MIDCAP

PORTOBELLO

Buy

A non-zero-sum game!

Target Price: **€65.0**

Upside: **+165%**

17 March 2021

A Unique, Scalable Business Model...

Portobello has created a unique business model enabling it to acquire unsold branded products at a low cost, and to resell them at unbeatable prices via its network of shops (14 stores) and website. The Group, through its Media business, exchanges advertising space (owned or leased to third parties) for products. The latter are then resold via its shops or the B2B channel. The layout of the Portobello shops has been carefully designed to give customers the best possible shopping experience and to maximise cross-selling. The group offers a wide range of products at very accessible prices (fashion, household items, small appliances, jewellery, etc.).

...Providing a Seriously Competitive Advantage

Thanks to its business model, Portobello is able to charge even more aggressive rates than discounters. For example, some products are offered at prices up to 80% cheaper than on Amazon. To our knowledge, no retailer is able to offer these price levels while maintaining a generous gross margin. Portobello is thus asserting itself as a cost leader in a highly fragmented market while offering to its clients an excellent quality/price ratio.

Best-in-Class in Terms of Profitability

In 2020, Portobello's gross margin stood at 32.1% for an EBITDA margin of 17.3%. The strong integration between the group's business units enables it to generate profitability significantly higher than most of the sector's players. We believe that the company can sustainably generate an EBITDA margin of between 20-25%, or an operating margin of between 15-20%, thanks to (i) its cost leadership, (ii) the growing share of Retail in revenue and (ii) operating leverage.

A Rapidly Expanding Network of Shops

Portobello intends to focus its efforts on extending its shop network, which is the main driver of growth and profitability. The group aims to have 100 stores by 2023 in order to strengthen its presence on the national territory and increase its capacity to sell its inventory. The group intends to take advantage of the current favourable context to increase the number of store openings. This year, the company will also launch its franchising project, which offers very advantageous conditions for franchisees.

A Significant Undervaluation

Despite the deteriorated economic context, Portobello should be able to generate CAGR revenue growth of about 30% over the 20-24E period, driven by (i) the dynamics of barter advertising, (ii) the rapid expansion of the shop network and (iii) the ramp-up of existing stores.

From our analysis, we have derived a valuation of **€65/share**, resulting in a PE 2022E multiple of 17.2x and EV/EBIT 2022E of 13.0x. In view of the significant upside potential, we are initiating our coverage of Portobello with a **Buy rating**.

Market Data	
Industry	Retail
Share Price (€)	24.4
Market Cap (€M)	68.5
Market Segment	AIM Italia
Bloomberg	POR IM

Ownership Structure	
Founders & Management	77.4%
Free Float	22.6%

€M (31/12)	2020	2021E	2022E	2023E
Sales (€M)	**62.7**	**80.5**	**110.8**	**143.4**
Growth	*38.3%*	*28.5%*	*37.6%*	*29.4%*
EBIT	**8.6**	**11.1**	**17.2**	**23.9**
EBIT Margin	*13.7%*	*13.7%*	*15.5%*	*16.7%*
Net Income	**6.0**	**7.7**	**12.2**	**17.0**
EPS €	**2.12**	**2.75**	**4.33**	**6.04**
EPS growth	*21.2%*	*29.6%*	*57.5%*	*39.7%*
Dividend	**0.00**	**0.00**	**0.00**	**0.00**
Yield	*0.0%*	*0.0%*	*0.0%*	*0.0%*
FCF	**-8.1**	**-1.9**	**1.7**	**6.8**
ROIC	**22.7%**	**20.0%**	**23.8%**	**25.0%**
EV/EBITDA (x)		**5.9**	**4.0**	**2.9**
EV/EBIT (x)		**7.5**	**4.8**	**3.4**
PE (x)		**8.9**	**5.6**	**4.0**
Net debt	**13.4**	**15.3**	**13.6**	**6.8**
Gearing net	*19%*	*22%*	*20%*	*10%*

Midcap Partners estimates

Upcoming Event	
23th September 2021	H1 2021

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I. OVERVIEW 3

II. A UNIQUE & SCALABLE BUSINESS MODEL… 4

III. …PROVIDING A SERIOUS COMPETITIVE ADVANTAGE 9

IV. BEST-IN-CLASS IN TERMS OF PROFITABILITY 11

V. A RESILIENT MODEL IN THE FACE OF THE SANITARY CONTEXT 13

VI. A RAPIDLY EXPANDING STORE NETWORK 15

VII. OUTLOOK 17

VIII. VALUATION 19

IX. KEY QUESTIONS 22

FINANCIAL DATA (1/2) 23

X. FINANCIAL DATA (2/2) 24

XI. ANNEX 25

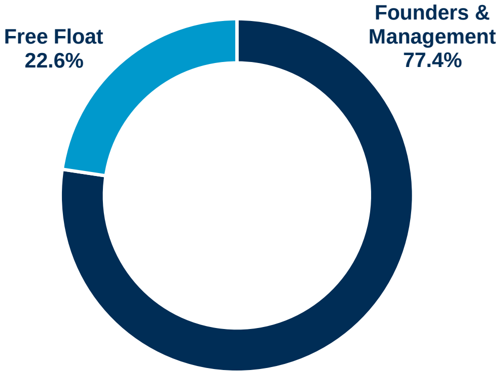
DISCLAIMER 26

I. OVERVIEW

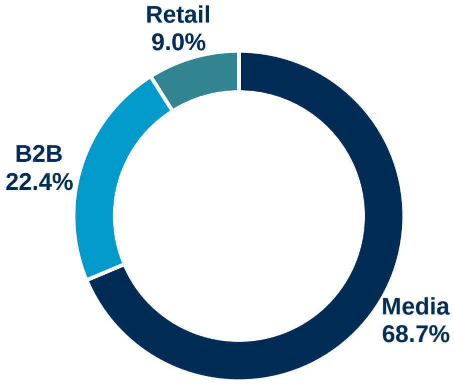
Description

Founded in 2016, Portobello has a network of shops in Italy offering a wide range of branded products at very competitive prices in four main categories: Kitchen, Household Products, Small Household Appliances and Textiles. The group operates under an innovative business model characterised by a strong integration between its different segments. Through its Media business, the company sells advertising space or trades it for products. Portobello has advertising space that is either wholly owned or managed (magazines, citywalls, kiosks, etc.) or owned by third parties. The products are then sold in Portobello shops or online (marketplace and e-commerce). Anything that, due to its size or type, cannot be sold through these channels is finally sold via B2B.

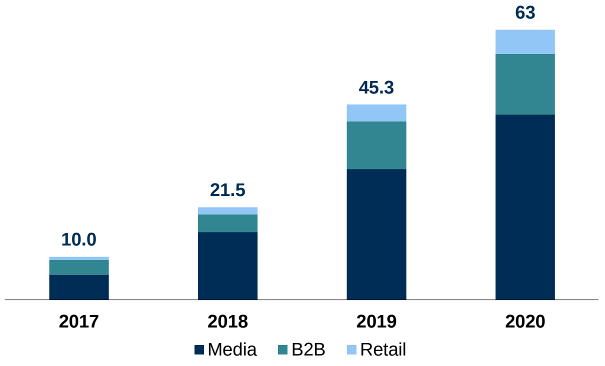
Shareholders



2020 revenue breakdown by business unit



Revenue growth by segment (€M)



SWOT Analysis

Strengths

- Very competitive price positioning on branded and quality products
- Owner and administrator of several media including magazines distributed nationally
- An asset-light business model with high profitability
- Strong integration between its business units
- A proven and efficient store concept

Weaknesses

- Weak national presence at this stage
- Negative FCFs due to high Capex and WC requirements
- A low activity history (since 2016)
- High concentration of suppliers (top 5 represents more than 60%) and customers (top 5 represents more than 63%) which should be diluted with growth

Opportunities

- Development of the advertising barter activity favoured by the Covid context
- Continued expansion of the physical store network
- Development of a franchising project with attractive conditions
- Penetration of new markets (automotive, real estate...)
- A vast reservoir of Italian VSE/SMEs

Threats

- Risk related to the execution of the strategic plan and the rapid business expansion
- Strong competitive pressure despite ultra-competitive pricing

