

PORTOBELLO	Italy	FTSE AIM Italia	Retail & Media
Rating: BUY (unch.)	Target Price: € 66,00	(prev. €55,00)	Update
			Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	47,47%	179,87%	215,11%	338,00%
to FTSE AIM Italia	44,47%	166,22%	174,15%	300,64%
to FTSE STAR Italia	46,53%	175,50%	193,10%	281,21%
to FTSE All-Share	46,46%	174,54%	198,16%	291,20%
to EUROSTOXX	46,44%	172,29%	199,20%	292,45%
to MSCI World Index	48,20%	177,65%	202,19%	293,37%

Stock Data

Price	€ 43,80
Target price	€ 66,00
Upside/(Downside) potential	50,69%
Bloomberg Code	POR IM EQUITY
Market Cap (€m)	122,99
EV (€m)	136,34
Free Float	22,66%
Share Outstanding	2.807.900
52-week high	€ 45,80
52-week low	€ 9,70
Average daily volumes	23.000

Key Financials (€m)	FY20A	FY21E	FY22E	FY23E
VoP	64,0	90,0	125,0	155,0
EBITDA	10,9	14,2	21,7	28,4
EBIT	8,6	11,2	18,7	25,6
Net Profit	6,0	7,4	12,8	17,6
EPS (€)	2,12	2,64	4,54	6,25
EBITDA margin	17,0%	15,8%	17,4%	18,3%
EBIT margin	13,4%	12,4%	15,0%	16,5%
Net Profit margin	9,3%	8,2%	10,2%	11,3%

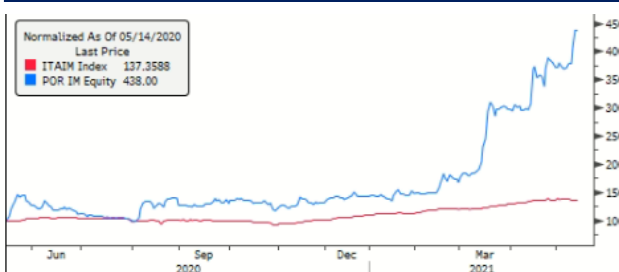
Main Ratios	FY20A	FY21E	FY22E	FY23E
EV/EBITDA (x)	12,5	9,6	6,3	4,8
EV/EBIT (x)	15,9	12,2	7,3	5,3
P/E (x)	20,7	16,6	9,6	7,0

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Stocks performance relative to FTSE AIM Italia



News

On 11/05/2021, Portobello announced to have signed binding agreements for the rental of buildings to open new "Portobello" sales outlets in primary locations on streets with high pedestrian traffic and large shopping centers in Italy.

The signed agreements are related to more than 10,000 square meters, through which the Company, as communicated, intends to execute the strategic plan and retail development with the realization of eleven new shops with characteristics and profitability similar to those observed in the forty stores realized through the standard concept of Portobello of 250 square meters.

Estimates Update

In the light of what has been communicated, with regard to the new agreements for the development of the commercial network, we are changing our previous estimates.

In particular, we expect 2021E value of production equal to € 90.00 million and EBITDA of € 14.20 million, corresponding to a marginality of 15.8%. For subsequent years, we expect the value of production to increase up to € 155.00 million (CAGR 20A-23E: 34.29%) in 2023E, with EBITDA of € 28.40 million (corresponding to an EBITDA margin of 18.3%), up from € 10.87 million in 2020A (corresponding to an EBITDA margin of 17.0%).

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 in the calculation of the WACC includes for prudential purposes also a specific risk of 2.5%) provides an equity value of €198.7 million. The equity value of Portobello using market multiples is € 172.0 million (including a discount of 25%). The result is an average equity value of approx. €185.3 million. The target price is € 66.00 (prev. € 55.00), BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

