

A growing Longino's online retail community

ADD | Fair Value: €4.27 (€3.89) | Current Price: €3.60 | Upside: 19%

€ Million	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Total Revenue:	28.5	32.0	33.7	19.3	30.1	40.5	45.6	50.3
EBITDA	1.5	2.0	1.6	(1.3)	0.5	2.2	2.9	3.8
margin	5.3%	6.3%	4.8%	-6.6%	1.7%	5.5%	6.4%	7.5%
Net Profit	0.6	1.2	0.9	(1.8)	(0.1)	1.1	1.5	2.1
margin	2.0%	3.7%	2.8%	-9.1%	-0.4%	2.6%	3.2%	4.1%
EPS (€)	n.a.	0.19	0.17	-0.23	-0.02	0.17	0.23	0.31

Source: Company Data, KT&Partners' Elaboration

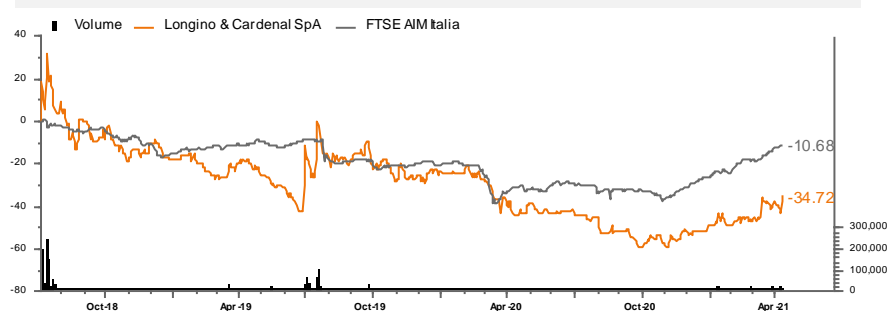
E-commerce keeps growing. The launch – in June 2020 – of a B2C business line is proving to be a great strategic action, demonstrating the reactivity of L&C's management to a difficult period in its traditional B2B business due to the pandemic. In 2020 e-commerce – directed by a new Digital & Commerce director hired in October – generated €445k of revenues (higher than our €400k estimate), with ca. 3200 orders and 28% of recurring clients. Looking at 2021, in the first quarter of the year e-commerce reached ca. €350k, with 2760 orders and 29% recurring clients (+1pp when compared to 2020). The online platform – after the launch of a new website in October 2020 – is expected to be developed further, so as to be ready to expand the business in new countries.

FY20 results. 2020 revenues came in at €19.3mn (-43% YoY), 3% lower than our estimates, due to more severe pandemic restrictions, especially impacting Hong Kong revenues, which came in at €1.8mn (vs €2.4mn of our estimate). Italy, Dubai and New York reached revenues of €15.7mn, €1.1mn and €0.1mn respectively, in line with our estimates. Gross profit came in at 19.4%, lower by 1pp when compared to our estimates, due to higher receivables impairment losses. Despite that, we are broadly in line when looking at EBITDA level – which was negative by €1.3mn – which we note has been impacted by the start-up of the New York subsidiary. The bottom line closed with a net loss of €1.8mn, fully absorbed by equity reserves. We note that despite the downturn, the management has been able to maintain a sound NFP, which closed at €0.2mn (€1mn lower than our 2020 estimates).

Estimates review. On the back of the i) higher than expected e-commerce results, ii) the great results of Dubai, and iii) the persisting lockdown restrictions, we revised downwards our 2021 revenue estimates (-15%), while keeping stable 2022 projections (-2%) thanks to the higher contribution of online revenues (€2.5mn vs €2.0mn). 2021 EBITDA is expected to be affected by a weak 1H21 result by the traditional business, closing 2021 at €0.5mn vs €1.5mn previously expected.