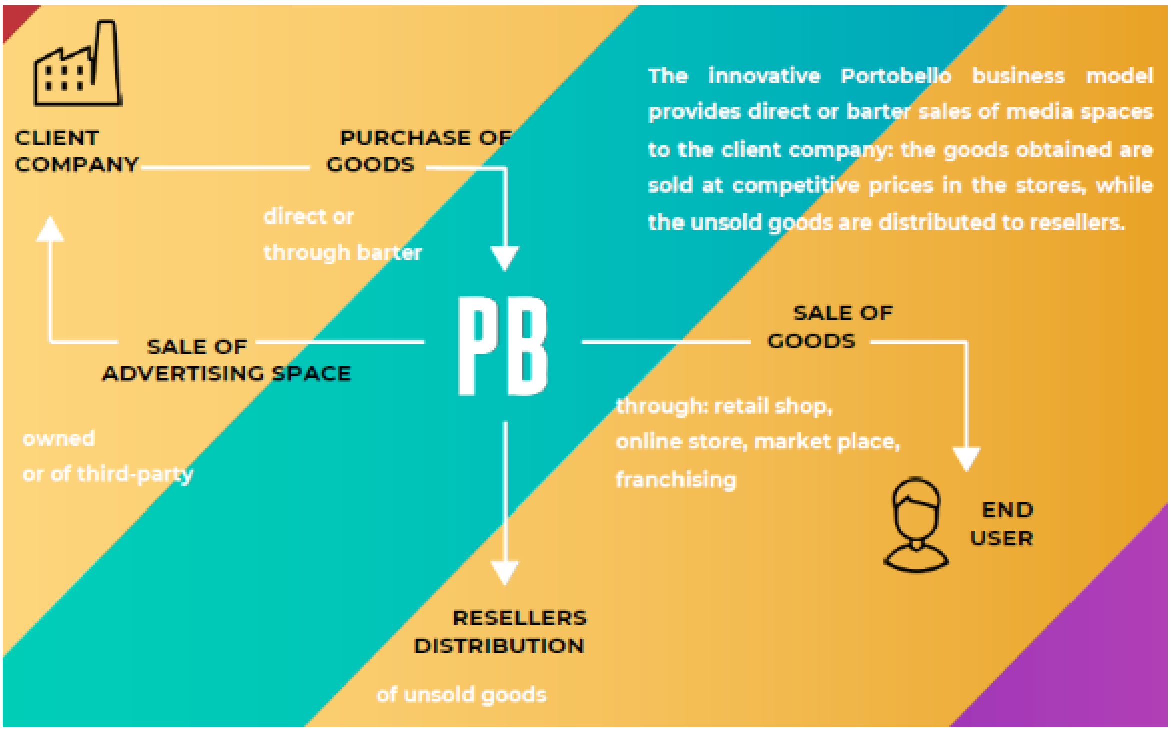
II. A Unique & Scalable Business Model…

Strong vertical integration

Portobello has created a business model that allows it to acquire branded products, mainly unsold, at low cost and resell them in shops or online at unbeatable prices. The group's business model has been carefully studied and designed to maximise its profitability through a strong integration between its three Business Units (BU): **Media, Retail and B2B.**

As illustrated below, through its **Media activity (68.7% of FY 2020 revenue)**, Portobello sells advertising space or swaps it for products. The latter are then resold through the **Retail activity (8.9% of FY 2020 revenue)**, in Portobello shops or online. Anything that, due to its size or type, cannot be sold through these channels is resold via the **B2B channel (22.4% of FY 2020 revenue)** to distributors (outlets, for example).

Description of Portobello's business model



Source: Portobello

Thus, Portobello offers its clients advertising space, either exclusively owned or managed (magazines, billboards, kiosk rotors, etc.) or owned by third parties (totems, digital, etc.). In exchange for these advertising services, Portobello receives either (i) the monetary value or (ii) the equivalent in products from the advertiser (approximately 90% of the time), which the group can then resell through its B2C and B2B distribution channels.

Portobello **acquires approximately 50% of the products sold in its stores through its barter advertising business**. In order to guarantee a complete purchasing experience for its customers, the remaining products are purchased directly from its suppliers. For example, if Portobello receives 1,000 pots in exchange for advertising, it will also buy 1,000 lids of the same model in order to be able to offer a complete product. Portobello also regularly buys so-called "Evergreen" products (those products with a sustainable interest) such as toothbrushes.

Media Activity: Modernised Advertising Bartering

The main objective of the Media activity is to **obtain a maximum of unsold goods from the brands** in order to supply Portobello shops with merchandise. The group has approximately 100 agents (20 of whom work exclusively for Portobello) who work daily with **VSE/SMEs** wishing to resell part of their stock in exchange for advertising space. The Group's ***category managers*** are then responsible for finding suppliers, negotiating orders, analysing stock rotation and monitoring the profitability of barter transactions.

Advertising space sold is either (i) directly owned by the group (either under exclusive ownership or management) or (ii) owned by third parties. **On the one hand, Portobello owns certain magazines** such as "Ora" and "Lei Style". This is a strategic decision for the group, which can thus **resell advertising space at virtually no cost**. Since 2018, the group has thus started publishing “Gossip”, women's fashion and cooking magazines nationwide. The editorial content, printing and distribution of the magazines are **totally outsourced**, allowing the Group to better manage costs, seasonality of sales and **focus on managing advertising pages**. The Group's most recent acquisitions to date are the magazines *Il Tirreno*, *La Nuova Ferrara*, *La Gazzetta di Reggio* and *La Gazzetta di Modena*.

On 20 July 2020, Portobello announced the signing of a 4-year agreement with Manzoni for the exclusive marketing of advertising space of famous magazines. Thus, together with RS Productions, Portobello is now the owner of Web Magazine Makers, a publishing company that holds the exclusive licence for the “Rolling Stone” and “Variety” brands in Italy. The group also manages advertising space in newspaper kiosks located in areas with high pedestrian traffic.

Magazines owned or managed by Portobello

Sources: Portobello, Midcap

On the other hand, the purchase and resale of advertising space allows Portobello to meet the various needs of its clients/suppliers. The group purchases from third parties 20 m² "maxi-posters" (displayed in high-traffic urban areas) or innovative "outdoor" communication solutions such as "CityWalls" or digital totems located in shopping centres. The latter are an effective way of targeting consumers with short and dynamic messages. The group also broadcasts advertising spots on several national radio stations. In addition, the company sometimes carries out media-for-media barter transactions in order to supply its advertising services according to demand.

Examples of outdoor advertising spaces

Sources: Portobello, Midcap

Finally, in 2020 Portobello launched an additional distribution channel with its **own online platform and its "Portobello Place" application**, allowing its users to access its editorial content at any time. The group reports having seen very positive initial results in 2020.

Retail Activity: The Offline Shop

At a time of digital technology and the explosion of e-commerce in the world, Portobello has set itself the objective of giving consumers back the pleasure of shopping in physical stores. The company has designed an attractive shop format that offers quality products at ultra-competitive prices, competing with the largest e-commerce platforms.

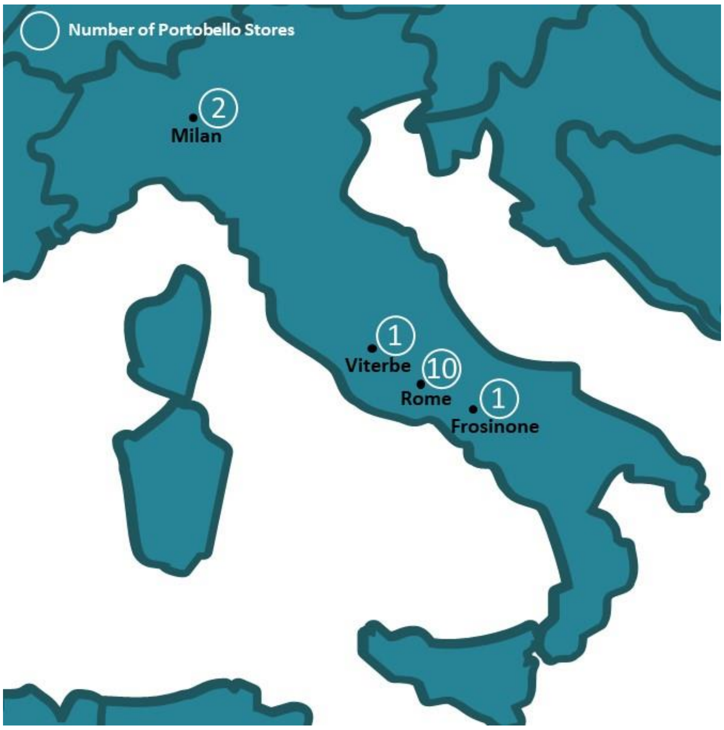
Although most of the revenue comes from the Media business, the group's **core activity is Retail**. The layout of the Portobello shops has been carefully thought out to give customers the **best possible shopping experience and to maximise cross-selling**. Indeed, according to the company, customers buy an average of 6 items per shopping cart compared to 1 item via online. Thus, Portobello offers a wide range of branded products at very accessible prices. The shops have an average surface area of 200m² to 250m² and offer fashion accessories, household items, small appliances, clothing and jewellery.

