

Longino on the Right Path

ADD | Fair Value: €4.16 (€3.95) | Current Price: €2.86 | Upside: 45%

Research Update

April 4, 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	39.9	45.8	52.2	58.1
EBITDA	2.0	1.6	(1.3)	(0.5)	(0.6)	1.2	2.5	4.0	4.7
margin	6.3%	4.8%	-6.6%	-2.0%	-2.0%	2.9%	5.4%	7.6%	8.1%
Net Profit	1.2	0.9	(1.8)	(0.9)	(1.2)	0.2	1.1	2.1	3.7
margin	3.7%	2.8%	-9.1%	-3.4%	-3.9%	0.5%	2.4%	4.1%	6.4%
EPS (€)	0.19	0.17	-0.23	-0.13	-0.17	0.03	0.16	0.32	n.a.
NFP/ (Net Cash)	(1.2)	(1.4)	0.2	3.5	5.4	4.8	3.9	1.0	(2.8)

Source: Company Data, KT&Partners' Elaboration

FY22 financial results. In 2022 the company grew its revenues by 21% YoY reaching €31.7mn, despite the first months of the year still being impacted by COVID-19 and by the Ukraine–Russia conflict. The top line was almost in line with our expectations, except for Italy & EU (-4% than expected), which has been partially offset by higher-than-expected results from Hong-Kong, +5% YoY and +18% vs our forecast, despite the continuing restrictions, and New York, +84% YoY and +8% vs our forecast, in its first year of full activity. In line with our forecast: i) Dubai grew by 28% YoY, and ii) Online B2C, as expected, confirmed its FY21 results, following a general assessment of the global e-commerce market. In terms of profitability, the start-up of New York and of Online B2C, combined with digitalization investments, pushed EBITDA to -€0.6mn, in line with what we expected. Indeed, excluding extraordinary costs, the group's holding generated a positive EBITDA of 3.3% in 2H22. Following economic results as well as marketing and digitalization investments, NFP closed at €5.4mn, +€2mn YoY.

Brand new e-commerce and enriched product portfolio. The last year has been for Longino a year of innovations combined with traditional marketing activities. Looking at innovations, we note the launch of the e-commerce B2B business, and the strengthening of the e-commerce B2C business, now under the company *Shoplino*, both expected to create significant omnichannel revenue and cost synergies and improve brand awareness. Furthermore, the company launched new products – caviar, meat, broth and reductions among others – which have been presented to *Identità Golose*, one of the most important fine-food fairs. Finally, we note that the company also participated in the “E-Luxury Summit” in Losanna, being the only company representing the luxury food industry.

Estimates review. On the back of FY22 results, mostly in line with our expectations, we kept our forecast unchanged. We note that our expectations are supported by: i) confirmation of the management of growing results of all companies in the group during 2023, with the easing of restrictions in Hong-Kong; ii) the strengthening of the e-commerce channel; iii) the enriched product portfolio; and iv) a strengthened commercial team. On the profitability level, we kept unchanged our forecast as we expect better results from *Shoplino* and New York and cost optimization from company digitalization investments.

Fair value. We updated our fair value at €4.16ps (€26.0mn equity value) from €3.95ps of our previous update.

Relative Performance Chart – Since IPO



Source: FactSet

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Market Data:

Main Shareholders	
Carm S.r.l.	78.00%
Mediolanum	2.50%
8a+ Investimenti SGR SpA	1.40%
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.	26.0x	12.0x
Comps median	13.0x	9.4x	8.4x
L&C vs Median	n.a.	n.m.	44%
P/E			
L&C	n.m.	138.9x	23.9x
Comps median	25.9x	15.9x	14.8x
L&C vs Median	n.a.	n.m.	61%

Stock Data:

52 Wk High (€)	4.50
52 Wk Low (€)	2.66
Avg. Daily Trading 90d	447
Price Change 1w (%)	-2.05
Price Change 1m (%)	-1.38
Price Change YTD (%)	-4.03

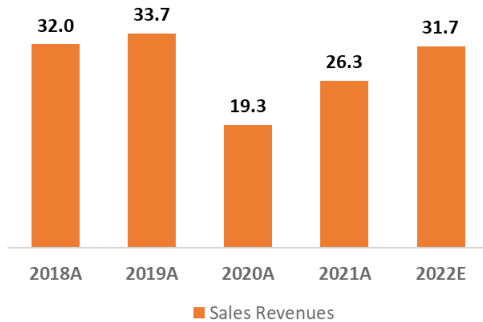
Key Figures – Longino & Cardenal S.p.A.