Fair value. Our valuation returns an average equity value of €26.7mn or €4.27ps vs €3.89ps of our previous valuation thanks to: i) a better NFP, ii) a lower cost of capital and iii) a higher expectation of online revenues. Our fair value indeed includes the potential of the online business, which contributes €1.21ps to the market multiple valuation. L&C's fair value shows a potential upside of 19% on the current market price of €3.60ps.

Relative Performance Chart – Since IPO



Source: FactSet

Research Update

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Market Data:

Market Data:	
Main Shareholders	
Carm S.r.l.	78.00%
8a+ Investimenti SGR SpA	2.20%
BG Fund Management Luxembourg SA	1.35%
Mkt Cap (€ mn)	22.5
EV (€ mn)	22.4
Shares out.	6.3
Free Float	22.0%

Market multiples	2020	2021	2022
EV/EBITDA			
L&C	n.m.	n.m.	10.2x
Comps median	17.8x	14.3x	11.1x
L&C vs Median	n.a.	n.a.	-8%
P/E			
L&C	n.m.	n.m.	21.2x
Comps median	7.0x	27.0x	20.5x
L&C vs Median	n.a.	n.a.	4%

Stock Data:

52 Wk High (€)	4.40
52 Wk Low (€)	1.80
Avg. Daily Trading 90d	4,992
Price Change 1w (%)	9.09
Price Change 1m (%)	23.29
Price Change YTD (%)	33.33

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

	Current price (€)	Fair Value (€)	Sector					Free Float (%)
	3.60	4.27	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)	(0.02)	0.17	0.23	0.31
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	30.1	40.5	45.6	50.3
EBITDA	1.5	2.0	1.6 -	1.3	0.5	2.2	2.9	3.8
EBIT	1.4	1.8	1.3 -	1.7	0.1	1.7	2.3	3.1
EBT	0.9	1.7	1.3 -	2.1 -	0.2	1.5	2.1	2.9
Taxes	(0.4)	(0.5)	(0.4)	0.3	0.0	(0.4)	(0.6)	(0.9)
Tax rate	41%	28%	28%	15%	29%	30%	30%	30%
Net Income*	0.7	1.2	0.9 -	1.7 -	0.1	1.1	1.5	2.1
Net Income attributable to the Group	0.6	1.2	1.0 -	1.5 -	0.1	1.1	1.4	1.9
Balance Sheet (EUR million)								
Total fixed assets	1.4	2.2	2.6	3.4	3.4	3.4	3.5	3.4
Net Working Capital (NWC)	2.6	3.5	3.8	4.0	4.0	5.4	5.3	5.4
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	6.5	7.8	7.5	7.3
Net financial position/(Cash)	3.1	(1.2)	(1.4)	0.2	0.2	0.3	(1.4)	(3.6)
Group Shareholder's Equity	0.5	6.2	7.3	6.8	6.7	7.7	9.2	11.1
Minorities	0.0	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.1)
Total Shareholder's Equity	0.5	6.2	7.2	6.5	6.4	7.4	8.9	11.0
Cash Flow (EUR million)								
Net operating cash flow	-	1.5	1.3 -	1.0	0.5	1.7	2.2	2.8
Change in NWC	-	(0.8)	(0.4)	(0.2)	(0.0)	(1.3)	0.1	(0.1)
Capital expenditure	-	(0.5)	(0.0)	(0.4)	(0.4)	(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)	0.2	(0.0)	1.9	2.4
Enterprise Value (EUR million)								
Market Cap	n.a.	27.2	24.7	16.9	22.5	22.5	22.5	22.5
Minorities	0.0	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	(0.1)
Net financial position/(Cash)	3.1	(1.2)	(1.4)	0.2	0.2	0.3	(1.4)	(3.6)
Enterprise value	n.m.	26.0	23.2	16.8	22.4	22.5	20.9	18.7
Ratios (%)								
EBITDA margin	5.3%	6.3%	4.8%	-6.6%	1.7%	5.5%	6.4%	7.5%
EBIT margin	4.8%	5.6%	3.7%	-8.9%	0.2%	4.2%	5.1%	6.2%
Gearing - Debt/equity	593.5%	-19.1%	-18.9%	3.6%	2.4%	4.2%	-15.3%	-32.9%
Interest cover on EBIT	20.1%	4.7%	4.5%	-13.9%	385.4%	11.9%	8.7%	6.5%
NFP/EBITDA	2.0x	(0.6x)	(0.8x)	(0.2x)	0.3x	0.1x	(0.5x)	(1.0x)
ROCE	38.2%	35.5%	21.6%	-25.5%	0.8%	22.0%	31.0%	42.9%
ROE	115.4%	19.5%	14.4%	-21.6%	-1.6%	13.7%	15.7%	17.5%
EV/Sales	0.8x	0.7x	0.7x	1.2x	0.8x	0.6x	0.5x	0.5x
EV/EBITDA	15.0x	11.3x	13.9x	n.m.	43.5x	10.2x	7.8x	6.0x
P/E	37.9x	18.5x	21.4x	n.m.	n.m.	21.2x	15.7x	11.6x
Free cash flow yield	n.m.	0.8%	3.6%	-8.6%	1.0%	-0.1%	8.2%	10.5%
Growth Rates (%)								
Sales	n.a.	n.m.	5.2%	-42.8%	55.9%	34.5%	12.7%	10.4%
EBITDA	n.a.	n.m.	-18.8%	n.m.	n.m.	326.4%	30.5%	30.1%
EBIT	n.a.	n.m.	-29.9%	n.m.	n.m.	3143.1%	36.3%	35.0%
Net Income	n.a.	n.m.	-22.2%	n.m.	n.m.	-1096.1%	39.7%	39.6%

