

UPDATE

EQUITY RESEARCH

ISIM
NTEGRÆ

Pozzi Milano

Euronext Growth Milan | Themed Tableware | Italy

Production 11/10/2024, h. 18:30

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Rating

BUY

unchanged

Target Price

€ 1,25

prev. € 1,50

Risk

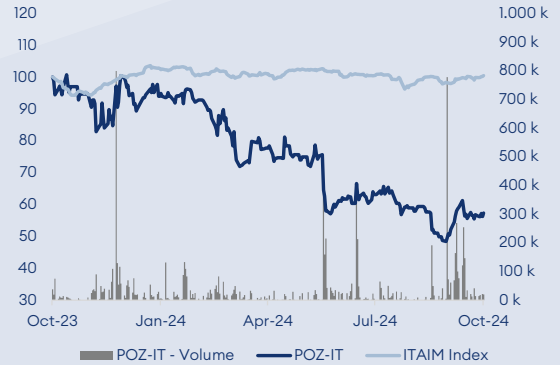


Medium

Upside potential

154,0%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 0,49
Target price	€ 1,25
Upside/(Downside) potential	154,0%
Ticker	POZ IM
Market Cap (€/mln)	€ 17,21
Enterprise Value (€/mln)	€ 18,47
Free Float	19,49%
Share Outstanding	34.846.250
52-week high	€ 1,64
52-week low	€ 0,98
Average daily volumes (3 months)	31.402,00

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Revenues	21,80	20,00	22,00	24,20
Value of Production	22,30	20,40	22,30	24,50
EBITDA	2,45	2,10	2,45	2,95
EBIT	2,05	1,70	2,05	2,55
Net Profit	1,30	0,95	1,25	1,60
EBITDA margin	11,0%	10,3%	11,0%	12,0%
EBIT margin	9,2%	8,3%	9,2%	10,4%
Net Profit margin	5,8%	4,7%	5,6%	6,5%

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Stock performance	1M	3M	6M	1Y
Absolute	-5,26%	-4,71%	-16,49%	-5,26%
to FTSE Italia Growth	-6,14%	-7,96%	-11,21%	-5,84%
to Euronext STAR Milan	-7,61%	-10,98%	-14,62%	0,41%
to FTSE All-Share	-3,15%	-2,58%	1,11%	30,29%
to EUROSTOXX	-3,39%	-5,92%	-4,02%	23,80%
to MSCI World Index	-4,56%	-4,00%	1,77%	17,42%

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	7,5x	8,8x	7,5x	6,3x
EV/EBIT	9,0x	10,9x	9,0x	7,2x
P/E	13,2x	18,1x	13,8x	10,8x

1H24A Results

In the half-year report as of June 30, 2024, Pozzi Milano reported sales of finished products totaling €9.65 million, up from €9.32 million as of June 30, 2023, marking an increase of 3.6%. EBITDA for the period amounted to €0.90 million, registering a decrease of 22.2% compared to €1.15 million in the first half of the previous year. As a result, the EBITDA margin also declined, dropping from 11.9% in 1H23A to 9.1% in the recently concluded semester. EBIT followed the same trend, decreasing from €0.93 million to €0.71 million, with an EBIT margin of 7.3% (vs. 9.6% in 1H23A). Similarly, Net Income saw a significant contraction, falling from €0.65 million to €0.32 million (-50.6%).

Estimates Update

In light of the results published in the 1H24A interim report, we are adjusting our estimates for both the current year and the coming years. In particular, we estimate a production value for FY24E of €20.40 million and EBITDA of €2.10 million. The downward revision of year-end revenues, which prudently takes into account the situation in the reference market, also affects profitability, resulting in a contraction. For the following years, we expect production value to increase to €24.50 million (CAGR: FY23A – FY26E: 3.2%) in FY26E, with EBITDA reaching €2.95 million, corresponding to a margin of 12.0%, up from €2.45 million in FY23A, corresponding to a margin of 11.0%.