Shops with a welcoming design

Source: Portobello

Portobello shops are strategically located in cities with a population of over 100,000. On 31 December 2020, **the group had 14 stores, including 10 in Rome, the company's home city**. The latter opened 5 new points of sale in 2019 and 3 more on 30 June 2020 (2 in Milan and 1 in Rome). In Milan, two maxi-stores of 450m² and 650m² were opened in Italy’s economic capital's main shopping streets. The first one is located in Corso Buenos Aires, which is one of the busiest streets in Milan. With more than 350 shops and an average of one hundred thousand people a day. The second Milanese shop is located in Corso Genova adjacent to the Navigli, the beating heart of Milan's dynamism and creativity. It should be noted that the Covid-19 pandemic caused the postponement in 2021 of the opening of a number of shops.

Portobello Store Locations



Sources: Portobello, Midcap

The group also has a proprietary e-commerce site, *www.portobello-club.com*, which occasionally offers flash sales to quickly sell off stocks. However, the group's **online activity is marginal** (<2% of revenue). It is simply a means of reselling surplus goods that cannot be sold through physical stores. Finally, the group may be led to resell some of its products via marketplaces. As illustrated below, Portobello offers in its stores branded products that it has obtained either (i) directly from the company, (ii) from a distributor or (iii) from a third-party company.

Examples of brands of products sold in Portobello stores

Sources: Portobello, Midcap

Portobello has its own logistics center in Rome with a capacity of 7,500m² that can support a network of about 100 stores. Thus, the Group has sufficient capacity to support the growth of its network of stores without having to make additional investments in the short term.

B2B Activity: Destocking Unsold Goods

The B2B activity concludes the cycle of the group's business model. Because of their size or type, goods that cannot be sold via B2C shops are sold via the B2B channel. This makes it possible to (i) **optimise the management of the group's working capital** and to (ii) **make the best use of certain goods** obtained through the Media business.

It should be noted that the B2B activity generates lower revenues because the products are resold at much lower prices than in Retail. Thus, by increasing the number of shops, the group will be able to better sell its stocks and achieve the best possible profitability.

Starting-up in the Automotive Sector

In view of the strong growth potential and experience, Portobello entered the automotive sector in H1 2020. The company has therefore set up a team of 30 specialised agents in order to capture the opportunities offered by the automotive market. The group thus intends to develop its advertising barter business in this market segment by offering automotive branded products and accessories.

III. …providing a serious competitive advantage

Very Competitive Pricing

Thanks to its advertising barter activity, Portobello is able to acquire branded products at very low costs. Its business model allows it to resell, via B2C and B2B channels, the products obtained at **very competitive prices.** The latter are generally unsold products of brands that are well known to consumers and of very good quality.

Significantly lower prices than Amazon's

Source: Portobello

According to the above examples, the company can achieve **gross margins of more than 85%,** while at the same time being able to charge much lower prices than its competitors such as Amazon. According to the three products illustrated above, **Portobello displays a discount of -35 to -82% compared to the best prices of the American giant**. As a result, the Group has a serious advantage over its competitors.

A cost leader position

In a Portobello store, customers can find a **wide variety of branded products sold at unbeatable prices.** This gives the brand a comfortable position in a very competitive market. In Italy, there are many retailers specializing in product categories similar to those of Portobello. Among the Group's brick and mortar competitors, ***Kasanova*** focuses exclusively on household products, home appliances and interior decoration and can count on a network of 350 stores (owned and franchised) and an online sales site. ***Acqua e Sapone*** is specialized in the sale of hygiene and cleaning products and relies exclusively on a network of 700 stores. ***Tigota*** has an offer relatively similar to that of Portobello, although more focused on hygiene and cleaning products, and distributes its products through a network of 700 stores owned by the parent company Gottardo Spa and an Internet site.

On the e-commerce side, ***Satur*** offers kitchen and bathroom products, as well as household appliances via its website and about 80 stores. The brand offers attractive prices but on products generally in white label contrary to Portobello. ***Dmail*** proposes a similar offer via its website and 35 stores in Italy.

Portobello's main competitors

	Portobello	Kasanova	Acqua & Sapone	Tigotà	Satur	dmail	amazon
Small appliances and consumer elecctronics	✓	✓	✗	✓	✓	✓	✓
Household goods	✓	✓	✗	✓	✓	✓	✓
Personal care and hygiene	✓	✗	✓	✓	✗	✗	✓
Home care	✓	✗	✓	✓	✗	✗	✓
Clothing	✓	✗	✗	✓	✗	✗	✓
Gifts and jewelry	✓	✗	✗	✗	✗	✓	✓

Sources: Companies, Midcap

Thus, for products obtained through advertising barter, Portobello displays the best prices. It should be remembered that this concerns 50% of the brand's products, while the rest is purchased directly from "classic" suppliers. In terms of **quality/price ratio**, Portobello is far ahead of its competitors. Regarding the **depth of the offer**, the brand has a relatively varied range and is placed just after Amazon, which offers the widest range.

Price comparison between Portobello and its competitors

	Portobello	Kasanova	amazon	Tigotà
 Chanteclair Degreaser (625ml)	1,29€ Vs.	n.a.	2,60€ +100%	2,88€ +123%
 Tenderly Toilet Paper	0,79€ Vs.	n.a.	n.a.	2,75€ +248%
 Pyramidea Electric Kettle	9,9€ Vs.	24,9€ +151%	23,9€ +141%	n.a.
 Ariete Eletric Vacuum	44,9€ Vs.	n.a.	54,9€ +22%	n.a.

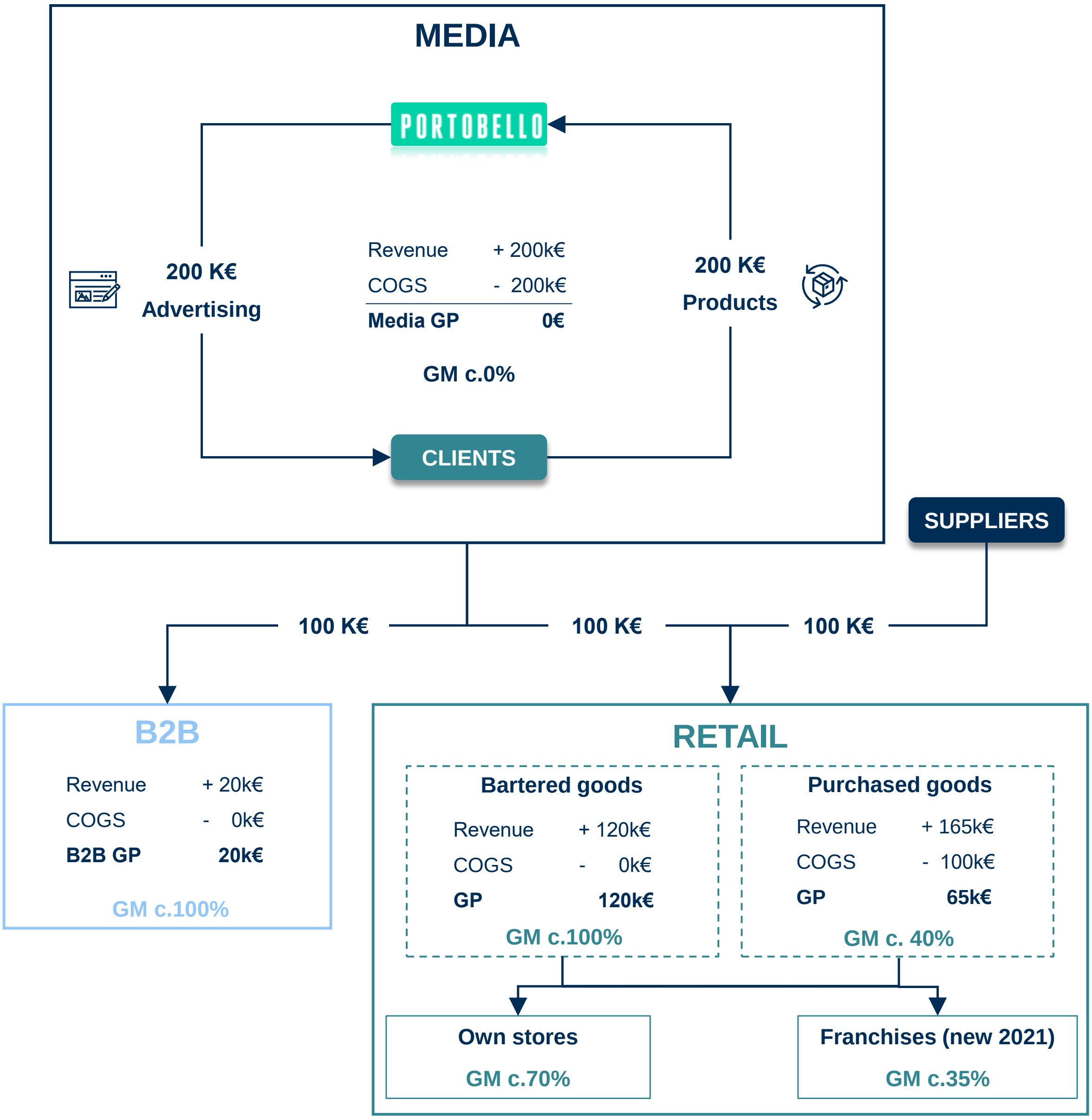
Sources : Companies, Internet, Midcap

IV. Best-in-Class in Terms of Profitability

A highly profitable business model

The Media business (for the resale of advertising space) on a standalone basis generates relatively small margins. The industry's strong competitive pressures reduce the growth and profitability potential of this activity. Thanks to its model, Portobello is able to escape the constraints of the sector. Portobello acquires **50% of the goods sold in its stores and 100% of the goods sold in B2B through advertising barter,** considering that this split may vary from one year to the next. This operation allows the company to obtain quality products at a derisory or even zero cost and thus to achieve a much higher profitability than resale. The example below illustrates the advantages of advertising barter.

