long-run (just slightly lower at c11.8x), but withing a wider trading range reflecting subdued volume growth, lower pricing power and inferior margins than other staple companies.

12m forward EV/EBITDA valuation – Peers group

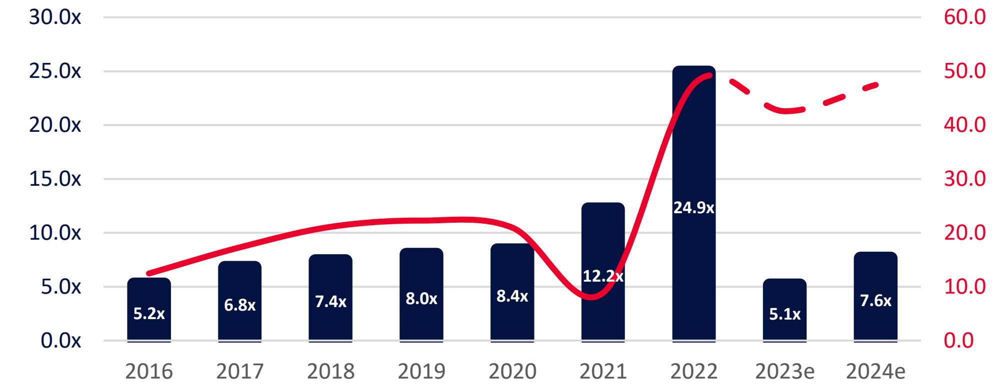


Source: Eurobank Equities Research, Bloomberg.

In Kri-Kri's case, there is limited forward-looking valuation track record since the stock has not been widely covered. Using actual EBITDA figures and average market cap data during each year, the stock seems to have usually traded within a 5-8x EV/EBITDA range, materially lower than its peers, indicative of the information gap created by the lack of coverage. The only exception was 2021, when the 1yr forward valuation shot up due to the double effect of COVID-related bounce (as risk premia narrowed) and rising inflation which put pressure on the 1yr forward (at the time) projected profitability.

Overall, despite the shares doubling since their September 2022 lows, the valuation remains quite palatable in our view, still at <8x 2024e EV/EBITDA, namely a >25% discount vs its peers.

Kri-Kri: EV/EBITDA valuation (left) and EBITDA (€m, right)



Source: Eurobank Equities Research, Bloomberg.

In the table below, we look in more detail at the current valuation of Kri-Kri and several peers, including food companies as well as dairy names (e.g. Danone, Glanbia, and Emmi). As can be seen, indeed Kri-Kri trades at a significant discount across traditional metrics such as PE and EV/EBITDA, while enjoying a healthier balance sheet (net cash) and offering dividend yield at the high end plus the optionality for even heftier returns.

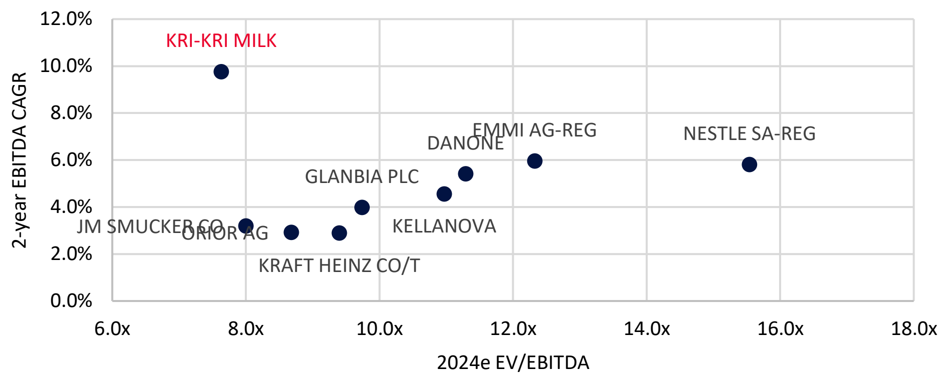
Peer group valuation

		PE		EV/EBITDA		Dividend yield		Net debt/EBITDA
Stock	**Mkt Cap**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
DANONE	41,697	17.4x	16.2x	11.3x	10.7x	3%	4%	1.8x
GLANBIA PLC	4,125	12.4x	12.0x	9.7x	9.3x	2%	3%	0.2x
EMMI AG-REG	4,850	20.9x	19.4x	12.3x	11.8x	2%	3%	0.7x
KELLANOVA	17,633	15.4x	14.5x	11.0x	10.5x	4%	4%	2.5x
JM SMUCKER CO	12,224	12.2x	11.4x	8.0x	7.7x	4%	4%	2.7x
KRAFT HEINZ CO/T	39,191	11.5x	10.9x	9.4x	9.1x	5%	5%	2.7x
ORIOR AG	453	14.4x	13.4x	8.7x	8.4x	4%	4%	1.6x
NESTLE SA-REG	276,603	19.2x	17.9x	15.5x	14.7x	3%	3%	2.5x
Median		**14.9x**	**14.0x**	**10.4x**	**9.9x**	**4%**	**4%**	**2.2x**
Kri-Kri	334	10.2x	9.7x	7.6x	6.5x	4%	4%	-0.2x
Premium / (Discount) vs peers		***-32%***	***-31%***	***-26%***	***-34%***	***12%***	***12%***	

Source: Eurobank Equities Research, BBG

Given that the range of valuation multiples may also reflect differences in companies' growth profile, we have also examined the valuation of the broad peer group in conjunction with the 2-year profit outlook (2024-26e). **We have looked at 2024e valuations and have taken 2024e profitability as the basis, to remove the effect of Kri-Kri's inflation-driven excess margins of 2023. As can be seen, Kri-Kri's valuation looks compelling considering it also enjoys the strongest growth profile amid its international peer group.**

Kri-Kri and peer group – 2024 e valuation vs 2-year expected growth



Source: Eurobank Equities Research, Bloomberg.

Valuation

We value Kri-Kri using a DCF to capture the solid medium term growth profile of the business following the earnings normalization of 2024e (vs the record 2023 numbers). Our base case yields a 12-month price target of €13.6/share, predicated on the following assumptions:

- Sales CAGR of c9% over 2024-2028e driven by increasing exports and rising market share domestically.
- EBITDA CAGR of c10% over 2024-2028e (after a c11% de-basement in 2024e as the inflation-driven excess margins roll off), underpinned by the positive pendulum of operating leverage and cost efficiencies.
- We use a long-term growth rate of 1% based on a reinvestment rate of c15% and a perpetual incremental ROIC in the mid to high single digits, assuming that the competitive intensity will increase in the future and Kri-Kri's competitive advantage will fade in the long run.
- We end up with an implied FCF EBITDA cash conversion (FCF/EBITDA) of c55% over the forecast period, a level we consider feasible given the track record.
- We use a 9.7% WACC, which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe while also considering factors such as stock liquidity.

DCF

EURmn unless otherwise stated	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
NOPAT	32.3	34.0	36.4	38.0	40.0	43.0	45.7	48.1	50.2	51.9	53.3
Reinvestment	(18.6)	(6.5)	(2.6)	(2.7)	(2.5)	(6.1)	(7.1)	(8.0)	(8.9)	(9.6)	(10.2)
Unlevered Free Cash Flow	**13.7**	**27.6**	**33.7**	**35.3**	**37.5**	**37.0**	**38.6**	**40.0**	**41.3**	**42.3**	**43.1**
Sum of PV of FCF	241.0										
PV of terminal value	208.6										
Enterprise Value	**449.7**										
Net debt	9.0										
Other claims (net)	(0.5)										
Equity value	**458.1**										
no. of shares	33.1										
Per share (year end)	13.9 €										
12-month per share ex div	**13.6 €**										

Source: Eurobank Equities Research

Our PT effectively places Kri-Kri on c10.3x 2024e EV/EBITDA, still small discount vs the dairy peer group on 2024 numbers (and >15% discount on 2025e).

A basic sensitivity on a combination of WACC and terminal growth rates is presented in the table below. As can be seen, flexing our WACC and perpetuity growth inputs by 0.5% each yields a fair value range between c€12.5 and c€15.0 per share, effectively pointing to a very compelling risk-reward skew.

DCF Sensitivity of our calculated group fair value per share to the WACC and LT growth assumptions

		WACC				
		10.7%	10.2%	9.7%	9.2%	8.7%
Terminal growth	2.0%	12.8	13.6	14.5	15.6	16.7
	1.5%	12.5	13.2	14.0	**15.0**	16.1
	1.0%	12.2	12.9	**13.6**	14.5	15.5
	0.5%	11.9	**12.5**	13.2	14.0	14.9
	0.0%	11.6	12.2	12.9	13.7	14.5

Source: Eurobank Equities Research.

Strategy and Business model

A. Product and geographic overview

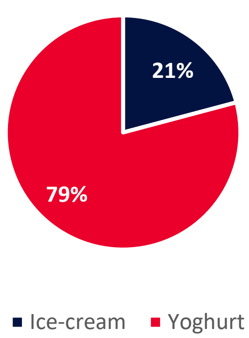
Kri-Kri Milk Industry S.A. (Kri-Kri) is one of Greece's largest yoghurt and ice cream producers, with core operations in making ice cream, yogurt, and fresh milk. The company operates a high standard production plant in Northern Greece, fact which facilitates access to considerable supplies of raw milk given proximity to a highly fertile area. Its distribution network is comprehensive, including major supermarket chains and smaller retail outlets throughout Greece. The company has also been expanding its geographical footprint, currently exporting its products to >40 countries and generating c50% of its sales abroad (from <20% in 2015).

In more detail, the company's product offering includes 2 main categories:

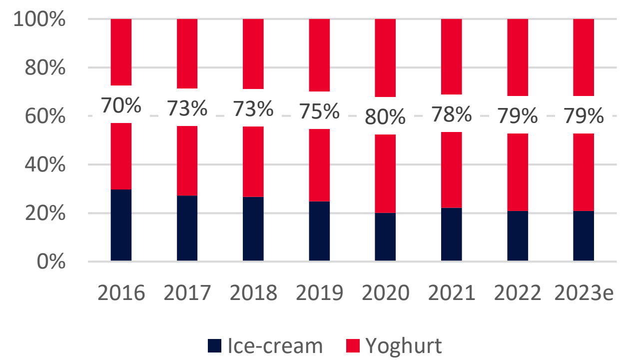
1) **Yoghurt**: Kri-Kri produces a wide range of yoghurt products using 1-day fresh milk from the region of Serres. Its offering includes Strained, Fruit, Functional, Kids and Infant yoghurt, with niche segments having gained particular traction in the last few years. Indicatively, Kri-Kri is now leader in the kids' category with a c40% market share.
2) **Ice Cream**: In ice-cream, Kri-Kri is the number 2 brand in the Greek market, thanks to its nationwide sales network.

As displayed below, yoghurt is the dominant product category accounting for >75% of sales since 2019, up from c70% in 2016, and is thus the most relevant for the investment case.

Sales mix 2022 by product



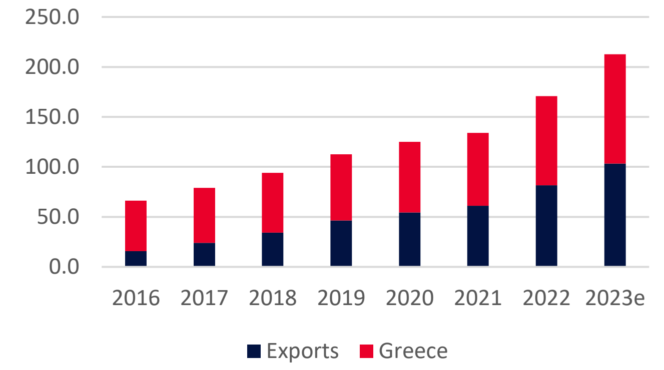
Evolution of sales mix



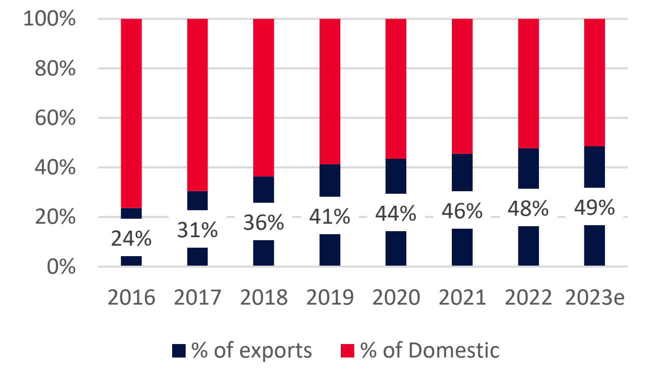
Source: Eurobank Equities Research, Company.

From a geographical viewpoint, Kri-Kri has been gradually expanding its geographical footprint, managing to grow its exports to half of the total revenue base compared to just 24% in 2016. This has been the result of the successful expansion of its yoghurt business abroad, with focus on 2 key markets, namely UK and Italy, mainly through its private label product portfolio.

Sales mix by geography in EURm



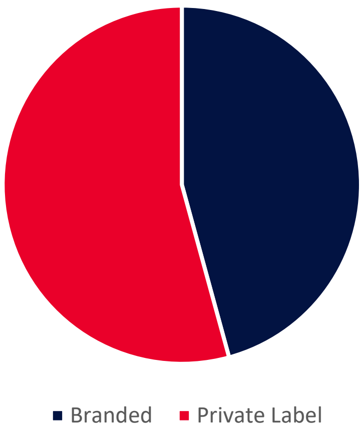
Evolution of geographic sales mix (% of total sales)



Source: Eurobank Equities Research, Company.

As far as the mix is concerned, Kri-Kri has quite a balanced portfolio across branded products and private label, just slightly tilted towards the latter over the last 4 years (on average) as per our estimates.

Branded vs private label: Average mix composition over 2019-23e



Source: Eurobank Equities Research.

