

PORTOBELLO	Italy	FTSE AIM Italia	Retail & Media
Rating: BUY (unch.)	Target Price: € 75,00	(prev. €66,00)	Update
			Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-20,43%	-0,27%	157,75%	245,28%
to FTSE AIM Italia	-23,67%	-11,08%	123,77%	199,98%
to FTSE STAR Italia	-19,76%	-9,79%	134,09%	189,81%
to FTSE All-Share	-16,69%	-0,92%	146,64%	222,51%
to EUROSTOXX	-17,63%	-0,33%	145,74%	225,37%
to MSCI World Index	-21,60%	-3,33%	145,58%	212,31%

Stock Data

Price	€ 36,60
Target price	€ 75,00
Upside/(Downside) potential	104,92%
Bloomberg Code	POR IM EQUITY
Market Cap (€m)	118,47
EV (€m)	131,83
Free Float	26,48%
Share Outstanding	3.236.902
52-week high	€ 55,00
52-week low	€ 9,70
Average daily volumes	17.000

Key Financials (€m)	FY20A	FY21E	FY22E	FY23E
VoP	64,0	90,0	135,0	170,0
EBITDA	10,9	14,2	23,2	32,6
EBIT	8,6	10,9	19,5	29,1
Net Profit	6,0	7,1	13,0	19,9
EPS (€)	1,84	2,19	4,02	6,15
EBITDA margin	17,0%	15,8%	17,2%	19,2%
EBIT margin	13,4%	12,1%	14,4%	17,1%
Net Profit margin	9,3%	7,9%	9,6%	11,7%

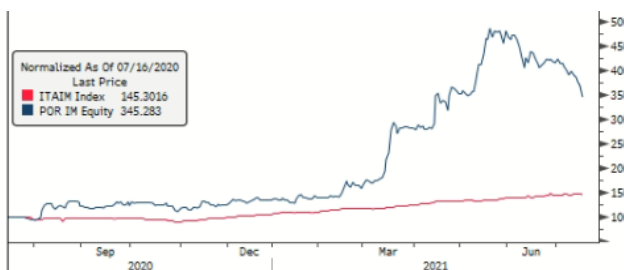
Main Ratios	FY20A	FY21E	FY22E	FY23E
EV/EBITDA (x)	12,1	9,3	5,7	4,0
EV/EBIT (x)	15,4	12,1	6,8	4,5
P/E (x)	19,9	16,7	9,1	6,0

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Stocks performance relative to FTSE AIM Italia



News

On 12/07/2021, Portobello announced to have signed binding agreements for the rental of properties with the aim of opening new "Portobello" stores in primary locations on streets with high pedestrian traffic and large shopping centres in Italy.

The signed agreements are related to more than 7,000 square meters, through which the Company, as communicated, intends to execute the strategic plan and retail development with the realization of seven new shops with characteristics and profitability similar to those observed in the approx. 29 stores realized through the standard concept of Portobello of 250 square meters.

