

UPDATE

EQUITY RESEARCH

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Pozzi Milano

Euronext Growth Milan | Themed Tableware | Italy

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Rating

BUY

unchanged

Target Price

€ 1,75

prev. € 1,55



Risk

Medium

Upside potential

21,4%

Key Financials (€/mln)	FY22A	FY23E	FY24E	FY25E
VoP	21,7	23,7	25,5	30,0
EBITDA	2,2	2,5	2,9	3,9
EBIT	1,7	2,1	2,5	3,5
Net Profit	1,0	1,4	1,6	2,3
EPS (€)	0,03	0,04	0,05	0,07
EBITDA margin	10,1%	10,4%	11,2%	13,0%
EBIT margin	7,6%	8,9%	9,6%	11,5%
Net Profit margin	4,6%	5,7%	6,3%	7,7%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 1,44
Target price	€ 1,75
Upside/(Downside) potential	21,4%
Ticker	POZ IM
Market Cap (€/mln)	€ 48,96
Enterprise Value (€/mln)	€ 51,65
Free Float	11,76%
Share Outstanding	34.000.000
52-week high	€ 1,56
52-week low	€ 0,75
Average daily volumes (3 months)	28.000

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Stock performance	1M	3M	6M	1Y
Absolute	1,41%	-3,68%	31,99%	N/A
to FTSE Italia Growth	1,51%	-3,96%	27,35%	N/A
to Euronext STAR Milan	2,62%	-8,39%	18,52%	N/A
to FTSE All-Share	2,32%	-14,62%	7,36%	N/A
to EUROSTOXX	-0,25%	-14,72%	8,27%	N/A
to MSCI World Index	-1,23%	-11,00%	20,85%	N/A

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	23,6x	21,1x	18,1x	13,2x
EV/EBIT	31,2x	24,6x	21,1x	15,0x
P/E	48,7x	36,3x	30,6x	21,3x

FY22A Results

Revenues from Sales, the Group's core business, amounted to € 21.53 million, while the Value of Production came in at € 21.72 million, compared to a 2021 value of € 18.23 million (+19.1%). EBITDA for the period amounted to € 2.19 million, again up significantly (+49.2%) compared to the 2021 figure, equal to € 1.47 million. Margins followed the same trend, reaching 10.1% of the Value of Production, compared to 8.1% in FY21A, and 9.2% in FY22E. EBIT, after amortization and depreciation of € 0.54 million, stands at € 1.65 million (+32.2% compared to FY21A). Net Income was also positive, amounting to € 1.01 million and up by 71.1% compared to the 2021 result of € 0.59 million.

Estimates Update

In light of the results published in the Interim Report for FY22A, we have adjusted our estimates for both the current year and the coming years. In particular, we estimate a Value of Production for FY23E of € 23.65 million and an EBITDA of € 2.45 million. In the following years, we expect the Value of Production to rise to € 30.00 million (CAGR: FY22A-FY25E: 11.4%) in FY25E, with EBITDA equal to € 3.90 million, corresponding to a margin of 13.3%, up from € 2.19 million in FY22A, corresponding to a margin of 10.1%.

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 equal to 2.5% in the calculation of the WACC) returned an equity value of € 59.5 million. **The target price is, therefore, equal to € 1.75 (prev. € 1.55), BUY rating and MEDIUM risk.**

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

INCOME STATEMENT (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenues	18,11	21,53	23,50	25,30	29,75
Other Revenues	0,12	0,19	0,15	0,20	0,25
Value of Production	18,23	21,72	23,65	25,50	30,00
COGS	9,50	12,29	9,95	10,50	12,20
Services	5,13	5,08	8,85	9,50	11,00
Use Of Asset	0,41	0,49	0,45	0,55	0,65
Employees	1,65	1,52	1,90	2,00	2,10
Other Operating Expenses	0,06	0,14	0,05	0,10	0,15
EBITDA	1,47	2,19	2,45	2,85	3,90
<i>EBITDA Margin</i>	<i>8,1%</i>	<i>10,1%</i>	<i>10,4%</i>	<i>11,2%</i>	<i>13,0%</i>
D&A	0,22	0,54	0,35	0,40	0,45
EBIT	1,25	1,65	2,10	2,45	3,45
<i>EBIT Margin</i>	<i>6,9%</i>	<i>7,6%</i>	<i>8,9%</i>	<i>9,6%</i>	<i>11,5%</i>
Financial Management	(0,32)	(0,13)	(0,20)	(0,20)	(0,20)
EBT	0,93	1,52	1,90	2,25	3,25
Taxes	0,35	0,51	0,55	0,65	0,95
Net Income	0,59	1,01	1,35	1,60	2,30
Net Income	1,08	0,98	1,60	2,25	2,75

