

L&C's FY23 Results Vanquish Years of Uncertainty

ADD | Fair Value: €3.62 (€3.97) | Current Price: €2.40 | Upside: +51%

Research Update

May 20, 2024 – 7.00 h

€ Million	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Total Revenues	26.3	31.7	35.8	40.7	45.5	50.7	56.5
EBITDA	(0.5)	(0.6)	0.8	1.6	2.7	3.5	4.2
margin	-2.0%	-2.0%	2.2%	4.0%	6.0%	6.9%	7.4%
Net Profit	(0.9)	(1.2)	(0.5)	0.5	1.2	1.8	2.2
margin	-3.4%	-3.9%	-1.5%	1.1%	2.7%	3.5%	3.9%
EPS (€)	-0.13	-0.17	-0.06	0.07	0.18	0.27	0.34
NFP/ (Net Cash)	3.5	5.4	6.8	6.7	4.4	1.9	(0.4)

Source: Company Data, KT&Partners' Elaboration

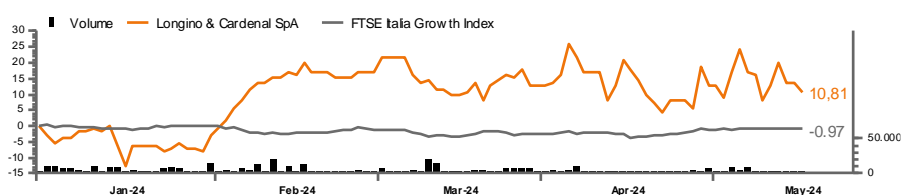
FY23 Financial Results. L&C FY23 financial results finally eases the uncertainty that characterized the past years. Revenues came in at €35.8mn, slightly below our latest estimates of €36.7mn, and growing by +12.9% YoY from €31.7mn in FY22, impacted by a positive top line performance from all the business units. Italy and EU, that still accounts for the bulk of sales (74.6% of the revenues), reached €26.7mn revenues growing by 11% YoY compared to €24.4mn in FY22 (€27.1mn our estimates). This growth was fueled by both distribution activities (+8% YoY) and the brands Il Satio Danzante (+64%) and Umami doubling its revenues. Additionally, several other regions experienced double-digit revenue growth, including: i) Hong Kong at €2.9mn (+42%), ii) Dubai at €3.0mn (+4%), and iii) New York at €1.8mn (+42%). Steady revenues for the e-commerce ShopLongino at €1.4mn. Following the revenues growth, L&C registered a €8.3mn gross profit (+21% YoY) and a 23.3% gross margin. The improvement in the gross margin, compared to 21.8% in FY22, was already forecasted in our estimates (23.6% in FY23) and is backed by efforts in strengthening the commercial efficiency and the company's ability to pass almost the entire rise in raw material costs onto the clients. Yet, EBITDA returned to positive area at €0.8mn but still suffer from the higher expenses linked to the start-up phase of greenfield investments such as the New York subsidiary and ShopLongino. Finally, NFP increased by €1.4mn to €6.8mn from €5.4mn in FY22, following higher CAPEX that offset the improved operating cashflow generation.

Establishment of Longino Digital Factory S.r.l. Owned 51% by Longino & Cardenal SpA, Longino Digital Factory is set to enhance culinary expertise through digital strategies and channels. The Company will assist Food & Beverage companies in their digital transformation by providing consultancy, training, and support in areas such as marketing strategies, digital communication, market analysis, competitive research, website management, e-commerce, content creation, social media campaigns, and strategies for SEO and SEM.

Change in estimates. Following FY23 financial results slight below our expectations, we have revised our estimates downward for the FY24E-FY26E period. We have also included projections for FY27E. We now anticipate FY24E sales revenues to be €40.7mn, expected to growth at a CAGR23A-27E of 12.1%, reaching €56.5mn by the end of FY27E. At the profitability level, we have slightly adjusted our forecast for the 2024–27 period to account for higher-than-expected Marketing and Commercial costs. We project FY24E EBITDA margin to be 4% and reaching 7.4% by the end of the forecasted period. In absolute terms, we forecast EBITDA to be €1.6mn in FY24E, growing to €4.2mn by FY27E. Lastly, we expect NFP in FY24E to be €6.7mn with a forecasted improvement to €0.4mn cash by the end of FY27E, mainly due to better management of NWC.

Valuation. Our valuation – based on DCF analysis – yields a fair value of €3.62ps (€22.7mn equity value), implying an upside of +51% on the current price.

