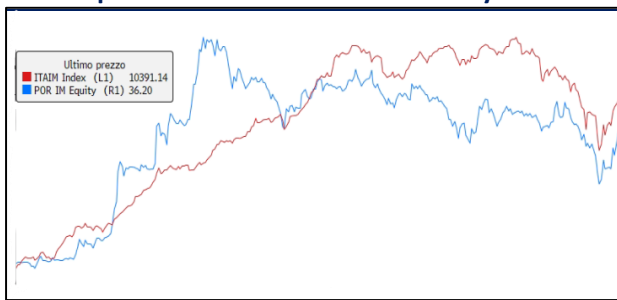


PORTOBELLO	Italy Euronext Growth Milan	Retail & Media
Rating: BUY (unch.)	Target Price: € 85,00 (prev. €80.00)	Update Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	6,47%	-7,65%	-14,22%	20,27%
to FTSE Italia Growth	4,25%	0,57%	-7,32%	-2,81%
to Euronext STAR MILAN	7,33%	7,05%	-2,59%	7,73%
to FTSE All-Share	10,98%	2,37%	-7,66%	18,62%
to EUROSTOXX	9,06%	2,15%	-7,07%	19,35%
to MSCI World Index	4,16%	-1,83%	-12,72%	10,39%

Stocks performance relative to FTSE Italy Growth


Stock Data	
Price	€ 36,20
Target price	€ 85,00
Upside/(Downside) potential	134,80%
Bloomberg Code	POR IM EQUITY
Market Cap (€m)	117,18
EV (€m)	134,48
Free Float	26,48%
Share Outstanding	3.236.902
52-week high	€ 55,00
52-week low	€ 24,70
Average daily volumes	16.000

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
VoP	88,2	140,0	180,0	215,0
EBITDA	16,5	25,0	34,0	43,0
EBIT	13,9	21,3	29,8	38,5
Net Profit	8,8	14,0	19,9	25,8
EPS (€)	2,72	4,31	6,13	7,96
EBITDA margin	18,7%	17,9%	18,9%	20,0%
EBIT margin	15,7%	15,2%	16,6%	17,9%
Net Profit margin	10,0%	10,0%	11,0%	12,0%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	8,1	5,4	4,0	3,1
EV/EBIT (x)	9,7	6,3	4,5	3,5
P/E (x)	13,3	8,4	5,9	4,6

FY21A Results

The Company continues its growth path with a value of production of € 88.2 million, an improvement compared to the previous fiscal year, equal to € 64.0 million (+37.8%), and compared to the estimates of our last report (€ 86.0 million). EBITDA, equal to € 16.5 million, also recorded an improvement of 10.1% compared to the estimated values and 52.0% compared to € 10.9 million in FY20A, with an EBITDA margin of 18.7% (vs 17.0% at FY20A). Net Income also increased from € 5.95 million to € 8.82 million (+28.6%). The NFP worsens, amounting to € 17.30 million. In light of the new acquisitions, the consolidated financial statements are prepared for the first time.

Estimates Update

In light of the results published for the FY21A, we slightly modify our estimates for both the current year and the coming years. In particular, we estimate the FY22E value of production equal to € 140.00 million and EBITDA equal to € 25.00 million, with a marginality of 17.9%. For subsequent years, we expect the value of production to increase up to € 215.00 million (CAGR FY21A-FY24E: 34.59%) in FY24E, with EBITDA of € 43.00 million (EBITDA margin of 20.0%), up from € 16.52 million in FY21A (EBITDA margin of 18.7%). Regarding the estimated investments, we expect Capex FY22E-FY24E equal to approximately € 22.00 million to support growth and new openings expected in the plan years.

Valuation Update

We have conducted the valuation of Portobello's equity value based on the DCF methodology and market multiples of a comparable companies sample. The DCF method (which includes a specific risk of 1.5% for prudential purposes in the calculation of the WACC) provides an equity value of € 298,8 mln. The equity value of Portobello (with a 25% discount) using market multiples is equal to € 251,4 mln. The result is an average equity value of € 275,1 mln. The target price is € 85,00 (prev. € 80.0), rating BUY and MEDIUM risk.

