

First lights of recovery and the shadow of recession

ADD | Fair Value: €3.95 (€4.48) | Current Price: €2.94 | Upside: 34%

Research Update

October 20, 2022 – 7.00 h

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Revenues	32.0	33.7	19.3	26.3	32.6	39.9	45.8	52.2
EBITDA	2.0	1.6	(1.3)	(0.5)	(0.5)	1.2	2.5	4.0
margin	6.3%	4.8%	-6.6%	-2.0%	-1.7%	2.9%	5.4%	7.6%
Net Profit	1.2	0.9	(1.8)	(0.9)	(0.9)	0.2	1.1	2.1
margin	3.7%	2.8%	-9.1%	-3.4%	-2.8%	0.4%	2.4%	4.1%
EPS (€)	0.19	0.17	-0.23	-0.13	-0.13	0.03	0.16	0.32
NFP/ (Net Cash)	(1.2)	(1.4)	0.2	3.5	4.3	3.9	2.9	0.2

Source: Company Data, KT&Partners' Elaboration

1H22 financial results. The first half of 2022 showed the first lights of recovery after the COVID-19 pandemic. However, the recovery has been slowed down on one hand by the Omicron variant and on the other hand by the outbreak of the Ukrainian–Russian conflict. Despite the complex macroeconomic scenario, L&C grew by 56%, reaching 1H22 Revenues of €14.3mn, even though this is 14% lower than our estimates. Italy&EU revenues (excluding online B2C) came in at €11.2mn, explaining most of the difference between our estimates and L&C's results (ca. €1.6mn out of €2.3mn). We note that among Italy&EU revenues we find ca. €0.4mn came from Il Satiro Danzante which increased to 50% of the stake of revenues made outside the group (vs 10% of 2021). The lower-than-expected Online B2C revenues (€0.4mn vs €1.1m) could be explained by a shift from online purchases by consumers towards out-of-home activities following the reduction of COVID-19 restrictions. However, according to the management, starting from May, Online sales returned to growth. The other stream of revenues came quite in line with our estimates: i) Dubai reached €1.4mn (+45% YoY and +5% vs our est.) also pushed by EXPO; ii) Hong Kong has still been heavily impacted by COVID restrictions and reached €0.7mn (vs €0.8mn of 1H21 and our est. of €0.9mn); iii) New York came at €0.5mn (vs €0.2mn of 1H21 and our est. of €0.6mn). In 2022, after two years, L&C started investing in traditional marketing activities, organizing its event for the launch of new products and participating at *Identità Golose*, one of the main food fairs. The lower-than-expected economies of scale – due to the lower revenues – combined with marketing investment led to a -€1.0mn EBITDA (vs -€0.8mn of 1H21 and €0.8 lower than our forecast). Following the lower profitability and the higher investments, Net Income reached -€0.9mn and NFP was at €5.8mn.

Estimates review. Following 1H22 results, we lowered our FY22E revenues by 10% (€32.6mn vs €36.3mn) and our EBITDA to -€0.5mn (vs €0.6mn). Furthermore, considering a post-COVID recovery potentially diminished by the economic recession, we lowered: i) our assumptions on FY23E and FY24E revenues by 7% and 5%, respectively; ii) our projection on FY23E and FY24 EBITDA by ca. €1.0mn. Factoring the lower profitability and the shift in Capex related to the logistics site, we now expect a €4.3mn FY22E NFP, reaching €2.9mn in FY24 (vs our previous forecast of €0.5mn).

Fair value. Our valuation, based on a DCF model, returns an equity value of €24.7mn or €3.95ps. L&C's fair value shows a potential upside of 34% on the current market price of €2.94ps.

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Market Data:

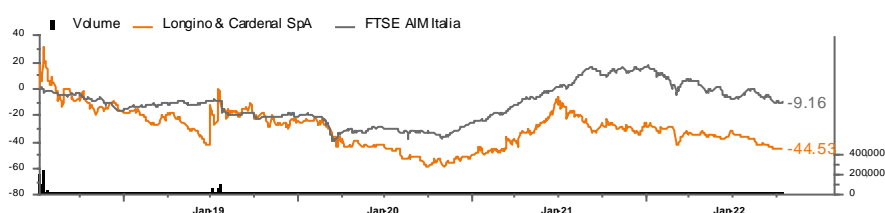
Main Shareholders	
Carm S.r.l.	78.00%
Mediolanum	2.00%
Linkfund solution	1.20%
Mkt Cap (€ mn)	24.6
EV (€ mn)	28.2
Shares out.	6.3
Free Float	22.0%