BALANCE SHEET (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Fixed Assets	1,56	2,25	2,20	2,10	1,95
Account receivable	3,17	4,77	5,10	5,50	6,00
Inventories	3,12	4,70	4,40	4,65	5,00
Account payable	2,34	2,51	3,00	3,25	3,80
Operating Working Capital	3,96	6,96	6,50	6,90	7,20
Other receivable	0,56	1,24	1,60	1,80	2,10
Other payable	0,67	0,86	0,60	1,00	1,40
Net Working Capital	3,84	7,34	7,50	7,70	7,90
Severance Indemnities & Other Provisions	0,74	0,89	1,00	1,15	1,30
NET INVESTED CAPITAL	4,66	8,71	8,70	8,65	8,55
Share Capital	0,56	0,60	0,60	0,60	0,60
Reserves	1,87	4,41	5,42	6,77	8,37
Net Income	0,59	1,01	1,35	1,60	2,30
Equity	3,01	6,02	7,37	8,97	11,27
Cash & Cash Equivalent	1,28	3,12	3,77	5,12	7,12
Short Term Financial Debt	2,34	3,86	3,50	3,40	3,20
M/L Term Financial Debt	0,59	1,95	1,60	1,40	1,20
Net Financial Position	1,65	2,69	1,33	(0,32)	(2,72)
SOURCES	4,66	8,71	8,70	8,65	8,55

CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E
EBIT	1,65	2,10	2,45	3,45
Taxes	0,51	0,55	0,65	0,95
NOPAT	1,14	1,55	1,80	2,50
D&A	0,54	0,35	0,40	0,45
Change in receivable	(1,61)	(0,33)	(0,40)	(0,50)
Change in Inventories	(1,58)	0,30	(0,25)	(0,35)
Change in payable	0,17	0,49	0,25	0,55
Change in others	(0,49)	(0,62)	0,20	0,10
Change in NWC	(3,50)	(0,16)	(0,20)	(0,20)
Change in provisions	0,15	0,11	0,15	0,15
OPERATING CASH FLOW	(1,68)	1,86	2,15	2,90
Capex	(1,23)	(0,30)	(0,30)	(0,30)
FREE CASH FLOW	(2,91)	1,56	1,85	2,60
Financial Management	(0,13)	(0,20)	(0,20)	(0,20)
Change in Debt to Bank	2,88	(0,71)	(0,30)	(0,40)
Change in Equity	2,00	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	1,84	0,65	1,35	2,00

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, by leveraging the creativity of its resources, and bringing life to collections of plates, cutlery, napkins, tablecloths, serving dishes and various items united by the same 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.

FY22A Results

TABLE 2 – ACTUAL VS ESTIMATES FY22A VS FY22E

(€/mln)	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY22A	21,72	2,19	10,1%	1,65	1,01	2,69
FY22E	21,70	2,00	9,2%	1,80	1,20	1,79
Change	0,1%	9,5%	0,9%	-8,1%	-16,1%	N/A