Estimates Update

In the light of what has been communicated, regarding the new agreements for the development of the commercial network and the capital increase, 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 € 170.00 million (CAGR 20A-23E: 38.49%) in 2023E, with EBITDA of € 32.60 million (corresponding to an EBITDA margin of 19.2%), 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 2.0%) provides an equity value of €272.7 million. The equity value of Portobello using market multiples is € 212.8 million (including a discount of 10%). The result is an average equity value of approx. €242.8 million. The target price is € 75.00 (prev. € 66.00), 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	135,00	170,00
COGS	23,63	31,05	51,24	65,65	95,00	115,00
Change in raw materials	(7,16)	0,89	(7,38)	(4,59)	(5,00)	(6,00)
Services	0,68	2,81	4,41	6,00	7,90	9,90
Use of assets owned by others	0,44	0,97	1,83	4,00	6,50	9,00
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	23,20	32,60
EBITDA Margin	15,4%	17,9%	17,0%	15,8%	17,2%	19,2%
D&A	1,05	1,45	2,29	3,30	3,75	3,55
EBIT	2,35	6,79	8,58	10,90	19,45	29,05
EBIT Margin	10,6%	14,8%	13,4%	12,1%	14,4%	17,1%
Financial Management	0,00	(0,14)	(0,29)	(0,80)	(0,75)	(0,75)
EBT	2,34	6,66	8,28	10,10	18,70	28,30
Taxes	0,55	1,90	2,33	3,00	5,70	8,40
Net Income	1,80	4,75	5,95	7,10	13,00	19,90
BALANCE SHEET (€/mln)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Fixed Asset	2,45	3,57	5,08	16,50	15,75	14,20
Account receivable	15,12	19,00	5,08	7,20	8,80	10,40
Inventories	10,47	9,33	16,41	21,00	26,00	32,00
Account payable	11,82	14,01	7,82	7,00	10,00	12,20
Operating Working Capital	13,77	14,32	13,67	21,20	24,80	30,20
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	41,10	50,40
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	47,30	56,20	63,80
Share Capital	0,52	0,52	0,53	0,62	0,62	0,62
Reserves	3,04	4,84	9,64	25,51	32,61	45,61
Net Profit	1,80	4,75	5,95	7,10	13,00	19,90
Equity	5,35	10,11	16,13	33,23	46,23	66,13
Cash & Cash Equivalent	0,59	1,50	3,14	10,93	13,03	20,33
Financial Debt	0,48	6,28	16,49	25,00	23,00	18,00
Net Financial Position	(0,11)	4,78	13,36	14,07	9,97	(2,33)
SOURCES	5,24	14,88	29,49	47,30	56,20	63,80
CASH FLOW (€/mln)	FY19A	FY20A	FY21E	FY22E	FY23E	
EBIT	6,79	8,58	10,90	19,45	29,05	
Taxes	1,90	2,33	3,00	5,70	8,40	
NOPAT	4,89	6,25	7,90	13,75	20,65	
D&A	1,45	2,29	3,30	3,75	3,55	
Change in Account Receivable	(3,87)	13,92	(2,12)	(1,60)	(1,60)	
Change in Inventories	1,14	(7,08)	(4,59)	(5,00)	(6,00)	
Change in Account Payable	2,19	(6,20)	(0,82)	3,00	2,20	
Other Changes	(8,00)	(13,92)	1,00	(6,30)	(3,90)	
Change in NWC	(8,55)	(13,28)	(6,53)	(9,90)	(9,30)	
Change in Provision	0,03	0,18	0,13	0,25	0,15	
OPERATING CASH FLOW	(2,17)	(4,56)	4,80	7,85	15,05	
Capex	(2,58)	(3,80)	(14,72)	(3,00)	(2,00)	
FREE CASH FLOW	(4,75)	(8,35)	(9,91)	4,85	13,05	
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	10,00	0,00	0,00	
FREE CASH FLOW TO EQUITY	0,91	1,63	7,79	2,10	7,30	

Source: Portobello and Integrae SIM estimates

1.1 New Openings

On 12/07/2021, Portobello announced to have signed binding agreements for the rental of properties with the aim of opening new "Portobello" stores in primary locations on streets with high pedestrian traffic and large shopping centres in Italy.

These agreements concern the rental of buildings for at least five years and have a total annual rental cost of approximately € 0.95 million. The signed agreements are related to more than 7,000 square meters, through which the Company, as communicated, intends to execute the strategic plan and retail development with the realization of seven new shops with characteristics and profitability similar to those observed in the approx. 29 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
C.C. Grotte Center	Ancona
C.C. Centroborgo	Bologna
C.C. Punta di Ferro	Forlì
C.C. Porto Grande	Porto d'Ascoli (AP)
C.C. Città Fiera	Udine
C.C. Olbia	Olbia
C.C. To Dream	Turin

Source: Portobello, elaboration Integrae SIM

Commenting on these agreements, through a press release, the Company stated: *"The new agreements signed constitute a further step forward in the strategy of expanding the commercial network thanks to which the Company is affirming its brand throughout the national territory. In line with our vision, we want to ensure the accessibility of quality products to the largest number of customers and enhance the potential of our partners in a framework of sustainable development."*

1.2 Capital increase

On 09/06/2021, Portobello announced that it had positively concluded the capital increase approved by the Board of Directors. The capital increase was completed with a total value of approximately € 10 million at a price per share of € 41.00. The transaction was carried out through an accelerated bookbuilding procedure reserved exclusively for "qualified investors" (including foreign investors).

