ESPRINET

BUY

Sector: Consumers

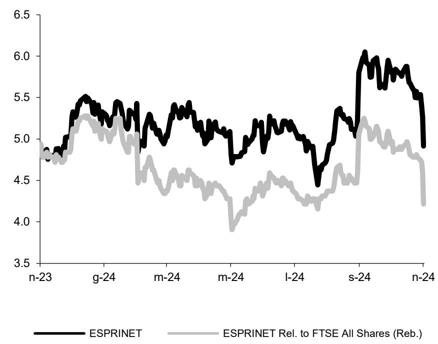
Price: Eu4.92 - **Target: Eu6.80**

GP Margin Pressure Mitigated by Faster Growth and OpEx Controls; FY Guidance Confirmed

Pietro Nargi +39-02-77115.401
pietro.nargi@intermonte.it
Andrea Randone: +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-6.0%	-5.4%	-3.8%

ESPRINET - 12M Performance



Stock Data			
Reuters code:			PRT.MI
Bloomberg code:			PRT IM
Performance	**1M**	**3M**	**12M**
Absolute	-15.3%	2.1%	-0.4%
Relative	-14.4%	-3.8%	-17.0%
12M (H/L)			6.05/4.45
3M Average Volume (th):			151.36

Shareholder Data	
No. of Ord shares (mn):	50
Total no. of shares (mn):	49
Mkt Cap Ord (Eu mn):	248
Total Mkt Cap (Eu mn):	248
Mkt Float - Ord (Eu mn):	130
Mkt Float (in %):	52.7%
Main Shareholder:	
Shareholder Agreement	25.2%

Balance Sheet Data	
Book Value (Eu mn):	393
BVPS (Eu):	7.94
P/BV:	0.6
Net Financial Position (Eu mn):	28
Enterprise Value (Eu mn):	220

For the second consecutive quarter, we are raising our revenue projections for the next three years, reflecting a recovery that is faster than initially anticipated. However, with growth leaning towards higher-volume, lower-margin segments, our gross profit estimates remain steady. While PRT faces greater-than-expected margin pressure in the device segment, we recognise its efforts to expand market share in both Italy and Spain and maintain strong control on OpEx. We expect a strong improvement in cash generation in 4Q, amid a sharp decrease in inventories and DSO. We reiterate our BUY rating and €6.80 target price.

- **Growth acceleration in 3Q.** Revenues came in at €932mn, up +11.1% YoY vs. our estimate of €910mn/+8%, highlighting an acceleration in the ICT market, with Italy (+8%) and Spain (+17%) returning to positive ground after quarters of negative growth, with both regions outperforming underlying market trends; in terms of products, Screens (+7.5% YoY) benefitted from the recovery in demand for PCs and better retail channel resilience, Devices were almost flat (+0.9% YoY), while the Solutions and Services divisions kept growing at a healthy pace, +31% and +25% respectively. By distribution channel, B2C (Retailers/e-tailers) was up +4% and the B2B segment (IT resellers) +10%.
- **Gross profit flat YoY, good OpEx control.** Gross profit was €48.9mn (+1% YoY) a 5.25% margin, a further decrease in 3Q (-55bp YoY) vs. our estimate of €49mn/5.39% margin, despite a good performance in Solutions & Services; the Device segment pricing suffered a little due to some pressure on consumer electronics spending. Adj. EBITDA was €11.6mn/1.25% margin, down c.-15bp YoY, vs. our estimate of €12.1mn/1.32% margin. At bottom line, adj. net income was €3.3mn, perfectly aligned with our estimate. NFP was negative at €344mn, c.€180mn higher than in 1H vs. our €315mn estimate, hit by seasonal WC dynamics, less recourse to factoring at €297mn (i.e. €-37mn QoQ), and higher IFRS16 related leases for the new warehouse recently opened in Italy. The cash conversion cycle (calculated as the average of the last 4 quarters) was 22 days in 3Q, down QoQ (30 days), and in line YoY. ROCE at 6.5%, vs. 7.1% in 1H23 (7.3% in 9M23), amid higher capital employed (average).
- **Call highlights.** i) Revenue expected to keep growing double-digit in 4Q, with a positive market outlook in both Italy and Spain. October and November are showing positive trends in revenues and order intake; ii) gross margin expected to be slightly lower YoY, as the very good performance in Solutions & Service, is more than offset by continuous margin pressure in the Device segment; iii) €66-71mn EBITDA guidance confirmed, final positioning within the anticipated range will depend on gross profit trends; Iv) OpEx to remain relatively flat YoY despite the integration of two smaller acquisitions finalised last year; v) expecting a sharp drop in inventory levels and DSO, as the high level of retail sales in 4Q are cashed in advance through factoring.
- **Change in estimates:** we are updating our model to factor in a further revenue growth acceleration in 4Q (now seen at +11%, in line with the 3Q figure), entirely offset on gross profit, in a quarter featuring a higher contribution from retail consumption. Our FY24 OpEx estimates remain unchanged (largely in line YoY), while below EBITDA we are lifting our assumption on depreciation due to the automation of systems for some Italian warehouse activities.