Source: Integrae SIM

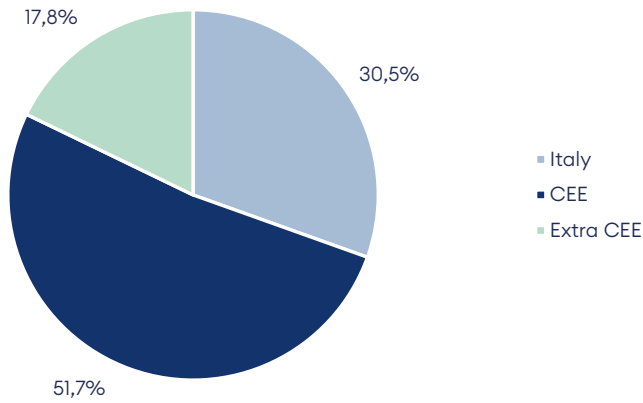
Commenting on the FY22A results, Fabio Sanzogni, Chief Executive Officer and Vice President of Pozzi Milano SpA, stated: *“It’s a year that we will remember due to the great commitment of our entire team to every sector. No-one backed down, from the team that dealt more closely with the quotation to those who saw to the launch of almost 30 new tableware collections, and those who took our creations to all continents with an export quota reaching 84%.”*

“It was an exciting year, full of challenges, starting with our stock market debut in July 2022, when we were greeted with great interest and confidence from investors. The listing brought value and reputation beyond our expectations also to the Pozzi brand, which we intend to relaunch. Our core business saw the effects of the growth of all the main indicators in full harmony with each other, starting with turnover, which reached an all-time record for our Company, well exceeding € 20 million. Thanks to careful management, in a context that is anything but simple, consisting of interest rate rises, exchange rate fluctuations, particularly the US dollar, problems in the world of international and national transport, we managed every critical point well, and all the indicators are here to prove it,” adds Diego Toscani, Chair of the Board of Directors.

Pozzi Milano, a company active in the tableware and household products market, and in the creation and distribution of themed tableware collections, recently listed on the Euro-next Growth Milan market (07/19/22), and is continuing its general growth trend, driven by the increase in turnover. Revenues from Sales, the Group’s core business, amounted to € 21.53 million, up by 18.9% compared to the figure as at December 31, 2021, equal to € 18.11 million. Revenues also accounted for the change in inventories to support sales and fulfill orders already received, amounting to € 1.49 million, compared to € 1.07 million in FY21A.

The Value of Production came in at € 21.72 million, compared to a value of € 18.23 million in 2021 (+19.1%) and consistent with the estimate of our previous report of € 21.70 million. This growth was achieved thanks to the concentrated commercial efforts on the reference market, particularly through the development of new product lines with higher added value. Of Total Sales (excluding the promotional channel), approximately 84.0% came from abroad, proving Pozzi’s ability to export Italian design to Europe and the World.

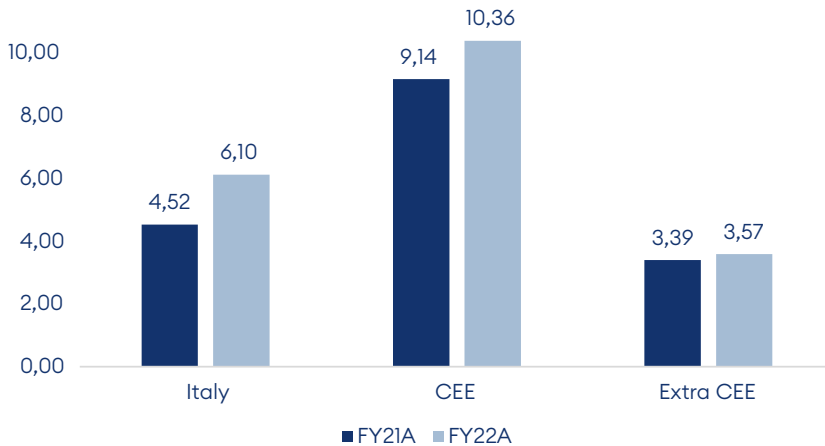
CHART 1 – REVENUES BREAKDOWN BY GEOGRAPHIC AREA



Source: Pozzi Milano

Of Total Sales Revenues, 69.5% came from abroad, proving the Company’s ability to export Italian design to Europe and the World. However, compared to FY21A, the greatest growth was driven by Revenues in Italy, which rose from € 4.52 million to € 6.10 million in the year just ended, up 35.2%, while Revenues in Europe grew by 12.4%, and Revenues in the Rest of the World grew by 5.5%.