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Giuseppe Riviello giuseppe.riviello@integraesim.it

1. Economics & Financials

Table 1 – Economics & Financials

INCOME STATEMENT (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E
Value of production	64,00	88,18	140,00	180,00	215,00
COGS	51,24	83,33	98,00	123,00	140,00
Change in raw materials	(7,38)	(28,06)	(7,00)	(7,00)	(4,00)
Services	4,41	6,76	9,30	10,40	12,10
Use of assets owned by others	1,83	3,42	7,00	10,00	12,70
Employees	2,62	5,41	6,70	8,40	9,80
Other Operating Expenses	0,41	0,80	1,00	1,20	1,40
EBITDA	10,87	16,52	25,00	34,00	43,00
<i>EBITDA Margin</i>	<i>17,0%</i>	<i>18,7%</i>	<i>17,9%</i>	<i>18,9%</i>	<i>20,0%</i>
D&A	2,29	2,63	3,75	4,20	4,50
EBIT	8,58	13,89	21,25	29,80	38,50
<i>EBIT Margin</i>	<i>13,4%</i>	<i>15,7%</i>	<i>15,2%</i>	<i>16,6%</i>	<i>17,9%</i>
Financial Management	(0,29)	(0,86)	(0,80)	(0,90)	(1,00)
EBT	8,28	13,02	20,45	28,90	37,50
Taxes	2,33	4,20	6,50	9,05	11,75
Net Income	5,95	8,82	13,95	19,85	25,75
BALANCE SHEET (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E
Fixed Asset	5,08	8,41	11,70	15,00	18,50
Account receivable	2,63	4,31	6,80	8,60	10,00
Inventories	16,41	43,92	51,00	58,00	62,00
Account payable	3,49	11,89	13,80	16,60	19,00
Operating Working Capital	15,55	36,34	44,00	50,00	53,00
Other Receivable	24,10	24,85	40,70	52,00	62,00
Other Payable	14,48	16,84	32,00	40,00	45,00
Net Working Capital	25,17	44,35	52,70	62,00	70,00
Severance Indemnities & Other Provisions	0,27	0,42	0,65	0,80	0,90
NET INVESTED CAPITAL	29,99	52,34	63,75	76,20	87,60
Share Capital	0,53	0,62	0,62	0,62	0,62
Reserves	9,64	25,55	34,37	48,32	68,17
Net Profit	5,95	8,82	13,95	19,85	25,75
Equity	16,13	34,99	48,94	68,79	94,54
Minorities Equity	0,00	0,05	0,05	0,05	0,05
Cash & Cash Equivalent	2,64	2,47	12,24	18,89	32,24
Financial Debt	16,49	19,77	27,00	26,25	25,25
Net Financial Position	13,86	17,30	14,76	7,36	(6,99)
SOURCES	29,99	52,34	63,75	76,20	87,60
CASH FLOW (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	8,58	13,89	21,25	29,80	38,50
Taxes	2,33	4,20	6,50	9,05	11,75
NOPAT	6,25	9,68	14,75	20,75	26,75
D&A	2,29	2,63	3,75	4,20	4,50
Change in Account Receivable	4,03	(1,68)	(2,49)	(1,80)	(1,40)
Change in Inventories	(7,08)	(27,51)	(7,08)	(7,00)	(4,00)
Change in Account Payable	(7,65)	8,39	1,91	2,80	2,40
Other Changes	(2,62)	1,61	(0,69)	(3,30)	(5,00)
Change in NWC	(13,31)	(19,18)	(8,35)	(9,30)	(8,00)
Change in Provision	0,18	0,15	0,23	0,15	0,10
OPERATING CASH FLOW	(4,59)	(6,72)	10,38	15,80	23,35
Capex	(3,8)	(6,0)	(7,0)	(7,5)	(8,0)
FREE CASH FLOW	(8,39)	(12,67)	3,34	8,30	15,35
Change in Financial Debts	10,21	3,28	7,23	(0,75)	(1,00)
Financial Management	(0,29)	(0,86)	(0,80)	(0,90)	(1,00)
Change in Equity	0,07	10,09	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	1,60	(0,17)	9,77	6,65	13,35