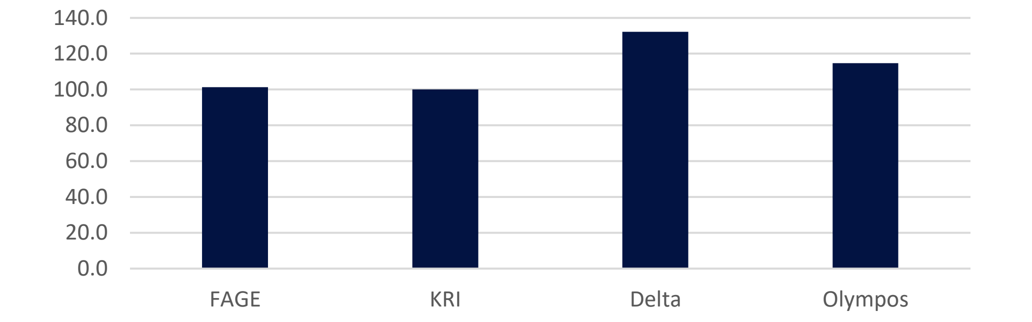
B. Strategy

Kri-Kri's strategy and business model are predicated on the following pillars:

1. Quality Offering at Affordable Prices

Kri-Kri has positioned itself as a provider of quality dairy products, notably yogurt and ice cream, at competitive prices. Indeed, as we display below Kri-Kri's relative price in Greek yoghurt was c1-30% lower than that of its main competitors. This balance of quality and affordability is central to the company's appeal in both domestic and international markets. The company's focus on using high-quality ingredients and traditional Greek recipes ensures a consistent and superior taste experience for consumers. By streamlining production processes and optimizing supply chains, Kri-Kri maintains cost-effectiveness, allowing it to offer its quality products at prices accessible to a broad customer base.

Relative price index 2023, Greece yoghurt

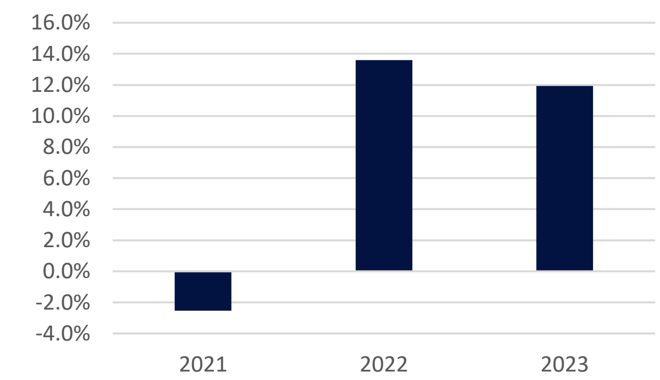


Source: Eurobank Equities Research, Company data.

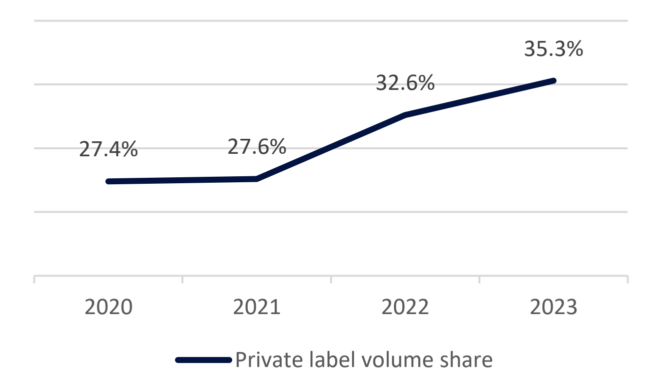
2. Private Label penetration

A significant pillar of Kri-Kri's business model is its expansion in the private label sector. The company collaborates with large supermarket chains, producing bespoke dairy products under the retailers' brands. This strategy not only diversifies its revenue streams but also enhances its market penetration. As private label products gain popularity due to their value-for-money proposition, Kri-Kri's involvement in this segment positions it to capitalize on growing consumer trends, reinforcing its market presence and profitability. In Greece, the volume share of private label yoghurt has increased by almost 8pps since 2020, with Kri-Kri being the main beneficiary thanks to its dominance in the private label market, as the company produces the bulk of PL yoghurt.

Kri-Kri private label volume growth, yoy



Private label volume share, Greek yoghurt

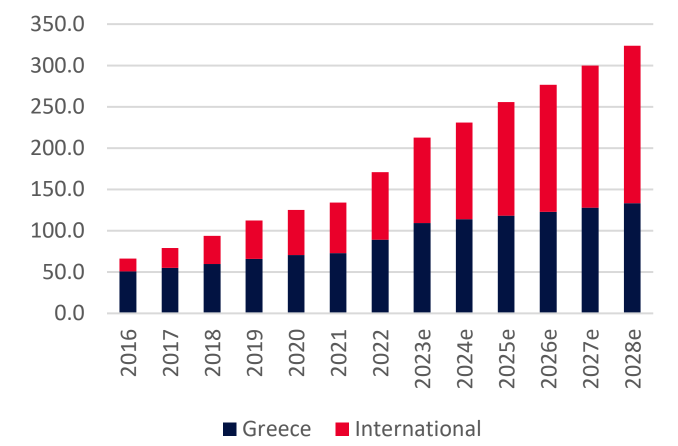


Source: Eurobank Equities Research, Company.

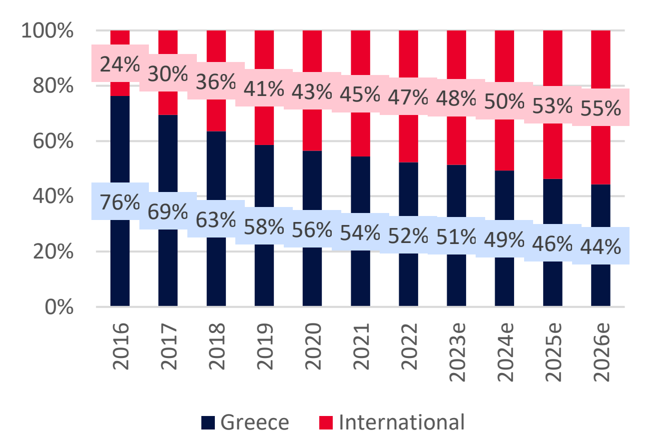
3. Geographic expansion

Exploring new geographic territories is a key element of Kri-Kri's growth strategy. The group has delivered c30% sales CAGR in exports over 2016-2022, growing its international revenues to €81m last year. Kri-Kri currently exports to >40 countries, thus managing to not only diversify its market base but also reduce its dependence on the Greek market. This international expansion is driven by a keen understanding of local tastes and preferences, with the company focusing on countries where Greek yoghurt resonates well with consumers. Indicatively, c70% of its foreign sales in 2023 came from Italy and UK, two countries offering quite sizeable opportunities.

International sales >30% CAGR over 2016-23e



… set to account for >50% of KRI's sales from 2024e onwards



Source: Eurobank Equities Research, Company.

4. Innovation and widening assortment, with focus on niche categories

Innovation is at the heart of Kri-Kri's strategy, as seen in its ever-expanding product assortment. Regularly introducing new flavors and product lines, the company stays at the forefront of market trends and consumer preferences. Innovation is evident across several product aspects, including product formulation, packaging, or production techniques, keeping the brand relevant and appealing to a wide range of consumers. In the last few years, Kri-Kri has been switching its focus on niche segments, be it innovative (high protein, lactose free etc.) or targeting kids/infants (e.g. KRI has become a leader in Kids with c40% share while penetrating the adjacent infant category). Niche categories bear higher margins and present a substantial avenue of growth given evolving consumer tastes and health awareness.

5. Extensive distribution network

Kri-Kri's extensive distribution network is a cornerstone of its business model. Spanning across Greece and leveraging a logistics center in Aspropyrgos for Southern Greece, the network ensures efficient and widespread availability of its products. In the last few years Kri-Kri has managed to expand its footprint and reach, developing a network of 20K points of sale in ice-cream (compared with 14K in 2017) and being present in all Greek supermarkets in yoghurt. Additionally, the company's international distribution channels are constantly being strengthened to support its expanding global presence, ensuring that Kri-Kri products are readily available in numerous markets. In foreign geographies, route-to-market involves the usage of importers or the establishment of own warehouses (e.g. in UK) from where distribution takes place.

6. Access to milk

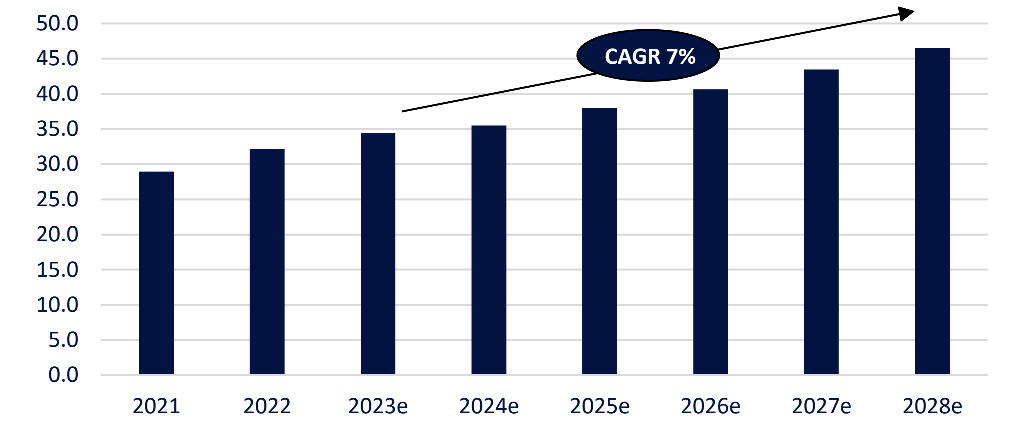
Having reliable access to high-quality raw milk is fundamental to Kri-Kri's operational success, especially given its focus on dairy products. The company's strategic location in Northern Greece, a region known for its dairy farming, ensures a steady supply of fresh, high-quality milk. This proximity to raw materials not only guarantees the freshness and quality of Kri-Kri's products but also aids in keeping production costs in check, contributing to the company's overall efficiency and profitability. Indicatively, the broad Central Macedonia region accounts for c50% of domestic milk production, with 25% of that being absorbed by Kri-Kri. The company's highly efficient and automated production line enables Kri-Kri to further leverage on its easy access to considerable supplies of raw milk.

Market and Competitive Landscape

A. Global Greek yogurt market

The global "Greek yogurt" market was worth c$29bn in 2022 as per "Grandview Research" and is set to grow at c7% CAGR through to 2028. Growth will be underpinned by an increase in consumer health awareness and a shift in dietary preferences towards nutritious and wholesome food items. Effectively consumers are increasingly opting for food sources that are gluten-free, chemical-free, and naturally produced.

Global Greek yogurt market, in $bn



Source: Eurobank Equities Research, Grandview Research.

The main distinction between Greek yogurt (strained yogurt) and its counterparts lies in the straining process, where the removal of whey leads to a creamier and denser texture. This straining not only enhances the protein content but also reduces sugar levels compared to other options. Consequently, it is often recommended by healthcare professionals and specialists for individuals seeking low-calorie or sugar-free dietary choices. Additionally, Greek yogurt serves as a reservoir of probiotics, associated with numerous advantages such as enhanced digestion, reinforced immune system, and diminished inflammation.

Key markets for Greek yogurt are the US (market worth c$7.6bn in 2022 as per FAGE), UK (GBP1.5bn) and Italy (€1.5bn). The US Greek yogurt market has gone through various twists and turns gaining traction in mid 2000s but starting to face headwinds in the middle of the previous decade being affected by various factors including market participant dynamics, competition from alternative products (e.g. plant-based) and probably an overwhelming variety of choices for consumers, particularly in the US, which led the category to decline. In Europe, Greek yogurt markets have been more stable in volume terms, especially in countries where yogurt is consumed as a stand-alone snack or part of a meal (e.g. Greece). Innovation has naturally been the primary driver of growth (e.g. low fat/sugar variations, niche segments such as kid offerings enjoying superior growth).

In terms of the competitive landscape, the key players in the global market are Danone, General Mills (through Yoplait), Chobani, Nestle and Müller, with Greek private company Fage also having notable footprint in US, Italy, UK and Greece. Overall, the industry is quite fragmented but with several barriers to entry, given the importance of brand loyalty, the heavy regulation (e.g. health, safety, environmental standards), the difficulty in establishing a robust supply chain and distribution network, the capital required for production facilities as well as R&D etc. That said, the market has been seeing new entrants bringing innovative products and business models, especially in niches like organic, vegan, or specialized health-focused yogurt products. The key to overcoming these barriers often lies in finding a unique value proposition and effectively targeting niche market segments.

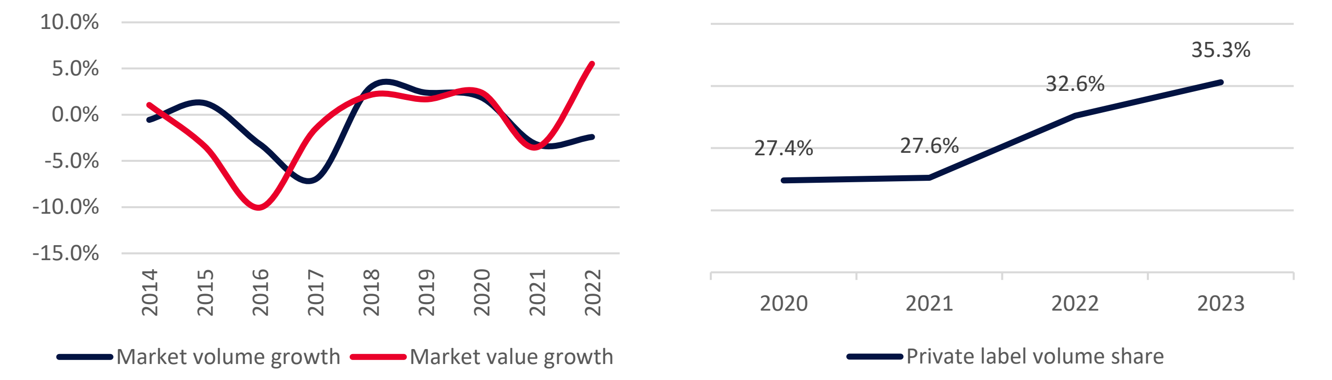
B. Domestic Greek yogurt market

Domestic yogurt market characterized by rising PL penetration, where KRI dominates; KRI also No2 among brands…

In Greece, yogurt has long been a fundamental component of the domestic traditional diet. It is consumed as either an independent snack or as an integral part of a meal, in contrast with other countries where it is viewed as a dessert.

