

UPDATE

EQUITY RESEARCH

ISIM
INTEGRÆ

Portobello

Euronext Growth Milan | Retail & Media | Italy

Production 03/04/2023, h. 18:30

Published 04/04/2023, h. 07:00



Rating

BUY

unchanged

Target Price

€ 71,00

prev. € 78,00

Risk



Medium

Upside potential

241,3%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€20,80
Target price	€ 71,00
Upside/(Downside) potential	241,3%
Ticker	POR IM
Market Cap (€/mln)	€ 73,04
Enterprise Value (€/mln)	€ 115,47
Free Float	33,03%
Share Outstanding	3.511.702
52-week high	€ 40,70
52-week low	€ 15,75
Average daily volumes (3 months)	12.000

Key Financials (€mln)	FY22A	FY23E	FY24E	FY25E
VoP	130,5	180,0	215,0	250,0
EBITDA	18,2	27,0	37,8	48,5
EBIT	13,5	22,5	33,0	43,4
Net Profit	7,7	14,3	21,3	28,4
EPS (€)	0,46	0,25	0,16	0,12
EBITDA margin	13,9%	15,0%	17,6%	19,4%
EBIT margin	10,3%	12,5%	15,3%	17,4%
Net Profit margin	5,9%	7,9%	9,9%	11,4%

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Stock performance	1M	3M	6M	1Y
Absolute	-16,13%	-22,96%	18,52%	-45,26%
to FTSE Italia Growth	-16,02%	-23,24%	13,88%	-35,69%
to Euronext STAR Milan	-14,91%	-27,68%	5,05%	-37,29%
to FTSE All-Share	-15,22%	-33,90%	-6,11%	-55,43%
to EUROSTOXX	-17,79%	-34,01%	-5,20%	-57,98%
to MSCI World Index	-18,77%	-30,29%	7,38%	-37,93%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA (x)	6,4x	4,3x	3,1x	2,4x
EV/EBIT (x)	8,6x	5,1x	3,5x	2,7x
P/E (x)	9,5x	5,1x	3,4x	2,6x

FY22A Results

In the Consolidated Financial Statements as at December 31, 2022, Portobello confirmed its growth trend by recording a Value of Production of € 130.48 million, up 48.0% on its 2021 result of € 88.18 million, thanks to the double-digit growth of all of its Business Units, despite the negative macroeconomic scenario. EBITDA for the period amounted to € 18.16 million, up from € 16.52 million in FY21A, and with a margin on revenues of 13.9%. EBIT, after depreciation, amortization and depreciation of € 4.68 million, came in equal to € 13.48 million, versus € 13.89 million in the previous year, with an EBIT Margin of 10.3%, while Net Income was also positive for € 7.66 million. On the balance sheet, NFP showed a deterioration from € 17.30 million to € 42.43 million in FY22A.

Estimates Update

In light of the results published in the annual report for FY22A, we have adjusted our estimates for both the current year and the coming years. In particular, we estimate an FY23E Value of Production of € 180.00 million and an EBITDA of € 27.00 million, corresponding to a margin of 15.0%. In the following years, we expect the Value of Production to rise to € 250.00 million (CAGR 22Y-25E: 24.2%) in FY25E, with EBITDA equal to € 48.50 million (corresponding to a margin of 19.4%), up from € 18.16 million in FY22A (corresponding to an EBITDA Margin of 13.9%).

Valuation Update

We conducted our valuation of the equity value of Portobello based on the DCF method. The DCF method (including, for prudential purposes, a specific risk of 1.5% in the calculation of the WACC) returned an equity value of € 249.3 million. **The target price is therefore equal to € 71.00 (prev. €78.00), BUY rating and MEDIUM risk.**