Source: Integrae SIM estimates

1.1 FY21A Results

Table 2 – FY21A vs FY21E

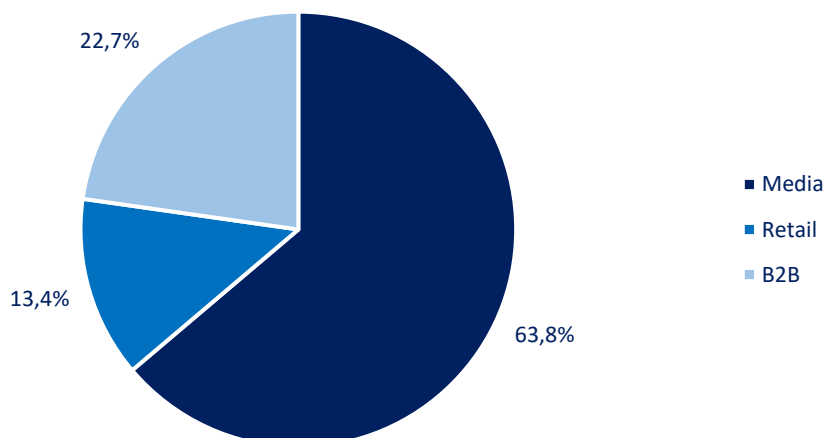
€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY21A	88,2	16,5	18,7%	13,9	8,8	17,3
FY21E	86,0	15,0	17,4%	11,7	7,9	13,3
Change	2,5%	10,1%	1,3%	18,7%	11,6%	N.A.

Source: Integrae SIM

Through a press release, Roberto Panfili, Co-founder and COO of the Company, commenting on the annual results, declares that: *"The excellent economic-financial results achieved in 2021, corroborated by an annual increase in the value of the security of 180%, confirm once again a positive growth trend by virtue of the solid business model and the medium-long term strategies implemented. The retail division grew by 105%, thanks to an unbeatable commercial proposal both for the price and for the brands offered, a further improvement in the format of the stores, and an increase in the commercial area of almost 8 thousand square meters. The new openings in different Italian regions, together with three excellent sponsorships and a massive media campaign, have also strengthened the brand's knowledge and customers' loyalty throughout the country. Therefore, despite the cyclical difficulties dictated by the pandemic and the current Russian-Ukrainian conflict, during 2022 we will be able to quickly continue with our capillar expansion plan of the commercial network throughout Italy, the main objective of our strategic development plan."*

The Company continues its growth by recording a value of production equal to € 88.2 million, of which € 85.5 million attributable to the activity carried out by the 3 Business Units and € 2.7 million of other revenues. This result is a clear improvement both concerning the figure for the previous fiscal year, equal to € 64.0 million (+37.8%) and with respect to the estimates of our last report, in which VoP of € 86.0 million was expected. It should be noted that compared to previous years, in the light of recent acquisitions, the Company has drawn up the Group Consolidated Financial Statements for the first time, so all the data reported are consolidated and take into account the contribution, albeit reduced, of the related companies.