Illustration of the business model using an example



Source: Portobello, Midcap

As a result, the circularity of the group's BUs makes it possible to generate significantly higher profitability than each segment could generate on a standalone basis.

Profitability driven by Retail and B2B

In order to fully understand the company's unique business model, it is necessary to take a closer look at the construction of the Group's gross margin. As explained above, following an exchange of advertising services for products, Portobello usually records the same amount in revenues and Cost of Goods Sold (COGS). Expenses related to the Media activity (i.e. outsourcing of content, printing and distribution of magazines) are generally offset by the revenues it generates from the sale of magazines (35k-40k copies per year) and the sale of advertising space in cash. This therefore implies a **gross margin close to zero for the Media business**.

For the Retail activity, (i) when the Group resells products obtained via barter, we estimate that it achieves a gross margin near 100% as the COGS have already been accounted for in the Media activity. (ii) When the company resells products bought from suppliers, it achieves a gross margin between 35 and 40%. Thus, the **Retail activity generates a gross margin of approximately 70%.** It should be noted that this margin can vary greatly depending on the percentage of products obtained through barter. With the launch of the franchise network in 2021, the Retail BU's gross margin should mechanically decline, but the effect should be relatively neutral on EBITDA, as the Group does not have to bear personnel and rent expenses.

As far as the B2B activity is concerned, the products are **resold at a significantly lower price** than in stores, but 100% come from products obtained via barter. We therefore estimate the **gross margin for B2B to be around 100%**. However, it is important to take into consideration that the resale of products via B2B is only an opportunistic activity that allows the Group to sell off its unsold products and products that are not saleable in stores. As illustrated in our example above, goods obtained for a value of €100K are only resold for €20K in B2B compared to €120K in stores. Thus, although the gross margin of B2B is theoretically higher than that of Retail, it is indeed via the stores that the goods are best valued and generate the most profit.

Thus, the Group's **gross margin is highly dependent on the share of Retail and B2B sales in total revenues**. With the expected strong growth of the store network, the Group's profitability should mechanically increase.

Higher profitability than peers in the Retail sector

In 2020, the Group's gross margin was 32.1% for an EBITDA margin of 17.3%. We believe that the company can sustainably generate an EBITDA margin of between 20% and 25%, i.e. an operating margin of between 15% and 20%. Portobello's unique business model allows it to outperform most players in the industry. As illustrated below, based on fiscal 2019 results, Portobello has a higher EBIT margin than "classic" retailers such as Maisons du Monde or the Finnish company Tokmanni. The result is similar when comparing the Italian brand with hard discounters in the United States such as Dollar Tree and Dollar General.

Operating margins (EBIT) of Retail companies vs. Portobello (in 2019)

PORTOBELLO	15,0%	MAISONS DU MONDE	9,6%
BYGGMAX	9,8%	TARGET	6,0%
FNAC DARTY	2,7%	DOLLAR GENERAL	8,3%
TOKMANNI	9,2%	DOLLAR TREE	5,3%
unieuro	1,7%	DUFRY	5,6%

Sources: FactSet, Midcap

V. A Resilient Model in the Face of the Sanitary Context

Italy heavily impacted by Covid-19

The pandemic has had a direct impact on the Retail sector and on the spending of Italian consumers. According to PWC's Global Consumer Insights Survey (May 2020), 42% of respondents (Italian families) plan to reduce their spending in the coming months. In addition, 57% of Italian consumers see a decrease in their household income.

Italy was one of the first countries to be affected by the health crisis in Europe and in 2020 it will suffer the worst fall in GDP in the euro zone, behind Spain whose economy has plummeted 11%. The peninsula's GDP fell by 8.9% compared to 8.3% for France and 5% for Germany.

To date, Italy is divided into 4 zones of different colors (white, yellow, orange and red) according to the epidemiological situation. The country is since March 15 mostly orange and red, which forces the closure of stores in most regions. Portobello stores are currently closed for a maximum of 3 weeks (until April 6). However, the impact should be minimal for the Group, which will be able to reopen quickly once these measures are over.

Also, according to the PWC study, sanitary measures have changed the consumption habits of Italians, who have turned more towards essential products.

Health measures have influenced the buying habits of Italian consumers

Source: Global Consumer Insights Survey, PWC, May 2020

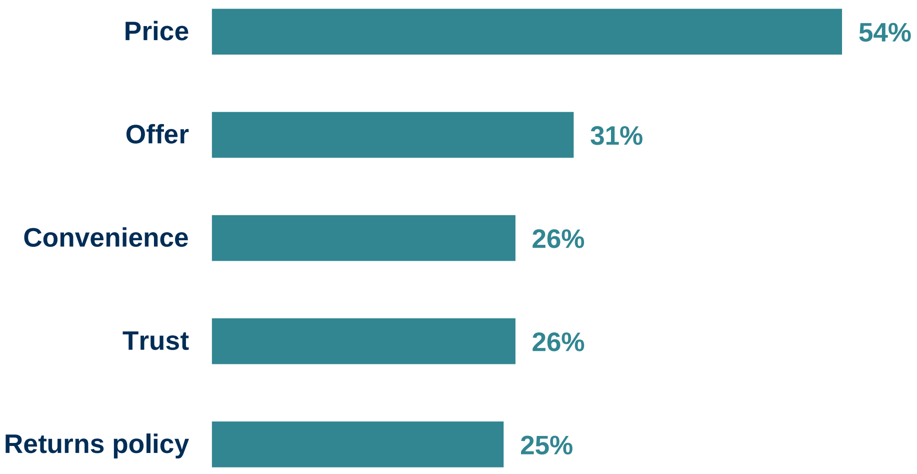
A defensive positioning towards the health context

Given the type of products Portobello offers and its aggressive pricing, **demand is relatively unaffected by the economic context**. As explained above, Portobello's stores carry household products, kitchen products, small electrical appliances and care and hygiene products. These are product categories for which demand is strongly influenced by price (price elasticity).

According to PWC's 2017 Total Retail study, which is still relevant despite recent developments, price remains the main criterion of choice for Italian consumers. In fact, 54% of transalpine people said they make a purchase at their favourite retailer because "prices are cheap".

In addition, PWC is observing the growing trend among Italian consumers to seek an omnichannel experience. With the exception of food products, the product search phase is now mostly online. However, the study reveals that a greater proportion of consumers **still prefer to rely on the physical channel for their purchases** for household appliances (46% vs. 41% online), furniture and household products (50% vs. 30%) and hygiene products (43% vs. 42%), which make up a large part of the Group's offer.

The main factors leading Italians to choose one retailer over another



Source: PWC, Total Retail, 2017

Portobello has chosen to concentrate its efforts on its network of stores, which is particularly effective for the types of products it offers. The brand is relying on original designs conceived to improve the shopping experience and maximize "cross selling" by working on the layout of the products in its store, which is more difficult to achieve online. As a result, the Group is able to considerably increase the average number of products sold per receipt (6 on average) for an average basket between €25 and €30.

An attractive model for its suppliers

The advertising barter mechanism is also very advantageous for the group's corporate clients. In addition to benefiting from increased visibility through effective communication campaigns, **they do not have to spend money**. In addition, the products exchanged with the companies are billed directly to Portobello, which allows them to **increase their revenues and thus improve their financials**. Finally, companies can also optimize their inventory management because they do not have to **write down their unsold products**.

While advertisers had decided to abruptly stop their advertising campaigns in the first half of 2020, **Portobello's model showed its real strength in the face of the Covid-19 pandemic**. Advertising barter allows advertisers to plan their campaigns in advance without impacting their cash flow, while at the same time making the most of their unsold inventory. In addition, advertisers were able to benefit from a tax credit ("advertising bonus") of 50% of the amount of advertising expenditure made in 2020. In H1 2020, Portobello's Media business grew by 52.1%, even though many advertisers reprogrammed their campaigns in H2.

