

Gradually Recovering to Pre-Pandemic Levels

ADD | Fair Value: €3.97 (€4.16) | Current Price: €1.95 | Upside: +103%

Research Update

October 23, 2023 – 7.00 h

€ Million	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Revenues	32.0	33.7	19.3	26.3	31.7	36.7	42.2	48.3	54.0
EBITDA	2.0	1.6	(1.3)	(0.5)	(0.6)	0.9	2.1	3.4	4.1
margin	6.3%	4.8%	-6.6%	-2.0%	-2.0%	2.4%	4.9%	7.1%	7.6%
Net Profit	1.2	0.9	(1.8)	(0.9)	(1.2)	(0.1)	0.7	1.7	2.2
margin	3.7%	2.8%	-9.1%	-3.4%	-3.9%	-0.2%	1.8%	3.5%	4.0%
EPS (€)	0.19	0.17	-0.23	-0.13	-0.17	-0.01	0.11	0.26	0.33
NFP/ (Net Cash)	(1.2)	(1.4)	0.2	3.5	5.4	5.5	4.6	2.0	(0.6)

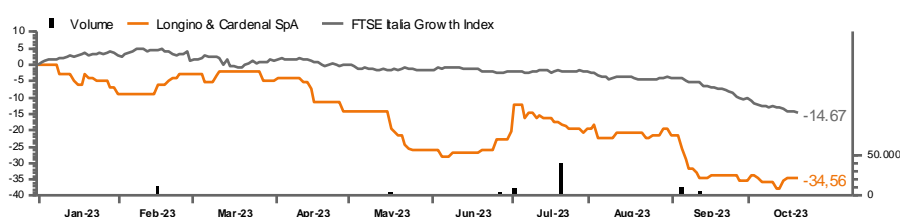
Source: Company Data, KT&Partners' Elaboration

1H23 financial results. In 1H23, Longino registered a +16% YoY growth on sales, reaching €16.7mn – following the end of COVID-19 restrictions in all the countries where L&C operates – but ca. 8% below our estimates, on the back of a lower-than-expected contribution from Italy & EU that did not recover to pre-COVID levels as expected (€12.5mn in 1H23 vs €13.4mn in 1H19). Hong Kong and New York posted the highest growth, with more than +70% YoY, whereas Dubai kept growing at a double-digit pace (+10% YoY). The B2C sales came almost in line with 1H22, at €0.5mn, despite the slowdown in e-commerce sales after the pandemic, also supported by the launch of Online sales in Hong Kong and Dubai. Gross profit amounted to €3.8mn (+29% YoY), with a gross margin at 22.9%, +2.3pp YoY and almost in line with our estimates thanks to an increase in selling prices and a better management of transport and logistic costs. The better gross margin coupled with economies of scales at fixed costs level led EBITDA to reach almost the breakeven (-80k vs 30k expected), vs a -€1.0 negative EBITDA in 1H22. The company reported a net loss of €0.6mn, negatively impacted by higher financial expenses due to the increasing cost of debt. Finally, the NFP worsened to €6.5mn (€+1.1mn vs FY22) factoring in i) investments for the new ERP and for the new Satiro Danzante's plant in Mazara del Vallo and ii) a higher NWC absorption.

Change in estimates. On the back of 1H23 financial results, we slightly revised downward our top-line estimates. We now anticipate sales revenues to amount to €36.7mn in FY23E, growing at a CAGR22-25E of +15.1% to reach €48.3mn at the end of FY25E (vs 18.1% expected before). We reduced the expected contribution from Italy & EU – that still represent the bulk of sales – while revising upward the Satiro Danzante's revenues, following the opening of the new plant and the recruitment of a highly skilled sales agent aimed at enhancing foreign sales. At the profitability level, we slightly decreased our forecast on the back of higher-than-expected G&A costs, but still projecting the cost optimization on Shoplongino and New York (still in start-up phase) coupled with the growth in company's business to result in a better fixed costs' management and rising margins in the coming years. We thus expect FY23E EBITDA margin at 2.4%, reaching 7.1% in FY25E. Finally, net result is expected to improve from an almost nil net income (-€0.1mn) in FY23E to €1.7mn in FY25E, while net debt is projected to decrease from €5.5mn in FY23E to €2.0mn in FY25E following a better NWC management and the gradual reduction in investments.

