NovaRock Global Research

Equity Research Note — The Marzetti Company (MZTI) — Initiating Coverage

REVIEWED AND APPROVED — 2026-10-19

Current Price	$104.47 (as of 2026-10-16)
Fair Value (DCF Base Case)	$160.33 (as of report date)
Implied vs. Current Price	+53.5%
Rating	BUY (DCF-based; fade case disagrees) (sensitivity range: $110-$213/share)
Assumptions Used	8.5% discount rate, 3.0% terminal growth
Capital Return	Dividend Yield 3.8% | Buyback Yield 1.3% (Total Shareholder Yield: 5.1%)

Rating Definitions: BUY: every combination in the valuation sensitivity grid implies a fair value above the current price - i.e. even the most conservative reasonable assumptions still suggest the stock is cheap. SELL: every combination implies a fair value below the current price - even the most generous reasonable assumptions still suggest it's expensive. HOLD: the current price falls inside the sensitivity grid's range - reasonable analysts using different defensible assumptions could land on either side, so a confident directional call isn't supported by this analysis. This is a narrower, more literal use of these labels than some research uses - a HOLD here specifically means the valuation math doesn't clear a bar in either direction, not a vague default.

Investment Note

The Marzetti Company (MZTI) — Research Note

Rating: BUY (DCF-based; fade case disagrees). At $104.47 (as of 2026-10-16, supplied by NovaRock) the price sits below every cell of the DCF sensitivity grid ($110 to $213 per share), so the published rule gives BUY; the base case is $160.33, +53.5% versus the price. Peer evidence is mixed and does less of the work: on EV/EBITDA the closest peer, JJSF at 10.58x, implies $113.86 (+9.0%), while FLO (9.39x) and the CAG normalised memo (8.71x) imply $100.33 and $92.61, below the price; JJSF's trailing P/E of 30.52x would imply $213.03, but that multiple sits on depressed peer earnings. The economic-profit cross-check is the dissent: at the reported return on invested capital of 15.4% it values the equity at $97.15 if that return persists and $65.34 if excess return fades to the cost of capital over five years, both below the price. The rating rests on the DCF and is conditional on free cash flow holding near its current level while the acquisition earns its keep.

Results: Fiscal 2026 (year ended June 30, 2026) net sales were $1,929.8M against $1,909.1M, up 1.1% (10-K p.37). Operating income rose to $238.7M from $220.3M, a margin of 12.4% versus 11.5%. Net income was $191.6M against $167.3M and diluted EPS $6.98 against $6.07 (10-K p.37), a P/E of 15.0x at the current price. Net income agrees between the income statement and the cash flow statement (10-K p.39).

Operating trends: Earnings grew much faster than sales, so margin expansion rather than volume drove the year; sales rose 3.1% over two years while operating income rose 19.7%. Operating cash flow was $283.8M ($261.5M a year earlier) and capital spending stepped up to $77.7M from $58.0M (10-K p.39). Free cash flow was $206.1M against $203.5M and $184.0M in the two prior years. Investing outflow was $470.0M, of which only $77.7M is capital spending; goodwill rose to $500.5M from $222.8M and other intangibles of $125.4M appeared (10-K p.36), consistent with the Bachan's acquisition, which closed on May 1, 2026 per the August 25 release (the acquisition line itself was not itemised in the evidence supplied).

Guidance: The August 25, 2026 earnings release (8-K accession 0000057515-26-000018) gives a qualitative FY2027 outlook and no numeric guidance for volume, capital spending, margin or EPS: it expects retail to benefit from Bachan's and new launches, foodservice to be supported by select quick-service restaurant customers, and a moderate level of inflation in fiscal 2027, to be offset with pricing and cost savings; it also says the company continues to monitor the impact of the Cyclospora outbreak on product demand and sales. On the fourth-quarter earnings call, management said it expects mid-single-digit revenue growth with the benefit of Bachan's, about 100 basis points of consolidated gross margin expansion in fiscal 2027, a tax rate of 23%, and total capital expenditures of $90 million; it said the outbreak will create a net sales headwind of approximately 250 basis points in the fiscal first quarter, modelled to fade over about four months on the path of the 2018 outbreak, and that it expects roughly a 15% decline in first-quarter operating income. Call remarks are management statements from the company's published transcript, not filings. The $90 million may be defined differently from the $77.7M of property additions used here, and the DCF base case below does not incorporate these call figures. No analyst Q&A is cited.

