NEWS

12 May 2021

PORTOBELLO

Accelerates Its Expansion with 11 New Shops! (+)

(Company)

This morning, Portobello announced that it has signed multiple leasing agreements to open a number of shops in high-traffic locations and major shopping centres in Italy. These agreements represent a total of over 10,000 sqm of leased property, through which Portobello plans to open 11 additional shops with features equivalent to those of approximately 40 shops in the 250 sqm format. These leases run for a minimum term of six years and represent annual rental costs of €3.382m.

Thus, 11 new Portobello shops will be opened by end-2021 in the following locations:

Parco Commerciale Grande Sud (Giugliano)
C.C. Porte di Torino (Torino)
C.C. Merlata Bloom Milano (Milano)
C.C. Grande Cuneo (Cuneo)
C.C. Fanocenter (Fano)
C.C. Porte di Catania (Catania)
C.C. Etnapolis (Belpasso)
Via Torino, 15 (Milano)
C.C. Romaest (Roma)
C.C. Il Borgogioioso (Carpi)
C.C. I Malatesta (Rimini)

We understand that this agreement, which provides for the opening of 8 to 9 shops by end- 2021, significantly accelerates the group's pace of shop openings (almost tripling the current sales area) and should boost the Retail division's growth starting in 2021. As a result of this announcement, we are upgrading our revenue forecasts for 2021E, 2022E and 2023E to €85.4m (vs. €80.5m), €125.1m (vs. €110.8m) and €165.6m (vs. €143.4m) respectively.

As stated at the AGM on 19 April 2021, a capital increase to finance this ambitious growth plan should not be ruled out.

With a PE of 12x and an EV/EBIT 2021 <10x, the valuation seems very attractive to us in view of the group's growth prospects (CAGR 2020-2023 +38%).

Therefore, we are strongly reiterating our Buy rating and are raising our TP to €77 (vs. €65).

Buy, TP of €77 (vs. €65) - Alessandro Cuglietta : +33 1 78 95 71 64

Market Data	
Industry	Retail
Share Price (€)	38,0
Market Cap (€M)	106,7
Market Segment	AIM Italia
Bloomberg	POR IM

Ownership structure	
Founders & Management	77,4%
Free float	22,6%

€M (31/12)	2020	2021	2022	2023
Sales (€M)	62,7	85,4	125,1	165,6
Growth	*38,3%*	*36,2%*	*46,5%*	*32,3%*
EBIT	8,6	12,1	20,4	31,3
Marge EBIT	*13,7%*	*14,2%*	*16,3%*	*18,9%*
Net income	6,0	8,5	14,5	22,3
EPS €	2,12	3,02	5,15	7,94
Growth	*21,2%*	*42,5%*	*70,3%*	*54,3%*
Dividend	0,00	0,00	0,00	0,00
Yield (%)	*0,0%*	*0,0%*	*0,0%*	*0,0%*
FCFF	-9,5	-4,0	1,6	9,5
ROCE	20,4%	20,3%	26,1%	32,5%
EV/EBITDA (x)		7,9	5,0	3,3
EV/EBIT (x)		9,9	5,9	3,8
PE (x)		12,6	7,4	4,8
Net Debt	13,4	17,6	16,3	7,0
Gearing net	*13%*	*17%*	*15%*	*7%*

Midcap Partners estimates

Upcoming event : 23.09.2021 - H1 2021

Consensus - Number of analysts : 3	2021	2022	2023
Sales	83,8	108,9	130,2
EBIT	12,9	19,0	24,5
Net income	8,8	13,2	17,1

Source: FACTSET

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

Company	Closing price (€)	Rating	Warning
ESPRINET	13.01	Buy	G
IEG	3.37	Buy	G
NEODECORTECH	3.73	Buy	G
PORTOBELLO	38	Buy	G

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Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	78%	84%
Hold	17%	14%
Sell	3%	0%
Tender	2%	2%

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

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