Key Figures & Ratios	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales (Eu mn)	4,684	3,985	4,163	4,350	4,527
EBITDA Adj (Eu mn)	91	64	69	76	83
Net Profit Adj (Eu mn)	47	24	23	28	32
EPS New Adj (Eu)	0.960	0.489	0.472	0.569	0.650
EPS Old Adj (Eu)	0.960	0.489	0.503	0.601	0.676
DPS (Eu)	0.540	0.000	0.236	0.341	0.390
EV/EBITDA Adj	5.5	4.6	3.2	2.7	2.1
EV/EBIT Adj	6.8	6.7	4.8	3.8	2.9
P/E Adj	5.1	10.1	10.4	8.6	7.6
Div. Yield	11.0%	0.0%	4.8%	6.9%	7.9%
Net Debt/EBITDA Adj	0.9	-0.2	-0.4	-0.6	-0.9

DISCLAIMER (for more details go to DISCLAIMER)

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the PERFORMANCE web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte is acting as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.

Intermonte is acting as financial advisor to Eagle S.p.A. and intermediary responsible for coordinating the collection of sale requests in relation to the sell-out procedure on Greenthesis S.p.A.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Aquafil, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambienthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, DHH, El.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, GPI, Greenthesis (formerly Ambienthesis), IEG, IndelB, Intred, Luve, Misitano & Stracuzzi, Mondadori, Notorious Pictures, Omer, Pharmanutra, Relatech, Reply, Revo Insurance, Reway, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, SyS-Dat Group, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performes as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider and/or Specialist and/or Corporate Broker on the following companies: Abitare In, Alkemy, Allcore, Almawave, Banca Sistema, Bifire S.P.A., B&C Speakers, Casta Diva Group, Cleanbnb, Cofle, Crowdfundme, Cube Labs, Cy4gate, Cyberoo, DHH, Digital Bros, Digital Magics, Digitouch, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Energy, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GM Leather, GPI, Green Oleo, High Quality Food, Ikonisys, Intercos, Intred, ISCC Fintech, Lemon Sistemi, Lventure Group, Maps Group, Mare Group, Masi Agricola, Matica Fintec, Misitano & Stracuzzi, Neodecortech, Notorious Pictures, Olidata, Osai Automation System, Racing Force Group, Redfish Long Term Capital, Relatech, Reti, Sciuker Frames, SG Company, Solid World Group, Spindox Digital Soul, Talea, Tamburi, Tesmec, Tinexta, TMP Group, Tps Group, Trendevice, Ulisse Biomed, Xenia Hôtellerie Solution Spa Società Benefit, Wiit, Zest.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website MiFID

Further information is available