Cash flow and the DCF basis: Free cash flow is operating cash flow less capex, $206.1M, a levered (post-interest) measure, so net debt is not deducted. The base case grows it 6.5% in year one, fading to 3.0% by year ten, at a 8.5% discount rate and 3.0% terminal growth; terminal value is 60.3% of the total. These are NovaRock assumptions: free cash flow grew about 5.9% a year over the last two years, and the base case holds capital spending near the FY2026 level of $77.7M, whereas management forecast total capital expenditures of $90 million for fiscal 2027 on the earnings call (definitions may differ). Scenarios on the same method give $113.29 (downside, a 8% first-year free cash flow decline), $160.33 (base) and $174.12 (expansion). Taking 300 basis points off operating margin and 4% off volume together still gives $120.21 per share (tax at 20.81%, supplied by NovaRock). The price implies a starting free cash flow of about $134M on the base path, 0.65x the actual. The base free cash flow includes only the two months after the acquisition closed, and capex is read from one cash flow row.

Balance sheet: Total assets of $1,605.0M equal liabilities of $551.9M plus equity of $1,053.2M, and balance-sheet cash of $25.1M equals cash-flow-statement cash; the evidence pack could not read total liabilities, which is NovaRock's sum of the balance-sheet components, so the identity tie is not independently machine-run. Debt was $199.3M (long-term $189.3M plus current portion $10.0M) against cash down from $161.5M; net debt was $174.2M, 0.56x unadjusted EBITDA of $310.2M. The prior-year debt rows show no balance. This is context on financial risk and is not part of the DCF.

Comparable companies: Peer inputs are the evidence pack's filing-derived figures, replacing the earlier NovaRock-supplied ones, which differed materially; peer prices are NovaRock-supplied. On EV/EBITDA, MZTI trades at 9.75x. JJSF, the closest peer (foodservice and frozen specialty foods, net cash of $35.1M), trades at 10.58x, implying $113.86 per share for MZTI; FLO (9.39x, net debt $1,633.5M) implies $100.33; MKC (12.14x, net debt $3,346.9M, two share classes) implies $131.59. CAG reported an operating loss, so its GAAP EV/EBITDA is negative and unusable; excluding the $2,950.3M non-cash impairment gives 8.71x on net debt of $7,390.9M, implying $92.61, a normalised context memo. On trailing P/E, JJSF at 30.52x (EPS $2.58) would imply $213.03 and FLO at 23.50x (EPS $0.26) $164.03, but both sit on depressed earnings and overstate what MZTI's steadier earnings are worth; MKC at 8.38x uses EPS with an unexplained nine-month jump. No median is used. The EV/EBITDA peer values bracket the price ($92.61 to $131.59) and the closest peer sits well below the DCF base case: a material disagreement between the methods that this note reports rather than averages.

Shareholder base and changes: The proxy (DEF 14A filed October 13, 2026, accession 0000057515-26-000025, record date September 14, 2026) lists John B. Gerlach, Jr. at 7,510,327 shares (27.5%), Dareth A. Gerlach at 5,928,561 (21.7%) and the John B. Gerlach Trust A-1 at 5,737,602 (21.0%); these overlap through shared attribution and are not added, and the proxy lines supplied give no family total. Directors and executive officers as a group (16 persons) hold 8,001,475 shares (29.3%) and Vanguard Portfolio Management 1,402,556 (5.1%). BlackRock is listed at 2,586,026 shares (9.5%) in the proxy, which is the source used here; an unconfirmed report of an earlier Schedule 13G/A showing up to 10.03% (2,737,842 shares) is recorded as history but not relied on. Schedule 13G filings found:

Vanguard Portfolio Management 5.11% (filed July 31, 2026, accession 0002100121-26-000877) and The Vanguard Group 13G/A showing zero (filed March 27, 2026); no 13G filed after the record date was found. Cover-page shares were 27,291,000 on August 3, 2026; a multi-year share-count change was not supplied.

Capital return: Dividends paid were $108.8M ($3.95 per share) and gross buybacks $36.3M against $8.0M the year before (10-K p.39). On market cap of $2,851.1M that is Dividend Yield 3.8% | Buyback Yield 1.3% (Total Shareholder Yield: 5.1%). Dividends are 56.8% of net income and covered 1.90x by free cash flow; total returns of $145.0M are 70% of free cash flow, so they did not exceed it.

