

ESPRINET

Sector: Consumers

BUY

Price: Eu8.02 - Target: Eu12.00

Soft Start to the Year, Focus Remains on Higher-Margin Segments

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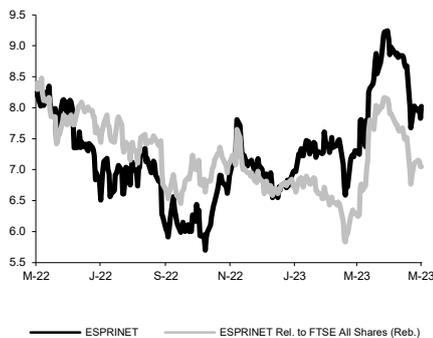
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 13.30 to 12.00		
	2023E	2024E	2025E
Chg in Adj EPS	-13.8%	-12.2%	-10.1%

Next Event

Results Out on May 11

ESPRINET - 12M Performance



Stock Data

Reuters code:	PRT.MI		
Bloomberg code:	PRT IM		
Performance	1M	3M	12M
Absolute	-9.4%	7.7%	-4.5%
Relative	-11.0%	6.7%	-18.2%
12M (H/L)	9.24/5.70		
3M Average Volume (th):	237.78		

Shareholder Data

No. of Ord shares (mn):	50
Total no. of shares (mn):	50
Mkt Cap Ord (Eu mn):	404
Total Mkt Cap (Eu mn):	404
Mkt Float - Ord (Eu mn):	213
Mkt Float (in %):	52.7%
Main Shareholder:	
Shareholder Agreement	25.2%

Balance Sheet Data

Book Value (Eu mn):	430
BVPS (Eu):	8.52
P/BV:	0.9
Net Financial Position (Eu mn):	-6
Enterprise Value (Eu mn):	415

- **1Q net sales foreseen down -13% YoY amid slowdown of B2C market:** we expect revenue to have decreased organically by 13%, as market conditions for B2C remained weak, especially for screens and devices. In line with management indications for a double-digit revenue drop (provided in the 4Q22 conference call), we expect revenue from screens and devices to have declined by -20% and -18% respectively. In contrast, we expect B2B/advanced solutions business to have continued to record robust growth rates, with solutions +20% and services +35% YoY. Overall, we expect total net sales to have reached €996mn (€1,139mn in 1Q22).
- **Gross margin to benefit from improving mix.** The rebalancing of the revenue mix towards high-margin divisions (solutions and services up, screen and devices down) is expected to have boosted the Gross margin, which we predict to have improved by c.40bp to 5.48%, at €55mn in absolute terms (-5% YoY). Below the line, OpEx should have remained almost unchanged YoY, taking EBITDA margin flat YoY and adj. EBITDA forecast at €17mn (-14% YoY).
- **Higher net debt due to seasonal NWC effects.** We expect adj. net debt to have closed at €358mn, some €275mn above YE22 which discounted seasonal WC effects, that are exacerbated by the different revenue mix (receivables from PC and smartphones are usually securitized while factoring is not applied to the B2B division).
- **Change in estimates.** We are cutting our 2023-25 top line forecasts (by 6% on average) to reflect a greater slowdown in the B2C business, expected to continue in 2Q23, while market demand is likely to rebound in 2H, as indicated by industry experts, also thanks to an easier comparison. Our gross margin revision is less pronounced (cut by c.4%) as the increasing weight of solutions and services brings in higher margins. Our new 2023E EBITDA projection is €96mn (2.09% margin), negatively affected by almost unchanged OpEx.
- **BUY confirmed; target €12.00 (from €13.30).** We confirm our positive view, and our appreciation of the PRT strategy of aiming for higher-margin segments. The solutions and services divisions are likely to take benefit from the continuous digitalization process; being halfway between vendors and system integrators, PRT can better intercept digital needs across private and public sectors, offering a wide range of advanced digital solutions (cloud, cybersecurity, server, storage, industrial IoT etc.). Indeed, despite a stronger than previously expected slowdown in B2C, we believe management's strategy is fully on track, as the focus remains on the value-added distribution field (solution & services), which rely on higher margins, and better dynamics in terms of WC and cashflow generation. A potential recovery from B2C is also supported by the rising installed base following pandemic habits (from one device per family to one PC per person), and the need for replacement over time. We believe the equity story continues to be driven by the multiple tailwinds powering the growth of ICT demand in Southern Europe. The stock is trading at 7.9x P/E on 2023, still at a huge discount (c.50%) to Swiss ICT distribution peer ALSO Holding despite the expected narrowing of the profitability gap between the 2 firms.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	4,691	4,684	4,572	4,862	5,142
EBITDA Adj (Eu mn)	86	91	96	113	126
Net Profit Adj (Eu mn)	44	47	50	62	70
EPS New Adj (Eu)	0.880	0.960	0.994	1.228	1.391
EPS Old Adj (Eu)	0.880	0.960	1.153	1.399	1.546
DPS (Eu)	0.540	0.540	0.497	0.614	0.695
EV/EBITDA Adj	4.8	5.5	4.3	3.1	2.0
EV/EBIT Adj	5.9	6.8	5.5	3.8	2.5
P/E Adj	9.1	8.4	8.1	6.5	5.8
Div. Yield	6.7%	6.7%	6.2%	7.7%	8.7%
Net Debt/EBITDA Adj	-2.6	0.9	0.1	-0.5	-1.2