Market multiples	2022	2023	2024
EV/EBITDA			
L&C	n.m.	24.3x	11.3x
Comps median	9.2x	7.7x	7.1x
L&C vs Median	n.a.	215%	59%
P/E			
L&C	n.m.	151.3x	24.2x
Comps median	14.7x	13.5x	12.1x
L&C vs Median	n.a.	1021%	100%

Stock Data:

52 Wk High (€)	4.50
52 Wk Low (€)	2.82
Avg. Daily Trading 90d	98
Price Change 1w (%)	0.68
Price Change 1m (%)	-2.65
Price Change YTD (%)	-25.38

Relative Performance Chart – Since IPO



Source: FactSet

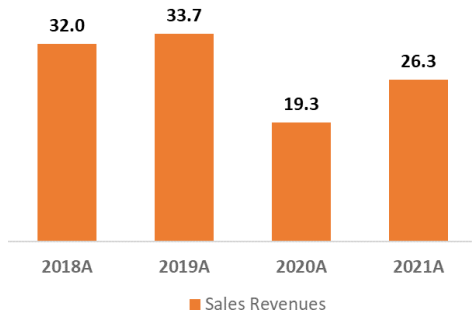
Key Figures – Longino & Cardenal S.p.A.

	Current price (€)	Fair Value (€)	Sector						Free Float (%)
	2.94	3.95	Food & Beverage - Distribution						22%
Per Share Data	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total shares outstanding (mn)	n.m.	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
EPS	n.m.	0.19	0.17	(0.23)	(0.13)	(0.13)	0.03	0.16	0.32
Dividend per share (ord)	n.a.	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.	n.a.
Profit and Loss (EUR million)									
Revenues	28.5	32.0	33.7	19.3	26.3	32.6	39.9	45.8	52.2
EBITDA	1.5	2.0	1.6 -	1.3 -	0.5 -	0.5	1.2	2.5	4.0
EBIT	1.4	1.8	1.3 -	1.7 -	1.2 -	1.2	0.4	1.7	3.1
EBT	0.9	1.7	1.3 -	2.1 -	1.0 -	1.0	0.2	1.5	3.0
Taxes	(0.4)	(0.5)	(0.4)	0.3	0.1	0.1	(0.1)	(0.4)	(0.8)
Tax rate	41%	28%	28%	15%	14%	10%	28%	28%	28%
Net Income*	0.7	1.2	0.9 -	1.7 -	0.9 -	0.9	0.2	1.1	2.1
Net Income attributable to the Group	0.6	1.2	1.0 -	1.5 -	0.8 -	0.8	0.2	1.0	2.0
Balance Sheet (EUR million)									
Total fixed assets	1.4	2.2	2.6	3.4	5.4	5.3	6.0	6.2	5.9
Net Working Capital (NWC)	2.6	3.5	3.8	4.0	4.5	4.6	3.9	3.9	3.9
Provisions	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(1.0)	(1.2)	(1.4)	(1.6)
Total Net capital employed	3.6	5.0	5.8	6.7	9.0	8.9	8.7	8.8	8.2
Net financial position/(Cash)	3.1	(1.2)	(1.4)	0.2	3.5	4.3	3.9	2.9	0.2
Group Shareholder's Equity	0.5	6.2	7.3	6.8	5.9	5.1	5.3	6.3	8.3
Minorities	0.0	(0.0)	(0.1)	(0.3)	(0.4)	(0.5)	(0.5)	(0.4)	(0.3)
Total Shareholder's Equity	0.5	6.2	7.2	6.5	5.5	4.6	4.8	5.9	8.0
Cash Flow (EUR million)									
Net operating cash flow	-	1.5	1.3 -	1.0 -	0.4 -	0.4	1.0	2.0	3.1
Change in NWC	-	(0.8)	(0.4)	(0.2)	(0.5)	(0.2)	0.8	(0.1)	0.0
Capital expenditure	-	(1.0)	(0.8)	(1.3)	(2.6)	(0.6)	(1.5)	(1.0)	(0.5)
Other cash items/Uses of funds	-	0.1	0.0	0.1	0.1	0.2	0.2	0.2	0.2
Free cash flow	-	(0.2)	0.1	(2.4)	(3.3)	(1.0)	0.5	1.1	2.8
Enterprise Value (EUR million)									
Market Cap	n.a.	27.2	24.7	16.9	24.6	18.4	18.4	18.4	18.4
Minorities	0.0	(0.0)	(0.1)	(0.3)	(0.4)	(0.5)	(0.5)	(0.4)	(0.3)
Net financial position/(Cash)	3.1	(1.2)	(1.4)	0.2	3.5	4.3	3.9	2.9	0.2
Enterprise value	n.m.	26.0	23.2	16.8	27.8	22.2	21.8	20.8	18.2
Ratios (%)									
EBITDA margin	5.3%	6.3%	4.8%	-6.6%	-2.0%	-1.7%	2.9%	5.4%	7.6%
EBIT margin	4.8%	5.6%	3.7%	-8.9%	-4.4%	-3.8%	1.0%	3.6%	6.0%
Gearing - Debt/equity	593.5%	-19.1%	-18.9%	3.6%	59.7%	84.0%	74.2%	46.2%	2.2%
Interest cover on EBIT	20.1%	4.7%	4.5%	-13.9%	8.5%	18.8%	40.9%	10.0%	5.3%
NFP/EBITDA	2.0x	(0.6x)	(0.8x)	(0.2x)	(6.7x)	(7.9x)	3.4x	1.2x	0.0x
ROCE	38.2%	35.5%	21.6%	-25.5%	-12.7%	-14.0%	4.7%	19.0%	38.4%
ROE	115.4%	19.5%	14.4%	-21.6%	-13.6%	-15.5%	3.1%	16.2%	24.2%
EV/Sales	1.0x	0.9x	0.8x	1.5x	1.1x	0.9x	0.7x	0.6x	0.5x
EV/EBITDA	18.5x	14.0x	17.3x	n.m.	n.m.	n.m.	24.3x	11.3x	7.1x
P/E	41.4x	20.2x	23.5x	n.m.	n.m.	n.m.	151.3x	24.2x	12.2x
Free cash flow yield	n.m.	-0.7%	0.5%	-11.6%	-11.8%	-4.5%	2.3%	5.2%	13.0%
Growth Rates (%)									
Sales	n.a.	n.m.	5.2%	-42.8%	36.3%	23.9%	22.4%	14.9%	13.9%
EBITDA	n.a.	n.m.	-18.8%	n.m.	n.m.	4.1%	-311.8%	114.1%	60.3%
EBIT	n.a.	n.m.	-29.9%	n.m.	n.m.	8.4%	-132.5%	310.6%	88.3%
Net Income	n.a.	n.m.	-22.2%	n.m.	n.m.	0.6%	-118.9%	525.4%	98.1%

