

Structured to deal with the expected full regime in FY22

ADD | Fair Value: €4.48 (€4.27) | Current Price: €3.86 | Upside: 16%

€ Million	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Total Revenues	32.0	33.7	19.3	25.7	38.0	42.8	47.0
EBITDA	2.0	1.6	(1.3)	(0.5)	2.0	2.7	3.6
margin	6.3%	4.8%	-6.6%	-2.1%	5.2%	6.2%	7.6%
Net Profit	1.2	0.9	(1.8)	(0.9)	0.9	1.3	1.9
margin	3.7%	2.8%	-9.1%	-3.3%	2.3%	3.0%	4.0%
EPS (€)	0.19	0.17	-0.23	-0.14	0.14	0.20	0.29

Source: Company data, KT&Partners' elaboration

Exploiting the restrictions period to strengthen the company structure. 1H21 saw – in Italy and in most countries globally – five months of severe restrictions (January–May). Longino (L&C) took advantage of the business slowdown to: i) further develop the online business by hiring a Digital & E-commerce Director; and ii) implement measures to increase company efficiency, such as the introduction of the new ERP, also strengthening digitalization. The introduction of the new ERP for the Hong Kong subsidiary – during September – and the for the other companies of the group – expected at the end of 2021 – will allow for both more efficiencies throughout the group and the launching of online business abroad. L&C has been awarded by Deloitte Private as one of the 74 best-managed Italian companies, also thanks to its ability to react to the pandemic crisis.

1H21 financial results. Revenues reached €9.2mn, +26% YoY (-19% with respect to our estimates) despite a longer period of severe restrictions (five months in 2021 vs three months in 2020). Dubai contributed €1.0mn (+160% YoY and +40% on our expectations), and New York started its activities (€0.2mn revenues), while Hong Kong still suffered from severe lockdowns. Online revenues reached more than €0.5mn, even if slowed down by the implementation of the new ERP, which pushed the management to decelerate marketing investments to guarantee a high customer service level. The higher revenues coupled with cost efficiencies implemented by the company allowed improvements of ca. €0.5mn in both EBITDA – at -€0.85mn – and net income – at -€0.9mn. 1H21 NFP reached €1.3mn, also due to higher-than-expected investments associated with the new ERP.

Estimates review. We revised downwards FY21 revenues by ca. €4mn, factoring in: i) the higher-than-expected revenues from Dubai and New York; ii) the lower-than-expected revenues from EU, Hong Kong and E-commerce; and iii) an expected 2H22 quite in line with pre-COVID levels, following the July and August 2021 results and the positive trend of vaccination campaigns. Because of the reduction in revenues, we expect FY21 EBITDA and net income to be €-0.5mn and -€0.9mn, respectively (ca. €1mn lower than before). Although we still expect a full regime starting from next year, we slightly lowered our 2022–24 estimates on the back of FY21 expectations. The Revenue and EBITDA forecasts result in a reduction of expected FCF by €0.5mn in FY21E and €0.2mn in FY22E and FY23E.

Fair value. Our valuation returns an average equity value of €28mn or €4.48ps vs €4.27ps of our previous valuation following a reduction in multiple valuation and a reduction in WACC for DCF. Our fair value includes the high-potential online business, which contributes €0.98ps to the market multiple. L&C's fair value shows a potential upside of 16% on the current market price of €3.86ps.

Research Update

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Market Data:

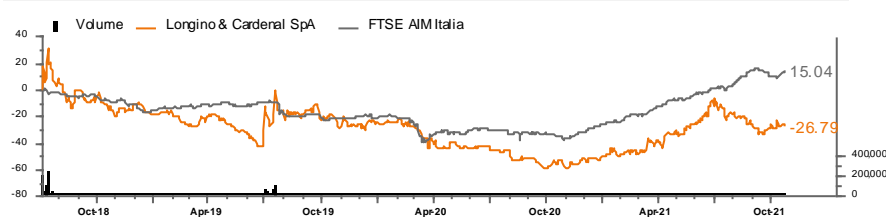
Market Data:	
Main Shareholders	
Carm S.r.l.	78.00%
8a+ Investimenti SGR SpA	1.90%
Arca Fondi	0.99%
Mkt Cap (€ mn)	24.1
EV (€ mn)	24.4
Shares out.	6.3
Free Float	22.0%

