Nomad Foods (NOMD)

Thesis and analysis — October 12, 2026

The thesis

HOLD

Nomad Foods owns Europe's leading frozen-food brands and is statistically cheap at about 9.5× normalized operating profit and about 9.7× normalized earnings, but revalued under the current rules it is poorer than the old record: after charging rent and keeping the recurring transformation program as a cost, it converts only about 50% of operating profit to free cash and carries about 5.5× net leverage.

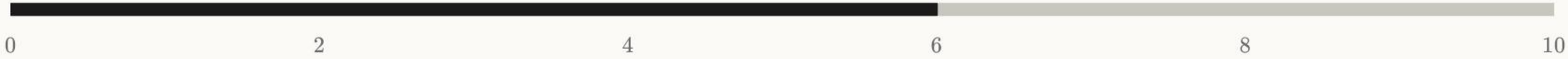
The thesis (continued)

HOLD

An adjusted present value at the about 8% business rate puts the probability-weighted equity near $17.4 and the value without the bull case near $13.2 against about $11 price - a thin margin of safety that keeps it a hold, not a buy.

The score

6.0 / 10 — hold signal



Lifting it: Price, Return on capital (ROIC)

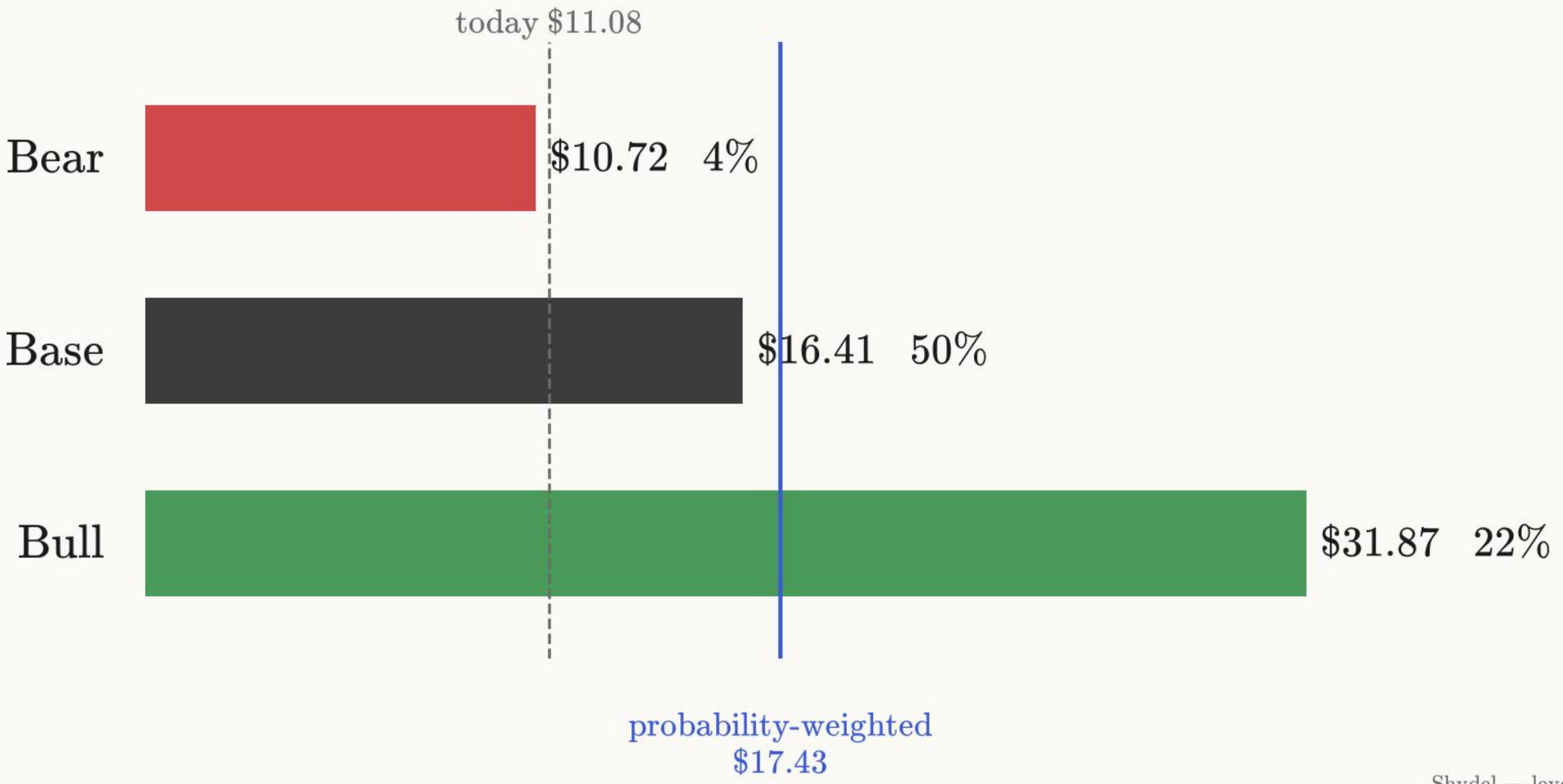
Holding it down: Balance sheet and debt, Diversification

