MARR's conference call 13 March 2024

The following is a free translation in English of the speech and a summary of the Q&A topics session relating to the release of MARR's FY 2023 Results. The speech, being held in Italian, will prevail in case of discrepancy with the written free English translation.

Antonio Tiso – Investor Relator

Good afternoon and thank you for attending the MARR conference on the figures relating to the FY 2023, reserved for investors, analysts and banks.

Before giving way to the CEO Francesco Ospitali and the CFO Pierpaolo Rossi, I would point out that:

– as usual, we will follow the order of the slides sent to you and available in the Investor Relations section of the company website;
– the presentation is expected to last about half an hour. We will try to be brief and leave more time for your questions.
– lastly, I would remind you that on Thursday 14 March, the English version of the speech and a Q&A summary will be published on the MARR website and will be available for consultation for one week.

I will now give way to the CEO Francesco Ospitali to begin presenting the figures.

Francesco Ospitali - CEO

3)

Thank you Antonio and good afternoon to you all

We will begin with slide 3 and a summary of the main consolidated economic and financial figures for 2023.

For the first time in its history, the MARR Group has closed the business year with Total consolidated revenues of more than 2 billion Euros.

The Total Revenues for 2023 amounted to 2,085.5 million Euros, and with an increase of 155.0 million compared to 1,930.5 million in 2022.

The recovery of the operating profitability was confirmed at the end of the 12 months.

This is primarily due to the better adjustment of the sales pricelists to the food inflation dynamics and also the reduction in energy costs.

In particular, the EBITDA in 2023 reached 123.1 million Euros, compared to 82.1 million in 2022 and 128.5 million pre-pandemic in 2019.

The EBIT for 2023 is 84.9 million Euros, compared to 46.2 million in 2022 and 99.1 million in 2019.

The Net consolidated result amounted to 47.1 million Euros and compared to 26.6 million in 2022, has been affected by the increased net financial charges of 9.7 million as a result of the increase in the cost of borrowing from the second half of 2022.

The Net Trade Working Capital (NWC) as at 31 December 2023 amounted to 170.6 million Euros, and is at a similar level to the previous year (169.1 million as at 31 December 2022), with a consequent improvement in the incidence of the NWC on the Total Revenues, which increased by 155.0 million.

Net of the effects of the application of accounting standard IFRS 16, the Net Financial Position at the end of 2023 amounted to 141.8 million and compared to 138.3 million as at 31 December 2022, was affected by net investments of 26.6 million, of which 17.4 million regarding the new distribution centre in Lombardy, which is expected to start operations in the second quarter of 2024.

4) We will now pass on to slide 4) and the Revenues from Sales for 2023, also highlighting the trends in the fourth quarter, during which the growth of the preceding quarters has continued.

With total revenues of 2,085.5 million Euros, the revenues from sales, net of the contribution of the other revenues, in the 2023 business year amounted to 2,051.2 million Euros, and increased compared to 1,896.6 million in 2022.
The increase in revenues was affected by food inflation, which accelerated as of the 2nd quarter of 2022 and then progressively attenuated from the 2nd quarter of 2023.
It must be noted that food inflation in 2023 was mitigated by so-called trading down phenomena, which involved all client segments, albeit in different ways.

Sales to clients in the Street Market segment (restaurants and hotels not belonging to Chains & Groups) amounted to 1,365.9 million Euros, an increase compared to 1,256.8 million in 2022.

Sales to the National Account segment (operators in Chains & Groups and Canteens) amounted to 484.6 million Euros, an increase compared to 422.4 million in 2022, thanks to the positive contribution of clients in Chains & Groups of hotels and restaurants.
It should be noted that a more selective approach has been adopted towards Canteen clients relating to supplies to the Public Administrations, due to the greater difficulty in transferring food inflation and thus protecting margins. This selectivity is the basis of the trends in sales to the National Account segment in the fourth quarter of 2023.

Overall, the sales to Street Market and National Account clients in the 2023 business year amounted to 1,850.5 million Euros, compared to 1,679.2 million in 2022.

On the basis of the findings of the Confcommercio Studies Office (Survey no. 2, February 2024), consumption (by quantity) in “Hotels, meals and out-of-home consumption” in Italy increased by 5.2% in 2023 compared to 2022.

Sales to the Wholesale segment (almost entirely frozen seafood products to wholesalers) in the 2023 business year amounted to 200.7 million Euros and, compared to 217.4 million in 2022, were affected by lesser product availability, especially in the first half of 2023.

We will now pass on to slide 5) and the analysis of the trends regarding the changes in prices and the Gross Margin.