Valuation. Our valuation – based on DCF analysis – yields a fair value of €3.97ps (€24.8mn equity value), implying an upside of +103% 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)	12.2
EV (€ mn)	17.6
Shares out.	6.3
Free Float	22.0%

Market multiples	2022	2023	2024
EV/EBITDA			
L&C	n.m.	19.9x	8.4x
Comps median	12.7x	8.9x	8.1x
L&C vs Median	n.a.	n.m.	5%
P/E			
L&C	n.m.	n.m.	17.3x
Comps median	24.3x	14.5x	13.3x
L&C vs Median	n.a.	n.a.	30%

Stock Data:

52 Wk High (€)	4.30
52 Wk Low (€)	1.82
Avg. Daily Trading 90d	1,197
Price Change 1w (%)	4.84
Price Change 1m (%)	-1.52
Price Change YTD (%)	-34.56

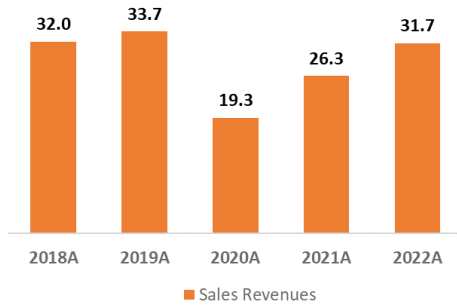
Key Figures – Longino & Cardenal S.p.A.

	Current price (€)	Fair Value (€)	Sector						Free Float (%)
	1.95	3.97	Food & Beverage - Distribution						22%
Per Share Data	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total shares outstanding (mn)	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
EPS	0.19	0.17	(0.23)	(0.13)	(0.17)	(0.01)	0.11	0.26	0.33
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	32.0	33.7	19.3	26.3	31.7	36.7	42.2	48.3	54.0
EBITDA	2.0	1.6 -	1.3 -	0.5 -	0.6	0.9	2.1	3.4	4.1
EBIT	1.8	1.3 -	1.7 -	1.2 -	1.4	0.1	1.3	2.6	3.3
EBT	1.7	1.3 -	2.1 -	1.0 -	1.4 -	0.1	1.0	2.4	3.0
Taxes	(0.5)	(0.4)	0.3	0.1	0.2	0.0	(0.3)	(0.7)	(0.8)
Tax rate	28%	28%	15%	14%	13%	28%	28%	28%	28%
Net Income*	1.2	0.9 -	1.7 -	0.9 -	1.2 -	0.1	0.7	1.7	2.2
Net Income attributable to the Group	1.2	1.0 -	1.5 -	0.8 -	1.1 -	0.1	0.7	1.6	2.0
Balance Sheet (EUR million)									
Total fixed assets	2.2	2.6	3.4	5.4	5.2	5.4	5.3	5.0	4.7
Net Working Capital (NWC)	3.5	3.8	4.0	4.5	5.5	5.5	5.7	5.3	5.6
Provisions	(0.6)	(0.6)	(0.7)	(0.8)	(1.0)	(1.2)	(1.5)	(1.7)	(2.0)
Total Net capital employed	5.0	5.8	6.7	9.0	9.7	9.7	9.6	8.6	8.2
Net financial position/(Cash)	(1.2)	(1.4)	0.2	3.5	5.4	5.5	4.6	2.0	(0.6)
Group Shareholder's Equity	6.2	7.3	6.8	5.9	4.9	4.8	5.5	7.1	9.1
Minorities	(0.0)	(0.1)	(0.3)	(0.4)	(0.6)	(0.6)	(0.5)	(0.4)	(0.3)
Total Shareholder's Equity	6.2	7.2	6.5	5.5	4.3	4.2	5.0	6.7	8.8
Cash Flow (EUR million)									
Net operating cash flow	1.5	1.3 -	1.0 -	0.4 -	0.5	0.8	1.7	2.7	3.2
Change in NWC	(0.8)	(0.4)	(0.2)	(0.5)	(1.0)	(0.0)	(0.2)	0.4	(0.2)
Capital expenditure	(1.0)	(0.8)	(1.3)	(2.6)	(0.6)	(1.0)	(0.7)	(0.5)	(0.5)
Other cash items/Uses of funds	0.1	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.3
Free cash flow	(0.2)	0.1	(2.4)	(3.3)	(1.8)	0.1	1.0	2.9	2.7
Enterprise Value (EUR million)									
Market Cap	27.2	24.7	16.9	24.6	18.6	12.2	12.2	12.2	12.2
Minorities	(0.0)	(0.1)	(0.3)	(0.4)	(0.6)	(0.6)	(0.5)	(0.4)	(0.3)
Net financial position/(Cash)	(1.2)	(1.4)	0.2	3.5	5.4	5.5	4.6	2.0	(0.6)
Enterprise value	26.0	23.2	16.8	27.8	23.4	17.1	16.3	13.7	11.3
Ratios (%)									
EBITDA margin	6.3%	4.8%	-6.6%	-2.0%	-2.0%	2.4%	4.9%	7.1%	7.6%
EBIT margin	5.6%	3.7%	-8.9%	-4.4%	-4.3%	0.4%	3.1%	5.4%	6.0%
Gearing - Debt/equity	-19.1%	-18.9%	3.6%	59.7%	110.8%	114.5%	84.7%	27.7%	-6.4%
Interest cover on EBIT	4.7%	4.5%	-13.9%	8.5%	4.4%	182.3%	20.0%	9.5%	7.6%
NFP/EBITDA	(0.6x)	(0.8x)	(0.2x)	(6.7x)	(8.6x)	6.2x	2.2x	0.6x	(0.1x)
ROCE	35.5%	21.6%	-25.5%	-12.7%	-14.1%	1.5%	13.5%	30.3%	39.6%
ROE	19.5%	14.4%	-21.6%	-13.6%	-22.2%	-1.8%	12.8%	22.6%	22.4%
EV/Sales	0.5x	0.5x	0.9x	0.7x	0.6x	0.5x	0.4x	0.4x	0.3x
EV/EBITDA	8.7x	10.8x	n.m.	n.m.	n.m.	19.9x	8.4x	5.1x	4.3x
P/E	10.0x	11.6x	n.m.	n.m.	n.m.	n.m.	17.3x	7.6x	6.0x
Free cash flow yield	-1.3%	0.8%	-13.5%	-18.9%	-10.4%	0.6%	5.8%	16.3%	15.5%
Growth Rates (%)									
Sales	n.m.	5.2%	-42.8%	36.3%	20.6%	15.8%	15.0%	14.5%	11.7%
EBITDA	n.m.	-18.8%	n.m.	n.m.	n.m.	n.m.	135.4%	64.5%	19.8%
EBIT	n.m.	-29.9%	n.m.	n.m.	n.m.	n.m.	772.2%	101.4%	25.0%
Net Income	n.m.	-22.2%	n.m.	n.m.	n.m.	n.m.	n.m.	128.0%	27.6%