The Greek yogurt market is near 100K metric tons on our estimates in terms of volume, corresponding to c€200m in value. Volumes in most recent years have been on a declining path, affected by the recession (2016-17), COVID-induced restrictions and, more recently, input cost inflation. Price/mix has also been negative as private label has gained share rising to c35% of volumes in 2022 from just 27% in 2020.

Greece yoghurt market (volume and value growth, yoy)

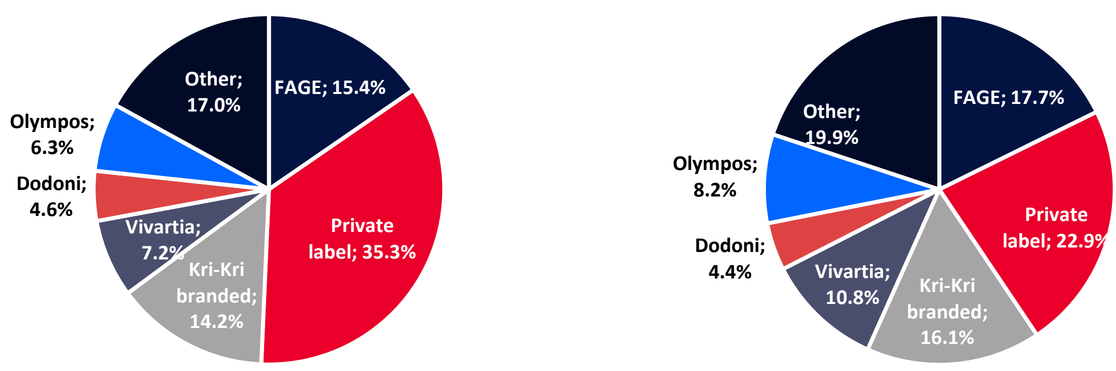


Source: Eurobank Equities Research, Company data, FAGE.

As a result, KRI effectively commands a c50% share in the domestic yogurt market

As far as the competitive landscape is concerned, domestic competitors include mainly FAGE, Vivartia, Dodoni and Olympos (Hellenic Dairies). Quite interestingly, Kri-Kri not only has a strong branded share (being the No 2 player in terms of volumes) but also dominates the private label category through partnerships with major retailers and supermarket chains. In fact, Kri has been producing >70% of yogurt sold under private label in the last few years, with this figure now close to >80%. **As a result, we estimate that Kri-Kri's total volume share in the Greek yoghurt market is c50%, rendering it by far the No1 player. The dominance of one player in the private label category is a distinguishing feature of the Greek market effectively insulating Kri-Kri from the private label competitive threat evidenced in other markets where value offerings are constantly gaining share.**

Greece yoghurt – volume shares (2023e) | **Greece yoghurt – value shares (2023e)**



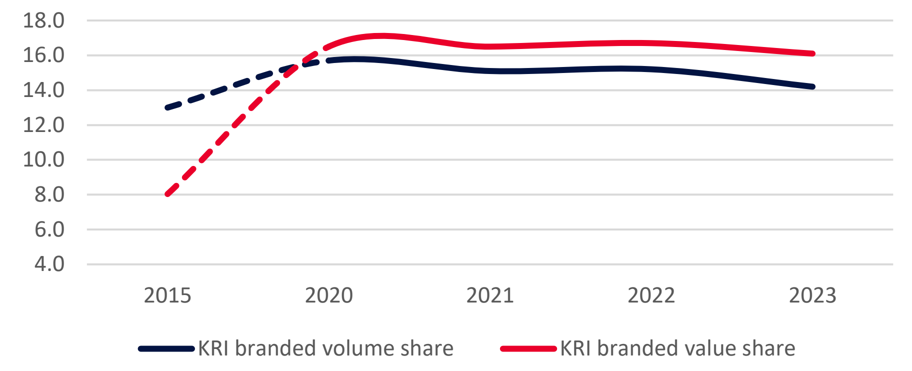
Source: Eurobank Equities Research, Company data, FAGE.

KRI has gained significant share in the last 9 years

As far as Kri-Kri's track record is concerned, the company has a very solid track record of gaining share at the expense of competitors even in the branded category. As we display below, Kri-Kri's branded volume share has been hovering at c14-16% in recent years from just c13% in

2014, with the trajectory of value share also being in symphony. Interestingly, Kri-Kri has managed to bring its branded value share more in sync with its volume share as of late, thanks to the growth in categories such as functional, kids and infant, which enjoy premium unit pricing.

Evolution of Kri-Kri's market and volume share (branded)



Source: Eurobank Equities Research, Company data.

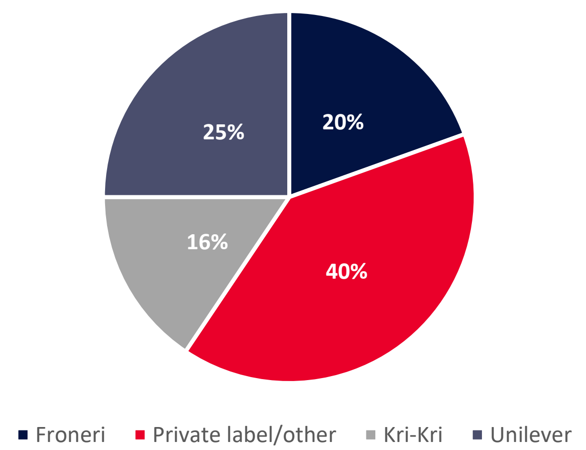
Looking ahead, we expect the market to be little-changed in the coming years from a volume perspective, with private label expanding further. **This bodes well for Kri-Kri, which we argue can also deliver value growth after prices normalize in 2024e, thanks to price/mix (growth in kids/infant, functional, fruit).**

C. Ice-cream market

The global ice cream market is poised for c4% growth (in value terms) in the next few years, underpinned by evolving consumer preferences and innovation. The growing demand for healthier choices, such as reduced-fat, low-sugar, and dairy-free alternatives, is broadening the consumer base. In this direction, Kri-Kri has started the export of its Greek Frozen Yogurt ice cream series, seamlessly blending the delight of ice cream with the health advantages of yogurt. **The extended shelf life of frozen yogurt is a key benefit that may serve well in Kri-Kri's potential upcoming foray into the US market.**

As far as the **Greek market is concerned**, in 2022 this amounted to c35.5m kg corresponding c€247m in terms of value. Kri-Kri has a c16% market share (both in terms of value and volume) and competes mainly with Unilever, Froneri (Nestle) and private label. The three top players account for almost two thirds of the market volumes. Private label enjoys a whopping c40% volume share, or c21% in value terms, continuing to gain traction among consumers.

Market shares Greek ice-cream market (volume)



Source: Eurobank Equities Research, Company data, newmoney.gr

In 2023, the market has seen a 2-digit decline in volumes in H1 (as per NielsenIQ) in response to price increases of >10%, which followed on from similar increases in 2022.

Looking ahead, we believe that the Greek market can sustain low to mid single-digit growth, namely near 3-4% (just a bit ahead of GDP) underpinned by 2-3% growth in incoming tourist traffic, climate conditions (which have effectively resulted in the extension of the summer period) and innovation (e.g. frozen yogurt, sugar-free).

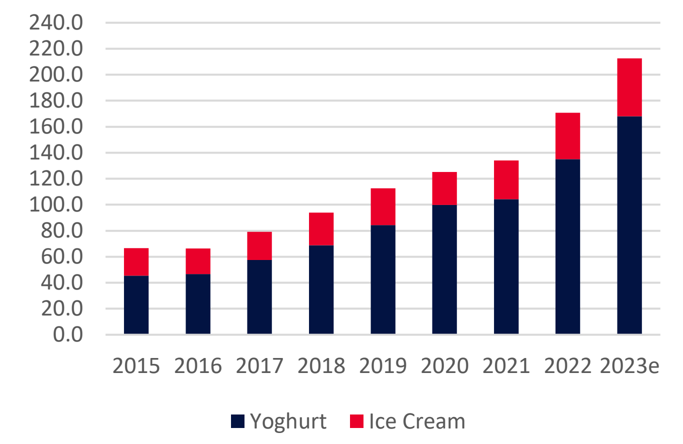
Top line overview

A. Historical performance:

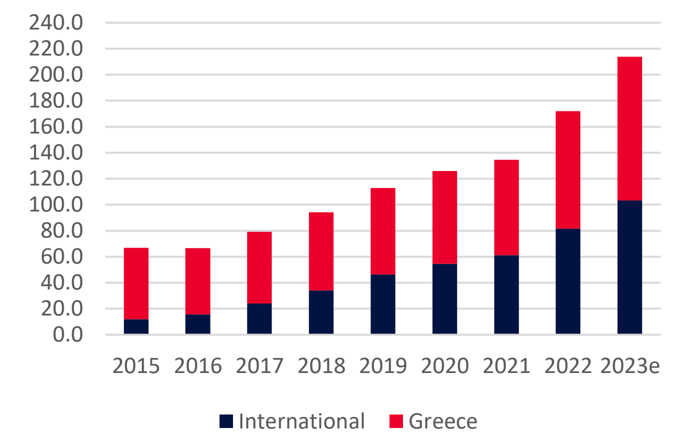
16% sales CAGR since 2015

Kri-Kri has delivered an impressive 16% sales CAGR over 2015-23e, growing its revenue base to c€214m in 2023e, from just €67m in 2015. Leading the growth has been the core yoghurt segment, which has grown at c18% CAGR over the same period as Kri-Kri expanded its international footprint. Testament to this is the increase of foreign yoghurt sales to c€92m in 2023e from just €10m in 2015, mainly thanks to the company's strategy of tapping new markets through private label agreements and further penetrating core foreign markets with solid prospects for Greek style yoghurt (e.g. UK and Italy).

Sales by segment (€m)



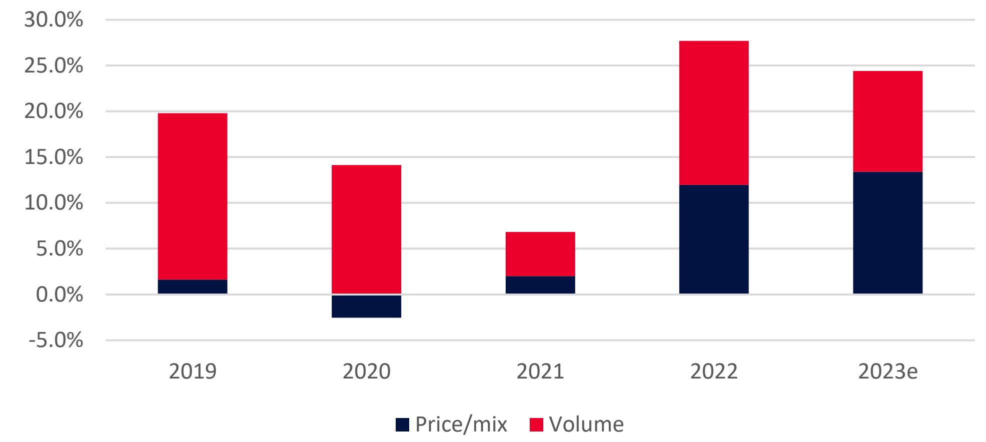
Sales by geography (€m)



Source: Eurobank Equities Research, Company data.

As far as the top line drivers are concerned, as can be seen below historically volume has been the main growth pillar for Kri-Kri, quite natural given the nature of the industry (with no material price swings usually) and Kri-Kri's product positioning as a value offering. Prior to 2022, pricing was rather muted with price/mix gains being almost exclusively driven by product mix, namely the scaling-up of higher-priced products (e.g. kids). Category mix has been mostly negative as Kri-Kri's private label sales have been increasing in the overall sales mix in recent years. The inflationary pressures brought about in the aftermath of COVID led to price increases by most market participants and were accompanied by continued volume progression in both 2022 and 2023, thus leading to impressive total revenue growth rates in both 2022 (+28%) and 2023e (+24%). On its part, Kri-Kri pushed through the first price hikes in the start of 2022, continuing with gradual further increases through the year for a cumulative overall price increase of c26% (which however lagged a c48% spike in raw milk prices during 2022).

Group sales growth split across volume and price/mix

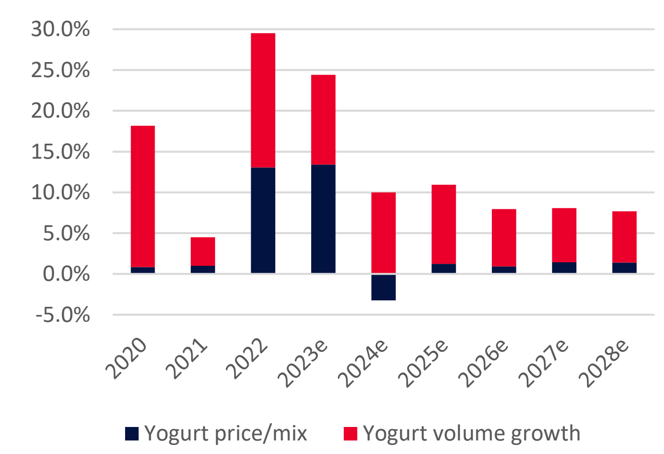


Source: Eurobank Equities Research, Company data.