INCOME STATEMENT (€/mln)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Value of production	22,05	46,03	64,00	90,00	125,00	155,00
COGS	23,63	31,05	51,24	65,65	87,00	104,00
Change in raw materials	(7,16)	0,89	(7,38)	(4,59)	(5,00)	(4,00)
Services	0,68	2,81	4,41	6,00	7,40	9,00
Use of assets owned by others	0,44	0,97	1,83	4,00	6,50	8,10
Employees	1,00	1,87	2,62	4,15	6,50	8,35
Other Operating Expenses	0,06	0,20	0,41	0,59	0,90	1,15
EBITDA	3,40	8,25	10,87	14,20	21,70	28,40
EBITDA Margin	15,4%	17,9%	17,0%	15,8%	17,4%	18,3%
D&A	1,05	1,45	2,29	3,00	3,00	2,80
EBIT	2,35	6,79	8,58	11,20	18,70	25,60
EBIT Margin	10,6%	14,8%	13,4%	12,4%	15,0%	16,5%
Financial Management	0,00	(0,14)	(0,29)	(0,80)	(0,75)	(0,75)
EBT	2,34	6,66	8,28	10,40	17,95	24,85
Taxes	0,55	1,90	2,33	3,00	5,20	7,30
Net Income	1,80	4,75	5,95	7,40	12,75	17,55
BALANCE SHEET (€/min)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Fixed Asset	2,45	3,57	5,08	13,00	13,00	12,20
Account receivable	15,12	19,00	5,08	7,20	8,20	9,50
Inventories	10,47	9,33	16,41	21,00	26,00	30,00
Account payable	11,82	14,01	7,82	7,00	8,00	9,00
Operating Working Capital	13,77	14,32	13,67	21,20	26,20	30,50
Other Receivable	2,90	6,32	22,76	32,00	43,80	51,60
Other Payable	13,83	9,24	11,77	22,00	27,50	31,40
Net Working Capital	2,85	11,40	24,67	31,20	42,50	50,70
Severance Indemnities & Other Provisions	0,05	0,09	0,27	0,40	0,65	0,80
NET INVESTED CAPITAL	5,24	14,88	29,49	43,80	54,85	62,10
Share Capital	0,52	0,52	0,53	0,53	0,53	0,53
Reserves	3,04	4,84	9,64	15,60	23,00	35,75
Net Profit	1,80	4,75	5,95	7,40	12,75	17,55
Equity	5,35	10,11	16,13	23,53	36,28	53,83
Cash & Cash Equivalent	0,59	1,50	3,14	4,73	4,43	9,73
Financial Debt	0,48	6,28	16,49	25,00	23,00	18,00
Net Financial Position	(0,11)	4,78	13,36	20,27	18,57	8,27
SOURCES	5,24	14,88	29,49	43,80	54,85	62,10
CASH FLOW (€/mln)	FY19A	FY20A	FY21E	FY22E	FY23E	
EBIT	6,79	8,58	11,20	18,70	25,60	
Taxes	1,90	2,33	3,00	5,20	7,30	
NOPAT	4,89	6,25	8,20	13,50	18,30	
D&A	1,45	2,29	3,00	3,00	2,80	
Change in Account Receivable	(3,87)	13,92	(2,12)	(1,00)	(1,30)	
Change in Inventories	1,14	(7,08)	(4,59)	(5,00)	(4,00)	
Change in Account Payable	2,19	(6,20)	(0,82)	1,00	1,00	
Other Changes	(8,00)	(13,92)	1,00	(6,30)	(3,90)	
Change in NWC	(8,55)	(13,28)	(6,53)	(11,30)	(8,20)	
Change in Provision	0,03	0,18	0,13	0,25	0,15	
OPERATING CASH FLOW	(2,17)	(4,56)	4,80	5,45	13,05	
Capex	(2,58)	(3,80)	(10,92)	(3,00)	(2,00)	
FREE CASH FLOW	(4,75)	(8,35)	(6,11)	2,45	11,05	
Change in Financial Debts	5,80	10,21	8,51	(2,00)	(5,00)	
Financial Management	(0,14)	(0,29)	(0,80)	(0,75)	(0,75)	
Change in Equity	0,00	0,07	0,00	0,00	0,00	
FREE CASH FLOW TO EQUITY	0,91	1,63	1,59	(0,30)	5,30	

Source: Portobello and Integrae SIM estimates

1.1 News

On 11/05/2021, Portobello announced to have signed binding agreements for the rental of buildings to open new “Portobello” sales outlets in primary locations on streets with high pedestrian traffic and large shopping centers in Italy.

These agreements concern the rental of buildings for at least six years and have a total annual rental cost of approximately € 3.82 million. The signed agreements are related to more than 10,000 square meters, through which the Company, as communicated, intends to execute the strategic plan and retail development with the realization of eleven new shops with characteristics and profitability similar to those observed in the forty stores realized through the standard concept of Portobello of 250 square meters.