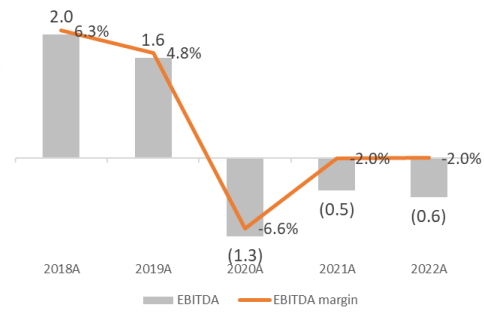
Source: Company Data, KT&Partners' Elaboration

Key charts

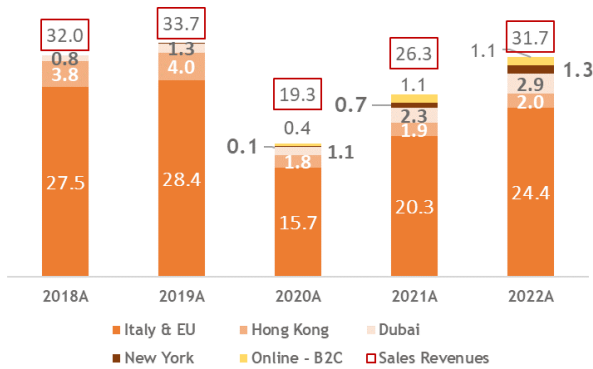
Sales Revenues and EBITDA Margin (€mn)



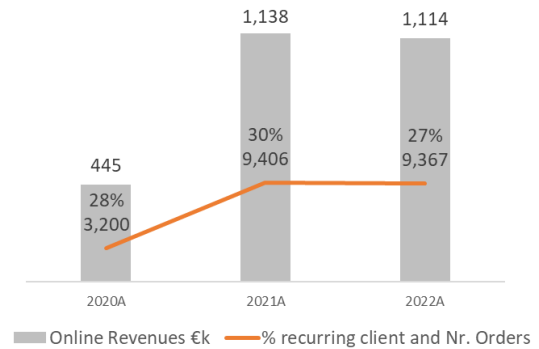
EBITDA and EBITDA Margin (€mn)



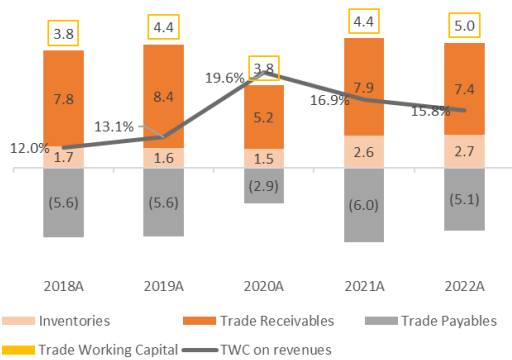
Sales Revenues by Business Unit (€mn)