Market multiples	2020	2021	2022
EV/EBITDA			
L&C	n.m.	n.m.	12.2x
Comps median	17.2x	15.9x	10.6x
L&C vs Median	n.a.	n.a.	15%
P/E			
L&C	n.m.	n.m.	27.4x
Comps median	13.8x	30.1x	21.4x
L&C vs Median	n.a.	n.a.	28%

Stock Data:

52 Wk High (€)	4.98
52 Wk Low (€)	2.02
Avg. Daily Trading 90d	1,851
Price Change 1w (%)	0.00
Price Change 1m (%)	2.66
Price Change YTD (%)	42.96

Relative Performance Chart – Since IPO



Source: FactSet

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

	Current price (€)	Fair Value (€)	Sector					Free Float (%)
	3.86	4.48	Food & Beverage - Distribution					22%
Per Share Data	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Total shares outstanding (mn)	n.m.	6.25	6.25	6.25	6.25	6.25	6.25	6.25
EPS	n.m.	0.19	0.17	(0.23)	(0.14)	0.14	0.20	0.29
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)								
Revenues	28.5	32.0	33.7	19.3	25.7	38.0	42.8	47.0
EBITDA	1.5	2.0	1.6	1.3	0.5	2.0	2.7	3.6
EBIT	1.4	1.8	1.3	1.7	1.0	1.5	2.1	2.9
EBT	0.9	1.7	1.3	2.1	1.2	1.2	1.9	2.7
Taxes	(0.4)	(0.5)	(0.4)	0.3	0.4	(0.4)	(0.6)	(0.8)
Tax rate	41%	28%	28%	15%	29%	30%	30%	30%
Net Income*	0.7	1.2	0.9	1.7	0.9	0.9	1.3	1.9
Net Income attributable to the Group	0.6	1.2	1.0	1.5	0.9	0.9	1.3	1.8
Balance Sheet (EUR million)								
Total fixed assets	1.4	2.2	2.6	3.4	3.6	3.6	3.6	3.6
Net Working Capital (NWC)	2.6	3.5	3.8	4.0	3.7	5.0	5.0	4.9
Provisions	(0.5)	(0.6)	(0.6)	(0.7)	(0.9)	(1.1)	(1.3)	(1.5)
Total Net capital employed	3.6	5.0	5.8	6.7	6.3	7.5	7.3	7.0
Net financial position/(Cash)	3.1	(1.2)	(1.4)	0.2	0.7	1.0	(0.5)	(2.7)
Group Shareholder's Equity	0.5	6.2	7.3	6.8	5.9	6.8	8.0	9.8
Minorities	0.0	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)	(0.2)	(0.1)
Total Shareholder's Equity	0.5	6.2	7.2	6.5	5.6	6.5	7.8	9.7
Cash Flow (EUR million)								
Net operating cash flow	-	1.5	1.3	1.0	0.2	1.6	2.0	2.7
Change in NWC	-	(0.8)	(0.4)	(0.2)	0.3	(1.3)	0.0	0.0
Capital expenditure	-	(0.5)	(0.0)	(0.4)	(0.6)	(0.6)	(0.6)	(0.6)
Other cash items/Uses of funds	-	0.1	0.0	0.1	0.2	0.2	0.2	0.2
Free cash flow	-	0.2	0.9	(1.5)	(0.3)	(0.2)	1.6	2.3
Enterprise Value (EUR million)								
Market Cap	n.a.	27.2	24.7	16.9	24.1	24.1	24.1	24.1
Minorities	0.0	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)	(0.2)	(0.1)
Net financial position/(Cash)	3.1	(1.2)	(1.4)	0.2	0.7	1.0	(0.5)	(2.7)
Enterprise value	n.m.	26.0	23.2	16.8	24.6	24.9	23.4	21.3
Ratios (%)								
EBITDA margin	5.3%	6.3%	4.8%	-6.6%	-2.1%	5.2%	6.2%	7.6%
EBIT margin	4.8%	5.6%	3.7%	-8.9%	-4.0%	3.8%	4.8%	6.2%
Gearing - Debt/equity	593.5%	-19.1%	-18.9%	3.6%	12.3%	15.5%	-5.7%	-27.1%
Interest cover on EBIT	20.1%	4.7%	4.5%	-13.9%	-20.0%	14.0%	9.8%	7.0%
NFP/EBITDA	2.0x	(0.6x)	(0.8x)	(0.2x)	(1.4x)	0.5x	(0.2x)	(0.7x)
ROCE	38.2%	35.5%	21.6%	-25.5%	-16.0%	19.3%	28.2%	41.4%
ROE	115.4%	19.5%	14.4%	-21.6%	-15.0%	13.0%	15.7%	18.2%
EV/Sales	0.9x	0.8x	0.7x	1.3x	0.9x	0.6x	0.6x	0.5x
EV/EBITDA	16.0x	12.1x	14.9x	n.m.	n.m.	12.2x	9.1x	6.8x
P/E	40.6x	19.8x	23.0x	n.m.	n.m.	27.4x	19.2x	13.5x
Free cash flow yield	n.m.	0.8%	3.6%	-8.6%	-1.4%	-0.7%	6.8%	9.6%
Growth Rates (%)								
Sales	n.a.	n.m.	5.2%	-42.8%	33.2%	48.0%	12.4%	9.9%
EBITDA	n.a.	n.m.	-18.8%	n.m.	n.m.	-471.3%	33.7%	33.8%
EBIT	n.a.	n.m.	-29.9%	n.m.	n.m.	-242.9%	42.2%	40.7%
Net Income	n.a.	n.m.	-22.2%	n.m.	n.m.	-201.9%	47.4%	46.4%

