Lindt & Sprüngli AG

Swiss convictions Bern

Recommended since 06.11.2020 | **26.03.2024**

Country	CH	Market capitalization (bn)	CHF	28.6	Perf. since reco. (%)	
Sector	Food & Beverage	Free float	75.0%		Lindt & Sprüngli AG	46.3
Factset	LISP-CH	Closing price	CHF	10890.00	Market	8.5
ISIN	CH0010570767	ESG Risk score*	23.5	Medium risk		

Profile

Lindt & Sprüngli's business focuses on developing, producing and selling chocolate products. It operates via the following business divisions: Europe, North America and Rest of the World. The Europe division consists of European companies and business units, including Russia. The North America division encompasses companies active in the USA, Canada and Mexico. The Rest of the World division covers companies in Australia, Japan, South Africa, Hong Kong, China and Brazil, along with the Distributors and Duty Free business units. The company was founded by Rudolf Sprüngli-Ammann and David Sprüngli-Schwarz in 1845 and is headquartered in Kilchberg (Switzerland).

Strengths/opportunities

- Consistently outperforming the market with stable industrial chocolate sales.
- Gaining sustainable market share thanks to investments when rivals are cutting costs.

Weaknesses/threats

- Above-industry-average exposure to gifting/seasonal products, a business adversely impacted by COVID-19 risks.
- Supply of raw materials, particularly cocoa, a major issue for the company.
- Limited exposure to growth markets, such as in emerging economies.

Investment case

- The Lindt brand is growing strongly in the US and gaining further market share.
- As the only pure-play premium chocolate producer, Lindt benefits from a segment growing at least twice as fast as the overall category, underpinned by demographics and rising incomes.
- Lindt's sales performance and market share gains in its largest market – Europe – are strong.
- With the expansion of online business as a sales channel, Lindt is further reinforcing its positioning and keeping up its tempo of steady growth.
- All in all, Lindt is a well-managed company with a track record of years of consistent delivery and notable innovativeness with new formats and offerings.

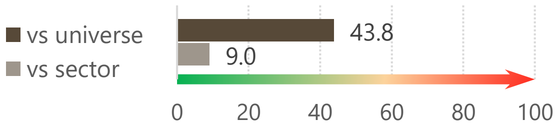
Valuation

The stock is trading at a sizeable premium to the 5Y average P/E, but Lindt shares have never been cheap. We see Lindt as a structural winner as one of the fastest-growing staple companies worldwide.

CHF	12/2023	2024e	2025e
Sales revenue (bn)	5 201	5 465	5 877
Sales growth	*4.6%*	*5.1%*	*7.5%*
EBIT adjusted (bn)	826	868	943
% of sales	*15.9%*	*15.9%*	*16.0%*
Net income (bn)	671	656	712
Net income growth	*17.9%*	*-2.4%*	*8.7%*
FCF/Sales	9.6%	11.3%	10.8%
Net debt/Ebitda	0.9x	0.6x	0.4x
Dividend yield	1.3%	1.4%	1.5%
PE	34.9x	38.9x	35.7x
P/BV	5.5x	5.7x	5.3x

Factset estimates

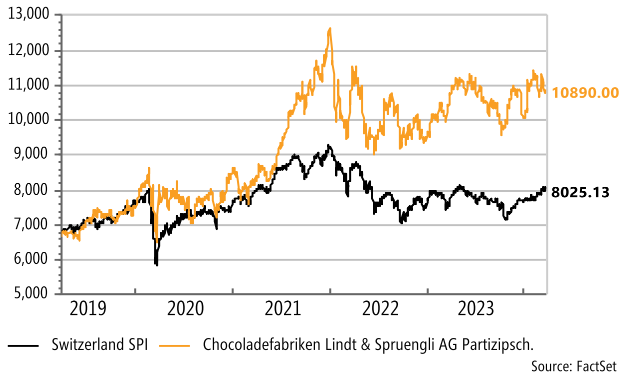
ESG risk vs. universe & sector (percentile)*



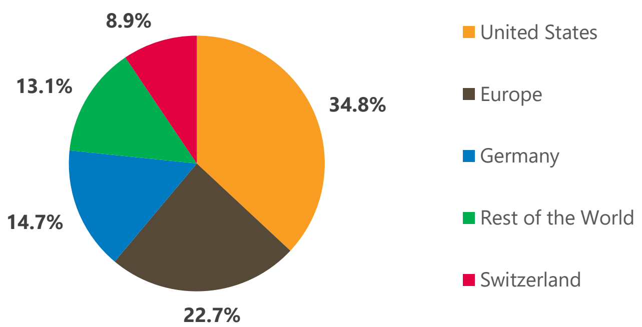
ESG - risks and key points

- Lindt operates in a sector with above-average risks compared to other sectors, with particular hot spots being human rights issues and sustainable trading with cocoa, palm oil and sugar plantations.
- Thanks to full control of its supply chain, Lindt's overall exposure to ESG risks is below- average in the chocolate companies sector.
- Lindt is taking ESG issues seriously: it has appointed a dedicated sustainability manager and a sustainability executive team covering all key areas.

5-year performance vs SPI



Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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