The Magnum Ice Cream Company

CONVICTION

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London Stock Exchange, ticker: MICC · Long — we expect the price to rise · Priced 27 Jun 2026

Spin-off forced-selling + a genuine insider cluster

WHAT YOU'D BE BUYING

Magnum is the world's largest standalone ice-cream business — it owns Magnum, Wall's, Cornetto and Ben & Jerry's. It was spun out of Unilever in December 2025 as its own separately listed company.

PRICE	VALUATION	EXCHANGE
£13.21	~32x earnings	LSE

Daily price over the last four years with our entry, stop and target marked. Priced 27 Jun 2026. Not advice.

ENTRY	STOP	TARGET	REWARD vs RISK
—	—	—	—

How we would trade it, in plain terms

We are **not buying this yet.** It's on the watchlist. We'd only act if the company's next results actually prove the cash-recovery story below — until then there's too much we can't confirm.

What the company does

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The idea — and why it's parked

There's a real idea here. When a big company spins off a smaller one, index funds and the former parent are often forced to sell the new shares regardless of value, which can push the price below what the business is worth — and that's historically a profitable thing to buy into. Several senior Magnum executives have also been buying shares with their own money (a genuine cluster). **But two things stop us acting.**

What we think the market is missing — and our honest doubt

The bull case is that the company's cash flow is only *temporarily* depressed. After the spin, free cash fell about 95% (to roughly €38m) because of one-off separation costs, and the argument is that it recovers toward €800m to €1bn within a couple of years. On *normalised* cash, that would make it cheap against consumer-staples peers — Nestlé trades at about 17 times next-year earnings, Mondelez about 18 times, Unilever about 14 times. **The problem: that recovery is a projection, not yet proven** — and ice cream is a genuinely lower-margin business (the reason Unilever let it go).

The set-back / situation, with timing

Beyond the spin, a complication appeared: around **15 May 2026** press reported that Blackstone and CD&R were exploring a **takeover** of Magnum, and the shares jumped about **12–16% to ~1,260p** before **fading back to ~1,199p**. Crucially, because the spin was structured to be tax-free, Magnum is **barred from any takeover for about two years** — so that takeover support is largely off the table until ~2027, and buying now would partly be betting on a deal that legally can't happen yet.

The investor checklist (the proven-investor tests)

- **Returns on capital / moat** — strong brands (a moat), but structurally low ice-cream margins. *(mixed)*
- **Capital allocation** — brand-new standalone; heavy debt (about €3bn); a cost-savings programme under way. *(a concern)*
- **Margin of safety** — only cheap *if* the cash recovery happens — and that's unproven. *(fails this test)*
- **Cash quality** — free cash down about 95% on separation costs; normalisation not yet evidenced. *(fails this test)*
- **Balance sheet** — about €3bn net debt with about €139m of interest to service. *(a concern)*
- **Variant perception + "how could we lose?"** — the variant (temporary dip) is *unverified*, and a takeover-rumour pop has muddied the signal. *(fails this test)*
- **Insider alignment** — a genuine senior-executive cluster buying. *(pass)*

What would make us reconsider

Two clear triggers: (1) the next set of results actually showing free cash recovering as separation costs roll off; or (2) the takeover/tax picture clearing. Until one of those happens, the one good thing (insiders buying) isn't enough on its own, so it stays on the watchlist.

Sources: Unilever demerger materials and the two-year tax restriction; the Blackstone/CD&R bid reports (mid-May 2026); company results showing the separation-cost hit to free cash.