CHART 2 – REVENUES BREAKDOWN BY GEOGRAPHIC AREA FY21A VS FY22A



Source: Pozzi Milano

EBITDA for the period amounted to € 2.19 million, again up significantly (+49.2%) compared to the 2021 figure, equal to € 1.47 million. Margins followed the same trend, reaching 10.1% of the Value of Production, compared to 8.1% in FY21A, and 9.2% in FY22E. The increase compared to last year and to our expectations is attributable to the important commercial development in 2022, including the launch of new products with greater added value.

EBIT, after amortization and depreciation of € 0.54 million, stands at € 1.65 million (+32.2% compared to FY21A), with an EBIT margin of 7.6% versus 6.9% in FY21A. Net Income was also positive, amounting to € 1.01 million and up by 71.1% compared to the 2021 result of € 0.59 million.

On the balance sheet, we note an increase in the NFP, from € 1.65 million of debt at the end of 2021 to € 2.65 million of debt for the year just ended. This deterioration is attributable to the investment of working capital, a common trend in the sector, aimed at financing growth and warding against uncertainties in procurement from Far East markets.

FY23E – FY25E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E - FY25E

€/mln	FY23E	FY24E	FY25E
VoP			
New	23,7	25,5	30,0
Old	25,5	30,1	35,0
Change	-7,1%	-15,1%	-14,3%
EBITDA			
New	2,5	2,9	3,9
Old	2,5	3,9	5,0
Change	0,0%	-26,0%	-22,0%
EBITDA %			
New	10,4%	11,2%	13,0%
Old	9,6%	12,8%	14,3%
Change	0,7%	-1,6%	-1,3%
EBIT			
New	2,1	2,5	3,5
Old	2,2	3,6	4,7
Change	-4,5%	-31,0%	-25,8%
Net Income			
New	1,4	1,6	2,3
Old	1,5	2,5	3,3
Change	-10,0%	-36,0%	-29,2%
NFP			
New	1,3	(0,3)	(2,7)
Old	0,8	(1,3)	(4,0)
Change	N/A	N/A	N/A

Source: Integrae SIM

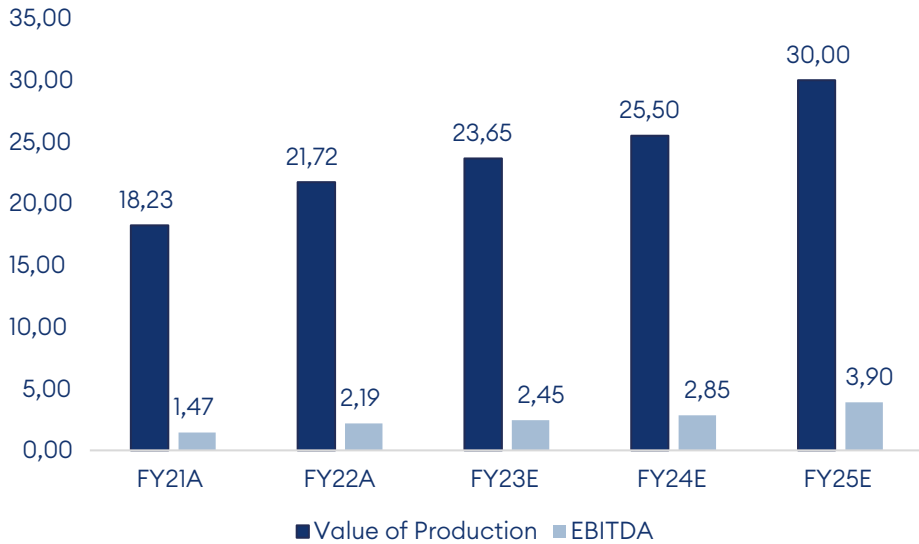
In light of the results published in the Annual Report for FY22A, we have adjusted our estimates for both the current year and the coming years.

In particular, we estimate a Value of Production for FY23E of € 23.65 million and an EBITDA of € 2.45 million. In the following years, we expect the Value of Production to rise to € 30.00 million (CAGR: FY20A–FY25E: 11.4%) in FY25E, with EBITDA equal to € 3.90 million, corresponding to a margin of 13.3%, up from € 2.19 million in FY22A, corresponding to a margin of 10.1%.

