

UPDATE

EQUITY RESEARCH

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# Pozzi Milano

Euronext Growth Milan | Consumer Discretionary | Italy

Production 15/04/2024, h. 18:30

Publication 16/04/2024, h. 07:00



Rating

**BUY**

unchanged

Target Price

**€ 1,50**

prev. €1,75

Risk



Medium

Upside potential

**129,9%**

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Revenues	18,79	21,00	23,00	25,50
VoP	19,31	21,20	23,25	25,75
EBITDA	2,35	2,50	2,85	3,35
EBIT	1,90	2,05	2,35	2,85
Net Profit	1,03	1,25	1,50	1,85
EBITDA margin	12,5%	11,9%	12,4%	13,1%
EBIT margin	10,1%	9,8%	10,2%	11,2%
Net Profit margin	5,3%	5,9%	6,5%	7,2%

## Stocks performance relative to FTSE Italia Growth



### Stock Data

Price	€ 0,65
Target Price	€ 1,50
Upside/(Downside) potential	129,9%
Ticker	POZ IM
Market Cap (€/mln)	€ 22,72
EV (€/mln)	€ 24,09
Free Float	19,5%
Share Outstanding	34.846.250
52-week high	€ 1,64
52-week low	€ 0,60
Average daily volumes (3 months)	27.143

Mattia Petracca | mattia.petracca@integraesim.it

Giuseppe Riviello | giuseppe.riviello@integraesim.it

Stock performance	1M	3M	6M	1Y
Absolute	-20,3%	-21,1%	-51,4%	-54,4%
to FTSE Italia Growth	-0,4%	0,0%	-5,4%	-11,7%
to Euronext STAR Milan	0,3%	-0,7%	9,0%	-2,1%
to FTSE All-Share	7,7%	12,2%	18,7%	31,9%
to EUROSTOXX	5,1%	10,4%	18,0%	23,2%
to MSCI World Index	3,2%	8,3%	14,8%	28,2%

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	10,2x	9,6x	8,5x	7,2x
EV/EBIT	12,7x	11,8x	10,3x	8,5x
P/E	22,2x	18,2x	15,1x	12,3x

## FY23A Results

Pozzi Milano, in its financial statements as of December 31, 2023, reported sales revenues from finished products of € 18.79 million, substantially in line, net of a small decline (-12.7%), with the turnover of the previous financial year, which closed with sales revenues of € 21.53 million. EBITDA for the period came in at € 2.35 million, marking an improvement (7.5%) compared to the FY22A data, equal to € 2.19 million, due to an improvement in the sales mix. EBIT was also positive, rising from € 1.65 million to € 1.90 million, while Net Income remained stable, going from € 1.01 to € 1.03 million.

## Estimates Update

In light of the results published in the FY23A annual report, we have adjusted our estimates for both the current and the following years. In particular, we now estimate a value of production for FY24E of € 21.20 million, and an EBITDA of € 2.50 million. In the following years, we expect the value of production to reach € 25.75 million (CAGR: FY23A–FY26E: 10.1%) in FY26E, with EBITDA equal to € 3.35 million, corresponding to a margin of 13.1%, up from € 2.35 million in FY23A, corresponding to a margin of 12.5%.

## 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 € 52.23 million. **The target price is therefore € 1.50 (prev. € 1.75), with a BUY rating and MEDIUM risk.**

# Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

INCOME STATEMENT (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	21,53	18,79	21,00	23,00	25,50
Other Revenues	0,19	0,52	0,20	0,25	0,25
<b>Value of Production</b>	<b>21,72</b>	<b>19,31</b>	<b>21,20</b>	<b>23,25</b>	<b>25,75</b>
COGS	12,29	9,88	11,00	12,00	13,20
Services	5,08	4,89	5,35	5,85	6,50
Use of assets owned by others	0,49	0,47	0,50	0,55	0,60
Employees	1,52	1,54	1,60	1,70	1,80
Other operating costs	0,14	0,17	0,25	0,30	0,30
<b>EBITDA</b>	<b>2,19</b>	<b>2,35</b>	<b>2,50</b>	<b>2,85</b>	<b>3,35</b>
<i>EBITDA Margin</i>	<i>10,2%</i>	<i>12,5%</i>	<i>11,9%</i>	<i>12,4%</i>	<i>13,1%</i>
D&A	0,54	0,45	0,45	0,50	0,50
<b>EBIT</b>	<b>1,65</b>	<b>1,90</b>	<b>2,05</b>	<b>2,35</b>	<b>2,85</b>
<i>EBIT Margin</i>	<i>7,7%</i>	<i>10,1%</i>	<i>9,8%</i>	<i>10,2%</i>	<i>11,2%</i>
Financial Management	(0,13)	(0,44)	(0,30)	(0,20)	(0,20)
<b>EBT</b>	<b>1,52</b>	<b>1,46</b>	<b>1,75</b>	<b>2,15</b>	<b>2,65</b>
Taxes	0,51	0,43	0,50	0,65	0,80
<b>Net Income</b>	<b>1,01</b>	<b>1,03</b>	<b>1,25</b>	<b>1,50</b>	<b>1,85</b>

BALANCE SHEET (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Fixed Assets</b>	2,25	1,97	1,80	1,60	1,40
Account receivable	4,77	3,98	4,40	4,60	5,00
Inventories	4,70	5,57	6,10	6,60	7,50
Account payable	<b>2,51</b>	<b>2,29</b>	<b>2,65</b>	<b>3,00</b>	<b>3,50</b>
<b>Operating Working Capital</b>	6,96	7,27	7,85	8,20	9,00
Other receivable	1,24	1,15	1,35	1,50	1,70
Other payable	<b>0,86</b>	<b>0,71</b>	<b>1,10</b>	<b>1,20</b>	<b>1,40</b>
<b>Net Working Capital</b>	7,34	7,72	8,10	8,50	9,30
Severance Indemnities & Other Provisions	0,89	0,82	0,90	0,95	1,00
<b>NET INVESTED CAPITAL</b>	<b>8,71</b>	<b>8,86</b>	<b>9,00</b>	<b>9,15</b>	<b>9,70</b>

Share Capital	0,60	0,70	0,70	0,70	0,70
Reserves	4,41	5,77	6,80	8,30	10,10
Net Income	1,01	1,03	1,50	1,80	2,30
<b>Equity</b>	6,02	7,49	8,99	10,79	13,09
Cash and Cash Equivalent	<b>3,12</b>	<b>1,74</b>	<b>2,84</b>	<b>4,39</b>	<b>5,94</b>
Short term financial debt	3,86	1,71	1,50	1,45	1,35
M/L term financial debt	1,95	1,40	1,35	1,30	1,20
<b>Net Financial Position</b>	2,69	1,37	0,01	(1,64)	(3,39)
<b>SOURCES</b>	<b>8,71</b>	<b>8,86</b>	<b>9,00</b>	<b>9,15</b>	<b>9,70</b>

CASH FLOW (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	1,65	1,90	2,05	2,35	2,85
Taxes	0,51	0,43	0,50	0,65	0,80
<b>NOPAT</b>	<b>1,14</b>	<b>1,47</b>	<b>1,55</b>	<b>1,70</b>	<b>2,05</b>
D&A	0,54	0,45	0,45	0,50	0,50
Change in receivable	(3,50)	(0,37)	(0,38)	(0,40)	(0,80)
Change in inventories	(1,61)	0,79	(0,42)	(0,20)	(0,40)
Change in payable	0,17	(0,22)	0,36	0,35	0,50
Change in others	(1,58)	(0,88)	(0,53)	(0,50)	(0,90)
Change in NWC	(0,49)	(0,06)	0,19	(0,05)	0,00
Change in provisions	0,15	(0,07)	0,08	0,05	0,05
<b>OPERATING CASH FLOW</b>	<b>(1,68)</b>	<b>1,48</b>	<b>1,70</b>	<b>1,85</b>	<b>1,80</b>
Capex	(1,2)	(0,2)	(0,3)	(0,3)	(0,3)
<b>FREE CASH FLOW</b>	<b>(2,91)</b>	<b>1,31</b>	<b>1,41</b>	<b>1,55</b>	<b>1,50</b>
Financial Management and Other	(0,13)	(0,44)	(0,30)	(0,20)	(0,20)
Change in Debt	2,88	(2,70)	(0,26)	(0,10)	(0,20)
Change in Equity	2,00	0,45	0,25	0,30	0,45
<b>FREE CASH FLOW TO EQUITY</b>	<b>1,84</b>	<b>(1,38)</b>	<b>1,10</b>	<b>1,55</b>	<b>1,55</b>

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.