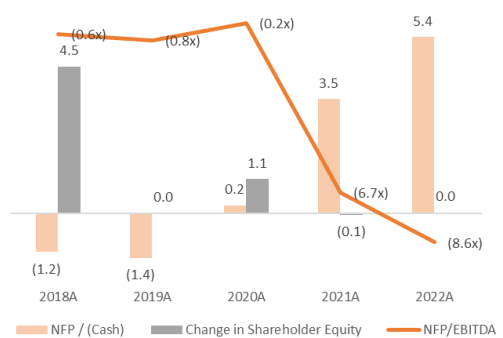
E-commerce B2C Revenue and KPI



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

- **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.

1H23 Financial Results

Despite the uncertain market scenario, in 1H23 Longino posted a +16% YoY growth, reaching €16.7mn of revenues, supported by the end of Covid-19 restrictions in all countries (including Hong Kong, which was impacted from the zero-COVID policy in 2022). On the other side, Longino's sales were ca. 8% below our estimates, mainly on the back of a lower-than-expected contribution from Italy & EU revenues that, despite increasing by 11% YoY, did not come back to pre-COVID levels (€12.5mn in 1H23 vs €13.4mn in 1H19).

Following, in January 2023, the end of pandemic restriction in Hong Kong, the Country reported a double-digit revenues growth (ca. +70% YoY) at €1.3mn in line with our estimates. Dubai kept growing, too, increasing its revenues by more than 10% YoY at €1.6mn (almost in line with our projections), while New York is retracing the growth path pursued by the foreign subsidiaries, with revenues growing by ca. +70% YoY at €0.9mn (vs €1.0mn expected), also showing a month-over-month growth. Finally, the Online B2C sales came almost in line with 1H22 at €0.5mn (but ca. 23% below our estimates) following the normalization trend that affected the e-commerce segment after the end of pandemic restrictions. We note that B2C sales benefitted from the launch of online channel in Hong Kong and Dubai, which contributed for almost €35k.

Looking at the Company's own products, we note that Satiro Danzante is growing its contribution to group revenues, reaching €0.6mn (ca. 52% share of revenues made outside of the group vs the 47% of 1H22). We notice that Satiro Danzante is also expected to keep growing thanks to the opening of the new 1,000mq plant in Mazara del Vallo (operative starting from 2H23) and considering it has been the first Italian company to obtain the authorization to export shrimp to the USA. Finally, Umami reached €36k, more than doubling YoY but still accounting for a small stake of revenues.

Longino registered a Gross profit at €3.8mn (+29% YoY and -7% than expected), with a 22.9% gross margin almost in line with our estimates and +2.3pp YoY, thanks to Longino's ability – according to the management – i) to transfer almost completely the increases in raw materials to its clients, through higher selling prices alongside ii) economies of scale at transport costs and other direct costs level. We note that gross profit also benefitted from a lower incidence of sales network costs for foreign subsidiaries, where sales' agents are paid through a fixed salary and not through variable commission on sales, as for holding company.

During 1H23, L&C kept investing in marketing activities, among which we find the participation in the 18th edition of *Identità Golose*, one of the main high-quality food fairs at world level, which took place in Milan in January 2023 and where Longino introduced its new offers, ranging from renowned caviar to a new kind of high-quality meat.

The higher gross margin coupled with a better management of fixed costs (mainly thanks to the digitization process and the entry into operation of the new ERP), enabled the company to reach an almost nil EBITDA (-80k vs 30k expected), with respect to a negative -€1mn EBITDA in 1H22.

Net loss, after a €0.1mn positive tax effect, was at €0.6mn, higher than our loss forecast of €0.3mn, mainly due to a negative impact from net financial income and expenses item (-€0.2mn vs -€0.1mn expected).

Finally, L&C's net financial position went from €5.4mn in FY22 to €6.5mn in 1H23, mainly on the back of i) the investments carried out for the new ERP, which are expected to bring process and cost efficiencies, ii) part of investments made for the new Satiro Danzante's plant in Mazara del Vallo, and iii) a higher NWC absorption.