The downward revision of expectations for the coming years in terms of turnover are attributable to the persistence of international tensions and restrictive policies of central banks, which may negatively affect the size of the global market for luxury tableware. However, this should in no way affect Pozzi Milano's ability to continue along the growth path started in recent years and confirmed with its listing on the stock exchange last July.

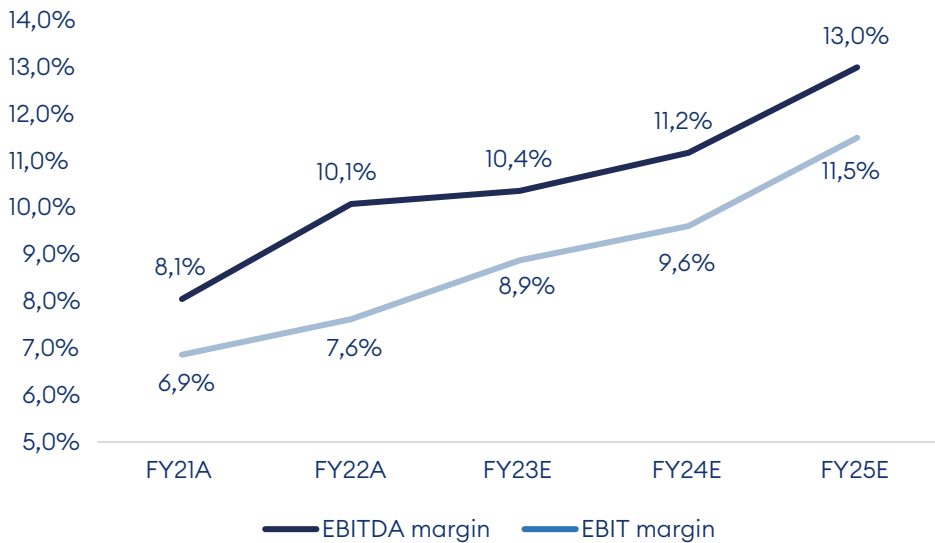
On the balance sheet, we expect to see an improvement in NFP, which, according to our estimates, will go from € 2.69 million of debt in FY22A to a positive cash value of € 2.72 million in FY25E.