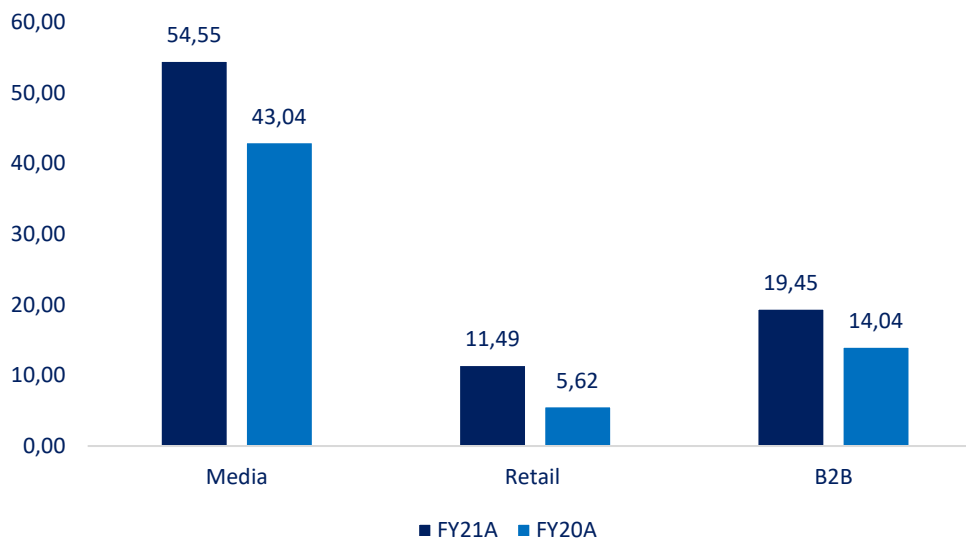
Chart 1 – Revenues Breakdown by BU FY21A



Source: Portobello

Revenues are attributable to the following breakdown: the main source of income is confirmed to be the Media segment, which contributed a share of approximately 63.8% (vs 68.7% in FY20A), while the other two Business Units, Retail and B2B, generated shares of 13.4% (vs 9.0% in FY20A) and 22.7% (vs 22.4% in FY20A) respectively.

Chart 2 – Revenues Breakdown by BU FY21A vs FY20A



Source: Portobello

The performance of each single Business Unit is as follows:

- **Media:** the sector saw an increase of 26.7% compared to the previous year, generating revenues of € 54.55 million compared to € 43.04 million in the FY20A, thanks to the peculiar and innovative business model and the strengthening of the position on the national market in the advertising sector;
- **B2C-Retail:** this is the fastest-growing segment, registering an increase in turnover of € 11.5 million, an increase of 104.6% compared to the same data of the previous year, equal to € 5.6 million. The increase in revenues is mainly driven by the new openings and the consolidation of the customers of the stores opened in the previous year: 9 new stores were opened during the year, bringing the total managed area to 13,000 square meters;
- **B2B:** goes from € 19.45 million to € 14.04 million (+38.5%). This BU is useful to monetize products that are not in line with the shops, and finds its best application through the purchase of part of the inventory (then sold through the B2B channel), ensuring a better turnover of goods, improving marginality, the cash cycle and creating opportunities for possible international partnerships.

EBITDA, equal to € 16.5 million, also shows an improvement of 10.1% compared to the values estimated in our previous report and 52.0% compared to € 10.9 million in FY20A, for an EBITDA margin of 18.7% (vs 17.0% at FY20A), confirming once again the high profitability of the business model even in a complex macroeconomic context linked to the Covid-19 pandemic.

EBIT, after amortization and depreciation of € 2.63 million, amounted to € 13.89 million, compared to € 8.58 million in the previous fiscal year (+52.0%), corresponding to an EBIT margin of 15.7% against 13.4% in FY20A.

Shareholders' equity recorded an increase of € 14.4 million both due to last year's profit and the € 10 million capital increase of 09/06/21, signed through the Accelerated BookBuilding procedure.

Net Income also increased from € 5.95 million to € 8.82 million (+28.6%).

Finally, NFP is equal to € 17.30 million, worsening compared to the data of the previous fiscal year equal to € 13.86 million and compared to the value of € 13.27 million, in line with the FY20A data, estimates of the previous report. This worsening is mainly due to both the significant investments made by Portobello relating to the opening of new points of sale, the new logistics structure, and the national communication plan. Another factor that has had an important impact is certainly the management of working capital, which has seen the Company invest considerable resources to anticipate the supply of goods and raw materials, in order to be covered from the increase in prices and the volatility of the macroeconomic scenario.