Relative Performance Chart - YTD



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Market Data:

Main Shareholders	
Carm S.r.l.	78.00%
Mediolanum	2.53%
Fideuram Investimenti SGR SpA	1.53%
8a+ Investimenti SGR SpA	1.40%
Mkt Cap (€ mn)	15.0
EV (€ mn)	21.0
Shares out.	6.3
Free Float	22.0%

Market multiples	2023	2024	2025
EV/Sales			
L&C	0.6x	0.5x	0.5x
Comps median	0.6x	0.5x	0.5x
L&C vs Median	4%	6%	-2%

Stock Data:

52 Wk High (€)	2.90
52 Wk Low (€)	1.56
Avg. Daily Trading 90d	3,331
Price Change 1w (%)	-6.98
Price Change 1m (%)	-8.40
Price Change YTD (%)	-19.46

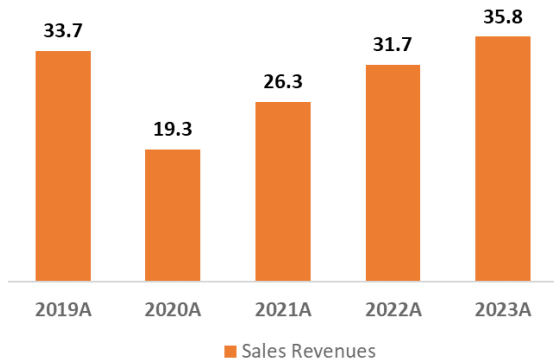
Key Figures – Longino & Cardenal S.p.A.

	Current price (€)	Fair Value (€)	Sector					Free Float (%)
	2.40	3.62	Food & Beverage - Distribution					22%
Per Share Data	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Total shares outstanding (mn)	6.25	6.25	6.25	6.25	6.25	6.25	6.25	
EPS	(0.13)	(0.17)	(0.06)	0.07	0.18	0.27	0.34	
Profit and Loss (EUR million)								
Revenues	26.3	31.7	35.8	40.7	45.5	50.7	56.5	
EBITDA	(0.5)	(0.6)	0.8	1.6	2.7	3.5	4.2	
EBIT	(1.2)	(1.4)	0.1	0.9	2.0	2.7	3.4	
EBT	(1.0)	(1.4)	(0.4)	0.6	1.7	2.5	3.1	
Taxes	0.1	0.2	(0.1)	(0.2)	(0.5)	(0.7)	(0.9)	
Tax rate	14%	13%	-32%	28%	28%	28%	28%	
Net Income*	(0.9)	(1.2)	(0.5)	0.5	1.2	1.8	2.2	
Net Income attributable to the Group	(0.8)	(1.1)	(0.4)	0.4	1.2	1.7	2.1	
Balance Sheet (EUR million)								
Total fixed assets	5.4	5.2	5.5	5.3	5.2	4.9	4.6	
Net Working Capital (NWC)	4.5	5.5	6.2	7.0	6.2	6.1	6.6	
Provisions	(0.8)	(1.0)	(1.1)	(1.3)	(1.6)	(1.8)	(2.1)	
Total Net capital employed	9.0	9.7	10.6	10.9	9.9	9.2	9.1	
Net financial position/(Cash)	3.5	5.4	6.8	6.7	4.4	1.9	(0.4)	
Group Shareholder's Equity	5.9	4.9	4.5	4.9	6.1	7.8	9.9	
Minorities	(0.4)	(0.6)	(0.7)	(0.7)	(0.6)	(0.5)	(0.4)	
Total Shareholder's Equity	5.5	4.3	3.8	4.2	5.5	7.2	9.5	
Cash Flow (EUR million)								
Net operating cash flow	-	0.4	0.5	0.8	1.4	2.2	3.3	
Change in NWC	(0.5)	(1.0)	(0.7)	(0.8)	0.8	0.2	(0.6)	
Capital expenditure	(2.6)	(0.6)	(1.0)	(0.5)	(0.7)	(0.5)	(0.5)	
Other cash items/Uses of funds	0.1	0.2	0.1	0.2	0.2	0.3	0.3	
Free cash flow	(3.3)	(1.8)	(0.8)	0.3	2.5	2.7	2.5	
Enterprise Value (EUR million)								
Market Cap	24.6	18.6	13.9	15.0	15.0	15.0	15.0	
Minorities	(0.4)	(0.6)	(0.7)	(0.7)	(0.6)	(0.5)	(0.4)	
Net financial position/(Cash)	3.5	5.4	6.8	6.7	4.4	1.9	(0.4)	
Enterprise value	27.8	23.4	20.0	21.0	18.8	16.4	14.2	
Ratios (%)								
EBITDA margin	-2.0%	-2.0%	2.2%	4.0%	6.0%	6.9%	7.4%	
EBIT margin	-4.4%	-4.3%	0.3%	2.2%	4.3%	5.4%	5.9%	
Gearing - Debt/equity	59.7%	110.8%	150.7%	134.8%	72.0%	24.7%	-3.7%	
Interest cover on EBIT	8.5%	4.4%	533.6%	28.9%	13.2%	9.5%	7.7%	
NFP/EBITDA	(6.7x)	(8.6x)	8.5x	4.1x	1.6x	0.5x	(0.1x)	
ROCE	-12.7%	-14.1%	0.9%	8.2%	19.8%	29.6%	36.8%	
ROE	-13.6%	-22.2%	-7.9%	8.7%	18.9%	21.5%	21.3%	
EV/Sales	0.8x	0.7x	0.6x	0.5x	0.5x	0.4x	0.4x	
EV/EBITDA	n.m.	n.m.	27.1x	13.4x	8.0x	6.2x	5.2x	
P/E	n.m.	n.m.	n.m.	34.8x	13.0x	9.0x	7.2x	
Free cash flow yield	-16.1%	-8.8%	-3.7%	1.6%	11.9%	12.8%	11.9%	
Growth Rates (%)								
Sales	36.3%	20.6%	12.9%	13.7%	11.9%	11.4%	11.5%	
EBITDA	n.m.	n.m.	n.m.	102.1%	67.1%	29.0%	19.5%	
EBIT	n.m.	n.m.	n.m.	851.0%	118.8%	38.8%	23.5%	
Net Income	n.m.	n.m.	n.m.	n.m.	167.1%	44.7%	26.0%	