5)

In a foodservice sector characterised by a general increase in price of food products (as already mentioned more marked from the 2nd quarter of 2022 and progressively attenuating from the 2nd quarter of 2023), the process of adjusting the sales prices to the increase in purchase costs of the products has been implemented initially in the Street Market segment followed by a recovery also in the other client segments.

This trend is illustrated in the graphs in the slide.

The change in sales prices - measured in terms of Euro/kg - compared to pre-pandemic levels in 2019 and subsequent food inflation highlights a substantial realignment between the increase in the Street Market segment and that in other client segments.
It should be recalled that the Euro/kg trend in the sales prices is affected by the effects of a change in mix and two opposing trends: on one hand, so-called trading down phenomena by customers and on the other, the MARR offer which also includes products with a higher service content and which have been performing in a context of a scarcity of workforce in the foodservice sector.

As regards the change in margin in terms of Euro/kg, and again compared to 2019, there was an overall increase at the end of 2023 which is slightly in excess of that in the Street Market segment, thus showing a recovery in the margin also in segments other than that of the Street Market one, in which the recovery in margins occurred earlier.

The result of these dynamics - and we will see this shortly in the analysis of the income statement - is a recovery in the sales margin at the end of 2023.

I will now give way to Pierpaolo for the analysis of the economic and financial figures.

6)
Thank you and good afternoon to you all.
We are on slide 6) and the analysis of the consolidated income statement for 2023 in comparison to 2022 and for reference purposes to the pre-pandemic in 2019.
The slide also contains the figures regarding the performance in the fourth quarter, in which the trends are the same as those for the entire year, starting with the improvement in the gross margin, which has reached a level close to that for 2019.

With regard to the operating costs, compared to 2022, there has been a decrease in the incidence on total revenues of the service costs, which has benefitted from a reduction in the energy tariffs.
Among the service costs of a logistical nature, in particular transport and internal handling, the trend of structural increase in the tariffs compared to pre-pandemic levels has been confirmed at the end of the year, mitigated compared to 2022 by a better operating leverage as a result of the increase in sales volumes and the implementation of efficiency policies.

As a result of the increase in revenues, of the improvement of the gross margin and of the reduction of the incidence of operating costs, at the end of 2023 the EBITDA amounted to 123.1 million Euros compared to 82.1 million in 2022 and 128.5 million pre-pandemic in 2019.

Both in the fourth quarter and throughout the year, the incidence of the bad debts on the revenues has remained substantially stable and prudential, with the allocation to the provision for bad debts, which represents almost the entirety of the "Provisions and write-downs".

The EBIT for 2023 amounted to 84.9 million Euros compared to 46.2 million in 2022 and 99.1 million in 2019.

The Net Result for the year amounted to 47.1 million Euros and compared to 26.6 million in 2022, has been affected by the increased net financial charges of 9.7 million as a result of the increase in the cost of borrowing from the second half of 2022.

7)
We will now pass on to slide 7) and some comments on the Net Trade Working Capital.

The Net Trade Working Capital (NWC) as at 31 December 2023 amounted to 170.6 million Euros, and is almost in line with that at the end of 2022, and as a result and by effect of the increase in sales, the absorption of the trade NWC has improved.
In particular, at the end of 2023, the incidence of the Net Trade Working Capital on the Total Revenues amounted to 8.2% and in terms of days of the cash conversion cycle, amounted to 22 days, while as at 31 December 2019 (pre-pandemic) these indicators were 12.6% and 37 days respectively.

It must be noted that, albeit with an increase in revenues, the total receivables at the end of 2023 decreased compared to 2022 and the days receivables (DSO) is almost at the threshold of 60 days, which was almost 80 at the end of 2019.

Again, in terms of absorption of the trade working capital, there has been an improvement in the days inventory as at 31 December 2023, also compared to pre-pandemic levels in 2019.

8)
In the next slide, 8, are some more details on the financial debt.

Net of the effects of the application of accounting standard IFRS 16, the Net Financial Position at the end of 2023 amounted to 141.8 million and compared to 138.3 million as at 31 December 2022, was affected by net investments of 26.6 million, of which 17.4 million regarding the new distribution centre in Lombardy, which is expected to start operations in the second quarter of 2024.

The net financial debt as at 31 December 2023 including the effects of IFRS 16 amounted to 223.4 million Euros compared to 217.6 million in 2022.

Breaking down by maturity and by fixed and variable rate, the gross debt as at 31 December 2023, net of the IFRS 16 component, it can be seen that the fixed rate portion amounted to 105 million, representing about 28% of the total gross debt.

I will now leave the floor to Antonio.

9)
Thank you Pierpaolo.
We will now pass on to slide 9) and the dividend proposal.

