



## NEWS

13 July 2021

### PORTOBELLO

#### It's coming Rome (+)

(Company)

Portobello announced yesterday that it has signed an agreement to lease several properties to open seven new stores in Italy with a total of 7,000 sqm (equivalent to 29 shops in 250 sqm format in terms of revenue!).

These "megastores" will be located in large, busy shopping centres in several Italian cities: Grotte Center (Ancona), Centroborgo (Bologna), Punta di Ferro (Forlì), Porto Grande (Porto d'Ascoli), Città Fiera (Udine), Olbia Shopping Centre (Olbia) and To Dream (Turin).

Accordingly, Portobello continues to capitalise on the favourable market permitting it to accelerate its network's expansion of low-cost shops. These minimum 5-year lease agreements represent a total annual cost of €950k or approximately €135/m<sup>2</sup>.

We estimate that all the shops will open within the next 12 months and will generate around €25m of additional revenue by 2024, when they reach their peak. As a result of this announcement, we are raising our revenue forecasts for 2021E, 2022E and 2023E to €86.5m (vs. €85.4m), €133.9m (vs. €125.1m) and €183.4m (vs. €165.6m) respectively.

Therefore, we are strongly reiterating our Buy rating with a TP being raised to €85 (vs. €77). The current valuation at <8x PE 2022 seems to us to be very attractive given the group's growth prospects (CAGR 2020-2023 +43%).

**Buy, TP of 85€ (vs. 77€) - Alessandro Cuglietta : +33 1 78 95 71 64**

#### Market Data

Industry	Retail
Share Price (€)	41,6
Market Cap (€M)	134,7
Market Segment	AIM Italia
Bloomberg	POR IM

#### Ownership structure

Founders & Management	73,5%
Free float	26,5%

€M (31/12)	2020	2021	2022	2023
<b>Sales (€M)</b>	62,7	86,5	133,9	183,4
<i>Growth</i>	38,3%	38,0%	54,7%	37,0%
<b>EBIT</b>	8,6	12,1	22,0	35,9
<i>EBIT Margin</i>	13,7%	13,9%	16,4%	19,6%
<b>Net income</b>	6,0	8,5	15,6	25,7
<b>EPS €</b>	2,12	2,61	4,82	7,93
<i>Growth</i>	21,2%	23,1%	84,7%	64,3%
<b>Dividend</b>	0,00	0,00	0,00	0,00
<i>Yield (%)</i>	0,0%	0,0%	0,0%	0,0%
<b>FCFF</b>	-9,5	-4,9	-1,5	12,0
<b>ROCE</b>	20,4%	19,8%	25,7%	34,2%
<b>EV/EBITDA (x)</b>		8,5	5,0	3,2
<b>EV/EBIT (x)</b>		10,8	5,9	3,6
<b>PE (x)</b>		13,8	7,5	4,6
<b>Net Debt</b>	13,4	18,5	20,3	8,6
<i>Gearing net</i>	11%	16%	17%	7%

Midcap Partners estimates

#### Upcoming event : 23 September - H1 2021

#### Consensus - Number of analysts : 2

	2021	2022	2023
<b>Sales</b>	85,7	115,5	141,3
<b>EBIT</b>	14,0	21,4	29,5
<b>Net income</b>	9,8	15,1	20,8

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 [marketing@midcapp.com](mailto:marketing@midcapp.com).

### Conflict of Interests

Company	Closing price (€)	Rating	Warning
AUDIOVALLEY	2,85	Buy	E,G
EKINOPS	7,34	Buy	Nil
ELIOR	5,82	Sell	Nil
GROUPE CRIT	64,1	Buy	Nil
KAUFMAN & BROAD	39,35	Buy	Nil
PORTOBELLO	41,6	Buy	G

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### Rating distribution

As of 01/07/2021, the ratings issued by the Midcap research team were as follows:

Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	81%	86%
Hold	15%	13%
Sell	3%	0%
Tender	1%	2%

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

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