VI. A Rapidly Expanding Store Network

A winning and easily replicable formula

Portobello intends to focus its efforts on expanding its store network, which is its main driver of growth and profitability. The group hopes to strengthen its presence and reputation on the national territory through the opening of numerous points of sale, either directly or through franchises, which will enable it to sell more products obtained through barter. Today, the group has 14 points of sale, all owned, but hopes to have **100 stores by the end of 2023**, including 40 franchises (the standard format being 250m², a 500m² store counts for two).

The Group intends to take advantage of the current favorable environment to increase the number of store openings throughout the country. The coronavirus crisis has indeed led to numerous closures and some interesting locations, almost impossible to find or inaccessible under normal circumstances, have been freed up over the last 12 months. **Portobello has thus been able to get its hands on beautiful sites at very favourable conditions.**

In the longer term, the group hopes to be able to count on several hundred stores, which seems quite feasible given the size of some of its competitors Acqua e Sapone and Tigota. Recovering enough goods via barter should not be a problem either, given that Portobello is primarily targeting small and medium-sized businesses, which make up the bulk of the Italian economic fabric. According to ISTAT, of the 4.4 million companies on the peninsula in 2016, 95.2% were micro-enterprises with less than 9 employees and 4.7% were small and medium sized companies. According to the latest study published by the consulting firm Prometeia, SMEs account for about 92% of Italian companies. Portobello allows these companies, often disorganized, to **sell their unsold goods quickly before financial statements are drawn up**.

According to a recent interview with Roberto Panfili, co-founder and COO of Portobello, in the Retail&Food magazine, the group is about to announce the opening of **new shops in shopping centres**. The group is not only seeking to diversify in terms of points of sale but also to gain access to locations with a larger surface area (500-750m² vs. 250m² for a standard shop) that can generate a higher revenue/m². Indeed, a standard shop at full capacity (after about three years) exceeds €1.0m in revenue, **while a 750m² flagship store can generate up to €6.0m of revenue**.

Accelerate openings through Franchising

Franchising represents the best way to accelerate the development process which would otherwise not keep pace with the advertising barter activity. Moreover, **the Group's franchisee will benefit from very advantageous conditions.** The initial investment is relatively attractive (approximately €150k) and low risk since Portobello manages stocks, communication and undertakes to take back all unsold items while guaranteeing a margin of c.35% to the franchisee. The unsold items recovered by Portobello are quickly resold via other stores in the network or via the B2B channel.

In 2019, Portobello therefore called on WM Capital SpA, a company specialised in developing franchise networks in Italy and internationally, to accelerate the opening of its points of sale. In particular, the company appointed a Franchise Manager and created a team dedicated to the development of this distribution channel. Portobello also launched its first TV communication campaigns to promote the brand and the launch of the franchise, with the participation of Francesco Totti, former Italian football star, and Paolo Bonolis, the famous Italian TV presenter.

Some franchise shops should already have been inaugurated in 2020, but the group preferred to wait until the health situation is normalised so that franchisees would not be faced with forced closures due to the establishment of "red zones".

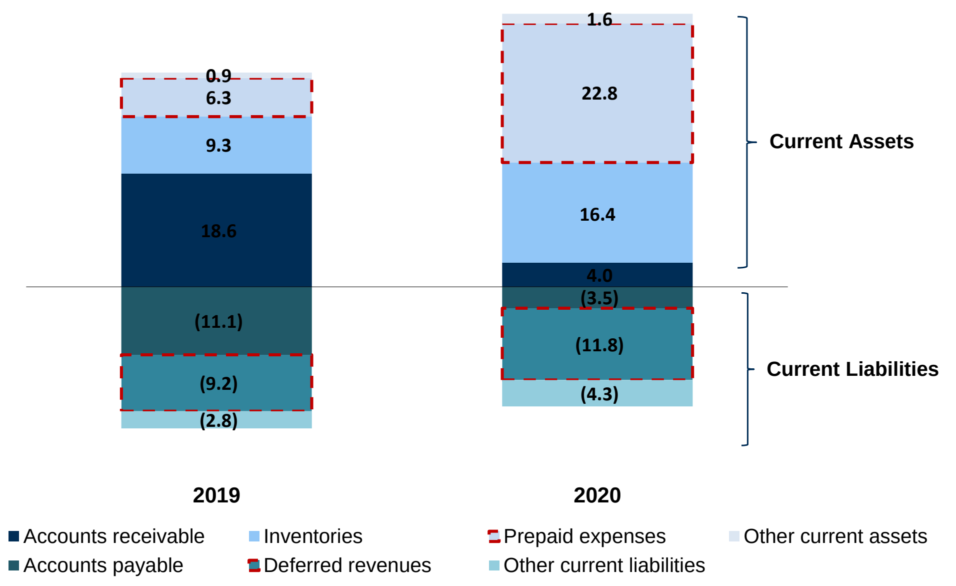
Strong growth implying an increase in Capex and WCR

Portobello's business model enables it to better manage its cash flow. In addition to maximizing its margins, the Group can optimize its working capital through advertising barter. In effect, the company **monetizes the products it receives even before it has carried out an advertising campaign for its customer in exchange.**

Nevertheless, given the very strong growth expected in the store network, the Group's Capex and WCR will mechanically increase. According to our estimates, each store requires an average of €150k of Capex and mobilizes €150k of stock. Thus, **the current sharp increase in working capital requirements is due to the rapid expansion of the store network, and not to the Group's business model.** However, we believe that the Group is in a position to finance this growth.

It is also important to note that **some components of working capital are related to barter activity and do not necessarily represent a cash movement**. For example, barter generates both prepaid expenses and equivalent unearned revenues. In general, advertising services offered by the Group in exchange for products to its customers are consumed during the fiscal year or the following fiscal year. The increase in this item therefore does not result in the consumption of cash since the billing of the exchange contracts provides for the **offsetting of the items**. In addition, Portobello's inventories are characterized by a **strong seasonality peak in Q4** because this is the period when its suppliers generally wish to dispose of their unsold products. As a result, **the picture of the accounts at the end of the fiscal year does not best reflect the reality of the Group's working capital.**

Breakdown of Portobello's WCR (in €M)



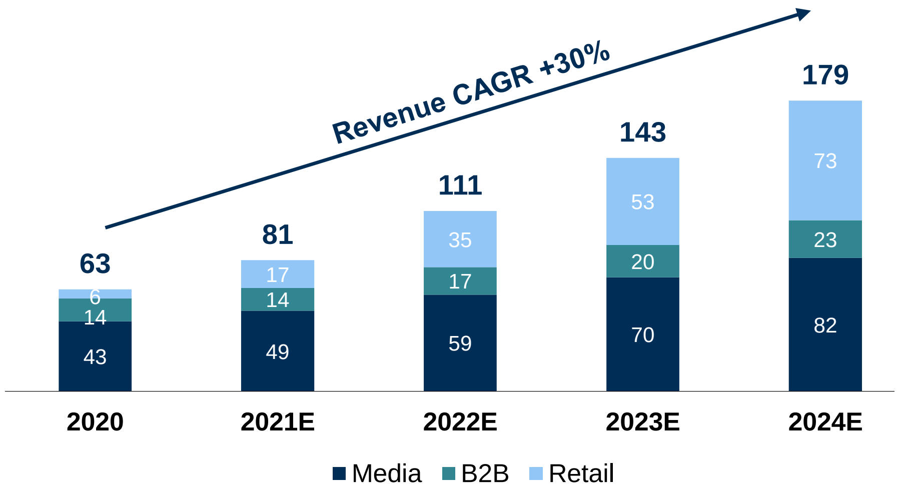
Sources: Portobello, Midcap

VII. Outlook

Outlook

In view of its positioning as a hard discounter, we believe that Portobello's market will remain resolutely resilient despite the deteriorated economic context. The Group should be able to generate **average annual organic growth of around 30% over the period 2020-2024E**, driven by (i) the dynamics of advertising barter, (ii) the rapid expansion of the store network and (iii) the ramp-up of existing stores. We believe that the Group will be in a position to take advantage of the opportunities offered by the current economic environment and to rapidly open new stores. The franchising project will also accelerate the deployment of the Portobello brand in Italy.