	Current price (€)	Fair Value (€)	Sector								Free Float (%)
	2.86	4.16	Food & Beverage - Distribution								22%
Per Share Data	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E	2026E	
Total shares outstanding (mn)	n.m.	6.25	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)	(0.17)	0.03	0.16	0.32	0.59	
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Dividend payout ratio (%)	n.a.	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	31.7	39.9	45.8	52.2	58.1	
EBITDA	1.5	2.0	1.6	-	1.3	-	0.5	-	0.6	1.2	
EBIT	1.4	1.8	1.3	-	1.7	-	1.2	-	1.4	0.4	
EBT	0.9	1.7	1.3	-	2.1	-	1.0	-	1.4	0.3	
Taxes	(0.4)	(0.5)	(0.4)	0.3	0.1	0.2	(0.1)	(0.4)	(0.8)	-	
Tax rate	41%	28%	28%	15%	14%	13%	28%	28%	28%	0%	
Net Income*	0.7	1.2	0.9	-	1.7	-	0.9	-	1.2	0.2	
Net Income attributable to the Group	0.6	1.2	1.0	-	1.5	-	0.8	-	1.1	0.2	
Balance Sheet (EUR million)											
Total fixed assets	1.4	2.2	2.6	3.4	5.4	5.3	6.0	6.2	5.8	5.4	
Net Working Capital (NWC)	2.6	3.5	3.8	4.0	4.5	5.5	4.5	4.7	4.6	5.1	
Provisions	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(1.0)	(1.2)	(1.4)	(1.6)	(1.9)	
Total Net capital employed	3.6	5.0	5.8	6.7	9.0	9.7	9.3	9.5	8.8	8.6	
Net financial position/(Cash)	3.1	(1.2)	(1.4)	0.2	3.5	5.4	4.8	3.9	1.0	(2.8)	
Group Shareholder's Equity	0.5	6.2	7.3	6.8	5.9	4.9	5.0	6.1	8.1	11.8	
Minorities	0.0	(0.0)	(0.1)	(0.3)	(0.4)	(0.6)	(0.5)	(0.5)	(0.4)	(0.4)	
Total Shareholder's Equity	0.5	6.2	7.2	6.5	5.5	4.3	4.5	5.6	7.7	11.4	
Cash Flow (EUR million)											
Net operating cash flow	-	1.5	1.3	-	1.0	-	0.4	-	0.5	1.0	
Change in NWC	-	(0.8)	(0.4)	(0.2)	(0.5)	(1.0)	0.9	(0.2)	0.1	(0.5)	
Capital expenditure	-	(1.0)	(0.8)	(1.3)	(2.6)	(0.6)	(1.5)	(1.0)	(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	0.2	
Free cash flow	-	(0.2)	0.1	(2.4)	(3.3)	(1.9)	0.7	1.0	3.0	2.9	
Enterprise Value (EUR million)											
Market Cap	n.a.	27.2	24.7	16.9	24.6	18.6	17.9	17.9	17.9	17.9	
Minorities	0.0	(0.0)	(0.1)	(0.3)	(0.4)	(0.6)	(0.5)	(0.5)	(0.4)	(0.4)	
Net financial position/(Cash)	3.1	(1.2)	(1.4)	0.2	3.5	5.4	4.8	3.9	1.0	(2.8)	
Enterprise value	n.m.	26.0	23.2	16.8	27.8	23.5	22.2	21.3	18.6	14.7	
Ratios (%)											
EBITDA margin	5.3%	6.3%	4.8%	-6.6%	-2.0%	-2.0%	2.9%	5.4%	7.6%	8.1%	
EBIT margin	4.8%	5.6%	3.7%	-8.9%	-4.4%	-4.3%	1.0%	3.6%	6.0%	6.6%	
Gearing - Debt/equity	593.5%	-19.1%	-18.9%	3.6%	59.7%	111.7%	96.0%	64.3%	12.9%	-23.9%	
Interest cover on EBIT	20.1%	4.7%	4.5%	-13.9%	8.5%	4.4%	35.4%	8.6%	4.6%	3.7%	
NFP/EBITDA	2.0x	(0.6x)	(0.8x)	(0.2x)	(6.7x)	(8.6x)	4.2x	1.6x	0.3x	(0.6x)	
ROCE	38.2%	35.5%	21.6%	-25.5%	-12.7%	-14.0%	4.3%	17.5%	35.6%	44.7%	
ROE	115.4%	19.5%	14.4%	-21.6%	-13.6%	-22.2%	3.5%	17.0%	25.0%	31.5%	
EV/Sales	1.1x	0.9x	0.9x	1.6x	1.1x	0.9x	0.8x	0.7x	0.6x	0.5x	
EV/EBITDA	19.8x	14.9x	18.4x	n.m.	n.m.	n.m.	26.0x	12.0x	7.5x	6.4x	
P/E	41.4x	20.2x	23.5x	n.m.	n.m.	n.m.	138.9x	23.9x	12.2x	6.6x	
Free cash flow yield	n.m.	-0.7%	0.5%	-10.6%	-11.1%	-7.8%	3.0%	4.4%	12.7%	12.5%	
Growth Rates (%)											
Sales	n.a.	n.m.	5.2%	-42.8%	36.3%	20.6%	25.7%	14.9%	14.0%	11.2%	
EBITDA	n.a.	n.m.	-18.8%	n.m.	n.m.	19.6%	-283.6%	116.0%	59.8%	18.7%	
EBIT	n.a.	n.m.	-29.9%	n.m.	n.m.	18.2%	-129.7%	310.6%	88.1%	23.4%	
Net Income	n.a.	n.m.	-22.2%	n.m.	n.m.	27.5%	-116.3%	480.7%	96.4%	73.0%	

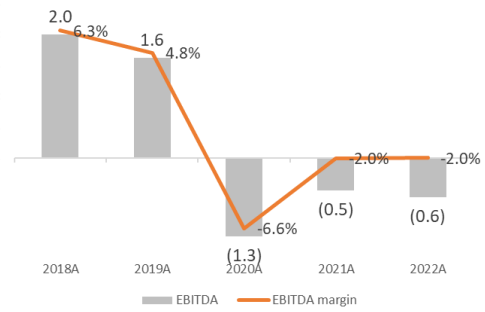
Source: Company Data, KT&Partners' Elaboration