Therefore, in addition to the extremely positive and growing results, the Company can boast the absence of exposure to uncertainty related to the increase in costs, guaranteeing one of the best quality-price ratios for its products that also manages to compensate for the reduction in the purchasing power of retail customers. To confirm this, Portobello continues to develop its chain of stores with 9 new openings throughout the country, to which will be added the openings planned for 2022, already contracted.

1.2 Events after 31/12/21

During the first months of the 2022 fiscal year, the Company signed two important financing agreements, each for a total amount of € 5.0 million, to support the multi-annual investment plan. In particular, at the end of January 2022, the first operation with Deutsche Bank was started, with the main purpose of financing the binding agreements stipulated by Portobello for the opening of new stores throughout Italy: the strategy for FY22E, in fact, provides, during the year, a growing commercial network for 5,000 square meters, corresponding to 20 Portobello brand stores of standard size equal to 250 square meters.

In the press release of March 24, 2022, however, the Company announced the signing of a second financing agreement for the same amount as the first one (€ 5.0 million), with a leading Italian credit institution, to continue the growth strategy adding to the planned openings an additional 5,800 square meters (which correspond to about 23 shops). Also, in this case, the openings will be concentrated in the shopping malls of the main Italian cities, strengthening the physical presence and business of Portobello throughout the territory.

As anticipated, therefore, the two agreements will contribute to the increase of the total managed area from 13,000 square meters (to date) to about 24,000 square meters, for a total of more than 90 stores by the end of 2022.

1.3 FY22E – FY24E Estimates

Table 3 – Estimates Updates FY22E-FY24E

€/mln	FY22E	FY23E	FY24E
VoP			
New	140,0	180,0	215,0
Old	135,0	170,0	N/A
Change	3,7%	5,9%	N/A
EBITDA			
New	25,0	34,0	43,0
Old	24,3	32,6	N/A
Change	2,9%	4,3%	N/A
EBITDA %			
New	17,9%	18,9%	18,9%
Old	18,0%	19,2%	N/A
Change	-0,1%	-0,3%	N/A
EBIT			
New	21,3	29,8	38,5
Old	20,6	29,1	N/A
Change	3,4%	2,6%	N/A
Net Income			
New	14,0	19,9	25,8
Old	14,1	19,9	N/A
Change	-1,1%	-0,3%	N/A
NFP			
New	14,8	7,4	(7,0)
Old	8,1	(4,2)	N/A
Change	N/A	N/A	N/A

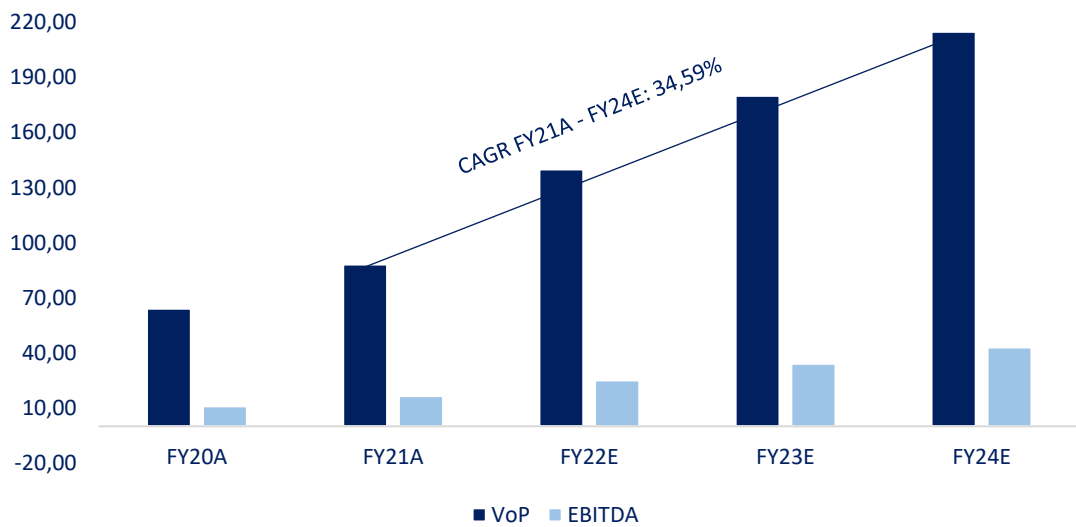
Source: Integrae SIM

In light of the published economic results for the fiscal year just ended, and considering the recent financing contracts for the first part of the FY22E fiscal year, we slightly modify our estimates for both the current year and the coming years.