The key numbers

EV / EBIT, normalized	9.8×
P / E, normalized	10.5×
ROIC, normalized	98%
Operating margin, average	11.5%
Marginal return on capital	sales grew with no new capital — self-funded growth

normalized FY2019-FY2025

What one share is worth



Filings and accounting quality

FY2025 20-F is clean (IFRS, audited), but the key accounting-quality point is that the ”exceptional” charges recur every year, so they are a cost of the business rather than add-backs, and reported net income is depressed by one-off finance and tax items.

- Exceptional items EUR 78.4m FY2025 (EUR 69.5m FY2024), inside operating profit, from the transformation program running since 2020 plus 2025 restructuring and supply-chain optimization - recurring every year since 2020, so kept as a cost in normalized EBIT, not added back.

Balance sheet

The balance sheet is intangible-heavy but the operating capital base is tiny and supplier-funded; leverage, not the assets, is the constraint.

- Equity EUR 2.50bn is about 183% intangible: goodwill + brands EUR 4.57bn exceed equity; tangible book is deeply negative.
- Trade working capital is structurally negative (-EUR 138.3m FY2025): current assets ex-cash ~EUR 822m vs operating current liabilities ~EUR 1,035m - retailers and suppliers fund the business (key numbers; equities_working_capital).
- Judged operating cash EUR 75m/yr (about 2.5% of sales; EUR 175m revolver undrawn), so ~EUR 250m of the EUR 324.8m cash is excess; tangible capital (negative working capital + net fixed assets EUR 527.7m) is ~EUR 389m.

Cash flow statement

Free cash flow is the weak leg, not the strong one the old thesis claimed: after bringing leases and interest into the cash flow, conversion is only about half of operating profit.

- FY2025 operating cash flow EUR 330.7m; capex EUR 78.5m (all maintenance, about 2.6% of sales, no growth capex); but lease payments EUR 34.2m and interest paid EUR 111.9m sit under financing and interest received EUR 3.9m under investing - brought into FCF as a US statement would show, FY2025 FCF is only EUR 101.6m, not the old 'reported EUR 244m / normalized EUR 302m'.
- Normalized FCF ~EUR 155-183m, about 50.8% of normalized EBIT (EUR 360.8m) - weak - versus the about 75–76% the old record carried.

Income statement

A mature, low-growth top line at a margin well below the old record's assumption, with the recurring exceptionals kept as a cost.

- Sales EUR 3.03bn FY2025 (-2.2%; organic -1.9%); the +4.5%/yr FY2019–25 headline is acquisition-inflated (Fortenova, 2021) - organic is roughly flat-to-negative. Gross margin 27.1% (down about 250bp on fish/vegetable inflation).
- Reported operating profit EUR 325.4m (10.7% margin), after the EUR 78.4m exceptional charge; the EUR 404m / 13.3% the old run used was an adjusted figure. Recency-weighted normalized operating margin 11.9% (3y 10.8%, 5y 11.4%, 7y 11.9%; falling), normalized EBIT EUR 360.8m.
- Analysts: sales -2.1% this year / +1.3% next; EPS -13.3% / +1.2%. My forecast: FY2026–2.5% at 11.9% margin, FY2027–28 +1.0% at 12.4–12.8%, held near the cash margin.

Debt tables

Debt is the central risk and the reason for the fat downside tail, and it looks worse under the refreshed numbers.

- Total debt EUR 2.30bn (long-term EUR 2.26bn incl. leases + EUR 32.6m current); net debt EUR 1.97bn = about 3.8× adjusted EBITDA (EUR 522.7m) / about 5.5× normalized EBIT (EUR 360.8m).
- FY2025 finance costs EUR 196.3m include a one-off EUR 75.9m refinancing loss; recurring cash interest ~EUR 110m. Interest coverage on reported EBIT 1.7×; on normalized EBIT against recurring interest about 3.3×. Implied rate about 8.8% reported (inflated by the one-off), about 5% recurring.
- Floating-rate term loans (USD SOFR+2.5%, EUR EURIBOR+2.5%, due 2032) plus senior secured notes incl. ~EUR 800m due 2028; refinanced Nov 2025; EUR 175m revolver undrawn.

Market and segment analysis

One reported business (frozen food); the diversification is geographic and by brand, and growth is a tug-of-war across regions.

- #1 in European frozen food (about 15–17% share), brands Birds Eye, iglo, Findus, Goodfella's, Ledo/Frikom.
- Geography: Western core UK/Germany/Italy about 52% of revenue and slowly declining; SE Europe (Ledo/Frikom) +6–7%/yr and France +3–4%/yr growing. Blended long-run ~+1%/yr.
- Segment record and the FY2026–28 forecast (FY2026–2.5%, FY2027–28 +1.0%) are current; the only empty level-2 fields are single-segment operating income NOMD does not report.

