

PORTOBELLO	Italy	FTSE AIM Italia	Retail & Media
Rating: BUY (unch.)	Target Price: € 80,00	(prev. €75.00)	Update
			Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-10,65%	12,60%	10,19%	210,19%
to FTSE AIM Italia	-10,37%	0,28%	-10,83%	138,93%
to FTSE STAR Italia	-12,97%	-1,25%	-12,29%	154,46%
to FTSE All-Share	-15,31%	2,92%	3,21%	173,81%
to EUROSTOXX	-13,32%	6,93%	6,92%	182,16%
to MSCI World Index	-12,73%	8,10%	4,57%	181,59%

Stock Data

Price	€ 41,10
Target price	€ 80,00
Upside/(Downside) potential	94,65%
Bloomberg Code	POR IM EQUITY
Market Cap (€m)	133,04
EV (€m)	146,30
Free Float	28,98%
Share Outstanding	3.236.902
52-week high	€ 55,00
52-week low	€ 11,35
Average daily volumes	10.000

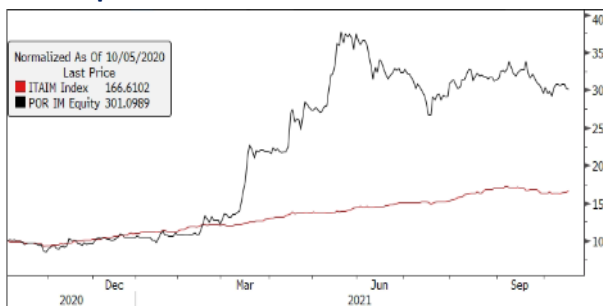
Key Financials (€m)	FY20A	FY21E	FY22E	FY23E
VoP	64,0	86,0	135,0	170,0
EBITDA	10,9	15,0	24,3	32,6
EBIT	8,6	11,7	20,6	29,1
Net Profit	6,0	7,9	14,1	19,9
EPS (€)	1,84	2,44	4,36	6,15
EBITDA margin	17,0%	17,4%	18,0%	19,2%
EBIT margin	13,4%	13,6%	15,2%	17,1%
Net Profit margin	9,3%	9,2%	10,4%	11,7%

Main Ratios	FY20A	FY21E	FY22E	FY23E
EV/EBITDA (x)	13,5	9,8	6,0	4,5
EV/EBIT (x)	17,1	12,5	7,1	5,0
P/E (x)	22,3	16,8	9,4	6,7

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Stocks performance relative to FTSE AIM Italia



1H21A Results

The results for the first half of 2021 were very positive, despite the health crisis affecting the activities of the company, primarily shops. The value of production grew up to € 29.44 million, +22.5% compared to the figure of 1H20A equal to € 24.03 million. EBITDA, equal to € 7.32 million, recorded an improvement of 34.4% compared to the value of 1H20A, which stood at € 5.44 million, confirming a good marginality compared to revenues (EBITDA margin equal to 24.9% vs 22.7 of 1H20A). Net Income also increased from € 3.40 million to € 4.38 million (+28.6%).

Estimates Update

In the light of the results published in the half-yearly report for 1H21A, we modify our previous estimates both for the current year and for the coming years. In particular, we estimate FY21E value of production equal to € 86.00 million and EBITDA equal to € 15.00 million, with a marginality of 17.4%. For the following years, we expect revenues to increase up to € 170.00 million (CAGR FY20A-FY23E: 38.49%) in FY23E, with EBITDA of € 32.60 million (EBITDA margin of 19.2%), up from € 10.87 million in FY20A (EBITDA margin of 17.0%). Regarding the investments, we expect Capex FY21E-FY23E to be equal to € 19.72 million.

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 1.5%) provides an equity value of € 316.2 million. The equity value of Portobello using market multiples is € 201.7 million (including a discount of 10%). The result is an average equity value of approx. € 259.0 million. The target price is € 80.00 (prev. € 75.00), BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

