

# ESPRINET

Sector: Consumers

**BUY**

Price: Eu5.24 - Target: Eu6.80

## Does Consumer Recovery Mark a Turning Point?

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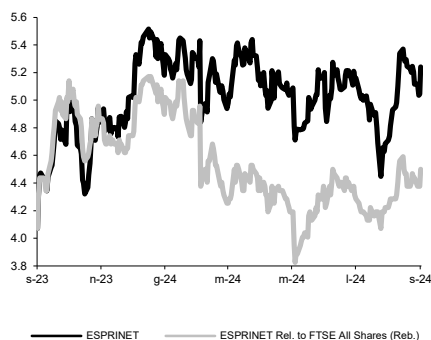
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 6.50 to 6.80		
	2024E	2025E	2026E
Chg in Adj EPS	-0.1%	0.1%	0.3%

### Next Event

 Results 3Q Results out on Nov 13<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	11.3%	0.8%	28.7%
Relative	6.8%	3.6%	12.3%
12M (H/L)	5.51/4.31		
3M Average Volume (th):	126.43		

### Shareholder Data

No. of Ord shares (mn):	50
Total no. of shares (mn):	49
Mkt Cap Ord (Eu mn):	264
Total Mkt Cap (Eu mn):	264
Mkt Float - Ord (Eu mn):	139
Mkt Float (in %):	52.7%
Main Shareholder:	
Shareholder Agreement	25.2%

### Balance Sheet Data

Book Value (Eu mn):	394
BVPS (Eu):	7.97
P/BV:	0.7
Net Financial Position (Eu mn):	64
Enterprise Value (Eu mn):	200

2Q results showed rising revenues after six quarters of decline, with a significant recovery in the consumer segment. PRT outperformed a still-stabilising market, recovering the share lost last year. The company confirmed adj. EBITDA guidance, supported by a gradual recovery in demand (also confirmed by July trend), and rigorous OpEx control. 2Q could be a turning point, with YoY comparisons not particularly challenging in the coming quarters. Our estimates remain unchanged, with our BUY recommendation confirmed and our TP raised to €6.80.

■ **First signs of demand recovery in 2Q**, especially in the consumer segment: revenues came in at €924mn, (+4% YoY), with Italy up +8%, Spain in line YoY (+2%), but improving gradually QoQ (-21% in 1Q), while a continued, marked decline was observed in Portugal, where the contribution remains minimal. By product line, Solutions recorded the highest growth (+10%), while both Screens and Devices showed a trend reversal to grow at a low single-digit rate. By customer type, B2C gross sales were up +19% (with PRT outpacing the market and recovering part of the market share lost in previous quarters), while B2B recorded a +4% increase.

■ **Rigorous OpEx control and improving cash conversion cycle**. Gross profit was €51.7mn (+1%YoY), a 5.59% margin, slightly down YoY as expected (from 5.75%), negatively affected by a worsening mix (higher volumes in a low-margin business). Adj. EBITDA was €10.3mn/ 1.12% (+9% YoY vs. Eu 9.5mn/ 1.07% in 1Q23), benefiting from fairly stable OpEx. Finally, net debt came in at €164mn (down QoQ vs. €188mn at end-March), thanks in part to greater recourse to factoring at €334mn (€290mn in 1Q24 and €364mn in 2Q23), bringing the cash conversion cycle down to 22 days, 2 fewer than in 1Q24, and 9 fewer than in 2Q23. ROCE (based on LTM adj. EBIT and LTM average invested capital) came in at 7.1%, a QoQ improvement (6.4% in 1Q24).

■ **Better market picture, guidance confirmed**: despite the ongoing stabilisation of the reference market, July results confirmed a recovery in retail customer purchases and steady growth in the B2B segment, enabling management to reaffirm FY adj. EBITDA guidance in the €66-71mn range. The market outlook has become clearer, with the domestic market continuing to outperform the Spanish market, where consumer spending in 2Q was stronger than the business segment, pending approval of the new government budget. PRT also expects a rebound in the PC market, driven by the replacement of devices bought during the pandemic and rising demand for AI-enabled devices, which accounted for 14% of demand in 2Q. While this should support ASP growth, the bulk of demand is expected in the coming years.

■ **Estimates largely unchanged, BUY confirmed, new TP €6.80**: we are raising our revenue estimates by 3% on average over the next 3 years, reflecting a faster-than-initially-expected recovery, although with a slightly weaker mix (tilted towards higher volume/lower margin segments), meaning we are leaving our gross profit estimates unchanged. We appreciate PRT's efforts to control costs and improve cash conversion dynamics, which we expect to continue in 2H. In our view, 2Q could be a turning point, with a more favourable YoY comparison ahead (2H23 revenues and EBITDA were down 17% and 26% respectively), meaning the coming quarters do not look particularly challenging. BUY rating confirmed, TP to €6.80.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	4,684	3,985	4,067	4,259	4,461
EBITDA Adj (Eu mn)	91	64	69	77	85
Net Profit Adj (Eu mn)	47	24	25	30	33
EPS New Adj (Eu)	0.960	0.489	0.503	0.601	0.676
EPS Old Adj (Eu)	0.960	0.489	0.503	0.600	0.674
DPS (Eu)	0.540	0.000	0.251	0.361	0.406
EV/EBITDA Adj	5.5	4.6	2.9	2.5	2.2
EV/EBIT Adj	6.8	6.7	4.2	3.5	3.1
P/E Adj	5.5	10.7	10.4	8.7	7.8
Div. Yield	10.3%	0.0%	4.8%	6.9%	7.7%
Net Debt/EBITDA Adj	0.9	-0.2	-0.9	-0.9	-0.9

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- 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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- 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:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
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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