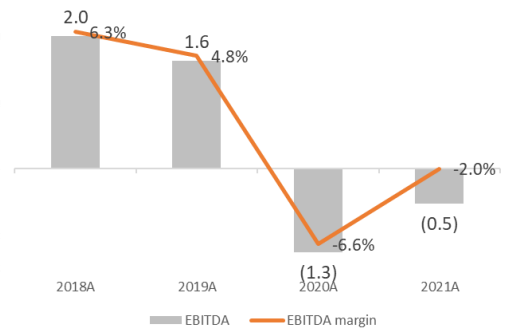
Source: Company Data, KT&Partners' Elaboration

Key charts

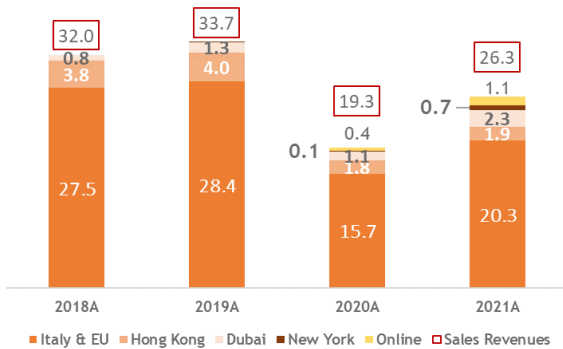
Sales Revenues and EBITDA Margin (€mn; %)



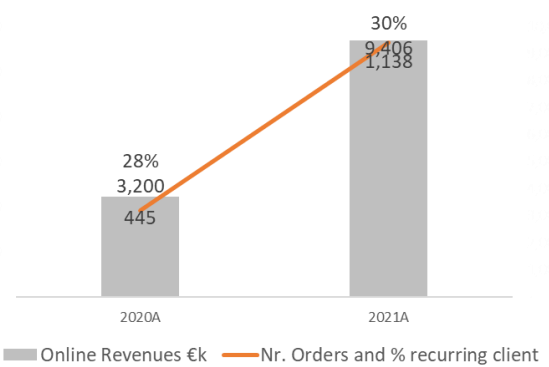
EBITDA and EBITDA Margin (€mn)



