DOVALUE

BUY

Sector: Industrials

Price: Eu4.50 - **Target: Eu7.80**

High Free Cashflow and Dividend Yield, Revenues to Improve

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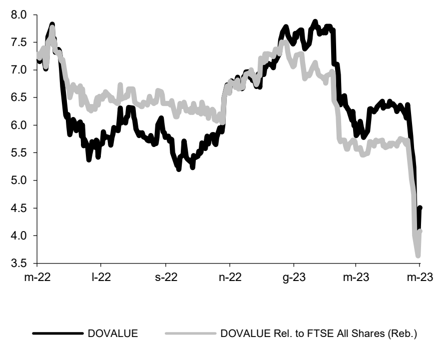
Stock Rating			
Rating:			from OUTPERFORM to BUY
Target Price (Eu):			from 9.00 to 7.80
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-8.7%	-13.2%	

DOVALUE - 12M Performance



Stock Data			
Reuters code:			DOVA.MI
Bloomberg code:			DOV IM
Performance	**1M**	**3M**	**12M**
Absolute	-28.9%	-42.2%	-37.8%
Relative	-27.0%	-40.0%	-48.3%
12M (H/L)			7.88/4.02
3M Average Volume (th):			325.84

Shareholder Data	
No. of Ord shares (mn):	80
Total no. of shares (mn):	80
Mkt Cap Ord (Eu mn):	360
Total Mkt Cap (Eu mn):	360
Mkt Float - Ord (Eu mn):	186
Mkt Float (in %):	51.6%
Main Shareholder:	
Softbank	28.3%

Balance Sheet Data	
Book Value (Eu mn):	148
BVPS (Eu):	2.41
P/BV:	1.9
Net Financial Position (Eu mn):	-408
Enterprise Value (Eu mn):	768

- **1Q23 results: lower revenues offset by lower costs, NFP and GBV in line.** Net revenues came in below expectations (-21% YoY or-10% vs. est.) due to a drop in gross revenues that was only partially offset by a reduction in outsourcing fees. The decline in revenues was mainly driven by Sareb off-boarding (Spain). Looking at regional trends, Italy saw a decline in NPL revenues but an increase in UtP revenues, the Hellenic region saw growth in NPL, REO and ancillary activities but also in UtP activity, while Iberia, apart from the Sareb off-boarding, also saw reduced NPL activity due to lower Santander NPL GBVs and strikes in the Courts. Lower outsourcing fees were due to the insourcing of some activities in Italy and lower fees paid in Spain. EBITDA was broadly in line with estimates (Eu30mn vs. Eu32mn exp., -23% YoY) thanks to a drop in HR costs (-16% YoY) with different trends across countries: Italy (-), Spain (-), Greece (+). The net loss (Eu-3mn vs. exp Eu+2mn profit) was due to higher risk provisions and taxes. GBV was in line and flat QoQ at Eu120bn, collections were down (Eu1.1bn vs. Eu1.3bn in 1Q22) while the collection rate was fairly stable YoY (4.1% at Group level, 2.4% in Italy, 6.4% in Hellenic region, 8.7% in Spain); the NFP was also stable QoQ (Eu433mn vs. exp Eu436mn).
- **Financial structure: ample liquidity, leverage ratio in line with expectations, positive one off from arbitration in Spain.** As at 1Q23 doValue had a Eu120mn cash position plus Eu133mn gross credit lines committed; there are no short-term refinancing needs with a Eu265mn bond (5% coupon) and Eu300mn bond (3.375% coupon) due to mature in 2025 and 2026 respectively. The leverage ratio stood at 2.2x, towards the low end of the range indicated by the Company (2-3x). Yesterday the company announced a favourable outcome to arbitration in Spain related to tax claims paid by doValue after the acquisition of Altamira, with a gross positive impact of Eu28mn on the P&L, raising visibility on an improvement in the NFP by year-end.
- **Guidance confirmed.** Despite weak revenues in the quarter, management confirmed 2023 guidance which envisages flattish revenues YoY, EBITDA at c.Eu200mn, and a dividend per share of Eu0.72 (+20% YoY).
- **Change in estimates.** We are updating our estimates, taking a more cautious stance on revenues partially offset by lower expectations for costs. Our cashflow projections now also include the arbitration in Spain (Eu+28mn), the earn-out for Altamira (Eu-18mn) and the expected cash-out for the put held by SAN on Altamira minorities (Eu-22mn). We are leaving our dividend assumptions unchanged for 2023 (Eu 0.72 p.s.) while lowering them for 2024 onwards. Overall, we are cutting 2023-25 EBITDA by 6.5% on average, and 2023-25 net profit by 12% on average.
- **BUY (from Outperform); target Eu7.8 (from Eu9.0).** We think GBV trends should improve in the coming quarters thanks to a growing medium-term pipeline (Eu58bn). We think the market overreacted to 1Q results, as free cash flow generation remains high (FCF yield at 25%), the 2023 dividend is highly visible (16% yield), even more so after arbitration in Spain, cost cutting actions should offset temporarily weaker revenues, and market consolidation could ease margin pressure. Stock valuation is undemanding (EV/EBITDA 4.1x): upgrade to BUY.

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	572	558	521	534	537
EBITDA Adj (Eu mn)	199	199	188	200	200
Net Profit Adj (Eu mn)	46	51	52	56	61
EPS New Adj (Eu)	0.577	0.632	0.647	0.699	0.761
EPS Old Adj (Eu)	0.577	0.632	0.709	0.805	
DPS (Eu)	0.500	0.600	0.720	0.792	0.871
EV/EBITDA Adj	5.9	4.9	4.1	3.6	3.5
EV/EBIT Adj	14.4	8.3	7.5	6.4	5.7
P/E Adj	7.8	7.1	7.0	6.4	5.9
Div. Yield	11.1%	13.3%	16.0%	17.6%	19.3%
Net Debt/EBITDA Adj	2.0	2.2	2.2	1.8	1.7