INCOME STATEMENT (€/mln)	FY19A	FY20A	FY21E	FY22E	FY23E
Value of production	46,03	64,00	86,00	135,00	170,00
COGS	31,05	51,24	61,90	94,00	115,00
Change in raw materials	0,89	(7,38)	(4,59)	(5,00)	(6,00)
Services	2,81	4,41	5,40	7,80	9,90
Use of assets owned by others	0,97	1,83	3,80	6,50	9,00
Employees	1,87	2,62	3,90	6,50	8,35
Other Operating Expenses	0,20	0,41	0,59	0,90	1,15
EBITDA	8,25	10,87	15,00	24,30	32,60
<i>EBITDA Margin</i>	<i>17,9%</i>	<i>17,0%</i>	<i>17,4%</i>	<i>18,0%</i>	<i>19,2%</i>
D&A	1,45	2,29	3,30	3,75	3,55
EBIT	6,79	8,58	11,70	20,55	29,05
<i>EBIT Margin</i>	<i>14,8%</i>	<i>13,4%</i>	<i>13,6%</i>	<i>15,2%</i>	<i>17,1%</i>
Financial Management	(0,14)	(0,29)	(0,80)	(0,75)	(0,75)
EBT	6,66	8,28	10,90	19,80	28,30
Taxes	1,90	2,33	3,00	5,70	8,40
Net Income	4,75	5,95	7,90	14,10	19,90
BALANCE SHEET (€/mln)	FY19A	FY20A	FY21E	FY22E	FY23E
Fixed Asset	3,57	5,08	16,50	15,75	14,20
Account receivable	6,66	2,63	7,20	8,80	10,40
Inventories	9,33	16,41	21,00	26,00	32,00
Account payable	11,14	3,49	7,00	10,00	12,20
Operating Working Capital	4,86	15,55	21,20	24,80	30,20
Other Receivable	18,24	24,10	32,00	43,80	51,60
Other Payable	11,23	14,48	22,00	27,50	31,40
Net Working Capital	11,86	25,17	31,20	41,10	50,40
Severance Indemnities & Other Provisions	0,09	0,27	0,40	0,65	0,80
NET INVESTED CAPITAL	15,35	29,99	47,30	56,20	63,80
Share Capital	0,52	0,53	0,62	0,62	0,62
Reserves	4,84	9,64	25,51	33,41	47,51
Net Profit	4,75	5,95	7,90	14,10	19,90
Equity	10,11	16,13	34,03	48,13	68,03
Cash & Cash Equivalent	1,03	2,64	11,73	14,93	22,23
Financial Debt	6,28	16,49	25,00	23,00	18,00
Net Financial Position	5,25	13,86	13,27	8,07	(4,23)
SOURCES	15,35	29,99	47,30	56,20	63,80
CASH FLOW (€/mln)	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT		8,58	11,70	20,55	29,05
Taxes		2,33	3,00	5,70	8,40
NOPAT		6,25	8,70	14,85	20,65
D&A		2,29	3,30	3,75	3,55
Change in Account Receivable		4,03	(4,57)	(1,60)	(1,60)
Change in Inventories		(7,08)	(4,59)	(5,00)	(6,00)
Change in Account Payable		(7,65)	3,51	3,00	2,20
Other Changes		(2,62)	(0,38)	(6,30)	(3,90)
Change in NWC		(13,31)	(6,03)	(9,90)	(9,30)
Change in Provision		0,18	0,13	0,25	0,15
OPERATING CASH FLOW		(4,59)	6,10	8,95	15,05
Capex		(3,80)	(14,72)	(3,00)	(2,00)
FREE CASH FLOW		(8,39)	(8,61)	5,95	13,05
Change in Financial Debts		10,21	8,51	(2,00)	(5,00)
Financial Management		(0,29)	(0,80)	(0,75)	(0,75)
Change in Equity		0,07	10,00	0,00	0,00
FREE CASH FLOW TO EQUITY		1,60	9,09	3,20	7,30

Source: Portobello and Integrae SIM estimates

1.1 1H21A Results

Table 2 – 1H21A vs 1H20A

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H21A	29,4	7,3	24,9%	6,7	4,4	9,6
1H20A	24,0	5,4	22,7%	4,7	3,4	13,9*
Change	22,5%	34,4%	2,2%	40,6%	28,6%	N.A.

