

## COMPANY UPDATE



### ADD

Fair Value: €3.89  
Price: €2.92  
Upside: 33%

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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)	18.3
EV (€ mn)	19.6
Shares out.	6.3
Free Float	22.0%

Market multiples	2019	2020	2021
EV/EBITDA			
L&C	16.0x	n.m.	13.4x
Comps median	13.2x	18.1x	12.4x
L&C vs Median	21%	n.a.	7%
P/E			
L&C	23.5x	n.m.	26.5x
Comps median	23.9x	34.5x	23.5x
L&C vs Median	-2%	n.a.	13%

Stock Data:	
52 Wk High (€)	4.40
52 Wk Low (€)	1.80
Avg. Daily Trading 90d	2,087
Price Change 1w (%)	4.29
Price Change 1m (%)	12.31
Price Change YTD (%)	8.15

## Strong Execution and Fast Transformation

€ Million	FY 17	FY 18	FY 19	FY 20E	FY 21E	FY 22E	FY 23E	FY 24E
Total Revenues	28.5	32.0	33.7	19.8	35.4	41.3	46.1	50.2
EBITDA	1.5	2.0	1.6	(1.2)	1.5	2.5	3.5	4.2
margin	5.3%	6.3%	4.8%	-6.2%	4.2%	6.1%	7.7%	8.4%
Net Profit	0.6	1.2	0.9	(1.5)	0.7	1.4	2.0	2.4
margin	2.0%	3.7%	2.8%	-7.5%	1.9%	3.3%	4.3%	4.7%
EPS (€)	n.a.	0.19	0.17	(0.27)	0.11	0.22	0.31	0.36

**Longino & Cardenal.** 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.

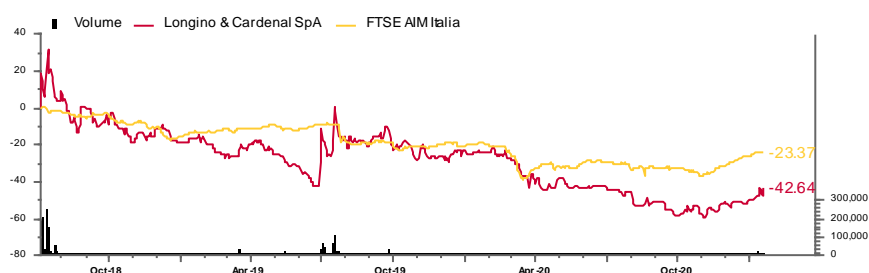
**COVID-19 impact and transformation.** COVID-19 has had a dramatic impact on the restaurant and hospitality industries. L&C’s management have turned this tragedy into an opportunity, opening the ecommerce division targeting final customers. In May, L&C released the first version of its ecommerce website and in October started its food academy in a phygital format. The academy, which is called “La Cucina di Longino”, aims to build an engaged community of food lovers, increasing knowledge and awareness of excellent food tastes and recipes. At the same time, it also aims to position the L&C brand and products as a reference point for Italian private customers who enjoy eating and cooking high-quality and rare food specialties.

**4Q 2020 strongly validates the ecommerce startup.** On January 18<sup>th</sup>, Longino updated the market on the strong performance achieved by its ecommerce division, which exceeded our €0.4mn expectation on total sales on the back of 3,200 orders with an average revenue of €135. We view very positively the fact that 28% of ecommerce sales were generated by recurring clients, which also seems to validate the idea that Longino is building a community of engaged food lovers.

**Our view on the company.** We reiterate our view that the ecommerce division represents a paradigm shift in Longino’s equity story. Moreover, we are very pleased by the plan execution that the company’s top management has delivered, and we consider Mr. Cannata, the Digital & eCommerce Director, a strong addition to Longino’s top management team. If this trend is confirmed, it is reasonable to expect that the ecommerce division will be the main component of Longino’s equity value. Our view is also backed by the recent Cortilia and Tannico deals that confirmed the growing interest of the market in the food ecommerce players. We expect to update our estimates on the company financials after the release of FY2020 results.

