

# ESPRINET

Sector: Consumers

**BUY**

Price: Eu8.31 - Target: Eu13.30

## Continuous delivery on mix and margin enhancement

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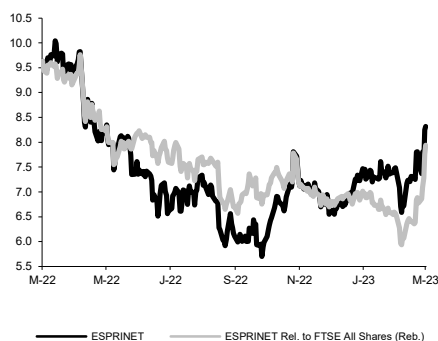
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 13.70 to 13.30		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	-2.9%	-5.5%	

### Next Event

 1Q Results Out on May 11<sup>th</sup>

### ESPRINET - 12M Performance



### Stock Data

Reuters code:	PRT.MI		
Bloomberg code:	PRT IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	12.4%	25.6%	-13.7%
Relative	20.3%	18.2%	-18.3%
12M (H/L)	10.04/5.70		
3M Average Volume (th):	173.28		

### Shareholder Data

No. of Ord shares (mn):	50
Total no. of shares (mn):	50
Mkt Cap Ord (Eu mn):	419
Total Mkt Cap (Eu mn):	419
Mkt Float - Ord (Eu mn):	221
Mkt Float (in %):	52.7%
Main Shareholder:	
Shareholder Agreement	25.2%

### Balance Sheet Data

Book Value (Eu mn):	438
BVPS (Eu):	8.68
P/BV:	1.0
Net Financial Position (Eu mn):	36
Enterprise Value (Eu mn):	1,011

- 4Q sales slightly down YoY, but well below estimates.** 4Q22 sales were €1.47bn, down -0.9% YoY (vs. Inte/cons. ests. €1.61bn/€1.53bn), hit by the marked global slowdown in PC sales demand seen in November-December. Tough market conditions were reflected mainly in the domestic market, as Italy was down -3.6% YoY, while Spain was almost flat YoY (down -0.1% YoY). Finally, Portugal & Other were up +37.6% YoY, still showing a buoyant growth rate, further consolidating PRT market share in those countries. Overall, FY22 sales were €4.83bn, down -0.1% YoY, with a rise in the incidence of B2B on sales to 62% from 55% in FY21.
- Mix rebalancing led to margin improvement.** Looking at the single business lines, screens/devices were down -8%/-5% YoY due to the sharp decline in demand for PCs in the consumer business; however, good news came from the solutions/services segments, both up high double-digit (+29%/+69% YoY), in line with PRT's strategy of continuing to gain market share in the value-added distribution field exposed to B2B spend. A strong mix boosted the gross margin to 5.21% in 4Q (+68bps YoY), and the EBITDA margin to 2.48% (+57bps YoY). EPS at €0.96 (+8% YoY), +5% vs. our estimate, with a proposed DPS of €0.54 (steady YoY) underlying a payout ratio of approx. 56% (c.61% in FY21). Negative NFP at €83mn, some €0.3bn above 3Q vs our/cons ests. of €192/€190mn net cash as WC weighed more than forecast on cash generation due to slower inventory reduction amid slowing PC sales: cash conversion cycle at 26 days in 4Q, up from 21 in 3Q22. ROCE 13% up QoQ (vs 11% in 3Q22) below our 15% est. amid higher WC.
- 2023 focus on cash conversion cycle and higher ROCE.** Management provided no guidance for the year during the call (profitability guidance will be provided with 1Q results in mid-May); however, the objective is to improve NWC, thus increasing ROCE, and focusing the strategy on higher margin segments. Market conditions to remain weak for B2C, especially for screens and devices, with revenues expected to drop double-digit in 1Q23; more optimism for B2B/advanced solutions business, likely to keep recording robust growth rates, and to increase the relative contribution to EBITDA (for the first time the EBITDA generated by the Services and Solutions business lines was higher than by Screens).
- Updated estimates.** We have cut our 2023-24 top-line forecasts (by 7% on average) to reflect the slowdown at the B2C business, almost entirely offset at EBITDA level by the increasing weight of solutions and services featuring higher margins. Our new EBITDA projection for 2024E (€123mn) is slightly below the €125mn guidance underlying the strategic plan released in November 2021, but still above market consensus. On cash flow, we expect some reversal of NWC for 2023, with a normalization of inventory days.
- BUY confirmed, TP at €13.30 (from €13.70).** We confirm our positive view, likewise 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.).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	4,691	4,684	4,841	5,186	5,477
EBITDA Adj (Eu mn)	86	91	106	123	134
Net Profit Adj (Eu mn)	44	47	58	71	78
EPS New Adj (Eu)	0.880	0.960	1.153	1.399	1.546
EPS Old Adj (Eu)	0.880	0.910	1.188	1.481	
DPS (Eu)	0.540	0.540	0.577	0.700	0.773
EV/EBITDA Adj	10.7	11.1	9.5	8.2	7.6
EV/EBIT Adj	13.2	13.7	11.6	9.7	8.9
P/E Adj	9.4	8.7	7.2	5.9	5.4
Div. Yield	6.5%	6.5%	6.9%	8.4%	9.3%
Net Debt/EBITDA Adj	-2.6	0.9	-0.3	-1.2	-1.7