The Company, through a press release, commented on the transaction as follows: *"We are happy to have quickly concluded a major capital increase that has seen demand far outstripped supply for both Italian and foreign investors. With the proceeds collected, the Company is equipped with the resources necessary to accelerate its retail development plan at a national level and to scale up an innovative and winning business model."*

1.3 FY21E – FY23E Estimates

Table 3 – Estimates Updates FY21E-23E

€/mln	FY2021E	FY2022E	FY2023E
VoP			
New	90,0	135,0	170,0
Old	90,0	125,0	155,0
Change	0,0%	8,0%	9,7%
EBITDA			
New	14,2	23,2	32,6
Old	14,2	21,7	28,4
Change	0,0%	6,9%	14,8%
EBITDA %			
New	15,8%	17,2%	19,2%
Old	15,8%	17,4%	18,3%
Change	0,0%	-0,2%	0,9%
EBIT			
New	10,9	19,5	29,1
Old	11,2	18,7	25,6
Change	-2,7%	4,0%	13,5%
Net Income			
New	7,1	13,0	19,9
Old	7,4	12,8	17,6
Change	-4,1%	2,0%	13,4%
NFP			
New	14,1	10,0	(2,3)
Old	20,3	18,6	8,3
Change	N/A	N/A	N/A

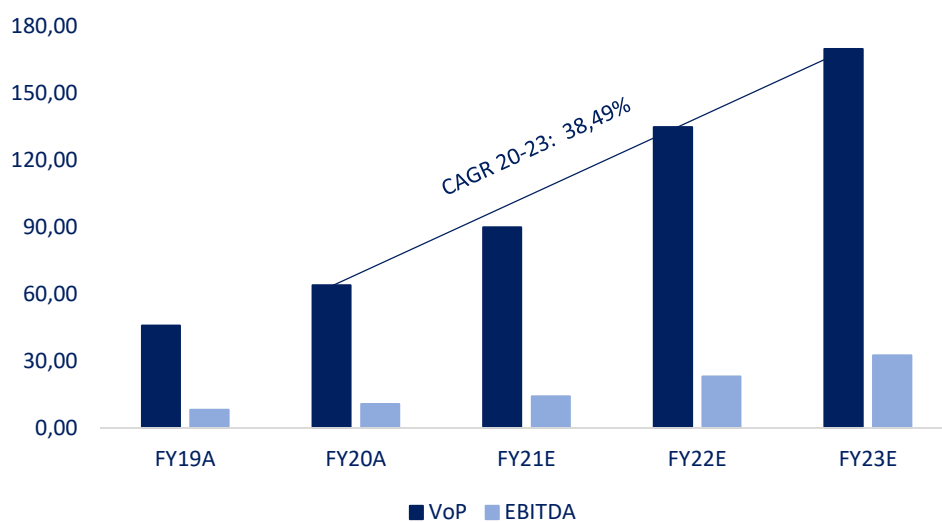
Source: Integrae SIM

In the light of what has been communicated, regarding the new agreements for the development of the commercial network and the capital increase, 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 € 170.00 million (CAGR 20A-23E: 38.49%) in 2023E, with EBITDA of € 32.60 million (corresponding to an EBITDA margin of 19.2%), up from € 10.87 million in 2020A (corresponding to an EBITDA margin of 17.0%).

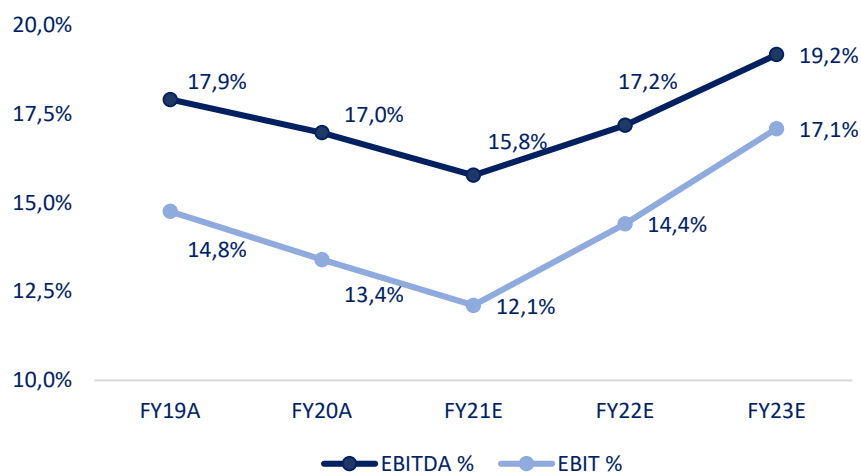
Regarding Balance Sheet, we also change our estimates due to the capital increase completed in June.