Valuation Update

We conducted our valuation of the equity value of Pozzi Milano based on the DCF method. The DCF method (including, for prudential purposes, a specific risk of 2.5% in the calculation of the WACC) returned an equity value of € 43.7 million. **The target price is therefore € 1.25 (prev. € 1.50), with a BUY rating and MEDIUM risk.**

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

INCOME STATEMENT (€/mln)	FY22A	FY23E	FY24E	FY25E	FY26E
Revenues	21,53	21,80	20,00	22,00	24,20
Other Revenues	0,19	0,50	0,40	0,30	0,30
Value of Production	21,72	22,30	20,40	22,30	24,50
COGS	12,29	12,45	10,20	10,70	11,20
Services	5,08	5,20	5,50	6,25	7,25
Use Of Asset	0,49	0,45	0,55	0,60	0,65
Employees	1,52	1,60	1,80	2,00	2,10
Other Operating Expenses	0,14	0,15	0,25	0,30	0,35
EBITDA	2,19	2,45	2,10	2,45	2,95
<i>EBITDA Margin</i>	<i>10,1%</i>	<i>11,0%</i>	<i>10,3%</i>	<i>11,0%</i>	<i>12,0%</i>
D&A	0,54	0,40	0,40	0,40	0,40
EBIT	1,65	2,05	1,70	2,05	2,55
<i>EBIT Margin</i>	<i>7,6%</i>	<i>9,2%</i>	<i>8,3%</i>	<i>9,2%</i>	<i>10,4%</i>
Financial Management	(0,13)	(0,20)	(0,40)	(0,30)	(0,30)
EBT	1,52	1,85	1,30	1,75	2,25
Taxes	0,51	0,55	0,35	0,50	0,65
Net Income	1,01	1,30	0,95	1,25	1,60
BALANCE SHEET (€/mln)	FY22A	FY23E	FY24E	FY25E	FY26E
Fixed Assets	2,25	2,15	2,05	1,95	1,85
Account receivable	4,77	5,10	5,50	5,80	6,00
Inventories	4,70	4,40	5,30	5,60	6,00
Account payable	2,51	3,00	3,25	3,80	4,00
Operating Working Capital	6,96	6,50	7,55	7,60	8,00
Other receivable	1,24	1,60	1,80	2,10	1,80
Other payable	0,86	0,60	1,00	1,20	1,40
Net Working Capital	7,34	7,50	8,35	8,50	8,40
Severance Indemnities & Other Provisions	0,89	1,00	1,15	1,30	1,35
NET INVESTED CAPITAL	8,71	8,65	9,25	9,15	8,90
Share Capital	0,60	0,68	0,70	0,70	0,70
Reserves	4,41	5,42	6,72	7,67	8,92
Net Income	1,01	1,30	0,95	1,25	1,60
Equity	6,02	7,40	8,37	9,62	11,22
Cash & Cash Equivalent	3,12	1,95	2,82	3,87	5,32
Short Term Financial Debt	3,86	1,50	2,20	2,00	1,80
M/L Term Financial Debt	1,95	1,70	1,50	1,40	1,20
Net Financial Position	2,69	1,25	0,88	(0,47)	(2,32)
SOURCES	8,71	8,65	9,25	9,15	8,90

CASH FLOW (€/mln)	FY23E	FY24E	FY25E	FY26E
EBIT	2,05	1,70	2,05	2,55
Taxes	0,55	0,35	0,50	0,65
NOPAT	1,50	1,35	1,55	1,90
D&A	0,40	0,40	0,40	0,40
Change in receivable	(0,33)	(0,40)	(0,30)	(0,20)
Change in Inventories	0,30	(0,90)	(0,30)	(0,40)
Change in payable	0,49	0,25	0,55	0,20
Change in others	(0,62)	0,20	(0,10)	0,50
Change in NWC	(0,16)	(0,85)	(0,15)	0,10
Change in provisions	0,11	0,15	0,15	0,05
OPERATING CASH FLOW	1,86	1,05	1,95	2,45
Capex	(0,30)	(0,30)	(0,30)	(0,30)
FREE CASH FLOW	1,56	0,75	1,65	2,15
Financial Management	(0,20)	(0,40)	(0,30)	(0,30)
Change in Debt to Bank	(2,61)	0,50	(0,30)	(0,40)
Change in Equity	0,08	0,02	0,00	0,00
FREE CASH FLOW TO EQUITY	(1,17)	0,87	1,05	1,45

Source: Pozzi Milano and Integrae SIM estimates

Company Overview

Pozzi Milano SpA, head of the Group of the same name, is an Italian company based in Monticelli Brusati, in the Province of Brescia, which operates in the tableware and household products market, in the creation and distribution of medium to high-end themed tableware collections and gift and special occasion items. Pozzi focuses on the development of trendy solutions for the world of table fashion, leveraging the creativity of its resources, and bringing life to collections of plates, cutlery, napkins, tablecloths, serving dishes and various items with a unified decorative theme. The continuous production of new collections, on average as many as 25 per year, allows Pozzi to maintain demand, strategically renew its offerings across all distribution channels, differentiate itself from the competition, and guarantee the international success of the brand.