Income Statement

€ mn	1H22	1H23	YoY %	1H23E	A vs E %
Italy & EU	11.2	12.5	11%	13.7	-9%
Hong Kong	0.7	1.3	73%	1.3	-1%
Dubai	1.4	1.6	10%	1.7	-4%
New York	0.5	0.9	69%	1.0	-7%
Online - B2C	0.4	0.5	8%	0.6	-23%
Sales Revenues	14.3	16.7	16%	18.2	-8%
Other Revenues					
Total Revenues	14.3	16.7	16%	18.2	-8%
Products and Raw materials	(11.4)	(12.9)	13%	(14.1)	-9%
Gross Profit	3.0	3.8	29%	4.1	-7%
<i>Gross Margin</i>	20.6%	22.9%	2.3%	22.5%	0.4%
Marketing and Commercial Cost	(1.8)	(1.7)	-5%	(1.9)	-7%
Inventory and Logistics Costs	(0.8)	(0.7)	-7%	(0.9)	-19%
General and Administrative Costs	(1.3)	(1.5)	9%	(1.3)	10%
EBITDA	(1.0)	(0.1)	n.m.	0.0	n.m.
<i>EBITDA margin</i>	-6.9%	-0.5%	n.m.	0.2%	-0.6%
D&A and Provisions	(0.4)	(0.4)		(0.3)	9%
EBIT	(1.3)	(0.5)	n.m.	(0.3)	n.m.
<i>EBIT margin</i>	-9.4%	-2.7%		-1.7%	
Financial Income and Expenses	0.2	(0.2)		(0.1)	
Extraordinary items	0.0	(0.0)		-	
EBT	(1.1)	(0.7)	n.m.	(0.4)	n.m.
Taxes	0.2	0.1		0.1	
<i>Tax Rate</i>	15.7%	8.7%		28.0%	
Net Income	(0.9)	(0.6)	n.m.	(0.3)	n.m.
<i>Net margin</i>	-6.3%	-3.6%		-1.6%	
Minorities					
Net Income attributable to the Group	(0.9)	(0.6)	-34%	(0.3)	100%
<i>Net margin</i>	-6.3%	-3.6%		-1.6%	

Source: Company Data

Balance Sheet

€ mn	FY22A	1H23	Delta
Fixed Assets	5.2	5.3	0.1
Trade receivables	7.4	8.1	0.7
Inventory	2.7	3.0	0.3
Trade Payables	(5.1)	(5.8)	(0.7)
Trade Working Capital	5.0	5.3	0.3
Other assets and liabilities	0.5	0.7	0.2
Net Working Capital	5.5	6.0	0.5
Other Provisions	(1.0)	(1.0)	(0.0)
Net Capital Employed	9.7	10.2	0.6
Group shareholders' equity	4.9	4.4	(0.5)
Minority shareholders' equity	(0.6)	(0.7)	(0.1)
Total shareholders' equity	4.3	3.7	(0.6)
Short-term debt / Cash (-)	1.8	1.4	(0.4)
Long-term liabilities	3.6	5.1	1.5
Net Financial Position	5.4	6.5	1.2
Sources	9.7	10.2	0.6

Source: Company Data

Change in Estimates

On the back of 1H23 sales revenues slightly below our expectations, we revised downward our estimates at the top-line level, also rebalancing the expected contribution from the different business units. We now anticipate FY23E sales revenues at €36.7mn (vs €39.9mn expected before), reaching €48.3mn in FY25E (vs €52.2mn previously forecasted), growing at a CAGR22-25E of 15.1% (vs 18.1% prior estimated). We expect a lower contribution coming from Italy and EU (but still accounting for the bulk), while we slightly increased the expected revenues from Il Satiro Danzante, considering the positive performance registered in 1H23, also backed by the new production plant opened in 2H23 and the recruitment in September 2023 of a sales agent with a strong background, that is expected to boost company's foreign sales.

We note that our assumptions are also supported by i) the launch of e-commerce B2B; ii) the expansion of e-commerce B2C abroad; iii) the enriched product portfolio presented during the *Identità Golose* fair in January 2023; iv) a strengthened commercial team with improved coverage of the regional areas, and v) the further recovery of tourism in Hong Kong after the removal of pandemic restriction in the first months of the year.

At profitability level, we slightly lowered our forecast for the 2023–25 period factoring in a higher-than-expected general and administrative costs' incidence, but still expecting an improvement for the second half of the year. Indeed, we notice that Longino's management announced that in 2H23 the better expected performance on revenues' side is projected to result in an increased profitability thanks to a better fixed costs' management, also considering that historically the company focused its marketing investments and events attendance in the first months of the year. We project FY23E EBITDA margin at 2.4%, reaching 7.1% in FY25E, also thanks to the cost optimization expected for New York and Shoplongino. In absolute terms, we forecast EBITDA at €0.9mn, growing at €3.4mn in FY25E.