In particular, we estimate the FY22E value of production equal to € 140.00 million and EBITDA of € 25.0 million, corresponding to a marginality of 17.9%. For subsequent years, we expect the value of production to increase up to € 215.00 million (CAGR FY21A-FY24E: 34.59%) in FY24E, with EBITDA of € 43.00 million (corresponding to an EBITDA margin of 20.0%), up from € 16.52 million in FY21A (corresponding to an EBITDA margin of 18.7%).

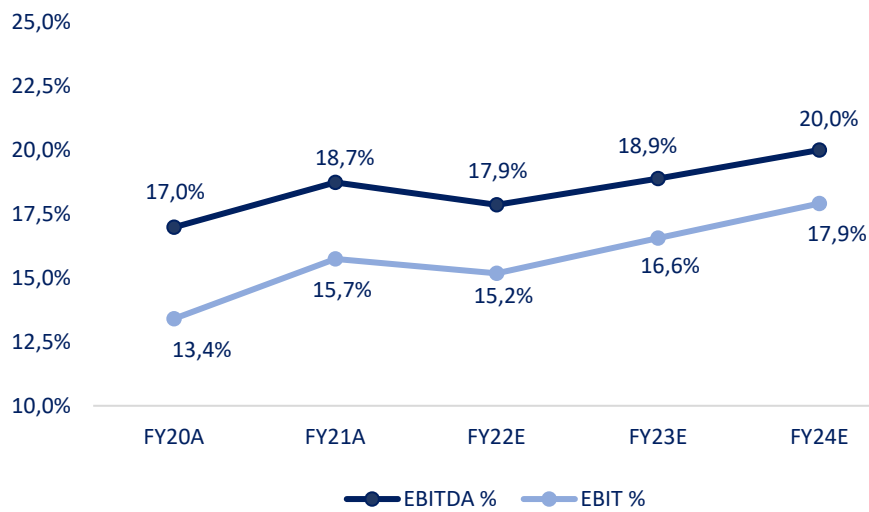
As for the estimated investments, we expect Capex FY22E-FY24E to be approximately € 22.00 million to support growth and new openings expected in next three years.