Source: Company data, KT&Partners' elaboration

Company Overview

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.

1H21 Summary Results

In the first half of 2021, the company revenues grew by 26% YoY reaching €9.2mn (-19% with respect to our estimates), although the beginning of the year was still heavily impacted worldwide by sanitary restrictions. Indeed, when comparing 1H20 and 1H21 results we should note that in 2020 restrictions – in Italy and in most countries globally – went from March to May, with the first two months of the year being fully operative. Instead, 2021 saw severe restrictions until May and a full reopening only in June, even though foreign tourism's contribution to the Ho.Re.Ca. sector was still low. Considering these factors, the growth achieved by the company gains even more significance.

Company growth has also been driven by e-commerce business, which reached more than €0.5mn selling 30,000+ products to 4,000+ clients. Online revenues came in at ca. €0.2mn lower than our estimates, mainly due to a slowdown associated with the implementation of the new company ERP. Indeed, to avoid potential inefficiencies in customer service, the management decided to decelerate marketing investment while integrating the new ERP.

Looking abroad: i) Dubai revenues more than doubled YoY reaching ca. €1.0mn (+36% vs our estimates); ii) New York, following the easing of restrictions at the end of the first half, started its activities and reached more than €0.2mn of revenues (+80% vs our estimates); and iii) Hong Kong still suffered from severe restrictions and closed 1H21 at €0.8mn, in line with 2020 (below our estimates by ca. 40%).

Looking at profitability, gross margin came in at 20.8%, recovering more than 3pp YoY and 80bp above our expectations. The increase in gross profit, coupled with higher cost efficiencies in Marketing & Commercial, Inventory & Logistics, and G & A costs – also thanks to management initiatives such as strengthening of digitalization – drove a recovery of more than 8pp in EBITDA margin. Therefore, EBITDA, despite the investments associated with online business (the hiring of a Digital & E-commerce Director and additional commercial costs), improved by ca. €0.5mn, closing at -€0.85mn vs -€1.3mn of 1H20).

We note that EBITDA adjusted for the extraordinary credit provisions (€0.2mn in 1H20 and €0.1mn in 1H21) improved by ca. €0.3mn in 1H21 and closed at -€0.76mn, in line with our EBITDA expectation.

On the bottom line, L&C registered in 1H21 a net loss of €0.9mn, improving from the net loss of €1.4mn in 1H21.

Looking at the company balance sheet, 1H21 NFP closed at €1.3mn, ca. €1mn higher than FY20 NFP. The increase in NFP is the result of: i) an operating cash flow (pre-capex) of -€0.6mn, improved by €2.0mn with respect 1H20; and ii) investments of ca. €0.4mn (€0.1mn in 1H20) mainly associated with the introduction of the new company ERP and the company's digitalization. We note that despite the net debt position, the company can rely on more than €5mn of liquidity, also thanks to the loans of ca. €4mn obtained in 2020 – covered by "Decreto Liquidità".