The distinguishing mark of the Group, which has made it possible to retain its customer portfolio over time, and generate a significant increase in sales in recent years, is EasyLife, its brand of decorated porcelain and melamine items that have been on the market for over 15 years. Collections are also launched under proprietary Pozzi brands, exploiting private labeling for the distribution of third-party manufactured products made by companies, and the Castello Pozzi brand.

1H24A Results

TABLE 2 – 1H24A VS 1H23A

(€/mln)	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H24A	9,81	0,90	9,1%	0,71	0,32	1,42
1H23A	9,71	1,15	11,9%	0,93	0,65	1,25
Change	1,0%	-22,2%	-2,7%	-23,7%	-50,6%	N.A

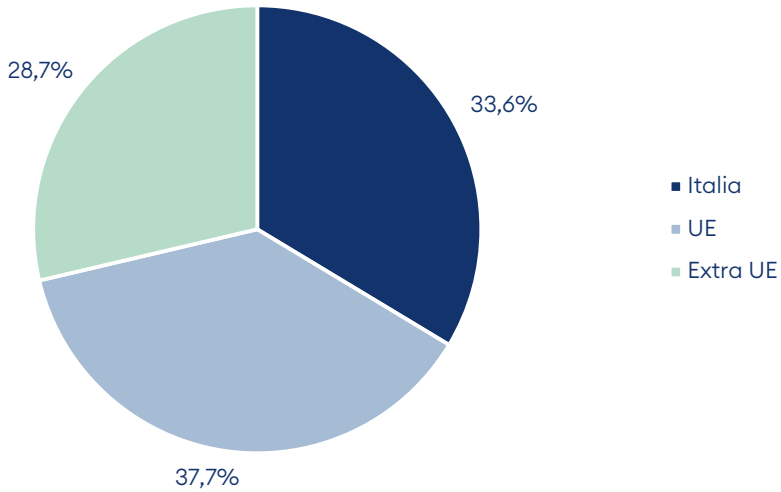
Source: Integrae SIM

Commenting on the results for the first half of 2023, Fabio Sanzogni, CEO and Vice President of Pozzi Milano SpA, stated: *“We are pleased with the results achieved this semester, which are the outcome of a diversified commercial strategy and our ongoing pursuit of collaborations that can consolidate and grow our market presence and brand awareness. Our commitment to developing new quality products in line with current trends continues, enabling us to face the market with greater confidence and innovative solutions, despite the ongoing uncertainty due to conflicts and the challenging global economic situation. Looking to the future, we are confident in seizing new opportunities and aim to reaffirm our role as a key player in the tableware sector, driven by the market’s appreciation for our products, our expertise, and our business choices.”*

In the half-year report as of June 30, 2024, Pozzi Milano reported total sales of finished products amounting to €9.65 million, up from €9.32 million as of June 30, 2023, registering an increase of 3.6%. Despite a challenging macroeconomic environment characterized by logistical difficulties and high transportation costs, the company managed to achieve positive results, supported by the expansion of the promotional channel.

