

Ralcorp (RAH)

INCREASE TARGET PRICE

Rating **NEUTRAL***
Price (29 Apr 11, US\$) 77.80
Target price (US\$) (from 66.00) 94.00¹
52-week price range 77.80 - 54.35
Market cap. (US\$ m) 4,277.37
Enterprise value (US\$ m) 6,586.17

*Stock ratings are relative to the relevant country benchmark.
¹Target price is for 12 months.

Research Analysts
Robert Moskow

Marcela Giraldo

William Sawyer

Raising Target Price and Estimates; Investors Now Have Two Ways To Realize Value

Ralcorp Chairman William Stirritz announced today that Ralcorp rejected an unsolicited bid from a third party (seems to be ConAgra) two months ago, and is not currently in talks with anyone. The private equity firm Apollo is also interested in exploring a deal, according to a Bloomberg newswire. In defense of its strategic plan, management in a separate release today announced an accelerated productivity program that is expected to generate \$80-\$100M in aggregated savings between 2012 and 2014 and continue thereafter, mostly through rationalization of manufacturing facilities. They also say they are willing to buy back stock now that they have reached their debt reduction goals.

- **Raising target price to \$94.** This represents a P/E of 14.5x against our new FY 12 estimate, which we have raised to \$6.45. We are raising our FY 11 estimate to \$5.62 compared to new management guidance of \$5.45 to \$5.55. Our valuation is supported by our sum-of-the parts valuation analysis (see Exhibit 2).
- **Two ways for investors to realize value:** 1) either the management team successfully achieves its strategic objectives (and it looks like the company is well on its way), or 2) a third party makes a much higher bid that the board will feel compelled to entertain. Toward that end, we view the Ralcorp chairman and the management team as highly focused on shareholder value and very “un-entrenched.”

Share price performance



On 04/29/11 the S&P 500 index closed at 1363.61

Quarterly EPS	Q1	Q2	Q3	Q4
2010A	1.21	1.12	1.11	1.26
2011E	1.26	1.43	1.41	1.51
2012E	1.50	1.61	1.63	1.70

Financial and valuation metrics

Year	09/10A	09/11E	09/12E	09/13E
EPS (CS adj.) (US\$)	4.71	5.62	6.45	7.40
Prev. EPS (US\$)	—	5.45	5.75	6.05
P/E (x)	16.5	13.8	12.1	10.5
P/E rel. (%)	100.0	97.4	96.3	—
Revenue (US\$ m)	4,048.5	4,720.9	4,906.6	5,151.9
EBITDA (US\$ m)	671.4	861.8	913.3	974.7
OCFPS (US\$)	3.47	15.53	16.70	18.04
P/OCF (x)	16.8	5.0	4.7	4.3
EV/EBITDA (current)	10.0	7.6	6.9	6.1
Net debt (US\$ m)	2,426	2,309	2,009	1,659
ROIC (%)	6.34	7.39	8.08	8.84
Number of shares (m)	54.98	IC (current, US\$ m)		5,254.80
BV/share (current, US\$)	54.1	EV/IC (x)		1.2
Net debt (current, US\$ m)	2,620.1	Dividend (09/10A, US\$)		—
Net debt/tot. cap. (current, %)	61.3	Dividend yield (%)		—

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

- **Strong 2Q results and guidance.** Ralcorp strengthened its negotiating stance by reporting 22% sales growth in fiscal 2Q (versus consensus of 19%) with price up 5% and volume down 1%. Adjusted EPS of \$1.43 beat consensus of \$1.23. The biggest surprise was the ailing Post cereal division, which reported a sales decline of only 2% compared to our pessimistic estimate of -12.5%. Pasta also delivered a strong quarter with a huge EBIT margin of 25.5% and sales down slightly. Core private label volume grew 1% and margins held steady sequentially at 10% (ex Post).
- **Would Apollo or ConAgra bid \$100/share?** Mathematically, we believe a \$100 bid would still be \$0.13 accretive to ConAgra EPS ex Ralcorp's cost savings and \$0.26 accretive if 75% of the savings dropped to the bottom line (see Exhibit 1). However, we have trouble seeing how ConAgra could justify it strategically given that the business represents such a departure from the company's branded foods strategy. We suspect that a \$100 bid would stretch Apollo's limits as well. Assuming financial leverage of 6x EBITDA and an exit EBITDA multiple of 9.0x EBITDA, we arrive at an IRR of only 9% in our LBO model.

