

PORTOBELLO	Italy	Euronext Growth Milan	Retail & Media
Rating: BUY (unch.)	Target Price: € 78,00	(prev. €85,00)	Update Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-27,66%	-38,41%	-53,30%	-60,56%
to FTSE Italia Growth	-23,49%	-36,31%	-41,45%	-42,38%
to Euronext STAR Milan	-17,87%	-31,76%	-31,12%	-28,44%
to FTSE All-Share	-26,32%	-37,49%	-43,31%	-45,06%
to EUROSTOXX	-23,11%	-38,34%	-43,25%	-44,69%
to MSCI World Index	-21,00%	-38,82%	-38,15%	-43,63%

Stock Data

Price	€ 17,00
Target price	€ 78,00
Upside/(Downside) potential	358,80%
Bloomberg Code	POR IM EQUITY
Market Cap (€m)	59,70
EV (€m)	77,00
Free Float	33,03%
Share Outstanding	3.511.702
52-week high	€ 45,00
52-week low	€ 16,80
Average daily volumes	3.900

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
VoP	88,2	140,0	180,0	215,0
EBITDA	16,5	22,5	31,5	41,0
EBIT	13,9	18,7	27,3	36,5
Net Profit	8,8	11,9	17,9	24,1
EPS (€)	2,51	3,39	5,10	6,85
EBITDA margin	18,7%	16,0%	17,5%	19,1%
EBIT margin	15,7%	13,4%	15,2%	17,0%
Net Profit margin	10,0%	8,5%	9,9%	11,2%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	4,7	3,4	2,4	1,9
EV/EBIT (x)	5,5	4,1	2,8	2,1
P/E (x)	6,8	5,0	3,3	2,5

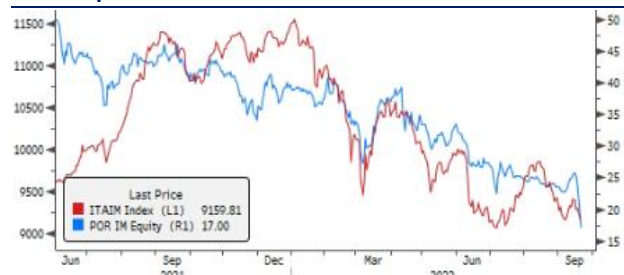
Mattia Petracca

mattia.petracca@integraesim.it

Giuseppe Riviello

giuseppe.riviello@integraesim.it

Stocks performance vs FTSE Italia Growth



1H22A Results

The results in 1H22A show how the Company has been able to successfully continue its growth path, despite the known critical macroeconomic issues. Portobello recorded a turnover of € 48.82 million and value of production equal to € 49.01 million, an increase of 66.5% compared to 1H21A, which amounted to € 29.44 million. EBITDA for the period amounted to € 6.43 million, a decrease compared to 1H21A (€ 7.32 million), and the EBITDA margin went from 24.9% of 1H21A to 13.1%, due to the increasing costs for promotional activity. Net Income is positive, equal to € 2.75 mln, but we see a deterioration in NFP, equal to € 27.58 mln, because of the large cash absorption due to the opening of new stores during the period.

Estimates Update

In the light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years. In particular, we estimate FY22E value of production equal to € 140.00 million and EBITDA of € 22.45 million, corresponding to a marginality of 16.0%. For subsequent years, we expect the value of production to increase up to € 250.00 million (CAGR FY21A - FY25E: 29.76%) in FY25E, with EBITDA of € 50.00 million (corresponding to an EBITDA margin of 20.0%), up from € 16.52 million in FY21A (corresponding to an EBITDA margin of 18.7%).