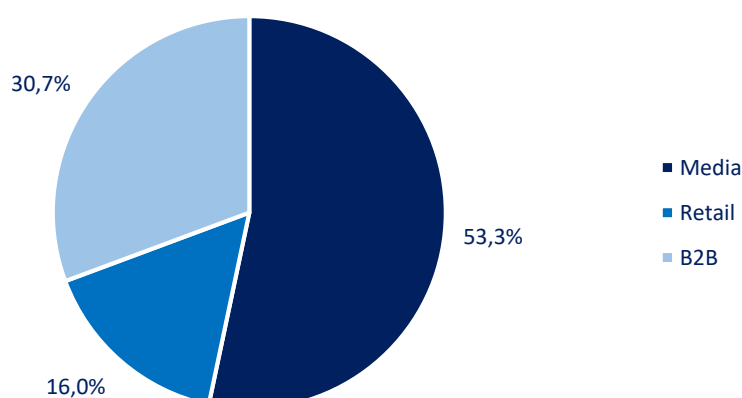
Source: Integrae SIM

*NFP as of 31/12/2020

Through a press release, the Company, commenting on the annual results, states that: *"We continue to grow thanks to an efficient model and targeted strategies that have allowed us to achieve these economic results and, at the same time, to lay the foundations for a strong expansion of our chain of stores throughout the country. Despite the challenges related to the current health crisis, Portobello continues with its development plan that over the next few months will also benefit from the financial resources collected in the first half of this year."*

The results for the first half of 2021 were very positive, despite the health crisis had negatively influenced the activities of the company, primarily shops. The value of production grew up to € 29.44 million, +22.5% compared to the figure of 1H20A equal to € 24.03 million.

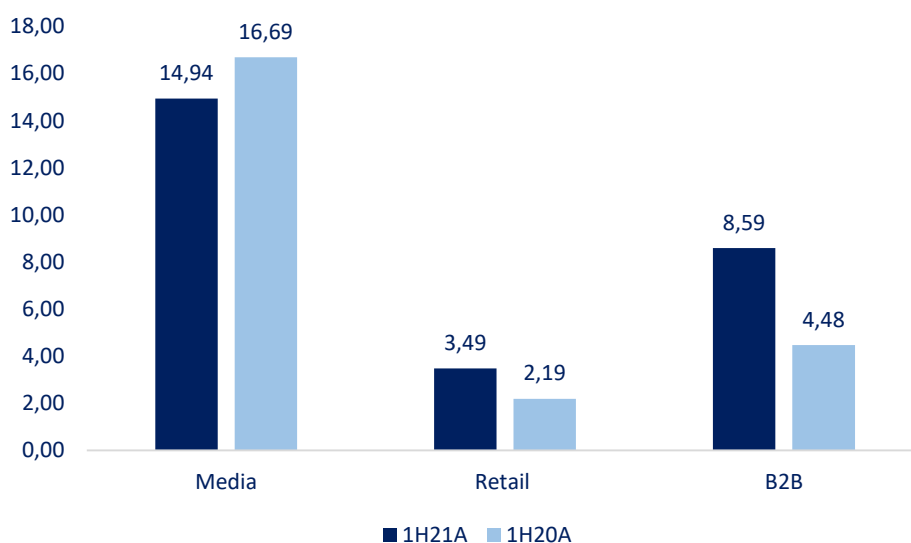
Chart 1 – Revenues Breakdown by BU 1H21A



Source: Portobello

The results are the outcome of intense activity in all business areas. The main source of income is the Media segment, which generated a revenue share of approximately 53.3% and is also the one with the strongest growth; the other two BUs, Retail, and B2B generated shares of approximately 16.0% and 30.7% respectively.

Chart 2 – Revenues Breakdown by BU 1H21A vs 1H20A



Source: Portobello

The different BUs in the first half of 2021 showed the following trend:

- **Publishing and Media:** the sector experiences revenues decrease of 10.5% (€ 14.94 million compared to € 16.69 million on 30/06 last year) mainly due to the situation related to Covid-19. The Company in any case confirms that it has strengthened its position on the territory and that the decrease will be absorbed during the second part of the fiscal year
- **B2C-Retail:** regarding the perimeter of the physical stores, there was an increase in turnover of 59.1% (€ 3.49 million of 1H21A vs € 2.19 million of 1H20A), mostly linked to the consolidation of customers and the operation of the stores opened during the last two fiscal years
- **B2B:** this is the fastest-growing segment, from € 4.48 million to € 8.59 million (+92%). This BU is useful to monetize products, 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 amounted to € 7.32 million, an important improvement of 34.4% compared to the value of 1H20A, which stood at € 5.44 million, confirming a good margin compared to revenues. In fact, the EBITDA margin is also 2.2 percentage points up (24.9% in 1H21A vs 22.7% in 1H20A) thanks to the increase in turnover and greater management efficiency, in addition to optimizing the marginality of the various activities.

EBIT, after amortization and depreciation of € 0.66 million, amounted to € 6.65 million, compared to € 4.73 million in the first half of the previous fiscal year (+40.6%), confirming the high profitability of the business model. This corresponds to an EBIT margin of 22.6% compared to 19.7% for 1H20A.