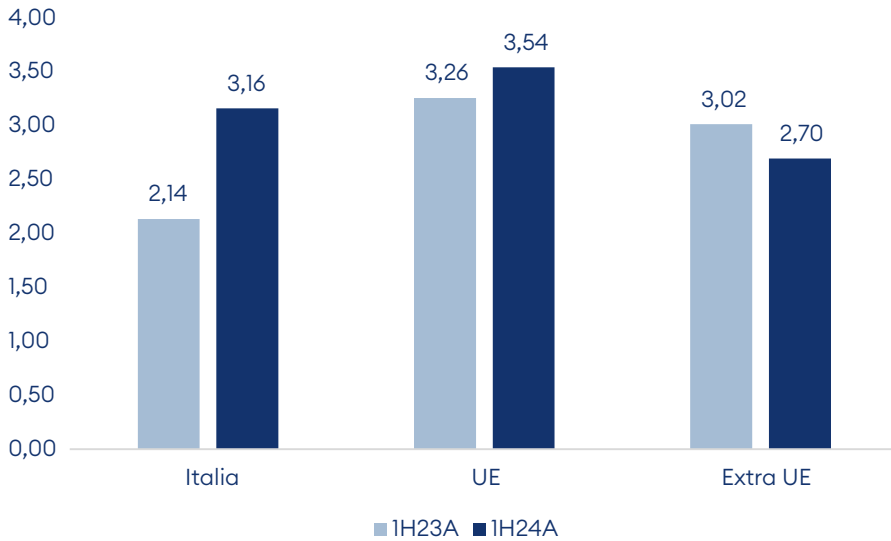
During the first half, the company further consolidated its presence in promotional markets, generating 33.6% of revenues in Italy, 37.7% of sales in European Union countries, and the remaining 28.7% in non-European markets. France once again confirmed its position as the main foreign market, with revenues accounting for 14.4% of the total, amounting to €1.33 million, bolstered by strong collaboration with the sales network active throughout the country.

CHART 1 - REVENUES BREAKDOWN BY GEOGRAPHIC AREA



Source: Pozzi Milano

CHART 2 - REVENUES BREAKDOWN BY GEOGRAPHIC AREA 1H23A VS 1H24A



Source: Pozzi Milano

Specialized and traditional retail outlets, managed both directly and through distributors, continue to represent the main distribution channel, contributing approximately 76.0% of revenue, despite the gradual advancement of digitalization. Although the online channel accounts for less than 2.0% of total sales, it plays a strategic role within the omnichannel strategy, enhancing brand awareness and promoting Pozzi Milano products.

The production value, taking into account changes in inventories of semi-finished and finished products and other revenues, amounts to €9.81 million, essentially in line (+1.0%) with 1H23A, when the value was €9.71 million.

EBITDA for the period is €0.90 million, a decrease of 22.2% compared to €1.15 million in the first half of the previous year. This decline is primarily due to higher raw material costs, which amounted to €5.64 million, up 6.5% compared to the same period last year. As a result, the EBITDA margin also declined, dropping from 11.9% in 1H23A to 9.1% in the first half of 2024.

EBIT followed the same trend, falling from €0.93 million to €0.71 million, resulting in an EBIT margin of 7.3% (compared to 9.6% in 1H23A). Net Income also contracted, decreasing from €0.65 million to €0.32 million (-50.6%).

On the balance sheet, NFP remained stable, increasing slightly from €1.25 million in FY23A to €1.42 million in 1H24A, due to additional debt incurred for significant investments in creativity and the development of new collections. This confirms Pozzi Milano's commitment to innovation and quality, distinguishing traits that continue to position the company as a global leader in themed tableware. The current snapshot may negatively impact the figure, but the investments being made are fundamental for future growth, with the expectation of returning to a positive NFP by 2025.

During the first half of 2024, Pozzi Milano successfully continued to consolidate its international market presence through a well-defined commercial strategy and increasingly diversified product offering. This allowed the company to strengthen its position in the tableware sector, despite a global economic environment marked by challenges, including reduced purchasing power. The effectiveness of the policies implemented is also highlighted by the 11.8% increase in finished products sold, in contrast to a contracting market, as evidenced by the negative results reported by major players such as Villeroy & Boch and Fiskars.

In parallel, the company expanded its commercial network by participating in key international trade fairs such as HOMI in Milan and Ambiente in Frankfurt, solidifying its presence in key markets like Italy, Eastern Europe, and North America. Among notable events, in January the company renewed a commercial agreement with a well-known Mexican retail chain for a tableware supply worth approximately €1.20 million. Additionally, in January, the Board of Directors approved a framework contract with the related party Promotica, concerning the supply of porcelain and other tableware products under the brands EasyLife, "Pozzi," "Castello Pozzi," and "Pozzi Milano 1876," for a maximum amount of €4.00 million over 12 months.