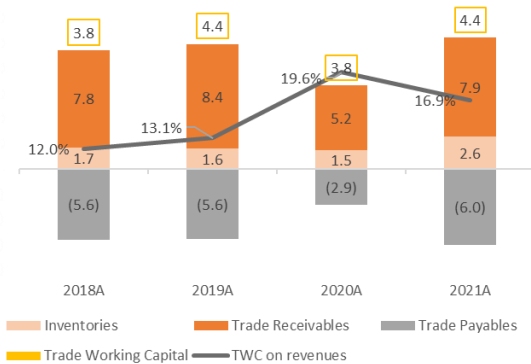
Sales Revenues by Business Unit (€mn)



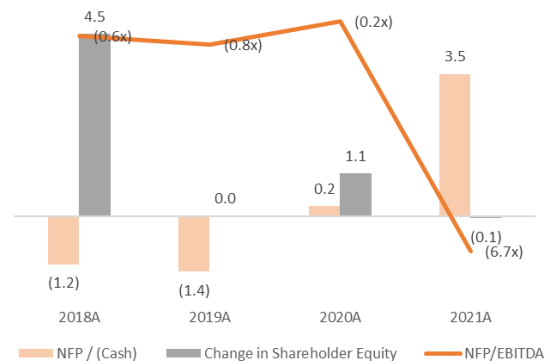
E-commerce B2C Revenue and KPI (€mn)



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 4th, 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, and raising €4.95mn. The company listed with a stock price of €3.60 and is now trading at €3.52, after a price decline mainly associated with the COVID-19 outbreak.

L&C aims at increasing its market share in strategic cities (high tourism, and high wealth concentration such as business capital) 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.** L&C during its 30+ years of experience gained a solid reputation as 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 2021 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 reach the fine-foods consumers, and appointed a Digital&Commerce Director in October 2020. During 2020 the online division reached ca. 3,200 orders with ca. 28% of recurring clients, generating more than €400k of revenues. In 2021, after a slowdown associated with the new ERP implementation, the e-commerce division reached €xxmn of revenues, with ca. 9,400 orders and 30% of recurring customers. Although partially slowing down business growth, the ERP implementation allowed Longino to be able to also launch the e-commerce channel abroad.

Recent developments

- **Acquired an Area for the New Logistics Site** at the end of November 2021 (5,000sqm) to match company 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 and the appointment of a Digital&Commerce Director.
- **New-York Activity** starting in 2019.

1H22 Financial Results

The first half of the year showed a gradual comeback to pre-COVID level of business for the out-of-home consumption market, although still curbed by the Omicron outbreak which persisted until March 2022. In this scenario, Longino registered a 56% top line growth reaching €14.2mn. The results are 15% lower than our estimates mainly due to: i) a stronger than expected impact of Omicron in Italy; ii) a shift in the budget of consumers due to inflation and; iii) a slowdown of the growth of online B2C business.

Indeed, Italy&EU (excluding online B2C) reported revenues of €11.2mn, +70% YoY but 12% lower than our expectation, also because of a higher discount policy aimed at reducing inventories after that Omicron variant – during winter months – slowed down sales. COVID-19 and the zero infection policies still impacted Hong Kong which came 14% lower than 1H21 (-19% with respect to our estimates). Looking at the company's own products, we note that Satiro Danzante is growing its contribution to group revenues, reaching €0.4mn (a 50% share of revenues made outside of the group vs the 90% of the previous semester) and it is expected to keep growing thanks to having obtained authorization to export shrimps in USA. Umami is following its path and has started participating in sector fairs.

On the other hand, in line with our expectations, Dubai confirmed its strong growth trend reaching €1.4mn (+45% YoY) and New York more than doubled with respect to 1H21 reaching €0.5mn of revenues.

Finally, Online B2C came in 10% lower than 1H21 results and 56% lower than our expectations mainly because of a shift of consumer consumption toward different activities such as travel and out-of-home activities. However, 2022 is expected to be a year of consolidation for online business, after the growth spike registered during COVID-19 restrictions periods.

Furthermore, we note that the Online B2C has been also launched in Hong Kong and Dubai, and it is expected to start giving a more consistent contribution from the next few months.

Following the growth of revenues, L&C registered a +54% of Gross Profit reaching €3.0mn, with 20.6% Gross margin (in line with 1H21 but 2.5pp lower than our estimates).