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.

FY20 Financial Results

L&C experienced a strong slowdown of its traditional B2B business, mainly due to pandemic restrictions. Italy and Hong Kong suffered the most, experiencing respectively a drop by 45% – in line with our estimates – and 54% – coming in €0.6mn lower than our expectations. On the other hand, Dubai, also thanks to the less severe pandemic situation, went down by only 14%, as we expected.

In the last year, L&C management turned a negative scenario into a positive one, launching – in June 2020 – its online B2C business, reaching €440k at the end of the year – higher than our estimates of €400k – experiencing an average +86% growth month over month.

2020 revenue reached €19.3mn – down by ca. 40% when compared to 2019 – broadly in line with our FY20 estimates (€19.8mn).

Gross margin came in 1pp lower than our estimates (19.4% vs 20.2%), mainly due to extraordinary costs related to impairment losses on receivables related to pandemic and lockdown extensions on the last months of the year.

EBITDA in 2020 was negative by €1.3mn vs our estimate of -€1.2mn. The result has been influenced by both revenue fall and by costs related to: i) the hiring of a Digital & E-commerce Director (in the last quarter of 2020); ii) the launch of the online platform; iii) commercial and marketing costs to sustain the new B2C business; and iv) innovations related to ERP and CRM systems and logistic activities.

We note that EBITDA has been affected by the results of the USA subsidiary, which – due to its start-up phase and COVID-19 breakout – closed the year with a negative EBITDA of €0.5mn.

On the bottom line, L&C registered in 2020 a net loss of €1.8mn, fully covered by equity reserves.

2020 NFP reached €0.2mn – from net cash of €1.3mn in 2019. We note that, following the COVID-19 breakout, the company required and obtained new financing, including two loans covered by "Decreto Liquidità" with a 90% guarantee provided by "Fondo Centrale di Garanzia" for a total of ca. €4mn. Indeed, the company closed the year with a liquidity of €7.6mn, compared to €2.2mn at the end of 2019.