Valuation Update

We have conducted the valuation of Portobello's equity value based on the DCF methodology. The DCF method (which, in the calculation of WACC, includes a specific risk of 1,5% for prudential purposes) provides an equity value equal to € 273.9 million. The target price, therefore, is € 78.00 (prev. € 85.00). We confirm BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

INCOME STATEMENT (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Value of production	64,00	88,18	140,00	180,00	215,00	250,00
COGS	51,24	83,33	100,00	125,50	142,00	164,00
Change in raw materials	(7,38)	(28,06)	(7,00)	(7,00)	(4,00)	(4,50)
Services	4,41	6,76	9,55	10,40	12,10	13,50
Use of assets owned by others	1,83	3,42	7,00	10,00	12,70	14,50
Employees	2,62	5,41	7,00	8,40	9,80	11,00
Other Operating Expenses	0,41	0,80	1,00	1,20	1,40	1,50
EBITDA	10,87	16,52	22,45	31,50	41,00	50,00
<i>EBITDA Margin</i>	<i>17,0%</i>	<i>18,7%</i>	<i>16,0%</i>	<i>17,5%</i>	<i>19,1%</i>	<i>20,0%</i>
D&A	2,29	2,63	3,75	4,20	4,50	4,80
EBIT	8,58	13,89	18,70	27,30	36,50	45,20
<i>EBIT Margin</i>	<i>13,4%</i>	<i>15,7%</i>	<i>13,4%</i>	<i>15,2%</i>	<i>17,0%</i>	<i>18,1%</i>
Financial Management	(0,29)	(0,86)	(0,80)	(0,90)	(1,00)	(1,00)
EBT	8,28	13,02	17,90	26,40	35,50	44,20
Taxes	2,33	4,20	6,00	8,50	11,45	14,40
Net Income	5,95	8,82	11,90	17,90	24,05	29,80
BALANCE SHEET (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Fixed Asset	5,08	8,41	11,70	15,00	18,50	22,20
Account receivable	2,63	4,31	10,00	11,00	12,00	14,00
Inventories	16,41	43,92	51,00	58,00	62,00	66,50
Account payable	3,49	11,89	13,00	16,60	19,00	21,00
Operating Working Capital	15,55	36,34	48,00	52,40	55,00	59,50
Other Receivable	24,10	24,85	42,00	52,00	62,00	70,00
Other Payable	14,48	16,84	25,00	33,00	40,00	45,00
Net Working Capital	25,17	44,35	65,00	71,40	77,00	84,50
Severance Indemnities & Other Provisi	0,27	0,42	0,65	0,80	0,90	1,00
NET INVESTED CAPITAL	29,99	52,34	76,05	85,60	94,60	105,70
Share Capital	0,53	0,62	0,67	0,67	0,67	0,67
Reserves	9,64	25,55	34,37	46,27	64,17	88,22
Net Profit	5,95	8,82	11,90	17,90	24,05	29,80
Equity	16,13	34,99	46,94	64,84	88,89	118,69
Minorities Equity	0,00	0,05	0,05	0,05	0,05	0,05
Cash & Cash Equivalent	2,64	2,47	12,94	18,29	28,34	40,04
Financial Debt	16,49	19,77	42,00	39,00	34,00	27,00
Net Financial Position	13,86	17,30	29,06	20,71	5,66	(13,04)
SOURCES	29,99	52,34	76,05	85,60	94,60	105,70
CASH FLOW (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EBIT	8,58	13,89	18,70	27,30	36,50	45,20
Taxes	2,33	4,20	6,00	8,50	11,45	14,40
NOPAT	6,25	9,68	12,70	18,80	25,05	30,80
D&A	2,29	2,63	3,75	4,20	4,50	4,80
Change in Account Receivable	4,03	(1,68)	(5,69)	(1,00)	(1,00)	(2,00)
Change in Inventories	(7,08)	(27,51)	(7,08)	(7,00)	(4,00)	(4,50)
Change in Account Payable	(7,65)	8,39	1,11	3,60	2,40	2,00
Other Changes	(2,62)	1,61	(8,99)	(2,00)	(3,00)	(3,00)
Change in NWC	(13,31)	(19,18)	(20,65)	(6,40)	(5,60)	(7,50)
Change in Provision	0,18	0,15	0,23	0,15	0,10	0,10
OPERATING CASH FLOW	(4,59)	(6,72)	(3,97)	16,75	24,05	28,20
Capex	(3,8)	(6,0)	(7,0)	(7,5)	(8,0)	(8,5)
FREE CASH FLOW	(8,39)	(12,67)	(11,01)	9,25	16,05	19,70
Change in Financial Debts	10,21	3,28	22,23	(3,00)	(5,00)	(7,00)
Financial Management	(0,29)	(0,86)	(0,80)	(0,90)	(1,00)	(1,00)
Change in Equity	0,07	10,09	0,06	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	1,60	(0,17)	10,47	5,35	10,05	11,70