## FY23A Results

TABLE 2 – ACTUAL VS ESTIMATES FY23A

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY23A	19,31	2,35	12,5%	1,90	1,03	1,37
FY23E	22,30	2,45	11,2%	2,05	1,30	1,25
Change	-13,4%	-3,9%	1,3%	-7,3%	-21,1%	n/a

Source: Integrae SIM

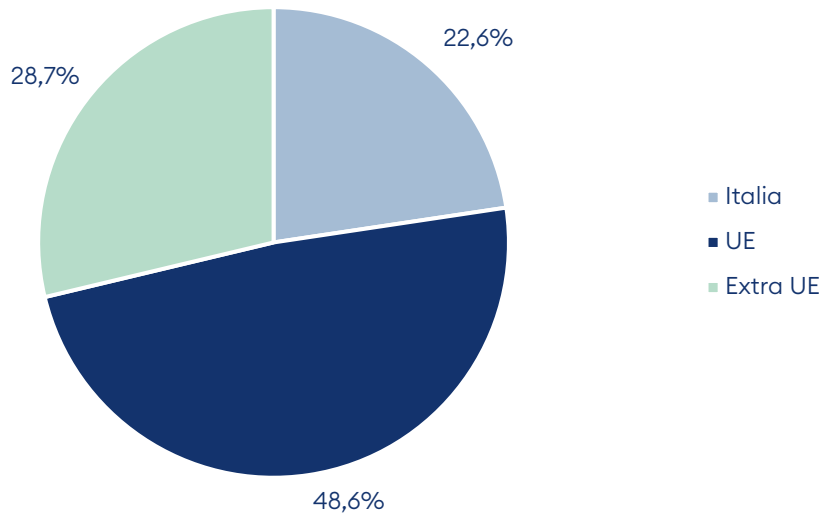
In the annual results press release, Fabio Sanzogni, CEO and Vice President of Pozzi Milano, commented: *“We are satisfied with the results achieved in 2023, which are in line with the previous year in terms of volumes, but with better margins, a clear sign of our management and operational capacity. In 2023, we continued with our growth plans and internationalization project with the aim of confirming our leading role in the global tableware sector, and in bringing ever more appreciated Italian excellence and quality to the market. We are looking forward to 2024 with renewed confidence, encouraged by the agreements signed and successes achieved in the first few months of the year”*

Pozzi Milano, in its financial statements as of December 31, 2023, reported sales revenues from finished products of € 18.79 million, slightly down (-12.7%) respect the data for FY22A, equal to € 21.53 million. The slight decline compared to the previous year is attributable to a general decline affecting the entire reference market, mainly caused by a lower purchasing power of consumers, due to higher interest rates and energy costs.

The value of production, after other revenues of € 0.52 million, including the tax credit for listing on the stock exchange, came in at € 19.31 million, compared to a value of € 21.72 million recorded at the end of FY22A, and the € 22.30 million estimated in our previous report. The slowdown suffered by the Group, shared with all players in the sector, is also attributable to the difficult macroeconomic and geopolitical situation, including the Israeli-Palestinian conflict and the critical situation in the Red Sea area.

