

PUBLICATIONS

22 March 2022

PORTOBELLO SPA

FY 2021 (+)

(Company press release)

Full Throttle!

Yesterday, Portobello released its 2021 consolidated results, outperforming our expectations.

The group is growing at full speed without showing its true potential... yet.

As already reported in the preliminary results, revenue increased by 37.8% to €88.2m.

EBITDA margin reached 19.3% (vs. 17.0% estimated) and net earnings amounted to €8.8m (vs. €7.9m estimated).

In line with the EBITDA improvement, it was possible to reduce net leverage to 1.0x .

This significant growth can be mainly attributed to the retail network expansion, which resulted in higher revenue (+105% yoy for the retail division) and higher margins thanks to the economies of scale. For the record, the company has increased the size of its store network from approximately 5,000 sqm in 2020 to approximately 13,000 sqm at end-2021 (+9 shops opened over the year).

Portobello will continue to grow in 2022 through investing in new shop openings. It has already signed contracts pushing it over 29,000 sqm by the end of the year.

Additionally, the full potential of Portobello's business model can only be realised through the development of its store network to increase sales and generate further economies of scale, thus increasing margins.

Based on these assumptions, we are upgrading our 2022 EBITDA and EPS estimates to €26.9m (+3.9%) and €4.95 (+4.6%) respectively.

Accordingly, the 2022 EBITDA margin is being raised to 20.1% (from 19.3%).

Although we have increased our risk parameters to reflect the current market volatility, the group's positive results have led us to raise our TP to €91 (vs. €90).

Buy, TP of €91 (vs. €90) - Simone Mieli : +33149241833

Market Data	
Industry	Retail
Share Price (€)	36.4
Market Cap (€M)	117.82
Market Segment	Euronext Growth Milan
Bloomberg	POR IM

Ownership structure	
Founders & Management	0.65
Free float	0.35

€M (31/12)	2020	2021	2022e	2023e
Sales (€M)	64.0	88.2	133.9	196.1
Growth%	39.0%	37.8%	51.8%	46.5%
EBIT	8.6	13.9	22.5	38.2
Op. Margin(%)	13.4%	15.7%	16.8%	19.5%
Net income	6.0	8.8	16.0	27.4
EPS €	2.12	2.72	4.95	8.45
EPS growth (%)	21.2%	28.5%	81.8%	70.7%
Dividend	0.00	0.00	0.00	0.00
Yield (%)	0.0%	0.0%	0.0%	0.0%
FCF	-9.5	-13.1	9.1	11.5
ROCE	20.4%	19.0%	27.5%	36.5%
EV/EBITDA (x)		7.3	4.5	2.7
EV/EBIT (x)		8.6	5.3	3.1
PE (x)		11.6	6.4	3.7
Net Debt	13.9	17.3	9.2	-1.8
Gearing	14%	17%	9%	-2%

Midcap Partners estimates

Upcoming event : 29-4-2022 - SH meeting FY21

Consensus - Number of analysts : 1			
	2021	2022	2023
Sales	88.2	133.9	196.1
EBIT	13.9	22.5	38.2
Net income	8.8	16.0	27.4

Source: FACTSET

Analyst certifications

This research report (the "Report") has been approved by Midcap, a business division of TP ICAP (Europe) SA ("Midcap"), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR"). By issuing this Report, each Midcap analyst and associate whose name appears within this Report hereby certifies that (i) the recommendations and opinions expressed in the Report accurately reflect the research analyst's and associate's personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's or associate's compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the Report.

Methodology

This Report 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.

