

MISITANO & STRACUZZI

BUY

Sector: Consumers

Price: Eu2.69 - Target: Eu5.40

The Essence of Success: Leading in Citrus Oils

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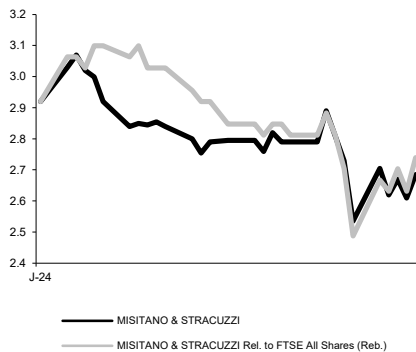
Stock Rating

Rating: BUY (New Coverage)
Target Price (Eu): 5.40 (New Coverage)

Next Event

2Q24 Results Out 20 September.

MISITANO & STRACUZZI - 12M Performance



Stock Data

Reuters code: MSTN.MI
 Bloomberg code: MS IM

Performance	1M	3M	12M
Absolute	-5.8%	--	--
Relative	-12.3%	--	--
12M (H/L)			3.07/2.54
3M Average Volume (th):			19.87

Shareholder Data

No. of Ord shares (mn):	30
Total no. of shares (mn):	30
Mkt Cap Ord (Eu mn):	81
Total Mkt Cap (Eu mn):	81
Mkt Float - Ord (Eu mn):	12
Mkt Float (in %):	14.8%
Main Shareholder:	
Stracuzzi Holding	78.2%

Balance Sheet Data

Book Value (Eu mn):	34
BVPS (Eu):	1.13
P/BV:	2.4
Net Financial Position (Eu mn):	-8
Enterprise Value (Eu mn):	88

- Italian citrus essences leader with a global footprint.** Misitano & Stracuzzi (M&S) is a B2B flavour supplier with a total turnover of Eu59m and 22% EBITDA margin (FY2023). It develops, manufactures, and sells products derived from natural citrus: essences (c.90% of sales) involving proprietary solutions of essential oils and, to a lesser extent, juices. The know-how acquired over four generations enables the Group to be one of the most important producers in the niche market for citrus fragrances and essential oil worldwide. The company has production plants in Sicily but a global footprint, with >90% revenues from abroad and a subsidiary in the US.
- A broad market supported by demand for natural products.** Flavours are marginal components in the final products but crucial for defining its taste and are therefore a key ingredient in a panoply of products in different industries. The global Aroma, Flavour and Fragrances market is predicted to grow at a +4.6% CAGR in 2022-'30, with strong potential in the natural product niche.
- R&D, know-how and 100+ years' experience...** The strength of M&S is the ability to add value to raw materials by refining them into the flavour required: 100+ years' know-how and innovative technologies enable strong flavour customization and standardization. Large international players develop loyal and long-lasting partnerships with M&S, thus giving it a degree of pricing power.
- ... resulting in bespoke solutions for highly reputable customers** M&S's essences are a minimal fraction (<1%) of the final product, but their role in shaping the perfect outcome is crucial. Large international players develop loyal and long-lasting partnerships with M&S, thus giving it a degree of pricing power.
- Surging sales and profitability amid high volumes and pricing power.** 2023 was a year of strong growth, fuelled by a leap in volumes and positive pricing & mix. We expect revenues to grow at an 8.1% CAGR for '23-'26 and the EBITDA margin to reach 25.4% in 2026 (with potential for further expansion) as the group will continue to take advantage of the market environment. The company boasts strong cash conversion (69% operating CF on EBITDA).
- High visibility on sales and profitability evolution from current trading.** In the five months to 31 May 2024, sales reached Eu28.6m up by +13.8% YoY with Adj.EBITDA of Eu7.6m up by +58% YoY corresponding to a margin on sales of 26.7%. Adjustments have been made for c.Eu0.2m of IPO-related costs. Were the growth rate maintained for the remainder of the year, the company would easily exceed our 2024 EBITDA estimate of Eu15.1m which in itself would be a margin on sales of 23.8% or +180bps YoY. Bearing in mind some seasonality, we plump for a more conservative assumption, while also acknowledging the upside potential.
- Initiating coverage with BUY recommendation; TP Eu5.4** based on the fully-diluted number of shares. At our target price, MS would trade at 11.7x/10.6x EV/EBITDA, 13.5x/12.5x EV/EBIT on our FY24E/25E estimates, almost in line with closest listed peer Treatt and at c.30%+ discount vs Aroma and Flavours international players.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	42	59	63	69	75
EBITDA Adj (Eu mn)	4	13	15	17	19
Net Profit Adj (Eu mn)	2	7	8	9	11
EPS New Adj (Eu)			0.274	0.303	0.371
DPS (Eu)			0.170	0.137	0.152
EV/EBITDA Adj		1.2	5.9	5.3	4.1
EV/EBIT Adj		1.3	6.8	6.2	4.8
P/E Adj			9.8	8.9	7.2
Div. Yield			6.3%	5.1%	5.6%
Net Debt/EBITDA Adj	3.8	1.2	0.5	0.4	-0.1

MISITANO & STRACUZZI – Key Figures						
Profit & Loss (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Sales	30	42	59	63	69	75
EBITDA	2	4	13	15	17	19
EBIT	1	3	11	13	14	16
Financial Income (charges)	-0	-0	-1	-1	-1	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	1	3	10	12	13	16
Taxes	-0	-1	-3	-4	-4	-5
Tax rate	29.1%	30.5%	30.3%	30.3%	30.3%	30.3%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	0	2	7	8	9	11
EBITDA Adj	2	4	13	15	17	19
EBIT Adj	1	3	11	13	14	16
Net Profit Adj	0	2	7	8	9	11
Per Share Data (Eu)	2021A	2022A	2023A	2024E	2025E	2026E
Total Shares Outstanding (mn) - Average	0	0	0	30	30	30
Total Shares Outstanding (mn) - Year End	0	0	0	30	30	30
EPS f.d				0.274	0.303	0.371
EPS Adj f.d				0.274	0.303	0.371
BVPS f.d				1.125	1.288	1.504
Dividend per Share ORD	0.000			0.170	0.137	0.152
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	1.000
Dividend Payout Ratio (%)	163.8%	17.8%	26.8%	61.8%	45.2%	40.8%
Cash Flow (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Gross Cash Flow	2	4	13	10	12	14
Change in NWC	-8	-2	-4	-1	-4	0
Capital Expenditure	-1	-0	-5	-13	-3	-0
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-7	1	4	-4	5	13
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	-1	-0	-2	-5	-4	-5
Equity Financing/Buy-back	0	0	0	17	0	0
Change in Net Financial Position	-8	1	1	8	1	9
Balance Sheet (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Total Fixed Assets	11	10	14	25	25	23
Net Working Capital	14	16	20	21	25	25
Long term Liabilities	-1	-1	-1	-1	-1	-1
Net Capital Employed	24	25	29	41	45	43
Net Cash (Debt)	-17	-16	-15	-8	-7	2
Group Equity	7	8	14	34	39	45
Minorities	0	0	0	0	0	0
Net Equity	7	8	14	34	39	45
Enterprise Value (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Average Mkt Cap			0	81	81	81
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-17	-16	-15	-8	-7	2
Enterprise Value			15	88	87	78
Ratios (%)	2021A	2022A	2023A	2024E	2025E	2026E
EBITDA Adj Margin	5.7%	10.4%	22.0%	23.8%	23.9%	25.4%
EBIT Adj Margin	1.8%	7.5%	19.3%	20.7%	20.3%	22.0%
Gearing - Debt/Equity	nm	192.6%	108.0%	22.2%	16.9%	-5.2%
Interest Cover on EBIT	19.9	31.2	9.3	10.6	14.3	41.1
Net Debt/EBITDA Adj	10.1	3.8	1.2	0.5	0.4	-0.1
ROACE*	2.7%	12.6%	42.3%	37.1%	32.5%	37.3%
ROE*	5.2%	27.4%	63.0%	34.5%	25.1%	26.6%
EV/CE			0.6	2.5	2.0	1.8
EV/Sales			0.3	1.4	1.3	1.0
EV/EBITDA Adj			1.2	5.9	5.3	4.1
EV/EBIT Adj			1.3	6.8	6.2	4.8
Free Cash Flow Yield	-8.9%	1.8%	4.7%	-5.0%	6.3%	16.7%
Growth Rates (%)	2021A	2022A	2023A	2024E	2025E	2026E
Sales	19.0%	38.0%	42.2%	7.0%	9.6%	7.8%
EBITDA Adj	-18.9%	151.0%	202.3%	15.7%	10.0%	14.6%
EBIT Adj	-47.4%	468.8%	268.2%	14.7%	7.7%	16.7%
Net Profit Adj	-41.9%	468.3%	240.2%	16.5%	10.5%	22.4%
EPS Adj					10.5%	22.4%
DPS	nm				-19.1%	10.5%

*Excluding extraordinary items Source: Intermonte SIM estimates

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Misitano & Stracuzzi in Brief

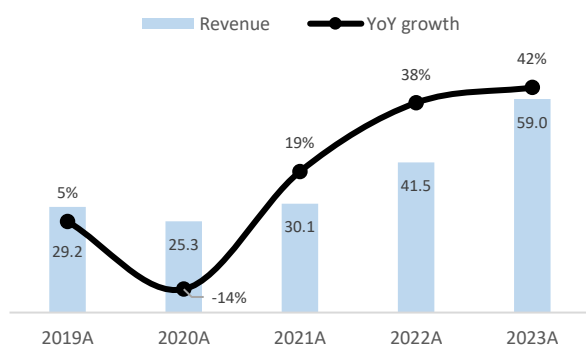
Company description

Misitano & Stracuzzi is a Sicilian B2B flavour supplier with a global footprint (>90% of sales abroad in 2023). The Group develops, manufactures, and sells essences (c.90% of turnover) and, to a lesser extent, juices. +100 years of know-how and strong R&D enables the Group to develop highly customized products and to position itself as one of the most important producers in the niche market for citrus fragrance and essential oil worldwide.

Strengths/Opportunities

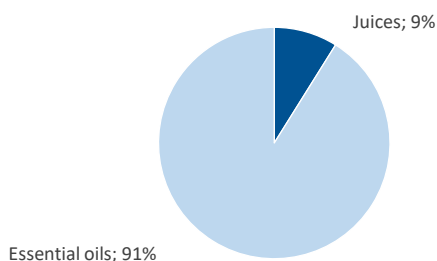
- Italian leader in the citrus essences niche
- +100-years of experience translates into a rapid understanding of market dynamics
- Highly specialized R&D enables the creation of bespoke products
- Market trends shifting towards healthiness and demand for natural products

M&S - Revenue evolution (2019A-2023A, Eu mn)



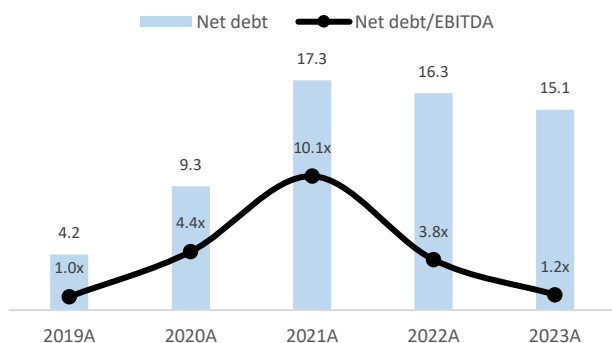
Source: Intermonte SIM on company data (A)

M&S - Revenue breakdown by product category (2023E)



Source: Intermonte SIM estimates

M&S - Net debt evolution (2019A-2023A, Eu mn)



Source: Intermonte SIM on company data

Management

Chairman & CEO: Antonio Stracuzzi
MD Logistics: Emanuela Stracuzzi
MD Juice dept.: Diego Stracuzzi
CFO: Giuseppe Trusso

Shareholders

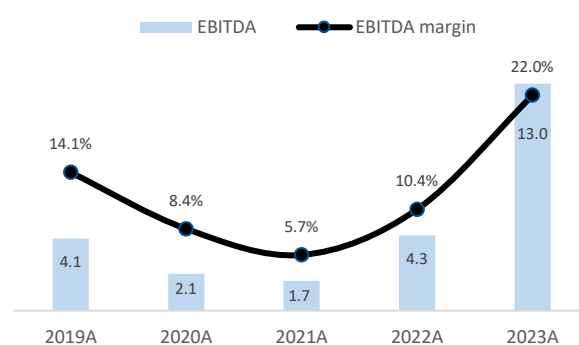
Stracuzzi Holding	78.1%
Invitalia	7.06%
Market	14.8%

BoD independent members: 2/5

Weaknesses/Threats

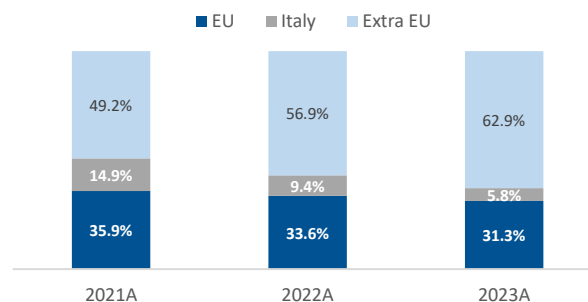
- Relatively small size
- Concentration of customers
- Reputational risk
- High exposure to international context: uncertain geopolitical framework and ForEx volatility

M&S - EBITDA (Eu mn) and margin evolution (2019A-2023A)



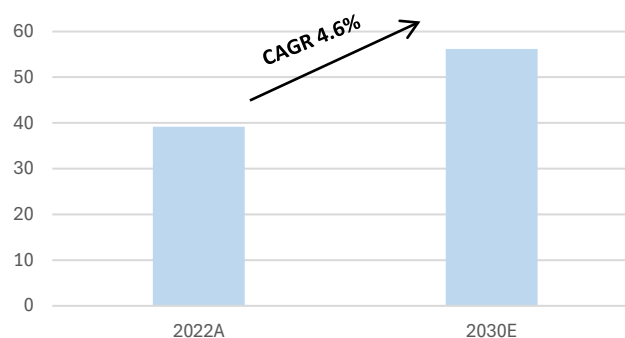
Source: Intermonte SIM on company data (A)

M&S - Breakdown by geographical area (2021A-2023A)



Source: Intermonte SIM on company data (A)

Global Aroma, Flavours and Fragrance market



Source: Intermonte SIM on GMI Research

Executive Summary

<p>Italian leader with 100+ year business heritage</p>	<p>Misitano & Stracuzzi (hereafter “M&S”) is a B2B flavour supplier with a global footprint. The Group develops, manufactures, and sells products derived from natural citrus: mainly essences (c.90% of sales in 2023) that involve proprietary solutions of essential oils and, to a lesser extent, juices. M&S is a Sicilian family-owned company with more than 100 years of history. The know-how acquired over four generations enables the Group to position itself as one of the most important producers in the niche market for citrus fragrances and essential oil worldwide. The company has production plants in Sicily, where it is investing in two new, more efficient plants, and more than 90% of revenues come from abroad. The company has a subsidiary in North America thus consolidating its presence in the US.</p>
<p>Broad market supported by structural mega-trends</p>	<p>Flavours are marginal components in the final product but crucial for defining its taste and are therefore a key ingredient in a panoply of products, from food & beverage through personal care to pharmaceuticals. The global Aroma, Flavour and Fragrances market is predicted to grow at a 4.6% CAGR to reach USD\$56.2bn in 2030. The trend should be particularly strong in the natural product niche: natural flavourings still have low penetration (e.g. only 2% of soft drinks are made with them) and consumers continue to demand pure, natural, and healthy products.</p>
<p>Key positioning in the value chain with strong know-how</p>	<p>The strength of M&S is the ability to add value to raw materials by refining them into the flavour required: century-old know-how and innovative technologies enable strong flavour customization in order to match customers’ needs, but also standardization of the flavour in order to provide a product that fulfils quality standards over time. The citrus market is threatened by greening, a disease with no known cure. The ability to develop a product that replicates the same aroma using a different blend of inputs makes it possible for M&S to overcome the shortage. The company can source oil essences from fruits that are not subject to shortages, mitigating the increase in prices, and managing to provide the customer with a flavour that would otherwise no longer be available.</p>
<p>Long-standing relationship with highly reputable customers</p>	<p>M&S boasts long-standing (+25 years for the three key partners), trusting relationships with large international players (mainly flavour and ingredients houses). Client loyalty comes from M&S’s commitment to quality of delivery and product safety, as they rely on M&S for a small yet crucial part of their product. Even though M&S’ essences are a minimal fraction (less than 1%) of the customer’s product, their role in shaping the perfect outcome is crucial, thus implying loyal partnership with customers and a degree of pricing power.</p>
<p>Surging sales and profitability amid high volumes and pricing power.</p>	<p>2023 was a year of strong growth, fuelled by a leap in volumes and positive pricing & mix. In particular, the mix improved thanks to a greater focus on essential oils, demand for which was growing meaningfully due to the market shortage amid greening disease. We expect revenues to grow at an 8.1% CAGR for ’23-’26 and the EBITDA margin to reach 25.4% in 2026 (with potential for further expansion) as we expect the group to continue to take advantage of the market environment. The company boasts strong cash conversion (69% operating CF on EBITDA). As for the NFP, we expect net debt (Eu15.1mn as at end-FY23) to increase in 2024 to Eu24.2mn as a consequence of higher CapEx but then return to Eu14.6mn in 2026 and become cash positive in 2028 or potentially earlier.</p>
<p>High visibility on sales and profitability evolution from current trading.</p>	<p>As per the latest operating figures supplied by the company, in the five months to 31 May 2024, sales reached Eu28.6m up by +13.8% YoY with Adj. EBITDA of Eu7.6m up by +58% YoY corresponding to a margin on sales of 26.7%. Adjustments have been made for c.Eu0.2m of IPO-related costs. Were the growth rate maintained for the remainder of the year, the company would easily exceed our 2024 EBITDA estimate of Eu15.1m which in itself would be a margin on sales of 23.8% or +180bps YoY. Bearing in mind some seasonality, we plump for a more conservative assumption, while also acknowledging the upside potential.</p>

SWOT Analysis

Strengths

- Italian leader in the citrus essences niche
- International presence with sales in more than 40 countries
- Over 100 years of experience translates into a rapid understanding of market dynamics, allowing the Group to seize market opportunities promptly
- Highly specialized R&D allows the development of bespoke, unique mixtures protected as trade secrets
- Long-lasting, consolidated business relationships with major multinational companies, whose loyalty is assured by bespoke products
- Flexibility ensured by a diversified supplier base (top 10 suppliers account for around 52% of supply)
- Strong regional element, particularly on juices
- Circularity of production process and environmental certifications attract customers attentive to ESG issues

Opportunities

- Structural shortage of oranges amid greening disease has made it necessary to vary the blend of other ingredients in order to keep flavour constant
- Market trends shifting towards healthiness and demand for natural products
- Natural flavourings currently account for only ~2% of the soft drinks market with huge potential for growth
- Population growth leading to higher demand for beverages and personal care products
- New logistic hubs will expand production capacity and efficiency, so the company can satisfy increasing demand
- Regulation of ingredients and rising customer standards set high barriers to entry
- Potential for further extending the client base to fragrances and cosmetics players
- Potential for growth in new end-markets and in new countries
- Growing desire for European re-shoring

Weaknesses

- Relatively small size
- Concentration of customers (top 3 customers account for nearly 45% of turnover/ top 10 for 73%)
- Reputational risk: relationship between M&S and clients is founded on loyalty and trust.