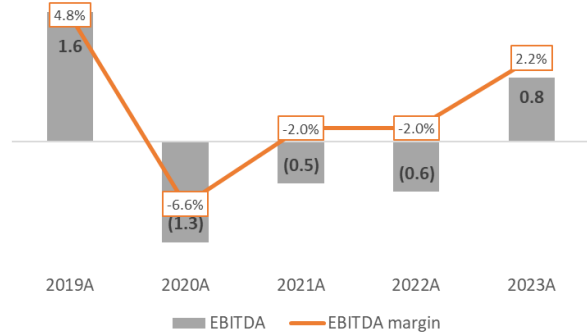
Source: Company Data, KT&Partners' Elaboration

Key charts

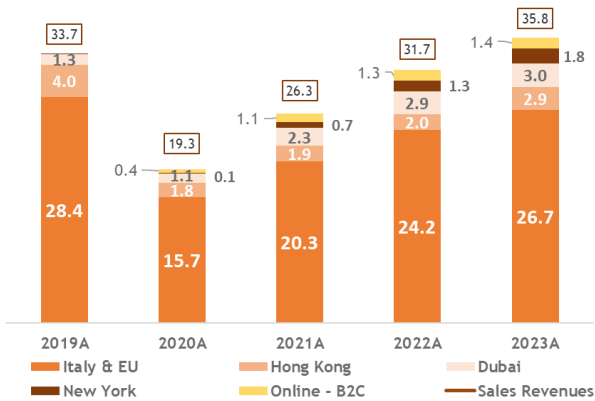
Sales Revenues and EBITDA Margin (€mn)



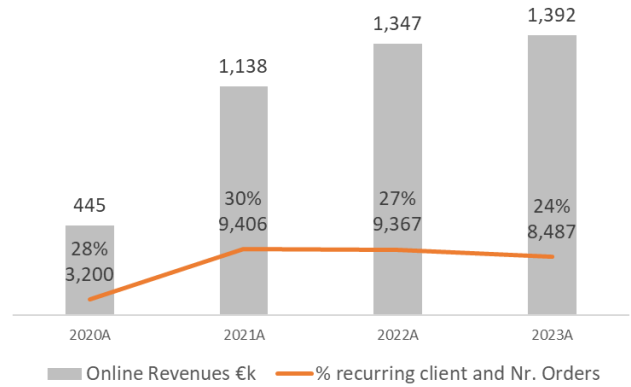
EBITDA and EBITDA Margin (€mn)



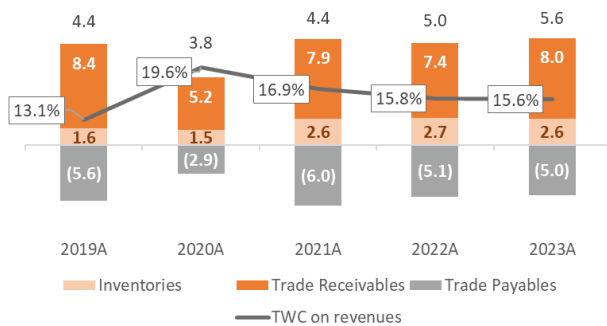
Sales Revenues by Business Unit (€mn)



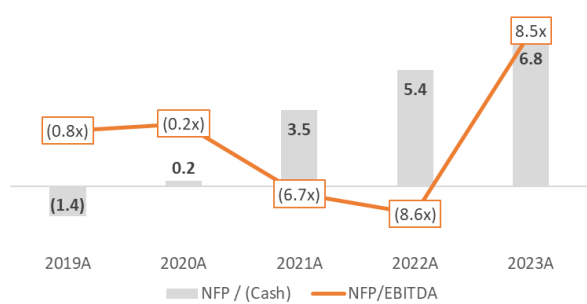
E-commerce B2C Revenue and KPI



Trade Working Capital (€mn)



NFP and Change in Shareholder Equity (€mn)



Overview

Company description

Longino & Cardenal (L&C) is the Italian leader in the distribution of fine-food and beverage products. The company's main market is Italy – serving 80% of the Michelin-starred restaurants and five-star hotels – followed by Hong Kong, Dubai, and New York.