Source: Portobello & Integrae SIM Estimates

1.1 1H22A Results

Table 2 – 1H22A vs 1H21A

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H22A	49,0	6,4	13,1%	4,7	2,7	27,6
1H21A	29,4	7,3	24,9%	6,7	4,4	17,3*
<i>Change</i>	66,5%	-12,1%	-11,7%	-29,8%	-37,2%	N.A.

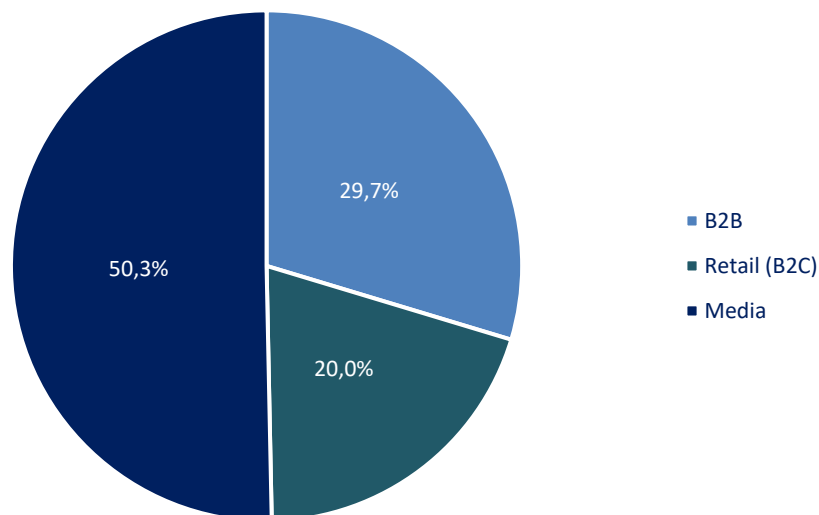
Source: Integrae SIM

*data as of FY21A

Through a press release, Roberto Panfili, Co-founder and COO of Portobello SpA, commenting on the half-yearly results, declared: *"Despite the negative effects generated by the healthcare crisis and exacerbated by the Russian-Ukrainian conflict, in the first half of 2022 the Company continued to grow thanks to a solid and countercyclical business model. In critical periods such as the current one, in fact, consumers become more cautious and sensitive to the price of products, therefore the value proposition of the Company, based on an offer that manages to sustainably combine the best value for money on the market with an excellent shopping experience, becomes more successful, as already proven in the pandemic period."*

The results of the first semester of 2022 show how the Company has been able to successfully continue its growth path, despite the continuation of the critical issues arising from the health crisis from Covid-19 and from the Russian-Ukrainian conflict. In particular, Portobello recorded a turnover of € 48.82 million and consolidated total value of production equal to € 49.01 million (€ 0.19 million for other revenues), an increase of 66.5% compared to the value of production of 1H21A, which amounted to € 29.44 million.