Threats

- High international presence exposes the Group to uncertain geopolitical framework and ForEx volatility
- High inflation of raw material prices
- Greening disease / plantation health
- Dependence on the timing of customer product launches and order placement

Source: Intermonte SIM

Company Description

History in Brief: Key Milestones

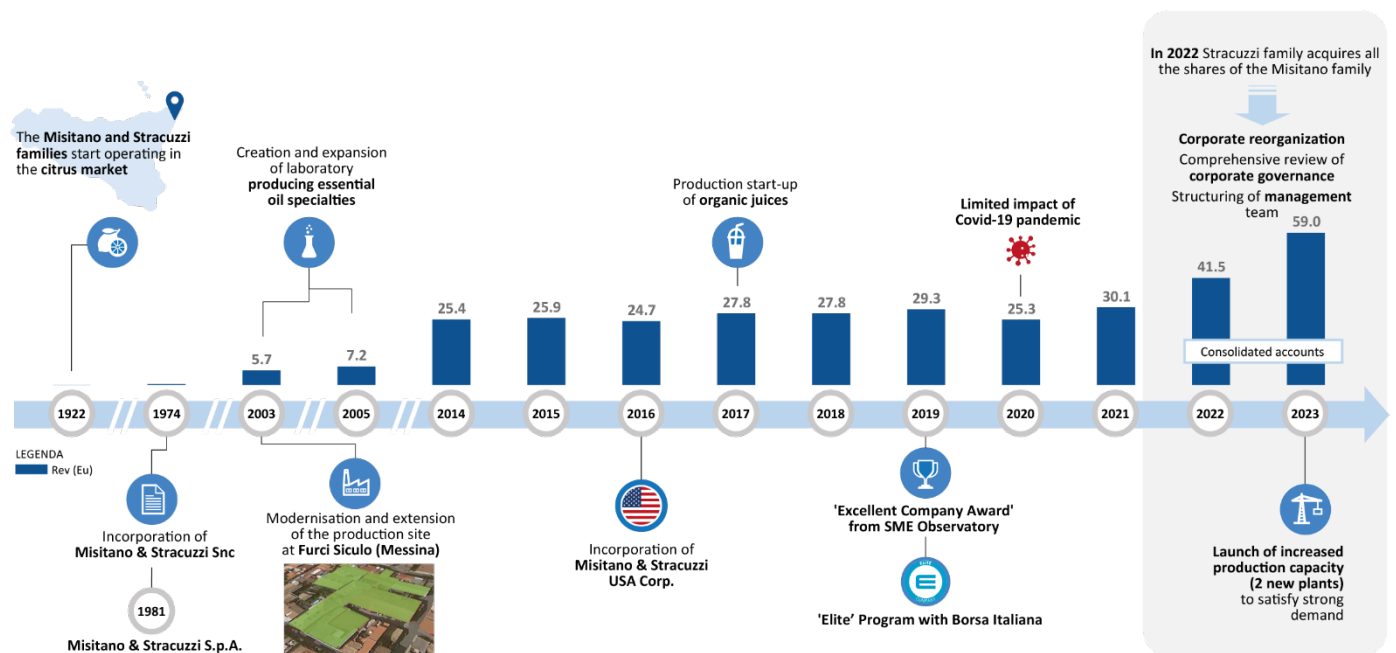
Misitano & Stracuzzi is a family-owned Sicilian company dating back more than 100 years, the result of a historic collaboration between the two founders and today fully controlled by the Stracuzzi family.

M&S traces its origins back to 1922, when the Misitano and Stracuzzi families started operating together in the citrus market in Furci Siculo (Messina, Sicily), a traditional business intrinsic to Sicilian history. Fifty years later, in 1974, Misitano & Stracuzzi S.n.c. was incorporated, before becoming Misitano & Stracuzzi S.p.A. in 1981. The business, initially focused on citrus juice production, grew steadily for almost 20 years.

In 2003, the company started a process of modernisation and extension of the production site at Furci Siculo, together with the creation and expansion of a laboratory producing essential oil specialties. The company made important investments that improved production capacity and raised the company's profile with clients. The investment resulted in strong growth: in the following ten year-period, revenues grew fourfold from Eu5.7mn in 2003 to Eu25.4mn in 2014.

In 2016, Misitano & Stracuzzi USA Corp. was incorporated, following the need to shorten delivery times overseas. The need turned into an opportunity, as having a company on US soil allowed for better market penetration of the American market. In 2019, M&S awarded the "Excellent Company Award" by SME Observatory in recognition of the great results the company had achieved. Starting from the same year, the company undertook the "Elite" program with Borsa Italiana, a path that resulted in a substantial transformation of the management structure. In 2022 Stracuzzi family acquired all the shares held by the Misitano family, with the three Stracuzzi siblings - Antonio, Emanuela and Diego - becoming co-chief executive officer of M&S with equal stakes (each holding 33.3% share through Stracuzzi Holding S.r.l.). The reorganization of corporate governance launched generational change that resulted in a structured management team able to double turnover from 2021 to 2023. In 2023, the company took another transformational step by investing in two new hubs that will enable expansion of product capacity, boosting potential growth. Finally, on 29 July 2024 Misitano & Stracuzzi successfully finalised IPO on Euronext Growth Milan market.

M&S: Timeline



Source: Intermonte SIM on Company presentation

Management team



Antonio Stracuzzi
Chairman & Chief Executive Officer

- Director of Misitano & Stracuzzi since January 2001
- Responsible for the Occupational Safety&Health Department and Essences Sales Department
- Active participation at trade and events. Business relations with clients



Emanuela Stracuzzi
Managing Director Logistics

- Director of Misitano & Stracuzzi since January 1998
- Responsible for the Essence Logistics Department and Juice Logistic Department
- Maintains ongoing relationships with shippers, customs authorities and clients



Diego Stracuzzi
Managing Director Juice Department

- Director of Misitano & Stracuzzi since January 2002
- Responsible for the Juice Sales Department
- Considerable experience in the marketing industry



Giuseppe Trusso
Chief Financial Officer

- CFO of Misitano & Stracuzzi since January 2020
- Beginning of career in 2004 at KPMG, where he became a manager
- Moved to Sipafer S.p.A. in 2015 as head of AFC department

- **Board of directors:** Antonio Stracuzzi (Chairman), Diego Stracuzzi, Emanuela Stracuzzi, Antonio Riccio (Independent director), Carlo Munafò (Independent director).
- **Board of Statutory Auditors:** Melo Martella (Chairman), Giulio Ciochetti, Barbara Ricciardi, Giuseppe Bulotta, Antonina Molica.

Strategic Advisory Board to provide strategic advice & knowledge.

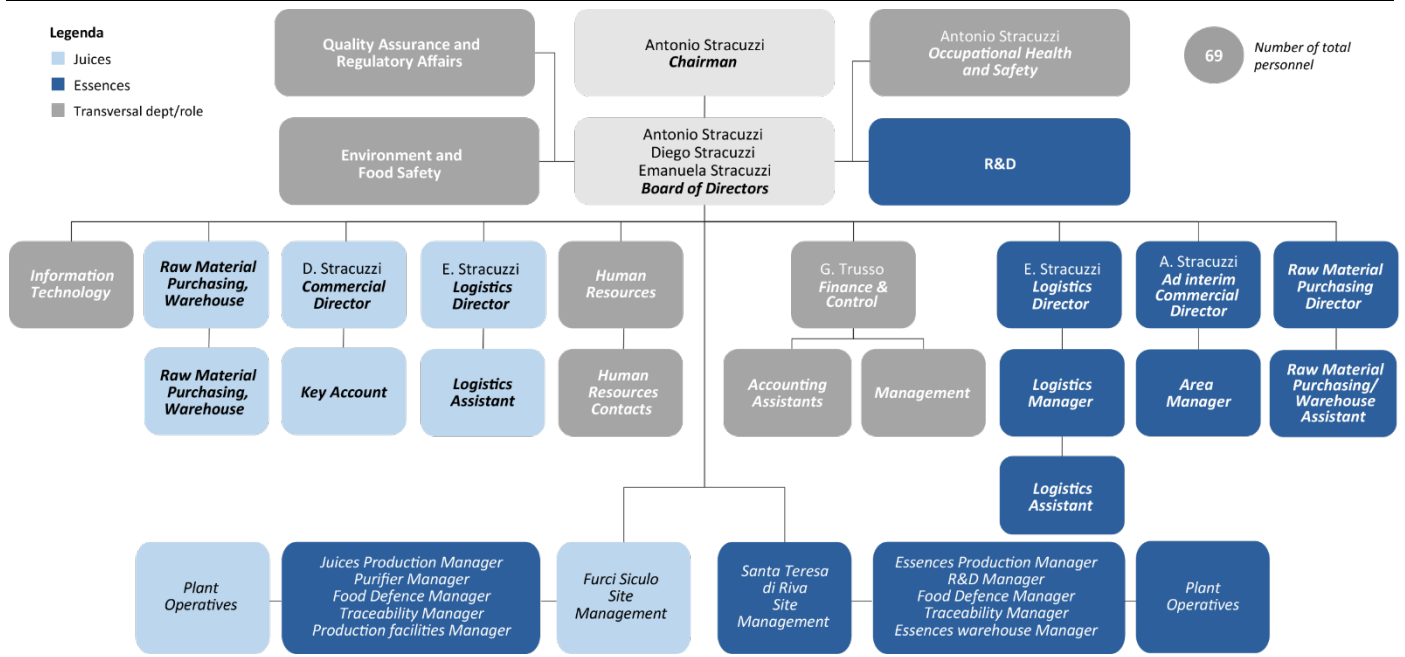
The company has announced the establishment of the **Strategic Advisory Board**, composed of international professionals with proven experience in financial markets and in the Fragrances and Food & Beverage industries.

The committee will be composed of three individuals external to the Company with the aim of providing strategic advice, vision, and specialized knowledge continuously to the Board of Directors of M&S, to which it will report directly:

- **Bhavesh Shah.** Over 30 years of experience in Leadership, Operations, and Procurement positions at the world's largest consumer goods company (Procter & Gamble), and at a leading fragrance and flavour house (Firmenich). Bhavesh brings to M&S a wealth of global experience that reflects his multicultural background.
- **Alain Frix.** VP Sales at Symrise, a historic Swiss multinational active in the development, production, and sale of fragrances, flavors, and food ingredients. He serves on various committees and boards where he provides top-tier strategic support, boasting experience in financial markets, sustainability, and M&A. He enjoys an extensive international network that will significantly contribute to the development of M&S.
- The third member, already selected, will be officially appointed by the end of the year, after the completion of his prior contractual commitments.

The business is highly structured in order to cope with future challenges.

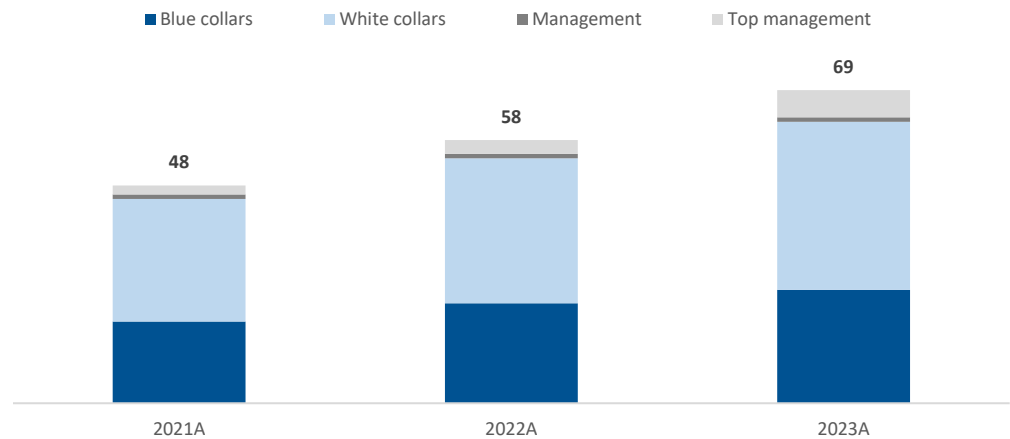
M&S: Business Structure



Source: Intermonte SIM on Company presentation

The increasing structuration of the Group coincided with a higher number of employees, which grew from 48 in 2021 to 69 in 2023. Although an increase in volumes is expected in the coming years, employees will increase in less than proportional numbers as the new plants provide for the automation and simplification of production.

M&S: Average number of employees



Source: Intermonte SIM on Company data

IPO and Ownership structure

Misitano & Stracuzzi has been successfully listed on the EGM market of the Italian Stock Exchange on 29 July 2024. The Group has been listed at an IPO price of Eu2.92 per share, with a total offer of 6,666,000 shares, of which 6,060,000 newly-issued (primary offer) and 606,000 existing shares as greenshoe option, partially exercised on 27 August for a total amount of 507,000 ordinary shares.

According to the admission document, the proceeds from the Capital Increase, net of placement fees and expenses, are estimated at approximately Eu16.7mn.

Price Adjustment Shares

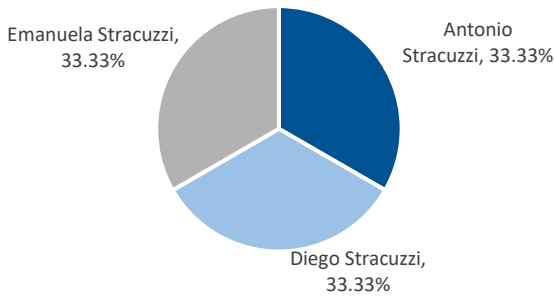
As an additional mechanism to highlight the commitment of the company towards its financial targets, 3.6mn of Stracuzzi Holding Srl shares are Price Adjustment Shares (PAS) meaning that they are subject to proportional cancellation in the case of the company not reaching the target of Eu15.1mn EBITDA in FY2024.

In particular, If EBITDA 2024 will result:

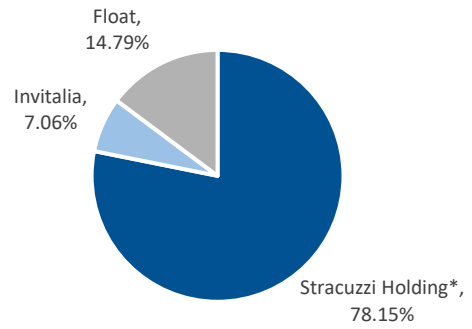
- **Eu13.5-15.1mn**: cancellation will be proportional to the level of EBITDA reached;
- **<Eu13.5mn**: full cancellation.

Current shareholding structure After the IPO, the main shareholder remains the Stracuzzi family, with 78.15% of share capital equally owned by Antonio, Diego and Emanuela Stracuzzi though Stracuzzi Holding Srl. 7.06% of share capital is owned by Investitalia Spa through *Fondo Cresci al Sud* which entered as a corner investor. Market float accounts for 14.79% of share capital.

