

TALEA GROUP

Sector: Consumers

BUY

Price: Eu6.72 - Target: Eu11.30

FY23 to Reflect Group Reorganization; FY24 Conceals Drivers of Growth

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Stock Rating

Rating: Unchanged

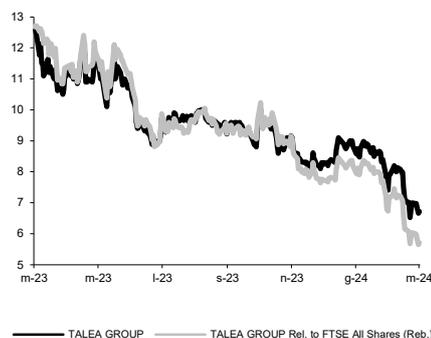
Target Price (Eu): from 13.70 to 11.30

	2023E	2024E	2025E
Chg in Adj EPS	nm	nm	-19.0%

Next Event

FY23 Results Out 28 March

TALEA GROUP - 12M Performance



Stock Data

Reuters code: TALEA.MI

Bloomberg code: TALEA IM

Performance	1M	3M	12M
Absolute	-14.9%	-19.0%	-47.0%
Relative	-22.0%	-28.8%	-64.8%
12M (H/L)		12.60/6.52	
3M Average Volume (th):		6.40	

Shareholder Data

No. of Ord shares (mn):	7
Total no. of shares (mn):	7
Mkt Cap Ord (Eu mn):	46
Total Mkt Cap (Eu mn):	46
Mkt Float - Ord (Eu mn):	11
Mkt Float (in %):	24.1%
Main Shareholder:	
RIAC Holding S.r.l.	58.6%

Balance Sheet Data

Book Value (Eu mn):	31
BVPS (Eu):	4.56
P/BV:	1.5
Net Financial Position (Eu mn):	-34
Enterprise Value (Eu mn):	80

■ **4Q revenues reflect strategy to position the differentiated brand portfolio.** On 22 February, Talea reported preliminary revenues and KPIs for 2023. The company generated adj. revenues of €136mn, up 13% YoY but lower than our €154.9mn forecast. Revenues came to €129.9mn (+13% YoY) in the Consumer area and €6.5mn (+9% YoY) in Industrial. The company reported 4Q23 revenues of €29.7mn, -19% YoY; the number of orders was down YoY but the average order value was stable at €44. Management highlighted that the 4Q23 revenue trend was the result of a deliberate strategic choice aimed at correctly positioning the diversified brand portfolio and keeping the focus on margins.

■ **2023 a year of transformation; a good start to 2024.** We are confident that the strategic reorganization Talea pursued in 2023 (entailing the rebranding as Talea; the opening of a new logistics hub, tripling group capacity; 7 acquisitions of brands and associated platforms in the last 6 months) helped the Group to define its operational scope. These actions laid the foundation for solid growth, with signals already in early 2024 as suggested by revenues up +17.4% in January, a record despite the tough comp. basis (January was the strongest month in 2023 in terms of revenue).

■ **Updating FY24 revenues in light of preliminary results.** We now see 2024 adj. revenues at €173.4mn, below our previous estimate of €187.6mn, mainly due to the weaker-than-expected 2023 result but showing strong growth (+27% YoY). Our estimate is underpinned by Consumer revenue of €163.1mn, up +26% YoY, nearly two-thirds driven by the contribution from new acquisitions and implying healthy +10% organic growth for the existing platforms. We expect Industrial sales to reach €10.3mn, up +59% YoY thanks to the monetization of data traffic from the newly acquired websites and the contribution of the recently launched Talea Media (our exp. €3.0mn revenue).

■ **FY23 EBITDA to reflect weaker sales. FY24 conceals drivers of margin improvement.** We are moving our FY23 EBITDA estimate to -€3.0mn vs. the previous €2.6mn following lower-than-expected revenues that should have prevented Talea from hitting the year-end bonus with large vendors (maintaining balanced inventory levels should have remained the priority). The lower EBITDA and the financing of the new logistics hub should have impacted the NFP; we estimate €38.4mn net debt as at YE23 (previous est. €32.1mn). In 2024, we see EBITDA improving by ~€7mn to €4.0mn thanks to: 1) solid adj. revenue growth; 2) higher visibility on the year-end bonus thanks to a less challenging starting point; 3) an improved mix thanks to a stronger contribution from high-margin businesses such as the Industrial area (Eu10.3mn, +59% YoY) and private label products (~€2.5mn revenues).

■ **BUY reiterated; TP Eu11.3 from Eu13.7.** 2023 revenue growth was weaker than we expected, but actions undertaken by management pave the way for a positive 2024 and support our investment case on the stock. Talea operates in an attractive market and can consolidate its market share, continuing to buy out small operators, as with its recent acquisitions, and exploit their data traffic through the high-margin Industrial area. We update our target price to €11.3 from €13.7 to reflect revised estimates and to include lower WACC (risk-free rate reduced from 4.5% to 4.0%).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	82	116	131	168	209
EBITDA Adj (Eu mn)	3	3	-3	4	11
Net Profit Adj (Eu mn)	0	-1	-7	-1	4
EPS New Adj (Eu)	-0.015	-0.139	-1.092	-0.160	0.589
EPS Old Adj (Eu)	-0.015	-0.139	-0.283	0.168	0.727
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	nm	nm	nm	19.9	6.9
EV/EBIT Adj	nm	nm	nm	nm	11.1
P/E Adj	nm	nm	nm	nm	11.4
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	5.2	8.5	-12.8	8.4	2.7

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- 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)

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Frequency of research: quarterly.

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

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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