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/	FY21A	FY22A	FY23E	FY24E	FY25E
Value of production	88,18	130,48	180,00	215,00	250,00
COGS	83,33	100,07	127,30	144,00	164,00
Change in raw materials	(28,06)	(15,81)	(8,00)	(5,00)	(5,00)
Services	6,76	6,92	10,00	12,10	13,50
Use of assets owned by others	3,42	9,07	11,50	12,70	14,50
Employees	5,41	11,26	11,00	12,00	13,00
Other Operating Expenses	0,80	0,82	1,20	1,40	1,50
EBITDA	16,52	18,16	27,00	37,80	48,50
<i>EBITDA Margin</i>	18,7%	13,9%	15,0%	17,6%	19,4%
D&A	2,63	4,68	4,50	4,80	5,10
EBIT	13,89	13,48	22,50	33,00	43,40
<i>EBIT Margin</i>	15,7%	10,3%	12,5%	15,3%	17,4%
Financial Management	(0,86)	(1,31)	(1,00)	(1,00)	(1,00)
EBT	13,02	12,17	21,50	32,00	42,40
Taxes	4,20	4,51	7,20	10,70	14,00
Net Income	8,82	7,66	14,30	21,30	28,40
CONSOLIDATED BALANCE SHEET (€/mln)					
Fixed Asset	8,41	14,20	14,70	15,90	17,80
Account receivable	4,31	5,94	9,50	11,30	13,00
Inventories	43,92	56,26	65,00	70,00	75,00
Account payable	11,89	7,76	15,00	16,00	18,00
Operating Working Capital	36,34	54,45	59,50	65,30	70,00
Other Receivable	24,85	31,51	40,00	50,00	58,00
Other Payable	16,84	13,14	24,00	35,00	43,00
Net Working Capital	44,35	72,83	75,50	80,30	85,00
Severance Indemnities & Other Provisions	0,42	1,66	0,80	0,90	1,00
NET INVESTED CAPITAL	52,34	85,37	89,40	95,30	101,80
Share Capital	0,62	0,67	0,67	0,67	0,67
Reserves	25,55	34,59	42,25	56,55	77,85
Net Profit	8,82	7,66	14,30	21,30	28,40
Equity	34,99	42,93	57,23	78,53	106,93
Minorities Equity	0,05	0,01	0,05	0,05	0,05
Cash & Cash Equivalent	2,47	3,10	6,88	17,28	32,18
Financial Debt	19,77	45,53	39,00	34,00	27,00
Net Financial Position	17,30	42,43	32,12	16,72	(5,18)
SOURCES	52,34	85,37	89,40	95,30	101,80

CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E
EBIT	13,48	22,50	33,00	43,40
Taxes	4,51	7,20	10,70	14,00
NOPAT	8,97	15,30	22,30	29,40
D&A	4,68	4,50	4,80	5,10
Change in Account Receivable	(1,63)	(3,56)	(1,80)	(1,70)
Change in Inventories	(12,34)	(8,74)	(5,00)	(5,00)
Change in Account Payable	(4,13)	7,24	1,00	2,00
Other Changes	(10,36)	2,38	1,00	0,00
Change in NWC	(28,47)	(2,67)	(4,80)	(4,70)
Change in Provision	1,23	(0,86)	0,10	0,10
OPERATING CASH FLOW	(13,59)	16,27	22,40	29,90
Capex	(10,5)	(5,0)	(6,0)	(7,0)
FREE CASH FLOW	(24,06)	11,27	16,40	22,90
Change in Financial Debts	25,76	(6,53)	(5,00)	(7,00)
Financial Management	(1,31)	(1,00)	(1,00)	(1,00)
Change in Equity	0,24	0,04	0,00	0,00
FREE CASH FLOW TO EQUITY	0,63	3,77	10,40	14,90

Source: Portobello and Integrae SIM estimates

Company Overview

Portobello is an Italian company based in Pomezia, in the Metropolitan City of Rome, established in 2016 with the aim of providing quality products at affordable prices to consumers through an innovative business model. Portobello is, in fact, the Italian leader in media bartering, purchasing products through the sale of advertising space for subsequent resale in own-brand stores located throughout Italy. Points of sale, designed to make the shopping experience unique, present multiple product categories, such as household goods, home care, technology, appliances, clothing and leisure, to attract and satisfy various consumer segments.

Portobello's business model therefore envisages the sale of media spaces to advertisers, whether directly or in barter exchange for goods, which are then sold in stores, or, alternatively, redistributed to resellers via B2B channels, to improve margins and leverage agreements with international players.