**Fair value.** Our valuation returns an average equity value of €24mn or €3.89ps. Our fair value includes the potential of the online business, which contributes €0.95ps to the market multiple valuation. L&C’s fair value shows a potential upside of 33% on the current market price of €2.92ps.

### Relative Performance Chart since IPO



Source: FactSet and KT&Partners' elaborations

## L&C - Key Data

Current price (€)	Fair Value (€)		Sector					Free Float (%)
2.92	3.89		Food & Beverage - Distribution					22%
Per Share Data								
	2017A	2018A	2019A	2020E	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	(0.27)	0.11	0.22	0.31	0.36
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	19.8	35.4	41.3	46.1	50.2
EBITDA	1.5	2.0	1.6	1.2	1.5	2.5	3.5	4.2
EBIT	1.4	1.8	1.3	1.6	1.0	2.0	2.9	3.5
EBT	0.9	1.7	1.3	1.9	0.9	1.9	2.8	3.4
Taxes	(0.4)	(0.5)	(0.4)	0.4	(0.3)	(0.6)	(0.9)	(1.0)
Tax rate	41%	28%	28%	20%	29%	30%	30%	30%
Net Income*	0.7	1.2	0.9	1.4	0.7	1.4	2.0	2.4
Net Income attributable to the Group	0.6	1.2	1.0	1.7	0.7	1.4	1.9	2.2
Balance Sheet (EUR million)								
Total fixed assets	1.4	2.2	2.6	2.4	2.4	2.5	2.4	2.4
Net Working Capital (NWC)	2.6	3.5	3.8	5.3	5.8	6.3	6.4	6.6
Provisions	(0.5)	(0.6)	(0.6)	(0.8)	(0.9)	(1.1)	(1.3)	(1.5)
Total Net capital employed	3.6	5.0	5.8	7.0	7.3	7.6	7.5	7.4
Net financial position/(Cash)	3.1	(1.2)	(1.4)	1.3	0.9	(0.1)	(2.1)	(4.7)
Group Shareholder's Equity	0.5	6.2	7.3	5.6	6.3	7.7	9.6	11.8
Minorities	0.0	(0.0)	(0.1)	0.1	0.0	0.0	0.1	0.2
Total Shareholder's Equity	0.5	6.2	7.2	5.7	6.4	7.7	9.7	12.1
Cash Flow (EUR million)								
Net operating cash flow	-	1.5	1.3	0.9	1.2	1.9	2.6	3.1
Change in NWC	-	(0.8)	(0.4)	(1.5)	(0.5)	(0.4)	(0.1)	(0.2)
Capital expenditure	-	(0.5)	(0.0)	(0.2)	(0.4)	(0.6)	(0.6)	(0.6)
Other cash items/Uses of funds	-	0.1	0.0	0.2	0.2	0.2	0.2	0.2
Free cash flow	-	0.2	0.9	(2.4)	0.4	1.1	2.1	2.6
Enterprise Value (EUR million)								
Market Cap	n.a.	27.2	24.7	18.3	18.3	18.3	18.3	18.3
Minorities	0	0	0	0	0	0	0	0
Net financial position/(Cash)	3.1	(1.2)	(1.4)	1.3	0.9	(0.1)	(2.1)	(4.7)
Enterprise value	n.m.	26	23	20	19	18	16	14
Ratios (%)								
EBITDA margin	5.3%	6.3%	4.8%	-6.2%	4.2%	6.1%	7.7%	8.4%
EBIT margin	4.8%	5.6%	3.7%	-8.1%	2.9%	4.9%	6.4%	7.0%
Gearing - Debt/equity	593.5%	-19.1%	-18.9%	22.4%	14.4%	-1.4%	-22.3%	-39.5%
Interest cover on EBIT	20.1%	4.7%	4.5%	-3.2%	5.0%	2.6%	1.8%	1.5%
NFP/EBITDA	2.0x	(0.6x)	(0.8x)	(1.0x)	0.6x	(0.0x)	(0.6x)	(1.1x)
ROCE	38.2%	35.5%	21.6%	-23.2%	14.3%	26.6%	38.9%	47.4%
ROE	115.4%	19.5%	14.4%	-29.6%	10.9%	17.6%	20.0%	19.0%
EV/Sales	n.m.	0.9x	0.8x	1.0x	0.6x	0.5x	0.4x	0.4x
EV/EBITDA	n.m.	14.2x	16.0x	n.m.	13.4x	7.8x	5.6x	4.7x
P/E	n.m.	22.3x	23.5x	n.m.	26.5x	13.5x	9.5x	8.1x
Free cash flow yield	n.m.	0.9%	3.4%	-12.4%	2.1%	5.5%	10.7%	13.2%
Growth Rates (%)								
Sales	n.a.	n.m.	5.2%	-41.1%	78.3%	16.7%	11.6%	8.9%
EBITDA	n.a.	n.m.	-18.8%	-174.9%	-220.7%	71.5%	39.7%	18.7%
EBIT	n.a.	n.m.	-29.9%	-228.6%	-164.3%	94.4%	45.3%	19.5%
Net Income	n.a.	n.m.	-22.2%	-255.2%	-151.5%	98.4%	45.0%	20.8%