M&S: Shareholding structure pre-IPO



M&S: Current Shareholding structure



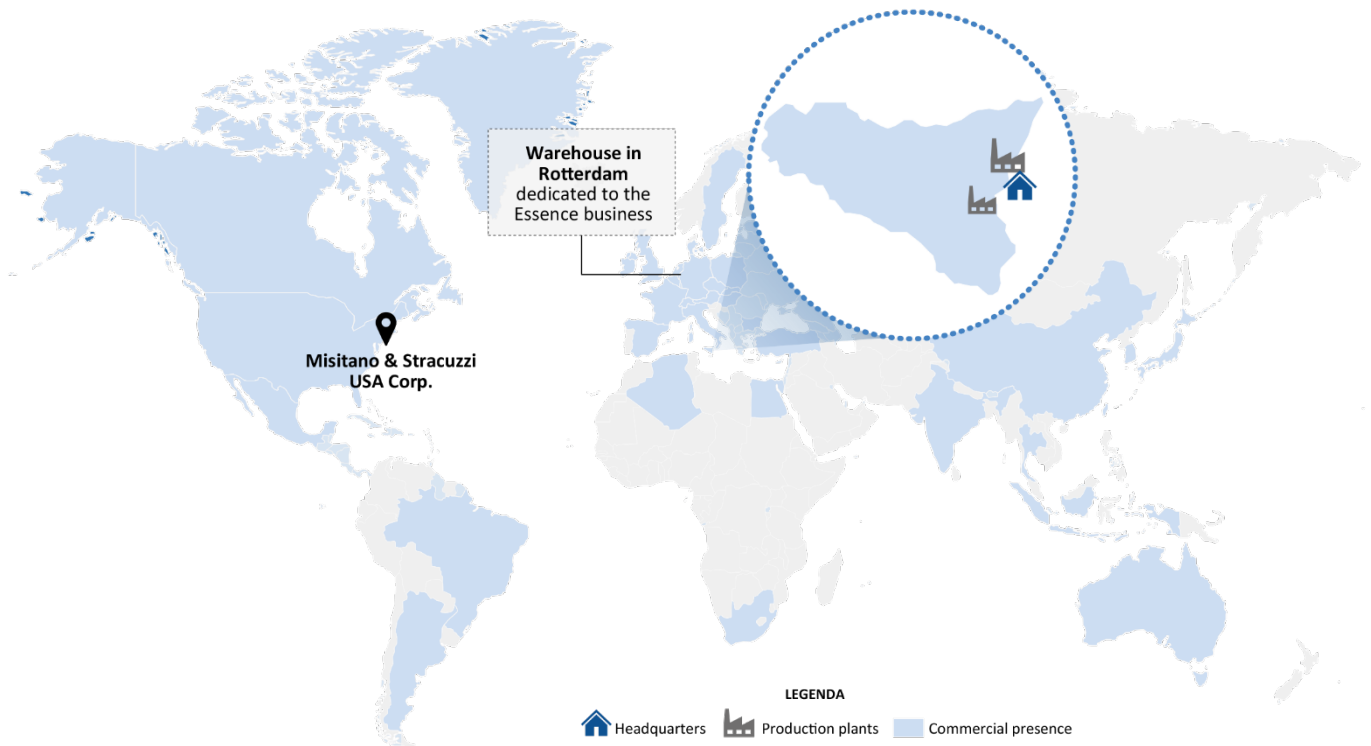
Source: Intermonte SIM on company data.

Source: Intermonte SIM on company data.*Stracuzzi Holding equally owned by Antonio, Diego and Emanuela Stracuzzi. % calculated on total share capital incl. PAS shares.

Sicily-based but with an international presence

The company boasts an extensive international presence, with 94% of revenues generated abroad as of 2023 through business relationships in more than 40 countries. To better serve international customers, the Group has developed three logistics distribution centres in Italy, the USA and the Netherlands.

M&S: Geographical Presence



Source: Intermonte SIM on Company presentation

The company currently has two production plants in the province of Messina (Sicily), at Santa Teresa di Riva (citrus essences) and Furci Siculo (juice production and oil extraction).

New Sicilian hubs: a transformative chapter In 2023 the Group announced the investment in two new factories in Messina province. The two plants have a total surface area of ~30,000 sqm and will ease logistics, expand production capacity and improve efficiency, in order to satisfy rising demand for products.

US subsidiary facilitates trade with North America since 2016 Trade with America (around 40% of revenues in 2023) has been simplified and expedited with the establishment of Misitano & Stracuzzi USA Corp. in 2016. The subsidiary distributes essential oils and aromatic essences in the United States, enabling M&S to consolidate its presence in America. The subsidiary's operations are carried out through an external warehouse (B&J Group Inc. based in Pennsylvania), which handles the storage and movement of goods. The subsidiary's Head of Sales, Mark E. Hardy, has over 20 years' sales experience. Prior to working for Misitano & Stracuzzi, he was vice president at Mane, one of the worldwide leaders in the Fragrance and Flavour industry, for nearly six years.

Essence warehouse in Rotterdam Finally, the Essence business has a warehouse in Rotterdam, Netherlands, a strategic location for global trade.

Business overview

Misitano & Stracuzzi is a B2B flavour supplier with a global footprint. The Group develops, manufactures, and sells natural citrus by-products, predominantly for the beverage industry. The core business is the production of citrus essences resulting from the proprietary solutions of essential oils and, to a lesser extent, the production of juices. The Group's century-long know-how and the strong R&D department enable the development of bespoke products that satisfy demand from product manufacturers.

M&S: key role in the value chain

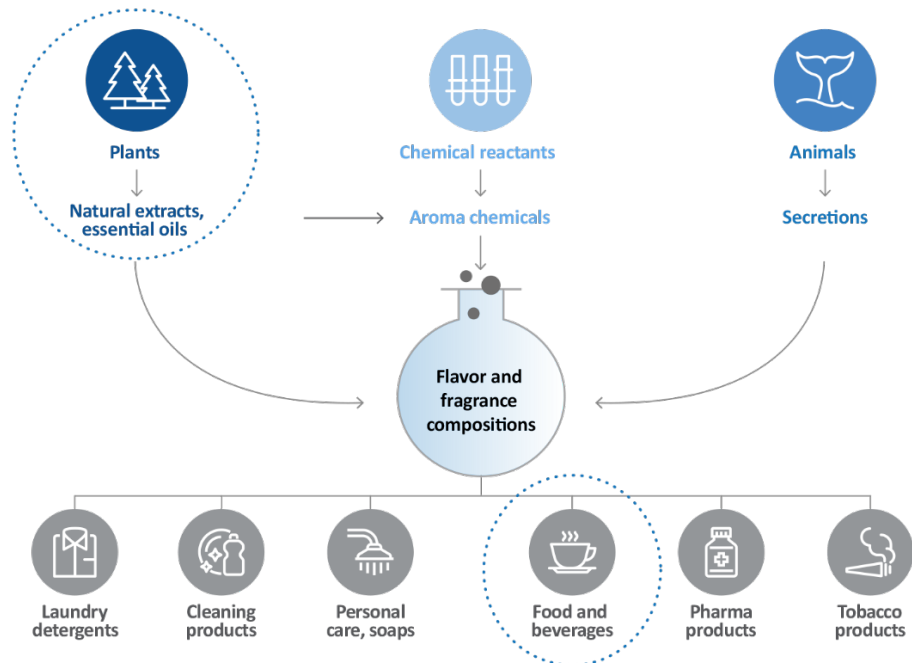


Source: Intermonte SIM on Company presentation

Flavour and fragrance compositions include components from natural (plant or animal) as well as synthetic sources developed in the laboratory. The applications for flavours and fragrances impact a multitude of industries, from personal care through pharma products to food and beverages.

M&S develops essential oils only from natural sources, i.e. citrus fruit. The products are supplied to other businesses, which manufacture flavour and fragrance compositions that go into the final product.

Flavor and fragrance value chain



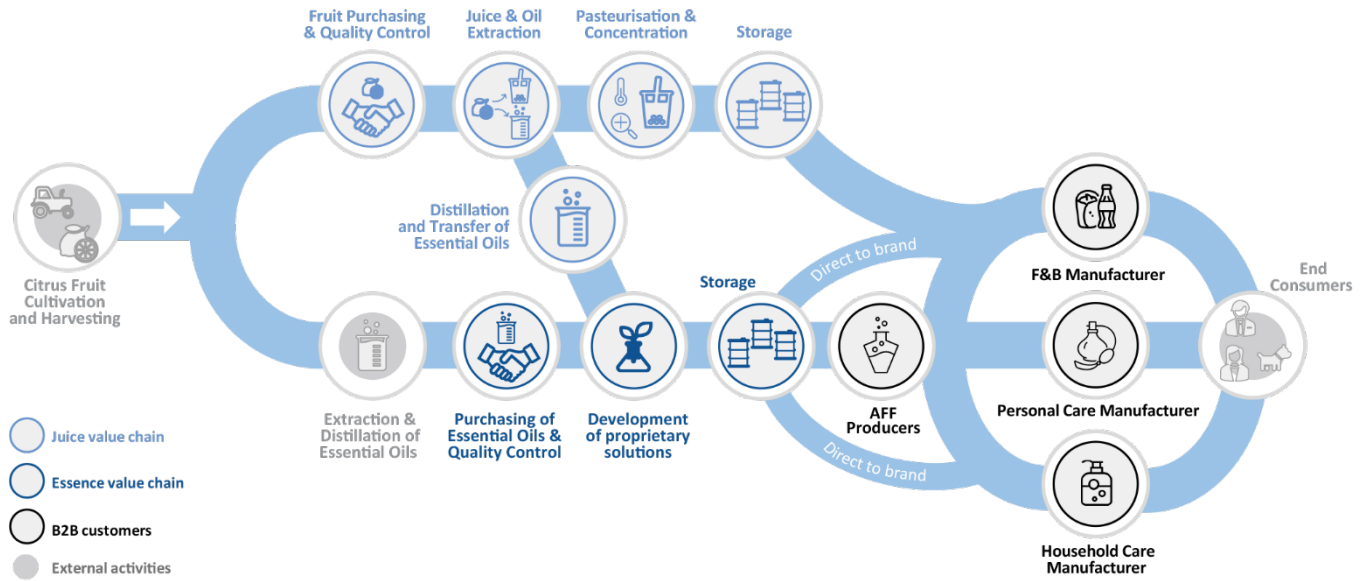
Source: Intermonte SIM on HIS research

Key positioning in the value chain

M&S occupies a key position in the value chain of flavour producers. Oil essences represent a minimal fraction (usually less than 1%) of the end product, but determine its taste and smell, which are key features that make the product unique in the eyes of the consumer.

Thus, M&S boasts an advantage in terms of pricing power: a minor cost saving on the aroma is not worth the risk of disruption to production or damage to the brand reputation.

M&S: full coverage of the value chain

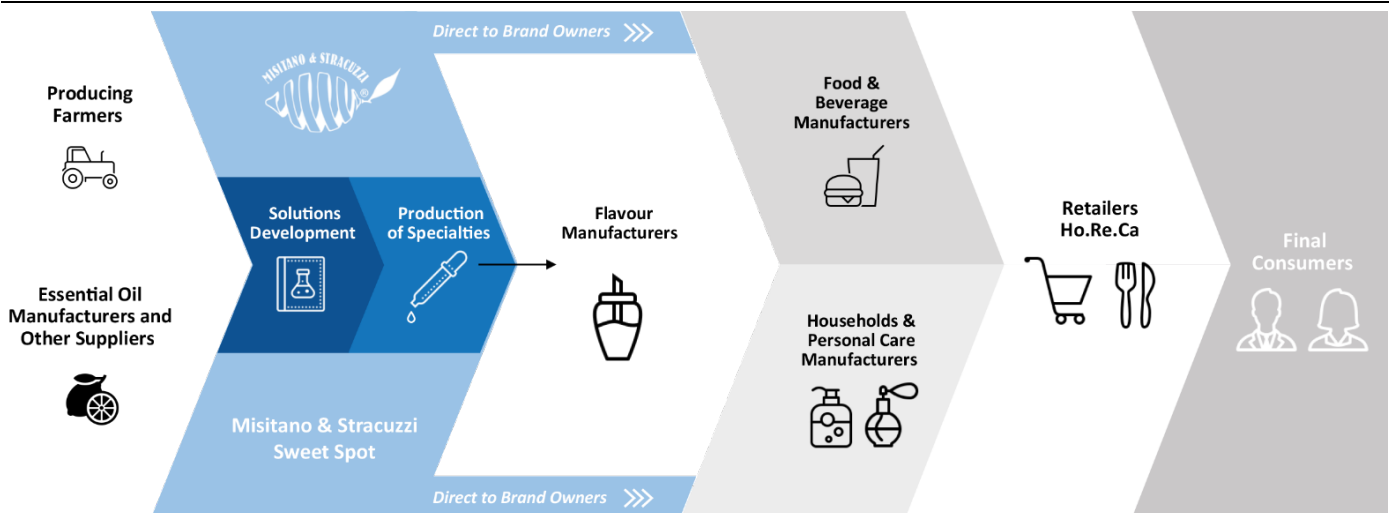


Source: Intermonte SIM on Company presentation

Both in Essences... The company has full coverage of the value chain, right up to distribution of the finished product.

- **Natural, raw material procurement.** Essential oils are purchased from suppliers or from the production plant of Furci Siculo. About 90% of the Specialties contain raw materials of natural origin only, with the remaining marginal portion using synthetic components to satisfy specific needs of certain customers. After procurement, raw materials are quality controlled to establish whether they are suitable for processing and transformation.
- **Compounding bespoke specialties.** During the composition phase, M&S analyses the customer's specification on the final flavour of the desired essence and the expected quality targets in order to choose the right solution to satisfy these requirements.
- **Processing and testing.** Through proprietary solutions developed in-house by the R&D department, M&S transforms essential oils into personalized essences. During the processing stage, the essential oils are mixed in steel containers of 1-20 tons using electric pumps. This step takes place after a further distillation process. The flavours obtained are as close as possible to the target samples thanks to multiple quality controls. If the result meets the initial expectations, batch conformity is issued.
- **Packaging and storage.** The products obtained from the transformation process, after being further checked and deemed compliant, are pumped into drums or canisters pending marketing.
- **Distribution to B2B customers.** The final product, properly stored, is sold to the customer. M&S products are primarily used to flavour soft drinks and, to a lesser extent, in the healthcare and homecare sectors.

Essences Value chain

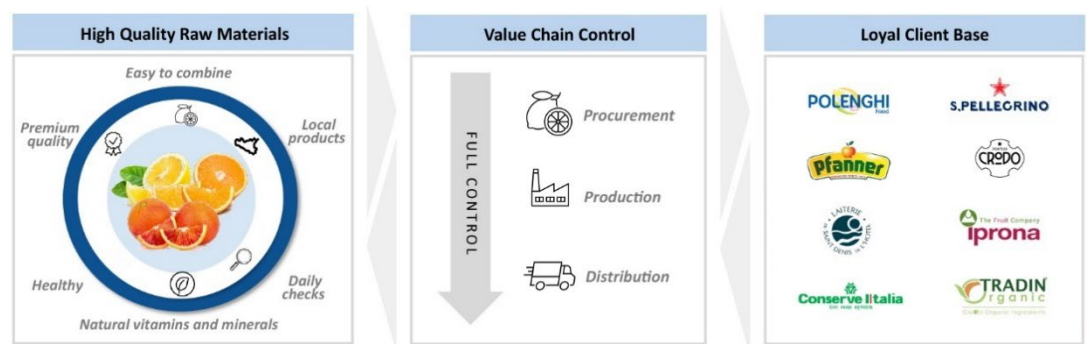


Source: Intermonte SIM on Company presentation

... and Juices The company produces juices from high-quality, Sicilian citrus. The +100-years' experience and the excellent local products are the main reason clients rely on M&S. The Group has complete control of the value chain, from the purchasing of fruit to distribution to customers.

- 100% Italian citrus fruit. The best Sicilian raw materials are purchased from local suppliers. They consist mainly of lemon, blood orange and mandarin. Local suppliers guarantee a high standard of product quality and fruit traceability.
- Complete value chain control. All stages of the juice value chain are carried out in-house. After procurement and quality analysis of Sicilian citrus fruit, the juice is extracted, pasteurised and then concentrated by means of high capacity, properly maintained machines.
- Circularity of the production process. The by-products of citrus fruit for juice production are not wasted. While the pulp is used to produce juice, the Group extracts oil essences from the peel to recreate aromas, and the remainder (so called "pastazzo") is used for biomass and in pet food.
- Local beverage players rely on M&S. Juice is purchased by important national players in the beverage sector. The main applications are energy drinks and citrus juices. Clients typically carry out further processing before marketing the finished product.