On July 4, 2018, L&C went public on the AIM Italia Market (now Euronext Growth Milan), with the intention of increasing its international presence and strengthening its brand awareness, raising €4.95mn and with a stock price of €3.60.

L&C aims at increasing its market share in strategic cities (high tourism and high wealth concentration, such as business capitals) while simultaneously continuing to improve the brand image and strengthening its positioning as a high-end luxury distributor. The company's strategy is based on four pillars: a) **Expansion in foreign cities**, such as New York, Hong Kong and Dubai; b) **Increase of market share in Italy**, by increasing the number of customers and the average revenue per customer; c) **Online growth**, thanks to the launch of the e-commerce channel in Italy and with the expected launch in the foreign cities; d) **Improvement in logistic efficiency** through an operational capacity increase and process improvements.

Investment case

- **International Food Footprint.** During its 30+ years of experience, L&C gained a solid reputation as a food selector and partner. L&C's products come from 200+ suppliers based in 20+ countries around the world. Spain is the main sourcing country (ca. 40% of products) followed by Italy (20%) and France (17%).
- **Foreign Growth Potential.** The company is pursuing its international growth path thanks to its expansion abroad, opening subsidiaries in Hong Kong (2013), Dubai (2015), and New York (2019). Although the foreign market also suffered from the COVID-19 outbreak, in 2022 the company achieved great growth results (even though Hong Kong suffered due to its political and social environment and more severe sanitary restrictions).
- **Management Team.** COVID-19 was a strong stress test for L&C's business. However, the management was able to react by strengthening the company through an acceleration in the digital transformation through the implementation of a new ERP in 2021 and the launch of the e-commerce B2C channel in 2020.
- **E-commerce Launch.** In March 2020, L&C launched its online B2C activity in Italy, with the aim of directly reaching the fine-foods consumers, and appointed a Digital & Commerce Director in October 2020. During 2022, the online division reached more than 9,300 orders, with ca. 27% of recurring clients, generating more than €1.1mn of revenues. Although partially slowing business growth, the ERP implementation allowed Longino to be able also to launch the e-commerce channel abroad.

Recent developments

- **Established Longino Digital Factory.** On April 2024 has been established Longino Digital Factory Srl, the company will support the digital transformation of the group through evolved marketing campaigns and the implementation of other e-commerce websites.
- **Appointed the new Sales Manager.** On February 20th, 2024, Davide Rodi Foravalle, former Sales Manager at Moët Hennessy Italy, has been appointed in the L&C executive team where he will bring his strong expertise in premium Food & Beverage.
- **New plant opening for Satiro Danzante.** On June 30, 2023, Longino&Cardenal announced that Satiro Danzante (76% owned by L&C) opened a new 1,000mq plant in Mazara del Vallo. Satiro Danzante mainly produces and distributes worldwide the Sicilian red shrimp, one of the main products sold by L&C. The investment in the new plant is in line with the group's strategy of strengthening the revenue coming from its own products, such as red shrimp and caviar, which indeed represents the main products distributed by the group. We note that the company also received the sanitary authorization for the sale of the

product in the United States, where, according to management, the group is the first and only European company having received this authorization, in the Middle East and East Asia.

- **E-commerce strengthening.** In 2022, Longino launched the e-commerce B2B business, and strengthened the e-commerce B2C business, now under the company Shoplongino, both expected to create significant omnichannel revenue and cost synergies and improve brand awareness.
- **Acquired an Area for the New Logistics Site** at the end of November 2021 (5,000sqm) to match the company's growth needs and leading to savings on logistic costs and enhancement of service quality.
- **New ERP Implementation** to strengthen the company structure through an acceleration in company digital transformation exploiting the business slowdown period in 2021. The new ERP will also allow the company to launch its online division abroad.
- **E-commerce Launch** in Italy 2020 with a dedicated B2C e-commerce solution and the appointment of a Digital & Commerce Director.
- **New-York Activity** starting in 2019.