Business quality and moat

A narrow but real moat - leading brands, scale, #1 shelf position in 15 European geographies - evidenced by very high tangible returns, but a mature category losing ground to private label.

- Tangible ROIC 101.5% (normalized EBIT EUR 360.8m on ~EUR 389m tangible capital); invested ROIC 8.2% reflects the EUR 4.57bn of goodwill/brands from the LBO roll-up.
- Moat graded narrow: brands and scale hold about 12% margin and #1 positions, but savory-frozen share slipped 17%->15% in 2025 and the category barely grows.

Management and governance

Capital allocation is disciplined but the balance is the watch-point.

- New CEO with founder (Franklin/Ashley) influence; the leadership team bought about $10.5m of NOMD in the open market over the past 13 months (alignment, a positive signal) (Analyst & Investor Day PR, 2026–10-06).
- Committed to the dividend and "disciplined capital allocation"; the 2027–2029 Value Creation Plan explicitly targets lower leverage, higher return on invested capital and economic-profit growth.
- The flag remains FY2025 returns (buybacks €196m + dividend €91m) ran about 270% of equity free cash flow while levered about 3.8×.

Valuation

Revalued as an operating business (two-stage APV at the about 8% unlevered rate) on the recency-weighted FY2019–25 window, the margin capped at the cash margin and the DCF scored without the bull case: probability-weighted value about $17.4 and value-without-bull about $13.2 against about $11 price - a hold.

- Normalized EV/EBIT 9.49, P/E 9.68, ROIC tangible 101.5% / invested 8.2%.
- Growth: base +0.7%/yr (75% my organic judgement +1.0% + 25% consensus -0.4%, consensus only lowering); bear -4.1%, bull +5.4% (swing about 4.8%). Margin: base 12.2% (75% forecast 12.4% + 25% recency history 11.9%), capped at the 12.2% cash margin (FCF before interest EUR 272m > NOPAT EUR 264m). Return on new capital 15% after tax - judgement alone, marginal unmeasurable (self-funded growth).

Risk and margin of safety

The margin of safety rests on cheap cash flows and deleveraging, not a moat; leverage is the binding risk and caps conviction at hold - and the safety is thinner than the old record showed.

- Net debt EUR 1.97bn / normalized EBIT EUR 360.8m = 5.5× (about 3.8× adjusted EBITDA EUR 522.7m); reported interest coverage 1.7×.
- Equity about 183% intangible (goodwill + brands EUR 4.57bn vs equity EUR 2.50bn); single Frozen cash-generating unit -> goodwill/brand impairment risk with thin headroom.
- ~EUR 800m 2028 notes to refinance; floating-rate exposure; FY2025 already took a EUR 75.9m refinancing loss; recurring ~EUR 78m exceptionals already charged as a cost in normalized EBIT.

Decision, sizing and portfolio fit

Hold NOMD at its about 2.46% weight (target 2.5%); do not add at about $11 and do not trim - the decision follows the hold signal and the margin-of-safety rule.

- Position CAD about 30,632, 2.46% of the book, the smallest of 9 holdings; target weight 2.5%, so it already sits at target - no sizing change (portfolio_holdings; note wm_06af4e26b9).
- Price $11.08 is above buy-below $8.5 (no margin of safety to add) and below trim-above $16 (no reason to trim); refreshed scorecard final score about 6/10 = hold signal (scorecard_NOMD card).
- Portfolio fit: the book is highly concentrated in its top holdings; NOMD is a small, uncorrelated European consumer-staples sleeve, so holding it does not worsen the concentration problem.

Monitoring and selling

Hold and monitor; the price ($11.08) sits between the $8.5 buy-below and the $16 trim-above, so no action until a trigger or a price move.

- Add below about $8.5; trim above about $16 (valuation_NOMD card).
- Monitor quarterly: Q3/Q4–2026 organic - guided back to growth in Q3 2026, watch whether it is delivered (H1'26 organic was about -4.5%); net leverage versus the about 4.5× adjusted-EBITDA sell trigger; the ~EUR 800m 2028 notes refinancing terms; any dividend cut, covenant stress or goodwill/brand impairment on the single Frozen cash-generating unit; European savory-frozen share versus the about 14–15% floor.

The decision

HOLD

The decision: hold. Buy below $8.50. Trim above $16.00. Target weight 2.5 percent of the portfolio. What would change our mind: Q3/Q4 2026 organic fails to turn positive and re-accelerates below -5%; net leverage pushes above about 4.5× adjusted EBITDA with no deleveraging path; a dividend cut, covenant stress or goodwill/brand impairment; or the 2028 notes refinanced at a punitive rate.