

## EQUITY RESEARCH

PORTOBELLO  
UPDATE

BUY

TP 17.2€

Up/Downside: 159%

## The Sky Is Clearing

**Estimates update: we believe the company is two years behind schedule. The problems seem to be behind them so that the company can now concentrate on its development, thus resuming growth. The capital raised should enable the company to rebuild its WC.**

2023 was a special year for Portobello, marked by resilience, as the company was able to stay the course and is now out of the storm. Last year the company had to deal with a tax audit by the Italian tax agency covering the period 2017-2020, followed by a preventive seizure of €10m and finally the settlement and payment of the €10.4m dispute. Yet 2023 had started well with revenue of €65m, up 33% vs. H1 2022 (€49m). However, the litigation threw a wrench in the works, putting the brakes on the company's rapid growth. This impacted WC and therefore its ability to source supplies. In November, the company announced a capital increase to a maximum of €20m. In February, the company raised €8m, including €5m from shareholder Expandi S.r.l (a company owned by Pietro Peligra and Simone Prete). Following the success of the first capital increase and the restoration of confidence in the company's reputation, the company carried out a second AUCAP of €4.6m for a total of €12.6m, which will enable the company to rebuild its working capital and get back on track.

The company is forecasting 2023 revenue of €103m (vs. €129m for 2022), a 20% decline, mainly due to the dispute with the Italian Treasury, which has led to a lack of liquidity, an essential element in Portobello's business model, and to the company's inability to use advertising space expiring at the end of 2023, which could have generated €44m in additional revenue. Revenue breaks down as follows: €46.3m for the media business, €23m for the retail division (vs. €24.6m in 2022). B2B generated €34.1m, up 2% from €33.5m in 2022. Group profitability naturally fell to -€38.2m of EBITDA, influenced by the payment of €10.4m to the Italian Treasury.

Following these results, we have decided to adjust our revenue estimates. We believe that the company is two years behind our previous estimates. Therefore, our 2024 revenue forecast now calls for €129m (vs. €190m previously), €160m for 2025 (vs. €215m) and €190m for 2026. The retail division should once again drive growth, with an estimated CAGR of 22% for 2024-2026. 2024 EBITDA forecast now stands at €16m (vs. €26.1m previously), €20m in 2025 (vs. €29m) and €26m in 2026. We believe that 2024 will be a transitional year for Portobello, as it finally gets its head above water, rebuilds its working capital and strengthens its reputation with customers and banks. The current share price could be an interesting entry point, given that the company has successfully resolved its problems and should resume its usual growth. Our new estimates now include results for 2023, and our TP has been downgraded to €17.2. We reiterate our Buy rating.

## Key data

Price (€)	6.6
Industry	Retailers
Ticker	POR-IT
Shares Out (m)	5.316
Market Cap (m €)	35.3
Average trading volumes (k shares / day)	1.214
Source: FactSet	

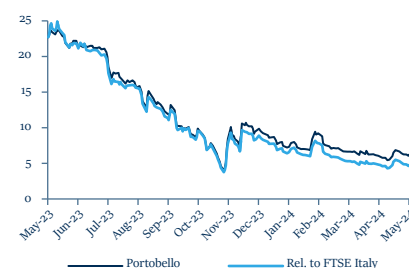
## Ownership (%)

Fondateurs & Management	65.0
Free float	35.0
Source: TPICAP Midcap estimates	

EPS (€)	12/24e	12/25e	12/26e
Estimates	2.35	2.84	3.85
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-0.9	14.9	-24.2
Rel FTSE Italy	-0.3	12.6	-33.7



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	103.5	129.2	159.9	190.5	EV/Sales	0.4	0.4	0.4
Current Op Inc (m €)	-46.5	11.0	13.9	19.8	EV/EBITDA	2.9	3.3	3.0
Current op. Margin (%)	na	8.6	8.7	10.4	EV/EBIT	4.3	4.7	4.0
EPS (€)	-11.67	2.35	2.84	3.85	PE	2.8	2.3	1.7
DPS (€)	0.00	0.00	0.00	0.00	Source: TPICAP Midcap			
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	-15.1	-0.6	-18.3	-12.8				