Conflict of Interests

Company	Conflict Type
MR.BRICOLAGE	D,F,G
PORTOBELLO	E,G
PHARMANUTRA	G
SPARTOO	D,F,G
STREAMWIDE	D,F,G

- A. Midcap or any related legal entity holds more than 5% of the total issued capital of the Issuer;
- B. The Issuer holds more than 5% of the total issued share capital of Midcap or any related legal entity;
- C. Midcap, alone or together with other legal entities, is linked to the Issuer by other significant financial interests;
- D. Midcap or any related legal entity is a market maker or liquidity provider with whom a liquidity agreement has been entered into in respect of the Issuer's financial instruments;
- E. Midcap or any related legal entity has acted, over the last twelve months, as lead or co-lead in a public offer for financial instruments of the Issuer;
- F. Midcap or any legal entity related to it is party to any other agreement with the Issuer relating to the provision of investment services in connection with the corporate activity;
- G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer;

Distribution of Investment Ratings

Midcap employs a rating system based on the following:

- Buy: Expected to outperform the markets by 15% or more over a 6 to 12 months horizon.
Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.
Sell: Stock is expected underperform the markets by 15% or more over a 6 to 12 months horizon.

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

General Disclaimer

This Report is published for information purposes only and does not constitute a solicitation or an offer to buy or sell any of the securities mentioned herein. The information contained in this Report has been obtained from sources believed to be reliable, Midcap makes no representation as to its accuracy or completeness. The reference prices used in this Report are closing prices. All opinions expressed in this Report reflect our judgement at the date of the documents and are subject to change without notice. The securities discussed in this Report may not be suitable for all investors and are not intended to recommend specific securities, financial instruments, or strategies to particular clients. Investors should make their own investment decisions based on their financial situation and investment objectives. The value of the income from your investment may vary due to changes in interest rates, changes in the financial and operating conditions of companies and other factors. Investors should be aware that the market price of the securities discussed in this Report may be volatile. Due to the risk and volatility of the industry, the company, and the market in general, at the current price of the securities, our investment rating may not correspond to the stated price target. Additional information regarding the securities mentioned in this Report is available on request.

This Report is not intended for distribution or use by any entity who is a citizen or resident of, or an entity located in any locality, territory, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to or limited by law or regulation. Entity or entities in possession of this Report must inform themselves about and comply with any such restrictions, including MIFID II. Midcap has adopted effective administrative and organizational arrangements, including "information barriers", to prevent and avoid conflicts of interest regarding investment recommendations. The remuneration of financial analysts who participate in the preparation of the recommendation is not linked to the corporate finance activity.

NOTICE TO US INVESTORS:

This Report was prepared, approved, published, and distributed by Midcap, a business division of TP ICAP (Europe) SA ("Midcap"), a company located outside of the United States. This Report is intended for distribution only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this Report must be affected through Louis Capital Markets, LLC ("LCM") and not with or through Midcap. Midcap is not registered as a broker-dealer under the Exchange Act. Midcap is not a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), SIPC, or any other U.S. self-regulatory organization.

Midcap is the employer of the research analyst(s) responsible for this Report. The research analysts preparing this Report are residents outside the United States and are not associated with LCM or any US regulated broker-dealer. The analyst(s) is/are not subject to supervision by a US broker-dealer and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification. Each of the analysts identified in this Report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this Report reflect his or her entity's views about all of the subject companies and securities and such recommendations were elaborated independently; and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this Report. This material was produced solely for information purposes and for the use of the recipient. This Report does not constitute an offer of, or an invitation to buy or sell any security.

The information contained herein has been obtained from published information and other sources which are considered to be reliable. The companies noted herein accept no liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Midcap, or its affiliates, has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, does not expect to receive and does not intend to seek compensation for investment banking services from the subject company in the next 3 months. Midcap, or its affiliates, do not beneficially own 1% or more of the subject securities and there are not any other actual, material conflicts of interest noted at the time of the publication of this research report. As of the publication of this Report, Midcap does not make a market in the subject securities. Midcap will refrain from initiating follow-up contacts with any recipient of this Report that does not qualify as a Major Institutional Investor or seek to otherwise induce or attempt to induce the purchase or sale of any security addressed in this Report by such recipient.