We note that according to the company management, the reduction in Gross margin is only due to a lower volume of revenues and to a higher discount policy occurred in 1H22. Indeed, according to L&C's management, the company is able to transfer almost fully the raw material and transportation costs increases to clients either through higher selling prices or a better management of logistic costs transfer (e.g. charging transportation costs to clients with orders below a certain threshold).

After 2 years L&C re-started investing in *traditional* marketing, organizing its corporate events to promote new products and participating at *Identità Golose*, one of the main food fairs to start up again.

Combining the lower-than-expected economies of scale, the higher marketing investments and the higher logistics costs for New York subsidiaries, L&C registered a negative EBITDA of ca. €1mn vs -€0.8mn in 1H21 and -€0.2mn of our forecast.

Net loss was at €0.9mn in line with 1H21 but worse than our forecast of €0.6mn.

Net financial position at the end of June 2022 was equal to €5.8mn, €2.3mn higher than FY21 mainly following the operating cash outflow and the investments carried out by the company in digitalization and marketing.

FY21 Income Statement

€ mn	1H18	1H19	1H20	1H21	1H22	YoY %	1H22E	A vs E %
Total Revenues	14.8	15.7	7.3	9.2	14.3	56%	16.6	-14%
Products and Raw materials	(11.6)	(12.0)	(6.0)	(7.3)	(11.4)		(12.8)	
Gross Profit	3.3	3.7	1.3	1.9	3.0	54%	3.9	-24%
<i>Gross Margin</i>	22.0%	23.5%	17.5%	20.8%	20.6%		23.3%	
Marketing and Commercial Cost	(1.2)	(1.3)	(1.0)	(1.1)	(1.8)		(2.1)	
Inventory and Logistics Costs	(0.6)	(0.8)	(0.5)	(0.6)	(0.8)		(0.8)	
General and Administrative Costs	(0.9)	(1.0)	(1.0)	(1.1)	(1.3)		(1.2)	
EBITDA	0.6	0.6	(1.3)	(0.8)	(1.0)	n.m.	(0.2)	n.m.
<i>EBITDA margin</i>	4.1%	4.0%	-17.5%	-9.2%	-6.9%		-1.2%	
D&A and Provisions	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)		(0.3)	
EBIT	0.5	0.5	(1.5)	(1.1)	(1.3)	n.m.	(0.5)	n.m.
<i>EBIT margin</i>	3.4%	3.0%	-20.5%	-12.4%	-9.4%		-2.9%	
Financial Income and Expenses	(0.1)	(0.0)	(0.0)	(0.0)	0.2		(0.1)	
Extraordinary items	(0.0)	(0.0)	(0.1)	0.0	0.0		-	
EBT	0.4	0.4	(1.7)	(1.1)	(1.1)	n.m.	(0.6)	n.m.
Taxes	(0.1)	(0.1)	0.3	0.2	0.2		0.0	
<i>Tax Rate</i>	33.4%	21.2%	17.2%	18.0%	15.7%		29.7%	
Net Income	0.3	0.3	(1.4)	(0.9)	(0.9)	n.m.	(0.6)	n.m.
<i>Net margin</i>	2.0%	2.0%	-19.1%	-10.0%	-6.3%		-3.4%	

Source: Company Data

Change in Estimates

We updated our FY22 revenue estimates to factor in the lower-than-expected 1H22 results.

We revised downwards our FY22E Revenues by 10%, mainly owing to a lower contribution from Italy&EU and Online B2C. Starting from 2023 we expect the comeback to pre-COVID levels threatened by the strong inflation and the risk of recession. Therefore, we lowered our 2023–24 estimates by 7% and 5% respectively.

We note that our assumptions are also backed by the launch of e-commerce B2B which is expected to bring its contribution starting from next year, also thanks to dedicated marketing investments.

In line with the reduction of revenues, we reduced by ca. €1mn our EBITDA projection for the period 2022–24, forecasting: i) in FY22 a negative EBITDA of ca. €0.5mn, implying a €0.4mn result in 2H22; ii) €1.2mn EBITDA in 2023 (ca. 3% margin) and; iii) €2.5mn EBITDA in 2024 (ca. 5.4% margin). We assume that the growth in profitability will be supported by the savings coming from technological investments – not fully reflected in 2022 results – and by the revenues growth that will allow for economies of scale.

Furthermore, we note that according to the management, L&C is able to transfer to its clients an important share of the higher energy and logistic costs.