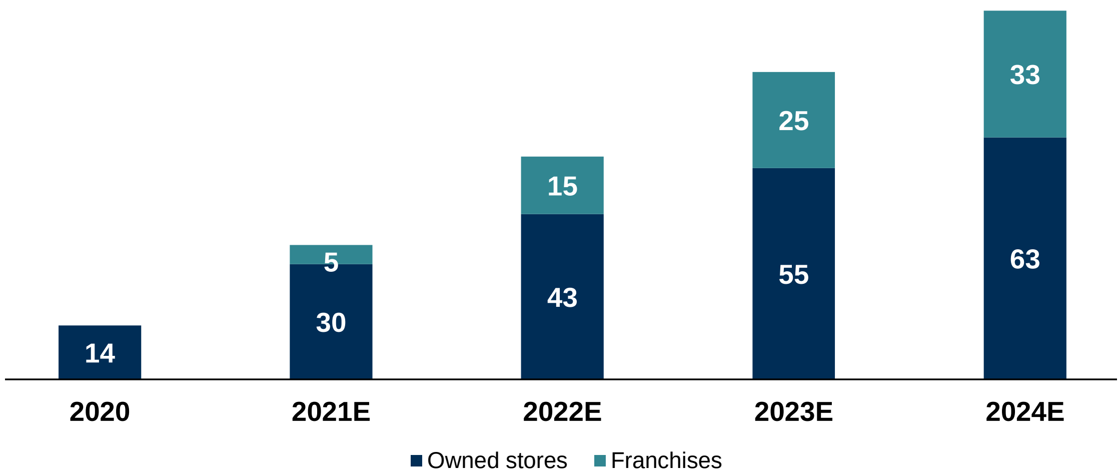
Revenue growth forecasts by BU (in €M)



Source: Midcap

Regarding the Retail activity, our estimates are based on conservative assumptions regarding the pace of store openings as we forecast a total of 80 points of sale by 2023.

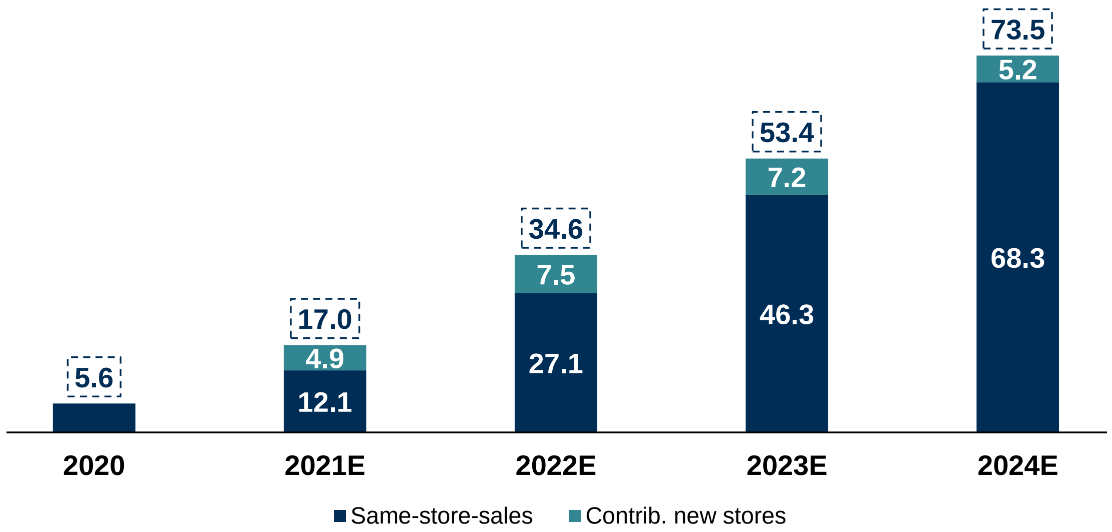
Forecast of the number of Portobello own and franchised stores



Source: Midcap

As illustrated below, we anticipate CAGR growth in retail sales of +90% from 2020 to 2024E, driven by (i) the opening of new stores and (ii) the gradual increase in average revenue per store.

Forecast and breakdown of Retail sales (in €M)

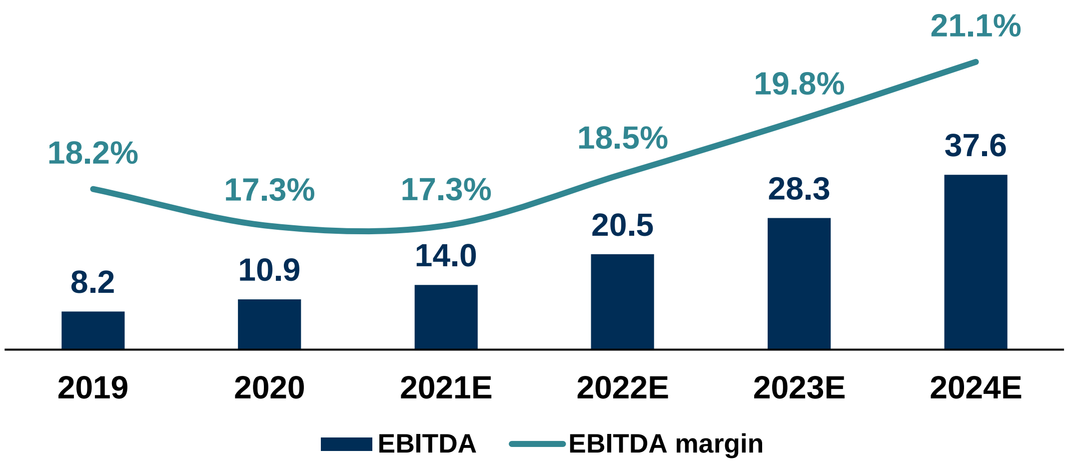


Source : Midcap

We expect CAGR growth of +18% for the Media business thanks to the good momentum and relevance of advertising barter in the current context. The B2B activity should grow at a slower pace because it is by construction only an opportunistic activity.

Costs are expected to increase at the rate of store openings, which mobilize an average of 4 employees per store. Beyond the impact of Covid on profitability in 2020, the EBITDA margin is expected to increase as a result of business growth and an improved mix. The Media activity in itself does not generate EBITDA as the revenues recorded are almost entirely offset by COGS. Thus, the growing share of Retail and B2B activities will mechanically improve the **EBITDA margin level towards 21% in 2024E.**

EBITDA forecasts (in €M)



Source: Midcap

Capex and WCR should also increase sharply as a result of store openings. According to our estimates, each store requires on average 150k€ of Capex and mobilizes 150k€ of stock. We therefore estimate capital expenditures of between €6 and €8 million per year. Thus, Portobello should be able to generate positive free cash flow as early as 2022E.

VIII. Valuation

Valuation Method

To determine Portobello's intrinsic value, we used the discounted Free-Cash-Flows to the Firm method.

The uniqueness of the group's business model makes using the peer stock market method irrelevant. The margin levels that Portobello can generate are significantly higher than those of "classic" retailers. Moreover, the company is still in an early phase of its development and it is necessary to look at a larger horizon to appreciate its valuation multiples.

We have obtained a TP of €65. Given the very high upside potential, we are initiating our coverage with a Buy rating.

At our target price, Portobello would trade at PE 2022E multiples of 17.2x and EV/EBIT 2022E multiples of 13.0x. Thus, we are convinced that the current valuation of the company is significantly below its intrinsic value and that a powerful re-rating could take place once investors have identified Portobello as a real growth stock.

Summary of the Valuation

Valuation	Price/share	Coefficient
DCF valuation	€ 65	100%
Target price	**€ 65**	

Implied Multiples	2021E	2022E	2023E
EV/Sales	2.8x	2.0x	1.6x
EV/EBITDA	16.0x	10.9x	7.9x
EV/EBIT	20.2x	13.0x	9.4x
EV/FCFF	19.7x	13.7x	9.5x
P/E	27.2x	17.2x	12.3x
P/B	8.7x	5.8x	3.9x

Sources: Company, Midcap, FactSet

Number of Shares & Bridge

On 31 December 2020, the company's capital was divided into 2,807,900 shares. To date, the company does not hold any treasury bonds.

The group has a free share allocation and stock option plan of 150,700 and 280,000 shares respectively, representing a potential dilution of approximately 15% of the share capital. Thus, we include a **total number of shares of 3,238,600.** Although this method is approximate, we favour this conservative approach.