With a net result for the 2023 business year of the parent company MARR of 44.9 million Euros (25.4 million in 2022), the Board of Directors meeting has proposed to the Shareholders' Meeting to be held on 19 April the distribution of a gross dividend of 0.60 Euros (0.38 Euros per share the previous year) with "ex-coupon" (no. 19) on 20 May 2024, record date on 21 May and payment on 22 May.

The non-distributed profits, the entity of which will be determined on the basis of the treasury shares in the portfolio on distribution of the coupons, will be allocated to the Reserves.
It must be noted in this regard that the Company currently owns 1,227,560 treasury shares, amounting to about 1.8% of the Capital.

10)

We are now on slide 10)

The Board of Directors of MARR S.p.A. has indeed examined and approved today the 2023 Sustainability Report – Consolidated Declaration of a Non-Financial nature, pursuant to Legislative Decree 254/2016.
In preparing the Declaration, MARR has implemented a process of analysis conducted according to the sustainability reporting guidelines of the GRI (Global Reporting Initiative), aimed at identifying the topics that could influence the capacity to create value and that are most relevant to the Company and its stakeholders.

The MARR Sustainability Report organically illustrates the objectives, commitments and activities for sustainability, with particular focus – with regard to the activities of the Group in the foodservice sector – on those regarding the Supply Chain.

The Sustainability Report will be made public on the Company website within the terms of the law.

Lastly, we would point out that MSCI has recently confirmed the AA rating for MARR and its ESG activities.

I will now give way once again to the CEO Francesco Ospitali.

11)
Thank you Antonio.

We are now on slide 11) and an update on current trading

Sales to Street Market and National Account clients in the first two months of 2024 are consistent with the growth and margins objectives expected for the year.

These results have been achieved in a context of out-of-home food consumption in Italy that is expected to increase throughout 2024, also thanks to the positive performance of the tourism sector.

The MARR Group, the sales organization of which has recently met at its Convention, continues to strengthen its own competitive position, through a value proposal to satisfy the requirements of its Customers and increase loyalty.
MARR's development path, pursued in terms of sustainability, is based on closeness to clients, through the presence of the Sales Force and proximity logistics, for which the Group has defined an investment plan aimed at enhancing and modernising its operational capacity.

The first step in this plan will be the opening of the MARR Lombardy distribution centre, expected in the second quarter of 2024.

The focus of the entire organization on the recovery of the operating profitability has also been confirmed, through the management of the gross margin and the control of the operating costs and the control of the the level of absorption of the working capital.

We have now finished our presentation and will take any questions you may have.

Thank you.

Thank you and we will speak to you for the presentation of the figures relating to the first quarter 2024 being in calendar on Tuesday 14th May.

Summary of the main topics raised during Q&A session

The Q&A session provided greater details on the following topics raised during the presentation of the FY 2023 results.

i) Outlook 2024
ii) Capex
iii) Inflation trends
iv) Interest charges
v) Trade NWC

i)

a) The foodservice is expected to continue to grow, as indicated also by TradeLab (Feb. 2024, at about 3.5% (in value terms)). Foreign tourism should provide a solid contribution to the market. Against this favourable background, MARR will focus its growth on the volume component with the price/mix component essentially neutral. On the one hand, final customers are paying increasing attention to the "average check" paid per meal, all part of the trading down phenomenon. On the other hand MARR is countering this by offering added value products (higher €/kg) and by offering "value for money" proposals for each sub-segment of clients.

b) As was the case during the latter part of the year, the Street Market in 2024 is likely to focus its growth on volumes. As regards the National Account segment the price mix component may provide a favourable up-tick, driven by the tail-end of the price list adjustment implemented more effectively during 2023 business year in order to pass-through food inflation. A recovery also in terms of volumes in National Account can be expected from 2H.

c) The MARR Lombardy distribution center is expected to start contributing from Q3 with a greater contribution in Q4.

d) The first 2 months of 2024 are not significant and are in line with expectations for the year. Timewise, Easter falls early (late March) and an early Easter has traditionally be subdued for MARR. However, 2 long weekends at the end of April and in early May will follow and should kick-off most openings for the season.

e) More importantly, MARR will concentrate on improving profitability by improving the gross margin further and continuing to contain service costs, most notably transportation. The objective is that of exceeding the EBITDA (in absolute value) achieved in 2019.

ii) The investment plan released in November 2023 is confirmed. In terms of depreciation, as of today, an additional about €2 million could be expected in 2024.

iii) Today our view is neutral and significant deflationary trends are not expected.

iv) Interest charges will depend on the implementation of the investment plan that will unfold primarily in H2 of 2024 and obviously on the prevailing rates at that time.

v) The objective is to maintain the ratios of absorption of Trade NWC at the level reached in 2023, with particular focus on receivables and management of inventory, that can be an area of possible further improvement.