M&S: Juices value chain



Source: Intermonte SIM on Company presentation

Natural raw material from a loyal, diversified supplier base

Diversified supplier base as a competitive advantage

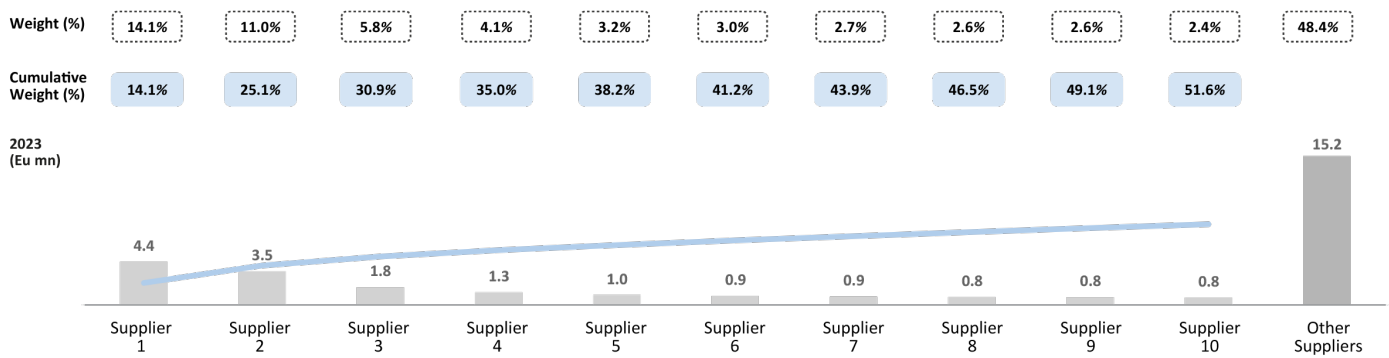
M&S purchases natural citrus essential oils from suppliers or production plants from different geographical areas. The search for high quality raw materials is a continuous process, and individual suppliers are selected by management only after careful evaluation. The supplier base is diversified, with the top 10 only accounting for half of the base, ensuring procurement flexibility. Despite the dispersion of suppliers, we note that the company has multi-year partnerships with suppliers, some lasting more than a decade.

A loyal, long-lasting supplier base enables low purchase costs, visibility on outgoing and incoming supplies, and the possibility for meticulous checks. Raw materials such as citrus are subject to shortages due to diseases and meteorological events, so having a solid and loyal supplier base is a competitive advantage as the Group is able to deliver regardless of commodity availability.

Only Sicilian oranges for juice production

Juices are made only of Sicilian citrus fruit, mainly lemon, blood orange and mandarin. M&S purchases high quality raw material from local suppliers that guarantees a high standard of product quality and fruit traceability.

M&S: Supplier base



Source: Intermonte SIM on Company presentation

Oil essences and juices are durable products; as they do not perish, they can be stored for more than two years. This is a considerable advantage for the Group, which can smooth raw material price and supply fluctuations. Raw materials can be purchased in favourable periods and kept in storage for months (up to 2 years) which enables the company to ride periods of de-stocking should the raw material become scarce or too expensive.

Raw material processing: the heart of business

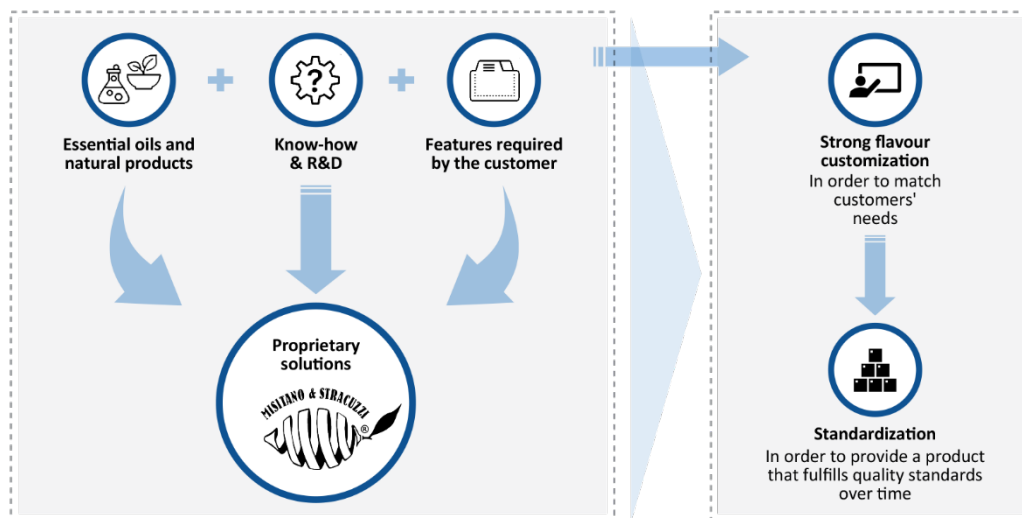
Strong internal R&D...

M&S products are created through a customised approach in response to customer requirements. Through proprietary solutions developed in-house by the R&D department, M&S transforms essential oils into personalized essences that are as close as possible to the target samples thanks to multiple quality controls. The company's formulas are strictly confidential albeit not protected by patents in order to make them even more shrouded, making it almost impossible to replicate its receipts.

... allowing product standardization and customization...

The strength of M&S is the ability to add value to raw materials by refining them into the flavour required: century-old know-how and innovative technologies enable strong flavour customization in order to satisfy customers' needs, but also the standardization of the flavour, in order to provide a product that fulfils quality standards over time.

M&S: Know-how & R&D allows the creation of standardized and customized proprietary solutions



Source: Intermonte SIM on Company presentation

...bypassing and taking advantage of the shortages due to greening disease

The citrus market is threatened by a disease without any known cure which is halving global citrus plantations and production: the **greening disease** (please see the Appendix). The ability to develop a product that replicates the same aroma with a different blend makes it possible for M&S to overcome the shortage problem arisen in the market. The company can procure fruit that is not subject to shortages, mitigating the increase in prices, and managing to provide the customer with a flavour that would otherwise no longer be available.

Long-standing relationships with highly reputable customers

One of M&S's key strengths is the relationship of trust that arises between the Group and its customers.

M&S: Key partners

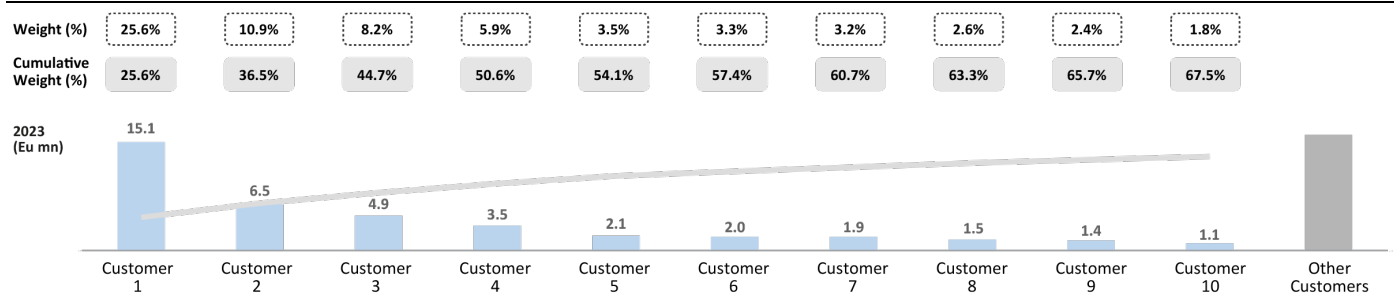
Essences	Juices
<p>M&S customers for citrus essences are large international players active mainly in the food sector and to a lesser extent personal care and home care</p> <p>Company's main business</p>	<p>M&S's juice customers are mainly Italian beverage players</p>

Source: Intermonte SIM on Company presentation

Customers for citrus essences are large international flavour houses active in the food sector and to a lesser extent personal care and home care, while juice customers are mainly Italian beverage players who are looking for natural, certified-origin citrus fruits. M&S encounters new customers mainly through its existing network or through "flavour tables", sector conferences that allow it to meet a high number of potential customers.

The first 10 customers account for circa 70% of turnover. Concentration is material for the company, but it is important to consider that relationships are long-lasting. M&S boasts relationships of more than 25 years with its three main customers (which alone accounted for 45% of M&S turnover in 2023). Relationships are maintained and strengthened over time, and sometimes protected by exclusivity clauses.

M&S: Customers' base – Essential oils and Juices



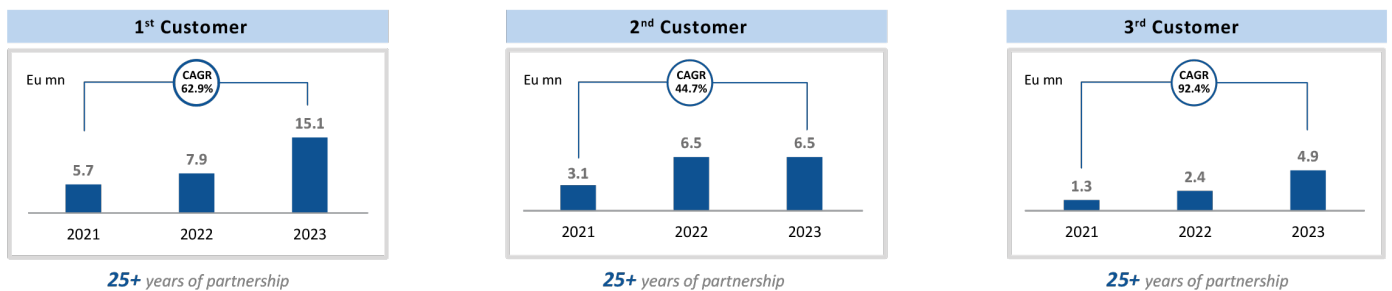
Source: Intermonte SIM on Company presentation

Client loyalty is explained by the key role of essences in the final product

Confirming the solid relationships with customers, the strong increase in revenues experienced in the last three years is largely due to an increase in revenues from the main, existing customers, who have placed larger numbers of orders with M&S: revenues from the first three customers grew at a +62% CAGR in 2021-2023.

In the beverage industry, custom aromas crafted by M&S play a critical role in defining a product's profile, despite representing a minor cost component. M&S prioritizes consistent quality, efficient delivery, and adherence to safety, health, and sustainability standards – factors that are paramount for major beverage companies. This commitment fosters long-term partnerships between M&S and its clients, underscoring the importance of trust and reliability in sourcing these essential, yet marginal, components.

M&S: Long-standing customer base



Source: Intermonte SIM on Company presentation

Reshoring and diversification explain the choice of local suppliers

Over the last decade, many European companies have started to relocate some value chain activities closer to their headquarters. The move of manufacturing and other value chain activities back to the European Union from locations outside the bloc has been defined *EU reshoring*. This trend has been driven by the need to strengthen European manufacturing and make supply chains more sustainable and secure:

- **Increased oversight.** The EU wants greater control over its supply chains to ensure quality and adherence to regulations.
- **Carbon footprint reduction.** Reshoring shortens transportation distances, potentially lowering greenhouse gas emissions.
- **Strategic autonomy.** The EU aims to become less reliant on other regions for critical products and resources.
- **Diversification.** Geopolitical instability encourages companies to diversify the supplier base.

Therefore, large multinationals are restoring relationships with local suppliers.

Natural and high-quality citrus fruit by-products

Citrus fruits are the basis of every product from M&S, in essences and juices. M&S products are primarily used to flavour soft drinks and, to a lesser extent, in the healthcare and homecare sectors.

Strongly customized Essences made from natural ingredients

About 90% of the Specialties contain raw materials of natural origin only, with the remaining marginal portion using synthetic components to satisfy specific needs of certain customers.

M&S: Citrus fruits are the basis of Essences



Source: Intermonte SIM on Company presentation

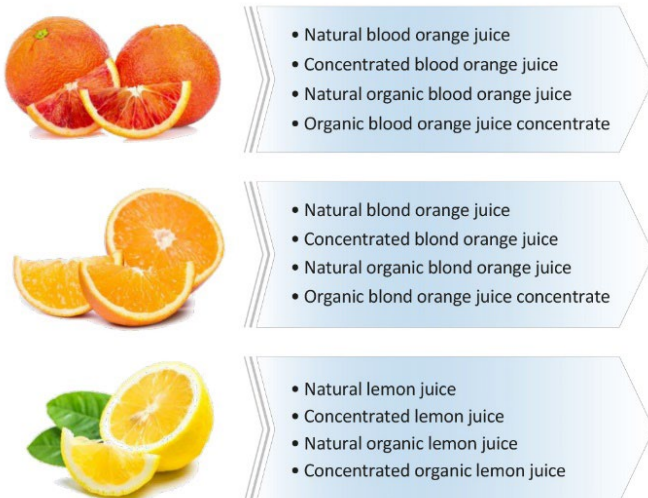
The group keeps developing new products to satisfy new customer requests, to increase the efficiency of existing products or allow the same aroma to be recreated with a different mix, depending on customer needs and availability of raw materials.

M&S is working on the “Specialties” project, a program of R&D activities aimed at the development of new products in the essential oils sector. The innovations could have important repercussions on the development of the company’s business in the coming years.

Sicilian citrus fruits in Juices

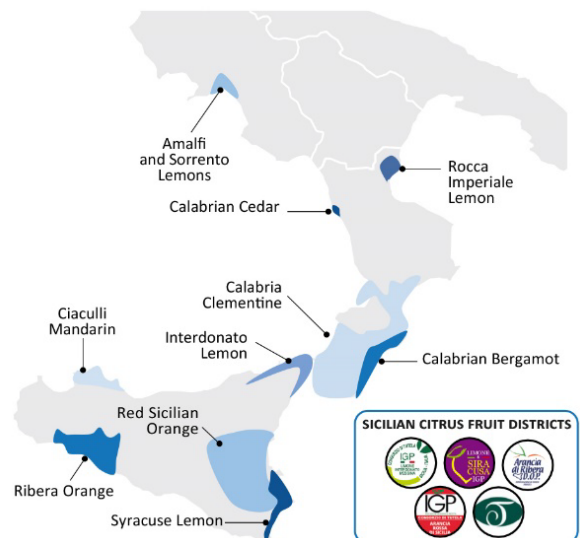
Juices are made only with Sicilian DOC and PGI citrus fruits (mainly lemon, blood orange and mandarin). Their use in the production process guarantees a high standard of product quality and fruit traceability.

M&S: Juices from Sicilian citrus fruits



Source: Intermonte SIM on Company presentation

Main DOC and PGI citrus production



Source: Intermonte SIM on Company presentation

Attention to ESG factors is crucial in relationships with clients

Juices and Essences are circular businesses.

The Essences and Juices businesses exemplify the circular economy. From the purchased citrus fruit, the pulp is used to produce juices (c.30%), while the essential oil is extracted from the peel (c.0.4%). The waste, called *pastazzo*, is not thrown away, but used for biofuel, pet food and pectin. Furthermore, the Group is currently carrying out a project with the University of Messina with the aim of extracting further value by finding innovative ways to reuse *pastazzo*, potentially transforming it into natural fibres to replace cotton, plastic, and paper.

Apart from the oils obtained from oranges used to produce juice, flavours are made up of essential oils purchased directly from suppliers. The solvents used during the manufacturing of essences can be completely reused, allowing a sharp reduction in production waste, including in the essence business.

Focus on water management and carbon neutrality

The Group pays particularly attention to water management, a critical aspect in essence production, and to its carbon footprint. In 2023, M&S started its journey towards carbon neutrality, with the analysis of direct and indirect CO2 emissions. The new production centres will be equipped with solar panels, contributing to the reduction of emissions despite an expected jump in production.

International certification proves product quality

The importance given to the aforementioned aspects, together with compliance with international standards for environmental and food safety, and the quality of processes and working environments, has been recognised by the granting of several international certificates.

M&S: International certifications



Source: Intermonte SIM on Company's website

Attention to ESG issues is of utmost importance in relationships with clients

Certification is not only a safeguard for end-consumers, but above all a certainty for customers that they are purchasing high quality semi-finished products for their products. Major international corporations are demonstrably committed to sustainable business practices. This commitment extends beyond their own operations, with a growing emphasis on ensuring their suppliers adhere to stringent safety, quality, and environmental standards.

In their reports, many fragrance and flavour producers among M&S' clients disclose their commitment to carefully choosing suppliers with good practice. For example, Givaudan discloses its "A" score in CDP's Supplier Engagement rating. Firmenich has implemented a comprehensive Supplier Management and Collaboration programme to meticulously evaluate suppliers' commitment to ethical practices and environmental impact, ensuring alignment with its own sustainability goals. MANE reinforces this commitment with its responsible purchasing policy, which integrates a thorough Corporate Social Responsibility evaluation process for all potential suppliers. Symrise further emphasizes this trend: they subject all suppliers to a rigorous sustainability risk assessment, underlining the growing importance of "sustainable sourcing" for multinational corporations.

Reference Markets

A significant portion of M&S's revenue comes from the sale of essences for the flavour and fragrance market.

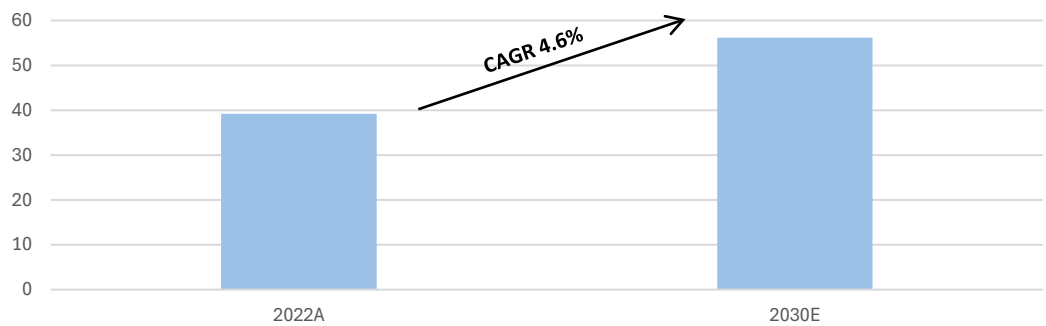
Flavour & fragrance define the final product...