FY20 Income Statement

€ million	FY17A	FY18A	FY19A	FY20A	YoY %	FY20E	A vs E %
Italy & EU	24.5	27.5	28.4	15.7	-45%	15.8	-1%
Hong Kong	3.5	3.8	4.0	1.8	-54%	2.4	-24%
Dubai	0.6	0.8	1.3	1.1	-14%	1.1	4%
New York	-	-	0.0	0.1		0.1	
Online	-	-	-	0.4		0.4	
Sales Revenues	28.5	32.0	33.7	19.3	-43%	19.8	-3%
<i>Growth %</i>		12.2%	5.2%	-42.8%			
Cost of Goods Sold	(22.6)	(24.8)	(26.0)	(15.6)		(15.8)	
Gross Profit	6.0	7.2	7.7	3.7	-52%	4.0	-7%
<i>Gross Margin</i>	21.0%	22.4%	23.0%	19.4%		20.2%	
Marketing and Commercial Cost	(1.7)	(2.0)	(2.3)	(1.9)		(2.2)	
Inventory and Logistics Costs	(1.1)	(1.3)	(1.6)	(1.1)		(1.0)	
General and Administrative Costs	(1.7)	(1.8)	(2.2)	(2.0)		(2.0)	
EBITDA	1.5	2.0	1.6	(1.3)	n.m.	(1.2)	
<i>EBITDA margin</i>	5.3%	6.3%	4.8%	-6.6%		-6.2%	
<i>Growth %</i>		32.4%	-18.8%	n.m.			
D&A and Provisions	(0.2)	(0.2)	(0.4)	(0.4)		(0.4)	
EBIT	1.4	1.8	1.3	(1.7)	n.m.	(1.6)	
<i>EBIT margin</i>	4.8%	5.6%	3.7%	-8.9%		-8.1%	
<i>Growth %</i>		31.3%	-29.9%	n.m.			
Financial Income and Expenses	(0.3)	(0.1)	(0.1)	(0.2)		(0.1)	
Extraordinary items	(0.1)	(0.0)	0.1	(0.1)		(0.2)	
EBT	0.9	1.7	1.3	(2.1)	n.m.	(1.9)	
Taxes	(0.4)	(0.5)	(0.4)	0.3		0.4	
<i>Tax Rate</i>	41.1%	28.3%	27.5%	15.2%		20.0%	
Net Income	0.6	1.2	0.9	(1.8)	n.m.	(1.5)	
<i>Net margin</i>	2.0%	3.7%	2.8%	-9.1%		-7.5%	
<i>Growth %</i>		114.3%	-21.4%	n.m.			

Source: Company data

Change in Estimates

On the back of FY20 results and recent developments, we slightly updated our estimates.

Due to the persisting pandemic restrictions of the first months of 2021 – not factored in our previous projections – we revised downwards our 2021 revenues by 15%. Restrictions have been - and still are - severe within the EU area, while in both New York and Hong Kong the company started seeing a partial recovery. On the other hand, Dubai experienced a great start in 2021, registering +80% when compared to the same period of 2019.

The online business instead is expected to keep growing during the year and – after having generated ca. €345k in Q121 – we estimate ca. €1.8mn of revenues in 2021. Furthermore, we note that, considering its great results, the company is also planning to launch the B2C Online platform abroad.

We expect a full regime in 2022, therefore we have kept our estimates basically unchanged, also thanks to the higher than expected growth of the online business.

Looking at EBITDA, we revised downwards our expectations for 2021 (€0.5mn vs €1.5mn), due to the pandemic effects which are expected to persist for the first half of the year, while for 2022 mainly due to the delay in New York startup, we reduced the estimate by 12%.

The key points of our estimates are as follows:

- FY21 revenues at €30.1mn reaching €40.5 in 2022 (CAGR 2020–22 of 45%);
- FY21 EBITDA at €0.5mn reaching €2.2mn in 2022;
- FY21 net income at breakeven reaching €1.1mn in 2022;
- FY21 net financial position at €0.2mn and at €0.3mn in 2022.

