

## **Due Diligence Report: Dual-listing Bringing Fizz Back to SODA**

### **Summary**

SodaStream International Ltd. (SodaStream), incorporated on March 8, 2007, is a sparkling water company. The Company manufactures, distributes and sells home beverage carbonation systems, which enable consumers to transform ordinary tap water into sparkling water and flavored sparkling water in seconds. The Company develops, manufactures and sells sparkling water makers and exchangeable carbon-dioxide (CO<sub>2</sub>) cylinders, as well as consumables, consisting of carbon-dioxide refills, reusable carbonation bottles and flavors to add to the sparkling water. As of December 31, 2014, the Company sold its products through more than 70,000 individual retail stores in 45 countries, including approximately 15,000 retail stores in the United States. As of December 31, 2014, the Company distributed its products directly in 24 countries and indirectly through local distributors in its remaining markets. The Company's products are sold under the SodaStream brand name in most countries and under the Soda-Club brand name or select other brand names in certain other countries. The Company offers a variety of sparkling water makers. Its Revolution model and Power model of sparkling water makers only require electricity. Its sparkling water makers can accommodate different carbon-dioxide cylinder sizes. The Company provides beverage-grade carbon-dioxide refills through retailers that participate in its cylinder exchange program. The Company's home beverage carbonation system produces sparkling water in a high pressure-resistant plastic or glass bottle, which is manufactured for repeated usage. The Company's flavors come in a concentrated form, customized for its home beverage carbonation systems. Its flavors are sold in bottles of 375 milliliters (ml), 500 milliliters or 750 milliliters, which produce between nine and 18 liters of flavored sparkling water, depending on the flavor. Its product range consists of more than 100 flavors, including a variety of fruit flavors. The Company's operational segments include The Americas, Western Europe, Asia-Pacific and Central and Eastern Europe, Middle East and Africa (CEMEA). The Americas consists of the United States, Canada and other markets in North America, Central America and South America, which are influenced by the consumption culture of the United States. Western Europe consists of its markets in Western and Northern Europe, which are characterized by high price levels. Asia-Pacific consists of its markets in Australia and New Zealand, together with other markets in East Asia, including Japan and South Korea. CEMEA consists of its markets in Central and Eastern Europe, Israel and South Africa.

SodaStream International Ltd. has a current market capitalization of \$294.96 M with 21.04 M outstanding shares. Its daily average volume traded is 0.37 M shares.

# SODASTREAM INTERNATIONAL LTD. (NASDAQ: SODA)

DECEMBER 8, 2015

GILBOA STREET AIRPORT CITY,  
BEN GURION AIRPORT  
LOD, 7010000  
ISRAEL  
WWW.SODASTREAM.COM

## Key Indicators (Q3 2015)

Shares Outstanding	21.04 M
Revenue	110.02 M
Gross Profit	50.26 M
Net Income (basic/diluted)	2.24 M
Cash and Short-term Inv	43.48 M
Total Debt	47.62 M

## Performance (6 months)



## Recent News and Analysis:

SodaStream recently announced that the Company resolved to list its ordinary shares, par value 0.645 per share, for trading on the Tel Aviv Stock Exchange in parallel to its listing on the NASDAQ pursuant to the dual-listing track available under the Israeli Securities Law. Under this track, the Company can fulfill its reporting obligations on the TASE via the reports that its files with the U.S. Securities and Exchange Commission. The Company advised that it believes that having its shares listed on the TASE -- the Company's home market -- in addition to NASDAQ, will enable the Company to expand its shareholder base, in particular to attract leading Israeli institutional investors, and to offer its shareholders extended trading availability. The Company's ordinary shares have been listed on the NASDAQ under the symbol "SODA" since November 3, 2010. Sodastream International hopes that this move will attract more investors since the company calls Israel their home. The idea that investors trading in Israel can now purchase shares in the company over the TASE could mean more interested buyers in the long-run.

Analysts have turned to institutional holdings to predict whether the listing on the TASE will positively affect the company's shares. At the Q3's end, a total of 11 of the hedge funds tracked by analysts held long positions in this stock, a change of 22% from the previous quarter. With hedge funds' sentiment swirling, there exists a select group of key hedge fund managers who were boosting their stakes significantly (or already accumulated large positions). The stock closed at \$15.51 during the last trading session. It is down 28.85% since June 8, 2015 and is down trending. It has underperformed the S&P500 by 25.94%.

**Conclusions:**

The longer-term view of SODA shows a long and deep decline with little to suggest a turnaround. The downtrend is persistent and the On-Balance-Volume (OBV) line is suggesting more liquidation by longs. If there is an oversold price bounce it is not likely to travel far nor be long sustained.

### Sources:

1. <http://www.reuters.com/finance/stocks/companyProfile?rpc=66&symbol=SODA.O#IMS0yA4xbiTrQM PQ.97>
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3. <http://www.google.ca/finance?q=NASDAQ%3ASODA&hl=en&gl=ca&ei=NSVmVsH5FtjvAHH9b3wBA>
4. <https://ca.finance.yahoo.com/q?s=SODA&gl=0>
5. <http://stockcharts.com/h-sc/ui?s=SODA&p=D&b=5&g=0&id=p81076443198>
6. <http://finance.yahoo.com/news/sodastream-6-k-shows-co-132839986.html>
- 7.

### Risk Factors

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Disclosure: I, Robert Borowski, research analyst have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions and I have no business relationship with any company whose stock is mentioned in the article.

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