FY23 Financial Results

L&C FY23 results finally eases the uncertainty that characterized the past years and ground the foundation to get back on track to the pre-pandemic growth path. Revenues came in at €35.8mn, slightly below our latest estimates of €36.7mn, and growing by +13% YoY from €31.7mn in FY22, impacted by a positive top line performance from all the business units:

- Italy and EU, that still accounts for the bulk of sales (75% of the revenues), reached €26.7mn revenues growing by 11% YoY compared to €24.4mn in FY22 but by ca.€0.4mn under our estimates of €27.1mn. The result is mainly built by the distribution activities with a 8% YoY growth at €25.3mn (vs. €25.8mn forecasted), but also from the positive performance of the company's own products – i) “Il Satiro Danzante” reached €1.3mn revenues with a strong growth of +64% YoY and slightly above our estimates, backed by the new production plant opened in 2H23 and benefitting from being the first Italian company to obtain the authorization to export red shrimps from Sicily to the US, and ii) “Umami” almost doubling its sales at €0.1mn but yet below our estimates being still in start-up phase;
- Among the other regions, revenues grew in some case at double digits pace and overall in line with our expectations with i) Hong Kong growing by 42% YoY at €2.9mn (vs €2.8mn forecasted) following the first full year without COVID restrictions, ii) Dubai reporting steady revenues at €3mn (+4% YoY compared to €2.9mn in FY22), and iii) New York being in its second year of activity and posting revenues at €1.8mn from €1.3mn in FY22 (+42% YoY);
- Steady performance from the B2C segment via the e-commerce “ShopLongino” with revenues reaching €1.4mn (€1.3mn in FY22) and slightly overcoming our estimates of €1.3mn.

Following the revenues growth, L&C registered a €8.3mn gross profit (+21% YoY) and a 23.3% gross margin. The improvement in the gross margin, compared to 21.8% in FY22, was already forecasted in our estimates (23.6% in FY23) and is backed by efforts in strengthening the commercial efficiency and the company's ability to pass almost the entire rise in raw material costs onto the clients. On profitability level, after three years with negative EBITDA the company returned to positive area with €0.8mn and a 2.2% margin - aligned to our estimates of EBITDA at €0.9mn and 2.4% margin – thanks to a reduction in marketing expenses by -5% (€3.2mn from €3.4mn in FY22), a reduction of the incidence on sales of inventory and logistics costs (4% of sales from 5% in FY22), that offset the increase in general and administrative costs to €2.8mn from €2.6mn in FY22. Going deeper on profitability breakdown by companies of the groups, margin still suffer from the higher expenses linked to the start-up phase of greenfield investments such as the New York subsidiary and ShopLongino which still have EBITDA in negative territory and burdens the general profitability of the group, the parent company stand-alone reached a €1.0mn EBITDA equal to a 3.7% margin.

Following higher interest expenses at €0.5mn (€0.1mn in FY22) linked to the debt increase, Net Loss came in at €0.5mn, improving from the FY22 €1.2mn loss but still higher than our forecasts of -€0.1mn.

Finally, NFP increased by €1.4mn to €6.8mn from €5.4mn in FY22 (and from our estimates at €5.5mn), following the higher capex linked to both the new ERP and the new plant in Mazara Del Vallo for Il Satiro Danzante that totally offset the improved operative cashflow generation.

Income Statement						
€ million	FY21A	FY22A	FY23A	YoY %	FY23E	A vs E %
Italy & EU	20.3	24.2	26.7	10.5%	27.1	-1.7%
Hong Kong	1.9	2.0	2.9	41.5%	2.8	2.1%
Dubai	2.3	2.9	3.0	3.8%	3.5	-14.2%
New York	0.7	1.3	1.8	42.4%	1.9	-4.7%
Online - B2C	1.1	1.3	1.4	3.3%	1.3	3.5%
Sales Revenues	26.3	31.7	35.8	12.9%	36.7	-2.5%
Growth %	36.3%	20.6%	12.9%			
Cost of Goods Sold	(20.6)	(24.8)	(27.4)		(28.1)	
Gross Profit	5.7	6.9	8.3	20.7%	8.7	-3.7%
Gross Margin	21.7%	21.8%	23.3%		23.6%	-0.3%
Marketing and Commercial Cost	(2.5)	(3.4)	(3.2)		(3.1)	
Inventory and Logistics Costs	(1.3)	(1.6)	(1.6)		(1.5)	
G&A Costs	(2.4)	(2.6)	(2.8)		(3.1)	
EBITDA	(0.5)	(0.6)	0.8	n.m.	0.9	-9.0%
EBITDA margin	-2.0%	-2.0%	2.2%		2.4%	-0.2%
Growth %	n.m.	n.m.	n.m.			
D&A and Provisions	(0.6)	(0.7)	(0.7)		(0.7)	
EBIT	(1.2)	(1.4)	0.1	n.m.	0.1	-36.8%
EBIT margin	-4.4%	-4.3%	0.3%		0.4%	
Growth %	n.m.	n.m.	n.m.			
Financial Income and Expenses	0.1	0.1	(0.5)		(0.3)	
Extraordinary items	0.0	(0.1)	0.0		(0.0)	
EBT	(1.0)	(1.4)	(0.4)	n.m.	(0.1)	
Taxes	0.1	0.2	(0.1)		0.0	
Tax Rate	13.7%	12.7%	-32.1%		28.0%	
Net Income	(0.9)	(1.2)	(0.5)	n.m.	(0.1)	n.m.
Net margin	-3.4%	-3.9%	-1.5%	n.m.	-0.2%	n.m.