1H21 Income Statement

€ mn	1H18	1H19	1H20	FY20	1H21	YoY %	1H21E	A vs E %
Total Revenues	14.8	15.7	7.3	19.3	9.2	26%	11.4	-19%
Products and Raw materials	(11.6)	(12.0)	(6.0)	(15.6)	(7.3)		(9.1)	
Gross Profit	3.3	3.7	1.3	3.7	1.9	49%	2.3	-16%
<i>Gross Margin</i>	22.0%	23.5%	17.5%	19.4%	20.8%	3%	20.0%	
Marketing and Commercial Cost	(1.2)	(1.3)	(1.0)	(1.9)	(1.1)		(1.3)	
Inventory and Logistics Costs	(0.6)	(0.8)	(0.5)	(1.1)	(0.6)		(0.7)	
General and Administrative Costs	(0.9)	(1.0)	(1.0)	(2.0)	(1.1)		(1.0)	
Other costs				-				
EBITDA	0.6	0.6	(1.3)	(1.3)	(0.8)	34%	(0.7)	-18%
<i>EBITDA margin</i>	4.1%	4.0%	-17.5%	-6.6%	-9.2%	8%	-6.3%	
D&A and Provisions	(0.1)	(0.2)	(0.2)	(0.4)	(0.3)		(0.2)	
EBIT	0.5	0.5	(1.5)	(1.7)	(1.1)	24%	(0.9)	-22%
<i>EBIT margin</i>	3.4%	3.0%	-20.5%	-8.9%	-12.4%	8%	-8.2%	
Financial Income and Expenses	(0.1)	(0.0)	(0.0)	(0.2)	(0.0)		(0.1)	
Extraordinary items	(0.0)	(0.0)	(0.1)	(0.1)	0.0			
EBT	0.4	0.4	(1.7)	(2.1)	(1.1)	33%	(1.0)	-12%
Taxes	(0.1)	(0.1)	0.3	0.3	0.2		0.3	
<i>Tax Rate</i>	33.4%	21.2%	17.2%	15.2%	18.0%		29.4%	
Net Income	0.3	0.3	(1.4)	(1.8)	(0.9)	34%	(0.7)	-30%
<i>Net margin</i>	2.0%	2.0%	-19.1%	-9.1%	-10.0%	9%	-6.2%	
Minorities				(0.3)				-100%
Net Income attributable to the Group	0.3	0.3	(1.4)	(1.5)	(0.9)	-34%	(0.7)	742%
<i>Net margin</i>	2.0%	2.0%	-19.1%	-7.6%	-10.0%	9%	-6.2%	

Source: Company data

Change in Estimates

On the back of 1H21 results we revised downwards our estimates.

We lowered our FY21E revenue estimates by ca. €4mn, factoring in for 1H21:

- the lower-than-expected revenues from Italy & the EU (-€1.9mn), from Hong Kong (-€0.6mn) and from the online business (-€0.2mn);
- the higher-than-expected revenues from Dubai (+€0.3mn) – whose revenues will also be supported by the EXPO hosted by the city starting from the last quarter of the year – and from New York (+€0.1mn).

Despite the lower-than-expected 1H21 results, still affected by the impact of COVID-19, we expect that – following the results of vaccination campaigns that allowed the easing of restrictions and the comeback of events and fairs – 2H22 revenues could be in line with pre-COVID levels. Indeed, according to the company, in July and August the business came back at 2019 levels (except for Hong Kong). Furthermore, we note that thanks to the implementation of the new ERP throughout the group (in September in Hong Kong and expected within the year for the other companies) Longino will be able to launch abroad the online business.

2021 EBITDA and net income are now expected to be €-0.5mn and €-0.9mn respectively, factoring in the lower amount of revenues. 2021 NFP has been adjusted downward by ca. €0.5mn considering the lower level of EBITDA and the higher-than-expected investments in 1H21 (€0.7mn vs €0.2mn).

Although we still expect a full regime starting from 2022, we slightly revised downwards FY22 and FY23 forecasts - both revenues and profitability - to factor in FY21 lower expectations.