Conclusion: The published rule rates MZTI BUY because the price is below the whole DCF grid and below the downside scenario, which would need a starting free cash flow 65% of today's to justify the price. The peer evidence adds little: on EV/EBITDA the peers bracket the price ($92.61 to $131.59), and the P/E values that sit far above it rest on depressed earnings. The disagreeing evidence that matters is the economic-profit view: at a 15.4% return on invested capital (down from 20.8% before the acquisition) the equity is worth $97.15 without fade, and the price implies a sustained return near 16.3%. The rating therefore rests on the DCF, on the acquisition lifting returns back toward the pre-deal level and on free cash flow conversion holding; if returns stay near 15%, the shares are fully valued rather than cheap.

Key Catalysts

• FY2027 outlook from the August 25 release and call: retail expected to benefit from Bachan's and new launches, foodservice supported by select quick-service restaurant customers, mid-single-digit consolidated revenue growth with the benefit of Bachan's, and about 100 basis points of gross margin expansion (call).

• Cyclospora outbreak: management expects a net sales headwind of approximately 250 basis points and roughly a 15% decline in operating income in the fiscal first quarter, with demand recovering over about four months (call); the first quarter is the test of that assumption.

• Capital spending: management forecasts total capital expenditures of $90 million for fiscal 2027 (call) against the $77.7M of property additions used in our free cash flow, so free cash flow growth has to come from earnings (definitions may differ).

• Inflation: a moderate level of inflation is expected in fiscal 2027, to be offset with pricing and cost savings (release): the margin test for the operating-driver grid.

• First full year of Bachan's (closed May 1, 2026 per the release): the FY2026 free cash flow base holds only two months of it.

• First 10-Q after the 10-K, for the quarter ended September 30, 2026, expected in early November: first read on post-acquisition cash flow, debt and trailing figures.

Comparable Companies Cross-Check

DCF implies +53.5% vs. current price; the closest-peer comparison implies +9.0% vs. current price. DCF and comps MATERIALLY DISAGREE - treat the gap itself as a finding, not noise.

Closest peer: JJSF. FLO, MKC and CAG are context only (depressed or unexplained earnings, impairment); no median or average is used.

Peer / metric	Multiple	MZTI value/sh	Role
JJSF - EV/EBITDA	10.58x	$113.86	Closest peer: foodservice and frozen specialty foods, little debt
FLO - EV/EBITDA	9.39x	$100.33	Context only: bakery overlap, depressed EPS

Peer / metric	Multiple	MZTI value/sh	Role
MKC - EV/EBITDA	12.14x	$131.59	Context only: dual-class; EPS includes an unexplained nine-month jump
CAG - EV/EBITDA ex-impairment (memo)	8.71x	$92.61	Context only: normalised memo; GAAP EV/EBITDA is n/m (operating loss)
JJSF - P/E (TTM)	30.52x	$213.03	Closest peer, but a high multiple on depressed EPS: low weight
FLO - P/E (TTM)	23.50x	$164.03	Context only
MKC - P/E (TTM)	8.38x	$58.49	Context only
CAG - P/E (TTM)	n/m (loss)	n/a	Context only: GAAP loss (impairment)

MZTI trades at 14.97x trailing P/E and 9.75x unadjusted EV/EBITDA (enterprise value $3,025.3M).

Implied value per share: P/E multiple x MZTI diluted EPS; EV/EBITDA multiple x MZTI unadjusted EBITDA, less MZTI net debt, divided by shares.

The closest-peer comparison used against the DCF is JJSF EV/EBITDA (capital-structure neutral); its P/E rests on depressed earnings.

Peer EPS, EV/EBITDA and net debt are figures read from the peers' filings by our filing extraction (XBRL trailing twelve months where the filing text rows were not found); peer prices (October 16, 2026) are NovaRock-supplied.

CAG: GAAP EV/EBITDA is negative and unusable because of the operating loss. Adding back the $2,950.3M non-cash impairment (XBRL AssetImpairmentCharges, TTM) gives 8.71x on net debt of $7,390.9M; this is a normalised context memo, EPS is not normalised, and the earlier 4.06x (debt rows missing) is withdrawn.