Finally, the subsidiary Pozzi Brand Diffusion Srl signed a brand licensing agreement with a company linked to Abitarein SpA, a leader in residential development in Milan and listed on the Euronext STAR Milan of Borsa Italiana SpA. This agreement represents another step in Pozzi Milano's expansion and partnership strategy, further strengthening its presence in the quality design and furniture sector.

FY24E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY24E - FY26E

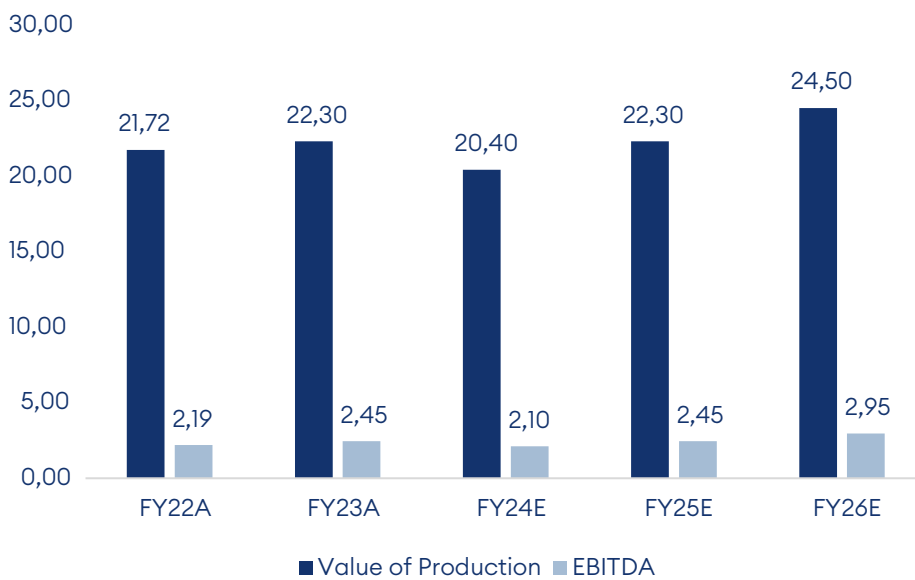
€/mln	FY24E	FY25E	FY26E
Value of production			
New	20,4	22,3	24,5
Old	23,7	25,5	30,0
Change	-13,7%	-12,5%	-18,3%
EBITDA			
New	2,1	2,5	3,0
Old	2,8	3,2	3,9
Change	-23,6%	-22,2%	-24,4%
EBITDA margin			
New	10,3%	11,0%	12,0%
Old	11,6%	12,4%	13,0%
Change	-1,3%	-1,4%	-1,0%
EBIT			
New	1,7	2,1	2,6
Old	2,4	2,8	3,5
Change	-27,7%	-25,5%	-27,1%
Net Income			
New	0,9	1,3	1,6
Old	1,5	1,8	2,3
Change	-36,7%	-30,6%	-30,4%
Net financial position			
New	0,9	(0,5)	(2,3)
Old	(0,3)	(2,1)	(4,9)
Change	n/a	n/a	n/a

Source: Integrae SIM

In light of the results published in the 1H24A interim report, we are adjusting our estimates for both the current year and the coming years.

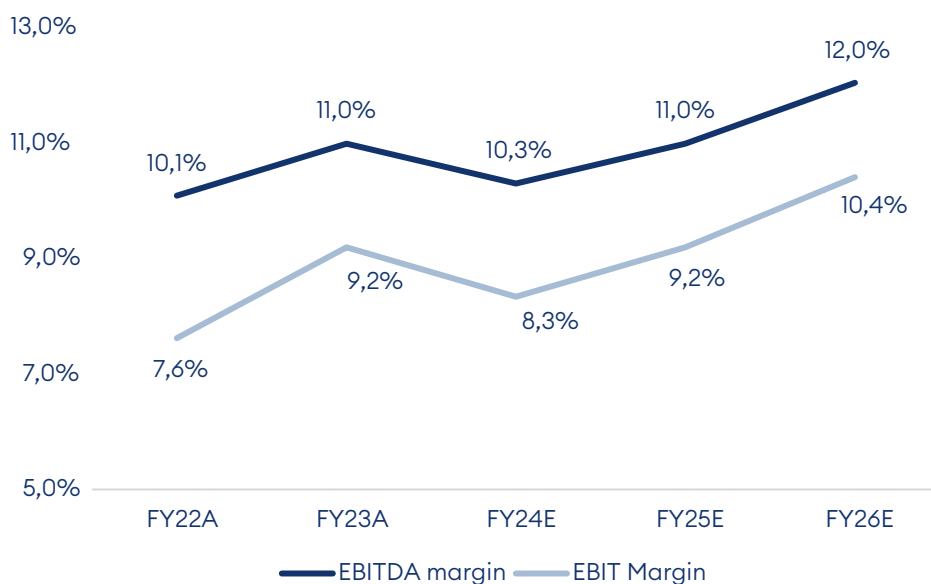
In particular, we estimate a production value for FY24E of €20.40 million and EBITDA of €2.10 million. The downward revision of year-end revenues, which prudently takes into account the situation in the reference market, also affects profitability, resulting in a contraction. For the following years, we expect production value to increase to €24.50 million (CAGR: FY23A – FY26E: 3.2%) in FY26E, with EBITDA reaching €2.95 million, corresponding to a margin of 12.0%, up from €2.45 million in FY23A, corresponding to a margin of 11.0%.