Source: KT&Partners' Elaboration

Balance Sheet				
€ million	FY21A	FY22A	FY23A	FY23E
Fixed Assets	5.4	5.2	5.5	5.4
Trade receivables	7.9	7.4	8.0	8.6
Inventory	2.6	2.7	2.6	3.0
Trade Payables	(6.0)	(5.1)	(5.0)	(6.5)
Trade Working Capital	4.4	5.0	5.6	5.1
Other assets and liabilities	0.0	0.5	0.6	0.4
Net Working Capital	4.5	5.5	6.2	5.5
Other Provisions	(0.8)	(1.0)	(1.1)	(1.2)
Net Capital Employed	9.0	9.7	10.6	9.7
Total shareholders' equity	5.5	4.3	3.8	4.2
Short-term debt / Cash (-)	(0.6)	1.8	2.5	1.9
Long-term liabilities	4.1	3.6	4.3	3.6
Net Financial Position	3.5	5.4	6.8	5.5
Sources	9.0	9.7	10.6	9.7

Source: KT&Partners' Elaboration

Change in Estimates

Following FY23 financial results slightly below our expectations, we have revised our estimates downward for the FY24E-FY26E period. We have also included projections for FY27E. We now anticipate FY24E sales revenues to be €40.7mn, slightly below the previous estimate of €42.2mn. This adjustment primarily reflects the overall lower-than-expected performance of Longino&Cardenal compared to our FY23 expectations. However, over the forecasted period, we anticipate the Group to grow at a CAGR23A-27E of 12.1%, reaching €56.5mn by the end of FY27E.

This growth is expected to be driven by all business units and will be supported by: i) expansion of the product portfolio; ii) introduction of new suppliers; and iii) strengthening of the Commercial structure through the integration of the new Commercial Director, who brings significant experience in the high-end food and beverage sector, supporting the group's development path.

At the profitability level, we have slightly adjusted our forecast for the 2024–27 period to account for higher-than-expected Marketing and Commercial costs, although we still anticipate improvement in the coming years. Specifically, we project FY24E EBITDA margin to be 4%, compared to the previous estimate of 4.9%, and reaching 7.4% by the end of the forecasted period. This improvement is also expected due to cost optimization initiatives planned for New York and Shoplongino. In absolute terms, we forecast EBITDA to be €1.6mn in FY24E, growing to €4.2mn by FY27E.

Lastly, we have slightly revised our previous estimates on Net Financial Position (NFP), considering higher NWC absorption and the negative impact of profitability reduction. Accordingly, we expect NFP in FY24E to be €6.7mn, compared to the previous estimate of €4.6mn, with a forecasted improvement to €0.4mn cash by the end of FY27E, mainly due to better management of NWC.

Change in Estimates

€ mn	2023E Old	2023A Actual	Change	2024E Old	2024E New	Change	2025E Old	2025E New	Change	2026E Old	2026E New	Change	2027E New	CAGR 23-27 New
Revenues	36.7	35.8	-3%	42.2	40.7	-4%	48.3	45.5	-6%	54.0	50.7	-6%	56.5	12.1%
YoY Change (%)	16%	-3%		15%	14%		14%	12%		n.m.	11%		12%	
EBITDA	0.9	0.8	-9%	2.1	1.6	-22%	3.4	2.7	-21%	4.1	3.5	-15%	4.2	51.1%
YoY Change (%)	n.m.	n.m.		n.m.	n.m.		65%	67%		20%	29%		20%	
EBITDA Margin	2.4%	2.2%		4.9%	4.0%		7.1%	6.0%		7.6%	6.9%		7.4%	
EBIT	0.1	0.1	-37%	1.3	0.9	-31%	2.6	2.0	-25%	3.3	2.7	-17%	3.4	n.m.
YoY Change (%)	n.m.	n.m.		n.m.	n.m.		101%	119%		25%	39%		24%	
EBIT Margin	0.4%	0.3%		3.1%	2.2%		5.4%	4.3%		6.0%	5.4%		5.9%	
Net Income	-	0.1	-	0.5	0.1	-39%	1.7	1.2	-28%	2.2	1.8	-19%	2.2	n.m.
YoY Change (%)	n.m.	n.m.		n.m.	n.m.		128%	167%		28%	45%		26%	
Net Margin	-0.2%	-1.5%		1.8%	1.1%		3.5%	2.7%		4.0%	3.5%		3.9%	
NFP/(Cash)	5.5	6.8	1.3	4.6	6.7	2.0	2.0	4.4	2.4	(0.6)	1.9	2.5	(0.4)	

Source: KT&Partners' Elaboration

Valuation

Following the projections of L&C's future financials, we carried out the valuations of the company by applying the DCF valuation method, which considers L&C's traditional and online business.