Exhibit 1: Accretion / Dilution Analysis CAG (with 75% of cost savings dropping to bottom line)

Accretion / Dilution Analysis CAG			
Price	\$ 100.00		
RAH shares	55.51		
Paid	5,551		
Extra debt	4,247		
Equity	1,304		
Extra shares	54		
Interest rate	6.0%		
CAG price	\$ 24.00		
Tax rate	34%		
% of savings reinvested	25%		
CAG	Before	RAH	After
EBIT	1,322	637	1,958
Savings from program (25% REINVESTED)	-	34	34
Efficiency 2.5% of COGS (25% REINVESTED)	-	64	64
Interest expense	173	397	570
EBT	1,148		1,486
Net income	760		983
Outstanding shares	437	54	491
EPS	\$ 1.74		\$ 2.00
Accretion/dilution			\$ 0.26

Source: Company data, Credit Suisse estimates. We assume that ConAgra would issue 54 million shares (13% of total) to purchase RAH in order to maintain a 4.0x Debt/ebitda ratio.

Exhibit 2: RAH Sum of the Parts Valuation

	EBIT F11	D&A	Corporate	EBITDA	Multiple	EV
Pasta	126	48	0	174		1,380
Post Cereal	223	60	12	271	9.0x	2,435
Private Label	333	117	38	412	8.5x	3,499
Value of cost savings						154
Total	681	225	50	856	8.7x	7,468

Notes:

15% premium above the acquisition price of \$1.2 billion d2 synergies
 RAH paid 9x EBITDA (\$2.6 billion)
 Compares to 9.3x EBITDA for THS (consensus est)
 \$80-\$100M per year after three years

Less Net Debt:	2,600
Current Equity Value	4,868
Shares Outstanding	55
Valuation	\$88.51
Change of control premium	15%
Value per share	\$101.79

PV of cost savings program

Total incremental CAPEX	125
Total cost savings	90
WACC	9.0%
Tax rate	36%

	2011	2012	2013	2014	2015-perpetuity
Incremental CAPEX		(42)	(42)	(42)	
% of savings		10%	40%	50%	
Cost savings		6	23	29	29
NET	0	(36)	(19)	(13)	29
					320
Discount factor	1.09	1.19	1.30	1.41	1.54
PV	0	(30)	(14)	(9)	208
PV	154				