Key charts

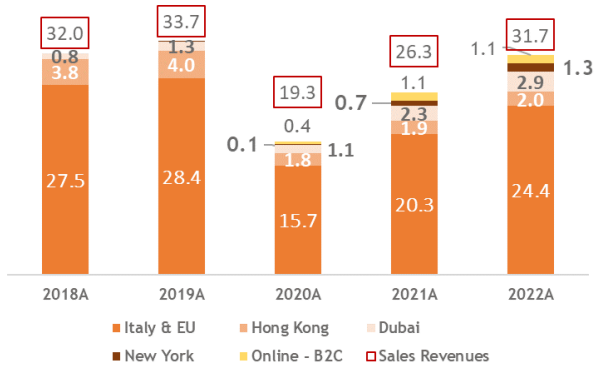
Sales Revenues and EBITDA Margin (€mn)



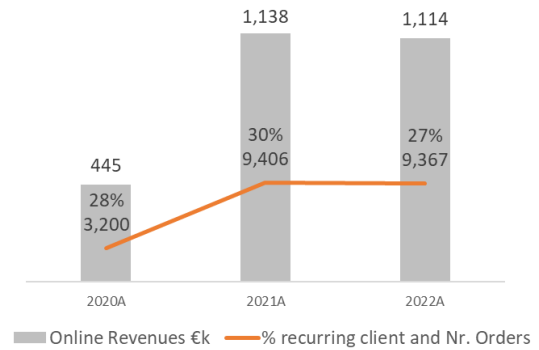
EBITDA and EBITDA Margin (€mn)



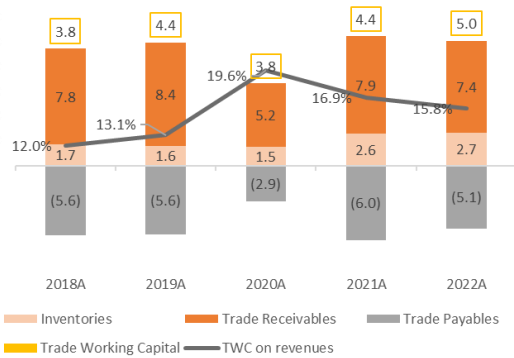
Sales Revenues by Business Unit (€mn)



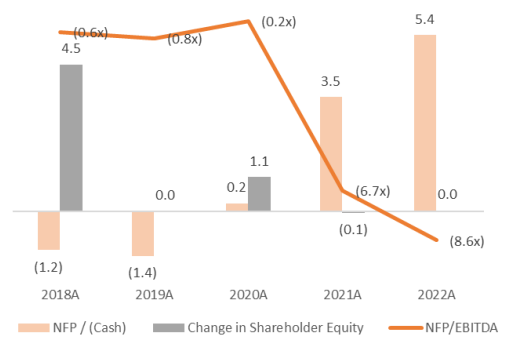
E-commerce B2C Revenue and KPI



Trade Working Capital (€mn)



NFP and Change in Shareholder Equity (€mn)



Overview

Company description

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

On July 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 €2.86, 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.** 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 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 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.

FY22 Financial Results

After the first months of the year, which were still generally impacted by the pandemic and its consequences for out-of-home consumption, 2022 showed the first signs of a return to the pre-COVID-19 period for all Longino's key countries, with the exception of Hong Kong, which still suffered from several restrictions. Following the easing of restrictions, Longino kept growing in 2022, reaching €31.7mn of revenues, increasing by 21% YoY.

Revenues came in line with our expectations, except for Italy & EU revenues, which were 4% lower (€24.4mn vs €25.5mn), partially offset by: i) the higher-than-expected results of Hong Kong which, despite the restrictions (zero-COVID policy) and a 1H22 result 14% below 1H21, grew by 5% and reached €2.0mn (+18% vis-à-vis our estimates); and ii) New York which, in its first full year of activity, increased its contribution to €1.3mn, growing by 84% YoY (+8% vs our forecast). Last but not least, Dubai kept growing at double-digit pace, reaching €2.9mn (+28% YoY and in line with our forecast), also thanks to an efficient COVID-19 restriction policy adopted since 2020, and Online B2C, as expected, confirmed the results achieved in 2021, despite a generalized slowdown of the e-commerce market as a result of the ending of restrictions and of the consequent consolidation of the sector. We also note that the business is now managed through the company Shoplongino Srl, which is also expected to strengthen Longino brand awareness and value in the market.

Looking at the company's own products, we note that Satiro Danzante is growing its contribution to group revenues, reaching €0.7mn (ca. 40% share of revenues made outside of the group vs the 46% of 2021). We notice that, as mentioned in our previous research, Satiro Danzante is also expected to keep growing because it has been the first Italian company to obtain authorization to export shrimps to the USA. Finally, Umami reached €35k, growing by 65% YoY thanks to having participated for the first time in sector fairs.

Following the growth of revenues, L&C registered a +21% of gross profit, reaching €6.9mn, with a 21.8% gross margin in line with our estimates and FY21 results, despite the generalized increase in the cost of raw materials. Indeed, according to L&C's management, the company is able to transfer almost completely the increases in raw material and transportation costs to clients, either through higher selling prices or better management of the transfer of logistics costs (e.g. charging transportation costs to clients with orders below a certain threshold).