FY22A Results

TABLE 2 – ACTUAL VS ESTIMATES FY22A

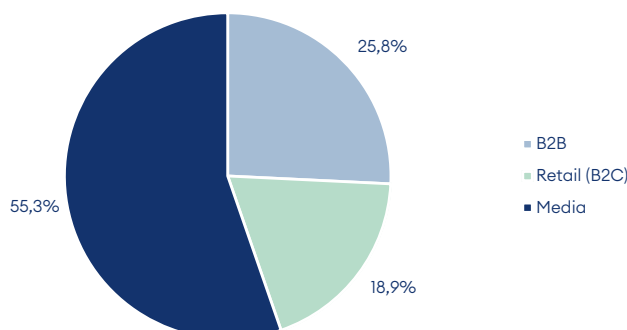
€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY22A	130,5	18,2	13,9%	13,5	7,7	42,4
FY22E	140,0	22,5	16,0%	18,7	11,9	29,1
Change	-6,8%	-19,1%	-2,1%	-27,9%	-35,6%	N.A.

Source: Integrae SIM

Commenting on the annual results in a press release, the Company stated: “Despite the extremely competitive scenario, aggravated by the current geopolitical crisis, even in 2022 Portobello has not stopped in its growth, demonstrating once again that it has implemented medium to long-term winning strategies and created a business model, based on a retail chain that uses bartering, that is solid and scalable in all situations, even the most challenging ones. During the year, we opened 10 maxi-stores in large shopping centers throughout the country, and increased our workforce with over 100 young hires, of which over 50% are women. Thanks to our partnership with Forever Bambù, we have become the Italian chain of zero environmental impact stores, managing to offset the polluting emissions of all stores with the planting of bamboo forests, entirely in Italy. We have expanded the Portobello Group through the acquisition of the Italian marketplace leader ePrice, with the aim of becoming a top omnichannel player. Furthermore, we have acquired the newspaper La Nuova Sardegna, through SAE Group, and participated in the capital increase of Class Editori Group, thus strengthening our Media & Advertising strategic business unit to give further impetus to our advertising bartering operations.”

In the Consolidated Financial Statements as at December 31, 2022, Portobello confirmed its growth trend, communicating a total Value of Production of € 130.48 million and, once again, double-digit growth (+48.0%) compared to the 2021 year-end result of € 88.18 million, despite the extremely competitive scenario aggravated by the dynamics of inflation and the ongoing geopolitical crisis.

CHART 1 – REVENUES BREAKDOWN BY BU FY22A

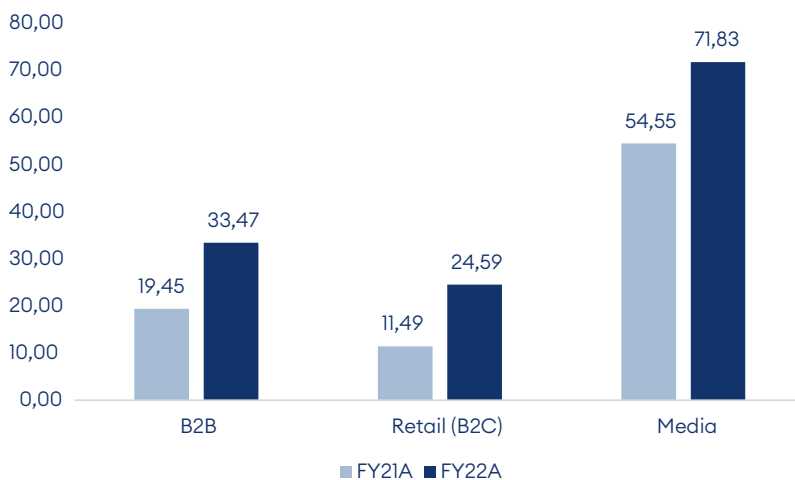


Source: Portobello

Sales revenues, amounting to € 129.90 million, come from the activities of the three Business Units of the Company, with the Media BU contributing 55.3%, the B2B BU contributing 25.8%, and the Retail (i.e. B2C) BU increasing its contribution to an 18.9% share, compared to 13.5% in the 2021 financial year. Below follows a break-down of the evolution of the three Business Units:

- **Media:** The segment saw revenues grow by 31.7% compared to the previous year, reaching a value of € 71.83 million, versus € 54.55 million in FY21A. The main driver of this growth came from Company investments to expand its range of high media impact advertising spaces, and therefore strengthen its position in the advertising sector as one of the main players known for reliability and competitiveness;
- **B2B:** The segment, which is key for the sale of over-inventoried or unsuitable products for a B2B clientele, the Company’s main target, recorded a growth of 72.1 %, making it possible to achieve a turnover for the BU of € 33.47 million (versus € 19.45 million in FY21A). The increase derives from an increase in exchange contracts, and from Portobello’s ability to quickly monetize warehouse stocks;
- **Retail:** with a growth of 114.0% compared to the year-end 2021 figure, the retail segment generated approximately € 24.59 million during the year (versus €11.49 in FY21A). The increase comes from the consolidation of customers of existing stores and the opening of new stores. In 2022, 10 new stores opened in shopping centers throughout Italy, in cities such as Rimini, Bologna, Catania, Bari, and so on.

CHART 2 – REVENUES BREAKDOWN BY BU FY21A VS FY22A



Source: Portobello

Consolidated EBITDA for the period amounted to € 18.16 million, up by 9.9% compared to the previous year (€ 16.52 million). On the contrary, the margin on the value of production fell from 18.7% in the previous year to 13.9% in FY22A. Of note is an extraordinary and non-recurring component impacting the Company's income statement, referring to advertising (media) space already paid for and therefore recorded at cost but still to be received from the supplier, which has gone into liquidation.

Net of this effect, which has an impact of € 6.40 million, an Adjusted EBITDA of € 24.56 million would be obtained, with an incidence on the value of production of 18.8%. In any case, the Company has preferred, for prudential purposes, not to reverse the amount from costs. If the supplier were to proceed with the advertising, a related capital gain would therefore be recognized in 2023.

EBIT, after amortization and depreciation of € 4.68 million, amounted to € 13.48 million (€19.9 million net of the extraordinary component), against € 13.89 million in the previous year. The EBIT Margin was therefore also down, falling from 15.7% to 10.3%. Finally, Net Income was positive, equal to € 7.66 million, albeit slightly down on the value of € 8.82 million in FY21A.

Regarding asset values, we note a worsening of the NFP, which rose from € 17.30 million debt at the end of 2021 to € 42.43 million at December 31, 2022. The causes of this change are identifiable in the huge costs incurred by the Company during the year, aimed at financing the working capital to promote the opening of new stores and the acquisition of the ePrice portal.

Overall, Portobello, through a main offering that combines an excellent shopping experience with the best value for money, has been able to turn an especially critical period, characterized by uncertainty and the falling purchasing power of families, into an opportunity for growth, and one that has not been significantly affected by the rise in energy costs.

In addition, development continued on the e-commerce platform ePrice, the "marketplace" Business Unit of the company ePrice Operations Srl, acquired by a 50% stake by the subsidiary PB Online Srl, in June 2022. PB Online was expressly set up in May, in partnership with Riba Mundo Tecnologia SL, to complete the acquisition of the eprice.it portal. The investment aims to make the portal an omnichannel operator, expanding the range of products on offer and benefiting from economies of scale over all logistics and marketing costs.

Finally, also due to the consequences of the geopolitical crisis, the Company wanted to expand the scope of its environmental sustainability and social responsibility initiatives by entering into a series of projects and partnerships. In particular, the partnership with Forever Bambù was strengthened, leveraging the Forever Zero CO₂ compensation program to offset the polluting emissions of all points of sale opened in 2022, through the absorption of a further 600 tons of CO₂ per year by the planting of 23,000 m² of bamboo forests in Tuscany. Among others initiatives, of particular note is the Company's partnership with the Telethon Foundation for the "Diseases Without Diagnoses" campaign for the treatment of rare genetic pathologies, in addition to donations made in support of the emergency situation in Ukraine.