Source: Company data, Credit Suisse estimates

Exhibit 3: RAH Segment Earnings

	2010E					Annual					2011E					Annual					2012E					Annual				
	Dec-09A	Mar-10A	Jun-10A	Sep-10A	2010A	Dec-10A	Mar-11A	Jun-11E	Sep-11E	2011E	Dec-11E	Mar-12E	Jun-12E	Sep-12E	2012E	Dec-11E	Mar-12E	Jun-12E	Sep-12E	2012E	Dec-11E	Mar-12E	Jun-12E	Sep-12E	2012E	Dec-11E	Mar-12E	Jun-12E	Sep-12E	2012E
Segment Revenues																														
Total Cereal	440.8	453.9	440.3	452.2	1,787.2	426.3	454.2	455.0	470.5	1,806	450.0	476.0	471.5	481.6	1,879	450.0	476.0	471.5	481.6	1,879	450.0	476.0	471.5	481.6	1,879	450.0	476.0	471.5	481.6	1,879
% growth	-1.9%	-4.2%	-7.5%	-4.7%	-4.6%	-3.3%	0.1%	3.3%	4.1%	1.1%	5.6%	4.8%	3.6%	2.3%	4.0%	5.6%	4.8%	3.6%	2.3%	4.0%	5.6%	4.8%	3.6%	2.3%	4.0%	5.6%	4.8%	3.6%	2.3%	4.0%
Other Cereal Products	195	193	198	214	800	205	199	210	222	836	213	203	214	224	854	213	203	214	224	854	213	203	214	224	854	213	203	214	224	854
% growth	1.0%	-0.6%	-6.5%	4.5%	-0.5%	5.0%	2.9%	6.3%	4.0%	4.5%	4.0%	2.0%	2.0%	0.5%	2.1%	4.0%	2.0%	2.0%	0.5%	2.1%	4.0%	2.0%	2.0%	0.5%	2.1%	4.0%	2.0%	2.0%	0.5%	2.1%
Post Cereal	246	261	243	238	988	222	255	245	248	970	237	273	257	258	1,026	237	273	257	258	1,026	237	273	257	258	1,026	237	273	257	258	1,026
% growth	-4.1%	-6.7%	-8.3%	-11.7%	-7.8%	-9.9%	-2.0%	0.9%	4.1%	-1.8%	7.0%	7.0%	5.0%	4.0%	5.7%	7.0%	7.0%	5.0%	4.0%	5.7%	7.0%	7.0%	5.0%	4.0%	5.7%	7.0%	7.0%	5.0%	4.0%	5.7%
Pasta	148.9	145.9	NA	101.4	101.4	135.9	143.5	142.0	147.0	568	148	145	153	147	593	148	145	153	147	593	148	145	153	147	593	148	145	153	147	593
% growth	-13.0%	-10.1%	NA	NA	NA	-8.7%	-1.6%	NA	NA	NA	9.0%	1.0%	8.0%	0.0%	4.4%	9.0%	1.0%	8.0%	0.0%	4.4%	9.0%	1.0%	8.0%	0.0%	4.4%	9.0%	1.0%	8.0%	0.0%	4.4%
Snacks, Sauces & Spreads	369.3	338.2	359.9	394.2	1,461.6	417.4	382.2	396.9	402.1	1,598.6	434	397	413	418	1,662.5	434	397	413	418	1,662.5	434	397	413	418	1,662.5	434	397	413	418	1,662.5