During 2022 L&C kept investing in *traditional* marketing activities: i) organizing its corporate events to promote new products; ii) participating in *Identità Golose*, one of the main food fairs, which took place again in 2022 after the COVID-19 pandemic, and iii) participating, as the only company in the food sector, in the "E-Luxury Summit" in Losanna, an event dedicated to leader luxury brands – such as Richemont, Cartier, Capri Holdings – and their strategies on digital transformation, client focus and new business models.

The investment carried out during the year in the two start-ups – New York and Shoplongino – led to a below-breakeven EBITDA, despite the results of the holding company, which returned to a positive position, registering a 3.3% EBITDA margin (during 2H22). EBITDA, adjusted for ca. €0.1mn of extraordinary costs, was -€0.6mn, in line with our forecast of -€0.5mn.

Net loss, after a €0.2mn positive tax effect, was at €1.2mn, slightly higher than our loss forecast of €0.9mn, mainly due to €0.1mn extraordinary costs and lower net financial income/expenses results (€0.1mn vs €0.2mn).

Longino closed the year with a net financial position of €5.4mn, growing by ca. €2mn due to investments in marketing activities and digitalization of the company, which are expected to bring process and cost efficiencies while the company grows in terms of revenues. NFP was ca. €1mn higher than our forecast, mainly due to a higher-than-expected absorption of working capital (+€0.5mn NWC and +€0.5mn of other assets and liabilities), although the

company has been able to reduce the days of sales outstanding (from 94 to 73) thanks to better management of credit collection.

Income Statement

€ million	FY17A	FY18A	FY19A	FY20A	FY21A	FY22A	YoY %	FY22E	A vs E %
Italy & EU	24.5	27.5	28.4	15.7	20.3	24.4	20%	25.5	-4%
Hong Kong	3.5	3.8	4.0	1.8	1.9	2.0	5%	1.7	18%
Dubai	0.6	0.8	1.3	1.1	2.3	2.9	28%	3.0	-3%
New York	-	-	0.0	0.1	0.7	1.3	84%	1.2	8%
Online - B2C	-	-	-	0.4	1.1	1.1	-2%	1.1	-2%
Sales Revenues	28.5	32.0	33.7	19.3	26.3	31.7	21%	32.6	-3%
Growth %		12.2%	5.2%	-42.8%	36.3%	20.6%			
Cost of Goods Sold	(22.6)	(24.8)	(26.0)	(15.6)	(20.6)	(24.8)		(25.5)	
Gross Profit	6.0	7.2	7.7	3.7	5.7	6.9	21%	7.1	-19%
Gross Margin	21.0%	22.4%	23.0%	19.4%	21.7%	21.8%		21.7%	
Marketing and Commercial Cost	(1.7)	(2.0)	(2.3)	(1.9)	(2.5)	(3.4)		(3.4)	
Inventory and Logistics Costs	(1.1)	(1.3)	(1.6)	(1.1)	(1.3)	(1.6)		(1.6)	
General and Administrative Costs	(1.7)	(1.8)	(2.2)	(2.0)	(2.4)	(2.6)		(2.6)	
EBITDA	1.5	2.0	1.6	(1.3)	(0.5)	(0.6)	<i>n.m.</i>	(0.5)	<i>n.m.</i>
EBITDA margin	5.3%	6.3%	4.8%	-6.6%	-2.0%	-2.0%		-1.7%	
Growth %		32.4%	-18.8%	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>			
D&A and Provisions	(0.2)	(0.2)	(0.4)	(0.4)	(0.6)	(0.7)		(0.7)	
EBIT	1.4	1.8	1.3	(1.7)	(1.2)	(1.4)	<i>n.m.</i>	(1.2)	<i>n.m.</i>
EBIT margin	4.8%	5.6%	3.7%	-8.9%	-4.4%	-4.3%		-3.8%	
Growth %		31.3%	-29.9%	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>			
Financial Income and Expenses	(0.3)	(0.1)	(0.1)	(0.2)	0.1	0.1		0.2	
Extraordinary items	(0.1)	(0.0)	0.1	(0.1)	0.0	(0.1)		-	
EBT	0.9	1.7	1.3	(2.1)	(1.0)	(1.4)	<i>n.m.</i>	(1.0)	<i>n.m.</i>
Taxes	(0.4)	(0.5)	(0.4)	0.3	0.1	0.2		0.1	
Tax Rate	41.1%	28.3%	27.5%	15.2%	13.7%	12.7%		10.0%	
Net Income	0.6	1.2	0.9	(1.8)	(0.9)	(1.2)	<i>n.m.</i>	(0.9)	<i>n.m.</i>
Net margin	2.0%	3.7%	2.8%	-9.1%	-3.4%	-3.9%		-2.8%	
Growth %		114.3%	-21.4%	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>			