Looking at the new site construction, the company announced a slowdown of investments – due to a strong increase in raw material costs and the current macroeconomic scenario – and a related 1-year shift in its conclusion, waiting for a stronger income statement to keep investing. The site is now expected to be completed between the second half of 2024 and the beginning of 2025; therefore we postponed our CAPEX and the related cost-savings.

The key points of our estimates are as follows:

- FY22 revenues at €32.6mn reaching €45.8 in 2024 (CAGR 2021–24 of 32%);
- FY22 EBITDA at €-0.5mn reaching €2.5mn in 2024;
- FY22 net income at €-0.9mn and reaching €1.1mn in 2024;
- FY22 net financial position at €4.3mn and at €2.9mn in 2024.

Change in Estimates

€ mn	2019	2020	2021	YoY	2022E	2022E	Change	2023E	2023E	Change	2024E	2024E	Change
	Actual	Actual	Actual		Old	New		Old	New		Old	New	
Revenues	33.7	19.3	26.3	-42.8%	36.3	32.6	-10%	42.8	39.9	-7%	48.1	45.8	-5%
YoY Change (%)	5%	-43%	36%		38%	24%		31%	22%		21%	15%	
EBITDA	1.6	(1.3)	(0.5)	n.m.	0.6	(0.5)	n.m.	2.4	1.2	-51%	3.3	2.5	-25%
YoY Change (%)	-18.8%	n.m.	n.m.		n.m.	n.m.		-532.1%	-311.8%		187.1%	114.1%	
EBITDA Margin	4.8%	-6.6%	-2.0%		1.5%	-1.7%		5.5%	2.9%		6.9%	5.4%	
EBIT	1.3	(1.7)	(1.2)	n.m.	(0.1)	(1.2)	n.m.	1.6	0.4	-75%	2.6	1.7	-35%
YoY Change (%)	-29.9%	n.m.	n.m.		n.m.	n.m.		-231.3%	-132.5%		531.4%	310.6%	
EBIT Margin	3.7%	-8.9%	-4.4%		-0.3%	-3.8%		3.8%	1.0%		5.3%	3.6%	
Net Income	0.9	(1.8)	(0.9)	n.m.	(0.2)	(0.9)	n.m.	1.1	0.2	-84%	1.7	1.1	-37%
YoY Change (%)	-21.4%	n.m.	n.m.		n.m.	n.m.		n.m.	n.m.		898.8%	525.4%	
Net Margin	2.8%	-9.1%	-3.4%		-0.5%	-2.8%		2.5%	0.4%		3.6%	2.4%	
NFP/(Cash)	(1.4)	0.2	3.5	1.6	4.1	4.3	0.2	2.6	3.9	1.3	0.5	2.9	2.4
YoY Change (€mn)	(0.2)	1.6	3.3		0.6	0.8		(1.5)	(0.4)		(2.1)	(1.0)	

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 DCF valuation method which capture L&C's traditional and online business.

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

According to our valuation method, our estimated fair value is equal to €24.7mn or €3.95ps.

DCF Valuation

We conducted our valuation using a five-year DCF model, based on 11.6% 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 3.55% (historical average of Italian 10y BTP), 5.1% equity risk premium (Damodaran for the mature market) and a premium for size and liquidity of 4.3%. We, therefore, obtained 10.2% WACC.

We discounted 2022E–25E 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	2022E	2023E	2024E	2025E
EBIT	(1.2)	0.4	1.7	3.1
Taxes	0.1	(0.1)	(0.5)	(0.9)
D&A	0.7	0.8	0.8	0.8
Change in Net Working Capital	(0.2)	0.8	(0.1)	0.0
Change in Funds	0.2	0.2	0.2	0.2
Net Operating Cash Flow	(0.4)	2.0	2.1	3.3
Capex	(0.6)	(1.5)	(1.0)	(0.5)
FCFO	(1.0)	0.5	1.1	2.8
g	2.0%			
Wacc	10.2%			
FCFO (discounted)	(1.0)	0.4	0.9	2.1
Discounted Cumulated FCFO	2.5			
TV	35.2			
TV (discounted)	25.7			
Enterprise Value	28.2			
NFP FY21A	3.5			
Equity Value	24.7			
Current number of shares (mn)	6.3			
Value per share (€)	3.95			

Source: Company Data, KT&Partners' Elaboration

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

€ mn	WACC					
	10.7%	10.5%	10.2%	10.0%	9.7%	
Terminal growth Rate	1.5%	21.4	22.2	23.1	24.0	25.0
	1.8%	22.1	22.9	23.9	24.8	25.8
	2.0%	22.8	23.7	24.7	25.7	26.8
	2.3%	23.6	24.5	25.5	26.6	27.8
	2.5%	24.4	25.4	26.5	27.6	28.8

Source: KT&Partners' Elaboration

Market Multiples

Following the comparables analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2022–24 data.