We expect the higher incidence of financial expenses to result in a diluted net income for the FY23-FY25E period, improving from a net loss of €0.1mn in FY23E to €1.7mn in FY25E.

Finally, we slightly worsened our old estimates on NFP, considering a higher NWC absorption at Inventories and Other assets level, and the negative impact of profitability reduction coupled with higher financial expenses, despite lower-than-expected Capex. We thus expect NFP FY23E at €5.5mn. The end of investments related to the new plant in Mazara del Vallo coupled with a better NWC management and an improved profitability are expected to result in a gradual reduction in NFP, that is forecasted to reach €2.0mn in FY25E.

Change in Estimates

€ mn	2021	2022	2022	A vs E	2023E	2023E	Change	2024E	2024E	Change	2025E	2025E	Change	CAGR 22-25	CAGR 22-25
	Actual	Old	Actual		Old	New		Old	New		Old	New			
Revenues	26.3	32.6	31.7	-3%	39.9	36.7	-8%	45.8	42.2	-8%	52.2	48.3	-7%	18.1%	15.1%
YoY Change (%)	36%	24%	21%		26%	16%		15%	15%		24%	14%			
EBITDA	(0.5)	(0.5)	(0.6)	n.m.	1.2	0.9	-23%	2.5	2.1	-16%	4.0	3.4	-14%	n.m.	n.m.
YoY Change (%)	n.m.	n.m.	n.m.		-284%	-241%		116%	135%		91%	65%			
EBITDA Margin	-2.0%	-1.7%	-2.0%		2.9%	2.4%		5.4%	4.9%		7.6%	7.1%			
EBIT	(1.2)	(1.2)	(1.4)	n.m.	0.4	0.1	-63%	1.7	1.3	-22%	3.1	2.6	-16%	n.m.	n.m.
YoY Change (%)	n.m.	n.m.	n.m.		-130%	-111%		311%	772%		141%	101%			
EBIT Margin	-4.4%	-3.8%	-4.3%		1.0%	0.4%		3.6%	3.1%		6.0%	5.4%			
Net Income	(0.9)	(0.9)	(1.2)	n.m.	0.2	0.1	-148%	1.1	0.7	-32%	2.1	1.7	-21%	n.m.	n.m.
YoY Change (%)	n.m.	n.m.	n.m.		n.m.	n.m.		481%	-932%		188%	128%			
Net Margin	-3.4%	-2.8%	-3.9%		0.5%	-0.2%		2.4%	1.8%		4.1%	3.5%			
NFP/(Cash)	3.5	4.3	5.4	1.1	4.8	5.5	0.6	3.9	4.6	0.7	1.0	2.0	0.9		
YoY Change (€mn)	3.3	0.8	1.9		(0.5)	0.1		(0.9)	(0.8)		(2.9)	(2.7)			

Source: FactSet, 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 €24.8mn or €3.97ps.

DCF Valuation

We conducted our valuation using a five-year DCF model, based on 12.0% 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 4.29% (historical average of Italian 10y BTP, last 3M average), 4.67% equity risk premium (Damodaran for the mature market) and a premium for size and liquidity of 4.32%. We, therefore, obtained 10.9% WACC.

We discounted 2023E–26E 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	2023E	2024E	2025E	2026E
EBIT	0.1	1.3	2.6	3.3
Taxes	(0.0)	(0.4)	(0.7)	(0.9)
D&A	0.7	0.8	0.8	0.8
Change in Net Working Capital	(0.0)	(0.2)	0.4	(0.2)
Change in Funds	0.2	0.2	0.2	0.3
Net Operating Cash Flow	1.1	1.7	3.4	3.2
Capex	(1.0)	(0.7)	(0.5)	(0.5)
FCFO	0.1	1.0	2.9	2.7
g	2.0%			
Wacc	10.9%			
FCFO (discounted)	0.1	0.9	2.3	2.2
Discounted Cumulated FCFO	5.4			
TV	31.1			
TV (discounted)	24.7			
Enterprise Value	30.2			
NFP FY22A	5.4			
Equity Value	24.8			
Current number of shares (mn)	6.3			
Value per share (€)	3.97			

Source: Company Data, KT&Partners' Elaboration

Sensitivity Analysis – Growth rate and WACC (€mn)

€ mn	WACC					
	11.4%	11.2%	10.9%	10.7%	10.4%	
Terminal growth Rate	1.5%	21.9	22.6	23.4	24.2	25.0
	1.8%	22.6	23.3	24.1	24.9	25.8
	2.0%	23.2	24.0	24.8	25.7	26.6
	2.3%	23.9	24.7	25.6	26.5	27.5
	2.5%	24.6	25.5	26.4	27.4	28.4