Source: Company Data

Balance Sheet

€ thousand	FY17A	FY18A	FY19E	FY20A	FY21A	FY22A		FY22E	
Goodwill	-	-	-	-	-	-		-	
Intangible	-	-	-	-	-	-		-	
Tangible	1.4	2.2	2.6	3.4	5.4	5.3		5.3	
Other LT Assets	-	-	-	-	-	-		-	
Fixed Assets	1.4	2.2	2.6	3.4	5.4	5.3		5.3	
Trade receivables	7.5	7.8	8.4	5.2	7.9	7.4		8.1	
Inventory	1.4	1.7	1.6	1.5	2.6	2.7		2.2	
Trade Payables	(5.7)	(5.6)	(5.6)	(2.9)	(6.0)	(5.1)		(5.7)	
Trade Working Capital	3.2	3.8	4.4	3.8	4.4	5.0		4.6	
Other assets and liabilities	(0.6)	(0.4)	(0.6)	0.2	0.0	0.5		0.0	
Net Working Capital	2.6	3.5	3.8	4.0	4.5	5.5		4.6	
Other Provisions	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)	(1.0)		(1.0)	
Net Capital Employed	3.6	5.0	5.8	6.7	9.0	9.7		8.9	
Group shareholders' equity	0.5	6.2	7.3	6.8	5.9	4.9		5.1	
Minority shareholders' equity	0.0	(0.0)	(0.1)	(0.3)	(0.4)	(0.6)		(0.5)	
Total shareholders' equity	0.5	6.2	7.2	6.5	5.5	4.3		4.6	
Short-term debt / Cash (-)	1.9	(1.9)	(1.7)	(4.8)	(0.6)	1.8		0.2	
Long-term liabilities	1.2	0.7	0.3	5.1	4.1	3.6		4.1	
Net Financial Position	3.1	(1.2)	(1.4)	0.2	3.5	5.4		4.3	
Sources	3.6	5.0	5.8	6.7	9.0	9.7		8.9	
Check	0.0	(0.0)	(0.0)	0.0	0.0	0.0		0.0	

Source: Company Data

Brand-new E-commerce and Enriched Product Portfolio

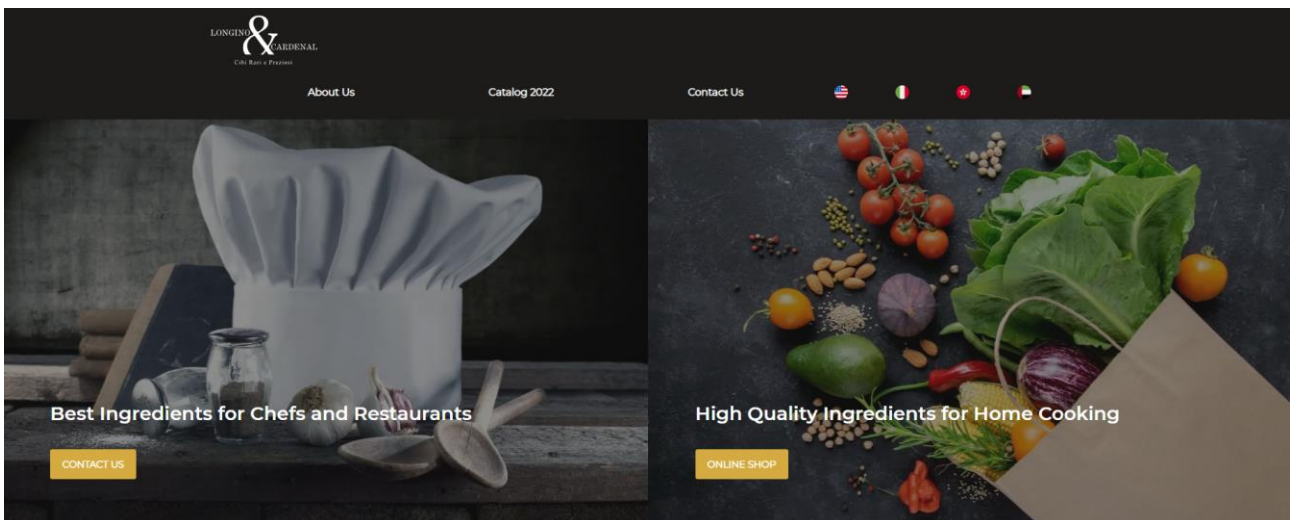
E-commerce development

During 2022 the company strengthened its e-commerce business by launching on March 7th the B2B e-commerce channel *Longino.it*, created for fine restaurants and professionals, offering a wide portfolio of more than 2,000 products.

Furthermore, on June 30th the group announced the launch of the B2C e-commerce platform *Shoplongino*. The platform, aimed at developing the B2C online business in Italy and abroad, is in charge of marketing, customer service and order collecting and deliveries. Furthermore, we note that to engage its clients the company is also organizing some experiences, such as a special lunch, with top-spending customers.