Chart 1 – Revenues Breakdown by BU 1H22A



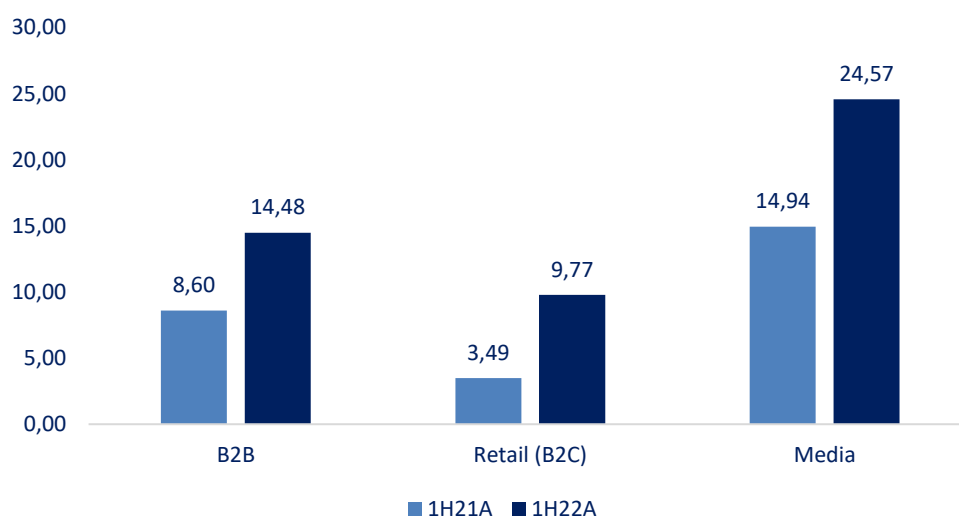
Source: Portobello

The turnover is attributable to the following breakdown: the Media BU contributes 50.3%, the B2B division 29.7% and finally the Retail BU (or B2C) sees its contribution increase up to 20.0%.

The evolution of the activities of each of the three business areas is explained below:

- **Media:** The segment sees its revenues grow by 64.4%, reaching a value of € 24.57 million (vs € 14.94 million for 1H21A). The main driver of this growth is represented by the investments made by the Company for the expansion of its offer of advertising spaces with a high media impact, such as the purchase of the newspaper La Nuova Sardegna by Sea Sardegna Srl, a subsidiary of the Sae-Sapere Aude Editori SpA Group, in which Portobello holds a stake of 18.0% of the share capital;
- **B2B:** The segment, which is key for the sale of those products that are not suitable for B2B customers, the main target of the Company, saw a growth of 68.4%, which allowed to reach a turnover for the BU equal to € 14.48 million;
- **Retail:** with a growth of 180.1% compared to the first half of 2021, the retail segment contributed for € 9.77 million of the total turnover of 1H22A. This increase was made possible by the investments made by management for the opening of new stores, which took place both in the second half of 2021, and in the first half of 2022, with the opening of 6 new stores. The growth of the segment, which as anticipated reached 20.0% of total turnover, compared to 12.2% in the same period of the previous year, confirms the success of the new openings.

Chart 2 – Revenues Breakdown by BU 1H22A vs 1H21A



Source: Integrae SIM

Consolidated EBITDA for the period amounted to € 6.43 million, a decrease compared to 1H21A when it amounted to € 7.32 million. Similarly, the EBITDA margin decreased from 24.9% of 1H21A to 13.1% of the half-year under review. This decrease is due to the increase in some cost items, mainly due to the promotional activity for the launch of new stores, but also to the strategic decision of management to reduce prices in the first half of 2022 to create more traffic and thus attract more customers; the decrease in marginality should, therefore, only be temporary. The Company expects, in fact, a realignment to historical values already in the second half-year.

EBIT stands at a value of € 4.67 million, also down compared to the figure for the 1H21A period, for the reasons listed above. Consequently, there was also a reduction in EBIT margin, equal to 9.5%. Net Income was positive, equal to € 2.75 million, albeit slightly down compared to € 4.38 million in 1H21A.

With reference to balance sheet values, there was a deterioration in the NFP (debt), which went from € 17.30 million at the end of 2021 to € 27.58 million on 30 June 2022. The causes of this variation are to be identified in the huge costs incurred by the Company during the first half of the year, aimed, as anticipated, to promote the opening of the new stores: before June 2022, in fact, 6 new Portobello stores were opened in Bologna, Rimini, Portogruaro (VE), Carpi (MO), Torreano di Martignacco (UD) and San Benedetto del Tronto (AP), while two other maxistore were inaugurated in the first half of August, in the shopping centres of Belpasso (CT) and Ravenna.

