MARR

NEUTRAL

Sector: Consumers

Price: Eu13.94 - **Target: Eu15.50**

Positive Results and Outlook. Fairly Priced at the Moment

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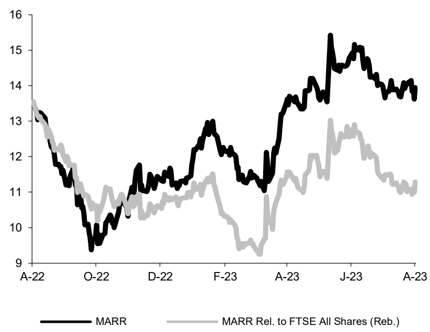
Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

MARR - 12M Performance



Stock Data			
Reuters code:			MARR.MI
Bloomberg code:			MARR IM
Performance	**1M**	**3M**	**12M**
Absolute	-0.3%	2.0%	3.1%
Relative	-0.8%	-4.2%	-20.2%
12M (H/L)			15.42/9.38
3M Average Volume (th):			82.35

Shareholder Data	
No. of Ord shares (mn):	67
Total no. of shares (mn):	67
Mkt Cap Ord (Eu mn):	927
Total Mkt Cap (Eu mn):	927
Mkt Float - Ord (Eu mn):	460
Mkt Float (in %):	49.6%
Main Shareholder:	
Cremonini Spa	50.4%

Balance Sheet Data	
Book Value (Eu mn):	388
BVPS (Eu):	5.83
P/BV:	2.4
Net Financial Position (Eu mn):	-193
Enterprise Value (Eu mn):	1,121

- **Pausing here.** On Friday, MARR reported 1H23 results broadly in line with our / consensus expectations, confirming previous FY23 indications, i.e. a recovery of profitability back to pre-pandemic levels in absolute values. The result is material and - as often highlighted - is testament to management's ability to deliver on its objectives, even in uncertain times. We remain a little cautious on the second part of the year and particularly on an extended season at the end of the summer, as consumption could slow a little, particularly at year-end 2023 and the beginning of 2024, based on continuing good demand in the main cities with a normalization at holiday destinations. Our estimates already factor in management indications for FY23 onwards with some contribution also from the new distribution centre in Northern Italy in 2024. We also believe that prices to final customers have now peaked and the process of normalization in the event of deflation of sourcing products will be faster than what it took to move prices upward, thus eroding the upside potential on margins that should come from the maintenance of current pricing lists. For these reasons, after a 25%+ performance since our recommendation changed, we take a more cautious view on the stock.
- **1H23 revenues in line, margins slightly better.** Consolidated 1H23 revenues came in at Eu1,003.2m, +14.7% YoY, with 2Q23 slowing down to +5.1% YoY (after 1Q23 at +30.9%) [expected]. Growth in sales in 2Q23 was also attenuated by trading down phenomena which arose in all client segments. Street Market and National Account segments amounted to Eu883.4m in 1H23, +20.3% YoY with a positive contribution of c.Eu7.5m from Frigor Carni, consolidated as of 1 April 2022. EBITDA stood at Eu53.4m in 1H23 with the margin on sales at 5.3% vs. 4.0% in 1H22. The performance was the result of a 2Q23 +120bp margin increase YoY (6.7% vs. 5.5% in 2Q22). Net profit, affected by the increased net financial costs as a result of the rise in the cost of borrowing in 2H22, amounted to Eu18.7m. The NFP as at 30 June 2023 was Eu250.1m vs. Eu270.6m as at 31 March 2023 and Eu228.7m as at the end of 1H22.
- **Outlook confirmed.** Sales to customers in the SM and NA segments in July were consistent with the growth objectives for 2023. Management reiterated the guidance for a return to almost pre-pandemic level EBITDA in terms of absolute value during the current year.
- **Estimates unchanged.** As mentioned above, results were aligned to our estimates resulting in no changes to expectations for FY23 and following years.
- **NEUTRAL from Outperform, TP Eu15.5 (unchanged)**. We continue to appreciate the company's solid business model and management's outstanding track record and proven ability to deliver results while dealing with an uncertain and challenging environment that is particularly exposed to inflationary trends. As highlighted by top-line progress and the margin trajectory, the current market scenario and underlying trends are normalizing and we should gradually see a reduction in margin risk. Our estimates imply 2023/24 EV/EBITDA at 8.7x/7.7x, a limited discount on average vs. historical levels. With also limited upside on our target price (c.10%) and pending further visibility on the level of demand arising from now on, we deem that current share price levels and the valuation fairly price in the company's prospects.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,456	1,931	2,136	2,227	2,330
EBITDA Adj (Eu mn)	91	82	128	148	168
Net Profit Adj (Eu mn)	35	27	56	69	82
EPS New Adj (Eu)	0.528	0.400	0.849	1.038	1.227
EPS Old Adj (Eu)	0.528	0.400	0.849	1.038	1.227
DPS (Eu)	0.470	0.380	0.679	0.830	0.982
EV/EBITDA Adj	15.9	13.1	8.7	7.7	6.6
EV/EBIT Adj	24.0	12.2			
P/E Adj	26.4	34.9	16.4	13.4	11.4
Div. Yield	3.4%	2.7%	4.9%	6.0%	7.0%
Net Debt/EBITDA Adj	1.6	2.1	1.5	1.4	1.1