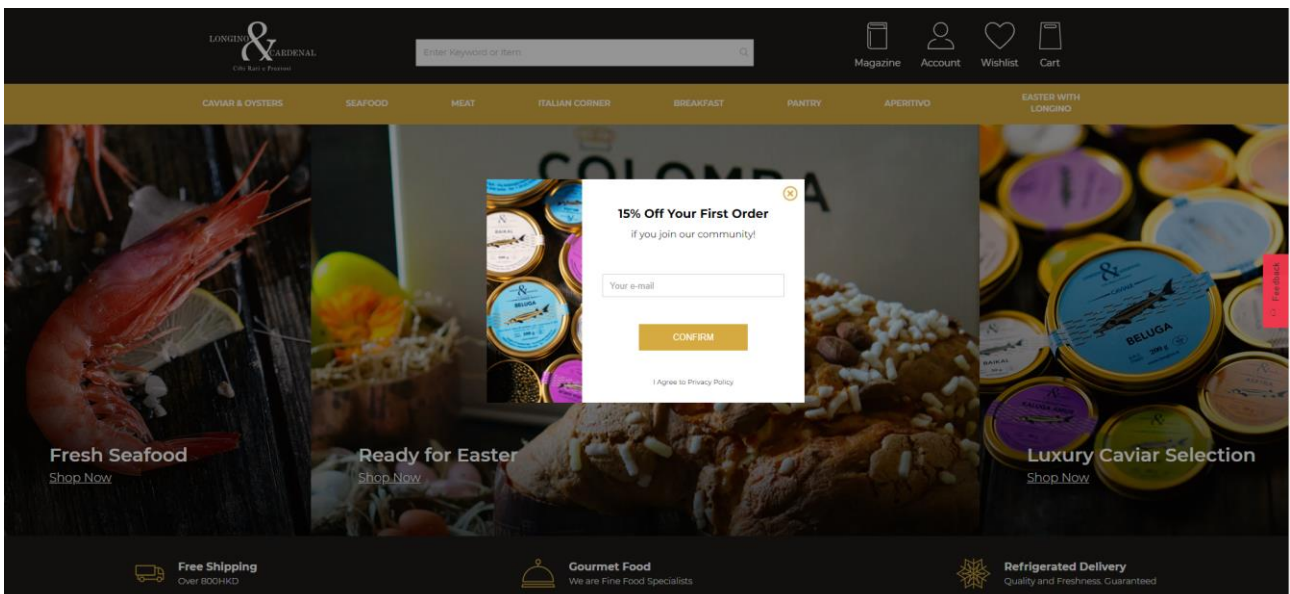
The aim of the company is to leverage on the omnichannel distribution opportunities and the consequent synergies on revenues and costs, also improving the company's offer on the back of data collected throughout the channels.

Longino.it – E-commerce B2B (on the left) and E-commerce B2C (on the right)



Source: Company Website

Shoplongino – Focus on E-commerce B2C



Source: Company Website

Enriched Product Portfolio

The company presented its new products during the fair *Identità Golose*, one of the most important international *fine cuisine* fairs whose 18th edition took place in January 2023.

Among the new products we find: i) fine caviar - which the company has distributed since 1988, being the first Italian company to receive authorization - such as Beluga, Karaburun, Asetra, Kaluga Amur, Baikal and Pure; ii) fine cuts of dairy cows from Benelux, including Dierendonck – famous for the best breeding procedures and a deep knowledge of fine meat such as Oedslach, from West Flanders; iii) high-quality dairy lambs' products, such as Lechazos from *Castilla* and Leòn from Hermanos Masa; and iv) broths, funds and reductions from Bonemasters.

Change in Estimates

On the back of FY22 results, which mostly matched our expectations, we kept unchanged our forecast for the 2023–25 period. We notice that Longino's management confirmed that the first months of 2023 are showing increasing revenue for all the companies in the group, in terms of both revenues and profitability.

We only revised the revenue contribution from the business units, increasing the expected contribution from Il Satiro Danzante business, also thanks to the recent authorization to sell shrimps in the USA, with the growth also supported by the new production plant expected at the end of May. On the other hand, we lowered the expected revenues from the B2C online business as the company's strategy is focused more on reaching breakeven through process, logistic costs and marketing spending optimization.

We note that our assumptions are also backed by: i) the launch of e-commerce B2B which is expected to start contributing from 2023, also thanks to dedicated marketing investments; ii) expansion of e-commerce B2C abroad; iii) the enriched product portfolio presented during the *Identità Golose* fair in January 2023; iv) the easing of restrictions in Hong Kong (excluding Macao); and v) a strengthened commercial team with improved coverage of the regional areas.

On the profitability level, we kept unchanged our estimates for the period, also expecting better results from the start-up *Shoplongino* and from activities in New York and Hong Kong, following expected increasing volumes and greater experience and knowledge of the online and New York markets.

Looking at the balance sheet, we slightly increased the incidence of inventories in line with FY22 results.

Looking at the new site construction, the company is planning to start investing right after returning to profit and expects to complete the site between the second half of 2024 and the beginning of 2025.

The key points of our estimates are as follows:

- FY23 revenues at €39.9mn, reaching €52.2 in 2025 (CAGR 2022–25 of 27%);
- FY23 EBITDA at €1.2mn, reaching €4.0mn in 2025;
- FY23 net income at €0.2mn, reaching €2.1mn in 2025;
- FY23 net financial position at €4.8mn and at €1.0mn in 2025.