Change in Estimates

€ mn	2017A	2018	2019	2020	YoY	2021E	2021E	Change	2022E	2022E	Change
		Actual	Actual	Actual		Old	New		Old	New	
Revenues	28.5	32.0	33.7	19.3	-42.8%	35.4	30.1	-15.0%	41.3	40.5	-2.0%
YoY Change (%)		12%	5%	-43%		11%	-6%		37%	35%	
EBITDA	1.5	2.0	1.6	(1.3)	n.m.	1.5	0.5	-64.6%	2.5	2.2	-11.9%
YoY Change (%)		32.4%	-18.8%	n.m.		-26.7%	-74.0%		384.2%	326.4%	
EBITDA Margin	5.3%	6.3%	4.8%	-6.6%		4.2%	1.7%		6.1%	5.5%	
EBIT	1.4	1.8	1.3	(1.7)	n.m.	1.0	0.1	-94.9%	2.0	1.7	-15.3%
YoY Change (%)		31.3%	-29.9%	n.m.		-42.0%	-97.1%		3731.0%	3143.1%	
EBIT Margin	4.8%	5.6%	3.7%	-8.9%		2.9%	0.2%		4.9%	4.2%	
Net Income	0.6	1.2	0.9	(1.8)	n.m.	0.7	(0.1)	-115.9%	1.4	1.1	-21.7%
YoY Change (%)		114.3%	-21.4%	n.m.		-44.0%	-108.9%		-1372.1%	-1096.1%	
Net Margin	2.0%	3.7%	2.8%	-9.1%		1.9%	-0.4%		3.3%	2.6%	
NFP/(Cash)	3.1	(1.2)	(1.4)	0.2	1.6	0.9	0.2	(0.7)	(0.1)	0.3	0.4
YoY Change (€mn)		(4.3)	(0.2)	1.6		0.7	(0.1)		(0.3)	0.2	

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 €26.7mn or €4.27ps.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	27.3	4.37
EV/EBITDA	19.6	3.14
P/E	17.4	2.78
Average - Multiples	18.5	2.96
<i>Online B2C</i>	7.6	1.21
Sum of parts - Multiples	26.1	4.17
Average - btw method	26.7	4.27

Source: FactSet, KT&Partners' elaboration

Online Upside

We note that the market multiple valuation, based on 2021 and 2022 data, 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 €18bn 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 €7.6mn (€1.21ps).

Online Valuation

Multiple Valuation (€mn)	2021E	2022E
EV/Sales Ocado	5.5x	4.8x
Longino Online Sales	1.8	2.5
Enterprise value	9.7	11.8
Longino Online Net Debt	0.0	0.0
Equity Value	9.7	11.8
Average Equity Value	10.8	
<i>Size/Liquidity Discount</i>	30%	
Equity Value Post-Discout	7.6	
<i>Number of shares (mn)</i>	6.3	
Value per Share €	1.21	

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 2020–22 data.

