MARR

OUTPERFORM

Sector: Consumers

Price: Eu13.54 - **Target: Eu15.50**

Strong Start to the Year, Encouraging Margin Recovery

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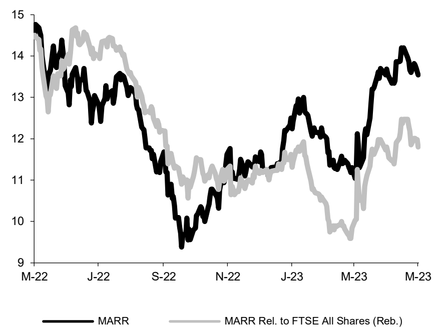
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 14.50 to 15.50
	2023E	**2024E**	**2025E**
Chg in Adj EPS	6.8%	7.5%	7.0%

MARR - 12M Performance



Stock Data			
Reuters code:			MARR.MI
Bloomberg code:			MARR IM
Performance	**1M**	**3M**	**12M**
Absolute	-1.0%	11.9%	-6.6%
Relative	0.1%	11.9%	-21.3%
12M (H/L)			14.76/9.38
3M Average Volume (th):			129.60

Shareholder Data	
No. of Ord shares (mn):	67
Total no. of shares (mn):	67
Mkt Cap Ord (Eu mn):	901
Total Mkt Cap (Eu mn):	901
Mkt Float - Ord (Eu mn):	447
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:	2.3
Net Financial Position (Eu mn):	-193
Enterprise Value (Eu mn):	1,094

- **Strong top line ahead of expectations.** MARR reported 1Q23 results on Friday ahead of expectations both on top line and margins. Despite the lower seasonality of 1Q, total sales came in at Eu426.6m, +31% YoY (+8% vs. expectations), well above 2019, which saw Eu333.4m in 1Q19. Total consolidated revenues in the last 12 months (without the impact of the pandemic) exceeded the Eu2bn threshold, reaching Eu2,031.3m. Sales for the two main segments, Street Market and National Accounts, were Eu373m, +39.1% YoY, benefiting from the positive contribution of Frigor Carni (consolidated since April '22) for approx. Eu2.4m. This was a strong overperformance vs. the core market in the period, which was up approx. +9.7% YoY. The wholesale segment at Eu47m, -12.3% YoY, was still affected by the temporary unavailability of caught seafood products, which started in 2H22. The positive performance of core segments had a pricing component of approx. 15-20%, while the remainder of growth is fully attributable to the increase in organic volumes.
- **Material margin recovery**. Thanks to the operating leverage on higher volumes and input costs easing (utilities and logistics), EBITDA 1Q23 came in at Eu14.8m vs. Eu5.1m in 1Q22 (close to Eu17.3m in 1Q19 pre-pandemic) with the margin on sales at 3.5% or +190bos YoY. The EBITDA margin is still below 60bps, under pre-pandemic levels, but the gap narrowed significantly on previous quarters.
- **Positive start to the year, positive outlook.** Management said that the first two months of 2023 are in line with the growth objectives expected for the year and the recovery in margins vs. 2019 is now expected to be very close to pre-pandemic levels **with EBITDA in absolute values almost in line**. The price of products is stabilizing, while price adjustments for clients are ongoing (more effective in the Street Market vs. National Accounts but the gap is less relevant now). The gross margin per Eur/Kg improved in 1Q23 and is expected to continue throughout 2023, also in light of inflationary trends which are beginning to ease and which should counterbalance the potential downtrading expected in some segments of the market. Moreover, a recovery is expected in the Wholesale segment in the coming months, with seafood availability normalizing in the light of recent fishing campaigns
- **Change in estimates.** We have revised our estimates to reflect actual figures and the latest positive indications, in particular on sales growth and the recovery of margins in 2023 and beyond.
- **OUTPERFORM confirmed, target to Eu15.5 (from Eu14.5).** 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 positive, and we should gradually see a reduction in margin risk in 2023 as new pricing and contract conditions will fully enter force and the company also starts to benefit from an easier comp base. We reflect this in our new estimates thus lifting our target price to Eu15.5. We think consensus estimates will in turn benefit from the latest indications on 2023, which still point to a compelling valuation: our updated estimates imply 2023/24 EV/EBITDA at 8.5x/7.5x, a discount of c.10-15% on average vs. historical levels

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	0.534	0.773	0.934	
DPS (Eu)	0.470	0.380	0.679	0.830	0.982
EV/EBITDA Adj	15.9	13.1	8.5	7.5	6.4
EV/EBIT Adj	24.0	12.2			
P/E Adj	25.6	33.9	16.0	13.0	11.0
Div. Yield	3.5%	2.8%	5.0%	6.1%	7.3%
Net Debt/EBITDA Adj	1.6	2.1	1.5	1.4	1.1