FY23E – FY25E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E - FY25E

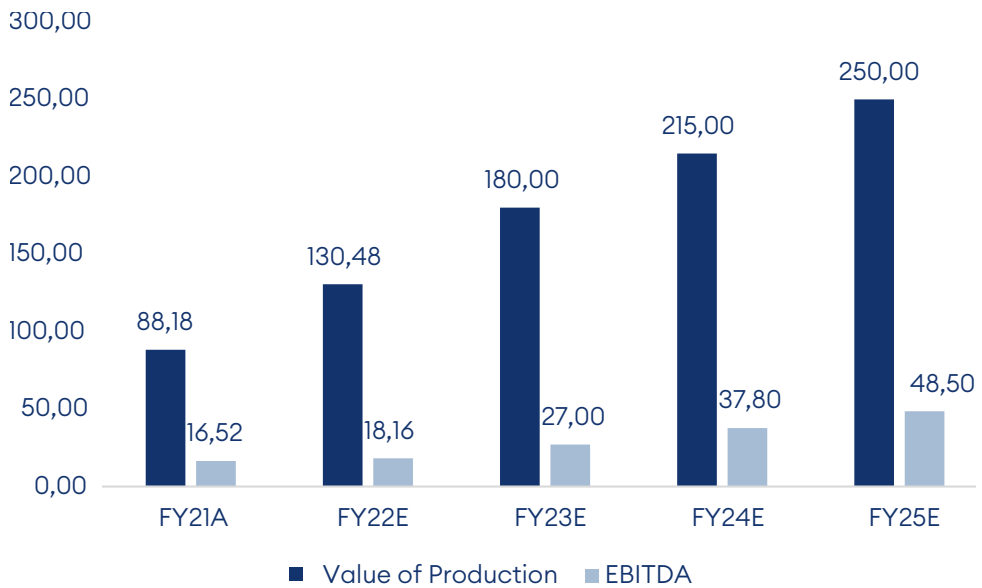
€/mln	FY23E	FY24E	FY25E
VoP			
New	180,0	215,0	250,0
Old	180,0	215,0	250,0
Change	0,0%	0,0%	0,0%
EBITDA			
New	27,0	37,8	48,5
Old	31,5	41,0	50,0
Change	-14,3%	-7,8%	-3,0%
EBITDA %			
New	15,0%	17,6%	19,4%
Old	17,5%	19,1%	20,0%
Change	-2,5%	-1,5%	-0,6%
EBIT			
New	22,5	33,0	43,4
Old	27,3	36,5	45,2
Change	-17,6%	-9,6%	-4,0%
Net Income			
New	14,3	21,3	28,4
Old	17,9	24,1	29,8
Change	-20,1%	-11,4%	-4,7%
NFP			
New	32,1	16,7	(5,2)
Old	20,7	5,7	(13,0)
Change	N/A	N/A	N/A

Source: Integræ SIM

In light of the results published in the annual report for FY22A, we have adjusted our estimates for both the current year and the coming years.