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. €0.7bn. 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 FY22, the company achieved revenues of €1.9bn.
- **METRO AG (B4B-DE)** listed on the Xetra stock exchange (Germany) with a market capitalization of ca. €2.3bn. 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 FY22, the company achieved revenues of €30bn.
- **Bid Corporation Limited (BID-ZA)** listed on the Johannesburg stock exchange (South Africa) with a market capitalization of ca. €6.7bn. 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 FY22, the company achieved revenues of €8.6bn.
- **Performance Food Group Company (PFGC)** listed on the New York stock exchange with a market capitalization of ca. €8.3bn. 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 FY22, the company achieved revenues of €45bn.
- **US Foods Holding Corp. (USFD)** listed on the New York stock exchange with a market capitalization of ca. €8.8bn. 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 FY22, the company achieved revenues of €32bn.
- **Sysco Corporation (SYY)** listed on the New York stock exchange with a market capitalization of ca. €31.3bn. 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 FY22, SYY achieved revenues of €61bn.
- **United Natural Foods Inc. (UNFI)** listed on the New York stock exchange with a market capitalization of ca. €0.8bn. 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 FY22, UNFI achieved revenues of €26bn.
- **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 FY22, PBH-CA achieved revenues of €4.4bn.

- **Metcash Limited (MTS-AU)** listed on the ASX stock exchange (Australia) with a market capitalization of ca. €2.2bn. 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 FY22, MTS achieved revenues of €10.3bn.

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 4.9% which is above L&C's expected 2023 profitability (2.4%) but in line with its pre-COVID-19 level (4.8%).

Peers Comparison – Profitability

Company Name	EBITDA Margin							Net Margin						
	2019	2020	2021	2022	2023	2024	2025	2019	2020	2021	2022	2023	2024	2025
MARR SpA	4.2%	neg	5.1%	3.3%	5.9%	6.5%	6.9%	4.0%	neg	2.5%	1.4%	2.5%	2.9%	3.2%
METRO AG	2.2%	1.8%	1.5%	2.4%	4.4%	4.1%	4.0%	1.5%	neg	neg	1.3%	0.5%	0.5%	
Bid Corporation Limited	6.2%	5.8%	6.4%	6.7%	6.6%	6.7%	6.8%	3.7%	1.2%	2.7%	3.3%	3.6%	3.7%	3.8%
Performance Food Group Co	2.2%	0.7%	1.8%	1.6%	2.4%	2.5%	2.6%	0.8%	neg	0.1%	0.2%	1.1%	1.2%	1.3%
US Foods Holding Corp.	4.3%	2.3%	2.9%	3.2%	4.3%	4.6%	4.7%	1.5%	neg	0.6%	0.8%	1.8%	2.1%	2.3%
Sysco Corporation	5.4%	4.6%	4.8%	4.8%	5.1%	5.3%	5.5%	2.8%	0.4%	1.0%	2.0%	2.7%	2.7%	2.8%
United Natural Foods, Inc.	2.2%	2.3%	2.3%	2.2%	2.1%	1.6%	1.7%	neg	neg	0.5%	0.9%	0.4%	0.0%	0.1%
Premium Brands Holdings Corp	8.4%	7.6%	7.6%	7.3%	9.1%	9.4%	10.0%	2.3%	2.1%	2.7%	2.7%	2.9%	3.5%	3.3%
Metcash Limited	3.5%	3.6%	4.0%	4.0%	4.2%	4.1%	4.2%	neg	1.7%	1.6%	1.6%	1.8%	1.7%	1.8%
Peers Average	4.3%	3.6%	4.0%	3.9%	4.9%	5.0%	5.2%	2.4%	1.3%	1.5%	1.6%	2.0%	2.0%	2.1%
Longino	4.8%	neg	neg	neg	2.4%	4.9%	7.1%	3.1%	neg	neg	neg	neg	1.7%	3.3%

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

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

Company Name	Sales				YoY	Sales			CAGR 2019-'25
	2020	2021	2022	2023		2024	2025		
MARR SpA	1,048	1,421	1,879	32.2%	2,122	2,177	2,263	5.4%	
METRO AG	25,913	25,107	30,008	19.5%	31,120	32,345	34,181	3.8%	
Bid Corporation Limited	6,961	6,246	8,585	37.4%	9,634	10,724	11,418	6.1%	
Performance Food Group Co	22,692	25,495	45,202	77.3%	52,494	55,907	58,965	22.7%	
US Foods Holding Corp.	20,075	24,947	32,405	29.9%	33,540	34,933	36,624	7.9%	
Sysco Corporation	47,845	43,022	60,959	41.7%	69,516	75,350	78,447	6.9%	
United Natural Foods, Inc.	23,977	22,539	26,018	15.4%	28,602	29,526	29,663	7.1%	
Premium Brands Holdings Corp	2,661	3,328	4,407	32.4%	4,475	4,785	5,227	13.4%	
Metcash Limited	8,878	9,692	10,303	6.3%	9,598	10,215	10,356	4.6%	
Peers Average	17,783	17,977	24,419	35.8%	26,789	28,440	29,683	8.9%	
Longino	19	26	32	21%	32	37	42	4%	