MKC has two share classes and its trailing EPS includes an unexplained jump in nine-month earnings; its multiples are context only and were not checked against class share counts.

Balance Sheet & Leverage

Total debt: $199.3M | Cash & equivalents: $25.1M | Net position: $174.2M net debt

Informational only - not subtracted from the fair value above. This DCF's cash flow base is already levered (post-interest), so a separate net-debt deduction would double-count it.

Capital Return Detail

Dividends paid	$108.8M (3.8% yield)
Dividend per share	$3.95
Buybacks (gross cash)	$36.3M (1.3% yield)
Total returned	$145.0M (5.1% of market cap)
Dividend payout ratio (reported net income)	56.8%
Dividend cover by free cash flow	1.9x
Total returns as % of free cash flow	70%

Gross cash buybacks (not net of share issuance); market cap = price x shares outstanding.

Shareholding Pattern & Changes

Period	Shares out.	YoY	Cumulative	Buybacks ($M)	Source
Aug 3, 2026	27.29M	-	-	-	10-K cover

Beneficial ownership - 2026 proxy statement (DEF 14A filed October 13, 2026, accession 0000057515-26-000025) (primary source)

Holder	Shares	% out.	As of	Source
All directors and executive officers as a group (16 persons)	8,001,475	29.30%	September 14, 2026	DEF 14A p.19-20 (HTML sections; printed page not captured)
Named insider: John B. Gerlach, Jr.	7,510,327	27.50%	September 14, 2026	DEF 14A p.19-20 (HTML sections; printed page not captured)
Named insider: Dareth A. Gerlach	5,928,561	21.70%	September 14, 2026	DEF 14A p.19-20 (HTML sections; printed page not captured)
Named insider: John B. Gerlach Trust A-1	5,737,602	21.00%	September 14, 2026	DEF 14A p.19-20 (HTML sections; printed page not captured)
BlackRock, Inc.	2,586,026	9.50%	September 14, 2026	DEF 14A p.19-20 (HTML sections; printed page not captured), fn.4
Vanguard Portfolio Management	1,402,556	5.10%	September 14, 2026	DEF 14A p.19-20 (HTML sections; printed page not captured), fn.5

Individual percentages may overlap through shared voting authority; do not add them.

Concentration: the proxy gives no aggregate for the overlapping Gerlach holdings (27.5%, 21.7% and 21.0% are never added); other 5%+ holders are BlackRock (9.5% per the proxy, the figure used) and Vanguard Portfolio Management (5.1%). Figures are as of the proxy record date, not a current snapshot.

Data Scope & Exclusions

• The proxy lines supplied give no aggregate Gerlach family voting figure, so none is shown; the three Gerlach rows overlap (shared attribution) and are never added. The 29.3% is the directors and executive officers group (16 persons), not a family total.

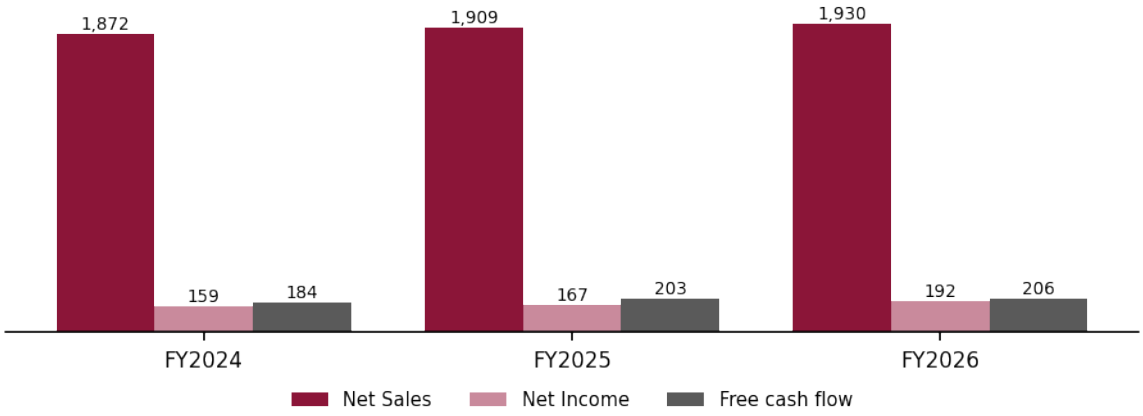
• BlackRock: the DEF 14A proxy (accession 0000057515-26-000025, filed October 13, 2026) lists 2,586,026 shares (9.5%) as of the September 14, 2026 record date and is the sole source used for BlackRock's holding in this note. NovaRock was told of an earlier Schedule 13G/A, reportedly filed January 21, 2026, showing up to 10.03% (2,737,842 shares); it could not be confirmed (no accession number, not in the EDGAR 13G list we hold) and is recorded only as unconfirmed history, not relied on.