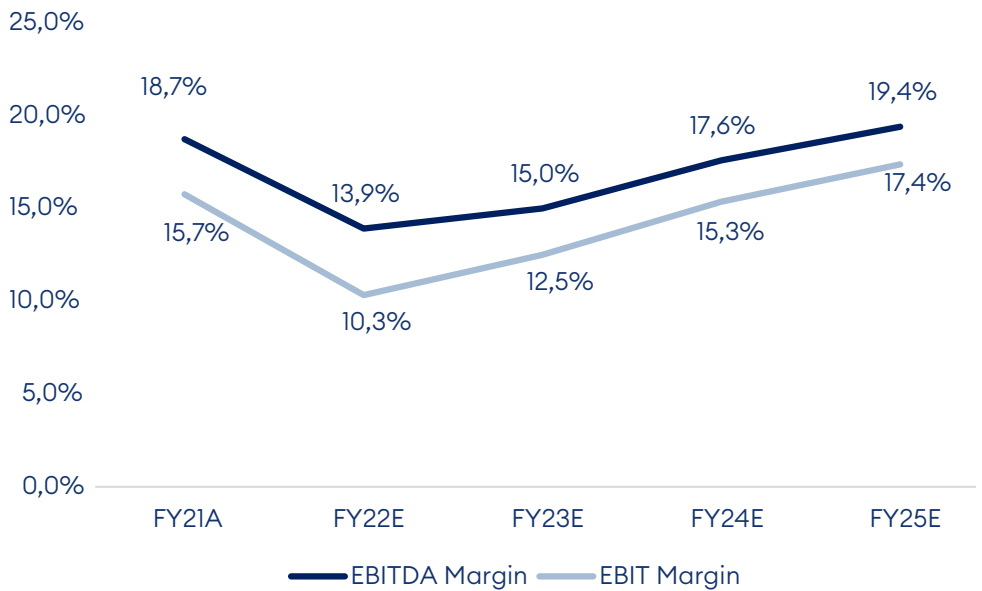
In particular, we estimate an FY23E Value of Production of € 180.00 million and an EBITDA of € 27.00 million, corresponding to a margin of 15.0%. In the following years, we expect the Value of Production to rise to € 250.00 million (CAGR 22Y-25E: 24.2%) in FY25E, with EBITDA equal to € 48.50 million (corresponding to a margin of 19.4%), up from € 18.16 million in FY22A (corresponding to an EBITDA Margin of 13.9%). Regarding the estimated investments, we expect a Capex FY23E-FY25E equal to approximately € 18.00 million in total, intended to finalize the new store openings planned for 2023. The cash generation deriving from the openings, together with repayment of the financial debt and more effective management of working capital, should allow the NFP to reach a positive cash value in FY25E equal to € 5.18 million.