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

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

Company Name	EBITDA				YoY	EBITDA			CAGR 2019-'25
	2020	2021	2022	2023		2024	2025		
MARR SpA	-6	72	62	-14.4%	126	142	156	14.4%	
METRO AG	456	376	708	88.3%	1,381	1,329	1,383	14.7%	
Bid Corporation Limited	402	398	578	45.1%	640	716	774	7.8%	
Performance Food Group Co	160	453	706	55.9%	1,250	1,403	1,557	26.3%	
US Foods Holding Corp.	461	725	1,023	41.1%	1,456	1,608	1,737	9.7%	
Sysco Corporation	2,192	2,049	2,941	43.5%	3,566	4,018	4,288	7.1%	
United Natural Foods, Inc.	562	522	572	9.6%	605	470	513	2.9%	
Premium Brands Holdings Corp	203	254	323	27.1%	408	451	522	16.7%	
Metcash Limited	323	387	414	7.1%	400	414	432	7.4%	
Peers Average	528	582	814	39.9%	1,092	1,172	1,263	10.3%	
Longino	-1	-1	-1	n.m.	1	2	3	13%	

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

Peer Comparison – Market Multiples

Company Name	Exchange	Market Cap	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	EV/EBIT 2025	P/E 2022	P/E 2023	P/E 2024	P/E 2025
MARR SpA	Milan	724	0.5x	0.5x	0.4x	0.4x	15.8x	7.8x	6.9x	6.3x	23.3x	11.2x	9.5x	8.4x	27.3x	14.5x	12.1x	10.0x
METRO AG	XETRA	2,279	0.2x	0.2x	0.2x	0.2x	7.8x	4.0x	4.1x	4.0x	n.m	10.0x	12.2x	11.5x	n.m	10.9x	13.9x	12.1x
Bid Corporation Limited	JSE	6,720	0.8x	0.7x	0.7x	0.6x	12.4x	11.2x	10.0x	9.3x	16.2x	14.1x	12.4x	11.4x	24.1x	20.1x	17.3x	15.8x
Performance Food Group Co	NYSE	8,285	0.3x	0.2x	0.2x	0.2x	17.9x	10.1x	9.0x	8.1x	n.m	13.2x	11.7x	10.3x	n.m	14.7x	12.7x	10.7x
US Foods Holding Corp.	NYSE	8,772	0.4x	0.4x	0.4x	0.4x	12.7x	8.9x	8.1x	7.5x	19.4x	12.1x	10.7x	9.6x	36.7x	14.2x	11.7x	10.2x
Sysco Corporation	NYSE	31,327	0.7x	0.6x	0.5x	0.5x	13.9x	11.5x	10.2x	9.5x	19.0x	14.1x	12.5x	11.7x	26.4x	17.0x	15.2x	13.8x
Unilever Natural Foods, Inc.	NYSE	850	0.1x	0.1x	0.1x	0.1x	6.6x	6.2x	8.0x	7.4x	12.0x	13.6x	32.1x	23.6x	4.0x	7.0x	n.m	22.5x
Premium Brands Holdings Corp	Toronto TSE	2,834	1.1x	1.1x	1.0x	0.9x	14.5x	11.5x	10.4x	9.0x	22.8x	15.8x	15.0x	15.1x	24.3x	19.6x	16.3x	12.9x
Metcash Limited	ASX	2,166	0.3x	0.3x	0.3x	0.3x	7.3x	7.5x	7.3x	7.0x	10.1x	10.4x	10.1x	9.8x	12.5x	12.2x	12.1x	11.7x
Average peer group		7,106	0.5x	0.5x	0.4x	0.4x	12.1x	8.8x	8.2x	7.6x	17.5x	12.7x	14.0x	12.4x	22.2x	14.5x	13.9x	13.3x
Median peer group		2,834	0.4x	0.4x	0.4x	0.4x	12.7x	8.9x	8.1x	7.5x	19.0x	13.2x	12.2x	11.4x	24.3x	14.5x	13.3x	12.1x

Source: FactSet, KT&Partners' Elaboration

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