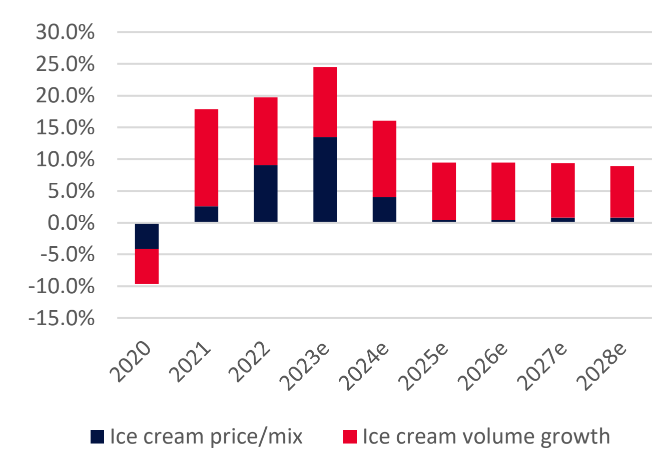
On a segmental basis, **yoghurt** consumption displayed remarkable resilience during the pandemic, with Greece sales little-changed over 2020-21 and international growing strongly as the company expanded private label sales. In 2022 and 2023, sales growth was propelled by price/mix, mainly by pricing, in response to the increasing energy and raw material costs, but with volumes rising double-digits on our estimates. 2023 looks set to see double-digit volume growth on our numbers.

Similarly, in ice cream sales growth is mainly attributed to volume for the period of 2019-2021 and price/mix for the period of 2022-2023. Of note is that during the pandemic ice cream volumes suffered a drop, compared with a 2-digit increase for yoghurt, quite natural as a result of the sharp decline in tourism levels in the aftermath of the travel restrictions and lockdowns. Against this background, the rebound in 2021 was stronger for ice-cream than the case for yoghurt, which continued on a milder growth trajectory lapping tougher comps. Performance across the two segments has been more in sync in the last 2 years (2-digit top line growth on both volumes and pricing).

Yogurt growth drivers



Ice cream growth drivers



Source: Eurobank Equities Research, Company data.

B. Looking ahead: High single-digit growth algorithm despite price headwind in 2024e

Looking ahead, following the 24% sales growth in 2023e, the setup for 2024e is somewhat more challenging as Kri-Kri cycles the price increases taken during 2023. Indeed, food producers in various countries are facing pressures by governments to roll back pricing taken in certain basic food categories (incl. yoghurt) during 2022-23, in the light of abating commodity costs. The same is the case in Greece (albeit to a lesser extent), especially as consumer downtrading accelerates effectively necessitating pricing concessions by manufacturers.

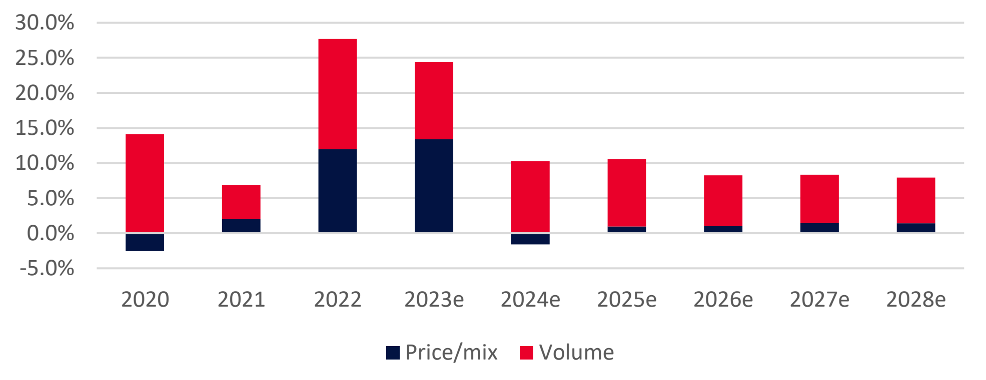
That being said, we stress that contrary to the case for international dairy companies, who tend to face high pressures in markets where there is increased private label penetration, Kri-Kri seems to be insulated by intense price decay given its dominance in the private label market (where it accounts for >80% of domestic market yoghurt volumes on our numbers). In addition, Kri-Kri's increasing focus on profitable niches such as high-protein coupled with expansion in new countries (France in 2024e) are set to be mix-accretive.

As such, our model incorporates just modest price/mix dilution in 2024e (-1.6%) more than offset by c10% volume growth thereby leading to c9% growth in sales, despite the tough comparative, namely the all-time record of 2023e. As such, on our estimates 2024e revenues are set to settle c35% higher than the 2022 mark, effectively signifying the start of a new era for the group with a sustainable re-set of revenues above the €230m mark.

At least high single digit top line growth set to continue

From 2025e onwards, we expect a similar growth algorithm, namely at least high-single digit top line growth, but with price/mix not constituting a swing factor (c1% price/mix penciled in our numbers on just slightly rising contribution from higher-priced categories) and sales mostly driven by volumes (which we see growing c10% in 2025e and 7% in 2026e).

Group sales growth split across volume and price/mix

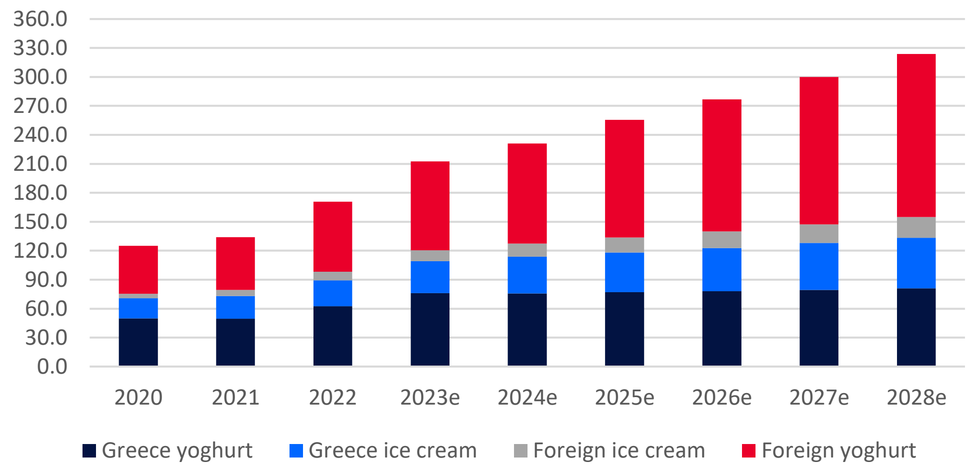


Source: Eurobank Equities Research, Company data.

From a geographic perspective, we expect 2-digit volume growth for **international** markets as Kri-Kri continues to gain shelf space abroad, with management eyeing c€4m sales from its entry into the French market. We also caveat that we have penciled in quite conservative estimates for the US market, inputting in just c€4m extra sales (contributing on a full year basis from 2025e), which seems conservative given the $360m addressable market. In **Greece**, the yoghurt market is relatively mature, and we model a return to low single-digit growth rates volume-wise, as Kri-Kri continues to further penetrate the market and gain share through its private label offering and niche products. **Overall, we expect international sales to surpass domestic sales in 2024e for the first time in the group's history thanks to rising penetration of Greek style yogurt in Western and Central Europe (Italy, UK, Sweden, Austria), launch of protein yogurt and the ramp-up of new ice cream categories (e.g. frozen).**

All the above coalesce in the following chart where we show the evolution of Kri-Kri's sales across segments and geographies. We expect foreign yogurt sales to remain the dominant category given the group's ongoing expansion efforts, anticipating c13% CAGR over 2023e-2028e. We also envisage a solid growth profile for foreign ice cream sales, which we see growing at c14% CAGR over the same period, underpinned by the launch of the frozen yogurt line, but with this segment remaining the smallest within the context of the whole group. We see a strong growth trajectory for Greece's ice cream sales (c9% CAGR) underpinned by the sustained growth of inbound tourism. Domestic yoghurt sales will remain the second largest revenue contributor, albeit delivering rather small growth vs the 2023 record level.

Sales by product and geography



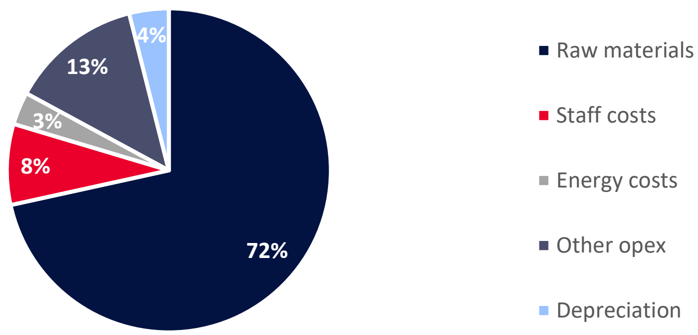
Source: Eurobank Equities Research, Company data.

Costs and margins

Kri-Kri's cost structure is similar to that of typical dairy product manufacturers. It mainly comprises raw material, staff, energy, and transportation costs. Naturally, group expenses are closely correlated with fluctuations in raw material prices (i.e. milk prices), which can imprint themselves on the cost base either directly (higher input costs) or indirectly (higher transportation, energy costs).

The group's cost base totaled c€169m in 2022. This was equivalent to c98.3% of revenues, as a result of the inflated raw material/energy costs and the pressured top line. On the other hand, 2023e costs as % of sales will be lower than normal, as a result of the simultaneous effect of strong pricing and abating input costs. 2021 actual data as % of sales are therefore more indicative about the group's margin structure, with total costs at c88% of revenues. Raw materials make up the lion's share of annual costs, namely near c72% of total costs in 2023e, followed by staff costs (c8% in 2023e), transportation (c5% of total costs) and energy costs (c4% in 2022 but set to fall to c3% in 2023e).

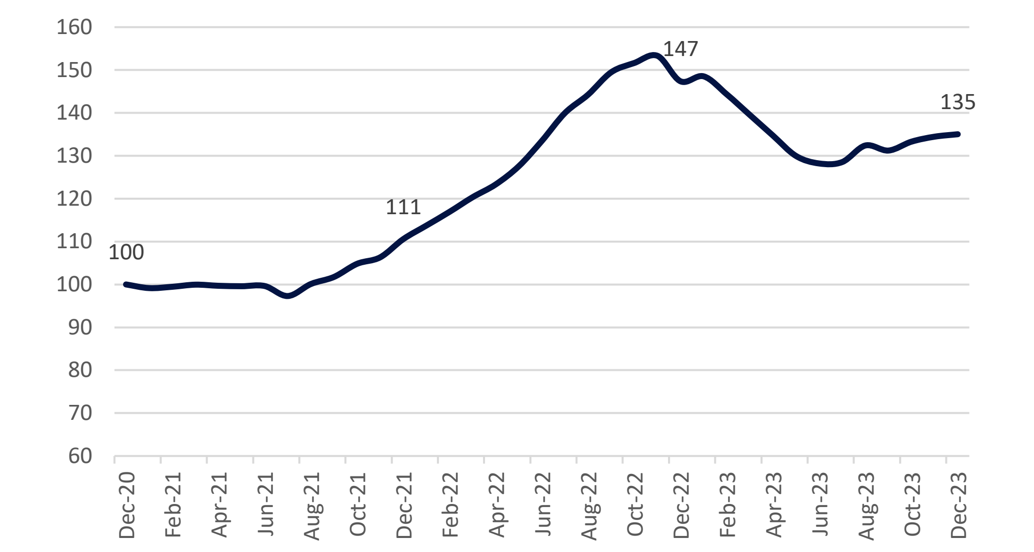
Kri-Kri group cost structure (2023e)



Source: Eurobank Equities Research, Company data.

In the chart below, we display the trajectory of raw cow's milk prices in Greece in the last few years. As can be seen, raw milk cost inflation started to become evident in the aftermath of COVID (2021) and accelerated markedly in the next 2 years. Prices as of end of 2023 seem to have fallen c12% from the peak, although they do remain c35% higher than 2020 levels. This data is broadly consistent with figures provided by Kri-Kri in previous presentations (second diagram below).

Historical EU Price Serie of Cow's raw milk in EUR/100 kg (rebased to 100)



Source: Eurobank Equities Research, European Commission – Agriculture and rural development

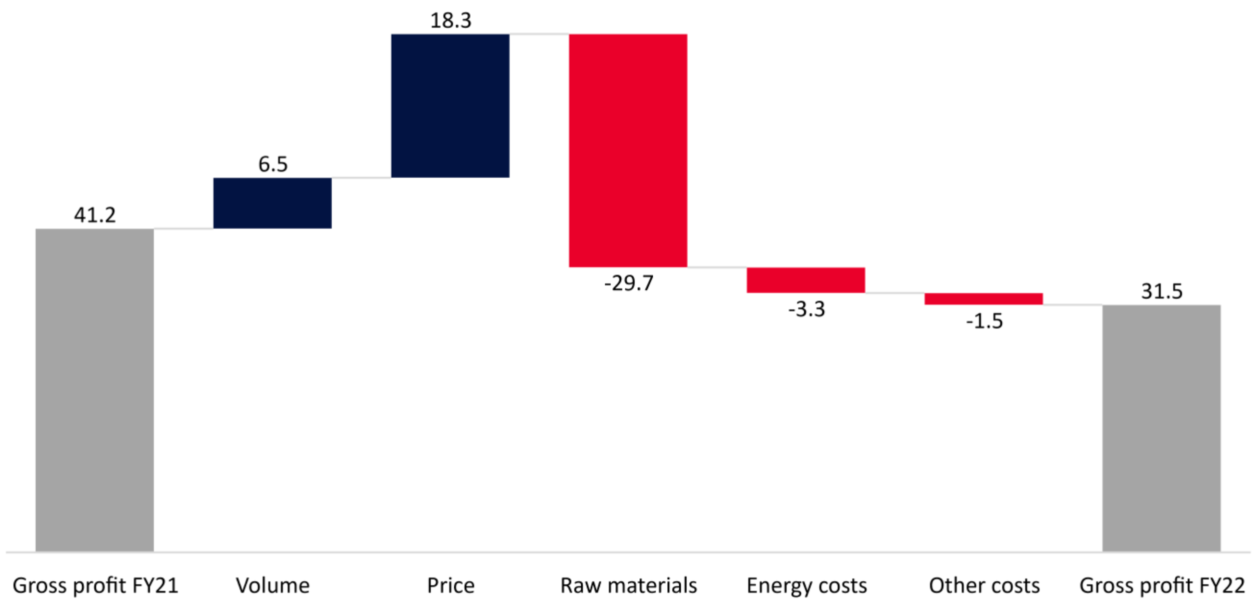
As for the other major cost components, inflation impacted the business directly through energy and transportation expenses. In specific, energy prices more than doubled and the transportation cost per pallet increased by 13% during 2022. This resulted in a cost surcharge of €3.1m and €2.3m respectively. In 2022, Kri-Kri had difficulty in fully passing through the inflationary pressures to the consumer, embarking on just gradual price increases during the year.