## Analyst

Mickael Daponte  
mickael.daponte@tpicap.com  
+33 1 73 09 17 59



## FINANCIAL DATA

<b>Income Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
Sales	85.5	129.9	103.5	129.2	159.9	190.5
Changes (%)	36.4	51.9	-20.3	24.8	23.8	19.1
Gross profit	32.9	46.2	4.5	46.2	57.1	68.9
% of Sales	38.5	35.6	4.4	35.8	35.7	36.2
<b>EBITDA</b>	<b>16.5</b>	<b>18.2</b>	<b>-38.2</b>	<b>16.0</b>	<b>20.0</b>	<b>26.0</b>
% of Sales	19.3	14.0	-36.9	12.4	12.5	13.7
<b>Current operating profit</b>	<b>13.9</b>	<b>13.5</b>	<b>-46.5</b>	<b>11.0</b>	<b>13.9</b>	<b>19.8</b>
% of Sales	16.2	10.4	-44.9	8.6	8.7	10.4
Non-recurring items	0.0	6.4	55.2	0.0	0.0	0.0
EBIT	13.9	13.5	-46.5	11.0	13.9	19.8
Net financial result	-0.9	-1.3	-2.3	-1.6	-1.6	-1.6
Income Tax	-4.2	-4.5	4.0	-0.9	-1.1	-1.6
Tax rate (%)	32.3	37.0	8.1	8.1	8.1	8.1
<b>Net profit, group share</b>	<b>8.9</b>	<b>7.7</b>	<b>-41.0</b>	<b>12.5</b>	<b>15.1</b>	<b>20.5</b>
EPS	2.74	2.18	na	2.35	2.84	3.85
<b>Financial Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
Goodwill	0.0	3.3	0.0	0.0	0.0	0.0
Tangible and intangible assets	7.3	6.3	11.6	10.8	10.5	10.8
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.1	4.6	4.3	4.3	4.3	4.3
Working capital	44.3	72.8	43.4	55.3	82.3	108.5
Other Assets	0.8	0.0	0.0	0.0	0.0	0.0
<b>Assets</b>	<b>53.4</b>	<b>87.0</b>	<b>59.3</b>	<b>70.4</b>	<b>97.0</b>	<b>123.6</b>
Shareholders equity group	35.0	42.9	12.1	65.6	68.2	73.6
Minorities	0.0	0.0	-6.5	-10.4	-4.7	3.7
LT & ST provisions and others	0.0	0.0	2.7	0.0	0.0	0.0
Net debt	17.3	42.4	23.7	11.7	30.0	42.8
Other liabilities	1.1	1.7	10.8	3.5	3.5	3.5
<b>Liabilities</b>	<b>53.4</b>	<b>87.0</b>	<b>59.3</b>	<b>70.4</b>	<b>97.0</b>	<b>123.6</b>
Net debt excl. IFRS 16	17.3	42.4	23.7	11.7	30.0	42.8
Gearing net	0.5	1.0	4.3	0.2	0.5	0.6
Leverage	1.0	2.3	-0.6	0.7	1.5	1.6
<b>Cash flow statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
CF after elimination of net borrowing costs and taxes	9.5	15.9	-40.1	12.6	14.5	20.0
$\Delta$ WCR	-18.7	-32.4	30.1	-9.1	-27.0	-26.2
Operating cash flow	-9.2	-16.5	-10.0	3.5	-12.5	-6.2
Net capex	-2.7	-5.1	-5.1	-4.1	-5.8	-6.7
FCF	-12.0	-21.7	-15.1	-0.6	-18.3	-12.8
Acquisitions/Disposals of subsidiaries	-2.1	-3.3	0.1	0.0	0.0	0.0
Other investments	0.0	-0.3	0.1	0.0	0.0	0.0
Change in borrowings	3.3	25.8	5.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	10.0	-0.2	5.0	12.6	0.0	0.0
Others	-0.5	0.0	2.5	0.0	0.0	0.0
Change in net cash over the year	-1.2	0.4	-2.0	12.0	-18.3	-12.8
ROA (%)	10.2%	6.8%	na	7.0%	8.4%	11.3%
ROE (%)	25.2%	17.8%	na	15.6%	17.7%	21.5%
ROCE (%)	18.2%	10.3%	na	15.4%	13.8%	15.2%