The key points of our estimates are as follows:

- FY21 revenues at €25.7mn reaching €42.8 in 2023 (CAGR 2020–23 of 49%);
- FY21 EBITDA at €-0.5mn reaching €2.7mn in 2023;
- FY21 net income at €-0.9mn and reaching €1.3mn in 2023;
- FY21 net financial position at €0.7mn and at €-0.5mn in 2023.

Change in Estimates

€ mn	2019	2020	YoY	2021E	2021E	Change	2022E	2022E	Change	2023E	2023E	Change
	Actual	Actual		Old	New		Old	New		Old	New	
Revenues	33.7	19.3	-42.8%	30.1	25.7	-14.5%	40.5	38.0	-6.0%	45.6	42.8	-6.2%
YoY Change (%)	5%	-43%		-6%	-20%		57%	48%		20%	12%	
EBITDA	1.6	(1.3)	n.m.	0.5	(0.5)	n.m.	2.2	2.0	-10.6%	2.9	2.7	-8.4%
YoY Change (%)	-18.8%	n.m.		-74.0%	-126.7%		-515.3%	-471.3%		46.0%	33.7%	
EBITDA Margin	4.8%	-6.6%		1.7%	-2.1%		5.5%	5.2%		6.4%	6.2%	
EBIT	1.3	(1.7)	n.m.	0.1	(1.0)	n.m.	1.7	1.5	-15.0%	2.3	2.1	-11.3%
YoY Change (%)	-29.9%	n.m.		-97.1%	-156.7%		-268.1%	-242.9%		60.3%	42.2%	
EBIT Margin	3.7%	-8.9%		0.2%	-4.0%		4.2%	3.8%		5.1%	4.8%	
Net Income	0.9	(1.8)	n.m.	(0.1)	(0.9)	n.m.	1.1	0.9	-17.0%	1.5	1.3	-12.4%
YoY Change (%)	-21.4%	n.m.		-108.9%	-172.0%		-222.8%	-201.9%		68.3%	47.4%	
Net Margin	2.8%	-9.1%		-0.4%	-3.3%		2.6%	2.3%		3.2%	3.0%	
NFP/(Cash)	(1.4)	0.2	1.6	0.2	0.7	0.6	0.3	1.0	0.7	(1.4)	(0.5)	0.9
YoY Change (€mn)	(0.2)	1.6		(0.1)	0.5		(0.4)	0.3		(1.7)	(1.5)	

Source: FactSet, KT&Partners' elaboration

Valuation

Overview

Following the projections of L&C's future financials, we carried out the valuations of the company by applying the following methods: i) DCF method; ii) EV/EBITDA multiple and P/E – which capture L&C's traditional business; and iii) EV/Sales multiple on online business.

According to the different valuation methods, our estimated fair value is equal to €28mn or €4.48ps.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	33.1	5.30
EV/EBITDA	18.0	2.88
P/E	15.5	2.48
Average - Multiples	16.7	2.68
<i>Online B2C</i>	<i>6.1</i>	<i>0.98</i>
Sum of parts - Multiples	22.9	3.66
Average - btw method	28.0	4.48

Source: FactSet, KT&Partners' elaboration

Online Upside

We note that the market multiple valuation does not capture the upside of the recently launched online business.

Therefore, we carried out a market multiple valuation of the online B2C standalone, considering as a peer company Ocado Group PLC, an online grocery supermarket based in the UK. Ocado generated €2.6bn revenues in 2020 and reached €16bn of market capitalization on the London Stock Exchange.

Applying Ocado's 2021–22 EV/Sales multiples to our estimates of L&C's online business, we ended up with a market value of €6.1mn (€0.98ps).

Online Valuation

Multiple Valuation (€mn)	2021E	2022E
EV/Sales Ocado	5.1x	4.4x
Longino Online Sales	1.2	2.5
Enterprise value	6.4	11.0
Longino Online Net Debt	0.0	0.0
Equity Value	6.4	11.0
Average Equity Value		8.7
<i>Size/Liquidity Discount</i>		<i>30%</i>
Equity Value Post-Discout		6.1
<i>Number of shares (mn)</i>		<i>6.3</i>
Value per Share €		0.98

Source: FactSet, KT&Partners' elaboration

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2021–23 data.