Peer Comparison – Market Multiples 2020–22

Company Name	Exchange	Market Cap	EV/SALES 2020	EV/SALES 2021	EV/SALES 2022	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBIT 2020	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	P/E 2020	P/E 2021	P/E 2022
MARR SpA	Milan	1,243	1.4x	1.0x	0.8x	n.m	15.8x	11.8x	n.m	24.3x	15.5x	14.4x	n.m	35.2x	21.1x
METRO AG	XETRA	3,274	0.3x	0.3x	0.3x	15.5x	6.1x	5.4x	n.m	21.7x	14.9x	13.2x	7.0x	n.m	20.4x
Bid Corporation Limited	JSE	5,529	0.9x	0.9x	0.8x	14.7x	14.8x	11.1x	21.9x	21.9x	15.0x	13.4x	n.m	32.5x	20.5x
Performance Food Group Company	NYSE	6,537	0.4x	0.4x	0.3x	n.m	17.6x	13.8x	n.m	31.8x	21.5x	17.4x	n.m	43.7x	25.3x
US Foods Holding Corp.	NYSE	7,327	0.6x	0.5x	0.5x	26.3x	13.4x	10.6x	n.m	21.5x	15.5x	13.2x	n.m	26.2x	16.4x
Sysco Corporation	NYSE	34,965	0.9x	1.0x	0.9x	22.2x	22.3x	14.4x	39.1x	34.9x	18.6x	16.9x	n.m	n.m	25.2x
United Natural Foods, Inc.	NYSE	1,723	0.2x	0.2x	0.2x	8.3x	7.7x	7.8x	15.6x	14.7x	14.0x	13.8x	n.m	10.7x	10.5x
Premium Brands Holdings Corp	Toronto	3,496	1.6x	1.3x	1.2x	20.2x	14.3x	12.6x	33.6x	19.9x	18.1x	n.a.	n.m	27.0x	22.3x
Metcash Limited	ASX	2,428	n.a.	0.3x	0.3x	n.a.	8.1x	7.8x	n.a.	11.5x	11.1x	10.3x	n.a.	16.0x	14.8x
Average peer group		7,391	0.8x	0.7x	0.6x	17.9x	13.4x	10.6x	27.5x	22.5x	16.0x	14.1x	7.0x	27.3x	19.6x
Median peer group		3,496	0.7x	0.5x	0.5x	17.8x	14.3x	11.1x	27.7x	21.7x	15.5x	13.6x	7.0x	27.0x	20.5x

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 only, considering that 2021 is penalized by persisting pandemic restrictions.

Multiple Valuation – EV/EBITDA and P/E

Multiple Valuation (€mn)	2022E	Multiple Valuation (€mn)	2022E
EV/EBITDA Comps	11.1x	P/E Comps	20.5x
Longino EBITDA	2.2	Longino Net Income	1.1
Enterprise value	24.8	Equity Value	21.7
Longino Net Debt FY20	0.2	Average Equity Value	21.7
Equity Value	24.5	<i>Liquidity Discount</i>	20%
Average Equity Value	24.5	Equity Value Post-Discout	17.4
<i>Liquidity Discount</i>	20%	<i>Number of shares (thousand)</i>	6.3
Equity Value Post-Discout	19.6	Value per Share €	2.78
<i>Number of shares (mn)</i>	6.3		
Value per Share €	3.14		

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

DCF Valuation

We have also conducted our valuation using a five-year DCF model, based on 10.1% 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 5.2%. We, therefore, obtained 9.3% 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	0.1	1.7	2.3	3.1
Taxes	(0.0)	(0.5)	(0.7)	(0.9)
D&A	0.5	0.5	0.6	0.6
Change in Net Working Capital	(0.0)	(1.3)	0.1	(0.1)
Change in Funds	0.2	0.2	0.2	0.2
Net Operating Cash Flow	0.6	0.6	2.5	3.0
Capex	(0.4)	(0.6)	(0.6)	(0.6)
FCFO	0.2	(0.0)	1.9	2.4
g	2.0%			
Wacc	9.3%			
FCFO (discounted)	0.2	(0.0)	1.5	1.7
Discounted Cumulated FCFO	3.4			
TV	33.6			
TV (discounted)	24.2			
Enterprise Value	27.5			
NFP FY20A	0.2			
Equity Value	27.3			
Current number of shares (mn)	6.3			
Value per share (€)	4.37			

Source: Company data, KT&Partners' elaboration

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

€ mn	WACC				
	9.8%	9.5%	9.3%	9.0%	8.8%
Terminal growth Rate					
1.5%	23.9	24.7	25.6	26.6	27.6
1.8%	24.6	25.5	26.4	27.5	28.6
2.0%	25.3	26.3	27.3	28.4	29.6
2.3%	26.1	27.1	28.2	29.4	30.7
2.5%	27.0	28.1	29.2	30.5	31.8