% growth	12.7%	14.3%	1.2%	14.7%	10.5%	13.0%	13.0%	10.3%	2.0%	9.4%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Frozen Bakery	181.8	172.9	162.2	181.4	698.3	193.7	192.7	176.4	185.0	747.9	203	200	180	188	771.6	203	200	180	188	771.6	203	200	180	188	771.6	203	200	180	188	771.6
% growth	-4.9%	-2.2%	0.1%	10.1%	0.5%	6.5%	11.5%	8.8%	2.0%	7.1%	5.0%	4.0%	2.0%	1.5%	3.2%	5.0%	4.0%	2.0%	1.5%	3.2%	5.0%	4.0%	2.0%	1.5%	3.2%	5.0%	4.0%	2.0%	1.5%	3.2%
Total	991.9	965.0	962.4	1,129.2	4,048.5	1,173.3	1,172.6	1,170.3	1,204.6	4,720.9	1,235.6	1,218.9	1,217.6	1,234.5	4,906.6	1,235.6	1,218.9	1,217.6	1,234.5	4,906.6	1,235.6	1,218.9	1,217.6	1,234.5	4,906.6	1,235.6	1,218.9	1,217.6	1,234.5	4,906.6
% growth	2.4%	2.0%	-3.2%	14.8%	4.0%	18.3%	21.5%	21.6%	6.7%	16.6%	5.3%	3.9%	4.0%	2.5%	3.9%	5.3%	3.9%	4.0%	2.5%	3.9%	5.3%	3.9%	4.0%	2.5%	3.9%	5.3%	3.9%	4.0%	2.5%	3.9%
Segment Operating Profit																														
Total Cereal	73.3	77.0	76.1	84.5	310.9	70.9	78.2	81.0	85.5	315.6	79.4	87.6	89.1	94.1	350.1	79.4	87.6	89.1	94.1	350.1	79.4	87.6	89.1	94.1	350.1	79.4	87.6	89.1	94.1	350.1
% growth	-1.1%	-1.4%	-20.6%	-10.6%	-9.3%	-3.3%	1.6%	6.4%	1.2%	1.5%	12.0%	12.0%	10.0%	10.0%	10.9%	12.0%	12.0%	10.0%	10.0%	10.9%	12.0%	12.0%	10.0%	10.0%	10.9%	12.0%	12.0%	10.0%	10.0%	10.9%
Other Cereal Products	24.2	22.0	22.0	22.1	90.3	21.2	21.3	25.0	25.5	93.0	24	24	28	28	103.2	24	24	28	28	103.2	24	24	28	28	103.2	24	24	28	28	103.2
% growth	10.5%	1.9%	-20.3%	5.7%	-1.8%	-12.4%	-3.2%	13.6%	15.4%	3.0%	12.0%	12.0%	10.0%	10.0%	10.9%	12.0%	12.0%	10.0%	10.0%	10.9%	12.0%	12.0%	10.0%	10.0%	10.9%	12.0%	12.0%	10.0%	10.0%	10.9%
Post Cereal	49.1	55.0	54.1	62.4	220.6	49.7	56.9	56.0	60.0	222.6	56	64	62	66	247.0	56	64	62	66	247.0	56	64	62	66	247.0	56	64	62	66	247.0
% growth	-5.9%	-2.7%	-20.8%	-15.2%	-12.0%	1.2%	3.5%	3.5%	-3.8%	0.9%	12.0%	12.0%	10.0%	10.0%	11.0%	12.0%	12.0%	10.0%	10.0%	11.0%	12.0%	12.0%	10.0%	10.0%	11.0%	12.0%	12.0%	10.0%	10.0%	11.0%
Pasta	28.9	31.9	28.0	21.6	21.6	28.2	36.6	30.5	30.5	125.8	31	37	33	30	131.2	31	37	33	30	131.2	31	37	33	30	131.2	31	37	33	30	131.2