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 € 3.40 million to € 4.38 million (+28.6%).

1.2 FY21E – FY23E Estimates

Table 3 – Estimates Updates FY21E-23E

€/mln	FY2021E	FY2022E	FY2023E
VoP			
New	86,0	135,0	170,0
Old	90,0	135,0	170,0
Change	-4,4%	0,0%	0,0%
EBITDA			
New	15,0	24,3	32,6
Old	14,2	23,2	32,6
Change	5,6%	4,7%	0,0%
EBITDA %			
New	17,4%	18,0%	19,2%
Old	15,8%	17,2%	19,2%
Change	1,7%	0,8%	0,0%
EBIT			
New	11,7	20,6	29,1
Old	10,9	19,5	29,1
Change	7,3%	5,7%	0,0%
Net Income			
New	7,9	14,1	19,9
Old	7,1	13,0	19,9
Change	11,3%	8,5%	0,0%
NFP			
New	13,3	8,1	(4,2)
Old	14,1	10,0	(2,3)
Change	N/A	N/A	N/A

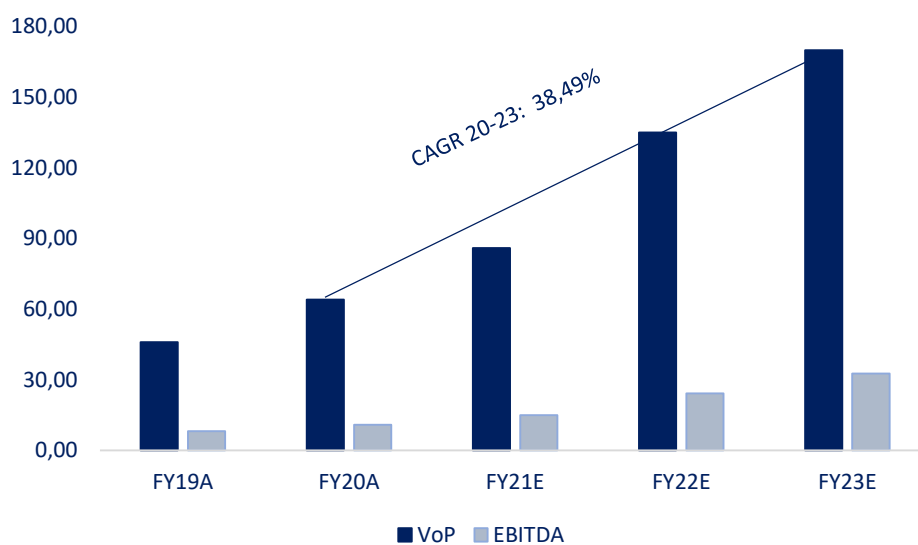
Source: Integrae SIM

In the light of the results published in the half-yearly report for 1H21A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate FY21E value of production equal to € 86.00 million and EBITDA of € 15.00 million, corresponding to a marginality of 17.4%. For subsequent years, we expect the value of production to increase up to € 170.00 million (CAGR FY20A-FY23E: 38.49%) in FY23E, with EBITDA of € 32.60 million (corresponding to an EBITDA margin of 19.2%), up from € 10.87 million in FY20A (corresponding to an EBITDA margin of 17.0%).

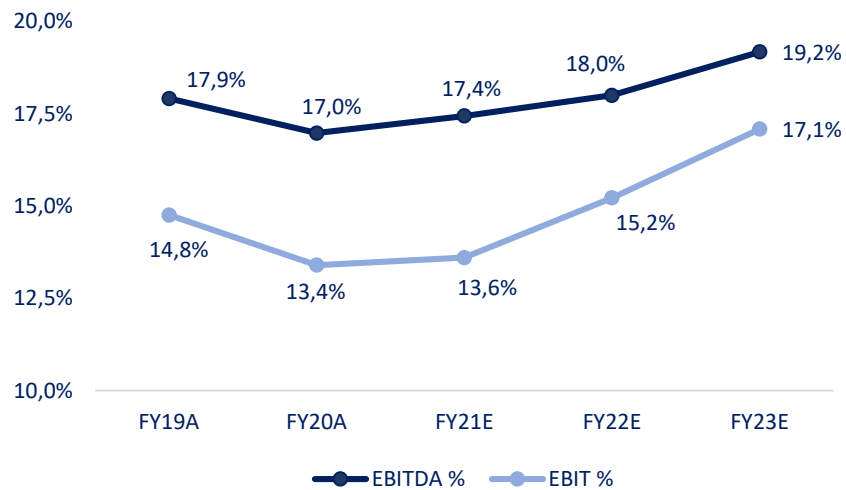
Regarding the estimated investments, we expect Capex FY21E-FY23E to be equal to approximately € 19.72 million.