Change in Estimates

€ mn	2019	2020	2021	2022E	2022E	A vs E	2023E	2023E	Change	2024E	2024E	Change	2025E	2025E	Change
	Actual	Actual	Actual	Old	Actual		Old	New		Old	New		Old	New	
Revenues	33.7	19.3	26.3	32.6	31.7	-3%	39.9	39.9	0%	45.8	45.8	0%	52.2	52.2	0%
YoY Change (%)	5%	-43%	36%	24%	21%		26%	26%		15%	15%		14%	14%	
EBITDA	1.6	(1.3)	(0.5)	(0.5)	(0.6)	n.m.	1.2	1.2	0%	2.5	2.5	0%	4.0	4.0	0%
YoY Change (%)	-18.8%	n.m.	n.m.	n.m.	n.m.		-284.3%	-283.6%		115.0%	116.0%		59.6%	59.8%	
EBITDA Margin	4.8%	-6.6%	-2.0%	-1.7%	-2.0%		2.9%	2.9%		5.4%	5.4%		7.6%	7.6%	
EBIT	1.3	(1.7)	(1.2)	(1.2)	(1.4)	n.m.	0.4	0.4	0%	1.7	1.7	0%	3.1	3.1	0%
YoY Change (%)	-29.9%	n.m.	n.m.	n.m.	n.m.		-129.8%	-129.7%		312.0%	310.6%		89.0%	88.1%	
EBIT Margin	3.7%	-8.9%	-4.4%	-3.8%	-4.3%		1.0%	1.0%		3.6%	3.6%		6.0%	6.0%	
Net Income	0.9	(1.8)	(0.9)	(0.9)	(1.2)	n.m.	0.2	0.2	9%	1.1	1.1	1%	2.1	2.1	0%
YoY Change (%)	-21.4%	n.m.	n.m.	n.m.	n.m.		n.m.	n.m.		474.1%	480.7%		95.9%	96.4%	
Net Margin	2.8%	-9.1%	-3.4%	-2.8%	-3.9%		0.4%	0.5%		2.4%	2.4%		4.1%	4.1%	
NFP/(Cash)	(1.4)	0.2	3.5	4.3	5.4	1.1	3.9	4.8	0.9	2.9	3.9	1.0	0.2	1.0	0.9
YoY Change (€mn)	(0.2)	1.6	3.3	0.8	1.9		(0.4)	(0.6)		(1.0)	(0.9)		(2.7)	(2.9)	

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 DCF valuation method, which captures 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 €26.0mn or €4.16ps.

DCF Valuation

We conducted our valuation using a five-year DCF model, based on 12.2% 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 4.2% (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 10.8% 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				
€ thousand	2023E	2024E	2025E	2026E
EBIT	0.4	1.7	3.1	3.9
Taxes	(0.1)	(0.5)	(0.9)	(1.1)
D&A	0.8	0.8	0.9	0.9
Change in Net Working Capital	0.9	(0.2)	0.1	(0.5)
Change in Funds	0.2	0.2	0.2	0.2
Net Operating Cash Flow	2.2	2.0	3.5	3.4
Capex	(1.5)	(1.0)	(0.5)	(0.5)
FCFO	0.7	1.0	3.0	2.9
g	2.0%			
Wacc	10.8%			
FCFO (discounted)	0.6	0.9	2.2	2.2
Discounted Cumulated FCFO	5.9			
TV	33.8			
TV (discounted)	25.5			
Enterprise Value	31.4			
NFP FY22A	5.4			
Equity Value	26.0			
Current number of shares (mn)	6.3			
Value per share (€)	4.16			

Source: Company Data, KT&Partners' Elaboration

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

€ mn	WACC					
	11.3%	11.1%	10.8%	10.6%	10.3%	
Terminal growth Rate	1.5%	23.0	23.7	24.5	25.4	26.3
	1.8%	23.6	24.4	25.2	26.1	27.1
	2.0%	24.3	25.1	26.0	26.9	27.9
	2.3%	25.0	25.9	26.8	27.8	28.9
	2.5%	25.8	26.7	27.7	28.7	29.8

Source: KT&Partners' Elaboration

Market Multiples

Following the comparables analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2022–25 data.

Peer Comparison – Market Multiples

Company Name	Exchange	Market Cap	EV/SALES				EV/EBITDA				EV/EBIT				P/E			
			2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
MARR SpA	Milan	881	0.6x	0.5x	0.5x	0.5x	16.1x	9.1x	7.9x	7.8x	23.0x	13.0x	10.8x	10.3x	33.5x	18.0x	14.8x	13.2x
METRO AG	XETRA	2,898	0.2x	0.2x	0.2x	0.2x	8.3x	4.5x	4.4x	4.4x	n.m	11.5x	12.4x	12.0x	n.m	11.3x	16.8x	15.2x
Bid Corporation Limited	JSE	6,934	0.9x	0.8x	0.7x	0.7x	13.0x	11.6x	10.8x	10.1x	17.0x	14.7x	13.5x	12.5x	24.6x	21.0x	19.0x	17.5x
Performance Food Group Company	NYSE	8,672	0.3x	0.2x	0.2x	0.2x	18.7x	10.8x	9.9x	8.9x	n.m	14.1x	13.6x	11.7x	n.m	15.9x	13.8x	11.6x
US Foods Holding Corp.	NYSE	7,627	0.4x	0.4x	0.4x	0.4x	12.6x	9.4x	8.4x	7.8x	19.3x	13.0x	11.2x	10.1x	35.4x	14.5x	11.8x	10.1x
Sysco Corporation	NYSE	36,083	0.8x	0.7x	0.6x	0.6x	15.9x	12.7x	11.6x	10.8x	21.6x	15.7x	14.2x	13.1x	30.3x	19.1x	16.8x	15.4x
United Natural Foods, Inc.	NYSE	1,441	0.2x	0.2x	0.2x	0.2x	7.9x	6.7x	6.5x	6.2x	14.3x	13.5x	12.5x	11.8x	6.6x	7.7x	7.2x	6.2x
Premium Brands Holdings Corp	Toronto	3,048	1.1x	1.1x	1.0x	0.9x	14.9x	12.0x	11.0x	9.4x	23.3x	17.1x	16.0x	n.a.	25.9x	19.1x	16.8x	14.6x
Metcash Limited	ASX	2,292	0.3x	0.3x	0.3x	0.3x	7.8x	7.7x	7.4x	7.0x	10.7x	10.9x	10.5x	9.4x	12.4x	12.9x	12.5x	10.6x
Average peer group		7,764	0.5x	0.5x	0.5x	0.4x	12.8x	9.4x	8.7x	8.0x	18.5x	13.7x	12.7x	11.4x	24.1x	15.5x	14.4x	12.7x
Median peer group		3,048	0.4x	0.4x	0.4x	0.4x	13.0x	9.4x	8.4x	7.8x	19.3x	13.5x	12.5x	11.8x	25.9x	15.9x	14.8x	13.2x

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. €0.9bn. 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. €2.9bn. 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. €6.9bn. 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. €8.7bn. 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. €7.6bn. 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 FY22, the company achieved revenues of €32bn.
- **Sysco Corporation (SYY)** listed on the New York stock exchange with a market capitalization of ca. €36bn. 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. €1.4bn. 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. €3bn. 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. €2.3bn. 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 FY21, MTS achieved revenues of €9.7bn.