The following are the locations covered by these agreements with primary retail business partners:

Table 2 – New Openings

Location	City
Parco Commerciale Grande Sud	Giugliano (NA)
C.C. Porte di Torino	Turin
C.C. Merlata Bloom Milano	Milan
C.C. Grande Cuneo	Cuneo
C.C. Fanocenter	Fano (PU)
C.C. Porte di Catania	Catania
C.C. Etnapolis	Belpasso (CT)
Via Torino, 15	Milan
C.C. Romaest	Rome
C.C. Il Borgogioioso	Carpi (MO)
C.C. I Malatesta	Rimini

Source: Portobello, elaboration Integrae SIM

Commenting on these agreements, the Company declares, through a press release: *“in line with the growth strategy of the Retail Business Unit, the agreements, signed with key players in the Italian retail scene, represent a milestone in the history of Portobello. Thanks to these contracts, the Company can strengthen its commercial network and thus consolidate its brand throughout the country.”*

1.2 FY21E – FY23E Estimates

Table 3 – Estimates Updates FY21E-23E

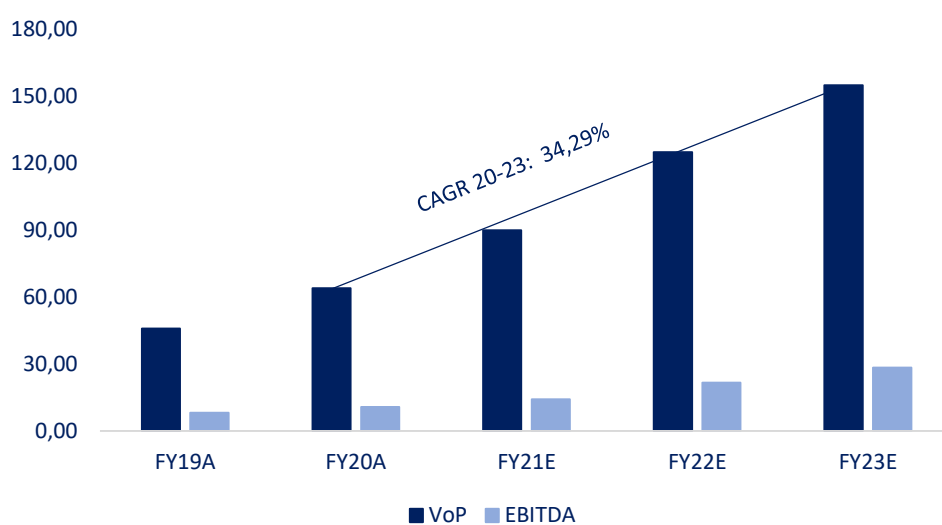
€/mln	FY2021E	FY2022E	FY2023E
VoP			
New	90,0	125,0	155,0
Old	85,0	110,0	130,0
Change	5,9%	13,6%	19,2%
EBITDA			
New	14,2	21,7	28,4
Old	13,6	19,3	23,8
Change	4,1%	12,4%	19,6%
EBITDA %			
New	15,8%	17,4%	18,3%
Old	16,0%	17,5%	18,3%
Change	-0,3%	-0,2%	0,1%
EBIT			
New	11,2	18,7	25,6
Old	11,6	17,3	21,9
Change	-3,4%	8,1%	17,2%
Net Income			
New	7,4	12,8	17,6
Old	7,8	11,8	15,1
Change	-5,0%	8,5%	16,6%
NFP			
New	20,3	18,6	8,3
Old	15,8	16,6	9,6
Change	N/A	N/A	N/A

Source: Integrae SIM

In the light of what has been communicated, with regard to the new agreements for the development of the commercial network, we are changing our previous estimates.

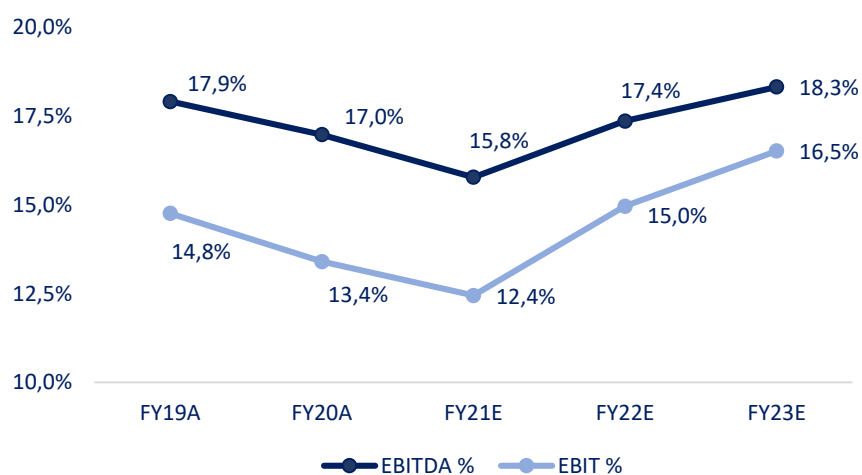
In particular, we expect 2021E value of production equal to € 90.00 million and EBITDA of € 14.20 million, corresponding to a marginality of 15.8%. For subsequent years, we expect the value of production to increase up to € 155.00 million (CAGR 20A-23E: 34.29%) in 2023E, with EBITDA of € 28.40 million (corresponding to an EBITDA margin of 18.3%), up from € 10.87 million in 2020A (corresponding to an EBITDA margin of 17.0%).