Equity Bridge

Equity Bridge	2020
Market capitalization	**52**
Preferred stocks	-
Minorities	-
Financial debt (incl leases)	16
Cash & Equivalents	(3)
Equity investments in uncosolidated companies	-
Provisions pensions obligations	-
Bridge	14
Enterprise Value	**66**

Sources: Company, Midcap Partners

DCF Method

This approach is based on the following assumptions:

Normative flows

- A normative EBIT margin rate of 19.1% by 2030E
- Capital expenditures stable at 3% of revenue by 2030E
- A WCR that is tending towards a normative level of 30% of sales. It should be noted that we have neutralized in our forecasts the change in accrued income and expenses because, as explained above, the two elements offset each other at the end of the contract and therefore do not result in a cash outflow.
- Corporate tax modelling in line with the Italian rate of 27.9%

Discount Rate

- A risk-free rate of 0.7% (BTP 10 years)
- A share risk premium of 8.0%
- A beta of 0.8x including a net gearing target of 20%
- A size, liquidity and specific risk premium of 800bps to reflect the risks inherent in the Group's growth phase
- An after-tax cost of debt of 1.4%
- A long-term growth rate of 1.0%
- A WACC from year 1 to year 5 of 13.0%
- From year 6, WACC converges to its normative level of 11.0% in year 10

DCF Method

DCF Valuation - FCFF	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
(All figures in K EUR millions)										
Sales	80.5	110.8	143.4	178.5	211.4	230.5	248.9	266.3	282.3	296.4
% YoY	*28.5%*	*37.6%*	*29.4%*	*24.5%*	*18.4%*	*9.0%*	*8.0%*	*7.0%*	*6.0%*	*5.0%*
EBITDA	14.0	20.5	28.3	37.6	46.4	51.0	55.5	59.7	63.6	67.1
% margin	*17.3%*	*18.5%*	*19.8%*	*21.1%*	*22.0%*	*22.1%*	*22.3%*	*22.4%*	*22.5%*	*22.6%*
Depreciation & Amortization	2.9	3.3	4.4	5.6	6.2	7.0	7.9	8.7	9.6	10.4
% of Sales	*3.6%*	*3.0%*	*3.1%*	*3.1%*	*2.9%*	*3.1%*	*3.2%*	*3.3%*	*3.4%*	*3.5%*
EBIT	11.1	17.2	23.9	32.0	40.2	43.9	47.6	51.0	54.0	56.7
EBIT Margin	*13.7%*	*15.5%*	*16.7%*	*17.9%*	*19.0%*	*19.1%*	*19.1%*	*19.1%*	*19.1%*	*19.1%*
Marginal tax rate	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%	27.9%
NOPAT	8.0	12.4	17.2	23.1	29.0	31.7	34.3	36.7	39.0	40.9
Add: D&A + NCC	2.9	3.3	4.4	5.6	6.2	7.0	7.9	8.7	9.6	10.4
Less: Capital Expenditures	6.0	6.7	6.5	7.1	7.4	7.8	8.2	8.5	8.8	8.9
% of Sales	*7.5%*	*6.0%*	*4.5%*	*4.0%*	*3.5%*	*3.4%*	*3.3%*	*3.2%*	*3.1%*	*3.0%*
NWC	31.7	38.8	47.0	56.6	64.4	70.0	75.4	80.4	85.0	88.9
% of Sales	*39.3%*	*35.0%*	*32.8%*	*31.7%*	*30.5%*	*30.4%*	*30.3%*	*30.2%*	*30.1%*	*30.0%*
Less : Increase (decrease) in NWC	6.5	7.2	8.2	9.5	7.9	5.6	5.4	5.0	4.6	4.0
% of Sales	*8.1%*	*6.5%*	*5.7%*	*5.3%*	*3.7%*	*2.4%*	*2.2%*	*1.9%*	*1.6%*	*1.3%*
Unlevered Free Cash Flow	**(1.7)**	**1.9**	**7.0**	**12.0**	**20.0**	**25.3**	**28.6**	**31.9**	**35.2**	**38.4**
WACC	13.0%	13.0%	13.0%	13.0%	13.0%	12.6%	12.2%	11.8%	11.4%	11.0%
Discount Period	0.79	1.83	2.83	3.83	4.83	5.83	6.83	7.83	8.83	9.83
Discount Factor	91%	80%	71%	63%	56%	50%	46%	42%	39%	36%
Present Value of Free Cash Flow	**(1.5)**	**1.5**	**5.0**	**7.6**	**11.1**	**12.4**	**12.4**	**12.3**	**12.0**	**11.6**

Sources: Company, Midcap

DCF Method

Terminal Value Calculation:	
Perpetuity Growth Rate	**1.0%**
Terminal Year Free Cash Flow	38.4
Terminal Value at WACC year 10	387.8
TV as a % of EV	*62%*
Terminal EBIT Multiple	6.8 x
Terminal FCF Multiple	10.1 x
Discount Factor	36%
NPV of Terminal Value	**139.1**

Cumulative NPV of Free Cash Flow	84.4
NPV of Terminal Value	139.1
Enterprise Value	**223.5**
Less : Bridge	13.9
Equity Value	**209.7**
Shares Outstanding (fully diluted)	3.2
Price Per Share	**65**

WACC CALCULATION	
Risk free rate (10 YR Bund)	-0.3%
Country premium	1.0%
Specific risk premium	8.0%
Beta	0.8 x
Equity premium	8.0%
Cost of equity	**15.3%**
Interest rate	2.0%
Tax rate	27.9%
Cost of debt (after tax)	**1.4%**
% equity	83.3%
% debt	16.7%
WACC year 1 to 5	**13.0%**
WACC year 10	**11.0%**

Sources: Company, Midcap

Sensitivity Analysis Price per share (€)

Price (€)		WACC				
		12.0%	12.5%	**13.0%**	13.5%	14.0%
Perpetuity growth rate	0.0%	62	61	60	60	59
	0.5%	64	63	62	62	61
	1.0%	66	66	**65**	64	63
	1.5%	69	68	67	66	66
	2.0%	72	71	70	69	68

Sources: Company, Midcap

IX. Key Questions

Q. Is Portobello in a position to finance its growth ambitions?

Yes, but recourse to additional financing cannot be excluded. The group will rightly focus its efforts on its Retail activity, which is its main driver of growth and profitability. The group's intention is to expand its shop network to 100 outlets by 2023. According to our estimates, each shop requires an average of €150k of Capex and mobilises €150k of stock. We believe that the group will be able to generate sufficient cash flow to finance this growth through its profitability. In addition, given its low financial leverage (NFD/EBITDA of 1.2x in 2020) the group should be able to contract more debt with its banks if necessary. It should be noted that a potential capital increase cannot be ruled out.

Q: With this business model, what is Portobello's long-term growth potential?

To date, Portobello is the only player in Italy based on this economic model. Although we do not have data on the size of the barter advertising market, we believe that the group still has very strong growth potential. Portobello targets Italian VSE/SMEs, which represent around 92% of the approximately 4.5 million Italian companies. In addition, many of them are unsure of what to do with their unsold products and are happy to sell them to Portobello in exchange for advertising services in order to both improve their financial accounts and reduce their marketing expenses. It is also very easy and inexpensive for the company to acquire new media and promotional tools to increase its ability to barter. On the other hand, the shop network can easily continue to expand in Italy without cannibalisation. For example, the Tigota brand has more than 700 points of sale in Italy. Finally, the Portobello model could also be exported internationally in the long-term.

Q: Can Portobello sustain its competitive advantage in the long-term?

Bartering advertising enables Portobello to offer branded products at extremely attractive prices. For example, some products are offered at prices that are up to 80% cheaper than on Amazon. To our knowledge, no other retailer is capable of replicating this pricing while maintaining a generous margin. In addition, Portobello benefits from a certain expertise in the management of its proprietary media and stores, making its business model difficult to replicate. Indeed, Portobello is not the first company to have launched this activity (i.e. Se.com and Dmail) but it is the only one to have succeeded in doing so. In addition, the Group benefits from the advantage of the first mover and possesses media enabling it to maintain its competitive edge and therefore its profitability.

Financial Data (1/2)

Income statement

€M	2017	2018	2019	2020E	2021E	2022E	2023E
Total sales	**10.0**	**21.5**	**45.3**	**62.7**	**80.5**	**110.8**	**143.4**
Change	*0.0%*	*114.9%*	*111.0%*	*38.3%*	*28.5%*	*37.6%*	*29.4%*
Other revenues	0.0	0.6	0.7	1.3	0.0	0.0	0.0
Value of Production	**10.0**	**22.1**	**46.0**	**64.0**	**80.5**	**110.8**	**143.4**
	0.0%	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
COGS	(8.1)	(16.5)	(31.9)	(43.9)	(53.0)	(69.9)	(88.5)
Gross Profit	**1.9**	**5.6**	**14.1**	**20.1**	**27.6**	**40.9**	**54.9**
Personnel	(0.7)	(1.0)	(1.9)	(2.6)	(4.0)	(6.6)	(8.8)
External charges	(0.7)	(1.1)	(3.8)	(6.2)	(9.2)	(12.9)	(16.6)
Other revenues and expenses	(0.0)	(0.1)	(0.2)	(0.4)	(0.4)	(0.9)	(1.1)
EBITDA reported	**0.5**	**3.4**	**8.2**	**10.9**	**14.0**	**20.5**	**28.3**
% of revenue	*5.4%*	*15.8%*	*18.2%*	*17.3%*	*17.3%*	*18.5%*	*19.8%*
Net depreciation, amortization and provisions	(0.0)	(1.1)	(1.5)	(2.3)	(2.9)	(3.3)	(4.4)
EBIT	**0.5**	**2.3**	**6.8**	**8.6**	**11.1**	**17.2**	**23.9**
% of revenue	*5.1%*	*10.9%*	*15.0%*	*13.7%*	*13.7%*	*15.5%*	*16.7%*
Financial result	0.0	(0.0)	(0.1)	(0.3)	(0.4)	(0.4)	(0.4)
Income tax	(0.2)	(0.5)	(1.9)	(2.3)	(3.0)	(4.7)	(6.6)
Tax rate	*32.6%*	*23.3%*	*28.6%*	*28.1%*	*27.9%*	*27.9%*	*27.9%*
Net income	0.3	1.8	4.8	6.0	7.7	12.2	17.0
Minority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income group share	**0.3**	**1.8**	**4.8**	**6.0**	**7.7**	**12.2**	**17.0**