Peer Comparison – Market Multiples 2021–23

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	P/E 2021	P/E 2022	P/E 2023
MARR SpA	Milan	1,370	1.1x	0.9x	0.9x	16.8x	12.8x	12.3x	28.7x	16.9x	15.7x	37.0x	21.4x	20.1x
METRO AG	XETRA	4,052	0.3x	0.3x	0.3x	6.7x	5.9x	5.4x	22.9x	15.3x	12.7x	n.m	22.4x	15.5x
Bid Corporation Limited	JSE	6,489	1.0x	0.9x	0.8x	16.9x	12.9x	11.4x	24.9x	17.3x	14.7x	38.8x	25.5x	20.5x
Performance Food Group Company	NYSE	6,002	0.3x	0.2x	0.2x	15.9x	10.6x	9.0x	24.9x	15.0x	11.9x	33.5x	19.0x	14.7x
US Foods Holding Corp.	NYSE	6,898	0.5x	0.4x	0.4x	12.0x	9.4x	8.9x	18.8x	13.0x	11.6x	20.6x	13.7x	12.4x
Sysco Corporation	NYSE	34,430	1.0x	0.8x	0.7x	22.5x	13.2x	11.7x	33.6x	16.8x	14.4x	n.m	21.8x	18.2x
United Natural Foods, Inc.	NYSE	2,134	0.2x	0.2x	0.2x	7.8x	7.6x	7.3x	14.2x	13.0x	12.3x	11.1x	10.6x	9.8x
Premium Brands Holdings Corp	Toronto	4,096	1.6x	1.4x	1.4x	17.6x	14.9x	13.7x	24.3x	20.5x	18.7x	30.1x	24.1x	21.4x
Metcash Limited	ASX	2,648	0.3x	0.3x	0.3x	8.5x	8.3x	7.9x	12.4x	12.2x	11.6x	16.8x	16.3x	15.6x
Average peer group		7,569	0.7x	0.6x	0.6x	13.9x	10.6x	9.7x	22.7x	15.5x	13.7x	26.8x	19.4x	16.5x
Median peer group		4,096	0.5x	0.4x	0.4x	15.9x	10.6x	9.0x	24.3x	15.3x	12.7x	30.1x	21.4x	15.6x

Source: FactSet, KT&Partners' elaboration

We based our valuation upon a size/liquidity discount of 20%, and our estimates of L&C's EBITDA and net income for 2022 and 2023, considering that 2021 has been penalized by persisting pandemic restrictions.

Multiple Valuation – EV/EBITDA and P/E

Multiple Valuation (€mn)	2022E	2023E	Multiple Valuation (€mn)	2022E	2023E
EV/EBITDA Comps	10.6x	9.0x	P/E Comps	21.4x	15.6x
Longino EBITDA	2.0	2.7	Longino Net Income	0.9	1.3
Enterprise value	21.2	24.0	Equity Value	18.8	19.6
Longino Net Debt FY20	0.2	0.2	Average Equity Value		19.2
Equity Value	21.0	23.8	Liquidity Discount		20%
Average Equity Value		22.4	Equity Value Post-Discout		15.5
Liquidity Discount		20%	Number of shares (thousand)		6.3
Equity Value Post-Discout		18.0	Value per Share €		2.48
Number of shares (mn)		6.3			
Value per Share €		2.88			

Source: Company data, FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a five-year DCF model, based on 9.1% cost of equity and a target capital structure of 85% equity and 15% debt. The cost of equity is a function of the risk-free rate of 0.7% (Italian 10y BTP), 5.4% equity risk premium (Damodaran for the mature market) and a premium for size and liquidity of 4%. We, therefore, obtained 8.1% WACC.