We do not rely on the market multiples model since we believe it does not capture L&C's value. Indeed, in the next few years we expect that the company will not fully express its profitability potential, mainly because of the recovery of the business after the COVID-19 breakout, the launch of its e-commerce channel, and the investments related to the new logistics site.

According to our valuation method, our estimated fair value is equal to €22.7mn or €3.62ps.

DCF Valuation

We conducted our valuation using a five-year DCF model, based on 13.2% cost of equity and a target capital structure of 63% equity and 37% debt. The cost of equity is a function of the risk-free rate of 3.79% (historical average of Italian 10y BTP, last 3M average), 4.33% equity risk premium (Damodaran for the mature market) and a premium for size and liquidity of 5.23%. We, therefore, obtained 10.9% WACC.

We discounted 2024E–27E annual cash flows and considered a terminal growth rate of 2%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation				
€ million	2024E	2025E	2026E	2027E
EBIT	0.9	2.0	2.7	3.4
Taxes	(0.3)	(0.5)	(0.8)	(0.9)
D&A	0.7	0.8	0.8	0.8
Change in Net Working Capital	(0.8)	0.8	0.2	(0.6)
Change in Funds	0.2	0.2	0.3	0.3
Net Operating Cash Flow	0.8	3.2	3.2	3.0
Capex	(0.5)	(0.7)	(0.5)	(0.5)
FCFO	0.3	2.5	2.7	2.5
g	2.0%			
Wacc	9.8%			
FCFO (discounted)	0.3	2.1	2.1	1.8
Discounted Cumulated FCFO	6.3			
TV	32.5			
TV (discounted)	23.2			
Enterprise Value	29.5			
NFP FY23A	6.8			
Equity Value	22.7			
Current number of shares (mn)	6.3			
Value per share (€)	3.62			

Source: Company Data, KT&Partners' Elaboration

Sensitivity Analysis – Growth rate and WACC (€mn)

€ mn	WACC					
	10.3%	10.0%	9.8%	9.5%	9.3%	
Terminal growth Rate	1.5%	19.5	20.3	21.1	22.0	23.0
	1.8%	20.1	21.0	21.9	22.8	23.8
	2.0%	20.8	21.7	22.7	23.7	24.7
	2.3%	21.5	22.5	23.5	24.6	25.7
	2.5%	22.3	23.3	24.4	25.5	26.7

Source: KT&Partners' Elaboration

Appendix

Peer Comparison

We carried out an in-depth analysis of potential public companies that could be considered as peers of L&C, taking into account its core business, growth profile, profitability structure, and geographical distribution. Therefore, our panel consists of nine companies:

- **MARR SpA (MARR-IT)** listed on the Borsa Italiana stock exchange with a market capitalization of ca. €0.8bn. MARR-IT engages in distribution of food products to the non-domestic catering sector. MARR-IT distributes its products – groceries, seafood, meat, fruit and vegetables, and equipment – to the HO.RE.CA. businesses and to canteens. The company was founded in 1972 and is headquartered in Italy. In FY23, the company achieved revenues of €2.0bn.
- **METRO AG (B4B-DE)** listed on the Xetra stock exchange (Germany) with a market capitalization of ca. €1.8bn. METRO engages in wholesale and food-service distribution. The firm serves the HO.RE.CA. sector as well as independent traders. It operates through the geographical segments of Germany, Western EU, Russia, Eastern EU, Asia and Other. METRO was founded in 1997 and is headquartered in Germany. In FY23, the company achieved revenues of €30.6bn.
- **Bid Corporation Limited (BID-ZA)** listed on the Johannesburg stock exchange (South Africa) with a market capitalization of ca. €7.4bn. BID-ZA engages in the food-service business. It operates through the following geographical segments: Australasia, UK, EU, Emerging Markets, and also the Corporate sector. The company was founded by Brian Joffe in 1998 and is headquartered in South Africa. In FY23, the company achieved revenues of €10.6bn.
- **Performance Food Group Company (PFGC)** listed on the New York stock exchange with a market capitalization of ca. €10.1bn. PFGC engages in the marketing and distribution of food products. It operates through: a) the food service segment, delivering food and food-related products to restaurants and other food-away-from-home locations, and b) the Vistar segment offering candy, snacks and beverages to customers. The company was founded in 1885 and is headquartered in the USA. In FY23, the company achieved revenues of €54.8bn.
- **US Foods Holding Corp. (USFD)** listed on the New York stock exchange with a market capitalization of ca. €12.4bn. USFD operates as a food-service distributor offering frozen and dry food and non-food products in the USA. USFD is headquartered in the USA. In FY23, the company achieved revenues of €32.9bn.
- **Sysco Corporation (SYY)** listed on the New York stock exchange with a market capitalization of ca. €34.9bn. SYY engages in the selling, marketing, and distribution of food products to restaurants, healthcare, and educational facilities, and lodging establishments. The company was founded in 1969 and is headquartered in the USA. In FY23, SYY achieved revenues of €73bn.
- **United Natural Foods Inc. (UNFI)** listed on the New York stock exchange with a market capitalization of ca. €0.7bn. UNFI engages in the distribution of natural organic and specialty foods and non-food products, operating through wholesale and retail segments. The company was founded in 1976 and is headquartered in the USA. In FY23, UNFI achieved revenues of €28.8bn.
- **Premium Brands Holdings Corp. (PBH-CA)** listed on the Toronto stock exchange with a market capitalization of ca. €2.8bn. PBH-CA manufactures and distributes a variety of specialty food products. The company was founded in 1917 and is headquartered in Canada. In FY23, PBH-CA achieved revenues of €4.3bn.