Chart 1 – VoP and EBITDA FY19A-23E



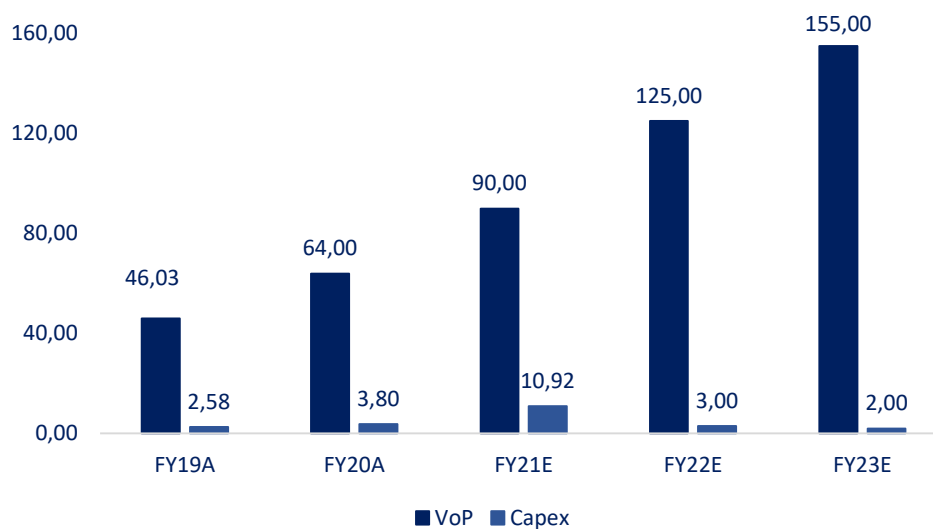
Source: Integrae SIM

Chart 2 – Margin FY19A-23E



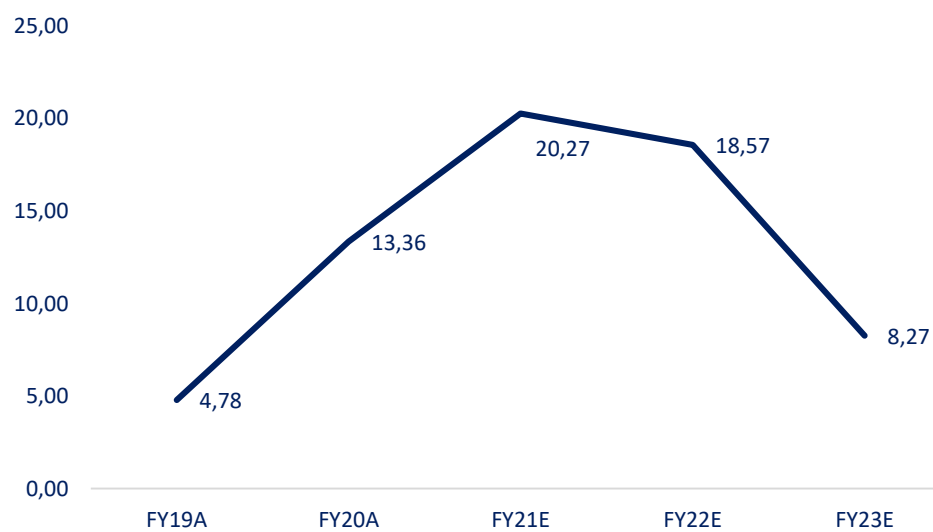
Source: Integrae SIM

Chart 3 – Capex FY19A-23E



Source: Integrae SIM

Chart 4 – NFP FY19A-23E



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		5,92%
Risk Free Rate	-0,06% α (specific risk)	2,5%
Market Premium	6,85% Beta Adjusted	0,87
D/E (average)	66,67% Beta Relevered	1,29
Ke	8,42% Kd	3,0%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 5.92%.