1.2 FY22E – FY25E Estimates

Table 3 – Estimates Updates FY22E - FY25E

€/mln	FY22E	FY23E	FY24E	FY25E
VoP				
New	140,0	180,0	215,0	250,0
Old	140,0	180,0	215,0	0,0
Change	0,0%	0,0%	0,0%	N/A
EBITDA				
New	22,5	31,5	41,0	50,0
Old	25,0	34,0	43,0	0,0
Change	-10,2%	-7,4%	-4,7%	N/A
EBITDA %				
New	16,0%	17,5%	19,1%	20,0%
Old	17,9%	18,9%	20,0%	0,0
Change	-1,8%	-1,4%	N/A	N/A
EBIT				
New	18,7	27,3	36,5	45,2
Old	21,3	29,8	38,5	0,0
Change	-12,0%	-8,4%	-5,2%	N/A
Net Income				
New	11,9	17,9	24,1	29,8
Old	14,0	19,9	25,8	0,0
Change	-14,7%	-9,8%	-6,6%	N/A
NFP				
New	29,1	20,7	5,7	(13,0)
Old	14,8	7,4	(7,0)	0,0
Change	N/A	N/A	N/A	N/A

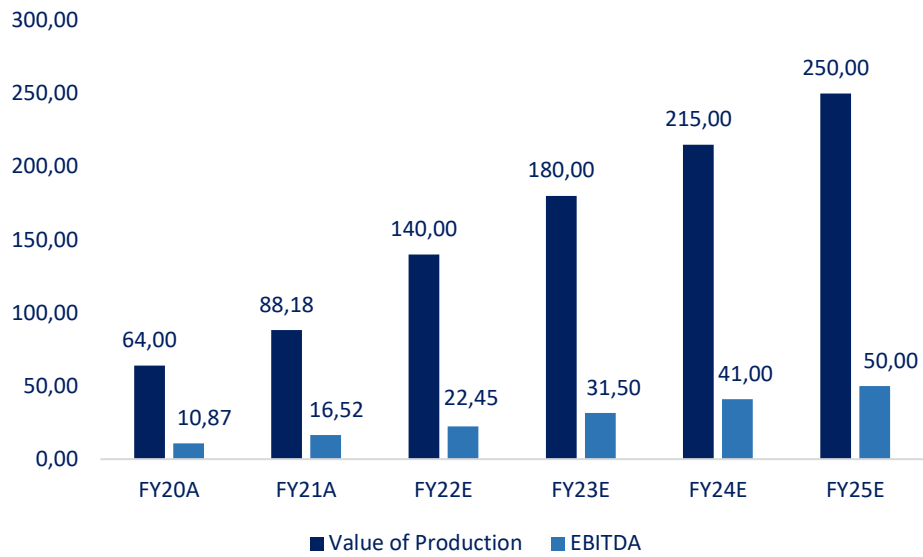
Source: Integrae SIM

In the light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate FY22E value of production equal to € 140.00 million and EBITDA of € 22.45 million, corresponding to a marginality of 16.0%. For subsequent years, we expect the value of production to increase up to € 250.00 million (CAGR FY21A - FY25E: 29.76%) in FY25E, with EBITDA of € 50.00 million (corresponding to an EBITDA margin of 20.0%), up from € 16.52 million in FY21A (corresponding to an EBITDA margin of 18.7%).