Chart 3 – Value of Production and EBITDA FY19A-FY23E



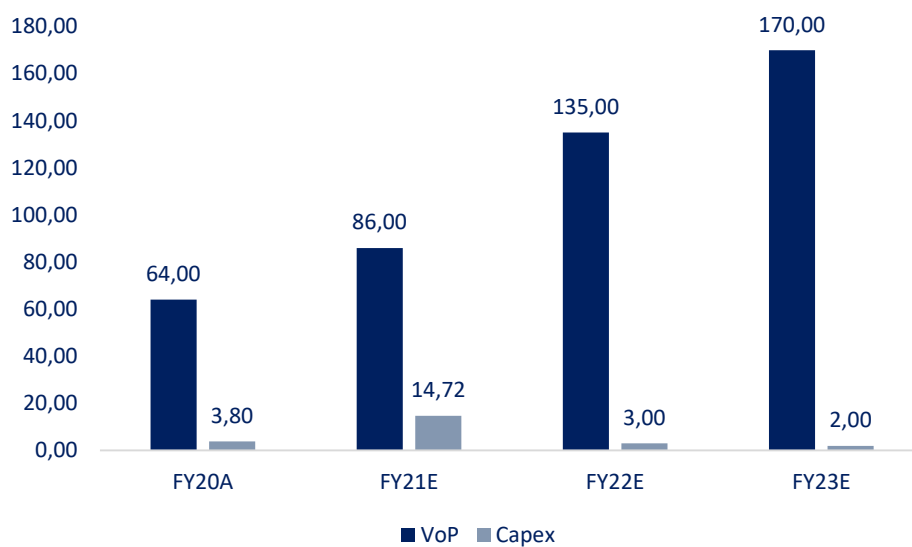
Source: Integrae SIM

Chart 4 – Margin FY19A-FY23E



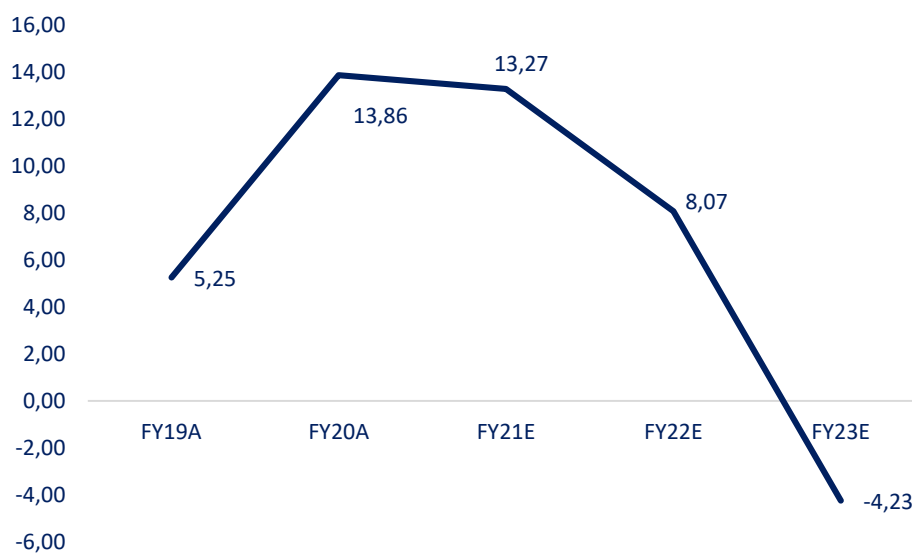
Source: Integrae SIM

Chart 5 – Capex FY20A-FY23E



Source: Integrae SIM

Chart 6 – NFP FY19A-FY23E



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		5,01%
Risk Free Rate	-0,10% α (specific risk)	1,5%
Market Premium	6,85% Beta Adjusted	0,80
D/E (average)	66,67% Beta Relevered	1,19
Ke	6,90% Kd	3,0%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 1.5%. This results in a WACC of 5.01%.