Chart 1 – VoP and EBITDA FY19A-23E



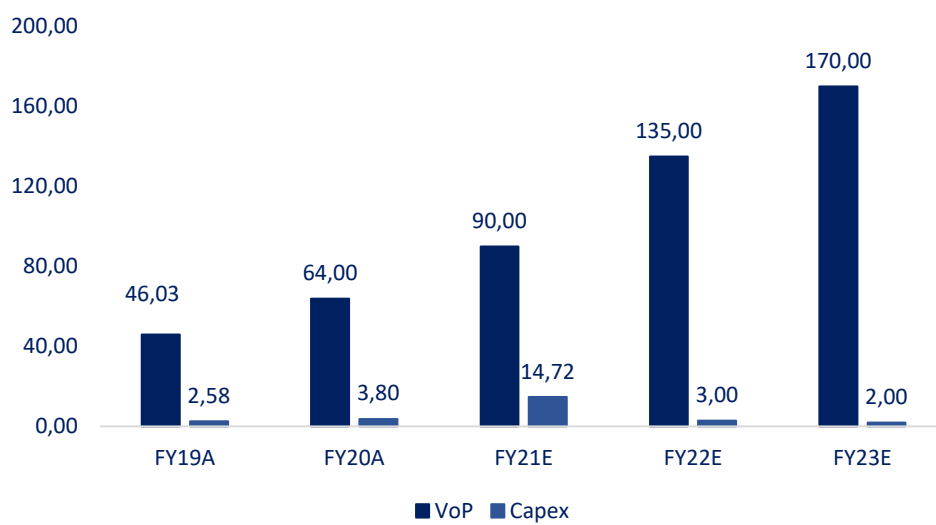
Source: Integrae SIM

Chart 2 – Margin FY19A-23E



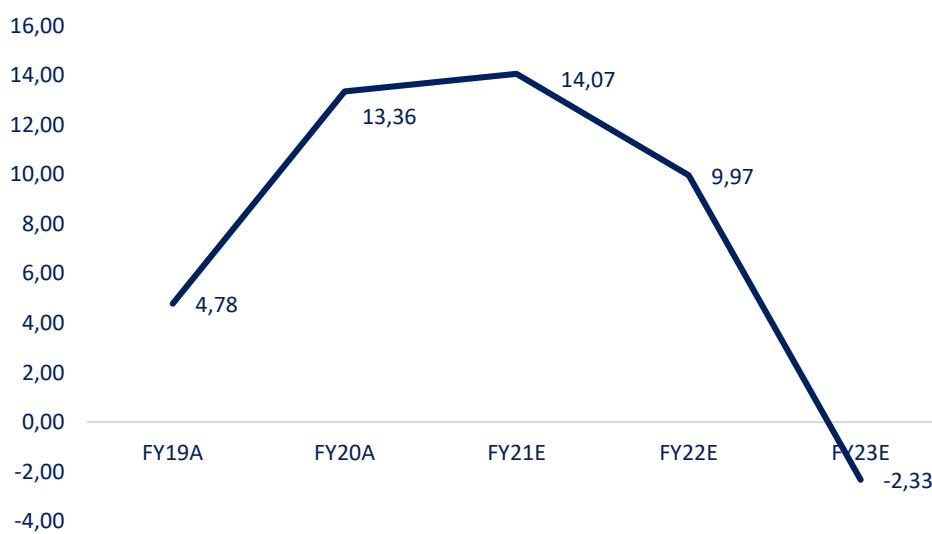
Source: Integrae SIM

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		5,62%
Risk Free Rate	-0,04% α (specific risk)	2,0%
Market Premium	6,85% Beta Adjusted	0,87
D/E (average)	66,67% Beta Relevered	1,29
Ke	7,92% Kd	3,0%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.0%. This results in a WACC of 5.62%.