Source: Company data and KT&Partners' elaborations

## 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 €24.3mn or €3.89ps.

### Valuation Summary

	Equity Value €mn	Value per share €
DCF	25.7	4.11
EV/EBITDA	17.3	2.77
P/E	16.6	2.66
<i>Average - Multiples</i>	<i>17.0</i>	<i>2.71</i>
<i>Online B2C</i>	<i>6.0</i>	<i>0.95</i>
<i>Sum of parts - Multiples</i>	<i>22.9</i>	<i>3.67</i>
<b><i>Average - btw method</i></b>	<b><i>24.3</i></b>	<b><i>3.89</i></b>

Source: KT&Partners' elaboration

### Online Upside

We note that the market multiple valuation, being 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 stand-alone considering as a peer company Ocado Group PLC, an online grocery supermarket based in the UK. Ocado generated €2.0bn revenues in 2019 and reached €21bn of market capitalization on the London Stock Exchange.

Applying Ocado's 2020-22 EV/Sales multiples to our estimates of L&C's online business, we ended up with a market value of €6.0mn (€0.95ps).

### Valuation Summary

Multiple Valuation (€mn)	2020E	2021E	2022E
EV/Sales Ocado	8.0x	7.0x	6.0x
Longino Online Sales	0.4	1.4	2.1
<b>Enterprise value</b>	<b>3.2</b>	<b>9.9</b>	<b>12.5</b>
Longino Online Net Debt	-	-	-
<b>Equity Value</b>	<b>3.2</b>	<b>9.9</b>	<b>12.5</b>
Average Equity Value		<b>8.5</b>	
<i>Size/Liquidity Discount</i>		<i>30%</i>	
<b>Equity Value Post-Discount</b>		<b>6.0</b>	
<i>Number of shares (mn)</i>		<i>6.25</i>	
<b>Value per Share €</b>		<b>0.95</b>	

Source: KT&Partners' elaboration

## 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 FY19, the company reached €1.7bn of revenues.
- **METRO AG (B4B-DE)** listed on the Xetra stock exchange (Germany) with a market capitalization of ca. €4bn. METRO engages in the wholesale and foodservice distribution. The firm serves the HO.RE.CA. sector as well as independent traders. It operates through the geographical segments Germany, Western EU, Russia, Eastern EU, Asia and Other. METRO was founded in 1997 and is headquartered in Germany. In FY19, the company reached €27.3bn of revenues.
- **Bid Corporation Limited (BID-ZA)** listed on the Johannesburg stock exchange (South Africa) with a market capitalization of ca. €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 FY19, the company reached €8bn of revenues.
- **Performance Food Group Company (PFGC)** listed on NYSE with a market capitalization of ca. €5.5bn. PFGC engages in the market 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) Vistar segment offering candy, snacks and beverages to customers. The company was founded in 1885 and is headquartered in the USA. In FY19, the company reached €17bn of revenues.
- **US Foods Holding Corp. (USFD)** listed on the NYSE with a market capitalization of ca. €6bn. 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 FY19, the company reached €23.3bn of revenues.
- **Sysco Corporation (SYY)** listed on the NYSE with a market capitalization of ca. €31bn. 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 FY19, SYY reached €53bn of revenues.
- **United Natural Foods Inc. (UNFI)** listed on the NYSE with a market capitalization of ca. €1bn. 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 FY19, UNFI reached €20bn of revenues.