Actual Raw milk price increases (rebased to 100) vs Kri pricing

Source: Company data.

As a result, Kri-Kri suffered a whopping c12ppt erosion in gross margins, with gross profit dropping from €41.2m in 2021 to €31.5m in 2022. The gross profit bridge below illustrates this situation succinctly.

Gross profit bridge



Source: Eurobank Equities Research, Company data.

In 2023 though, the situation is set to reverse, with gross margins expanding almost 15pps yoy in the 9M period to >35%.

Results overview			
EURm unless otherwise stated	**9M22**	**9M23**	**yoy**
P&L			
Revenues	**137.3**	**176.7**	**28.7%**
- of which Greece	74.8	92.8	24.1%
- of which Int'l	62.5	83.9	34.2%
Gross profit	**28.5**	**62.7**	**120.3%**
Gross margin	**20.7%**	**35.5%**	**14.8 pps**

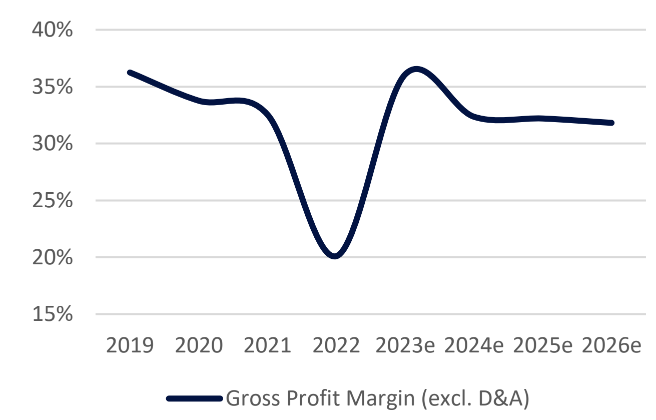
Source: Eurobank Equities Research. Company data

On the opex front, we note that the significant margin dilution at gross margin level resulted in just a minimal EBIT margin in 2022 (2.1%) but this masks mgt's cost containment efforts. Indicatively opex/sales settled c2pps higher yoy in 2022, thus protecting to some extent profitability, which was materially affected by the gross margin contraction.

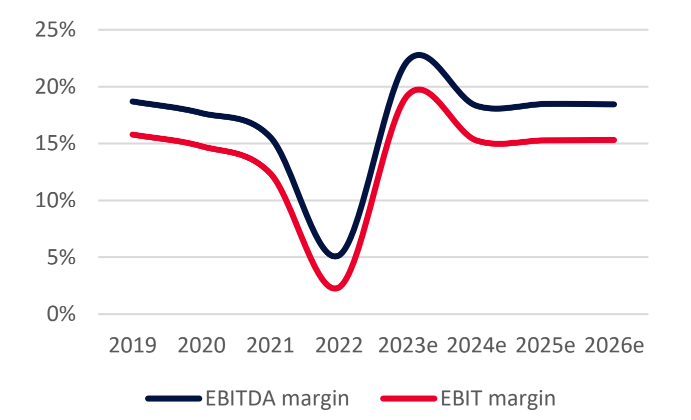
Looking ahead, we see 2023e as an outlier given the unique combination of strong pricing and waning inflationary pressures. As such, following c16pps gross margin accretion in 2023e, we are looking for c3.7pps erosion in 2024e (price driven) and c20-40bps contraction in 2025-26e, with gross margins settling near the 32% territory (excl. D&A).

As far as opex are concerned, we expect Kri-Kri mgt to stay focused on keeping a lid on costs and optimising processes (e.g. procurement), thus model a c30bps decline in opex/sales in 2025e and another c40bps in 2026e, with opex/sales (excl. D&A) eventually settling at c13%. This will result in EBIT margins being sustained near the 15-16% mark over 2024-27e, down from the extraordinary 19% in 2023e but higher than prior to 2019 levels and more in sync with the margins of KRI's foreign peers as we show below.

Gross margin evolution



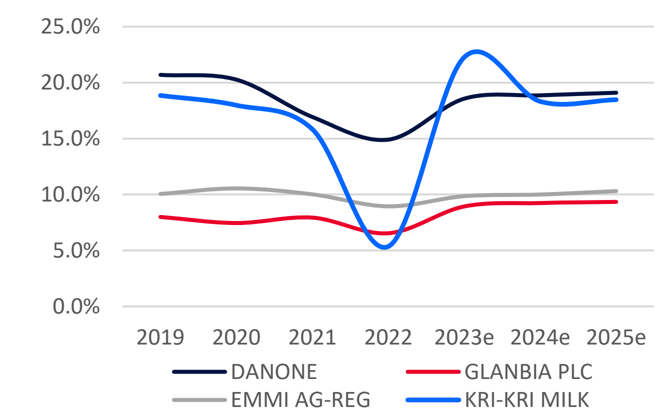
EBITDA and EBIT margin evolution



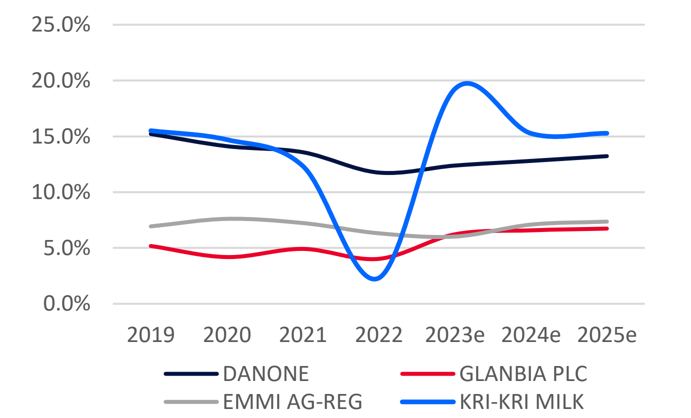
Source: Eurobank Equities Research, Company data.

In more detail, it is worth stressing that Kri-Kri's operating margins compared to those of international peers have gone from the lowest in 2022 to the highest in 2023e, as a result of the combination of solid volume growth, pricing and abating cost pressures. This is evident in the charts below where we show that Kri-Kri's 2023e margins are set to exceed those of Danone. We note that the latter has rather low margins at its dairy (c9% at EBIT level) and water business (c9%) but enjoys hefty margins at its specialized nutrition segment (c20%). Looking ahead our forecasts for Kri-Kri envisage EBIT margins near the 15-16% level, 1-2pps above the cross-cycle margins of food manufacturers thanks to Kri-Kri's operational efficiency and continued focus on cost control, which ought to support elevated margins in a period of growing volumes as the company continues on its foreign expansion.

EBITDA margins



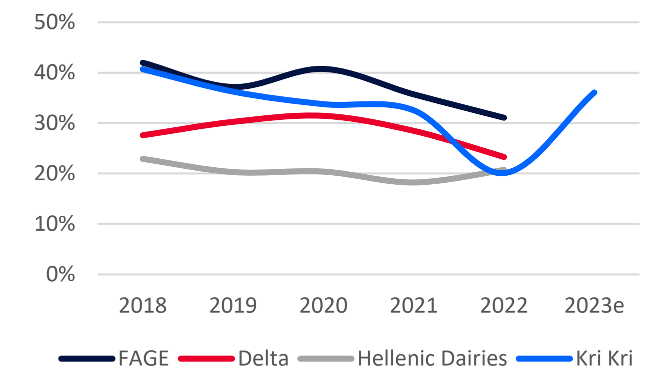
EBIT margins



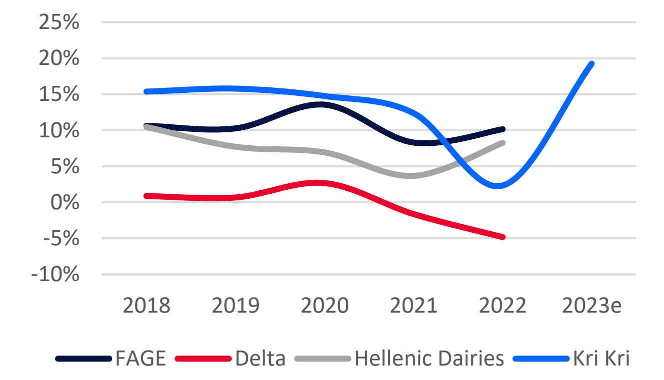
Source: Eurobank Equities Research, Company data, Bloomberg.

The domestic picture is also similar, with Kri-Kri standing out as one of the top-performing dairy producers. We show this in the figure below, where we contrast Kri-Kri's financial performance vs that of domestic competitors such as FAGE, Hellenic Dairies (Olympos), and Delta. As can be seen, despite the lower gross margins (presumably owing to its private label offering), Kri-Kri has consistently delivered superior operating margins (except for 2022) and is likely to widen the relative gap in 2023e.

Gross margin comparison (Kri-Kri vs domestic peers)



EBIT margin comparison (Kri-Kri vs domestic peers)



Source: Eurobank Equities Research, Companies data.

The table below sets out an overview of our profitability forecasts for the group. In short, we expect 2023e to have been a transitional year followed by a modest reduction in profitability as pricing rolls off. However, we expect Kri-Kri to re-enter on a solid 2-digit EBIT growth algorithm in 2025e and high single digit thereafter, with margins expanding towards levels enjoyed by larger foreign peers as the pendulum of operating leverage remains positive thanks to volume growth.

Profitability evolution

EUR mn	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Revenues	**112.9**	**126.0**	**134.6**	**171.9**	**213.8**	**232.4**	**256.9**	**278.1**
- of which yogurt	84.4	99.8	104.2	135.0	168.0	179.3	199.0	214.7
- of which ice cream	28.1	25.4	29.9	35.8	44.6	51.8	56.7	62.0
COGS (excl. depr.)	72.0	83.4	90.8	137.3	136.7	157.2	174.2	189.6
Gross profit	**40.9**	**42.5**	**43.8**	**34.5**	**77.1**	**75.2**	**82.7**	**88.5**
margin	36.2%	33.8%	32.5%	20.1%	36.1%	32.4%	32.2%	31.8%
Opex excl. depr.	20.8	20.7	23.3	26.3	30.2	33.3	36.0	37.9
Opex/sales	18.5%	16.5%	17.3%	15.3%	14.1%	14.3%	14.0%	13.6%
EBIT	**17.8**	**18.6**	**16.7**	**4.0**	**41.2**	**35.5**	**39.2**	**42.6**
yoy growth		4.3%	-10.4%	-75.8%	921.9%	-13.8%	10.6%	8.4%
EBIT margin	15.8%	14.8%	12.4%	2.3%	19.2%	15.3%	15.3%	15.3%
D&A	3.8	4.1	4.7	5.2	6.8	7.5	8.6	9.1
EBITDA	**21.6**	**22.7**	**21.4**	**9.3**	**48.0**	**42.9**	**47.8**	**51.6**
EBITDA margin	19.1%	18.0%	15.9%	5.4%	22.4%	18.5%	18.6%	18.6%

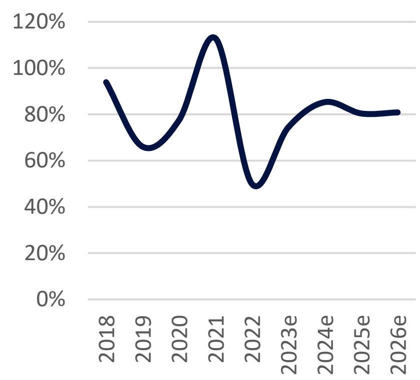
Source: Company, Eurobank Equities Research

Cash flow, balance sheet and returns

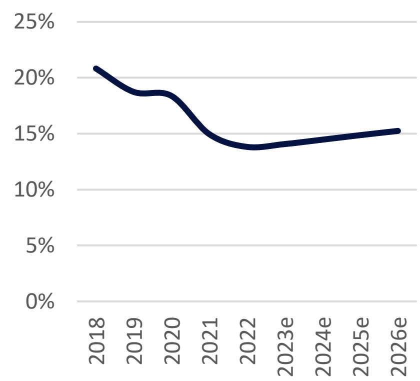
Solid cash flow generation track record…

Kri-Kri has been quite a consistent cash flow generator for most of its history thanks to the efficient management of working capital. Operating cash flow has consistently exceeded 60% of EBITDA since 2015, with the exception of 2022 when profitability was weighed down by cost inflation. Indicatively the company's cash conversion cycle has improved from >120 days in 2015 to just 58 days in 2022, corresponding to a net working capital/sales ratio decrease from c18% to c13%. As a result, the stock is gradually moving towards levels of efficiency enjoyed by larger foreign peers. Looking ahead, we anticipate the cash conversion cycle to tick a bit higher as the group ramps up its foreign presence and then stabilize without resulting in notable working capital swings.