Table 5 – DCF Valuation

DCF Equity Value		272,7
FCFO actualized	27,3	10%
TV actualized DCF	259,5	90%
Enterprise Value	286,7	100%
NFP (FY21E)	14,1	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumption, the result is an **equity value of € 272.7 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		4,1%	4,6%	5,1%	5,6%	6,1%	6,6%	7,1%
Growth Rate (g)	2,5%	791,2	598,1	478,6	397,5	338,7	294,3	259,4
	2,0%	608,0	486,6	404,1	344,4	299,2	263,7	235,2
	1,5%	494,7	410,8	350,1	304,2	268,2	239,2	215,3
	1,0%	417,7	356,0	309,3	272,7	243,2	219,0	198,7
	0,5%	362,0	314,5	277,3	247,3	222,7	202,1	184,6
	0,0%	319,8	282,0	251,5	226,5	205,5	187,8	172,5
	-0,5%	286,8	255,8	230,4	209,1	191,0	175,4	161,9

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.	12,3	12,1	11,5	17,9	17,2	16,2	23,6	22,3	20,1
Target Corporation	15,5	14,7	14,3	16,5	16,9	16,2	20,7	26,4	19,3
BJ's Wholesale Club Holdings	12,8	12,0	11,4	17,6	16,7	14,6	18,2	16,4	14,4
Costco Wholesale Corporation	21,3	20,0	18,2	27,2	25,4	23,2	38,1	35,7	32,6
PriceSmart Inc.	12,2	11,1	10,7	17,5	N/A	N/A	28,2	25,0	22,7
Dunelm Group plc	11,7	11,2	N/A	17,4	17,0	16,4	21,5	20,8	N/A
RH	17,8	18,3	13,4	18,6	16,7	17,1	31,5	28,4	25,9
Motorpoint Group Plc	13,4	9,9	7,5	17,1	12,1	8,7	23,3	16,1	12,0
Peer Median	13,1	12,0	11,5	17,5	16,9	16,2	23,4	23,6	20,1

Source: Infanciales

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.	4,6	4,2	4,4	8,6	7,1	8,5	7,5	5,8	6,0
The Interpublic Group	10,3	9,7	9,4	12,9	12,1	11,6	14,9	14,3	13,6
Omnicom Group Inc	8,5	8,2	7,8	9,5	9,1	8,6	13,2	12,4	11,7
Hakuhodo Dy Holdings Inc.	9,1	8,4	7,5	11,6	10,2	8,4	23,9	19,6	14,0
Peer Median	8,8	8,3	7,7	10,5	9,6	8,6	14,1	13,3	12,6

Source: Infanciales

Table 8 – Market Multiples Valuation

€/mln	2021E	2022E	2023E
Enterprise Value (EV)			
EV/EBITDA	155,6	235,4	311,8
EV/EBIT	153,0	257,4	359,4
P/E	133,1	240,2	326,0
Equity Value			
EV/EBITDA	141,5	225,4	314,2
EV/EBIT	138,9	247,4	361,8
P/E	133,1	240,2	326,0
Equity Value post 25% discount			
EV/EBITDA	127,4	202,9	282,7
EV/EBIT	125,0	222,7	325,6
P/E	119,8	216,2	293,4
Average	124,1	213,9	300,6

Source: Integrae SIM

The equity value of Portobello using the market multiples EV/ EBITDA, EV/EBIT, and P/E is equal to € 236.5 million. To this value, we have applied a 10% discount. Therefore, as a result, **the equity value is € 212.8 million.**

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	242,8
Equity Value DCF (€/mln)	272,7
Equity Value multiples (€/mln)	212,8
Target Price (€)	75,00

Source: Integrae SIM

The result is an average equity value of € 242.8 million. **The target price is, therefore, € 75.00 (prev. €66.00). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY20A	2021E	2022E
EV/EBITDA	23,6x	18,0x	11,0x
EV/EBIT	29,9x	23,5x	13,2x
P/E	40,8x	34,2x	18,7x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY20A	2021E	2022E
EV/EBITDA	12,1x	9,3x	5,7x
EV/EBIT	15,4x	12,1x	6,8x
P/E	19,9x	16,7x	9,1x

Source: Integrae SIM

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Date	Price	Recommendation	Target Price	Risk	Comment
05/10/2020	13.60	Buy	30.00	Medium	Update
18/03/2021	29.30	Buy	55.00	Medium	Update
17/05/2021	43.80	Buy	66.00	Medium	Update

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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)

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