% growth	5.3%	35.8%	17.1%	16.7%	-76.9%	-2.5%	14.6%	8.9%	41.2%	482.4%	10.0%	0.0%	9.0%	-0.5%	4.3%	10.0%	0.0%	9.0%	-0.5%	4.3%	10.0%	0.0%	9.0%	-0.5%	4.3%	10.0%	0.0%	9.0%	-0.5%	4.3%
Snacks, Sauces & Spreads	47.5	40.5	35.9	28.7	152.6	37.4	33.3	41.0	42.0	153.7	41	36	42	43	162.2	41	36	42	43	162.2	41	36	42	43	162.2	41	36	42	43	162.2
% growth	59.9%	66.7%	-9.1%	2.5%	25.6%	-21.3%	-17.8%	14.2%	46.3%	0.7%	10.0%	8.0%	2.0%	3.0%	5.5%	10.0%	8.0%	2.0%	3.0%	5.5%	10.0%	8.0%	2.0%	3.0%	5.5%	10.0%	8.0%	2.0%	3.0%	5.5%
Frozen Bakery	26.4	18.2	17.5	18.7	80.8	23.0	22.9	20.0	20.0	85.9	26	25	21	21	92.8	26	25	21	21	92.8	26	25	21	21	92.8	26	25	21	21	92.8
% growth	76.0%	18.2%	-6.4%	-6.5%	16.9%	-12.9%	25.8%	14.3%	7.0%	6.3%	12.0%	10.0%	4.0%	5.0%	8.0%	12.0%	10.0%	4.0%	5.0%	8.0%	12.0%	10.0%	4.0%	5.0%	8.0%	12.0%	10.0%	4.0%	5.0%	8.0%
Total	147.2	135.7	129.5	153.5	565.9	159.5	171.0	172.5	178.0	681.0	177.3	185.3	185.0	188.7	736.3	177.3	185.3	185.0	188.7	736.3	177.3	185.3	185.0	188.7	736.3	177.3	185.3	185.0	188.7	736.3
	23.9%	15.2%	-16.0%	7.7%	6.1%	8.4%	26.0%	33.2%	16.0%	20.3%	11.2%	8.4%	7.2%	6.0%	8.1%	11.2%	8.4%	7.2%	6.0%	8.1%	11.2%	8.4%	7.2%	6.0%	8.1%	11.2%	8.4%	7.2%	6.0%	8.1%
	Dec-09A	Mar-10A	Jun-10A	Sep-10A	2010A	Dec-10A	Mar-11A	Jun-11E	Sep-11E	2011E	Dec-11E	Mar-12E	Jun-12E	Sep-12E	2012E	Dec-11E	Mar-12E	Jun-12E	Sep-12E	2012E	Dec-11E	Mar-12E	Jun-12E	Sep-12E	2012E	Dec-11E	Mar-12E	Jun-12E	Sep-12E	2012E
Unallocated Corporate Exp.	8.8	8.7	9.3	10.8	37.6	8.1	7.0	9.5	8.5	33.1	9.0	9.0	9.0	9.0	36.0	9.0	9.0	9.0	9.0	36.0	9.0	9.0	9.0	9.0	36.0	9.0	9.0	9.0	9.0	36.0
SFAS 123R Option Expense	5.0	4.5	2.4	6.0	17.9	3.8	4.1	3.0	3.0	13.9	4.5	4.5	4.5	4.5	18.0	4.5	4.5	4.5	4.5	18.0	4.5	4.5	4.5	4.5	18.0	4.5	4.5	4.5	4.5	18.0
Merger termination fee	0.0	0.0	0.0	5.8	5.8	0.2	0.1	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments for economic hedges						(4.8)	(6.0)																							
Total	133.4	122.5	117.8	130.9	504.6	152.2	159.8	160.0	166.5	638.5	163.8	171.8	171.5	175.2	682.3	163.8	171.8	171.5	175.2	682.3	163.8	171.8	171.5	175.2	682.3	163.8	171.8	171.5	175.2	682.3