We discounted 2020E–24E 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				
€ thousand	2021E	2022E	2023E	2024E
EBIT	(1.0)	1.5	2.1	2.9
Taxes	0.3	(0.4)	(0.6)	(0.9)
D&A	0.5	0.5	0.6	0.7
Change in Net Working Capital	0.3	(1.3)	0.0	0.0
Change in Funds	0.2	0.2	0.2	0.2
Net Operating Cash Flow	0.3	0.4	2.2	2.9
Capex	(0.6)	(0.6)	(0.6)	(0.6)
FCFO	(0.3)	(0.2)	1.6	2.3
g	2.0%			
Wacc	8.1%			
FCFO (discounted)	(0.3)	(0.2)	1.4	1.8
Discounted Cumulated FCFO	2.7			
TV	39.2			
TV (discounted)	30.6			
Enterprise Value	33.3			
NFP FY20A	0.2			
Equity Value	33.1			
Current number of shares (mn)	6.3			
Value per share (€)	5.30			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis – Growth rate and WACC – (€ k)

€ mn	Terminal growth Rate	WACC				
		8.6%	8.3%	8.1%	7.8%	7.6%
	1.5%	28.2	29.4	30.6	32.0	33.4
	1.8%	29.2	30.5	31.8	33.3	34.8
	2.0%	30.3	31.7	33.1	34.7	36.4
	2.3%	31.5	32.9	34.5	36.2	38.1
	2.5%	32.8	34.3	36.0	37.9	39.9

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. €1bn. 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 FY20, the company reached €1.0bn of revenues.
- **METRO AG (B4B-DE)** listed on the Xetra stock exchange (Germany) with a market capitalization of ca. €4bn. METRO engages in the wholesale and foodservice distribution. The firm serves the HO.RE.CA. sector as well as independent traders. It operates through the geographical segments Germany, Western EU, Russia, Eastern EU, Asia and Other. METRO was founded in 1997 and is headquartered in Germany. In FY20, the company reached €26bn of revenues.
- **Bid Corporation Limited (BID-ZA)** listed on the Johannesburg stock exchange (South Africa) with a market capitalization of ca. €6.5bn. BID-ZA engages in the foodservice business. It operates through the following geographical segments: Australasia, UK, EU, Emerging Markets and Corporate. The company was founded by Brian Joffe in 1998 and is headquartered in South Africa. In FY20, the company reached €7bn of revenues.
- **Performance Food Group Company (PFGC)** listed on the New York stock exchange with a market capitalization of ca. €6bn. PFGC engages in the marketing and distribution of food products. It operates through the: a) Foodservice 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 FY20, the company reached €23bn of revenues.
- **US Foods Holding Corp. (USFD)** listed on the New York stock exchange with a market capitalization of ca. €7bn. USFD operates as a foodservice distributor offering frozen and dry food and non-food products in the US. USFD is headquartered in the USA. In FY20, the company reached €20bn of revenues.
- **Sysco Corporation (SYY)** listed on the New York stock exchange with a market capitalization of ca. €35bn. SYY engages in 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 FY20, SYY reached €48bn of revenues.
- **United Natural Foods Inc. (UNFI)** listed on the New York stock exchange with a market capitalization of ca. €2bn. 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 FY20, UNFI reached €24bn of revenues.
- **Premium Brands Holdings Corp. (PBH-CA)** listed on the Toronto stock exchange with a market capitalization of ca. €4bn. PBH-CA manufactures and distributes a variety of specialty food products. The company was founded in 1917 and is headquartered in Canada. In FY20, PBH-CA reached €2.7bn of revenues.
- **Metcash Limited (MTS-AU)** listed on the ASX stock exchange (Australia) with a market capitalization of ca. €2.5bn. 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 FY19, MTS reached €7.9bn of revenues.

We analyzed the peer companies by considering their marginalities and historical growth rates and compared their average results to L&C's historical and expected financials. The peer companies have a level of EBITDA marginality which is in line with L&C's: the average EBITDA margin expected in 2022 – the first year of full regime expected – is equal to 5.3%, whereas we expect 5.2% for L&C. Looking at the 2022 net margin, L&C is expected at 2.3%, which is in line with the peer average of 2.3%.