Peer Comparison – Market Multiples 2022–24

Company Name	Exchange	Market Cap	EV/SALES			EV/EBITDA			EV/EBIT			P/E		
			2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
MARR SpA	Milan	643	0.5x	0.4x	0.4x	8.5x	7.1x	6.3x	12.2x	9.5x	8.2x	14.0x	10.9x	9.0x
METRO AG	XETRA	2,599	0.2x	0.2x	0.2x	4.4x	4.7x	4.5x	12.6x	13.2x	12.8x	14.1x	15.9x	14.2x
Bid Corporation Limited	JSE	5,311	0.7x	0.6x	0.6x	10.0x	8.9x	8.3x	13.0x	11.2x	10.3x	17.9x	15.6x	14.1x
Performance Food Group Company	NYSE	6,808	0.2x	0.2x	0.2x	11.5x	9.4x	8.4x	16.5x	12.7x	11.6x	17.3x	13.0x	10.7x
US Foods Holding Corp.	NYSE	6,060	0.3x	0.3x	0.3x	8.7x	7.5x	6.8x	12.1x	10.1x	8.8x	12.2x	9.7x	8.1x
Sysco Corporation	NYSE	36,530	0.7x	0.6x	0.6x	14.1x	11.2x	10.3x	18.1x	13.9x	12.6x	23.1x	17.1x	15.1x
United Natural Foods, Inc.	NYSE	2,045	0.2x	0.2x	0.2x	6.2x	6.1x	5.8x	10.1x	10.4x	9.6x	7.0x	6.9x	6.4x
Premium Brands Holdings Corp	Toronto	2,829	1.1x	1.0x	0.9x	12.0x	10.4x	9.5x	14.7x	12.4x	13.7x	16.1x	13.7x	12.3x
Metcash Limited	ASX	2,452	0.3x	0.3x	0.3x	7.6x	7.5x	7.3x	10.6x	10.7x	10.3x	12.9x	13.0x	12.5x
Average peer group		7,253	0.5x	0.4x	0.4x	9.2x	8.1x	7.4x	13.3x	11.6x	10.9x	14.9x	12.9x	11.4x
Median peer group		2,829	0.3x	0.3x	0.3x	8.7x	7.5x	7.3x	12.6x	11.2x	10.3x	14.1x	13.0x	12.3x

Source: FactSet, 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. €0.6bn. 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 FY21, the company achieved revenues of €1.4bn.
- **METRO AG (B4B-DE)** listed on the Xetra stock exchange (Germany) with a market capitalization of ca. €2.5bn. 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 FY21, the company achieved revenues of €25bn.
- **Bid Corporation Limited (BID-ZA)** listed on the Johannesburg stock exchange (South Africa) with a market capitalization of ca. €5.3bn. 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 FY21, the company achieved revenues of €6bn.
- **Performance Food Group Company (PFGC)** listed on the New York stock exchange with a market capitalization of ca. €6.8bn. 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 FY21, the company achieved revenues of €25bn.
- **US Foods Holding Corp. (USFD)** listed on the New York stock exchange with a market capitalization of ca. €6bn. 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 FY21, the company achieved revenues of €25bn.
- **Sysco Corporation (SYY)** listed on the New York stock exchange with a market capitalization of ca. €35bn. 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 FY21, SYY achieved revenues of €43bn.
- **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 FY21, UNFI achieved revenues of €23bn.
- **Premium Brands Holdings Corp. (PBH-CA)** listed on the Toronto stock exchange with a market capitalization of ca. €3bn. PBH-CA manufactures and distributes a variety of specialty food products. The company was founded in 1917 and is headquartered in Canada. In FY21, PBH-CA achieved revenues of €3.3bn.

- **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 FY20, MTS achieved revenues of €8.9bn.