Source: Company data, Credit Suisse estimates

Exhibit 4: RAH Quarterly Earnings

	2010A				Annual	2011E				Annual	2012E				Annual	Annual
	Dec-09A	Mar-10A	Jun-10A	Sep-10A	2010A	Dec-10A	Mar-11A	Jun-11E	Sep-11E	2011E	Dec-11E	Mar-12E	Jun-12E	Sep-12E	2012E	2013E
Net Sales	991.9	965.0	962.4	1,129.2	4,048.5	1,173.3	1,172.6	1,170.3	1,204.6	4,720.9	1,235.6	1,218.9	1,217.6	1,234.5	4,906.6	5,151.9
% growth	2.4%	2.0%	-3.2%	14.8%	4.0%	18.3%	21.5%	21.6%	6.7%	16.6%	5.3%	3.9%	4.0%	2.5%	3.9%	5.0%
Cost of Sales	719.1	698.6	717.1	832.3	2,967.1	850.2	838.6	846.4	875.1	3,410.4	909.3	884.5	883.6	896.9	3,574.3	3,709.4
Gross Profit	272.8	266.4	245.3	296.9	1,081.4	323.1	334.0	323.9	329.5	1,310.5	326.3	334.3	334.0	337.7	1,332.3	1,442.5
Gross Margin %	27.5%	27.6%	25.5%	26.3%	26.7%	27.5%	28.5%	27.7%	27.4%	27.8%	26.4%	27.4%	27.4%	27.4%	27.2%	28.0%
S,G, & A	139.4	143.9	127.5	166.0	576.8	170.9	175.9	163.9	163.0	673.7	162.5	162.5	162.5	162.5	650.0	698.8
as % of sales	14.1%	14.9%	13.2%	14.7%	14.2%	14.6%	15.0%	14.0%	13.5%	14.3%	13.2%	13.3%	13.3%	13.2%	13.2%	13.6%
Gain(Loss) on Forward Sale	0															
Gain on Sale of Securities	2.6%	1.0%	-2.1%	-1.2%		-0.5%	0.8%	1.4%	2.2%							
Operating Income	133.4	122.5	117.8	130.9	504.6	152.2	158.1	160.0	166.5	636.8	163.8	171.8	171.5	175.2	682.3	743.7
as % of sales	13.4%	12.7%	12.2%	11.6%	12.5%	13.0%	13.5%	13.7%	13.8%	13.5%	13.3%	14.1%	14.1%	14.2%	13.9%	14.4%
% growth	26.9%	10.9%	-17.5%	4.4%	4.3%	14.1%	29.1%	35.8%	27.2%	26.2%	7.6%	8.7%	7.2%	5.2%	7.1%	9.0%
OI check	133.4	122.5	117.8	130.9	504.6	152.2	158.1									
Interest expense	26.5	23.9	24.7	32.7	107.8	35.7	33.8	37.4	35.2	142.1	34.6	33.5	32.3	31.2	131.7	119.2
as % of total debt																
Other Income, Net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	106.9	98.6	93.1	98.2	396.8	116.5	124.3	122.6	131.3	494.7	129.2	138.3	139.1	144.0	550.6	624.5
Income taxes	38.4	36.2	31.4	28.7	134.7	46.5	44.8	44.1	47.3	182.8	46.5	49.8	50.1	51.8	198.2	224.8
Effective tax rate	35.9%	36.8%	33.7%	29.2%	33.9%	39.9%	36.1%	36.0%	36.0%	36.9%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%
Income after taxes	68.5	62.4	61.7	69.5	262.1	70.0	79.5	78.4	84.0	311.9	82.7	88.5	89.0	92.1	352.4	399.7
Equity earnings in Vail																
Net Income	68.5	62.4	61.7	69.5	262.1	70.0	79.5	78.4	84.0	311.9	82.7	88.5	89.0	92.1	352.4	399.7
% growth	37.8%	12.4%	-19.5%	6.6%	6.1%	2.2%	27.4%	27.0%	20.9%	19.0%	18.2%	11.4%	13.5%	9.6%	13.0%	13.4%
Recurring EPS	\$1.21	\$1.12	\$1.11	\$1.26	\$4.70	\$1.26	\$1.43	\$1.41	\$1.51	\$5.62	\$1.50	\$1.61	\$1.63	\$1.70	\$6.45	\$7.40
% growth	38.7%	15.3%	-17.4%	10.1%	8.5%	4.3%	27.4%	27.0%	20.4%	19.5%	18.7%	12.8%	15.6%	12.3%	14.7%	14.8%
Shares outstanding	56.6	55.5	55.5	55.3	55.7	55.4	55.5	55.5	55.5	55.5	55.2	54.8	54.5	54.2	54.7	54.0
Volume/Mix	-1.0%	2.0%	0.0%	4.0%	1.3%	1.2%	-1.0%	1.2%	0.9%	0.6%	1.3%	1.9%	3.0%	2.5%	2.2%	2.0%
Acquisitions	5.6%	5.0%	0.9%	14.2%	6.4%	18.1%	17.5%	15.9%	0.3%	12.9%	0.0%	0.0%	0.0%	0.0%	0.0%	
Pricing	-2.1%	-5.0%	-4.1%	-3.3%	-3.6%	-1.0%	5.0%	4.5%	5.5%	3.1%	4.0%	2.0%	1.0%	0.0%	1.8%	2.0%

