



Healthy growth in 1H but acceleration expected in 2H

Sector: Distribution & Logistics Services

Double digit top-line growth (+56%) Longino & Cardenal SpA an Italian leader in the luxury food market and listed on EGM since July 2018, reported solid top-line growth (up 56% YoY) driven by a positive performance across all group companies with the only exception of Hong Kong which continued to be strongly affected by Covid-19 related restrictions (-14% to Euro 0.7 m). The parent company's B2B business grew by +69% to Euro 10.8 m and the Dubai and New York subsidiaries continued to perform well (+45% (Euro 1.4 m) and 136% (Euro 0.5m) respectively). B2C online sales saw a slight contraction after the boost last year driven by restrictions on outdoor activities. Contribution Margin stood at Euro 3.0 m, up by 54% vs 1H21 (Euro 1.9 m) following the higher sales volumes as in percentage terms the margin remained stable at 21% confirming the resilience of the business as inflationary headwinds and increase in transportation costs did not notably dent profitability thanks to Management timely implementation of actions to protect margins. In spite of the higher Contribution Margin EBITDA remain largely stable (Euro -1.0 m in 1H22 vs. Euro -0.9 m in 1H21) following an increase in Opex by 43% as marketing and commercial activities, traditionally concentrated in 1H, went back to normal. Finally Net result was negative of Euro 0.9 m in line with prior year. On the balance sheet Net debt stood at Euro 5.8 m (Euro 3.5 m in FY21) after some WC absorption which Management expect to dispose in 2H.

Positive outlook based on a solid equity story as leader in a niche market. Although showing on recovery, 1H22 it did not yet mark a return to pre-pandemic levels (1H19 revenues of Euro 15.7 m) as the international turmoil following the outbreak of the Russia-Ukrainian war has delayed growth expectations. Management, which did not provide guidance for FY22, however expressed confidence for the business environment in 2H especially considering the seasonality of the business in favour of 2H, the investments in marketing and communication sustained in 1H and the positive signs from the Hong Kong market where restrictions for tourism finally have been lifted. Given the above we believe that the Group will be able to continue its growth path and largely recover the gap vs. FY19 already this year in order to consolidate growth and profitability from FY23 with the expected overcoming of Covid restrictions, New York subsidiary break-even, and with cost efficiencies from the new logistics site. We appreciate the equity story of a market leader in a niche market with mid-term growth expectations combined with a growth strategy well-aligned with driving market trends. Obviously, geopolitical developments need to be watched due to their possible impact in the short-term, but we believe medium-term prospects are visible and within the Group's reach. Key growth drivers remain i) growth in the domestic market by leveraging on increased sensitivity to quality, health, and origin of products, ii) consolidation of international subsidiaries and iii) B2C e-commerce.

Estimate revision and TP review. Based on the above we made some finetuning to our estimates now assuming FY22 revenues of Euro 32 m (Euro 35 m pr.) while largely confirming our growth expectations for FY23-25. Regarding profitability we slightly increased contribution margin given the positive result achieved in 1H. Over the next four years we forecast revenues to grow at a 16% CAGR (17% pr) to reach Euro 48 m in FY25 with an EBITDA of Euro 3.2 m, or 7% on revenues. We slightly lowered our DCF based target price now at Euro 4.31 p.s. (Euro 4.55 p.s. pr.) following our new estimates and update of market data. Our target price provides for a potential upside vs. current market price of c. 48%.

Target Price **4.31** (4.55 pr.)

Price **2.92**

Market Cap (€ m) **18**

EV (€ m) **24**

As of October 12, 2022

Share Data

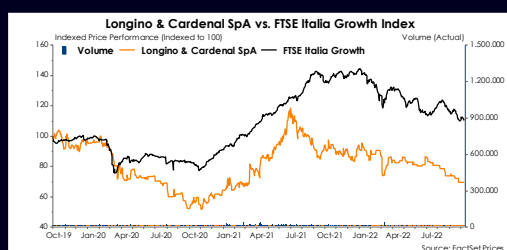
Market	Euronext Growth Milan
Reuters/Bloomberg	LONGI.MI/LON:IM
ISIN	IT0005337073
N. of Shares	6,250,000
Free Float	22%
Main Shareholder	CARM 78%
CEO	Riccardo Uleri

Financials

	21A	22E	23E	24E	25E
Sales	26.3	32.0	37.3	42.5	47.5
YoY	36%	22%	17%	14%	12%
EBITDA	(0.5)	(0.4)	1.1	2.2	3.2
EBITDA	n.m.	n.m.	3%	5%	7%
EBIT	(1.2)	(1.0)	0.4	1.5	2.4
EBIT	n.m.	n.m.	1%	4%	5%
Net Inc.	(0.9)	(0.7)	0.2	0.9	1.6
Net Debt	3.5	4.3	6.0	7.6	5.9
Net Eq.	5.5	4.8	5.0	5.9	7.5

Performance

	1M	3M	6M
Absolute	-6%	-16%	-16%
Relative (FTSE Italia Growth)	-0%	-11%	-0%
52-week High/Low (Eu)	4.50	/	2.82



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