CHART 3 – VOP AND EBITDA FY22A - 26E



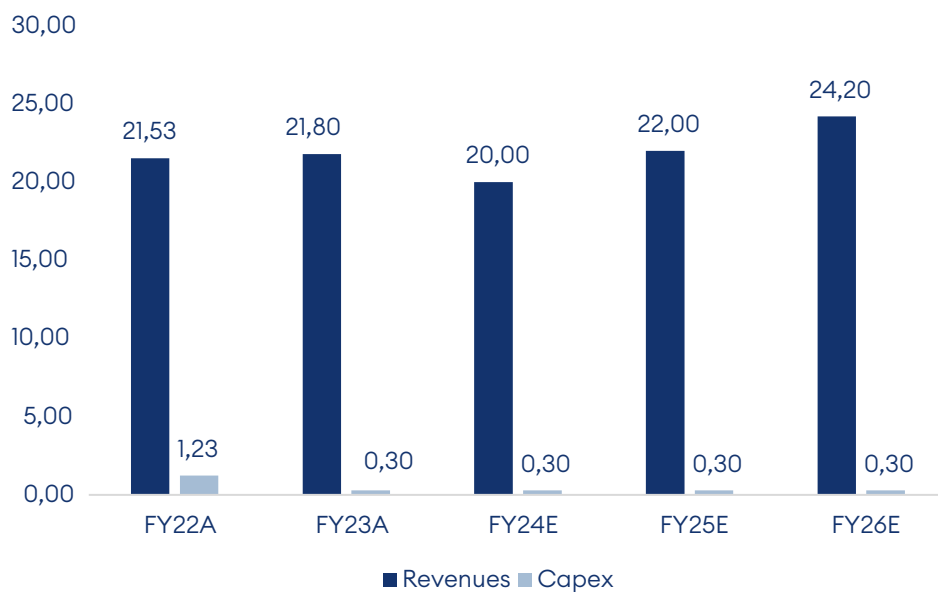
Source: Integrae SIM

CHART 4 – MARGIN FY22A - 26E



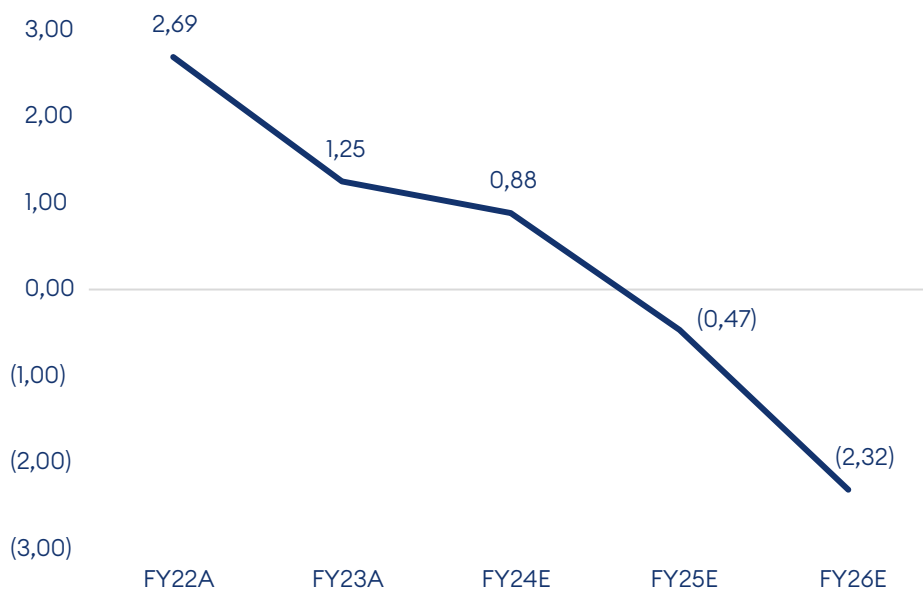
Source: Integrae SIM

CHART 5 – CAPEX FY22A - 26E



Source: Integrae SIM

CHART 6 – NFP FY22A - 26E



Source: Integrae SIM

Valuation

We conducted our valuation of the equity value of Pozzi Milano on the basis of the DCF method and multiples of a sample of comparable companies.

DCF Method

TABLE 4 – WACC

WACC			8,6%
D/E 53,85%	Risk Free Rate 2,74%	β Adjusted 1,2	α (specific risk) 2,50%
K_d 3,00%	Market Premium 6,81%	β Relevered 1,3	K_e 13,60%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%, resulting in a WACC of 8.6%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	7,9	18%
TV actualized DCF	37,1	82%
Enterprise Value	45,0	100%
NFP	1,3	
Equity Value	43,7	

Source: Integrae SIM

With the above data and based on our estimates and assumptions, the resulting equity value is €43.7 million. **The target price is therefore €1.25 (previously €1.50). We confirm a BUY rating and MEDIUM risk.**

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	WACC							
		8,1%	8,6%	9,1%	9,6%	10,1%	10,6%	11,1%
Growth Rate (g)	3,0%	69,0	62,4	56,8	52,2	48,2	44,7	41,7
	2,5%	63,5	57,8	53,0	49,0	45,4	42,4	39,7
	2,0%	58,8	53,9	49,8	46,2	43,0	40,3	37,8
	1,5%	54,8	50,6	46,9	43,7	40,9	38,4	36,2
	1,0%	51,5	47,7	44,4	41,6	39,0	36,8	34,8
	0,5%	48,5	45,2	42,2	39,7	37,3	35,3	33,4
	0,0%	45,9	42,9	40,3	37,9	35,8	33,9	32,2

Source: Integrae SIM

TABLE 7 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	18,4x	21,4x	18,4x	15,2x
EV/EBIT	21,9x	26,5x	21,9x	17,6x
P/E	33,6x	46,0x	35,0x	27,3x

Source: Integrae SIM

TABLE 8 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	7,5x	8,8x	7,5x	6,3x