• Later Schedule 13G filings found: Vanguard Portfolio Management 5.11% (1,402,556 shares, filed July 31, 2026, accession 0002100121-26-000877) and The Vanguard Group 13G/A showing zero (filed March 27, 2026); both predate the proxy record date and VPM matches the proxy. No 13D/13G filed after September 14, 2026 was found.

• Total shares outstanding at the record date and a multi-year share-count history were not supplied; only the cover-page count is shown. Form 4 filings were not collected.

Multi-Year Trend

Metric	FY2024	FY2025	FY2026
Net Sales	$1,871.8M	$1,909.1M	$1,929.8M
Net Income	$158.6M	$167.3M	$191.6M
Free cash flow	$184.0M	$203.5M	$206.1M



Financial Summary (Most Recent Year)

Line item	Value	Source
Net Sales	1,929,823 (USD thousands)	10-K p.37; accn 0000057515-26-000019
Operating Income	238,711 (USD thousands)	10-K p.37; accn 0000057515-26-000019
Net Income	191,606 (USD thousands)	10-K p.37; accn 0000057515-26-000019
Diluted EPS ($)	6.98	10-K p.37; accn 0000057515-26-000019
Operating Cash Flow	283,816 (USD thousands)	10-K p.39; accn 0000057515-26-000019
Capex (property additions)	77,679 (USD thousands)	10-K p.39; accn 0000057515-26-000019
Dividends Paid	108,763 (USD thousands)	10-K p.39 (XBRL-filled, not page-checked); accn 0000057515-26-000019
Share Repurchases	36,266 (USD thousands)	10-K p.39; accn 0000057515-26-000019
Total Assets	1,605,020 (USD thousands)	10-K p.36 (XBRL-filled, not page-checked); accn 0000057515-26-000019
Total Liabilities	551,870 (USD thousands)	10-K p.36 (NovaRock sum of components); accn 0000057515-26-000019
Total Equity	1,053,150 (USD thousands)	10-K p.36; accn 0000057515-26-000019
Goodwill	500,472 (USD thousands)	10-K p.36; accn 0000057515-26-000019
Long-term Debt	189,276 (USD thousands)	10-K p.36; accn 0000057515-26-000019
Shares (cover, Aug 3, 2026)	27,291,000	10-K cover; accn 0000057515-26-000019

Valuation Sensitivity — Fair Value per Share ($)

Rows: discount rate. Columns: terminal growth rate.

Discount Rate	2.0%	2.5%	3.0%	3.5%
7.5%	$172	$183	$196	$213
8.5%	$145	$152	$160	$171
9.5%	$125	$130	$135	$142
10.5%	$110	$113	$117	$122

Scenario & Economic-Profit Analysis

Disclosed analysis; it does not change the rating, which stays on the base-case grid. All paths and settings are NovaRock judgment except the filing figures. Free cash flow base $206.1M; 8.5% discount rate; tax 20.81% (supplied by NovaRock, not a filing figure).

Scenario DCF (same multi-stage method)

Scenario	Year-1 FCF growth	Terminal growth	Fair value/share	vs price
Base	+6.5%	3.0%	$160.33	+53.5%
Downside / stress	-8.0%	2.5%	$113.29	+8.4%
Expansion	+10.0%	3.0%	$174.12	+66.7%

Operating-driver grid: fair value per share ($) - operating-margin change (rows) vs volume change (columns)

Margin change	-4% volume	-2% volume	+0% volume	+2% volume
-300 bps	$120	$122	$125	$127
-200 bps	$132	$134	$137	$139
-100 bps	$143	$146	$148	$151
+0 bps	$154	$157	$160	$163
+100 bps	$166	$169	$172	$175

Economic-profit (ROIC) cross-check: equity value per share ($); invested capital $1,227.3M, cost of capital 8.5%

ROIC held for 10 years	No fade	Excess return fades to cost of capital over 5 years
12%	$68.29	$52.16
15.4% (reported)	$97.15	$65.34
18%	$119.19	$75.40
20%	$136.16	$83.14

• ROIC = operating income x (1 - tax) / (equity + debt - cash): NOPAT $189.0M on invested capital $1,227.3M = 15.40%; prior year 20.84% on $837.0M (debt taken as nil; the acquisition is in capital but only two months in NOPAT).