Flavour and fragrance are two fundamental elements influencing customers' sensory perception, specifically taste and smell. Flavour gives the perception of taste and aroma of the product, defining it and differentiating different products. Flavour is a key factor in foods and beverages, as well as pharmaceutical products. Fragrance, on the other hand, focuses solely on stimulating our sense of smell. It is key for perfumes and personal care products, for example. Manufacturers strategically incorporate flavourings and fragrances to enhance the aroma profile and create olfactory and gustatory sensations, all without significantly impacting the final product cost.

... and are projected to grow at +4.6% CAGR

The global market for aromas, flavours and fragrances (AFF) was worth USD\$39.2bn in 2022 and is estimated to experience robust growth in the next years with a +4.6% CAGR from 2022 to 2030.

Global AFF Market Value (USD\$ bn)



Source: Intermonte SIM on GMI Research

... sustained by solid trends

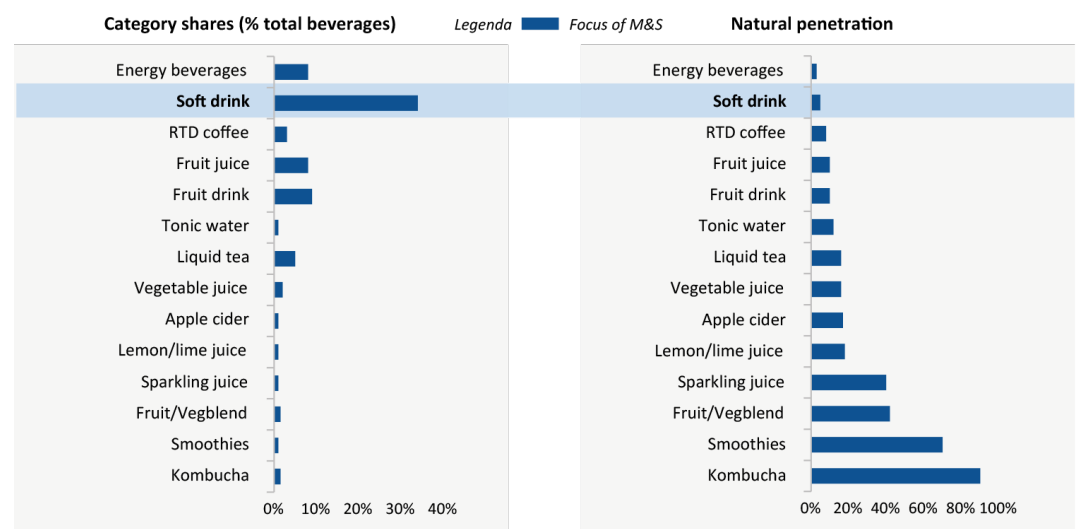
This trend is expected to be sustained by growing consumer demand for distinct flavour profiles: while traditional flavours remain popular, consumers are showing an interest in exploring and seeking out novelty. One out of three global consumers say they are intrigued by new, unique, different flavours, while one out of four global consumers are attracted to interesting and exotic global flavour combinations (Innova Market Insights).

Moreover, secular trends as the world population increases will sustain the growth of flavours. The latest projections by the UN suggest that the world's population could grow to around 8.5bn in 2030 and 9.7bn in 2050, with the global food system under pressure from the demands of feeding a growing population on diminishing resources.

High demand for natural products, in which M&S is specialized...

There is significant room for growth, particularly in the use of natural flavourings. The penetration rate of natural flavourings in soft drinks, for example, remains a modest 2% (with soft drinks accounting for 33% of total non-alcoholic beverages). This highlights the vast potential for natural options to capture a larger share of the flavours market.

Low penetration of natural flavourings in soft drinks



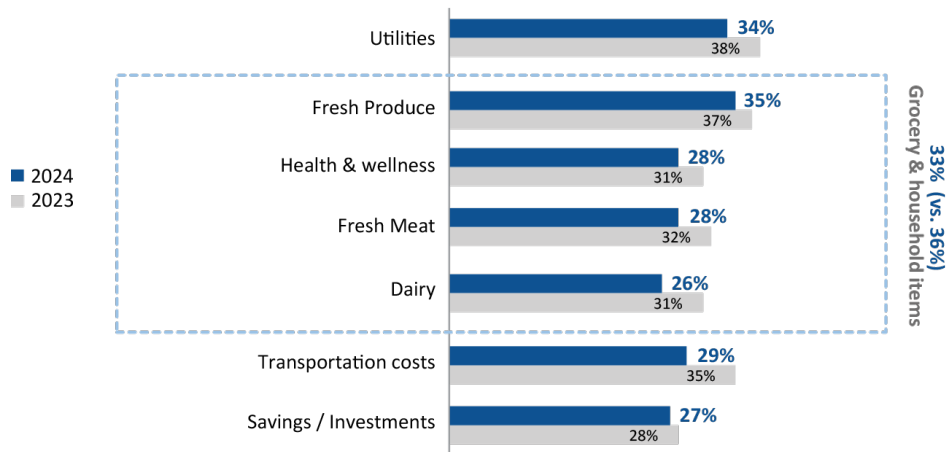
Source: Intermonte SIM on Bloomberg

...driven by health consciousness and need for transparency

The demand for natural products from the market is steadily increasing as consumers are becoming more conscious about the quality, origin, and ingredients of the products they purchase.

- **Health & Wellness.** Consumers are increasingly health-conscious and prioritize natural ingredients perceived as safer and more beneficial. Concerns about synthetic chemicals and potential side effects are pushing them towards natural alternatives. Nielsen IQ Consumer Outlook shows that even if rising FMCG (*fast moving consumer goods*) prices are still plaguing different departments (Beverages +10% YoY), people do not cut back on discretionary items, with 28% people saying they will spend more on health and wellness products in 2024.
- **Efficacy.** Natural products have shed the "all-natural, less effective" image. Innovation and research have led to the development of potent and effective natural ingredients, making them competitive with synthetic options.
- **Transparency.** Consumers prioritize transparency, seeking detailed information about origin, production methods, and processing in food & beverage choices. This fuels the rise of natural and minimally processed options that clearly communicate health and sustainability benefits.
- **Sustainability.** Growing concerns about climate change and social equity are prompting consumers to make informed purchasing decisions. They increasingly seek brands committed to ethical sourcing and minimizing environmental impact. This translates to a demand for clear information about product origins and a dedication to sustainable innovation. In March 2023, the European Commission adopted a proposal for a Directive on Green Claims enabling consumers to make informed purchasing decisions.

Spending on natural products is projected to increase in 2024 (% represents consumers willing to cut spending)



Source: Intermonte SIM on Nielsen IQ Consumer Outlook

Among organic flavours, citrus fruits are among the favourites

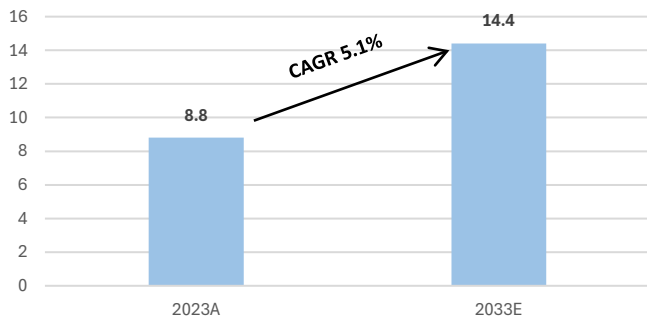
Within natural flavours, citrus fruit is one of the highest demand and fastest-growing niches. They amount to a dominant 20% share of all new non-alcoholic beverages and are projected to grow at a 5.1% CAGR over the next ten years, reaching USD\$14.4bn in 2033. Classic citrus oil varieties such as lemon, lime and orange are forecast to remain dominant players in the market.

The US is expected to be the biggest citrus oil market by 2033, followed by China. The US market is projected to grow steadily at 5.5% CAGR 2022-'32, while China's market is expected to grow even faster at 6.6% CAGR in the same period. Europe is also showing strong growth in the citrus oil market.

Citrus fruits are widely used as flavours as they are appreciated by consumers and by producers.

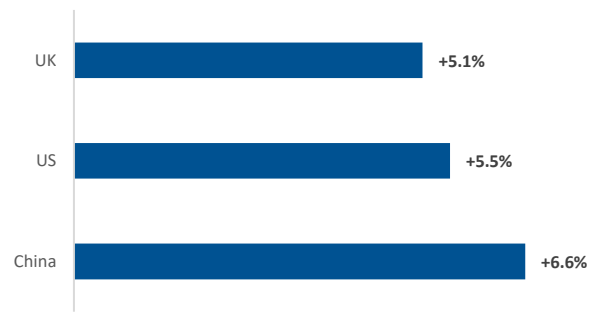
- **Adaptability.** For manufacturers, citrus offers unparalleled adaptability, with its oils finding diverse applications in the food and beverage sector as flavourings, colorants, and additives. In fact, citrus is among the ingredients in the majority of beverages.
- **Taste.** Consumers appreciate citrus thanks to the refreshing taste. Citrus fruits possess organoleptic properties that enhance the overall sensory experience.
- **Healthiness.** Consumers are drawn to citrus for its health benefits. Citrus oils are rich in nutrients and have potential immune-boosting effects that resonate with health-conscious consumers.

Global citrus oil market value (USD \$ bn)



Source: Citrus Oil Market Size, Share & Trend Analysis to 2033, Fact.MR

Citrus oil market CAGR 2022A-2032E by geography

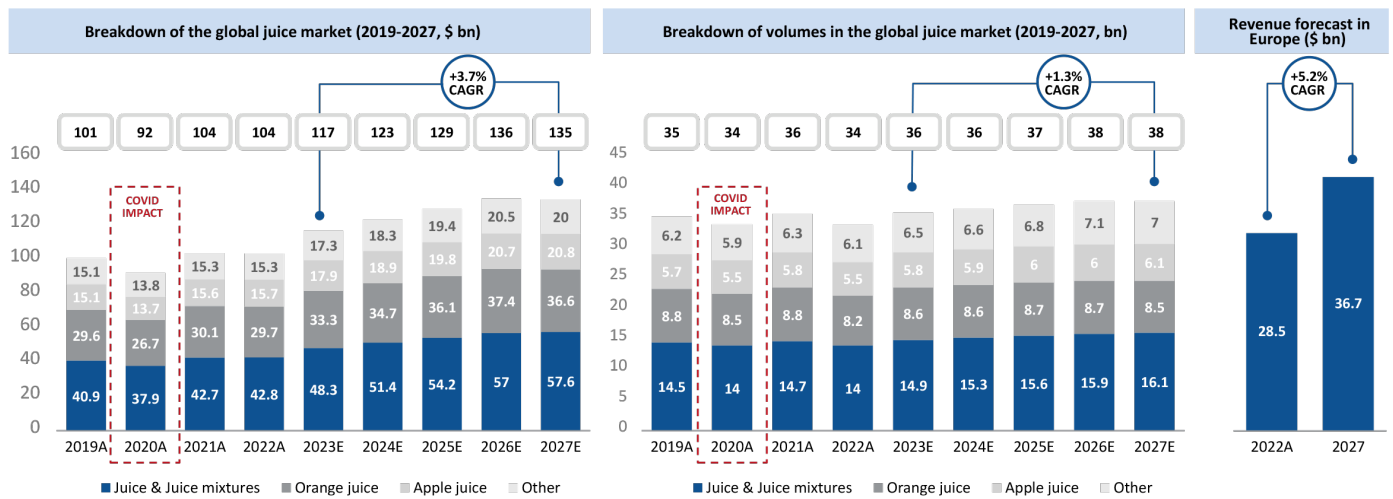


Source: Citrus Oil Market Size, Share & Trend Analysis to 2033, Fact.MR

European juice market growing at a +5.2% CAGR to 2027

M&S is also exposed to the juice market, even if to a lesser extent. Future projections indicate gradual but significant growth in the global juice market. The projected CAGR from 2023 to 2027 is +3.7% on a value of USD\$ 135 bn in 2027, while volume is expected to amount to USD\$ 37.6bn by 2027. Europe has a 27% share of the global juice market, with a projected CAGR of 5.2% between 2022 and 2027.

Juices' market projections



Source: Intermonte SIM on Juices: market data & analysis, Henning Vuo, Market Insights by Statista

Orange juice is among the most appreciated by consumers, accounting for nearly a third of the global juice market value. The global juice market is sustained by multiple trends, many of which in common with essences, such as population growth and demand for healthy drinking options. Final consumers are increasingly aware of and focused on health issues, with a preference for low-calorie, natural products that are minimally processed but also convenient.

Outstanding in a market protected by high entry barriers

The flavour industry is a market with high entry barriers: it caters to highly specific client demands, fostering a unique dynamic between flavour houses and their partners. Switching suppliers in this environment presents a complex set of considerations. Here are some specifics:

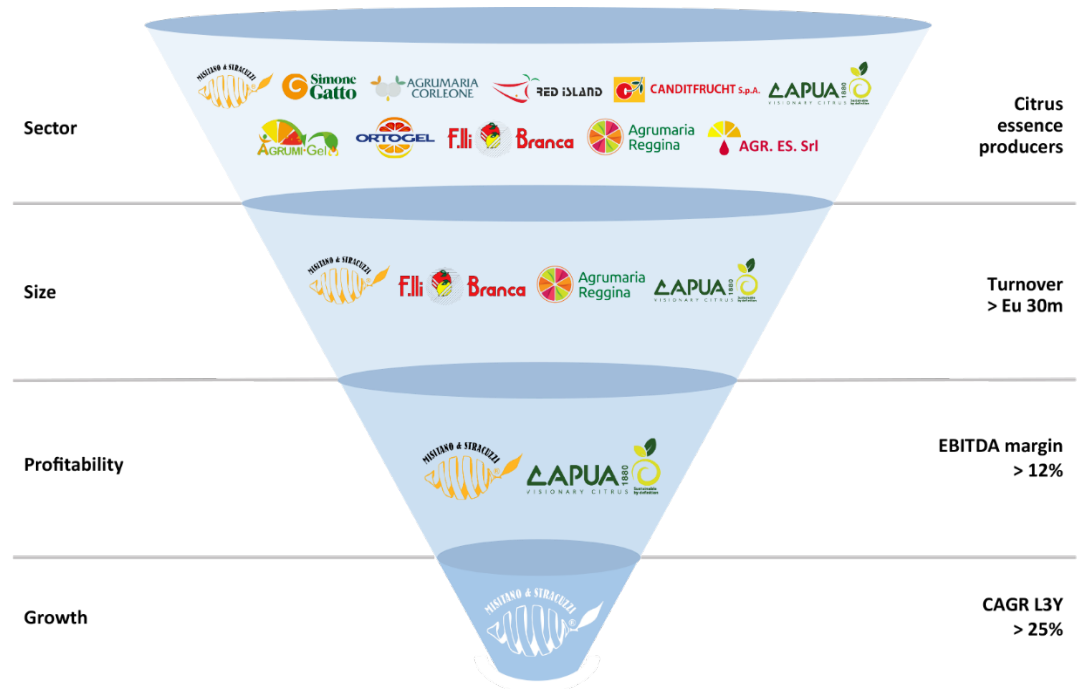
- **Customers require precise flavour profiles.** Replicating these details consistently is paramount. This fosters a strong reliance on established suppliers who have demonstrated their ability to meet exacting standards.
- **Regulations promoting local sourcing and sustainability** are driving companies to forge closer relationships with regional flavour producers. This geographically focused approach fosters deeper collaboration and a shared commitment to responsible practices.
- Years of **experience** with a specific client enable flavour houses to anticipate their evolving needs and subtle changes in preferences. This level of ingrained understanding takes time and dedicated collaboration to replicate with a new supplier.

- Natural ingredients, such as citrus fruits, can exhibit **seasonal fluctuations** in their properties. A seasoned supplier leverages their expertise to predict and manage these variations, ensuring a consistent product for the customer.
- Beverage recipes are often considered intellectual property, closely guarded to maintain a competitive edge. This **confidentiality** makes it difficult for new suppliers to even grasp the intricacies of the desired flavour profile, hindering their ability to effectively compete.
- Long-term supplier relationships are built on **trust** and a level of comfort that goes beyond mere price competitiveness. Switching suppliers disrupts this established dynamic and necessitates a significant investment in building a new foundation of trust and shared understanding.

The interplay of these factors creates a complex environment for navigating supplier relationships within the flavour industry. Leading flavour and fragrance companies leverage their experience and resources to dominate the industry. This environment creates fertile ground for business expansion and fuels future growth opportunities.

The Italian citrus essence market, a key player in this arena, is constantly evolving. Misitano & Stracuzzi plays a leading role in the niche, having a better EBITDA margin than all its competitors and ranking among the largest in the industry.

M&S: Italian Essence oil market overview



Source: Intermonte SIM on Company presentation

Main listed players

Among listed companies, we find several multinational groups that operate in the AFF (Aroma, Flavours and Fragrances) market. We focus on eight companies, some of which are also M&S clients.

- **Firmenich** derives 25% of revenue and 30% of EBITDA from the development of food and beverage components (e.g., flavour, natural extracts and sugar reduction solutions, as well as ingredients such as enzymes and proteins).
- **Symrise** is mainly focused on nutrition (63% of revenues in 2023), with beverages accounting for around a third of this category. Within this category, the Group develops differentiated natural ingredients (citrus fruits, among others) and creates tailor-made solutions that meet consumer needs.
- **Givaudan**: half of revenues come from flavours, with one third of category revenues coming from beverages. The company has a research-driven innovation process that develops new ingredients to meet consumer demands.
- **Trealt** is a manufacturer and supplier to the flavour, fragrance and consumer goods industries, with particular **focus on the beverage market**. The Group has a strong and established **background in citrus**, from which it derived 53% of Group revenues in FY23.