Table 5 – DCF Valuation

DCF Equity Value		316,2
FCFO actualized	28,5	9%
TV actualized DCF	301,0	91%
Enterprise Value	329,5	100%
NFP (FY21E)	13,3	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 316.2 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		3,5%	4,0%	4,5%	5,0%	5,5%	6,0%	6,5%
Growth Rate (g)	2,5%	1269,5	840,9	625,7	496,3	409,9	348,1	301,7
	2,0%	854,0	635,5	504,1	416,3	353,6	306,5	269,8
	1,5%	645,5	512,0	422,9	359,1	311,3	274,1	244,2
	1,0%	520,1	429,6	364,8	316,2	278,4	248,1	223,3
	0,5%	436,4	370,6	321,3	282,9	252,1	226,9	205,9
	0,0%	376,6	326,4	287,4	256,1	230,5	209,2	191,2
	-0,5%	331,6	292,0	260,2	234,3	212,6	194,2	178,5

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 containing Companies belonging to the Retail market;
- The second one containing 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)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Walmart Inc.	11,5	11,2	10,7	16,3	15,9	15,3	22,0	21,0	19,4
Target Corporation	13,6	13,0	12,6	13,6	13,9	13,3	17,7	24,1	16,6
BJ's Wholesale Club Holdings	10,7	10,3	9,7	14,7	13,9	12,2	19,0	17,9	15,0
Costco Wholesale Corporation	22,7	20,8	19,9	29,0	26,4	24,1	40,3	37,2	33,9
PriceSmart Inc.	9,8	9,0	8,6	14,1	N/A	N/A	23,8	22,1	19,6
Dunelm Group plc	10,2	10,0	9,6	14,8	14,2	13,1	17,8	16,8	16,2
RH	16,0	16,4	11,6	15,6	15,0	15,4	24,9	24,8	22,7
Motorpoint Group Plc	12,9	9,5	7,3	16,5	11,7	8,1	22,5	15,6	11,5
Peer Median	12,2	10,7	10,2	15,2	14,2	13,3	22,2	21,6	18,0

Source: Infinitals

Table 7.2 – Market Multiples ADV

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.	5,4	4,9	4,9	9,9	8,3	9,2	6,7	5,9	6,3
The Interpublic Group	9,4	8,9	8,6	11,5	10,9	10,2	15,1	14,4	13,5
Omnicom Group Inc	7,1	7,0	6,7	7,9	7,7	7,3	12,1	11,6	10,9
Hakuhodo Dy Holdings Inc.	8,4	7,8	7,9	10,7	9,7	8,9	19,9	18,9	15,6
Peer Median	7,7	7,4	7,3	10,3	9,0	9,0	13,6	13,0	12,2

Source: Infinitals

Table 8 – Market Multiples Valuation

€/mln	FY21E	FY22E	FY23E
Enterprise Value (EV)			
EV/EBITDA	149,3	220,2	284,4
EV/EBIT	149,2	238,0	324,4
P/E	141,5	243,6	300,2
Equity Value			
EV/EBITDA	136,1	212,2	288,7
EV/EBIT	135,9	230,0	328,6
P/E	141,5	243,6	300,2
Equity Value post 10% discount			
EV/EBITDA	122,5	190,9	259,8
EV/EBIT	122,3	207,0	295,8
P/E	127,4	219,3	270,2
Average	124,0	205,7	275,3

Source: Integrae SIM

The equity value of Portobello using the weighted average of market multiples EV/EBITDA, EV/EBIT and P/E is equal to € 224.1 million. To this value, we have applied a 10% discount; **therefore, the result is an equity value equal to € 201.7 million.**

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	259,0
Equity Value DCF (€/mln)	316,2
Equity Value multiples (€/mln)	201,7
Target Price (€)	80,00

Source: Integrae SIM

The result is an average equity value of € 259.0 million. **The target price is, therefore, € 80.00 (prev. €75.00). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY20A	FY21E	FY22E	FY23E
EV/EBITDA	25,1x	17,8x	10,5x	7,9x
EV/EBIT	31,7x	22,8x	12,4x	8,9x
P/E	43,5x	32,8x	18,4x	13,0x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY20A	FY21E	FY22E	FY23E
EV/EBITDA	13,5x	9,8x	6,0x	4,5x
EV/EBIT	17,1x	12,5x	7,1x	5,0x
P/E	22,3x	16,8x	9,4x	6,7x

Source: Integrae SIM

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

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The table below, shows INTEGRAE SIM's recommendation, target price and risk issued during the last 12 months:

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
19/07/2021	36,60	Buy	75,00	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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