Chart 3 – Value of Production and EBITDA FY20A-FY24E



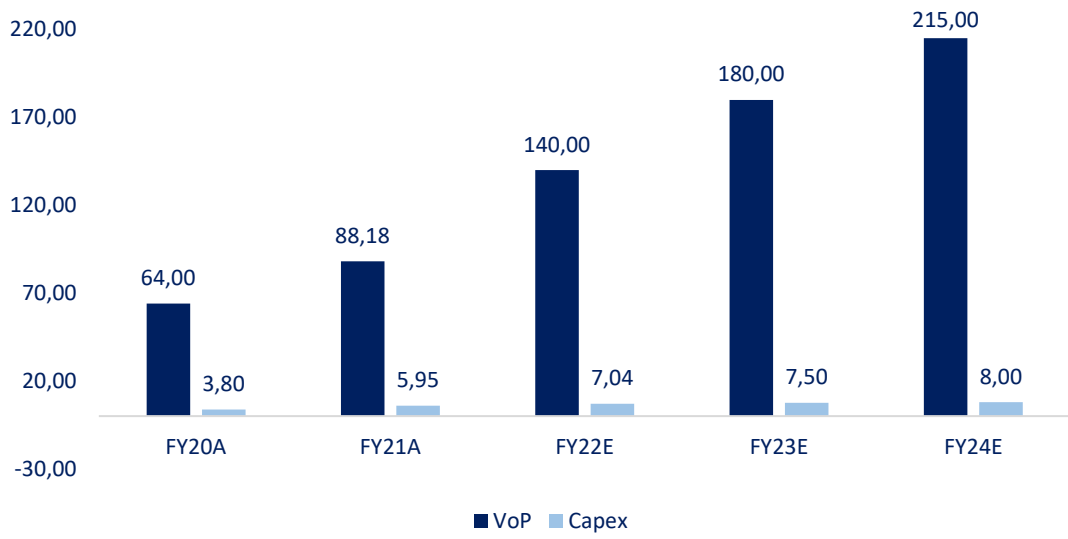
Source: Integrae SIM

Chart 4 – Margin FY20A-FY24E



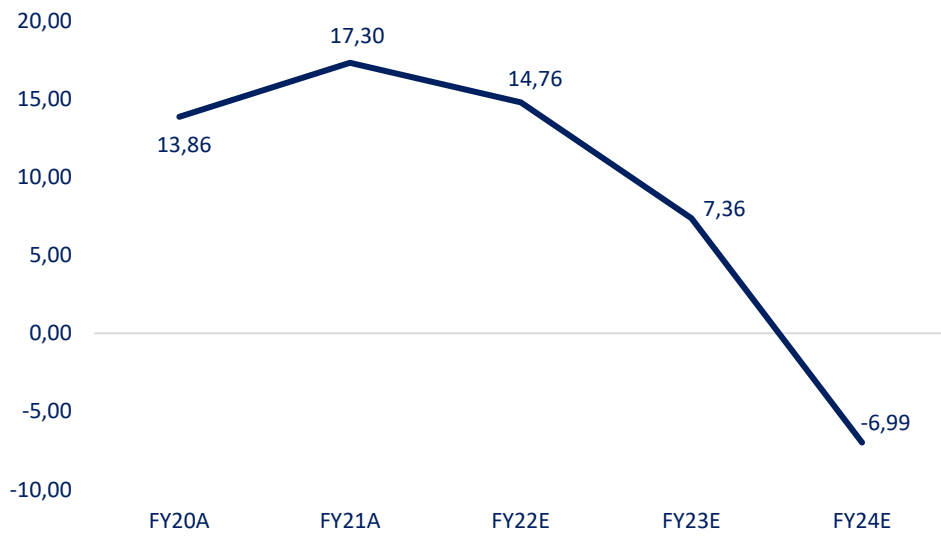
Source: Integrae SIM

Chart 5 – Capex FY20A-FY24E



Source: Integrae SIM

Chart 6 – NFP FY20A-FY24E



Source: Integrae SIM

2. Valuation

We have conducted the valuation of Portobello's equity value based on the DCF methodology and market multiples of a comparable companies sample.

2.1 DCF Method

Table 4 – WACC

WACC		5,85%
Risk Free Rate	0,80% α (specific risk)	1,5%
Market Premium	6,42% Beta Adjusted	0,86
D/E (average)	53,85% Beta Relevered	1,19
Ke	7,83% Kd	3,0%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 1.5%. This results in a WACC of 5.85%.

Table 5 – DCF Valuation

DCF Equity Value		298,8
FCFO actualized	26,0	8%
TV actualized DCF	290,1	92%
Enterprise Value	316,1	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 € 298.8 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mIn		WACC						
		4,3%	4,8%	5,3%	5,8%	6,3%	6,8%	7,3%
Growth Rate (g)	2,5%	800,6	623,9	509,2	428,9	369,5	323,7	287,4
	2,0%	632,0	515,9	434,5	374,3	327,9	291,2	261,3
	1,5%	522,6	440,2	379,2	332,2	295,0	264,7	239,6
	1,0%	446,0	384,2	336,6	298,8	268,2	242,8	221,4
	0,5%	389,2	341,0	302,8	271,7	246,0	224,3	205,8
	0,0%	345,5	306,8	275,3	249,2	227,3	208,5	192,3
	-0,5%	310,9	279,0	252,5	230,3	211,3	194,9	180,6