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-19 level (4.8%).

Peers Comparison – Profitability

Company Name	EBITDA Margin							Net Margin						
	2018	2019	2020	2021	2022	2023	2024	2018	2019	2020	2021	2022	2023	2024
MARR SpA	4.1%	4.2%	neg	2.9%	3.5%	5.7%	6.4%	4.2%	4.0%	neg	2.5%	1.4%	2.5%	3.0%
METRO AG	0.9%	2.2%	1.8%	1.5%	2.4%	4.3%	4.2%	1.3%	1.5%	neg	neg	neg	0.9%	0.5%
Bid Corporation Limited	6.0%	6.2%	5.8%	6.4%	6.7%	6.8%	6.9%	3.6%	3.7%	1.2%	2.7%	3.3%	3.7%	3.8%
Performance Food Group Company	2.2%	2.2%	0.7%	1.8%	1.6%	2.3%	2.4%	1.1%	0.8%	neg	0.1%	0.2%	1.0%	1.1%
US Foods Holding Corp.	4.1%	4.3%	2.3%	2.9%	3.2%	4.1%	4.4%	1.7%	1.5%	neg	0.6%	0.8%	1.8%	2.0%
Sysco Corporation	5.3%	5.4%	4.0%	4.8%	4.8%	5.2%	5.5%	2.4%	2.8%	0.4%	1.0%	2.0%	2.7%	2.9%
United Natural Foods, Inc.	3.2%	2.2%	2.3%	2.3%	2.2%	2.4%	2.4%	1.6%	neg	neg	0.5%	0.9%	0.7%	0.7%
Premium Brands Holdings Corp	8.3%	8.4%	7.6%	7.6%	7.3%	9.1%	9.3%	3.2%	2.3%	2.1%	2.7%	2.7%	3.5%	3.8%
Metcash Limited	2.3%	3.5%	3.6%	4.0%	4.3%	4.3%	4.2%	1.5%	neg	1.7%	1.6%	1.9%	1.8%	1.8%
Peers Average	4.1%	4.3%	3.5%	3.8%	4.0%	4.9%	5.1%	2.3%	2.4%	1.3%	1.5%	1.6%	2.1%	2.2%
Longino	6.3%	4.8%	neg	neg	neg	2.9%	5.4%	3.8%	3.1%	neg	neg	neg	0.4%	2.2%

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

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

Company Name	Sales					YoY	CAGR	
	2019	2020	2021	2022	2023		2024	2019-'24
MARR SpA	1,651	1,048	1,421	1,879	32.2%	2,041	2,107	5.0%
METRO AG	27,339	25,913	25,107	30,008	19.5%	30,452	31,176	2.7%
Bid Corporation Limited	7,987	6,961	6,246	8,585	37.4%	9,447	10,077	4.8%
Performance Food Group Company	17,307	22,692	25,495	45,202	77.3%	53,276	55,874	26.4%
US Foods Holding Corp.	23,175	20,075	24,947	32,405	29.9%	33,230	34,753	8.4%
Sysco Corporation	52,696	47,845	43,022	60,959	41.7%	70,163	73,167	6.8%
United Natural Foods, Inc.	19,625	23,977	22,539	26,018	15.4%	27,938	28,984	8.1%
Premium Brands Holdings Corp	2,457	2,661	3,328	4,407	32.4%	4,395	4,669	13.7%
Metcash Limited	7,926	8,878	9,692	9,704	0.1%	9,813	10,421	5.6%
Peers Average	17,796	17,783	17,977	24,352	35.5%	26,751	27,914	9.4%
Longino	34	19	26	32	21%	32	40	3%

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

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

Company Name	EBITDA					YoY	CAGR	
	2019	2020	2021	2022	2023		2024	2019-'24
MARR SpA	70	-6	41	66	60.5%	117	135	14.1%
METRO AG	608	456	376	708	88.3%	1,307	1,324	16.8%
Bid Corporation Limited	493	402	398	578	45.1%	646	694	7.1%
Performance Food Group Company	384	160	453	706	55.9%	1,227	1,329	28.2%
US Foods Holding Corp.	994	461	725	1,023	41.1%	1,374	1,541	9.1%
Sysco Corporation	2,841	1,900	2,049	2,941	43.5%	3,668	4,018	7.2%
United Natural Foods, Inc.	432	562	522	572	9.6%	673	695	10.0%
Premium Brands Holdings Corp	207	203	254	323	27.1%	400	435	16.0%
Metcash Limited	281	323	387	414	7.1%	418	435	9.1%
Peers Average	701	496	578	815	40.8%	1,092	1,178	10.9%
Longino	2	-1	-1	-1	n.m.	1	2	9%

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

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