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 2023 EBITDA marginality of 5% which is above L&C's expected 2023 profitability (2.9%) but in line with the pre-covid level (4.8%)

Peers Comparison – Profitability

Company Name	EBITDA Margin							Net Margin						
	2017	2018	2019	2020	2021	2022	2023	2017	2018	2019	2020	2021	2022	2023
MARR SpA	4.1%	4.1%	4.2%	neg	2.9%	5.4%	6.2%	4.1%	4.2%	4.0%	neg	2.5%	2.5%	3.1%
METRO AG	1.5%	0.9%	2.2%	1.8%	1.5%	4.8%	4.5%	1.2%	1.3%	1.5%	neg	neg	neg	0.5%
Bid Corporation Limited	6.3%	6.0%	6.2%	5.8%	6.4%	6.6%	7.0%	3.6%	3.6%	3.7%	1.2%	2.7%	3.4%	3.8%
Performance Food Group Company	2.0%	2.2%	2.2%	0.7%	1.8%	2.0%	2.1%	0.6%	1.1%	0.8%	neg	0.1%	0.8%	0.9%
US Foods Holding Corp.	4.0%	4.1%	4.3%	2.3%	2.9%	3.8%	4.2%	1.8%	1.7%	1.5%	neg	0.6%	1.6%	1.9%
Sysco Corporation	5.6%	5.3%	5.4%	4.0%	4.8%	4.9%	5.4%	2.1%	2.4%	2.8%	0.4%	1.0%	2.5%	2.8%
United Natural Foods, Inc.	3.4%	3.2%	2.2%	2.3%	2.3%	2.9%	2.9%	1.4%	1.6%	neg	neg	0.5%	1.0%	1.0%
Premium Brands Holdings Corp	8.7%	8.3%	8.4%	7.6%	7.6%	8.8%	9.5%	3.7%	3.2%	2.3%	2.1%	2.7%	3.8%	4.4%
Metcash Limited	2.4%	2.3%	3.5%	3.6%	4.2%	4.0%	4.0%	neg	1.5%	neg	1.7%	2.0%	1.8%	1.8%
Peers Average	4.2%	4.1%	4.3%	3.5%	3.8%	4.8%	5.1%	2.3%	2.3%	2.4%	1.3%	1.5%	2.2%	2.2%
Longino	5.3%	6.3%	4.8%	neg	neg	neg	2.9%	2.1%	3.8%	3.1%	neg	neg	neg	0.4%

Source: Company Data, FactSet, KT&Partners' Elaboration

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

Company Name	Sales				YoY	Sales		CAGR 2019-'23
	2018	2019	2020	2021		2022	2023	
MARR SpA	1,628	1,651	1,048	1,421	-36.5%	1,903	1,982	4.7%
METRO AG	27,077	27,339	25,913	25,107	-5.2%	29,165	29,147	1.6%
Bid Corporation Limited	7,671	7,987	6,961	6,246	-12.8%	8,693	9,259	3.8%
Performance Food Group Company	14,777	17,307	22,692	25,495	31.1%	50,080	58,210	35.4%
US Foods Holding Corp.	20,492	23,175	20,075	24,947	-13.4%	34,423	36,362	11.9%
Sysco Corporation	49,252	52,696	47,845	43,022	-9.2%	67,104	77,072	10.0%
United Natural Foods, Inc.	8,567	19,625	23,977	22,539	22.2%	30,068	30,794	11.9%
Premium Brands Holdings Corp	1,979	2,457	2,661	3,328	8.3%	4,360	4,647	17.3%
Metcash Limited	7,983	7,926	8,878	9,933	n.a.	10,629	10,769	8.0%
Peers Average	15,492	17,796	17,783	18,004	-0.1%	26,269	28,694	12.7%
Longino	32	34	19	26	-43%	26	33	-1%

Source: Company Data, FactSet, KT&Partners' Elaboration

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

Company Name	EBITDA				YoY	EBITDA		CAGR 2019-'23
	2018	2019	2020	2021		2022	2023	
MARR SpA	67	70	-6	41	-776.1%	102	123	15.1%
METRO AG	236	608	456	376	-17.5%	1,393	1,320	21.4%
Bid Corporation Limited	464	493	402	398	-1.0%	575	644	6.9%
Performance Food Group Company	325	384	160	453	182.2%	1,003	1,228	33.7%
US Foods Holding Corp.	847	994	461	725	57.1%	1,314	1,520	11.2%
Sysco Corporation	2,616	2,841	1,900	2,049	7.9%	3,298	4,172	10.1%
United Natural Foods, Inc.	276	432	562	522	-7.2%	862	878	19.4%
Premium Brands Holdings Corp	164	207	203	254	25.4%	382	443	20.9%
Metcash Limited	184	281	323	421	30.4%	429	435	11.6%
Peers Average	575	701	496	582	17.4%	1,040	1,196	14.3%
Longino	2	2	-1	-1	-58%	-1	1	-8%

Source: Company Data, FactSet, KT&Partners' Elaboration

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