- **Premium Brands Holdings Corp. (PBH-CA)** listed on the Toronto stock exchange with a market capitalization of ca. €2.5bn. PBH-CA manufactures and distributes a variety of specialty food products. The company was founded in 1917 and is headquartered in Canada. In FY19, PBH-CA reached €2.5bn of revenues.
- **Metcash Limited (MTS-AU)** listed on the ASX stock exchange (Australia) with a market capitalization of ca. €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 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 in 2019 recorded by the peers was 4.3%, whereas L&C's margin was 4.8%. Looking at the 2019 net margin, L&C reached 3.1%, which was in line with the peer average of 2.4%.

### 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%	3.9%	7.3%	7.2%	4.1%	4.2%	4.0%	neg	3.1%	3.8%
METRO AG	1.5%	0.9%	2.2%	4.5%	4.7%	5.0%	1.2%	1.3%	1.5%	neg	0.5%	0.7%
Bid Corporation Limited	6.3%	6.0%	6.2%	5.1%	6.1%	6.8%	3.6%	3.6%	3.7%	1.7%	2.9%	3.5%
Performance Food Group Company	2.0%	2.2%	2.2%	1.6%	2.0%	2.4%	0.6%	1.1%	0.8%	0.3%	0.5%	0.9%
US Foods Holding Corp.	4.0%	4.1%	4.3%	3.0%	4.2%	4.6%	1.8%	1.7%	1.5%	0.2%	1.3%	1.9%
Sysco Corporation	5.6%	5.3%	5.4%	4.7%	5.0%	6.1%	2.1%	2.4%	2.8%	2.0%	1.8%	2.8%
United Natural Foods, Inc.	3.4%	3.2%	2.2%	2.5%	2.5%	2.5%	1.4%	1.6%	neg	0.6%	0.7%	0.7%
Premium Brands Holdings Corp	8.7%	8.3%	8.4%	7.5%	8.9%	9.7%	3.7%	3.2%	2.3%	2.7%	4.0%	4.7%
Metcash Limited	2.4%	2.3%	3.5%	3.9%	3.9%	3.9%	neg	1.5%	neg	1.8%	1.7%	1.7%
<b>Peers Average</b>	<b>4.2%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.1%</b>	<b>5.0%</b>	<b>5.4%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>1.3%</b>	<b>1.8%</b>	<b>2.3%</b>
<b>Longino</b>	<b>5.3%</b>	<b>6.3%</b>	<b>4.8%</b>	<b>neg</b>	<b>4.2%</b>	<b>6.1%</b>	<b>2.1%</b>	<b>3.8%</b>	<b>3.1%</b>	<b>neg</b>	<b>1.9%</b>	<b>3.3%</b>

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

According to our forecast, L&C's revenues will grow at 7.0% CAGR between 2019 and 2022E, overperforming its peers which on average stood at 2% CAGR.

We also expect EBITDA to grow at CAGR19-22 of 16%, outperforming its peer average (8%).

## Peers Comparison - Sales (€mn) and Sales CAGR (%)

Company Name	Sales			CAGR 17-19	Sales			CAGR 2019-'22
	2017	2018	2019		2020	2021	2022	
MARR SpA	1,586	1,628	1,651	2.0%	1,118	1,524	1,688	0.7%
METRO AG	30,185	27,077	27,339	-4.8%	25,600	25,729	26,425	-1.1%
Bid Corporation Limited	7,453	7,671	7,987	3.5%	6,065	7,042	7,501	-2.1%
Performance Food Group Company	15,377	14,777	17,307	6.1%	21,251	23,322	25,730	14.1%
US Foods Holding Corp.	21,408	20,492	23,175	4.0%	18,847	21,782	23,562	0.6%
Sysco Corporation	50,796	49,252	52,696	1.9%	44,956	41,879	48,587	-2.7%
United Natural Foods, Inc.	8,481	8,567	19,625	n.m.	22,602	22,468	22,754	5.1%
Premium Brands Holdings Corp	1,501	1,979	2,457	27.9%	2,641	2,978	3,150	8.6%
Metcash Limited	8,159	7,983	7,926	-1.4%	9,251	8,834	8,962	4.2%
<b>Peers Average</b>	<b>16,105</b>	<b>15,492</b>	<b>17,796</b>	<b>5.1%</b>	<b>16,926</b>	<b>17,284</b>	<b>18,706</b>	<b>1.7%</b>
<b>Longino</b>	<b>28.5</b>	<b>32.0</b>	<b>33.7</b>	<b>8.7%</b>	<b>19.8</b>	<b>35.4</b>	<b>41.3</b>	<b>7.0%</b>