Table 5 – DCF Valuation

DCF Equity Value		198,7
FCFO actualized	22,7	11%
TV actualized DCF	189,4	89%
Enterprise Value	212,1	100%
NFP (FY20A)	13,4	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumption, the result is an **equity value of € 198.7 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		4,4%	4,9%	5,4%	5,9%	6,4%	6,9%	7,4%
Growth Rate (g)	2,5%	521,7	408,7	334,4	281,8	242,7	212,4	188,2
	2,0%	416,0	340,4	286,9	247,0	216,2	191,6	171,6
	1,5%	346,5	292,1	251,5	220,1	195,1	174,7	157,8
	1,0%	297,4	256,1	224,1	198,7	177,9	160,7	146,1
	0,5%	260,7	228,2	202,3	181,2	163,7	148,8	136,2
	0,0%	232,4	206,1	184,6	166,7	151,6	138,7	127,5
	-0,5%	209,9	188,0	169,8	154,4	141,3	129,9	120,0

Source: Integrae SIM

2.2 Market multiples

Our panels are made up of companies operating in the same sector as Portobello, but many of them with higher capitalization.

Table 7.1 – Market Multiples Retail

Company name	EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Walmart Inc.	12,8	12,1	11,5	19,1	17,9	16,8	25,9	23,9	21,3
Target Corporation	13,0	12,3	12,1	18,5	17,2	16,6	24,6	22,3	20,7
BJ's Wholesale Club Holdings	9,7	9,2	9,0	13,7	13,0	11,4	17,7	16,0	13,7
Costco Wholesale Corporation	20,8	19,3	17,7	26,7	24,5	22,4	37,4	34,4	31,1
PriceSmart Inc.	11,5	10,5	N/A	16,5	N/A	N/A	26,4	25,4	N/A
Dunelm Group plc	12,2	11,5	N/A	18,8	17,3	16,3	23,1	21,0	19,7
RH	15,9	16,3	12,9	18,3	16,2	15,2	31,5	28,1	25,1
Motorpoint Group Plc	21,3	15,9	14,1	26,0	18,3	16,0	39,4	25,7	22,0
Peer Median	12,9	12,2	12,5	18,6	17,3	16,3	26,1	24,6	21,3

Source: Infinitals

Table 7.2 – Market Multiples Media and Advertising

Company name	EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Cairo Communication S.p.A.	5,7	5,6	6,0	11,1	9,8	13,2	9,8	8,1	8,9
The Interpublic Group	10,3	9,8	9,6	12,9	12,2	12,0	15,0	14,3	13,5
Omnicom Group Inc	8,9	8,6	8,2	9,9	9,5	9,0	14,1	13,2	12,3
Hakuhodo Dy Holdings Inc.	11,5	10,0	N/A	13,6	11,8	8,7	23,3	18,3	13,5
Peer Median	9,6	9,2	8,2	12,0	10,8	10,5	14,5	13,7	12,9

Source: Infinitals

Table 8 – Market Multiples Valuation

€/mln	2021E	2022E	2023E
Enterprise Value (EV)			
EV/EBITDA	159,7	232,1	294,4
EV/EBIT	171,5	262,6	342,5
P/E	150,5	244,4	300,0
Equity Value			
EV/EBITDA	139,5	213,5	286,1
EV/EBIT	151,2	244,0	334,2
P/E	150,5	244,4	300,0
Equity Value post 25% discount			
EV/EBITDA	104,6	160,1	214,6
EV/EBIT	113,4	183,0	250,6
P/E	112,9	183,3	225,0
Average	110,3	175,5	230,1

Source: Integrae SIM

The equity value of Portobello using the market multiples EV/ EBITDA, EV/EBIT, and P/E is equal to € 229.3 million. To this value, we have applied a 25% discount. Therefore, as a result, **the equity value is € 172.0 million.**

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	185,3
Equity Value DCF (€/mln)	198,7
Equity Value multiples (€/mln)	172,0
Target Price (€)	66,00

Source: Integrae SIM

The result is an average equity value of € 185.3 million. **The target price is, therefore, € 66.00 (prev. €55.00). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY20A	2021E	2022E
EV/EBITDA	18,3x	14,0x	9,2x
EV/EBIT	23,2x	17,7x	10,6x
P/E	31,1x	25,0x	14,5x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY20A	2021E	2022E
EV/EBITDA	12,5x	9,6x	6,3x
EV/EBIT	15,9x	12,2x	7,3x
P/E	20,7x	16,6x	9,6x

Source: Integrae SIM

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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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- Integræ SIM S.p.A. He plays, or has played in the last 12 months, role of specialist financial instruments issued by Portobello SpA;
- In the IPO phase, Integræ SIM played the role of global coordinator.

At the Integræ SIM website you can find the archive the last 12 months of the conflicts of interest between Integræ SIM and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Integræ SIM.