CHART 3 - VOP AND EBITDA FY21A - 25E



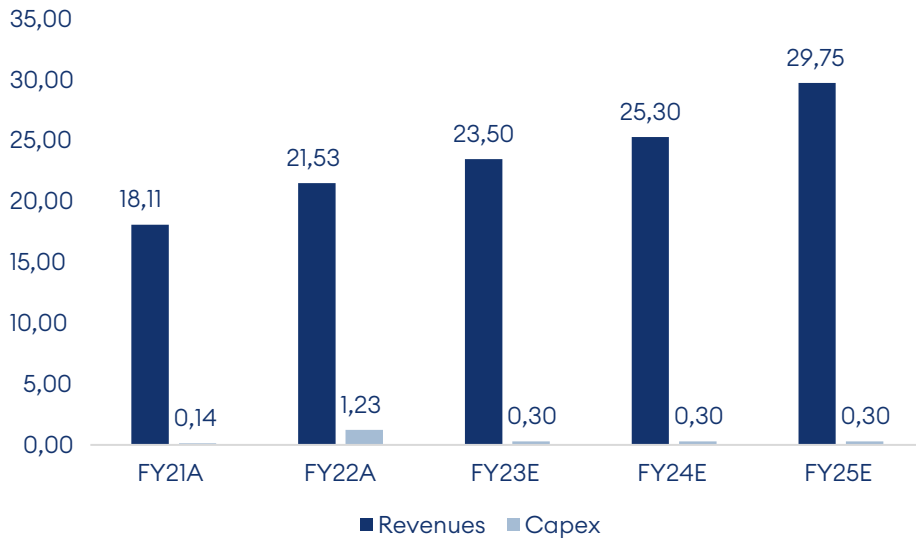
Source: Integrae SIM

CHART 4 - MARGIN FY21A - 25E



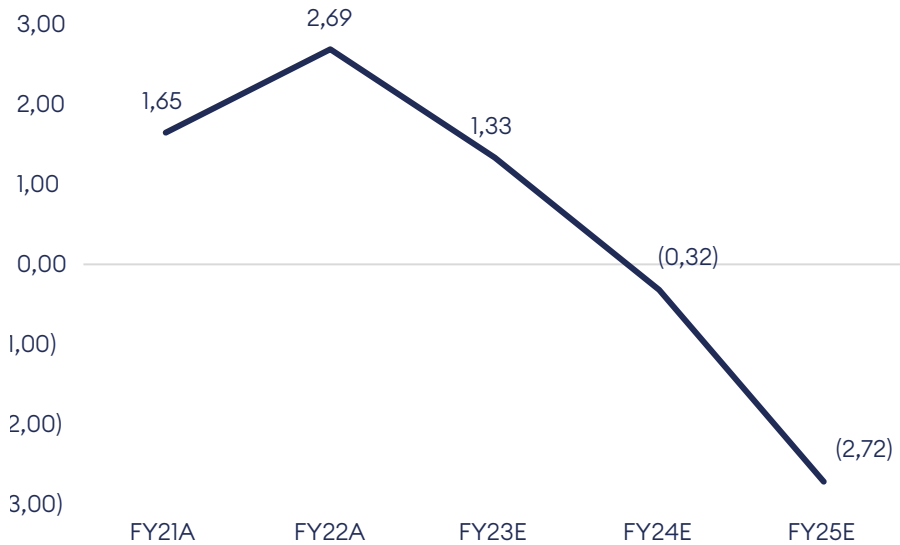
Source: Integrae SIM

CHART 5 – CAPEX FY21A - 25E



Source: Integrae SIM

CHART 6 – NFP FY21A - 25E



Source: Integrae SIM

Valuation

We conducted our valuation of the equity value of Pozzi Milano on the basis of the DCF method.

DCF Method

TABLE 4 – WACC

WACC			8,46%
D/E 100,0%	Risk Free Rate 3,51%	β Adjusted 1,0	α (specific risk) 2,50%
K_d 2,00%	Market Premium 9,73%	β Relevered 1,7	K_e 15,47%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 8,46%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	12,1	19,0%
TV actualized DCF	50,1	81,0%
Enterprise Value	62,2	100%
NFP	2,7	
Equity Value	59,5	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 59,5 mln. The target price, therefore, is € 1,75 (prev. € 1,55).**

We confirm BUY rating and MEDIUM risk.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	WACC							
		7,0%	7,5%	8,0%	8,5%	9,0%	9,5%	10,0%
Growth Rate (g)	2,5%	99,3	88,4	79,5	72,1	65,9	60,5	55,9
	2,0%	90,3	81,2	73,6	67,2	61,8	57,1	52,9
	1,5%	82,9	75,2	68,7	63,1	58,3	54,0	50,3
	1,0%	76,8	70,1	64,4	59,5	55,2	51,4	48,0
	0,5%	71,6	65,8	60,7	56,3	52,5	49,0	45,9
	0,0%	67,2	62,0	57,5	53,6	50,0	46,9	44,1
	-0,5%	63,4	58,7	54,7	51,1	47,9	45,0	42,4

Source: Integrae SIM

TABLE 7 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	28,4x	25,4x	21,8x	15,9x
EV/EBIT	37,6x	29,6x	25,4x	18,0x
P/E	38,2x	28,5x	24,0x	16,7x

Source: Integrae SIM

TABLE 8 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	23,6x	21,1x	18,1x	13,2x
EV/EBIT	31,2x	24,6x	21,1x	15,0x
P/E	48,7x	36,3x	30,6x	21,3x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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Date	Price	Recommendation	Target Price	Risk	Comment
21/07/2022	0,97	Buy	1,50	Medium	Initiation of Coverage
03/10/2022	1,08	Buy	1,55	Medium	Update
14/11/2022	1,21	Buy	1,55	Medium	Breaking News

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Equity Total Return (ETR) for different risk categories

Rating	Low Risk	Medium Risk	High Risk
BUY	ETR \geq 7.5%	ETR \geq 10%	ETR \geq 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRAE 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, 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) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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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, Integrae SIM played the role of global coordinator.