

# MISITANO & STRACUZZI

# OUTPERFORM

Sector: Consumers

Price: Eu3.09 - Target: Eu3.50

## Management Expects FY25 Below Current Consensus

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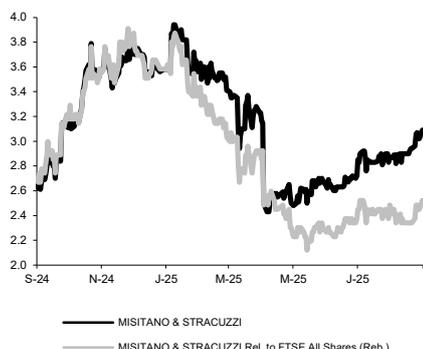
### Stock Rating

Rating:	from BUY to OUTPERFORM		
Target Price (Eu):	from 4.50 to 3.50		
	2025E	2026E	2027E
Chg in Adj EPS	-70.7%	-73.9%	-59.0%

### Next Event

 1H25 Results Out Sept. 19<sup>th</sup>

### MISITANO & STRACUZZI - 12M Performance



### Stock Data

Reuters code:	MSTN.MI		
Bloomberg code:	MS IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	7.7%	15.3%	21.9%
Relative	1.6%	9.6%	-1.1%
12M (H/L)	3.94/2.43		
3M Average Volume (th):	8.74		

### Shareholder Data

No. of Ord shares (mn):	30
Total no. of shares (mn):	30
Mkt Cap Ord (Eu mn):	93
Total Mkt Cap (Eu mn):	93
Mkt Float - Ord (Eu mn):	14
Mkt Float (in %):	14.8%
Main Shareholder:	
Stracuzzi Holding	78.2%

### Balance Sheet Data

Book Value (Eu mn):	34
BVPS (Eu):	1.12
P/BV:	2.7
Net Financial Position (Eu mn):	-40
Enterprise Value (Eu mn):	133

**FY25 expected below consensus.** Yesterday after market close, the company issued a press release with FY25 outlook below current consensus expectations. Management sees revenue growth slightly below consensus (c. Eu85m), yet still materially growing compared to last year, while the EBITDA margin is anticipated materially below consensus, in the **high single-digit range** (consensus at c.16%). The company will release 1H25 results on 19 September.

**Surging raw material costs in citrus market...** The lower EBITDA was primarily driven by pressure from higher raw material costs. The 2024/25 orange crop in Brazil, one of the largest citrus producers, fell by 24% (source CEPEA). The 2025/26 campaign is expected to see production growth; however, volatility remains high due to greening disease and unpredictable weather. Visibility on citrus oil price trends is low, with limited signs of a reversal even if expected throughout next year.

**... coupled to uncertainty from tariffs.** With ~60% of revenues generated outside the EU, tariffs weigh on MS performance. About 30% of revenues are US-exposed, where a 15% tariff on EU imports applies. Citrus by-products have been affected, with certain markets, such as Brazil, facing tariffs of up to 50%. Country-specific discrepancies may offer selective opportunities as clients adjust supply chains, yet uncertainty remains the key headwind for both the market and the Group.

**Change in estimates.** We are updating our estimates to reflect the 2025 guidance and implications for following years (more details below). This leads to a material revision of our EPS, which we cut by 68% on average for the next three years.

**Outperform (from BUY), TP Eu3.5 (from Eu4.5).** M&S is among the global leaders in citrus essences with over 100 years of expertise in developing and refining natural citrus flavours, serving high-profile international clients with a growing range of products. The extent of this latest announcement comes as something of a surprise and is disappointing, bearing in mind the FY24 developments (early April), when we already factored in a worse-than-expected scenario for FY25 based on raw material cost pressures and the introduction of tariffs.

We continue to believe in the company's potential and strategy, supported by the appointment of key managerial personnel (including the new Chief Commercial & Strategy Officer) and, more importantly, the ramp-up of the two new facilities, which will allow higher volumes, higher operating leverage and a broader product portfolio. That said, a high degree of uncertainty persists across several fronts: business forecasting, demand visibility, new contract negotiations (with greater price pass-through), margin recovery and procurement dynamics, among others. The company is now called upon to deliver results by maximizing the opportunities that may arise in such an uncertain and challenging environment, while demonstrating the strategic soundness of its significant investments, made possible by the capital raised from the market via the listing.

Our revised estimates lead to a target price of Eu3.5 with more limited upside than previously (before market reaction to the news). We therefore change our recommendation to Outperform from Buy. Our new target price is calculated by a DCF model assuming a 8.6% WACC and a 2.0% terminal growth. At target price valuation multiples remain quite expensive on 2026 (16.8x EV/EBITDA) because of the destocking effect expected on revenues, while on 2027 the stock would trade at 11.9x EV/EBITDA.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	59	73	81	74	82
EBITDA Adj (Eu mn)	13	16	6	7	10
Net Profit Adj (Eu mn)	7	9	2	2	4
EPS New Adj (Eu)		0.297	0.061	0.066	0.128
EPS Old Adj (Eu)		0.297	0.208	0.255	0.313
DPS (Eu)		0.170	0.113	0.024	0.027
EV/EBITDA Adj	1.2	7.5	21.3	17.7	11.5
EV/EBIT Adj	1.3	8.4	30.8	25.9	16.3
P/E Adj		10.4	50.7	46.5	24.1
Div. Yield		5.5%	3.7%	0.8%	0.9%
Net Debt/EBITDA Adj	1.2	1.3	6.4	5.1	2.6

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stock return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	31.34%
OUTPERFORM:	37.31%
NEUTRAL:	31.35%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	50.00%
OUTPERFORM:	29.49%
NEUTRAL:	20.51%
UNDERPERFORM:	00.00%
SELL:	00.00%

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