

ESPRINET

BUY

Sector: Consumers

Price: Eu4.96 - Target: Eu6.50

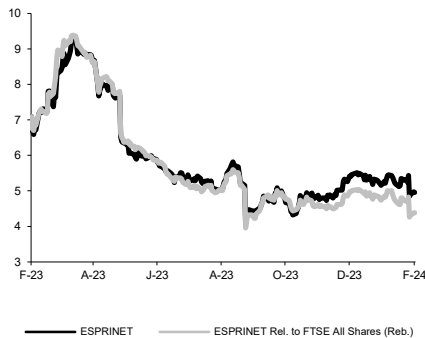
Preliminary 4Q Results: P&L Dips, Cash Flow Remains Strong

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-12.3%	-14.5%	-12.8%

Next Event
 FY23 Results Out on Mar 12

ESPRINET - 12M Performance



Stock Data			
Reuters code:	PRT.MI		
Bloomberg code:	PRT IM		
Performance	1M	3M	12M
Absolute	-3.9%	1.7%	-30.1%
Relative	-8.4%	-5.6%	-43.4%
12M (H/L)	9.24/4.07		
3M Average Volume (th):	170.53		

Shareholder Data	
No. of Ord shares (mn):	50
Total no. of shares (mn):	50
Mkt Cap Ord (Eu mn):	250
Total Mkt Cap (Eu mn):	250
Mkt Float - Ord (Eu mn):	132
Mkt Float (in %):	52.7%
Main Shareholder:	
Shareholder Agreement	25.2%

Balance Sheet Data	
Book Value (Eu mn):	386
BVPS (Eu):	7.76
P/BV:	0.6
Net Financial Position (Eu mn):	45
Enterprise Value (Eu mn):	207

- Preliminary FY23 profitability weaker than expected...**Esprinet released selected preliminary FY23 results, with revenues trending in line with estimates but profitability weaker than expected due to a slowdown in the retail segment, which continued in 4Q. In numbers, FY23 revenues came in at c.Eu4bn (-15% YoY), almost in line vs. our estimate of Eu4.04bn, which implies 4Q revenues at c.Eu1.2bn (i.e. down c.-14% YoY). FY23 domestic revenues reached c.Eu2.5bn (-9% YoY), while revenue from the Iberian subsidiary was c.Eu1.5bn (-21% YoY). The gross profit margin rose further in 4Q (quantitative figure not yet disclosed), a continuation of the trend throughout the year thanks to a strengthening of the higher added value product lines (Solutions and Services) supplied by the V-Valley division. FY23 adj. EBITDA stood at c.Eu64mn (vs. Eu91mn in FY22), with a c.1.61% margin (1.94% in FY22), below company guidance of Eu70-80mn. For 4Q, adj. EBITDA was c.Eu27mn (vs. our est. of Eu33mn), hit by the loss of volumes, which in 4Q, despite encouraging signs of recovery in October, shrank again in December due above all to the lack of re-stocking for retail customers.
- ...but delivery on cashflow was strong.** As at YE23 the NFP was c.Eu15mn (negative at c.Eu261mn in 3Q) vs. our estimate for net debt of Eu116mn, confirming the substantial reduction in NWC thanks to good control of inventories; the NFP improved by c.Eu275mn in 4Q, of which Eu150mn due to greater use of factoring, (Eu393mn vs. Eu540mn in FY22 and Eu244mn in 3Q). Looking ahead, PRT did not release any 2024 indications, with guidance usually released following 1Q results.
- Change in estimates.** We are lowering our 2023 estimates to reflect preliminary figures and reducing 2024-25E to factor in still-poor visibility on a possible recovery in retail channel consumption, which we believe may begin to materialise in 2H; we are cutting EBITDA and adj. EPS estimates by 8% and 13% on average. We expect PRT to continue its strategy to reduce days of inventories and keep generating positive cash flows.
- Closing the door on 2023, time to move forwards.** 2023 turned out to be an adverse year for PRT, marked by a gradual slowdown in market demand for PCs and smartphones, amplified by the dispute that arose with the Italian Tax Agency, later resolved through an out-of-court settlement involving a €33.2mn payment spread across 5 years. In this perfect storm, the PRT share price fell 30%, with the stock currently trading at 5x EV/adj. EBIT on 2024E. While we are aware that a possible recovery in market demand is likely to occur at a slower pace than previously assumed, we note that data provided by Gartner highlight an encouraging trend for the PC market, with a return to growth after two years of decline. We think that as one of the main distributors of PCs in Italy, Spain and Portugal, Esprinet could benefit from this new trend, fostered by the introduction of integrated AI in PCs, which in turn could accelerate the replacement rate of existing machines. We confirm our BUY rating, leaving our target price unchanged at €6.50, based on a DCF valuation with a 4% risk-free rate (from 4.5%).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	4,691	4,684	4,041	4,241	4,515
EBITDA Adj (Eu mn)	86	91	64	74	85
Net Profit Adj (Eu mn)	44	47	24	28	34
EPS New Adj (Eu)	0.880	0.960	0.483	0.556	0.687
EPS Old Adj (Eu)	0.880	0.960	0.551	0.651	0.788
DPS (Eu)	0.540	0.540	0.277	0.334	0.412
EV/EBITDA Adj	4.8	5.5	4.6	2.8	2.2
EV/EBIT Adj	5.9	6.8	6.6	3.9	3.0
P/E Adj	5.6	5.2	10.3	8.9	7.2
Div. Yield	10.9%	10.9%	5.6%	6.7%	8.3%
Net Debt/EBITDA Adj	-2.6	0.9	-0.2	-0.6	-0.8

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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.

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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.

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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

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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