- **Metcash Limited (MTS-AU)** listed on the ASX stock exchange (Australia) with a market capitalization of ca. €2.6bn. MTS-AU engages in the distribution and marketing of consumer goods such as food, liquor, and hardware. The Food segment includes the distribution of a range of products and services to independent retail outlets and hotels. The company was founded in 1927 and is headquartered in Australia. In FY23, MTS achieved revenues of €10.3bn.
- **High Quality Food SpA** listed on the Euronext Growth Milan with a market capitalization of €9mn. HQF-IT engages in the production and marketing of premium quality food products mainly for Horeca. The company has its headquarter in Rome and in FY23 reached €20mn in sales revenues
- **Ocado Group PLC** listed on London Stock Exchange with a market capitalization of €3.6bn. OCDO-GB engages in the operation of online grocery supermarket. It operates through the following segments: Retail, UK Solutions & Logistics, and International Solutions. In FY23 the achieved €3.2bn revenues.

Peer Comparison – Market Multiples

Company Name	Exchange	Market Cap	EV/SALES	EV/SALES	EV/SALES	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	P/E	P/E	P/E
			2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
MARR SpA	Milan	801	0.5x	0.5x	0.5x	10.3x	7.7x	6.9x	13.0x	10.9x	9.8x	16.9x	15.7x	13.1x
METRO AG	XETRA	1,835	0.1x	0.1x	0.1x	11.0x	3.9x	3.6x	n.m	16.8x	13.3x	4.3x	31.2x	15.3x
Bid Corporation Limited	JSE	7,417	0.7x	0.7x	0.6x	11.1x	10.5x	9.6x	14.0x	13.0x	11.9x	19.2x	18.1x	16.3x
Performance Food Group Co	NYSE	10,119	0.3x	0.3x	0.3x	12.1x	10.4x	9.4x	19.9x	13.6x	12.1x	26.5x	16.1x	13.5x
US Foods Holding Corp.	NYSE	12,385	0.5x	0.5x	0.4x	11.7x	10.1x	9.3x	15.9x	13.1x	11.8x	26.0x	16.5x	14.1x
Sysco Corporation	NYSE	34,912	0.6x	0.6x	0.6x	12.1x	11.8x	11.0x	15.6x	14.4x	13.4x	21.7x	17.8x	16.2x
United Natural Foods, Inc.	NYSE	569	0.1x	0.1x	0.1x	9.0x	8.4x	7.5x	27.7x	31.7x	23.2x	22.2x	n.m	14.5x
Premium Brands Holdings Corp	Toronto TSE	2,790	1.1x	1.0x	0.9x	13.3x	10.6x	9.4x	19.6x	14.4x	13.2x	42.4x	17.7x	13.9x
Metcash Limited	ASX	2,552	n.a.	0.3x	0.3x	n.a.	7.4x	7.0x	n.a.	10.3x	9.8x	n.a.	13.4x	12.9x
High Quality Food SpA	Milan	9	0.7x	n.a.	n.a.	8.0x	3.8x	2.7x	12.3x	0.0x	0.0x	12.5x	7.8x	5.0x
Ocado Group PLC	London	3,570	1.4x	1.3x	1.2x	n.m	28.0x	16.9x	n.m	n.m	n.m	n.m	n.m	n.m
Average peer group		6,996	0.6x	0.5x	0.5x	11.0x	10.2x	8.5x	17.3x	13.8x	11.8x	21.3x	17.1x	13.5x
Median peer group		2,790	0.6x	0.5x	0.5x	11.1x	10.1x	9.3x	15.7x	13.4x	12.0x	21.7x	16.5x	14.0x

Source: FactSet, KT&Partners' Elaboration

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- HOLD – FOR A FAIR VALUE <15% or >-15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE

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