Source: Company data, Credit Suisse estimates

Exhibit 5: RAH Annual Earnings

	2007A	2008A	2009A	2010A	2011E	2012E	2013E	2014E	2015E	2016E	2017E
Sales, Net	2,233.4	2,643.9	3,891.9	4,048.5	4,720.9	4,906.6	5,151.9	5,409.5	5,680.0	5,964.0	6,262.2
% growth	20.7%	18.4%	47.2%	4.0%	16.6%	3.9%	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of Sales	1,819.2	2,318.1	2,844.2	2,967.1	3,410.4	3,574.3	3,709.4	3,894.8	4,089.6	4,294.1	4,508.8
Gross Profit	414.2	325.8	1,047.7	1,081.4	1,310.5	1,332.3	1,442.5	1,514.7	1,590.4	1,669.9	1,753.4
as % of sales	18.5%	12.3%	26.9%	26.7%	27.8%	27.2%	28.0%	28.0%	28.0%	28.0%	28.0%
S,G, & A	252.8	326.7	567.1	576.8	673.7	650.0	698.8	733.8	770.5	809.0	849.4
as % of sales	11.3%	12.4%	14.6%	14.2%	14.3%	13.2%	13.6%	13.6%	13.6%	13.6%	13.6%
Operating Income	161.4	209.2	483.8	504.6	636.8	682.3	743.7	780.9	819.9	860.9	904.0
% growth	29.1%	29.6%	131.3%	4.3%	26.2%	7.1%	9.0%	5.0%	5.0%	5.0%	5.0%
as % of sales	7.2%	7.9%	12.4%	12.5%	13.5%	13.9%	14.4%	14.4%	14.4%	14.4%	14.4%
Interest expense	42.3	54.6	99.0	107.8	142.1	131.7	119.2	119.2	119.2	119.2	119.2
Interest income											
Other Income, Net											
Pretax Income	119.1	154.6	384.8	396.8	494.7	550.6	624.5	661.7	700.7	741.7	784.8
Income taxes	39.5	56.9	137.7	134.7	182.8	198.2	224.8	238.2	252.3	267.0	282.5
Effective tax rate	33.2%	36.8%	35.8%	33.9%	36.9%	36.0%	36.0%	36.0%	36.0%	36.0%	36.0%
Equity earnings in Vail Resorts, Inc	8.9	14.0	0.0								
Net income	88.5	111.7	247.1	262.1	311.9	352.4	399.7	423.5	448.5	474.7	502.3
Year	\$3.25	\$3.65	\$4.34	\$4.70	\$5.62	\$6.45	\$7.40	\$8.41	\$9.62	\$11.00	\$12.60
	24.8%	12.4%	18.9%	8.5%	19.5%	14.7%	14.8%	13.6%	14.4%	14.4%	14.5%
Shares outstanding	27.2	31.1	57.0	55.7	55.5	54.7	54.0	50.4	46.6	43.1	39.9
Capital Expenditures	51.7	62.5	115.0	128.9	157.0	187.0	187.0	187.0	152.3	159.9	167.9
Total Cost of Business Acquisition	331.9	20.3	55.0	1,312.0	0.0	0.0	0.0				
Depreciation & Amortization	82.4	99.5	144.7	166.8	225.0	230.6	230.6	242.2	254.3	267.0	280.3
EBITDA	243.8	308.7	628.5	671.4	861.8	912.9	974.3	1,023.0	1,074.2	1,127.9	1,184.3
Net Debt	753.7	1,654.7	1,328.6	2,425.6	2,125.6	1,825.6	1,475.6	1,475.6	1,475.6	1,475.6	1,475.6
EBITDA/Interest Coverage	5.8	5.7	6.3	6.2	6.1	6.9	8.2	8.6	9.0	9.5	9.9
Operating Cash Flow	214.2	132.0	326.7	301.9	474.0	565.6	607.3	649.7	695.1	743.9	796.2
Free Cash Flow (CFO less cap ex)	162.5	69.5	211.7	173.0	317.0	378.6	420.3	462.7	542.9	584.0	628.3
Debt/EBITDA	3.09	5.36	2.11	3.61	2.47	2.00	1.51	1.44	1.37	1.31	1.25

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 29 Apr 11)

ConAgra Foods, Inc. (CAG, \$24.45, NEUTRAL, TP \$25.00)

Ralcorp (RAH, \$77.80, NEUTRAL, TP \$94.00)