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. €3bn. 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. €5.5bn. 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. €6.5bn. 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. €3.5bn. 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 5.4%, whereas we expect 5.5% for L&C. Looking at the 2022 net margin, L&C is expected at 2.6%, 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	6.3%	7.2%	4.1%	4.2%	4.0%	neg	2.7%	3.7%
METRO AG	1.5%	0.9%	2.2%	1.8%	4.6%	5.1%	1.2%	1.3%	1.5%	neg	0.1%	0.6%
Bid Corporation Limited	6.3%	6.0%	6.2%	5.8%	5.8%	6.9%	3.6%	3.6%	3.7%	1.3%	2.5%	3.5%
Performance Food Group Company	2.0%	2.2%	2.2%	0.7%	2.1%	2.5%	0.6%	1.1%	0.8%	neg	0.6%	1.0%
US Foods Holding Corp.	4.0%	4.1%	4.3%	2.3%	4.1%	4.7%	1.8%	1.7%	1.5%	neg	1.3%	1.8%
Sysco Corporation	5.6%	5.3%	5.4%	4.0%	4.5%	5.9%	2.1%	2.4%	2.8%	0.4%	1.4%	2.8%
United Natural Foods, Inc.	3.4%	3.2%	2.2%	2.3%	2.6%	2.6%	1.4%	1.6%	neg	neg	0.7%	0.7%
Premium Brands Holdings Corp	8.7%	8.3%	8.4%	7.7%	9.3%	9.8%	3.7%	3.2%	2.3%	2.1%	4.2%	4.5%
Metcash Limited	2.4%	2.3%	3.5%	n.a.	3.9%	4.0%	neg	1.5%	neg	n.a.	1.7%	1.7%
Peers Average	4.2%	4.1%	4.3%	3.5%	4.8%	5.4%	2.3%	2.3%	2.4%	1.2%	1.7%	2.3%
Longino	5.3%	6.3%	4.8%	neg	1.7%	5.5%	2.1%	3.8%	3.1%	neg	neg	2.6%

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

According to our forecast, L&C's revenues will grow at 45.0% CAGR between 2020A and 2022E, overperforming its peers which on average stood at 1% 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%	1,444	1,704	27.5%	
METRO AG	27,077	27,339	25,913	-5.2%	24,919	25,829	-0.2%	
Bid Corporation Limited	7,671	7,987	6,993	-12.4%	6,935	7,795	5.6%	
Performance Food Group Company	14,777	17,307	22,692	31.1%	23,798	26,386	7.8%	
US Foods Holding Corp.	20,492	23,175	20,075	-13.4%	22,262	24,334	10.1%	
Sysco Corporation	49,252	52,696	47,845	-9.2%	41,665	49,446	1.7%	
United Natural Foods, Inc.	8,567	19,625	23,936	22.0%	22,875	23,361	-1.2%	
Premium Brands Holdings Corp	1,979	2,457	2,661	8.3%	3,094	3,338	12.0%	
Metcash Limited	7,983	7,926	n.a.	n.a.	9,026	9,157	n.a.	
Peers Average	15,492	17,796	18,895	6.2%	17,335	19,039	0.4%	
Longino	32	34	19	-43%	30	40	45%	

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	-108.6%	91	123	n.a.	
METRO AG	236	608	456	-25.0%	1,149	1,314	n.m.	
Bid Corporation Limited	464	493	408	-17.4%	405	539	15.0%	
Performance Food Group Company	325	384	160	-58.3%	507	647	n.m.	
US Foods Holding Corp.	847	994	461	-53.6%	904	1,141	n.m.	
Sysco Corporation	2,616	2,841	1,900	-33.1%	1,886	2,932	24.2%	
United Natural Foods, Inc.	276	432	558	29.3%	600	596	3.4%	
Premium Brands Holdings Corp	164	207	204	-1.3%	289	328	26.6%	
Metcash Limited	184	281	n.a.	n.a.	352	365	n.a.	
Peers Average	575	701	518	-26.2%	687	887	30.9%	
Longino	2	2	-1	-178%	1	2	n.a.	

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

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