Balance sheet

€M	2017	2018	2019	2020E	2021E	2022E	2023E
Tangible and intangible fixed assets	0.1	2.1	2.3	2.9	2.4	2.6	2.9
Tangible and intangible fixed assets	0.0	0.3	0.5	0.7	4.4	7.5	9.3
Financials assets	0.0	0.0	0.8	1.4	1.4	1.4	1.4
Current assets	6.7	28.5	35.1	44.8	58.6	74.2	91.5
Cash	0.5	0.6	1.0	2.6	1.4	3.1	9.8
Assets	**7.3**	**31.5**	**39.7**	**52.5**	**68.2**	**88.8**	**114.9**
Shareholder's equity	0.4	5.4	10.1	16.4	24.1	36.3	53.2
Provisions	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Financial debt	0.0	0.5	6.3	16.5	17.2	17.2	17.2
Other non-current liabilities	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Current liabilities	6.9	25.6	23.2	19.6	26.9	35.3	44.5
Liabilities	**7.3**	**31.5**	**39.7**	**52.5**	**68.2**	**88.8**	**114.9**

Cash-flow statement

€M	2017	2018	2019	2020E	2021E	2022E	2023E
Operating cash-flow	0.4	2.9	9.8	9.5	10.6	15.5	21.4
∆NWC	0.3	(3.1)	(12.9)	(14.8)	(6.5)	(7.2)	(8.2)
Cash-flow from operating activities	**0.7**	**(0.3)**	**(3.0)**	**(5.3)**	**4.1**	**8.3**	**13.2**
CAPEX	(0.2)	(3.3)	(1.5)	(2.8)	(6.0)	(6.7)	(6.5)
FCF	**0.5**	**(3.6)**	**(4.6)**	**(8.1)**	**(1.9)**	**1.7**	**6.8**
Net acquisition of financial assets	0.0	0.0	0.8	0.6	0.0	0.0	0.0
Cash-flow from investing activities	**(0.2)**	**(3.3)**	**(2.3)**	**(3.4)**	**(6.0)**	**(6.7)**	**(6.5)**
Capital increase	0.0	3.1	0.0	0.1	0.0	0.0	0.0
Change in borrowings	(0.0)	0.5	5.8	10.2	0.7	0.0	0.0
Cash-flow from financing activities	**(0.0)**	**3.6**	**5.8**	**10.4**	**0.7**	**0.0**	**0.0**
Change in cash	**0.5**	**0.0**	**0.4**	**1.6**	**(1.2)**	**1.7**	**6.8**

X. Financial Data (2/2)

KEY RATIOS

	2017	2018	2019	2020	2021E	2022E	2023E
Revenue growth	0.0%	114.9%	111.0%	38.3%	28.5%	37.6%	29.4%
Reported EBITDA margin	5.4%	15.8%	18.2%	17.3%	17.3%	18.5%	19.8%
Adjusted EBITDA margin	5.4%	15.8%	18.2%	17.3%	17.3%	18.5%	19.8%
EBIT margin	5.1%	10.9%	15.0%	13.7%	13.7%	15.5%	16.7%
Net margin	3.4%	8.4%	10.5%	9.5%	9.6%	11.0%	11.8%
Reported EPS	0.0	0.7	1.7	2.1	2.7	4.3	6.0
Dividend per share	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividende Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NWC as a % of Revenue	-2.5%	0.0%	26.3%	40.1%	39.3%	35.0%	32.8%
DIO	146.9	228.8	105.2	134.7	150.5	148.3	148.8
DSO	56.9	95.9	52.9	15.1	18.0	18.0	18.0
DPO	166.8	207.5	195.1	125.6	28.7	32.8	34.2
FCF	0.5	-3.6	-4.6	-8.1	-1.9	1.7	6.8
FCF yield	0%	0%	0%	24%	24%	24%	27%
Conversion rate (FCF/EBITDA)	95%	-105%	-56%	-75%	-14%	8%	24%
CAPEX/Sales	1.6%	15.5%	3.4%	4.5%	7.5%	6.0%	4.5%
ROE	145.9%	62.4%	61.5%	44.9%	38.1%	40.3%	37.9%
ROA	7.1%	9.2%	13.3%	12.9%	12.8%	15.5%	16.7%
ROCE (after tax)	84.5%	33.2%	33.2%	22.7%	20.0%	23.8%	25.0%
Gearing, net	-0.8%	-0.2%	7.7%	19.5%	22.3%	19.9%	10.0%
Financial leverage	-101.0%	0.0x	0.6x	1.2x	1.1x	0.7x	0.2x
EV/Sales					1.0x	0.7x	0.6x
EV/EBITDA					5.9x	4.0x	2.9x
EV/EBIT					7.5x	4.8x	3.4x
PE					8.9x	5.6x	4.0x

XI. ANNEX

Accounting specificities

Portobello's barter advertising activity generates **prepaid expenses and unearned revenues**. In general, the advertising services offered by the Group in exchange for products to its customers are consumed during the fiscal year or the following fiscal year. The increase in this item therefore does not result in the consumption of cash since the billing of the exchange contracts provides for the offsetting of the items.

Key Figures

Roberto Bacchi President	Roberto has thirty years of experience in the field of finance and consumer services. He began his career at American Express as a finance manager in Italy and then in the UK. In 1998, he took over the management of Carlson Wagonlit with responsibility for the Eastern Europe region, followed by Italy, Greece and Egypt. Since 2014, he has been working on strategic and corporate development with various companies, including Seneca Spa, Airplus and Diners Club.
Simone Prete Co-Founder & CEO	Since 2000, he has gained experience in the commercial construction sector as a representative and partner. Since 2002, Business Developer in the region of central Italy for major international brands such as Jacuzzi, Gessi, Ariston, Ideal Standard, etc.. In 2016 he founded Portobello Srl where he holds the position of Director with responsibilities related to administrative, financial and legal issues.
Pietro Peligra Director Business Development	After a degree in electronic engineering and a master's degree in marketing, he worked at Vodafone from 2003 to 2006 as Marketing Director. From 2006 to 2008, he completed an MBA at Harvard Business School in Boston and, in the meantime, he worked in venture capital at the Anglo-American fund DN Capital (of which he is still advisor for Southern Europe). In 2008 he joined the Italia Independent Group as Managing Partner, where he was responsible for the development of the group from the start-up phase to international growth, including its listing on the stock exchange. In Portobello, he holds the position of Director in charge of Business Development and Investor Relations.
Roberto Panfili Co-Founder & COO	In 1998, he founded the first Apple Center in Italy for turnover and exhibition size. Since 2008, he has been General Manager of a major Italian distributor of computer products and consumer electronics. Creator of a consumer electronics brand. In 2016, he joined Portobello Srl as Managing Director.
Mirco Di Giuseppe CFO	Manager with more than 20 years of experience as Director of AFC in Italian and multinational companies of the retail sectors (with a main focus on consumer electronic business) and as financial concultant, Mirco Di Giuseppe joined Portobello in 2019 as CFO. He holds a Bachelor Degree in Economics from Rome University and a Master Degree in AFC from Bocconi University

Source: Portobello

Portobello holdings as of December 31, 2020

Company Name	Ownership	Value in Balance Sheet
CLUBDEAL SRL	3.55%	400 056 €
WEB MAGAZINE MAKER	24.50%	250 000 €
AXANTI SRL	10.00%	10 000 €
GRUPPO SAE	20.30%	500 000 €

Source: Portobello

Disclaimer

This document may mention evaluation methods defined as follows:

1. DCF method : discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method : application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method : estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Rating structure:

- Buy : expected to outperform the market by more than 10% over a 6 - 12 months horizon
- Hold : expected performance between -10% and +10% compared to the market in a 6 - 12 months horizon
- Sell : expected to underperform the market by more than 10% over a 6 - 12 months horizon

The history of ratings and the target price for the Issuers covered in this report are available on request at maketing@midcapp.com.

Conflict of Interests:

Issuer	Closing price (€)	Rating	Warning
Portobello	24,4€	Buy	G

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Hold	20%	17%
Sell	2%	0%
Under Review	1%	0%
Tender	3%	4%

** "Corporate" Issuers: Issuers to whom Midcap has provided Investment Services over the last 12 months.*

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