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

## Peers Comparison - EBITDA (€mn) and EBITDA CAGR (%)

Company Name	EBITDA			CAGR 17-19	EBITDA			CAGR 2019-'22
	2017	2018	2019		2020	2021	2022	
MARR SpA	65	67	70	3.6%	43	111	122	20.4%
METRO AG	439	236	608	17.7%	1,140	1,211	1,333	29.9%
Bid Corporation Limited	469	464	493	2.6%	312	432	512	1.2%
Performance Food Group Company	312	325	384	11.0%	344	472	619	17.3%
US Foods Holding Corp.	856	847	994	7.8%	566	909	1,080	2.8%
Sysco Corporation	2,835	2,616	2,841	0.1%	2,126	2,113	2,960	1.4%
United Natural Foods, Inc.	291	276	432	21.8%	574	569	575	10.1%
Premium Brands Holdings Corp	130	164	207	26.3%	199	264	305	13.7%
Metcash Limited	196	184	281	19.6%	363	341	347	7.3%
<b>Peers Average</b>	<b>621</b>	<b>575</b>	<b>701</b>	<b>6.2%</b>	<b>630</b>	<b>714</b>	<b>873</b>	<b>7.6%</b>
<b>Longino</b>	<b>1.5</b>	<b>2.0</b>	<b>1.6</b>	<b>3.7%</b>	<b>-1.2</b>	<b>1.5</b>	<b>2.5</b>	<b>15.7%</b>

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

## Market Multiple Valuation

Following the comparable analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2021 and 2022 data.

### Peers 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	P/E 2020	P/E 2021	P/E 2022
MARR SpA	Milan	1,151	1.2x	0.9x	0.8x	31.6x	12.4x	11.3x	n.m	19.1x	14.5x	n.m	25.0x	18.7x
METRO AG	XETRA	3,666	0.3x	0.3x	0.3x	6.5x	6.2x	5.6x	26.1x	18.7x	14.6x	n.m	45.9x	18.8x
Bid Corporation Limited	JSE	5,026	0.9x	0.8x	0.8x	18.1x	13.0x	11.0x	27.6x	18.1x	14.7x	41.4x	23.3x	18.0x
Performance Food Group Company	NYSE	5,539	0.4x	0.3x	0.3x	23.4x	17.0x	13.0x	n.m	31.7x	20.3x	n.m	44.1x	23.8x
US Foods Holding Corp.	NYSE	6,394	0.6x	0.5x	0.5x	19.7x	12.2x	10.3x	n.m	19.8x	14.9x	n.m	23.0x	16.4x
Sysco Corporation	NYSE	31,446	0.9x	0.9x	0.8x	18.2x	18.3x	13.1x	26.6x	26.5x	17.3x	36.6x	43.0x	23.7x
United Natural Foods, Inc.	NYSE	1,061	0.2x	0.2x	0.2x	7.5x	7.5x	7.5x	19.4x	14.7x	13.8x	8.4x	7.4x	7.4x
Premium Brands Holdings Corp	Toronto	2,652	1.3x	1.1x	1.1x	17.0x	12.9x	11.1x	27.6x	18.7x	15.5x	34.5x	23.5x	18.9x
Metcash Limited	ASX	2,175	0.3x	0.3x	0.3x	7.2x	7.6x	7.5x	10.0x	10.9x	10.7x	13.5x	15.0x	14.6x
<b>Average peer group</b>		<b>6,568</b>	<b>0.7x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>16.6x</b>	<b>11.9x</b>	<b>10.0x</b>	<b>22.9x</b>	<b>19.8x</b>	<b>15.2x</b>	<b>26.9x</b>	<b>27.8x</b>	<b>17.8x</b>
<b>Median peer group</b>		<b>3,666</b>	<b>0.6x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>18.1x</b>	<b>12.4x</b>	<b>11.0x</b>	<b>26.3x</b>	<b>18.7x</b>	<b>14.7x</b>	<b>34.5x</b>	<b>23.5x</b>	<b>18.7x</b>