Peers Comparison – Profitability

Company Name	EBITDA Margin						Net Margin					
	2017	2018	2019	2020	2021	2022	2017	2018	2019	2020	2021	2022
MARR SpA	4.1%	4.1%	4.2%	neg	6.5%	7.0%	4.1%	4.2%	4.0%	neg	2.4%	3.6%
METRO AG	1.5%	0.9%	2.2%	1.8%	4.7%	5.2%	1.2%	1.3%	1.5%	neg	0.1%	0.7%
Bid Corporation Limited	6.3%	6.0%	6.2%	5.8%	6.1%	6.7%	3.6%	3.6%	3.7%	1.2%	2.7%	3.4%
Performance Food Group Company	2.0%	2.2%	2.2%	0.7%	2.1%	1.9%	0.6%	1.1%	0.8%	neg	0.6%	0.7%
US Foods Holding Corp.	4.0%	4.1%	4.3%	2.3%	3.8%	4.6%	1.8%	1.7%	1.5%	neg	1.4%	2.0%
Sysco Corporation	5.6%	5.3%	5.4%	4.0%	4.3%	5.8%	2.1%	2.4%	2.8%	0.4%	1.4%	2.8%
United Natural Foods, Inc.	3.4%	3.2%	2.2%	2.3%	2.8%	2.7%	1.4%	1.6%	neg	neg	0.9%	0.9%
Premium Brands Holdings Corp	8.7%	8.3%	8.4%	7.7%	9.0%	9.6%	3.7%	3.2%	2.3%	2.1%	3.8%	4.5%
Metcash Limited	2.4%	2.3%	3.5%	3.6%	4.0%	4.1%	neg	1.5%	neg	1.7%	1.7%	1.7%
Peers Average	4.2%	4.1%	4.3%	3.5%	4.8%	5.3%	2.3%	2.3%	2.4%	1.3%	1.7%	2.3%
Longino	5.3%	6.3%	4.8%	neg	neg	5.2%	2.1%	3.8%	3.1%	neg	neg	2.3%

Source: Company data, FactSet, KT&Partners' elaboration

According to our forecast, L&C's revenues will grow at 40% CAGR between 2020A and 2022E, overperforming its peers which on average stood at 11% CAGR.

Peers Comparison – Sales (€mn) and Sales CAGR (%)

Company Name	Sales				YoY	Sales		CAGR 2020-'22
	2018	2019	2020			2021	2022	
MARR SpA	1,628	1,651	1,048	-36.5%	1,438	1,747	29.1%	
METRO AG	27,077	27,339	25,913	-5.2%	24,734	25,729	-0.4%	
Bid Corporation Limited	7,671	7,987	6,961	-12.8%	6,584	7,852	6.2%	
Performance Food Group Company	14,777	17,307	22,692	31.1%	26,021	42,369	36.6%	
US Foods Holding Corp.	20,492	23,175	20,075	-13.4%	25,100	26,817	15.6%	
Sysco Corporation	49,252	52,696	47,845	-9.2%	43,771	54,901	7.1%	
United Natural Foods, Inc.	8,567	19,625	23,977	22.2%	23,086	24,091	0.2%	
Premium Brands Holdings Corp	1,979	2,457	2,661	8.3%	3,341	3,676	17.5%	
Metcash Limited	7,983	7,926	8,878	n.a.	9,517	9,572	3.8%	
Peers Average	15,492	17,796	17,783	-0.1%	18,177	21,861	10.9%	
Longino	32	34	19	-43%	26	38	40%	

Source: Company data, FactSet, KT&Partners' elaboration

Peers Comparison – EBITDA (€mn) and EBITDA CAGR (%)

Company Name	EBITDA				YoY	EBITDA		CAGR 2020-'22
	2018	2019	2020			2021	2022	
MARR SpA	67	70	-6	-108.7%	93	122	<i>n.a.</i>	
METRO AG	236	608	456	-25.0%	1,167	1,341	<i>n.m.</i>	
Bid Corporation Limited	464	493	402	-18.5%	404	528	14.6%	
Performance Food Group Company	325	384	160	-58.3%	535	800	<i>n.m.</i>	
US Foods Holding Corp.	847	994	461	-53.6%	961	1,234	<i>n.m.</i>	
Sysco Corporation	2,616	2,841	1,900	-33.1%	1,861	3,162	29.0%	
United Natural Foods, Inc.	276	432	562	30.3%	639	661	8.4%	
Premium Brands Holdings Corp	164	207	204	-1.3%	299	352	31.2%	
Metcash Limited	184	281	323	<i>n.a.</i>	379	392	10.2%	
Peers Average	575	701	496	-29.3%	704	955	38.7%	
Longino	2	2	-1	-178%	-1	2	<i>n.a.</i>	

Source: Company data, FactSet, KT&Partners' elaboration

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