- **IFF** develops and manufactures food, beverage, scent and pharma solutions, which are then sold on to end-product manufacturers. In FY23, 53% of sales came from its “Nourish” segment, which consists of a broad portfolio of natural-based ingredients to enhance the nutritional value, texture and functionality of beverages and foods.
- **Kerry** develops sustainable taste and nutrition solutions in partnership with its customers. While almost all of the company’s revenues are generated in the food & beverage sector, its “Taste & Nutrition” segment (84%) provides dedicated solutions for the food, beverage, and pharmaceutical markets.
- **Robertet** derived around 20% of FY23 revenues from flavours, with application in beverage products. While 38% of Group sales came from fragrances, 23% derived from natural ingredients for the flavour and fragrance industries, with the remainder from active ingredients (activities include plant sourcing, industrial extraction, fractioning and purification processes).
- **McCormick** mainly sells spices, condiments, and sauces (60% of FY23 revenue). Flavours make up 24% of Group revenues. In this segment, the Group is targeting opportunities to grow in attractive categories, such as savoury snacks, beverages, and performance nutrition.

AFF players – Product and geographical exposures

	Product exposure		Geographical exposure				
	Taste	Fragrances	NA	LATAM	EMEA	o/w EU	APAC
Firmenich	25%	30%	24%	10%	46%	35%	19%
symrise	63%	37%	26%	13%	40%	n.a.	21%
Givaudan	52%	48%	24%	12%	39%	n.a.	25%
TREATT	n.a.	n.a.	42%	9%	n.a.	29%	n.a.
iff	53%	21%	30%	13%	33%	n.a.	23%
KERRY	84%	0%	54%	n.a.	n.a.	22%	n.a.
ROBERTET	36%	38%	36%	7%	43%	39%	15%
McCORMICK	100%	0%	70%	n.a.	20%	n.a.	10%

Source: Intermonte SIM on Companies data

AFF players – financial KPIs

	Sales growth				Gross margin				EBITDA margin				EBIT margin			
	'23A	'24E	'25E	'26E	'23A	'24E	'25E	'26E	'23A	'24E	'25E	'26E	'23A	'24E	'25E	'26E
Firmenich	46.7%	3.1%	5.3%	3.1%	27.8%	30.6%	31.1%	31.9%	14.4%	15.7%	17.2%	18.0%	6.2%	7.9%	9.5%	10.5%
symrise	2.4%	4.2%	6.0%	6.7%	37.2%	38.2%	38.9%	39.3%	18.8%	20.3%	20.9%	21.2%	12.6%	14.3%	15.1%	15.6%
Givaudan	3.7%	-1.9%	7.7%	4.8%	41.3%	43.5%	43.0%	43.0%	21.8%	23.7%	23.4%	23.6%	16.6%	18.5%	18.8%	19.0%
TREATT	4.8%	5.8%	6.8%	7.3%	30.5%	30.8%	30.8%	30.8%	15.8%	17.2%	17.8%	18.3%	12.5%	13.3%	13.6%	13.9%
iff	-8.1%	-4.1%	3.6%	2.1%	32.1%	33.3%	34.2%	36.3%	17.4%	18.8%	19.5%	20.1%	7.2%	8.3%	9.2%	11.7%
KERRY	-8.6%	-0.3%	4.5%	5.1%	41.4%	42.2%	42.8%	43.0%	14.6%	15.5%	16.2%	16.7%	11.2%	11.9%	12.7%	13.3%
ROBERTET	2.6%	7.8%	4.5%	7.8%	55.3%	53.7%	53.0%	n.a.	18.0%	18.5%	19.1%	20.5%	14.9%	15.7%	16.2%	17.5%
McCORMICK	5.1%	1.8%	2.9%	3.3%	37.6%	38.3%	38.7%	38.9%	18.4%	19.1%	19.6%	19.9%	15.4%	15.9%	16.4%	16.9%
Average	6.1%	2.6%	4.6%	5.0%	37.9%	38.4%	38.9%	37.5%	17.4%	18.4%	19.2%	19.7%	12.1%	13.1%	13.9%	14.8%

Source: Intermonte SIM on Companies data and FactSet

Corporate Strategy, Offering structure and use of IPO Proceeds

Corporate strategy

M&S has always based its strategy on organic growth thanks to the maintenance of solid relationships with existing customers and sealing new contracts.

During the last 5 years, the company underwent a period of transformation with group structurization that allowed to double turnover from 2021 to 2023. Lastly, in 2023 the company made another transformational step by investing in two new hubs that will allow the expansion of product capacity, boosting potential growth.

The Group has three priorities for its future development: organic growth, value chain efficiency and potential external growth.

Continuing the Group's organic growth, exploiting existing business

First of all, organic growth is the basis of the company strategy. Over the past three years, revenue from the top three clients has grown at a CAGR of 62%. The company expects this trend to continue, and to be able to satisfy the increased capacity required by the group. We believe the company has the potential to further increase profitability through a diverse customer universe. Now the company mainly develops essences for flavoring companies (such as Givaudan, Firmenich, Symrise) which in turn develop the aroma that will be sold to the FMCG (*fast moving consumer goods*) producer (i.e. soft drink company). Selling essences directly to FMCG firms could lead to closer relationships and increase the profitability of the contracts, even if at the risk of competing with Flavour House clients.

The group sees opportunities for growth towards new outlet markets, exploiting the existing high-quality raw material and know-how to expand towards other product markets with growth potential. For example, the global organic personal care market is anticipated to register a CAGR of 8.4% between 2023 and 2032 (Source: GMI).

The group sees expansion opportunities in new geographies as well. At present, the company is mainly exposed to Europe and the United States (~80% of sales). As a consequence, the company has wide leeway for growth in new regions, particularly in developing countries such as India which are more exposed to the population growth trend.

Improving efficiency throughout the entire value chain

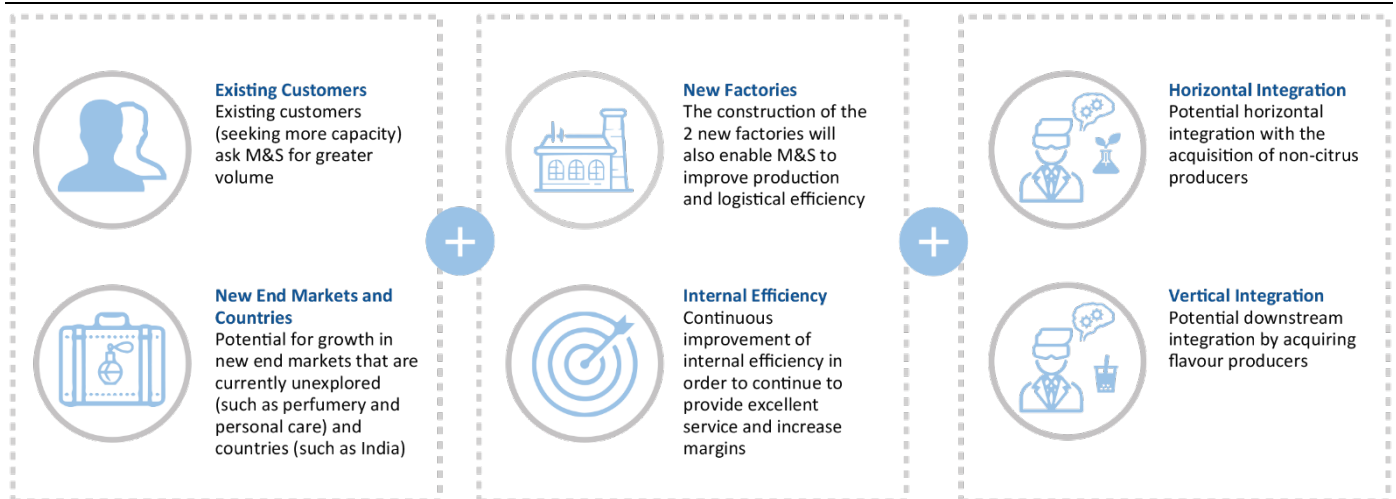
To pave the way for continuous company development, M&S is committed to maximizing efficiency across its entire value chain. On the one hand, in 2023 the Group has strongly invested on its productivity, with the announcement of the building of two new, larger and more structured production plants. The investment should greatly improve efficiency both in production and logistics through better location and automatized processes. At the same time, M&S is constantly seeking ways to improve internal efficiency, ensuring excellent service and growing profit margins.

Inorganic expansion as a possible way to grow

Finally, M&S does not rule out an external growth strategy to broaden its reach and further improve sales.

- Horizontal integration, with the acquisition of companies that produce essences beyond citrus. In this way, M&S would complement its existing offer.
- Vertical integration. The acquisition of flavour producers would allow M&S to have direct oversight of raw materials, and thus to control a larger portion of the flavour production process.

M&S: growth potential on several fronts



Source: Intermonte SIM on Company presentation

Use of IPO proceeds

In 2023, the Group announced the investment in two new factories in Messina province. The two plants have a total area of ~30,000 sqm and will ease logistics, expand production capacity and improve efficiency, satisfying increasing demand from clients.

The essences hub has relocated from Santa Teresa di Riva to a new facility in Pace del Mela. The new facility will house not only the production lines but also a dedicated innovation centre, enabling a further expansion of R&D resources and a commitment to developing a new, exclusive line of essential oil products. A second, new plant is being developed in San Filippo del Mela for juices and oil extraction. The new plant will include innovative machinery enabling a qualitative leap in the extraction of juices. The two facilities, which will be ready by end of 2025, entail a total Eu20mn investment in the next three years, of which Eu4.7mn allocated for land and acquisitions in 2023 (already borne) and the remainder for further development in 2024 and 2025.

Thanks to the investment in new plants, management expects a significant increase in the group's productivity due to: 1) increased plant capacity: the new plants are larger and more efficient, enabling the company to produce more in the same amount of time, 2) plant automation, meaning faster production with fewer workers needed, and 3) a change in production methods, using tanks instead of drums to store raw materials, allowing for better supply and faster production.

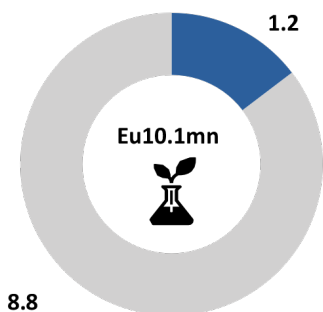
M&S: Overview of new facilities where production will be relocated

New Plant 1 - Pace del Mela (Messina)

ESSENCES

Factory surface: 8,675 sqm
Covereds urface: 4,875 sqm

Investments 2023 - Still to be Invested (Eu mn)



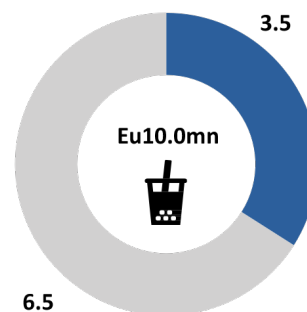
■ 2023 ■ Still to be invested

New Plant 2 - Filippo del Mela (Messina)

JUICES

Factory surface: 17,328 sqm
Covereds urface: 6,488 sqm

Investments 2023 - Still to be Invested (Eu mn)



■ 2023 ■ Still to be invested



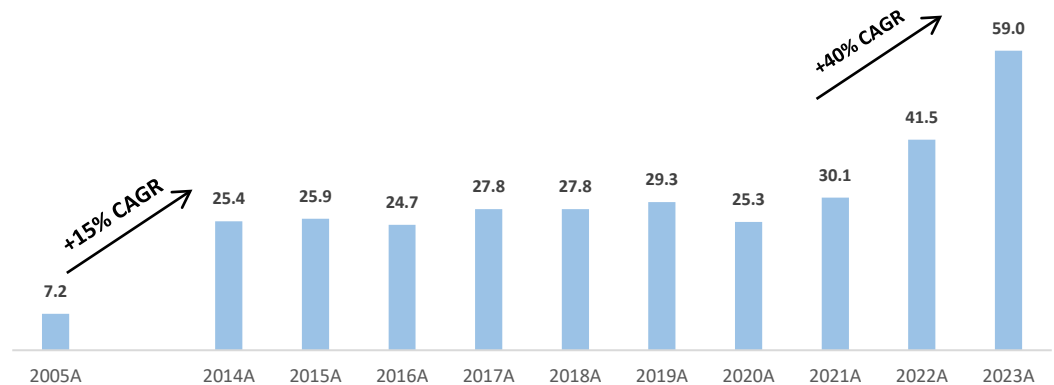
Source: Intermonte SIM on Company presentation

Financials

Historical results

Since its foundation, Misitano & Stracuzzi has delivered organic growth thanks to its expertise. A surge in revenues started after a process of modernisation and extension of the production sites in 2003: in the following 10 years revenue grew at a 15% CAGR to reach Eu25.4mn in 2014 from Eu5.7mn in 2003. More recently, revenues jumped in the three years between 2021 to 2023, following the restructuring of corporate governance and the ability to take advantage of the market environment.

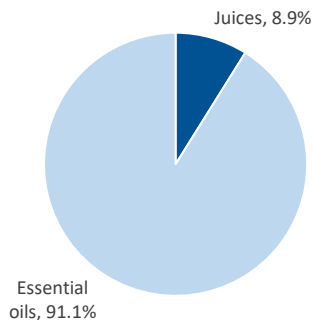
M&S: Revenue trend (Eu mn, 2005A-2023A)



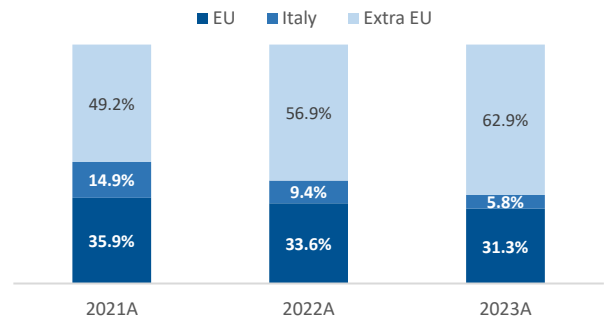
Source: Intermonte SIM on company data

2023 **consolidated revenues** came at Eu59.0mn, up +42% YoY and +102% vs 2019, thanks to higher volumes and better pricing. Revenues come mainly from essences and, to a lesser extent, from juices. Precise percentages are not publicly available to protect industrial secrecy, however we estimate around 90% of revenues derived from Essences in 2023, according to management indication. From a geographic perspective, non-European revenues have been increasing since 2021, following more robust demand from new and existing clients in core markets and new ones.

M&S: Our estimate of revenue breakdown (Eu mn, 2023)



M&S: Geographical breakdown trend (2021A-2023A)



Source: Intermonte SIM estimates

Source: Intermonte SIM on company data

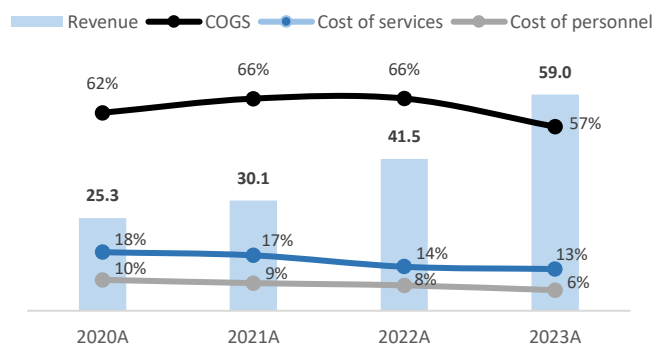
Operating costs are mainly variable (~80%), with the remainder semi-fixed. The main costs come from raw materials and goods (59% of sales in 2023) and services (13%) such as transport. Although costs increased YoY in 2023, their incidence on revenues plummeted. The **gross margin** jumped to 42.5% from 33.7% in 2022, with the incidence of raw materials on revenues dropped ~9.0pp YoY, while the EBITDA margin was 22.0% vs 10.4% in 2022.

The surge in profitability was fuelled by a leap in volumes and positive pricing and mix in the Essence business, related to:

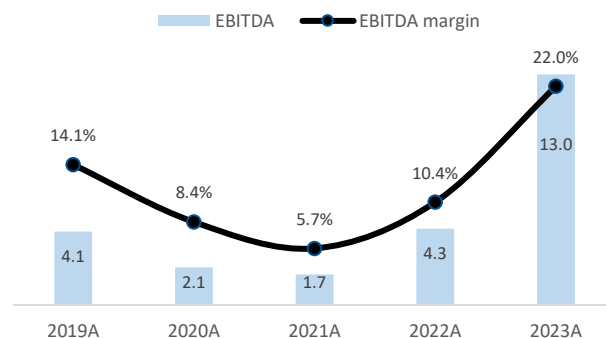
- Greater focus on essential oils, demand for which grew significantly due to market shortages amid greening disease.
- Development of bespoke solutions, which add value to M&S products and translate into strong pricing power in an environment of short availability of specific products.

The surge in revenues, accompanied by the strong increase in profitability, had a positive effect on the bottom line, with net profit at Eu7.1mn in 2023, compared to Eu2.1mn the previous year and Eu0.4mn in 2021.