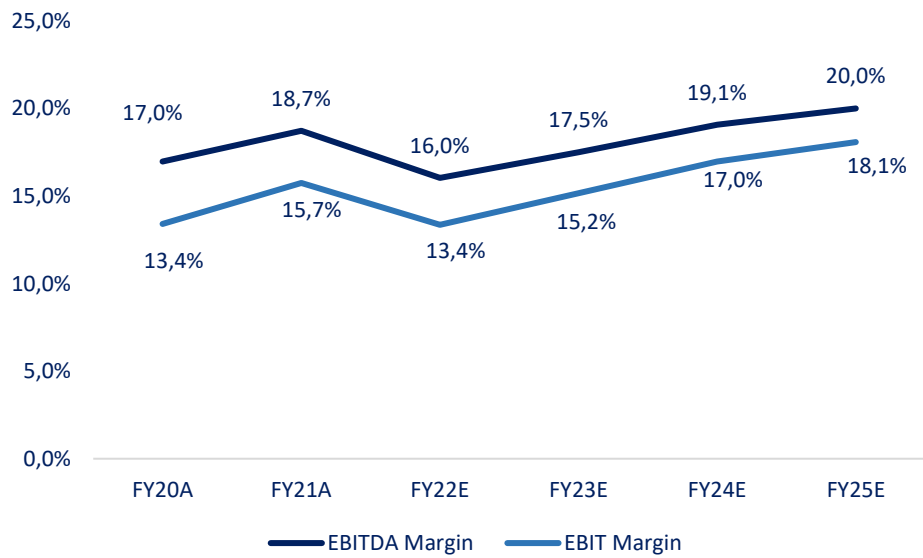
As for the estimated investments, we expect Capex FY22E - FY25E to be equal to approximately € 31.00 million overall, while the cash generation from the new stores, and the repayment of the financial debt raised to fund the openings, should allow the NFP to reach a cash positive value in FY25E of € 13.04 million.