Source: FactSet

We based our valuation upon a size/liquidity discount of 20%, and our estimates of L&C's EBITDA and net income for 2021 and 2022.

### Valuation - EV/EBITDA and P/E

Multiple Valuation (€mn)	2021E	2022E
EV/EBITDA Comps	12.4x	11.0x
Longino EBITDA	1.5	2.5
<b>Enterprise value</b>	<b>18.3</b>	<b>27.8</b>
Longino Net Debt 1H20	1.4	1.4
<b>Equity Value</b>	<b>16.9</b>	<b>26.4</b>
Average Equity Value	21.6	
Liquidity Discount	20%	
<b>Equity Value Post-Discout</b>	<b>17.3</b>	
Number of shares (mn)	6.25	
<b>Value per Share €</b>	<b>2.77</b>	

Multiple Valuation (€mn)	2021E	2022E
P/E Comps	23.5x	18.7x
Longino Net Income	0.7	1.4
<b>Equity Value</b>	<b>16.2</b>	<b>25.3</b>
Average Equity Value	20.8	
Liquidity Discount	20%	
<b>Equity Value Post-Discout</b>	<b>16.6</b>	
Number of shares (thousand)	6.25	
<b>Value per Share €</b>	<b>2.66</b>	

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

## DCF Model

We have also conducted our valuation using a five-year DCF model, based on 10.3% cost of equity, 5% cost of debt and a target capital structure of 85% equity and 15% of debt. The cost of equity is a function of the risk-free rate of 0.8% (Italian 10y BTP), 5.8% equity risk premium (Damodaran for the mature market) and a premium for size and liquidity of 5.2%. We, therefore, obtained 9.5% 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%).

## Valuation - DCF Model

€ thousand	2020E	2021E	2022E	2023E	2024E
EBIT	(1.6)	1.0	2.0	2.9	3.5
Taxes	0.3	(0.3)	(0.6)	(0.9)	(1.0)
D&A	0.4	0.4	0.5	0.6	0.7
Change in Net Working Capital	(1.5)	(0.5)	(0.4)	(0.1)	(0.2)
Change in Funds	0.2	0.2	0.2	0.2	0.2
Net Operating Cash Flow	(2.2)	0.8	1.7	2.7	3.2
Capex	(0.2)	(0.4)	(0.6)	(0.6)	(0.6)
<b>FCFO</b>	<b>(2.4)</b>	<b>0.4</b>	<b>1.1</b>	<b>2.1</b>	<b>2.6</b>
g	2.0%				
Wacc	9.5%				
FCFO (discounted)	(2.5)	0.4	0.9	1.6	1.8
Discounted Cumulated FCFO	2.3				
TV	35.5				
TV (discounted)	24.9				
Enterprise Value	27.1				
NFP 1H2020A	1.4				
Equity Value	25.7				
Current number of shares (mn)	6.25				
Value per share (€)	4.11				

Source: KT&Partners' estimates

## Sensitivity Analysis - Growth rate and WACC - (€ k)

€ mn	Terminal growth Rate	WACC				
		10.0%	9.7%	9.5%	9.2%	9.0%
	1.5%	22.2	23.1	24.0	25.0	26.1
	1.8%	22.9	23.8	24.8	25.9	27.0
	2.0%	23.7	24.6	25.7	26.8	28.0
	2.3%	24.5	25.5	26.6	27.8	29.1
	2.5%	25.3	26.4	27.6	28.9	30.3

Source: KT&Partners' estimates



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- ADD - FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD - FOR A FAIR VALUE <15% o >-15% ON CURRENT PRICE
- REDUCE - FOR A FAIR VALUE < -15% ON CURRENT PRICE

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