M&S: Operative expenses incidence (%) on revenues (Eu mn)



M&S: EBITDA (Eu mn) and EBITDA margin (%) (2019A-2023A)



Source: Intermonte SIM on company data

Source: Intermonte SIM on company data

M&S: P&L (Eu m)

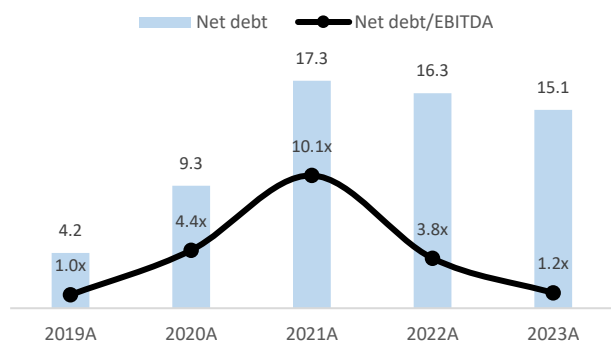
	2019A	2020A	2021A	2022A	2023A
Revenue	29.2	25.3	30.1	41.5	59.0
YoY	5%	-14%	19%	38%	42%
COGS	n.a.	(15.6)	(19.9)	(27.5)	(33.9)
as % of sales	n.a.	61.8%	66.2%	66.3%	57.5%
Gross income	n.a.	9.7	10.2	14.0	25.1
YoY	n.a.	0%	5%	38%	79%
Gross margin	n.a.	38.2%	33.8%	33.7%	42.5%
Tot. OpEx	n.a.	(7.5)	(8.4)	(9.7)	(12.1)
as % of sales	n.a.	29.8%	28.1%	23.4%	20.5%
EBITDA	4.1	2.1	1.7	4.3	13.0
YoY	28%	-49%	-19%	151%	202%
EBITDA margin	14.1%	8.4%	5.7%	10.4%	22.0%
D&A	(1.2)	(1.1)	(1.2)	(1.2)	(1.6)
EBIT	3.0	1.0	0.5	3.1	11.4
YoY	n.a.	-65%	-47%	469%	268%
EBIT margin	10.1%	4.1%	1.8%	7.5%	19.3%
Financial income/(charges)	n.a.	(0.1)	(0.0)	(0.1)	(1.2)
EBT	n.a.	0.9	0.5	3.0	10.2
YoY	n.a.	0%	-43%	480%	239%
as % of sales	n.a.	3.6%	1.7%	7.2%	17.2%
taxes	n.a.	(0.3)	(0.2)	(0.9)	(3.1)
tax rate	n.a.	30.0%	29.1%	30.5%	30.3%
Net income	1.9	0.6	0.4	2.1	7.1
YoY	0%	-67%	-42%	468%	240%
as % of sales	6.5%	2.5%	1.2%	5.0%	12.0%

Source: Intermonte SIM on company data

Net financial position at YE23 was of Eu15.1mn, improving Eu1.3mn YoY thanks to the cash flow generated by operating activity (operating CF at Eu9.0mn vs. Eu1.8mn in FY2022). Net debt has increased from 2019 as a result of a growing need for **working capital**: as goods are not perishable, the company in recent years has increased inventory to limit the effects of possible interruptions in the supply chain and better manage the dynamics of raw material price rises. The group needs money at short notice to purchase fruit from suppliers, paying immediately to obtain the best fruit at the best commercial conditions. Consequently, the company has structural negative evolution of working capital as the company immediately pays suppliers to obtain the most favourable purchasing conditions. Inventories have been on average 30% of sales (with a spike in 2021). ~70% of inventories are composed of raw materials (essential oils); these goods can be compared to commodities and thus can potentially be sold immediately.

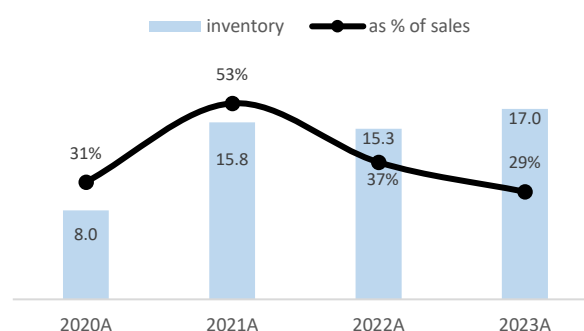
In 2023 **CapEx** stood at Eu5.2mn, up from Eu0.3mn in 2022. The increase was entirely driven by Eu4.8mn related to the purchase and ancillary costs of the two new industrial buildings.

M&S: Net debt evolution (2019A-2023A, Eu mn)



Source: Intermonte SIM on company data

M&S: Inventory (Eu mn) as a percentage of sales (2020A-2023A)



Source: Intermonte SIM on company data

M&S: Balance sheet (Eu mn)

	2019A	2020A	2021A	2022A	2023A
Fixed assets	n.a.	11.1	11.2	10.2	13.9
Trade WC	5.6	6.3	14.4	16.4	19.6
as % of sales	19.2%	25.1%	47.7%	39.6%	33.2%
Net working capital	5.4	6.3	14.2	15.7	16.4
as % of sales	18.5%	24.9%	47.2%	37.7%	27.7%
Severance indemnities	n.a.	(0.7)	(1.3)	(1.0)	(1.2)
Net capital employed	11.0	16.6	24.1	24.8	29.1
Group equity	6.8	7.3	6.7	8.5	14.0
NFP	4.2	9.3	17.3	16.3	15.1
Total Sources	11.0	16.6	24.1	24.8	29.1

Source: Intermonte SIM on company data

M&S: Cash flow (Eu mn)

	2020A	2021A	2022A	2023A
EBITDA	2.1	1.7	4.3	13.0
Taxes	(0.3)	(0.2)	(0.9)	(3.1)
Net financial charges	(0.1)	(0.0)	(0.1)	(1.2)
Change in nwc	(1.0)	(7.9)	(2.3)	(4.1)
Others	0.6	0.5	0.8	4.5
Operating net cash flow	1.3	(5.9)	1.8	9.0
CapEx	(6.0)	(1.3)	(0.3)	(5.2)
FCF	(4.7)	(7.2)	1.4	3.8
M&A	0.0	0.0	0.0	0.0
Dividends	(1.5)	(0.6)	(0.4)	(1.9)
Capital increase / Buyback	0.0	0.0	0.0	0.0
Others	0.0	(0.2)	(0.1)	(0.6)
Change in NFP	(5.1)	(8.0)	1.0	1.3
NFP BoP	4.2	9.3	17.3	16.3
NFP EoP	9.3	17.3	16.3	15.1

Source: Intermonte SIM on company data

Current trading gives high visibility on evolution of sales and profitability

As per the latest operating figures supplied by the company, in the five months to 31 May 2024, sales reached Eu28.6m up by +13.8% YoY with Adj. EBITDA of Eu7.6m up by +58% YoY corresponding to a margin on sales of 26.7%.

Adjustments have been made for c.Eu0.2m of IPO-related costs. Were the growth rate maintained for the remainder of the year, the company would easily exceed our 2024 EBITDA estimate of Eu15.1m (detailed below) which in itself would be a margin on sales of 23.8% or +180bps YoY.

Bearing in mind some seasonality, we plump for a more conservative assumption, while also acknowledging the material upside potential.

2024-26 Projections

We expect **revenues** to grow at a +8% CAGR in the next three years, sustained by both the juice and essence businesses. Sales should remain skewed toward **essential oils** (we estimate this area will amount to ~92% of revenues by 2026). Higher orders from existing customers and the new production hubs (to enter operation by end of 1H25) should sustain the high-single-digit CAGR.

M&S: Our assumptions on revenue breakdown (2023E-2026E, Eu mn)

	2023A	2024E	2025E	2026E	CAGR 23A-26E
Juices	5.3	5.6	5.9	6.3	6.0%
YoY	10%	7%	5%	6%	
as % of sales	8.9%	8.9%	8.5%	8.4%	
Essential oils	53.8	57.6	63.3	68.4	8.3%
YoY	46%	7%	10%	8%	
as % of sales	91.1%	91.1%	91.5%	91.6%	
Revenue	59.0	63.2	69.2	74.6	8.1%
YoY	42%	7%	10%	8%	

Source: Intermonte SIM estimates (E) and company data (A). As 2023 breakdown is not available, we estimated it basing on company indications

Assuming management will continue to take advantage of the market environment (such as citrus shortage), the impact on sales of **COGS** will decrease further (55.9% in 2026). We therefore forecast **gross income** improving to reach a 44.1% margin on revenues by 2026 (vs 42.5% in 2023). We see EBITDA at Eu19.0mn in 2026 (up from Eu13.0mn in 2023) with the margin at 25.4% (vs 22.0% in 2023).

We expect **EBIT** at Eu16.4mn/22.0% margin (Eu11.4mn/19.3% in 2023), with rising D&A reflecting higher CapEx linked to the building of the new plants.

We estimate net financial charges to decrease to 2026 as a result of lower interest rates and better net financial position, and the tax rate to remain steady at 30.3%. Finally, we see **net income** growing at a 16.4% CAGR in 2023-26, reaching Eu11.2mn in 2026 vs Eu7.1mn in 2023.

M&S: P&L (2023A-2026E, Eu mn)

	2023A	2024E	2025E	2026E	CAGR 23A-26E
Revenue	59.0	63.2	69.2	74.6	8.1%
YoY	42%	7%	10%	8%	
COGS	(33.9)	(35.7)	(39.0)	(41.7)	
as % of sales	57.5%	56.5%	56.4%	55.9%	
Gross income	25.1	27.5	30.2	32.9	9.5%
YoY	79%	10%	10%	9%	
Gross margin	42.5%	43.5%	43.6%	44.1%	
Tot. OpEx	(12.1)	(12.5)	(13.6)	(14.0)	
as % of sales	20.5%	19.7%	19.7%	18.7%	
EBITDA	13.0	15.1	16.6	19.0	13.4%
YoY	202%	16%	10%	15%	
EBITDA margin	22.0%	23.8%	23.9%	25.4%	
D&A	(1.6)	(2.0)	(2.5)	(2.6)	
EBIT	11.4	13.1	14.1	16.4	13.0%
YoY	268%	15%	8%	17%	
EBIT margin	19.3%	20.7%	20.3%	22.0%	
Financial income/(charges)	(1.2)	(1.2)	(1.0)	(0.4)	
EBT	10.2	11.8	13.1	16.0	16.4%
YoY	239%	16%	11%	22%	
as % of sales	17.2%	18.7%	18.9%	21.5%	
taxes	(3.1)	(3.6)	(4.0)	(4.9)	
tax rate	30.3%	30.3%	30.3%	30.3%	
Net income	7.1	8.2	9.1	11.2	16.4%
YoY	240%	16%	11%	22%	
as % of sales	12.0%	13.1%	13.2%	15.0%	

Source: Company data (A) and Intermonte SIM estimates (E)

Before proceeds from the IPO (Eu16.7mn), we expected the **NFP** to increase to Eu24.2mn in 2024E as this year sees the largest part of the investment for the new plants (we estimate 2024/25/26 **CapEx** at Eu13.0/3.0/0.3mn). The NFP was already expected to improve in the following years, reaching Eu14.6mn in 2026 and become cash positive in 2028 or potentially earlier. Considering IPO proceeds, 2024 NFP is now seen at Eu7.5mn, and to become **cash positive in 2026**.

We estimate the incidence on sales of **net working capital** remaining stable at around 30%. We assume the company will continue to distribute **dividends** (we estimate a 50% payout).

M&S: Balance sheet (2023A-2026E, Eu mn)

	2023A	2024E	2025E	2026E
Fixed assets	13.9	24.9	25.4	23.1
Trade WC	19.6	21.1	24.9	25.2
as % of sales	33.2%	33.4%	36.0%	33.8%
Net working capital	16.4	17.6	21.2	21.1
as % of sales	27.7%	27.9%	30.6%	28.3%
Severance indemnities	(1.2)	(1.2)	(1.3)	(1.4)
Net capital employed	29.1	41.3	45.3	42.9
Group equity	14.0	33.8	38.7	45.2
NFP	15.1	7.5	6.6	(2.4)
Total Sources	29.1	41.3	45.3	42.9

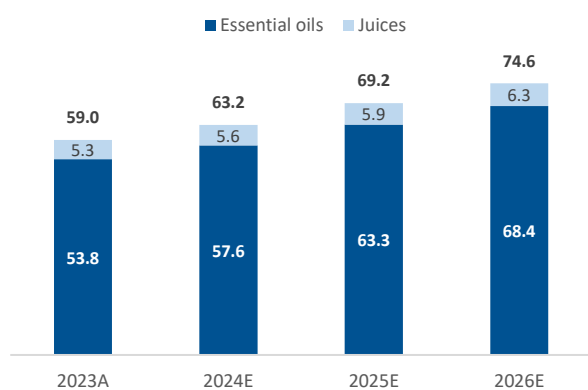
Source: Company data (A) and Intermonte SIM estimates (E)

M&S: Cash flow (2023A-2026E, Eu mn)

	2023A	2024E	2025E	2026E
EBITDA	13.0	15.1	16.6	19.0
Taxes	(3.1)	(3.6)	(4.0)	(4.9)
Net financial charges	(1.2)	(1.2)	(1.0)	(0.4)
Change in nwc	(4.1)	(1.3)	(3.5)	0.0
Others	4.5	0.0	0.0	0.0
Operating net cash flow	9.0	9.0	8.1	13.7
CapEx	(5.2)	(13.0)	(3.0)	(0.3)
FCF	3.8	(4.0)	5.1	13.5
M&A	0.0	0.0	0.0	0.0
Dividends	(1.9)	(5.1)	(4.1)	(4.6)
IPO / Capital increase / Buyback	0.0	16.7	0.0	0.0
Others	(0.6)	0.0	0.0	0.0
Change in NFP	1.3	7.6	1.0	8.9
NFP BoP	16.3	15.1	7.5	6.6
NFP EoP	15.1	7.5	6.6	(2.4)

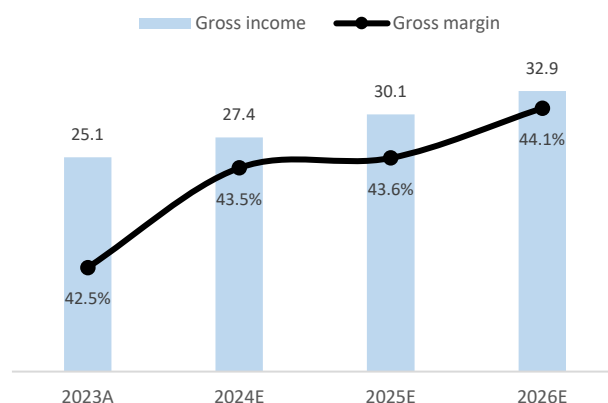
Source: Company data (A) and Intermonte SIM estimates (E)

M&S: Revenues breakdown trend (Eu mn, 2023A-2026E)



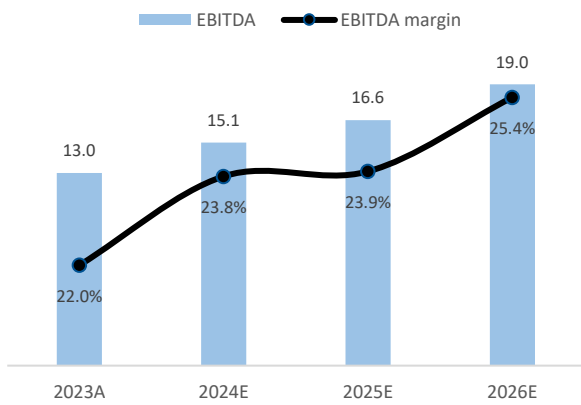
Source: Company data (A) and Intermonte SIM estimates (E)

M&S: Gross income (Eu mn) and margin (%) (2023A-2026E)



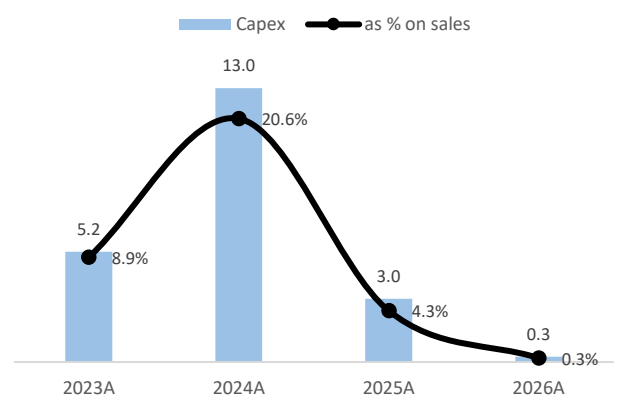
Source: Company data (A) and Intermonte SIM estimates (E)

M&S: EBITDA (Eu mn) and margin (%) (2023A-2026E)



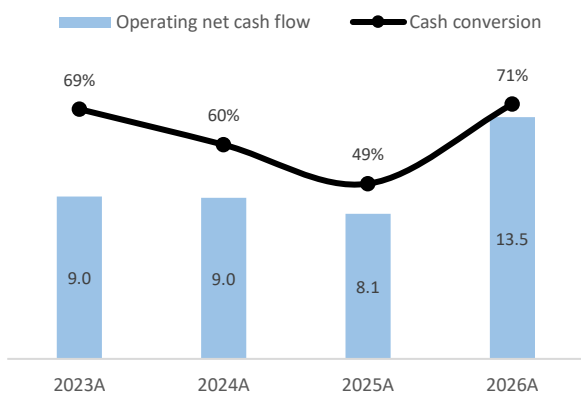
Source: Company data (A) and Intermonte SIM estimates (E)

M&S: Capex evolution (Eu mn) (2023A-2026E)



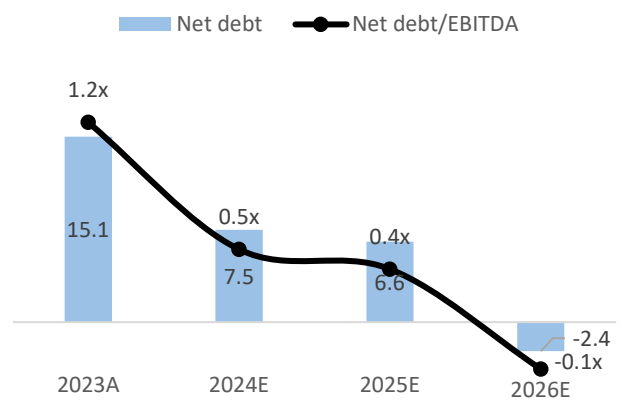
Source: Company data (A) and Intermonte SIM estimates (E)

M&S: Op. cash flow (Eu mn) and cash conversion (%) (2023A-2026E)



Source: Company data (A) and Intermonte SIM estimates (E)

M&S: Net debt (Eu mn) and net debt/EBITDA (2023A-2026E)



Source: Company data (A) and Intermonte SIM estimates (E)

Valuation

In this section we provide a valuation of Misitano&Stracuzzi based on a Discounted Cash Flow (DCF) model. We believe a valuation based on discounted cash flows for the company is satisfactory for capturing the growth that the company is expected to generate in the medium and longer term, while additional valuations based on peers' market multiples could potentially affect the reliability of results as there are no listed peers with the exact same core business model. Nevertheless, as a further check to our assumptions, we complement further below our analysis with a panel of comparable peers having in mind that business activities, perimeter and market focus in the vast majority of the cases differ from the ones of Misitano & Stracuzzi.