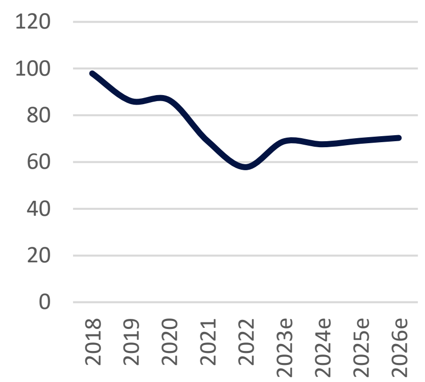
Operating cash conversion (OCF/EBITDA)



Operating Working capital as % of sales



Operating Cash conversion cycle in days

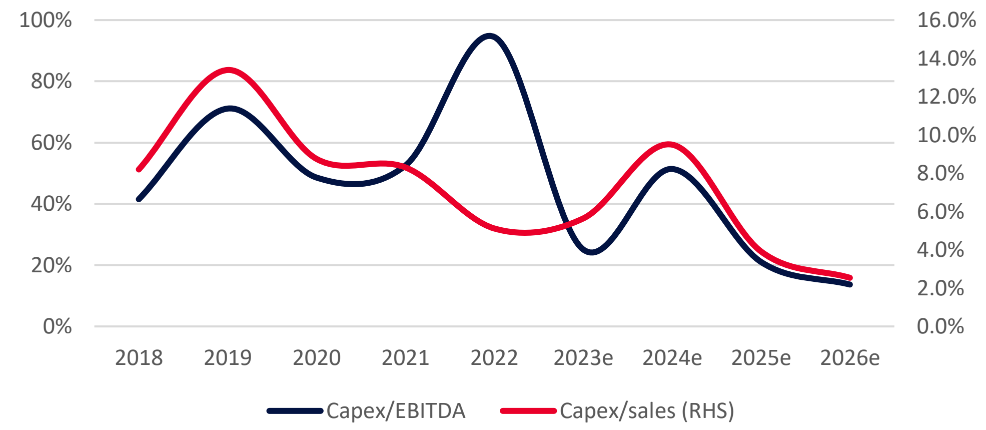


Source: Eurobank Equities Research, Company data.

… with capex mostly funded through internally generated cash flow

On the investment front, Kri-Kri has spent nearly €54 mil. in the last 5 years, which is close to 58% of the cumulative EBITDA generated over the same period. Most of these funds have been used to increase production capacity and upgrade technological equipment, but several other actions have been taken to raise the ESG profile of the group and bring about cost savings including the installation of photovoltaic systems and the biogas plant for sewage treatment. At times, capital spending as percentage of EBITDA has spiked owing to either ultra-high capex (2019) or due to depressed profitability (2022). Looking ahead, the management team has guided for investments of c€30 million by 2025e, which, on our understanding mostly relates to the increase in capacity in yoghurt (where utilization is close to full capacity in several lines), especially in view of the untapped frozen yoghurt opportunity. Our numbers also factor in some €7-8m annual investment required for maintenance. Overall, we expect capex to be front loaded in 2024e (c€22m, at c9% of sales) as Kri-Kri expands its capacity falling to c4% of sales in 2025e and to more normal levels of c2.5% in 2026-27e, in line with the cross-cycle sector average.

Capex % of EBITDA (LHS) and % of sales (RHS)

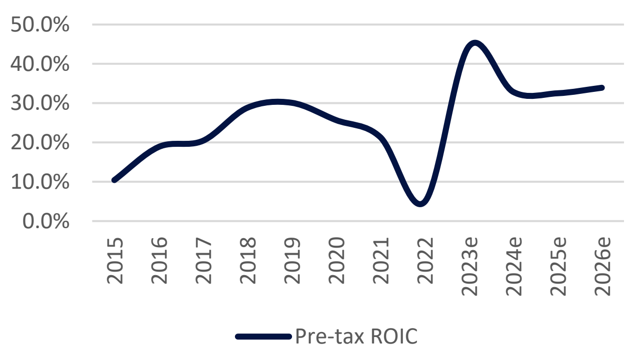


Source: Eurobank Equities Research, Company data.

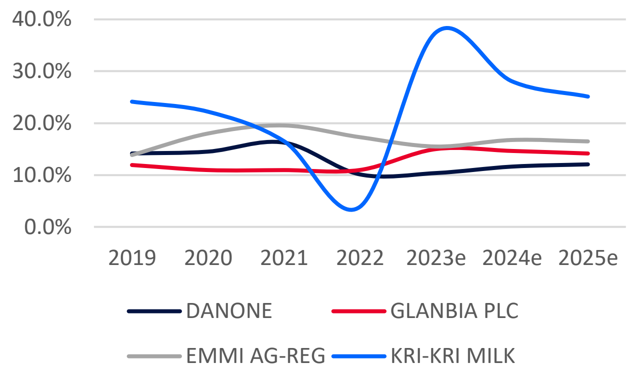
High returns, superior to those on offer by other foreign peers

Looking at the returns brought about by these investments (namely ROIC), it is quite interesting to note that these have indeed driven quite good incremental returns. To exemplify this, were we to normalize Kri-Kri's profitability, we estimate this has been re-set from c€10m in 2017 (EBIT) to c€35m in 2024e, namely a €25m uplift, translating into a >40% return (pre-tax) on the €54m investment. The aforementioned point is also validated at group level: as shown below, pre-tax ROIC (EBIT/invested capital) has increased to a whopping >40% in 2023e and, for the coming years looks primed to exceed 30% on our estimates. As can be seen, this translates into ROE levels well above international peers.

Kri-Kri's ROIC primed to settle at >30%



… while Kri-Kri's ROE stands out among international peers

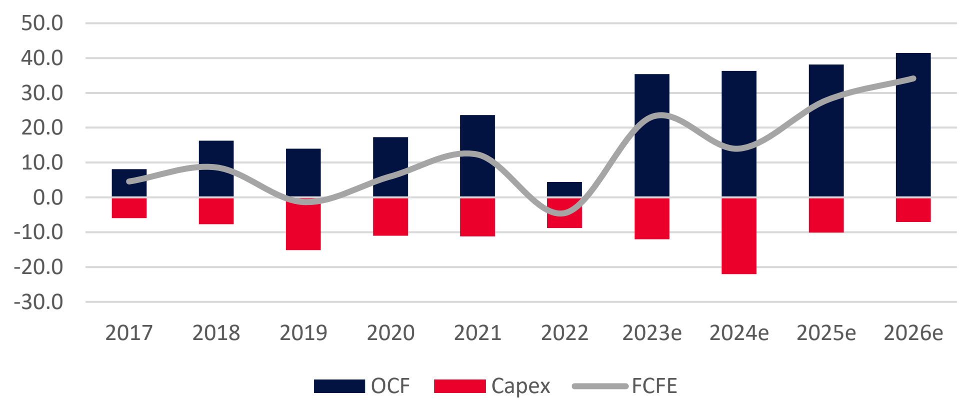


Source: Eurobank Equities Research, Companies data, Bloomberg.

Very strong cash flow generation profile

In terms of overall cash flow generation, namely Equity Free Cash Flow (FCFE), Kri-Kri has exhibited mostly positive figures with the exception of 2019 (capex driven) and 2022 (profit driven). Looking ahead, we expect the combination of healthy working capital dynamics and robust profitability to help Kri-Kri comfortably fund its capex plans, thus ending up with FCFE of €14-28m in 2024-25e following €23m in 2023e, with further step-up in 2026e.

Kri-Kri's FCF evolution in €m



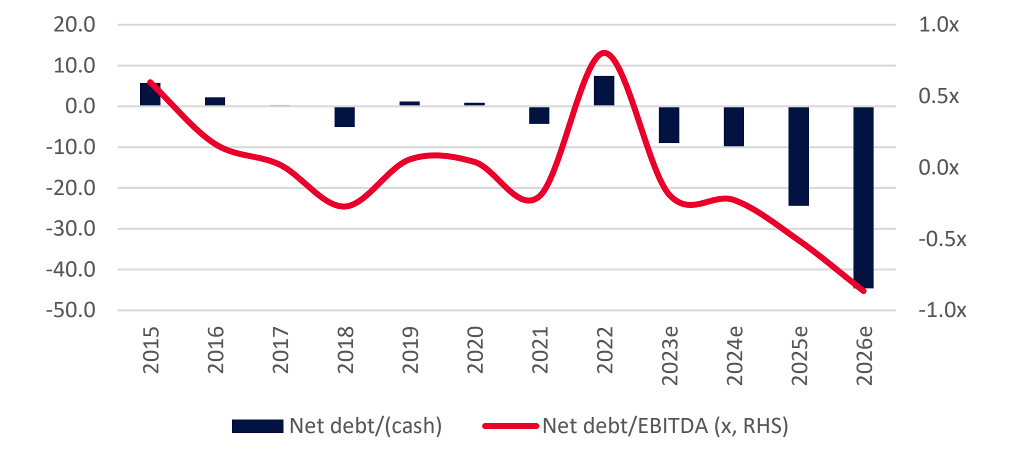
Source: Eurobank Equities Research, Company data.

… coupled with robust balance sheet

On the balance sheet front, Kri-Kri has traditionally had a very robust financial position, either with minimal net debt or with net cash, thus being able to comfortably fund its investment plans while also enjoying unfettered access to financing. In end 2022, Kri-Kri stood on a €7.5m net debt position but cash generation in the first 9M of 2023 has been impressive, thus leading the company back to a >€10m net cash position as of end September 2023. We expect Kri-Kri to end 2023 with net cash of €8.5m.

Beyond 2023e, we expect net cash to be augmented further, with Kri-Kri effectively financing its investment plans with internally generated cash flow.

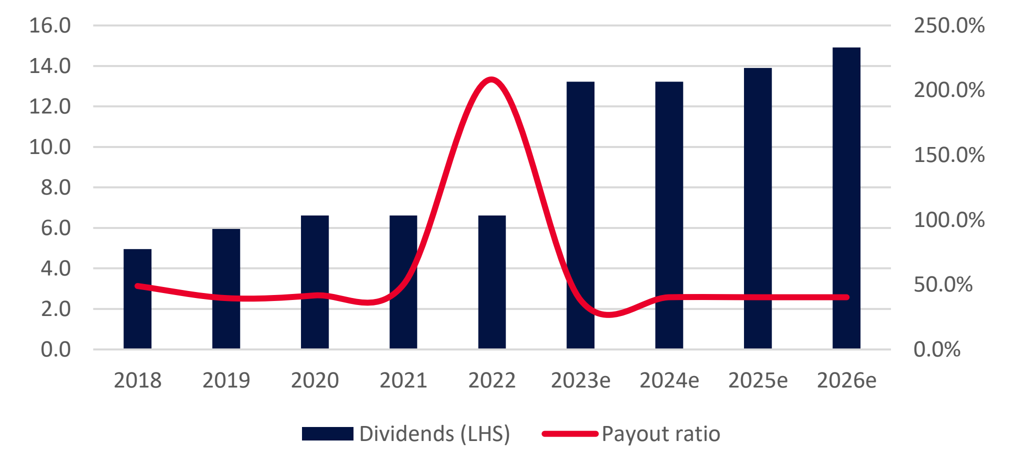
Kri-Kri's net debt/(cash) in €m and ratio over EBITDA



Source: Eurobank Equities Research, Company data.

With regard to shareholder returns, payout ratios have usually ranged between 40% and 50% in recent years, with the exception of 2022 when payout was quite hefty but distorted due to the depressed level of profitability. Looking ahead, our model is predicated on a dividend policy, corresponding to a payout ratio of c40%, which we believe strikes a good balance between Kri-Kri's willingness to invest in the business so as to bolster its capacity and the desire to reward shareholders. It also leaves plenty of optionality to Kri-Kri to deliver additional shareholder value through heftier returns to shareholders or through value-accretive investments.

Payout ratio (% of earnings) and dividends in €m (LHS)



Source: Eurobank Equities Research, Company data.

Below we summarize the main cash flow pillars for the group for 2019-2026e. As can be seen, we expect the EBITDA increase to filter through to rising operating cash flow, at >€35m post 2023e. This will allow the group to comfortably fund investments of c€32m over 2024e-25e, institute a progressive dividend payout policy and keep an underleveraged balance sheet.

Cash Flow Statement								
EURm unless otherwise stated	**2019**	**2020**	**2021**	**2022**	**2023e**	**2024e**	**2025e**	**2026e**
EBITDA	21.3	22.7	21.3	9.3	48.0	42.9	47.8	51.6
Change in NWC/Other	-1.0	-4.2	3.6	-3.4	-6.3	-4.0	-4.9	-4.6
Tax	-6.1	-1.1	-1.1	-1.3	-5.8	-2.5	-4.6	-5.6
Net interest paid	-0.2	-0.2	-0.1	-0.2	-0.5	-0.1	-0.1	0.1
Operating Cash Flow	**13.9**	**17.3**	**23.7**	**4.4**	**35.4**	**36.3**	**38.1**	**41.5**
Capex	-15.1	-11.0	-11.2	-8.8	-12.1	-22.1	-10.1	-7.1
Other	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Investing Cash Flow	**-15.0**	**-11.0**	**-11.1**	**-8.7**	**-12.1**	**-22.1**	**-10.1**	**-7.1**
Dividends paid	-5.0	-5.6	-7.0	-6.6	-6.6	-13.2	-13.2	-13.9
Other	-0.2	-0.4	-0.4	-0.9	-0.3	-0.3	-0.2	-0.2
Net inflow (outflow)	**-6.3**	**0.3**	**5.2**	**-11.8**	**16.5**	**0.7**	**14.6**	**20.3**
Net debt / (cash) (incl. leases)	**1.2**	**0.9**	**-3.6**	**8.0**	**-8.5**	**-9.2**	**-23.8**	**-44.1**
Equity FCF	**-1.3**	**6.0**	**12.3**	**-4.5**	**23.1**	**14.0**	**27.8**	**34.1**
Source: Eurobank Equities Research								

Estimates and main assumptions overview

Partial normalization of profits in 2024e, but with profitability reset at materially higher levels than in 2021

In short, our projections are framed around volume-driven growth in the high single-digits thanks to increasing international footprint and penetration of Kri-Kri's private label offering along with growth in niche segments for branded products (e.g. high-protein, kids). We expect inflation-driven excess margins to normalize as pricing unwinds (partly) in 2024e, thus leading to a modest EBIT decline in 2024e, but expect the EBIT growth algorithm to return to a 2-digit figure in 2025e and high single-digit thereafter with EBIT margins settling at c15% over 2024-26e, at the high end among EU peers, also propelled by cost efficiencies.