• Capital grows 3.5% a year for ten years; in the strict case excess return then fades linearly to the cost of capital over five years. Cost of capital is taken as the cost of equity (8.5%) because debt is about 6.5% of capital. This is an enterprise value, so net debt is deducted; the levered-FCF DCF does not deduct it.

• Price-implied sustained ROIC (no fade): 16.3%. Reverse DCF: the price implies a starting free cash flow of $134.3M (0.65x actual).

Methodology & Limitations

• Comps-based relative valuation included above - see Comparable Companies Cross-Check.

• Fair value is highly sensitive to the discount rate / terminal growth pair (see grid above).

• Fair value is an intrinsic-value estimate as of the report date, not a 12-month price target.

• Free cash flow is operating cash flow less capital expenditure; it is not adjusted for stock-based compensation, and per-share values use period-end shares outstanding, not fully diluted shares.

• Data warning: total investing outflow ($470.0M) is more than 2x the capex used ($77.7M); the difference is the Bachan's acquisition (closed May 1, 2026), not understated capex.

• Data Scope & Exclusions: (1) total assets, dividends and balance-sheet cash were filled from XBRL and are not page-checked; total liabilities was found neither in the filing text nor in XBRL and is NovaRock's sum of current liabilities, long-term debt and non-current liabilities, so the balance-sheet identity tie is not independently run; (2) the tax rate of 20.81% was supplied by NovaRock and is not a filing figure; (3) FY2027 outlook figures come from the August 25, 2026 earnings release and the company's published call transcript; call remarks are management statements, not filings, and the DCF base case does not incorporate the call's capital expenditure, margin, tax-rate or first-quarter figures; (4) peer EPS, P/E, EV/EBITDA and net debt are figures read from the peers' filings (JJSF, FLO and MKC EPS are trailing twelve months from XBRL where the filing text rows were not found; MKC's includes an unexplained nine-month jump and MKC has two share classes whose counts were not checked); peer prices are NovaRock-supplied; CAG's 8.71x EV/EBITDA excludes a $2,950.3M impairment (XBRL AssetImpairmentCharges, TTM) on net debt of $7,390.9M and is a normalised context memo, its GAAP EV/EBITDA being negative and unusable, and the earlier 4.06x is withdrawn; (5) the Bachan's acquisition line was not itemised in the evidence supplied; its May 1, 2026 close date is confirmed by the August 25 release; (6) the proxy and 13G figures come from an earlier data pull, and an unconfirmed BlackRock 13G/A (reportedly January 21, 2026, up to 10.03%) is recorded as history but not relied on, the proxy's 9.5% being the figure used; Form 4 filings and a multi-year share-count trend were not collected; (7) no 10-Q exists after the 10-K, so TTM equals fiscal 2026 and free cash flow holds only two months of the acquired business; (8) the price of $104.47 was confirmed by NovaRock though the 10-K cover's non-affiliate market value of $3,184.5M implies a materially higher price at December 31, 2025.

• Revision, 2026-10-23: the FY2027 outlook wording (guidance, catalysts, capital spending and data-scope notes) was corrected to match the August 25, 2026 earnings release and call transcript. The valuation figures are unchanged.

• This note reflects NovaRock's structured multi-stage analytical process (Analyst, Risk Review, Final Edit) and was reviewed and approved by Jasvinder Singh, Founder and Principal Analyst, on 2026-10-19.

Disclosures

Full disclosures, methodology notes, and conflicts-of-interest policy are maintained on novarockcorp.com's legal pages and apply to this note. Drafting of this note used AI-assisted research tools. This report has been reviewed, finalized, and approved by Jasvinder Singh, Founder and Principal Analyst, on 2026-10-19.