Chart 3 – Value of Production and EBITDA FY20A - FY25E



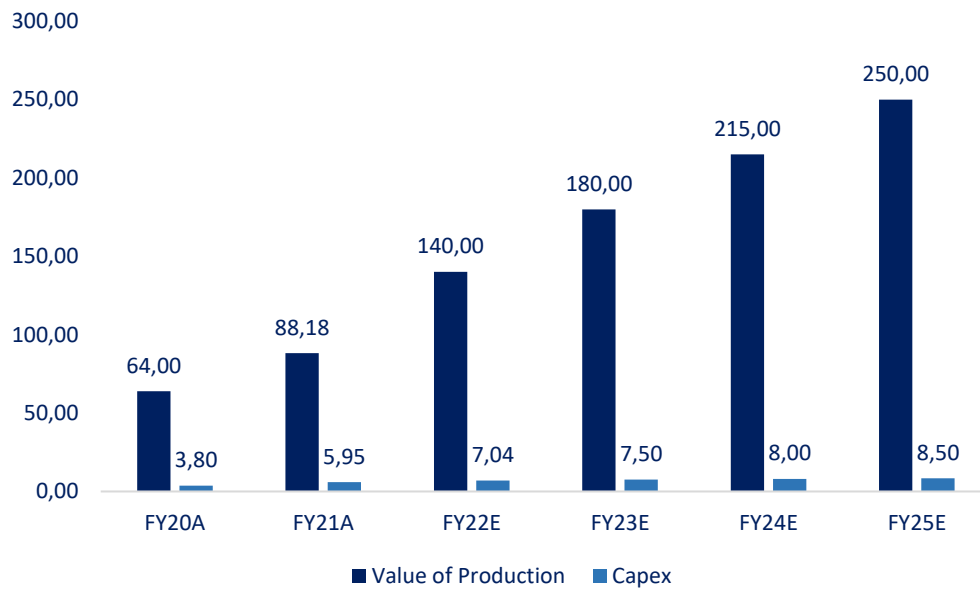
Source: Integrae SIM

Chart 4 – Margin FY20A - FY25E



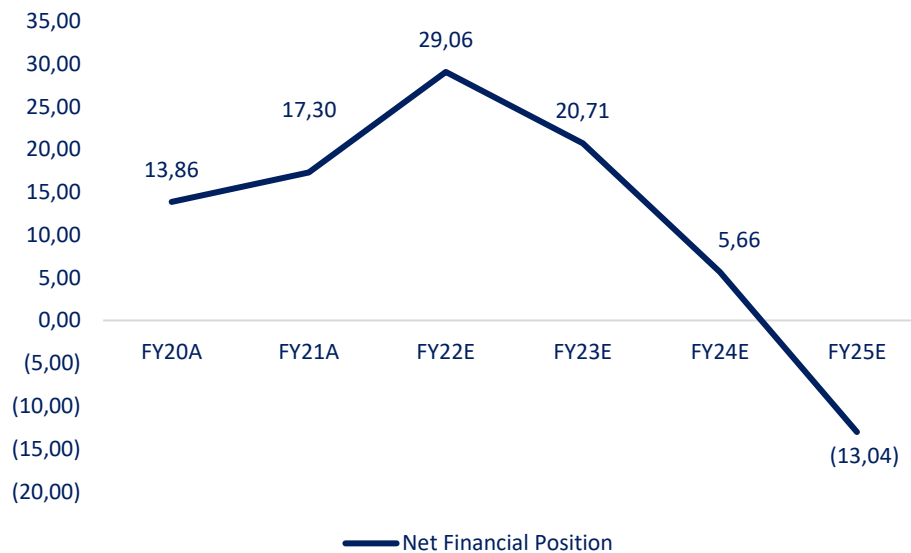
Source: Integrae SIM

Chart 5 – Capex FY20A - FY25E



Source: Integrae SIM

Chart 6 – NFP FY20A - FY25E



Source: Integrae SIM

2. Valuation

We have conducted the valuation of Portobello's equity value based on the DCF methodology.

2.1 DCF Method

Table 4 – WACC

WACC		7,98%
Risk Free Rate	2,18% α (specific risk)	1,5%
Market Premium	9,08% Beta Adjusted	1,00
D/E (average)	81,82% Beta Relevered	1,59
Ke	12,74% Kd	3,0%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 1.5%. This results in a WACC of 7.98%.

Table 5 – DCF Valuation

DCF Equity Value		273,9
FCFO actualized	47,7	16%
TV actualized DCF	243,5	84%
Enterprise Value	291,2	100%
NFP (FY21A)	17,3	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 273.9 million. The target price, therefore, is € 78.00 (prev. € 85.00), rating BUY and risk MEDIUM.**

Table 6 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		6,5%	7,0%	7,5%	8,0%	8,5%	9,0%	9,5%
Growth Rate (g)	2,5%	485,5	426,4	379,2	340,6	308,5	281,3	258,1
	2,0%	435,0	386,8	347,4	314,6	286,9	263,2	242,7
	1,5%	394,6	354,4	321,0	292,7	268,5	247,6	229,3
	1,0%	361,6	327,4	298,6	273,9	252,5	233,9	217,4
	0,5%	334,1	304,6	279,4	257,6	238,6	221,8	206,9
	0,0%	310,8	285,1	262,8	243,4	226,2	211,0	197,4
	-0,5%	290,9	268,2	248,3	230,8	215,3	201,4	188,9

Source: Integrae SIM

Table 7 – Target Price Implied Valuation Multiples

Multiples	FY22E	FY23E	FY24E
EV/EBITDA	13,0x	9,2x	7,1x
EV/EBIT	15,6x	10,7x	8,0x
P/E	23,0x	15,3x	11,4x

Source: Integrae SIM

Table 8 – Current Price Implied Valuation Multiples

Multiples	FY22E	FY23E	FY24E
EV/EBITDA	6,4x	4,6x	3,5x
EV/EBIT	7,7x	5,3x	4,0x
P/E	10,7x	7,1x	5,3x

Source: Integrae SIM

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Date	Price	Recommendation	Target Price	Risk	Comment
19/07/2021	36,60	Buy	75,00	Medium	Update
19/10/2021	41,10	Buy	80,00	Medium	Update
02/11/2021	41,10	Buy	80,00	Medium	Flash Note
31/01/2022	37,40	Buy	80,00	Medium	Flash Note
28/03/2021	36,20	Buy	85,00	Medium	Update
28/04/2022	33,80	Buy	85,00	Medium	Flash Note
31/05/2022	33,10	Buy	85,00	Medium	Flash Note
07/07/2022	24,60	Buy	85,00	Medium	Flash Note

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRÆ SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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Conflict of interest

In order to disclose its possible interest conflict Integrae SIM states that:

- It operates or has operated in the past 12 months as the entity responsible for carrying out the activities of Euronext Growth Advisor of Portobello S.p.A.;
- In the IPO phase, it played the role of Global Coordinator.