Disclosure Appendix

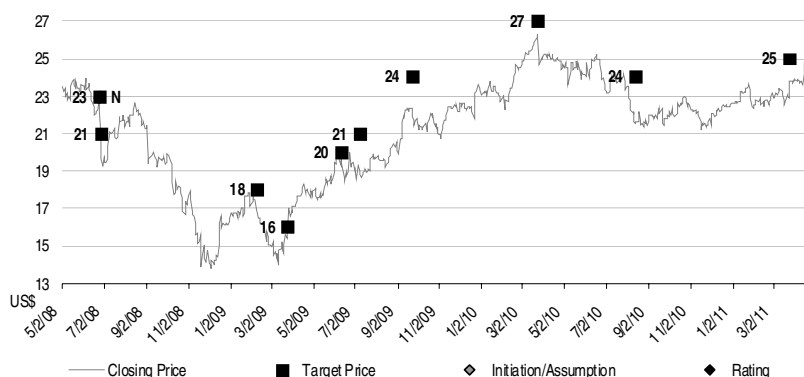
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3-Year Price, Target Price and Rating Change History Chart for CAG

CAG	Closing Price	Target Price	Initiation/
Date	(US\$)	(US\$)	Rating Assumption
6/24/08	22.92	23	N
6/27/08	19.67	21	
2/9/09	16.95	18	
3/25/09	15.56	16	
6/11/09	19.62	20	
7/8/09	18.8	21	
9/22/09	22	24	
3/22/10	26.12	27	
8/12/10	21.51	24	
3/24/11	23.4	25	



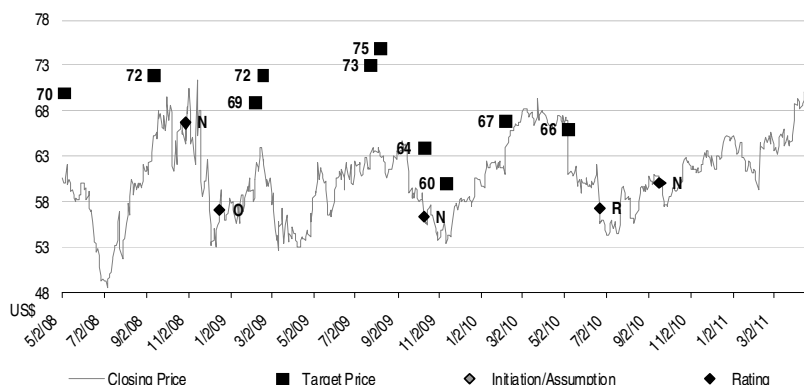
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Trading Alerts for CAG were produced on:

Date
12/22/09

3-Year Price, Target Price and Rating Change History Chart for RAH

RAH	Closing Price	Target Price	Initiation/
Date	(US\$)	(US\$)	Rating Assumption
5/5/08	60.13	70	
9/12/08	65.25	72	
10/28/08	66.66		N
12/17/08	57.13		O
2/6/09	60.5	69	
2/17/09	62.28	72	
7/24/09	63.31	73	
8/7/09	63.04	75	
10/9/09	56.27	64	N
11/11/09	53.44	60	
2/5/10	64.04	67	
5/7/10	61.01	66	
6/21/10	57.28		R
9/17/10	60		N



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Restricted	2%	

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Price Target: (12 months) for (CAG)

Method: Our target price of \$25/share implies a 12.5x P/E against our calendar 2012 EPS of \$1.97 and a 7% discount to the large-cap packaged food group average (in line with its historical average).

Risks: Risks to our \$25/share target price for CAG include volatile commodity input costs (especially in vegetable oil and protein), market share losses to competition or private label, and volume declines as the company raises price.

Price Target: (12 months) for (RAH)

Method: Our 12-month target price of \$94/share implies a 14.5x P/E against our FY 12 EPS estimate of \$6.40. This is a 5% discount to the packaged food group of 14.5x because of Ralcorp's exposure to volatile and low margin private label and the challenges it is having in branded cereal

Risks: Risks to our \$94 target price for RAH include 1) failure to integrate the Post branded cereal business or reverse market share declines; 2) a declining rate of growth in private label as economic conditions improve and retailers give more focus to national brands; 3) a more competitive price environment given the benefit of commodity deflation in competitors' cost structure.

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