Source: Integrae SIM

2.2 Market multiples

In order to better capture the Group's diversification, we conducted the valuation using multiples of two different panels:

- The first one contains Companies belonging to the Retail market;
- The second one contains Companies belonging to the Media & ADV market;

These Companies are the same as used for the calculation of the Beta for the DCF method. Panels are composed of:

Table 7.1 – Market Multiples Retail

Company name	EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Walmart Inc.	11,5	11,0	10,3	16,2	15,4	14,6	21,4	19,9	18,6
Target Corporation	9,5	9,1	8,8	12,1	11,5	11,2	15,3	14,0	13,0
BJ's Wholesale Club Holdings	10,8	10,1	9,2	14,8	13,6	12,4	19,7	18,0	16,0
Costco Wholesale Corporation	24,6	22,5	20,6	30,7	27,7	25,5	42,4	38,7	34,7
PriceSmart Inc.	9,5	8,4	N/A	13,2	N/A	N/A	21,4	18,5	N/A
Dunelm Group plc	8,3	8,1	N/A	11,6	11,0	9,6	13,9	14,1	N/A
RH	7,4	6,9	6,3	8,5	7,8	6,7	14,3	13,1	11,9
Motorpoint Group Plc	8,2	6,2	4,8	10,5	7,2	N/A	13,0	9,7	N/A
Peer Median	9,5	8,8	9,0	12,7	11,5	11,8	17,5	16,1	16,0

Source: Infinancials

Table 7.2 – Market Multiples ADV

Company name	EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Cairo Communication S.p.A.	4,6	4,6	N/A	7,2	6,4	N/A	6,0	5,4	N/A
The Interpublic Group	7,7	7,4	6,8	8,8	8,5	7,8	13,5	12,7	11,6
Omnicom Group Inc	7,5	7,3	6,9	8,2	7,9	7,6	12,5	11,7	10,9
Hakuhodo Dy Holdings Inc.	6,7	6,4	6,1	7,9	8,0	7,5	16,2	14,5	12,9
Peer Median	7,1	6,8	6,8	8,1	8,0	7,6	13,0	12,2	11,6

Source: Infinancials

Table 8 – Market Multiples Valuation

€/mln	FY22E	FY23E	FY24E
Enterprise Value (EV)			
EV/EBITDA	207,9	265,2	339,5
EV/EBIT	220,3	290,6	372,7
P/E	212,8	280,6	355,0
Equity Value			
EV/EBITDA	193,2	257,8	346,5
EV/EBIT	205,5	283,3	379,7
P/E	212,8	280,6	355,0
Equity Value post 10% discount			
EV/EBITDA	173,9	232,1	311,8
EV/EBIT	184,9	254,9	341,7
P/E	191,5	252,5	319,5
Average	183,4	246,5	324,3

Source: Integrae SIM

The equity value of Portobello, using the weighted average of the multiple markets EV/EBITDA, EV/EBIT, and P/E is equal to € 279.4 million. To this value, we applied a 10% discount; **therefore, it results in an equity value of € 251.4 million.**

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	275,1
Equity Value DCF (€/mln)	298,8
Equity Value multiples (€/mln)	251,4
Target Price (€)	85,00

Source: Integrae SIM

The result is an average equity value of € 275.1 million. **The target price is, therefore, € 85.00 (prev. € 80.00). rating BUY and risk MEDIUM.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY22E	FY23E	FY24E
EV/EBITDA	11,7x	8,6x	6,8x
EV/EBIT	13,8x	9,8x	7,6x
P/E	19,7x	13,9x	10,7x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY22E	FY23E	FY24E
EV/EBITDA	5,4x	4,0x	3,1x
EV/EBIT	6,3x	4,5x	3,5x
P/E	8,4x	5,9x	4,6x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958 and Consob Regulation n. 20307/2018

Analyst/s certification

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19/07/2021	36,60	Buy	75,00	Medium	Update
10/10/2021	41,10	Buy	80,00	Medium	Update
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07/03/2022	26,50	Buy	80,00	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		

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