CHART 3 – VOP AND EBITDA FY21A - FY25E



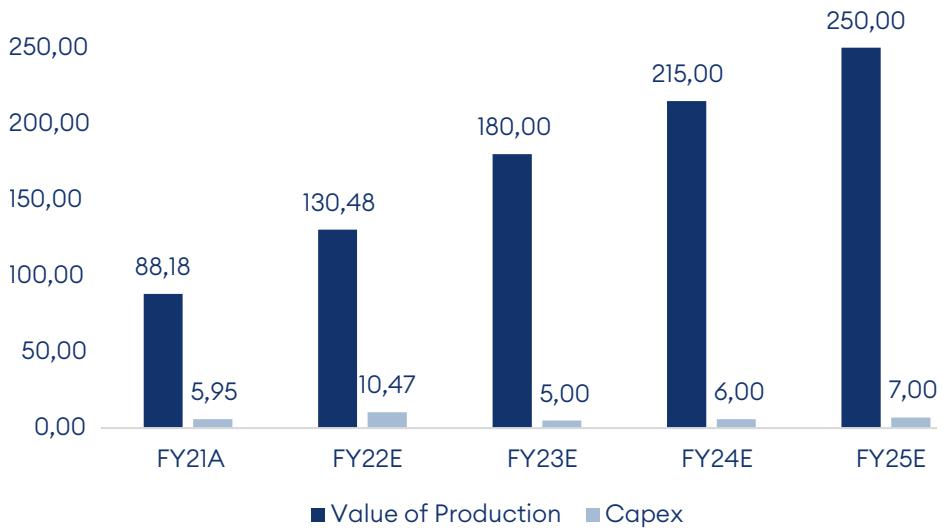
Source: Integrae SIM

CHART 4 – MARGIN FY21A - FY25E



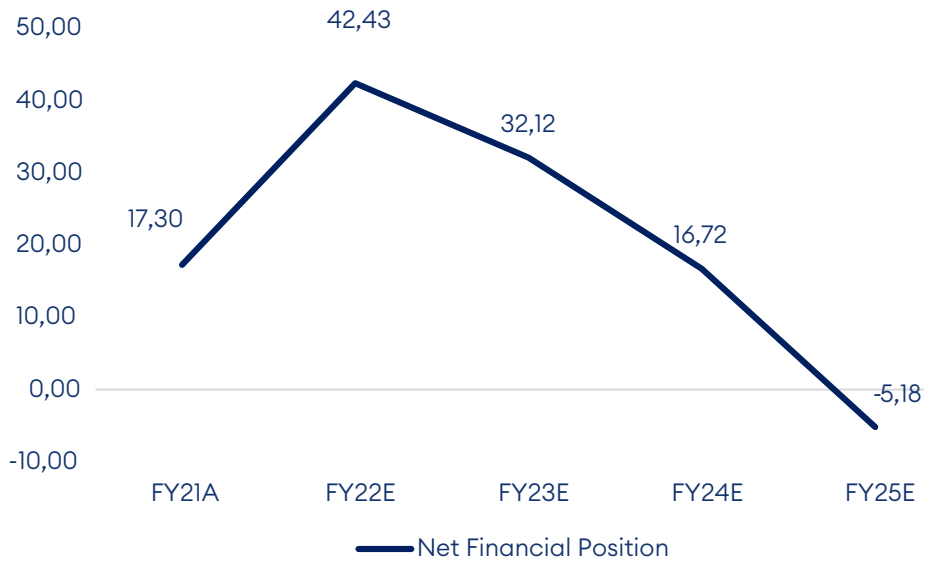
Source: Integrae SIM

CHART 5 - CAPEX FY21A - FY25E



Source: Integrae SIM

CHART 6 - NFP FY21A - FY25E



Source: Integrae SIM

Valuation

We conducted our valuation of the equity value of Portobello on the basis of the DCF method.

DCF Method

TABLE 4 – WACC

WACC				9,03%
D/E 81,8%	Risk Free Rate 3,51%	β Adjusted 1,0	α (specific risk) 1,50%	
K_d 3,00%	Market Premium 9,73%	β Relevered 1,6	K_e 14,65%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 1.5%. The result is therefore a WACC of 9.03%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	46,7	16,0%
TV actualized DCF	245,1	84,0%
Enterprise Value	291,8	100%
NFP	42,4	
Equity Value	249,3	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 249,3 mln. The target price, therefore, is € 71,0 (prev. € 78,0).** **We confirm BUY rating and MEDIUM risk.**

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	WACC							
		7,5%	8,0%	8,5%	9,0%	9,5%	10,0%	10,5%
Growth Rate (g)	2,5%	411,3	369,7	335,0	305,6	280,4	258,5	239,4
	2,0%	374,7	339,5	309,7	284,2	262,0	242,7	225,5
	1,5%	344,1	313,9	288,0	265,6	246,0	228,6	213,2
	1,0%	318,1	291,9	269,2	249,3	231,8	216,2	202,2
	0,5%	295,9	272,9	252,7	235,0	219,2	205,0	192,3
	0,0%	276,6	256,2	238,2	222,2	207,9	195,0	183,3
	-0,5%	259,8	241,5	225,3	210,8	197,7	185,9	175,1

Source: Integrae SIM

TABLE 7 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	16,1x	10,8x	7,7x	6,0x
EV/EBIT	21,6x	13,0x	8,8x	6,7x
P/E	32,6x	17,4x	11,7x	8,8x

Source: Integrae SIM

TABLE 8 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	6,4x	4,3x	3,1x	2,4x
EV/EBIT	8,6x	5,1x	3,5x	2,7x
P/E	9,5x	5,1x	3,4x	2,6x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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28/04/2022	33,80	Buy	85,00	Medium	Breaking News
31/05/2022	33,10	Buy	85,00	Medium	Breaking News
07/07/2022	24,60	Buy	85,00	Medium	Breaking News
21/09/2022	17,00	Buy	78,00	Medium	Update
26/10/2022	16,05	Buy	78,00	Medium	Breaking News

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Equity Total Return (ETR) for different risk categories

Rating	Low Risk	Medium Risk	High Risk
BUY	ETR \geq 7.5%	ETR \geq 10%	ETR \geq 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 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) Integræ 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 Integræ 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 the Portobello SpA;
- It plays, or has played in the last 12 months, the role of broker in charge of the share buyback activity of Portobello SpA;
- In the IPO phase, Integræ SIM played the role of global coordinator.