As far as revenues are concerned in more detail:

- **Yogurt:** Our assumptions reflect the continuing growth in international sales, fueled by countries such as UK and Italy, with 2024 also boosted by the entry into France. We model little-changed volumes in Greece coupled with a price roll-off in 2024e followed by c1% price/mix thereafter. Overall, we expect the segment to post c11%/8% top line growth in 2025e-26e following c7% growth in 2024e, underpinned by Kri-Kri's rising international penetration.
- **Ice cream:** We anticipate the group to benefit from continuing growth in incoming tourism and the launch of several new products (reminding that ice-cream is currently skewed to the domestic market). We note that our estimates suggest upside risk, as they leave mostly as optionality the contribution from the upcoming launch of frozen yoghurt to the US market.

In terms of profitability, we have modeled a normalization of gross profit margins to c30% in 2024-25e from 34% in 2023e, while envisaging opex/sales near 15%, albeit lower than 2022 levels thanks to operating efficiencies.

Main estimates and assumptions						
EURm unless otherwise stated	**2021**	**2022**	**2023e**	**2024e**	**2025e**	**2026e**
Greece	49.6	62.4	75.9	75.7	76.9	78.0
International	54.7	72.6	92.1	103.6	122.0	136.7
Yogurt	**104.2**	**135.0**	**168.0**	**179.3**	**199.0**	**214.7**
yoy	***4.5%***	***29.5%***	***24.4%***	***6.7%***	***11.0%***	***7.9%***
Of which Volume	*3.5%*	*16.5%*	*11.0%*	*10.0%*	*9.7%*	*7.0%*
Of which Price/mix	*1.0%*	*13.1%*	*13.4%*	*-3.3%*	*1.3%*	*0.9%*
Greece	23.4	26.9	33.4	38.1	41.3	44.7
International	6.5	9.0	11.2	13.7	15.4	17.3
Ice cream	**29.9**	**35.8**	**44.6**	**51.8**	**56.7**	**62.0**
yoy	*17.8%*	*19.7%*	*24.5%*	*16.0%*	*9.4%*	*9.4%*
Of which Volume	*15.3%*	*10.6%*	*11.0%*	*12.0%*	*9.0%*	*9.0%*
Of which Price/mix	*2.6%*	*9.1%*	*13.5%*	*4.0%*	*0.4%*	*0.4%*
Group Revenues	**134.6**	**171.9**	**213.8**	**232.4**	**256.9**	**278.1**
growth	***6.8%***	***27.7%***	***24.4%***	***8.7%***	***10.6%***	***8.2%***
Of which Volume	*4.8%*	*15.7%*	*11.0%*	*10.2%*	*9.6%*	*7.2%*
Of which Price/mix	*2.0%*	*12.0%*	*13.4%*	*-1.6%*	*1.0%*	*1.0%*
Gross Profit	**41.2**	**31.5**	**73.1**	**70.8**	**77.7**	**83.1**
margin	*30.6%*	*18.3%*	*34.2%*	*30.5%*	*30.2%*	*29.9%*
Opex	-24.5	-27.4	-32.0	-35.3	-38.4	-40.6
Opex/sales	*-18.2%*	*-16.0%*	*-14.9%*	*-15.2%*	*-15.0%*	*-14.6%*
EBIT	**16.7**	**4.0**	**41.2**	**35.5**	**39.2**	**42.6**
margin	*12.4%*	*2.3%*	*19.2%*	*15.3%*	*15.3%*	*15.3%*
EBIT growth	*-10.4%*	*-75.8%*	*921.9%*	*-13.8%*	*10.6%*	*8.4%*

Source: Eurobank Equities Research

9M 2023 overview

Kri-Kri has reported very strong 9M23 results, with both business segments generating record-high revenues. In particular, ice-cream sales increased +11.5% yoy to €39.8m, while those of the yogurt segment popped +35% to €136m. Within the core yogurt segment, Greece sales swelled 29% yoy whereas international sales, which account for >55% of the mix, surged 40%.

On the margin front, higher price/mix was coupled with abating cost inflation – especially given the base effect – thus leading to a 15ppt expansion in gross margins yoy (to a whopping 35.5%). As a result, the group's PBT increased five-fold to c€38m, while net profit increased to €30m vs just €5.9m in the respective period a year ago.

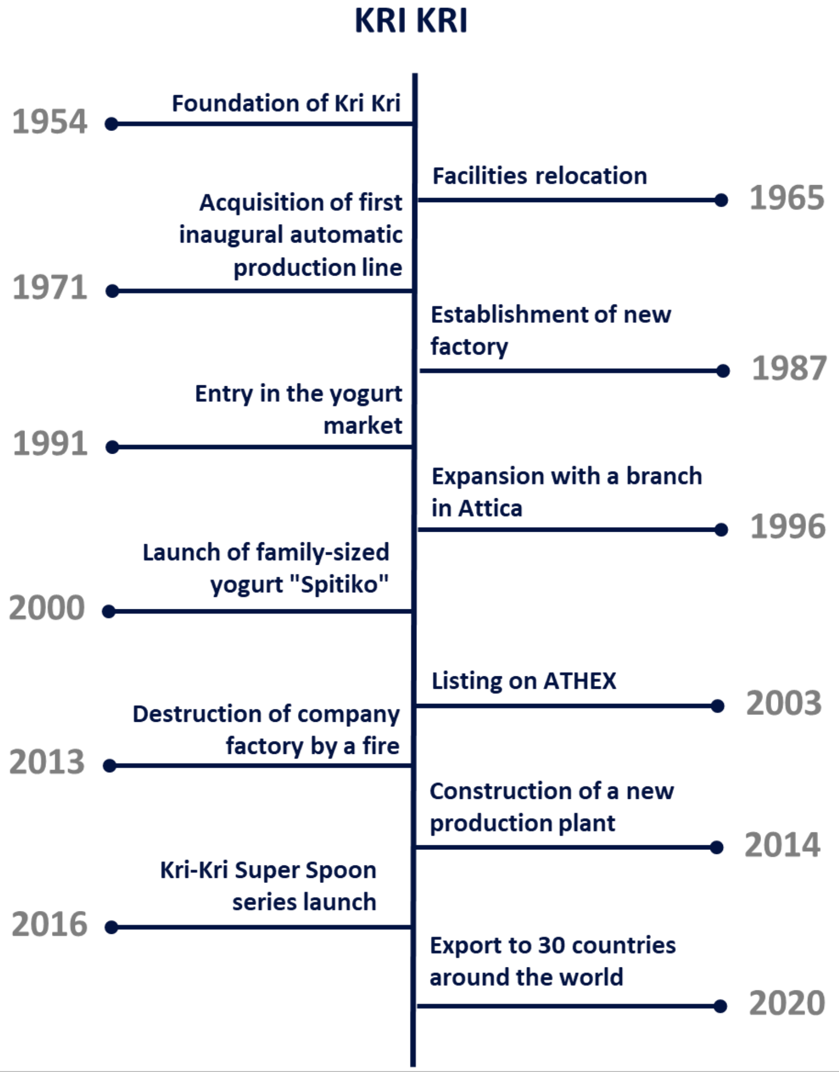
A similar picture is painted by cash flow, with Kri-Kri generating €35m operating cash flow which was only partly absorbed by €8m investments and the €6.6m dividend payment (related to the €0.20 DPS announced in FY22). As a result, there was a €20m net inflow in the 9M to end September, which helped Kri-Kri switch from €7m net debt to €13m net cash.

Results overview			
EURm unless otherwise stated	9M22	9M23	yoy
P&L			
Revenues	**137.3**	**176.7**	**28.7%**
- of which Greece	74.8	92.8	24.1%
- of which Int'l	62.5	83.9	34.2%
Yogurt	***100.6***	***135.7***	**34.8%**
Yogurt GR	*46.5*	*60.1*	29.2%
Yogurt Intl	*54.1*	*75.6*	39.7%
Ice cream	***35.6***	***39.8***	**11.5%**
Ice cream GR	*27.3*	*31.4*	15.1%
Ice cream Intl	*8.3*	*8.3*	-0.2%
Gross profit	**28.5**	**62.7**	**120.3%**
Gross margin	20.7%	35.5%	
Opex	-21.0	-25.0	
Other income	0.1	0.2	
EBIT	**7.6**	**37.9**	**399.9%**
Net financials	-0.2	-0.1	
PBT	**7.4**	**37.8**	**408.7%**
- Tax	-1.5	-7.6	
Net profit	**5.9**	**30.2**	**409.4%**
EBITDA	11.2	41.5	271.5%
Cash flow			
EBITDA	11.2	41.5	
WC	-5.6	-7.4	
tax	0.8	0.0	
net interest	-0.1	-0.1	
other	-0.8	1.0	
Operating Cashflow	**5.5**	**35.1**	
- Capex	-5.8	-8.1	
Other	0.0	0.0	
Investing inflow (outflow)	**-5.8**	**-8.1**	
- Payment of lease obligations	-0.2	-0.2	
Free Cash Flow	**-0.5**	**26.7**	
- Dividends	-6.6	-6.6	
Other	-0.2	-0.1	
Net inflow / (outflow)	**-7.3**	**20.1**	
Net financial debt (cash)	**3.0**	**-12.6**	

Source: Eurobank Equities Research. Company data

History and Shareholder Structure

Group history overview



Source: Eurobank Equities Research, Company data.

Kri-Kri was founded in 1954, when G. Tsinavos decided to open a regional pastry shop to sell ice cream and confectionery. During the 1960s, electric freezers for ice cream made their debut in the local area market. Concurrently, the facilities of the local company were relocated to newly owned private premises. A few years later, in 1971, the company ushered in a new era by acquiring an automatic production line for ice cream.

In 1987 Kri-Kri set up a new factory while introducing yogurt production using fresh milk from Serres Prefecture. By the mid-90s, Kri-Kri expanded with a branch in Attica, progressively establishing a nationwide distribution network for its products. In the 2000s, Kri-Kri launched a family-sized yogurt while entering the pasteurized milk and childrens' segments. In 2003, the company was listed on the Athens Stock Exchange.

In 2013, the company suffered a major set-back due to a fire in its premises, but Kri-Kri emerged stronger managing to construct a brand-new plant within a 7-month period while also maintaining its client base and employee headcount intact. This new factory extended over 12,000 sq.m. and doubled the company's production capacity.

More innovations followed in the next years, among which was the launch of the super spoon series in 2016, the first high protein zero fat yogurt in Greece.

Regarding the group's BOD, Mr. Panagiotis Tsinavos is the Chairman and CEO. He took over the duties of Chairman in 2003 while being a CEO since 1994. He started working for the company in 1983. He holds a degree in chemistry from the Aristotle University of Thessaloniki, a postgraduate degree in dairy from the University of Milan, and a postgraduate degree in business administration. He has also been awarded the title of "Entrepreneur of the Year" by Ernst & Young.

Mr. Georgios Kotsambasis has been working in Kri-Kri for 25 years and is currently the Vice-Chairman of the BoD. He has a working experience of 35 years in total. He studied Chemical Engineering at the University of Bologna in Italy.

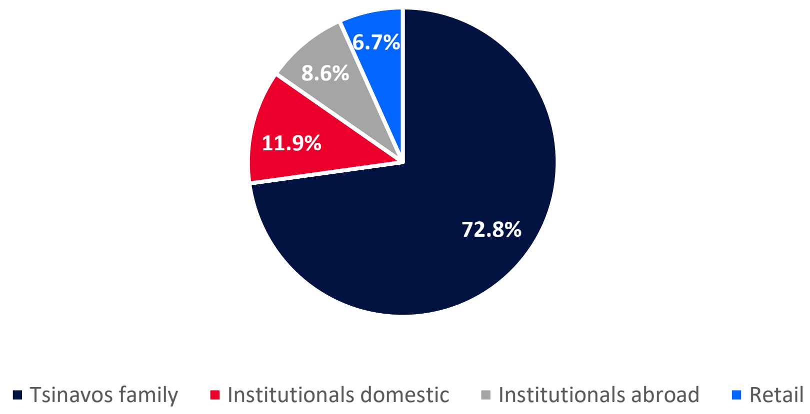
Mr. Georgios Tsinavos has been working in the company since 2009 and is currently the deputy CEO and an executive member of the BoD. He completed an undergraduate degree in Business Administration at the University of Macedonia and a postgraduate degree in Business Administration, Marketing at Pace University, Lubin School of Business in New York.

Mr. Kyriakidis Anastasios is an independent non-executive member of the BoD. He is also the General Manager of the company VIOZOKAT. He studied Economics at AUTh and holds an MBA from the University of Toledo USA.

Mr. Moudios Anastasios is an independent non-executive member of the BoD. He has extensive experience in the field of audit (more than 15 years). He holds a bachelor's degree in economics and a master's degree in financial economics from the University of Cardiff, Wales.

In terms of the shareholding structure, the Tsinavos family holds a c72.8% stake constituting Kri-Kri's main shareholder. As a result, the free float amounts to 27.2%. As far as other shareholders are concerned, domestic institutional investors own 11.9%, while international investors make up another 8.6% of the shareholder base. The remaining 6.7% is held by retail investors.

Shareholder Structure



Source: Eurobank Equities Research, Company data.

ESG Overview

Recognizing the increasing significance of ESG considerations for investors, we have expanded our analysis to include an overview of noteworthy findings derived from the group's ESG data. Our focus primarily centers on Kri-Kri's approach to addressing environmental sustainability issues, ethical responsibilities towards employees and suppliers, and adherence to best practices in corporate governance.