DCF Model

The basic assumptions included in our DCF model are as follows: a) a risk-free rate of 4.0%; b) a 5.5% equity risk premium; c) beta unlevered of 1; d) cost of debt at 4%; and e) 10.5% cost of equity. These assumptions provide a weighted average cost of capital (WACC) of 8.9%. We also assume a terminal growth rate of 2.0%. Based on these assumptions, we estimate an enterprise value (EV) of Eu176.5mn. We then subtract the net financial position as at YE2023, obtaining an equity valuation of Eu161.4mn. Please note that our explicit estimates end in 2028 and that we apply some additional caution for the following years and terminal value. In particular, we took a conservative approach both on top-line growth and on margins assuming a gradually descending trajectory of growth.

We believe that this methodology works well for capturing the growth that the company is expected to generate in the medium and longer term.

M&S: DCF Model

	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TV
Revenues	41.5	59.0	63.2	69.2	74.6	78.4	82.3	84.8	87.4	90.0	92.2	94.5	96.4
YoY growth	38%	42%	7.0%	9.6%	7.8%	5.1%	5.0%	3.0%	3.0%	3.0%	2.5%	2.5%	2.0%
EBIT	3.1	11.4	13.1	14.1	16.4	18.0	19.5	20.0	20.5	21.0	21.4	21.9	22.2
margin	7.5%	19.3%	20.7%	20.3%	22.0%	23.0%	23.6%	23.5%	23.4%	23.3%	23.2%	23.1%	23.0%
Taxes	(0.9)	(3.1)	(3.6)	(4.0)	(4.7)	(5.2)	(5.7)	(5.6)	(5.8)	(5.9)	(6.0)	(6.2)	(6.3)
Tax rate	31%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
NOPAT	2.2	8.3	9.5	10.1	11.7	12.8	13.8	14.4	14.7	15.1	15.4	15.7	15.9
D&A	1.2	1.6	2.0	2.5	2.6	2.6	2.6	2.3	2.0	1.7	1.4	1.0	0.7
% on sales	2.9%	2.7%	3.2%	3.6%	3.4%	3.3%	3.1%	2.7%	2.3%	1.9%	1.5%	1.1%	0.7%
CapEx	(0.3)	(5.2)	(13.0)	(3.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
% on sales	0.8%	8.9%	20.6%	4.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Change in nwc	(2.3)	(4.1)	(1.3)	(3.5)	0.0	1.0	(1.1)	0	0	0	0	0	0
Unlevered FCF	0.8	0.6	(2.8)	6.1	14.0	16.1	15.0	16.4	16.5	16.5	16.5	16.4	235.4
Year	0	0	1	2	3	4	5	6	7	8	9	10	10
Discount factor	0.0	0.0	0.9	0.8	0.8	0.7	0.7	0.6	0.5	0.5	0.5	0.4	0.4
Discounted flows	0.0	0.0	(2.6)	5.1	10.8	11.4	9.8	9.8	9.0	8.3	7.6	7.0	100.1

Sum of FCF'24-33E	76.4
Terminal value	100.1
Total EV	176.5
Net Cash (Debt) at YE23	(15.1)
Minorities	0.0
Treasury shares	0.0
Equity Value	161.4
current NOSH fully diluted (mn)	30.06
Target Price (Eu)	5.4
current price (Eu)	2.7
upside vs current price	101%

WACC	g							
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
7.4%	6.0	6.3	6.7	7.1	7.7	8.3	9.1	
7.9%	5.5	5.8	6.1	6.5	6.9	7.4	8.0	
8.4%	5.1	5.3	5.6	5.9	6.2	6.6	7.1	
8.9%	4.7	4.9	5.1	5.4	5.6	6.0	6.3	
9.4%	4.4	4.6	4.7	4.9	5.2	5.4	5.7	
9.9%	4.1	4.2	4.4	4.6	4.8	5.0	5.2	
10.4%	3.8	4.0	4.1	4.2	4.4	4.6	4.8	

WACC	8.9%
Terminal growth	2.0%

Source: Intermonte SIM estimate.

Market Multiples

There are some serious limitations to a market multiples approach, mainly related to the difficulty of selecting an appropriate peer group, as there are no listed companies that exactly match the group's business profile. The only listed company which we think can be suitable for a direct comparison with Misitano & Stracuzzi is Treatt both for its dimension in terms of revenues and scope of activity. As we took this valuation method as a proof check of our DCF valuation, we welcome the fact that the DCF model applied to our assumptions and projections on Misitano&Stracuzzi financials returns multiples not materially different from Treatt.

The rest of the panel is composed by listed company that operates internationally in the flavour and ingredients space which based on their dimensions, scope of activities and different industries exposure enjoy higher multiples (for an in-depth description of peers please see descriptions in the Reference Markets / Main Listed Players chapter above).

We believe that Misitano&Stracuzzi has the potential to improve its multiple valuation should the company enter the aromas production in the future even if with a small scale and not in competition with big brands.

M&S: Peer Multiples Valuation

	MKT CAP (EuM)	EV/SALES			EV/EBITDA			EV/EBIT		
		2023A	2024E	2025E	2023A	2024E	2025E	2023A	2024E	2025E
Misitano & Stracuzzi @Target Price	161	3.0x	2.8x	2.5x	13.5x	11.7x	10.6x	15.5x	13.5x	12.5x
Misitano & Stracuzzi @Mkt Price	81	1.6x	1.8x	1.7x	7.3x	7.6x	7.2x	8.3x	8.8x	8.5x
Treatt plc	326	2.0x	1.8x	1.7x	12.6x	10.9x	10.1x	15.9x	14.6x	13.3x
DSM-Firmenich AG	31,615	2.7x	2.7x	2.6x	19.0x	16.8x	14.7x	42.5x	33.0x	26.2x
Symrise AG	16,647	4.0x	3.7x	3.4x	21.0x	18.3x	16.8x	31.3x	26.0x	23.2x
Givaudan SA	43,476	6.5x	6.1x	5.8x	30.0x	26.0x	24.6x	39.3x	32.6x	30.3x
International Flavors & Fragrances Inc.	23,682	3.1x	3.1x	2.9x	17.6x	16.7x	15.9x	42.2x	34.1x	30.3x
Kerry Group Plc Class A	15,775	2.2x	2.2x	2.1x	14.8x	13.9x	12.7x	19.4x	18.2x	16.3x
Robertet, Societe Anonyme	1,908	2.9x	2.6x	2.4x	16.1x	13.9x	13.0x	19.4x	16.6x	15.4x
McCormick & Company, Incorporated	20,027	3.9x	3.9x	3.8x	21.1x	20.5x	19.4x	25.2x	24.8x	23.4x
peer average		3.4x	3.3x	3.1x	19.0x	17.1x	15.9x	29.4x	25.0x	22.3x
peer median		3.0x	2.9x	2.8x	18.3x	16.7x	15.3x	28.3x	25.4x	23.3x

Source: Intermonte SIM estimates and FactSet data.

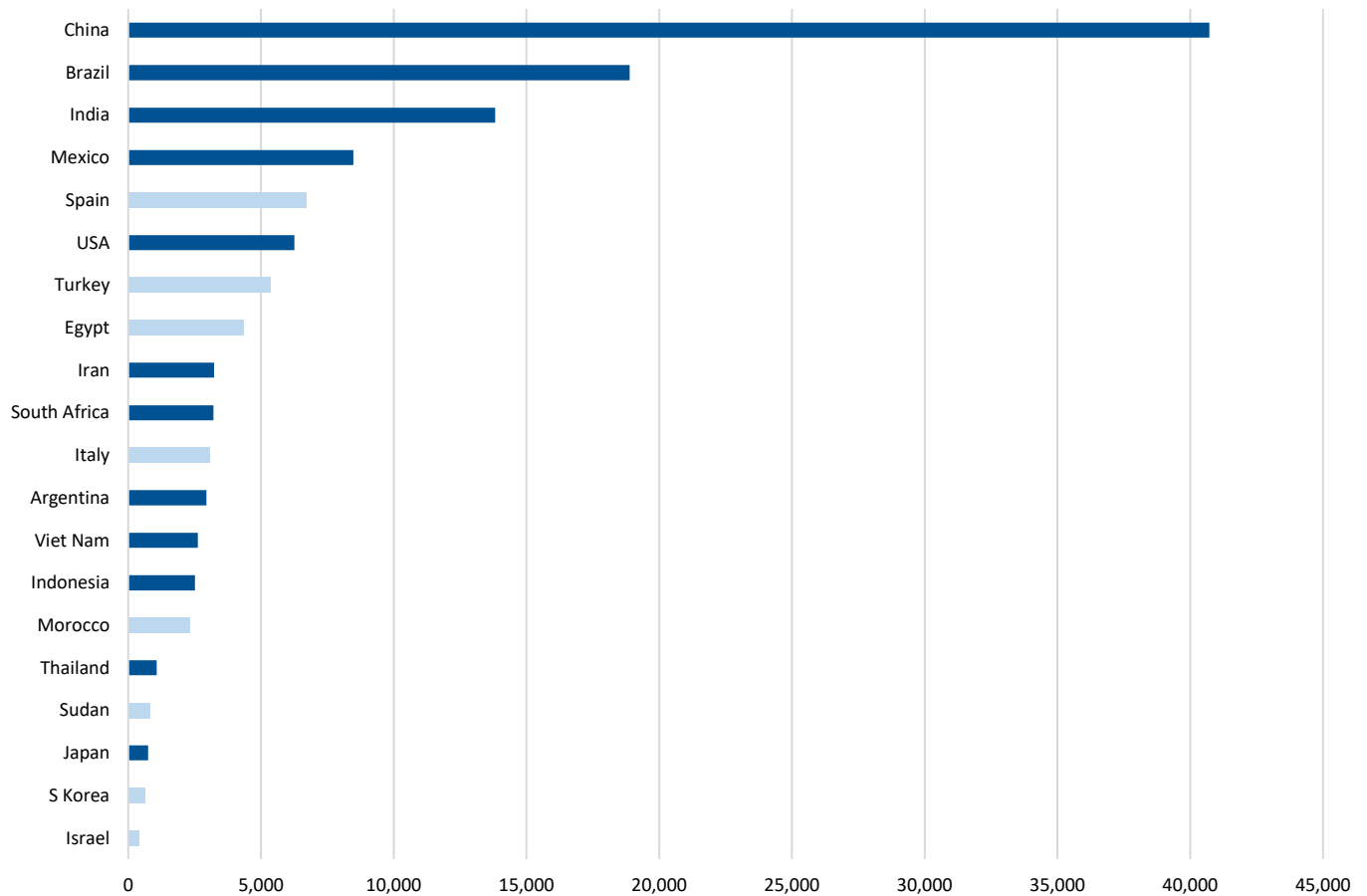
Appendix: Greening

Huanglongbing (HLB), also known as Citrus Greening Disease or Yellow Dragon disease, is a bacterial disease posing a significant threat to citrus production worldwide. Spread by the Asian citrus psyllid, HLB causes infected trees to produce misshapen, bitter fruits with an abnormal green colour, rendering them unmarketable for fresh consumption or juice production. In the absence of a cure, most infected trees succumb within a few years.

Known since early 1900s, HLB is now spread in main citrus producer countries

Identified in the early 1900s, HLB reached the Americas in 2005. The HLB bacteria is now established in major citrus-growing regions, with a few exceptions. While Europe, the third-largest citrus producer, is currently free of HLB, the presence of the psyllid vector raises concerns about potential future outbreaks. In recognition of this threat, the European Union launched the pre-HLB project in 2019 to develop a comprehensive strategy for protecting European citrus from HLB.

Global citrus producers and HLB presence (2021A, k tons; dark-blue highlights countries where HLB is present)



Source: Intermonte SIM on "Plant Health Cases: Citrus Huanglongbing Disease", April 2023

Brazil and Florida case studies

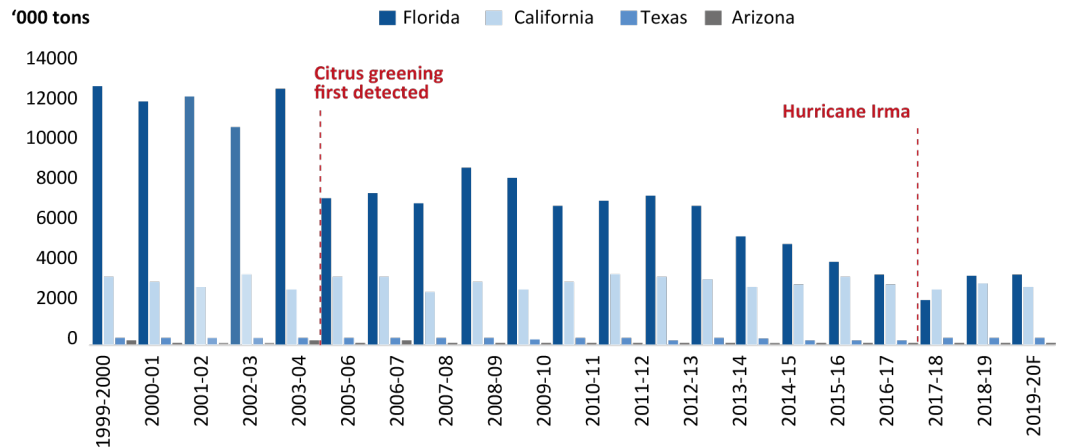
Brazil, the world's largest producer of oranges, has experienced a dramatic increase in HLB incidence. A staggering 56% jump occurred between 2022 and 2023, bringing the disease prevalence to 38%. Recent research by Fundecitrus reports that this year (harvest season 2024-2025), Brazil is set to have its worst harvest in 36 years after a heat wave severely hurt crops, according to research group Fundecitrus.

The country will produce only 232mn boxes, marking a -24% YoY decline. Excessive heat and an increase in citrus greening are the main causes to the strong drop.

In the same way, Florida has been strongly impacted. Since the detection of first citrus greening cases in 2004/2005, the production in the main US citrus producer has drastically dropped, as shown by the chart on the next page.

The U.S. Department of Agriculture Economic Research Service recently recounted how natural disasters and diseases have reduced current Florida’s orange production by 92% since the 2003–04 season. Florida Agricultural Statistics Service estimates that in the period from 2006 to 2011 citrus production in Florida has been ~23% lower compared to a HLB free scenario while prices have been ~16% higher on average.

Citrus production in the US (1999-2020, k tons)



Source: Intermonte SIM on USDA, Economic Research Service

Lack of cure and low knowledge of the disease make HLB the main threat to global orange production

Huanglongbing is regarded as one of the most important socio-economic threats to commercial citrus production at global level. Implementation of control measures is difficult because of the high costs and the resistance to pesticides. In areas where the disease is uncontrolled, its rapid progression can lead to an overwhelming prevalence exceeding 95% within just 3 to 13 years after the initial appearance of symptoms, rendering orchards economically nonviable.

As the greening disease might spread globally, it becomes crucial for flavour producers to be able to reproduce the same aroma with different citrus fruits.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	MISITANO & STRACUZZI		
Current Recomm:	BUY	Previous Recomm:	--
Current Target (Eu):	5.40	Previous Target (Eu):	--
Current Price (Eu):	2.69	Previous Price (Eu):	--
Date of report:	09/09/2024	Date of last report:	--

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- 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 stocks 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)

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

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