## DISCLAIMER

### 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:

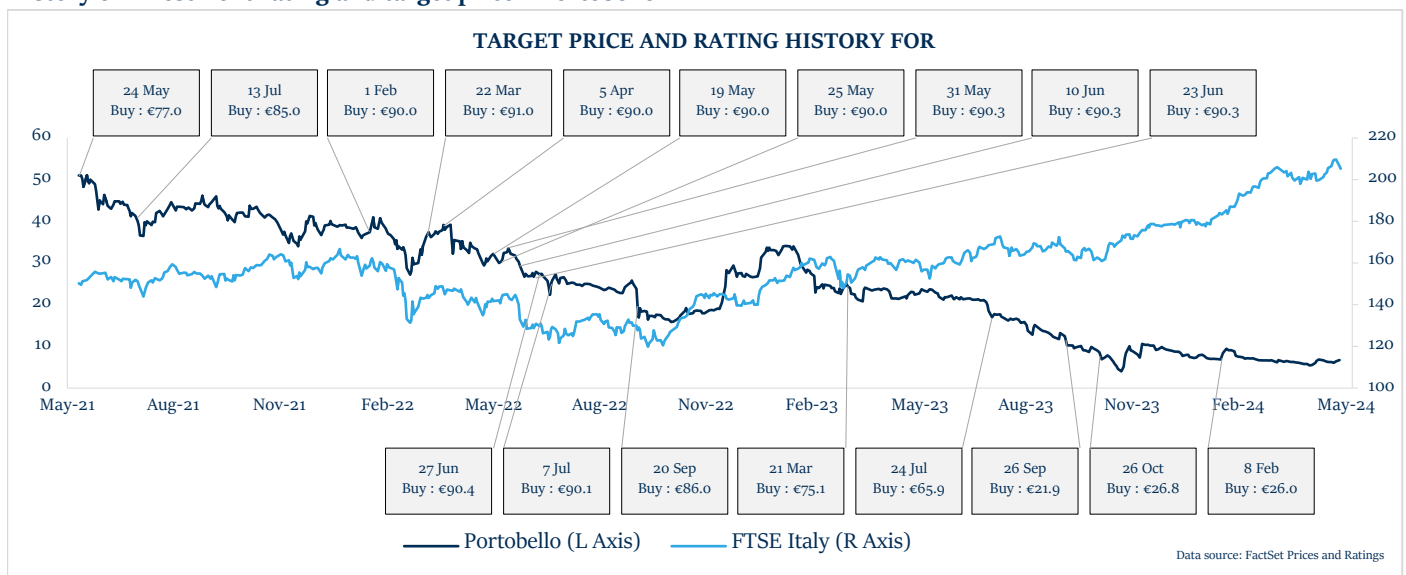
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's 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 between TP ICAP Midcap and the Issuer

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: Portobello

K. Midcap, according to article 3, paragraph 1, numbers (34) and (35) Regulation (EU) No 596/2014, has been commissioned to produce Equity Research for the Company by arrangement with the Specialist engaged by the Company: Portobello

### History of investment rating and target price – Portobello



## Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	82%	64%
Hold	15%	54%
Sell	2%	33%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% 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 10% 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 <https://researchtpicap.midcapp.com/en/disclaimer>.

## General Disclaimer

This Report is confidential and is for the benefit and internal use of the selected recipients only. No part of it may be reproduced, distributed, or transmitted without the prior written consent of Midcap

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 and public, Midcap makes no representation as to its accuracy or completeness. The reference prices used in this Report are closing prices of the day before the publication unless otherwise stated. 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. This Report is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of MIFID II regulation. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. The Report is subject to restricted circulation. The research was conducted in accordance with the provisions of the Charter of good practices for sponsored research. 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.