A. Environmental and Social overview

Kri-Kri's dedication to sustainability extends beyond mere regulatory compliance, as the company actively strives to reduce energy consumption, minimize waste, and maximize reprocessing and recycling opportunities. The group has made a firm commitment to reducing carbon emissions by investing in electricity generation through renewable energy storage. Specifically, Kri-Kri has implemented biogas production and cogeneration of electricity. It has also set up a photovoltaic station of 1 MW while awaiting approval for an additional 2MW PV capacity. Furthermore, the company diligently monitors both hazardous and non-hazardous waste, successfully achieving a biogas recycling rate of over 99%. Besides environmental considerations, product quality and safety is key for a company in the food industry, and, as such, solid procedures for monitoring and mitigating health and safety risks are a *sine qua non*. The company implements robust quality management procedures, as validated by ISO certifications and the zero product recall in the last few years.

Kri-Kri recognizes the importance of social responsibility and has implemented an inclusive business ethics code of conduct to uphold principles such as antidiscrimination, antibribery, whistleblowing, gender equality, and protection of human rights. The company fosters a culture of equal opportunities and devotes time on training employees to enhance their technical skills, knowledge, and efficiency. In terms of workforce diversity, the percentage of female employees increased to 18.4% in 2022 from approximately 17.1% in 2021, with 10.9% holding managerial positions.

Kri-Kri S.A. | Environmental and Social snapshot		
Environmental	**2021**	**2022**
Electricity Consumption (MWh)	49,536.2	59,960
Scope 1 & Scope 2 gross GHG emissions (tCo2)	14,721	14,249
Energy consumption from RES (% of total)	0%	23%
Biogas recycling	99.6%	99.7%
Social		
% of females in management	13.6%	10.9%
% of female employees	17.1%	18.4%
Training costs (€)	45,428	45,078
Source: Eurobank Equities Research		

B. Corporate governance overview

As far as corporate governance in concerned, we have applied our own framework to assess adherence to best practices, as outlined in the Greek Code of Corporate Governance (published in June 2021). Our examination has concentrated on essential governance metrics that we consider important to investors, such as board composition and independence, executive compensation, and oversight through independent committees. It is worth mentioning that we have conducted a comparable analysis for all stocks within our coverage universe, enabling us to evaluate Kri-Kri's relative positioning in comparison to other companies.

The KPIs we have used to measure performance in each broad category related to corporate governance are the following:

1. **BoD Structure**
   a. **BoD size:** Best practice suggests that the BoD should be made up of 7-15 members (3-15 stipulated under the Greek law). In the case of Kri-Kri, the BoD consists of 6 members.
   b. **Chairman/CEO separation:** We consider best practice the separation of the two roles, in line with the corporate governance framework in the vast majority of OECD jurisdictions. In the case of Kri-Kri, there is no separation between the two roles.
   c. **Term of BoD members (period of election):** we consider best practice cases where BoD members are submitted for election every 4 years or less (in sync with the Code).
   d. **Average tenure of BoD members:** we score more highly companies where directors serve on the board for an average period of 3 years or less. Although shorter average tenure may not be directly linked to operational performance, it does reinforce internal discipline and control while also minimizing the likelihood of director misconduct.
   e. **BoD diversity:** One of the main features of a diverse group of BoD members is gender representation, with the law suggesting that this should be 25% at minimum. In our analysis we give credit to companies that go a bit beyond this level (min 30%).
2. **Board Independence and System of Internal Controls**
   a. **% of independent directors in the BoD:** The most recent law for corporate governance suggests that independent directors should account for at least 1/3 of the members of the board. That said, the recommendation included in the Code calls for a minimum of 50% independent directors (e.g. Australia, UK, Sweden, Austria, France, Denmark, Netherlands, Portugal), something which would be in sync with the framework in other jurisdictions and which we also consider as best-practice.
   b. **% of non-executive members in the BoD:** A board of directors in which non-executive members constitute at least 60% is the best practice principle we assess. This is also the case for Kri-Kri.
   c. **Independent vice-chairman:** Credit is given to companies that have an independent Vice-Chairman who safeguards the independence of the board. We note that Kri-Kri's vice chairman is not an independent member of the BoD.
   d. **Independence of remuneration committee:** The Greek law was recently amended to not only make the existence of a remuneration committee mandatory but also to safeguard its independence (majority independent members), as a way of introducing a mechanism for normative controls on management's pay. We credit companies where all members of the remuneration committee are independent.
3. **Alignment of Incentives**
   a. **Granularity on executive remuneration:** alignment of the various stakeholders' incentives is facilitated through a good level of disclosure regarding executive pay, e.g. how remuneration of executive directors is determined, balance between fixed and variable components, KPIs for executive bonus, other contractual arrangements (pensions, stock options, long-term incentive schemes etc.).
4. **Audit Firm Quality**
   a. **Big-6:** Our exercise rewards listed entities audited by Big-6 accounting firms.

We lay out a snapshot of our findings for Kri-Kri in the table below. Overall, we do observe some deviations from several key standards, such as the combined Chairman/CEO roles, the very small board size and the extended board duration. On the contrary, we commend the representation of non-executive directors in the BoD and are reassured by the engagement of a Big-6 company as auditor.

Overall, relative to the rest of our Greek universe, Kri-Kri seems to stand at the lower end of the spectrum in terms of compliance with typical corporate governance performance indicators. That said, although these deviations could be seen as a reason for investor skepticism, we do not believe they signal inadequate internal controls or misalignment with the interests of minority shareholders but are mainly the result of the family-type of shareholding ownership, as is typical for many Greek-listed corporations in the small cap space. The health of the company is effectively validated by the solid cash flow generating track record of the business.

Kri-Kri S.A. | Corporate Governance overview	
Board Structure	
Board Size	6
CEO/Chairman separation?	No
Board duration	6
Tenure of the CEO	Long-term
Average Tenure of BoD	Long-term
Female representation in the BoD	17%
Board Independence and system of internal controls	
% of Non-executive directors on the BoD	67%
% of independent directors on the BoD	33%
Independent directors on compensation committee	67%
Independent Deputy Chair?	No
Alignment with minority shareholders	
Granularity on CEO max compensation	Yes
Criteria for CEO bonus	Yes
Quality of auditor	
Big 6?	Yes
Source: Eurobank Equities Research.	

Group Financial Statements

EURmn					
Group P&L	**2021**	**2022**	**2023e**	**2024e**	**2025e**
Sales	**134.6**	**171.9**	**213.8**	**232.4**	**256.9**
Opex	-113.6	-163.0	-166.2	-189.8	-209.5
Adj. EBITDA	**21.0**	**8.9**	**47.6**	**42.6**	**47.5**
% change	*-5.9%*	*-57.7%*	*437.3%*	*-10.6%*	*11.5%*
EBITDA margin	*15.6%*	*5.2%*	*22.3%*	*18.3%*	*18.5%*
EBIT	**16.7**	**4.0**	**41.2**	**35.5**	**39.2**
Financial income (expense)	-0.1	-0.2	-0.5	-0.1	-0.1
Exceptionals/other income	0.0	0.0	0.0	0.0	0.0
PBT - reported	**16.5**	**3.8**	**40.7**	**35.4**	**39.2**
Income tax	-3.3	-0.7	-5.8	-2.5	-4.6
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Net Profit - reported	**13.2**	**3.2**	**34.9**	**32.8**	**34.5**
EPS - adjusted (EUR)	**0.40**	**0.10**	**1.05**	**0.99**	**1.04**
DPS (EUR)	**0.20**	**0.20**	**0.40**	**0.40**	**0.42**
Group Cash Flow Statement	**2021**	**2022**	**2023e**	**2024e**	**2025e**
Adj. EBITDA	21.0	8.9	47.6	42.6	47.5
Change in Working Capital	4.1	-3.4	-6.3	-4.0	-4.9
Net Interest	-0.1	-0.2	-0.5	-0.1	-0.1
Tax	-1.1	-1.3	-5.8	-2.5	-4.6
Other	-0.1	0.4	0.4	0.4	0.3
Operating Cash Flow	**23.7**	**4.4**	**35.4**	**36.3**	**38.1**
Capex	-11.2	-8.8	-12.1	-22.1	-10.1
Other investing	0.1	0.1	0.0	0.0	0.0
Net Investing Cash Flow	**-11.1**	**-8.7**	**-12.1**	**-22.1**	**-10.1**
Dividends	-7.0	-6.6	-6.6	-13.2	-13.2
Other (incl. capital repayment of leases)	-1.0	-0.8	-0.3	-0.3	-0.2
Net Debt (cash)	**-3.7**	**8.0**	**-8.5**	**-9.2**	**-23.8**
Free Cash Flow (adj.)	**12.3**	**-4.5**	**23.1**	**14.0**	**27.8**
Group Balance Sheet	**2021**	**2022**	**2023e**	**2024e**	**2025e**
Tangible Assets	71.1	73.9	79.9	95.3	97.7
Intangible Assets	0.3	0.2	0.1	0.1	0.0
Other Long-term assets	0.7	0.7	0.7	0.7	0.7
Non-current Assets	**72.1**	**74.8**	**80.8**	**96.1**	**98.4**
Inventories	11.9	15.3	19.1	21.0	23.4
Trade Receivables	23.0	28.7	36.6	40.4	45.3
Other current assets	0.0	2.1	2.1	2.1	2.1
Cash & Equivalents	13.0	7.2	15.4	15.8	30.2
Current assets	**47.9**	**53.3**	**73.3**	**79.3**	**101.0**
Total Assets	**120.0**	**128.1**	**154.0**	**175.4**	**199.4**
Shareholder funds	82.8	78.9	107.2	126.8	148.0
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**82.8**	**78.9**	**107.2**	**126.8**	**148.0**
Long-term debt	6.4	6.8	6.4	6.1	5.8
Other long-term liabilities	10.4	10.5	10.1	9.7	9.4
Long Term Liabilities	**16.9**	**17.2**	**16.5**	**15.8**	**15.2**
Short-term debt	2.3	7.9	0.0	0.0	0.0
Trade Payables	14.8	20.2	25.7	27.7	30.5
Other current liabilities	3.2	3.8	4.7	5.1	5.7
Current liabilities	**20.3**	**32.0**	**30.4**	**32.9**	**36.2**
Equity & Liabilities	**120.0**	**128.1**	**154.0**	**175.4**	**199.4**
Key Financial Ratios	**2021**	**2022**	**2023e**	**2024e**	**2025e**
P/E	19.7x	67.0x	7.2x	10.2x	9.7x
P/BV	3.1x	2.7x	2.4x	2.6x	2.3x
EV/EBITDA	12.2x	24.9x	5.1x	7.6x	6.5x
EBIT/Interest expense	59.9x	15.3x	79.2x	156.5x	182.2x
Net Debt (cash)/EBITDA	-0.2x	0.8x	-0.2x	-0.2x	-0.5x
Dividend Yield	2.5%	3.1%	5.2%	4.0%	4.2%
ROE	16.6%	3.9%	37.5%	28.1%	25.1%
Free Cash Flow yield	4.7%	-2.1%	9.1%	4.2%	8.3%
Payout Ratio	50.1%	208.3%	37.9%	40.3%	40.3%

Source: Eurobank Equities Research

Company description

KRI is one of Greece's largest yoghurt and ice cream producers, with core operations in making ice cream, yogurt, and fresh milk. The company has been expanding its geographical footprint in recent years and currently exports its products to >40 countries generating c50% of its sales from abroad (from <20% in 2015). More than 75% of its sales come from dairy products, with the rest from ice-cream.

Risks and Sensitivities

•**Macro:** KRI's top line is dependent, to an extent, on the consumer environment, and, on that basis, a potential deterioration in consumer dynamics in key markets (Greece, UK, Italy) could weigh on volume growth.

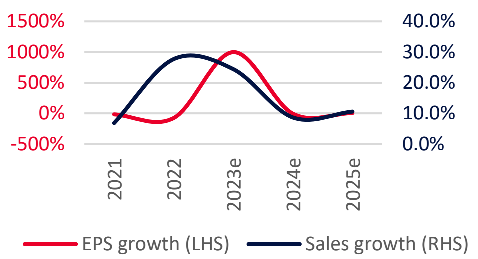
•**Industry structure:** Intense competition from both local and global competitors could result in the group losing market share or could weigh on pricing, thus curtailing top line growth. It could also result in the need for increased promotional activity.

•**Input costs:** With >70% of costs stemming from raw materials, a key risk has to do with an abrupt spike in commodity prices, as was evident in 2021 and 2022. This is especially true as there is usually a lag between cost inflation and pricing actions.

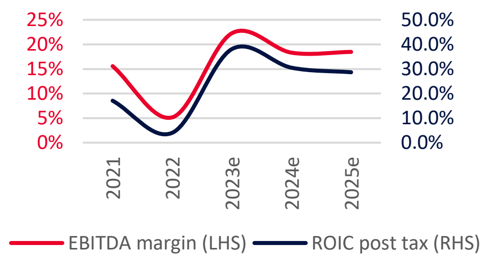
•**Capital allocation:** Given the low volume growth prospects of the whole industry, market share gains could start waning thus posing challenges for volume growth, which KRI might decide to tackle through M&A. Although there is ample scope from a balance sheet perspective, there is uncertainty as to the extent to which there will be value creation from such M&A moves.

•**Sensitivity:** We estimate that a 1% change in volumes drives a c2-3% change in group EBIT, while a 1% move in price/mix results in a 3-4% variation in EBIT.

Sales and EPS growth



Profitability and returns



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12-month Rating History of Kri-Kri

Date	Rating	Stock price	Target price
21/02/2024	Buy	€ 10.10	€ 13.60

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients		Other Material Investment Services Clients (MISC) - as of 15th Jan 2024	
	Count	Total	Count	Total	Count	Total
Buy	21	70%	2	10%	11	61%
Hold	1	3%	0	0%	2	100%
Sell	0	0%	0	0%	0	0%
Restricted	1	3%	0	0%	0	0%
Under Review	2	7%	1	50%	2	100%
Not Rated	5	17%	1	20%	1	20%
Total	**30**	**100%**				

Coverage Universe: A summary of historic ratings for our coverage universe in the last 12 months is available here.

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
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