EV/EBIT	9,0x	10,9x	9,0x	7,2x
P/E	13,2x	18,1x	13,8x	10,8x

Source: Integrae SIM

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Date	Price	Recommendation	Target Price	Risk	Comment
03/10/2023	1,03	Buy	1,75	Medium	Update
07/03/2024	0,75	Buy	1,75	Medium	Breaking News
16/04/2024	0,65	Buy	1,50	Medium	Update
05/08/2024	0,49	Buy	1,50	Medium	Breaking News

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The BUY, HOLD and SELL ratings are based on the Upside Potential (increase in value or return that the investment could achieve based on the current price and a future target price set by the analysts), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the upside potential may temporarily fall outside the proposed range

Upside Potential (for different risk categories)			
Rating	Low Risk	Medium Risk	High Risk
BUY	Upside \geq 7.5%	Upside \geq 10.0%	Upside \geq 15.0%
HOLD	-5.0% < Upside < 7.5%	-5.0% < Upside < 10%	0% < Upside < 15.0%
SELL	Upside \leq -5.0%	Upside \leq -5.0%	Upside \leq 0%
U.R.	Under Review		
N.R.	Not Rated		

Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRÆ SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, EV/EBIT and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integræ SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies). The estimates and opinions expressed in the publication may be subject to change without notice. Any copying and/or redistribution, in full or in part, directly or indirectly, of this document are prohibited, unless expressly authorized.

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- It plays, or has played in the last 12 months, role of specialist financial instruments issued by Pozzi Milano SpA;
- In the IPO phase, Integræ SIM played the role of global coordinator.