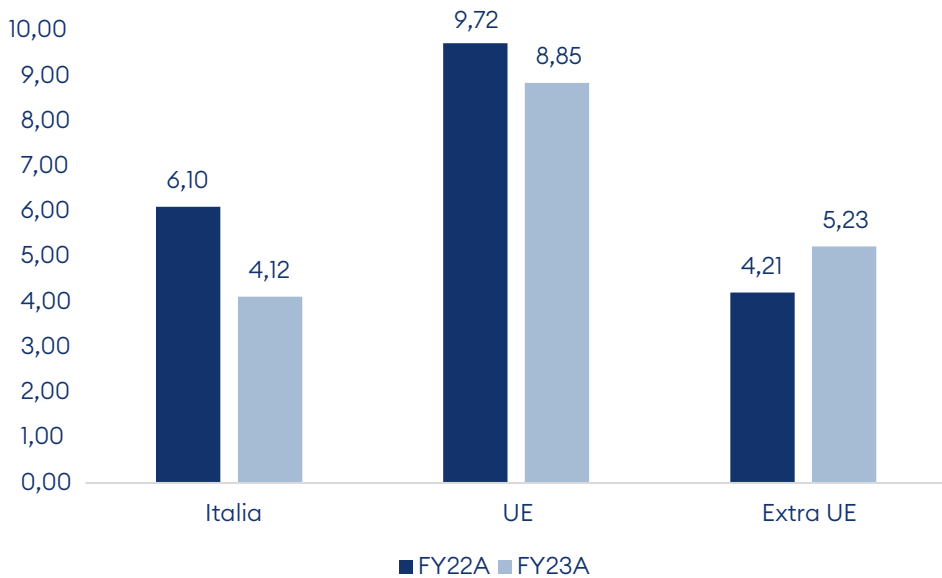
48.6% of revenues came from foreign European Union countries, while Italy contributed for a 22.6%, and the remaining 28.7% came from sales in the rest of the world. Therefore, the Europe Union continues to be the main reference market for Pozzi Milano, even though the Group increased the share of revenues coming from non-European countries in FY23A. With a view to further consolidating its market positioning, in FY23A, Pozzi Milano presented a new tableware collection at the “Ambiente” trade fair in Frankfurt. The Company also signed an agreement with Licensing Italia, a company specialized in international licensing management.

CHART 1 - REVENUES BREAKDOWN BY GEOGRAPHIC AREA



Source: Pozzi Milano

CHART 2 - REVENUES BREAKDOWN BY GEOGRAPHIC AREA FY22A VS FY23A



Source: Pozzi Milano

The positioning policy undertaken by Pozzi Milano in FY23A achieved its targets for the year regarding the new Pozzi 1876 brand, which officially entered the tableware market. In particular, the Company completed the acquisition of tableware orders with a major European retail

chain for a total value of approximately € 1.60 million.

The contract is for the supply of products for promotional purposes, at both a national and European level. Such orders demonstrate Pozzi Milano's growing influence at a European level, in both retail and promotional sectors. As a result of the efficient internationalization strategy, the contract not only consolidates the Company's presence on the European market, but also opens up new prospects for future partnerships and targeted initiatives. The main sales channel for the Company continues to be specialized and traditional stores, responsible for 89.0% of sales, despite excellent growth in digital and promotional channels. The online channel, while still marginal, is fundamental in terms of developing brand awareness and for promotional purposes.

As for brand promotion campaigns, Pozzi Milano also signed a contract with the subsidiary Forma Italia for the supply of promotional products and end-customer loyalty development. This contract has an estimated maximum value of € 3.00 million, and regards tableware products, mainly in porcelain. Furthermore, we note that the subsidiary Pozzi Brand Diffusion licensed the use of the Pozzi brand to Artigiani del Cashmere for the purposes of marketing premium cashmere items.

EBITDA for the period came at € 2.35 million, up 7.5% compared to the previous year, thanks to cost efficiencies implemented by the Company. The margin therefore increased, reaching a value of 12.5%, compared to 10.2% in FY22A.

EBIT followed the same positive trend, rising from € 1.65 million to € 1.90 million, for an EBIT margin of 10.1% (vs. 7.7% in FY22A). Net Income, on the other hand, remained stable at a value of € 1.03 million.

Pozzi Milano closed FY23A succeeding in consolidating and developing its positioning in the tableware market, as well as reacting positively to the geopolitical and macroeconomic situation. Thanks to the cash flows attributable to excellent operational management, the Group also saw an improvement in the NFP, which stands at € 1.37 million, compared to € 2.69 million in FY22A.

The year laid solid foundations for growing the brand's presence on the international scene, with operations oriented to strengthening its presence in both European and non-European markets, and to developing new opportunities for international collaborations. The Company therefore expects a growth in brand recognition and a strengthening of international commercial relations from FY24E onwards. Accordingly, in the first few months of FY24E, the Group renewed its partnership with a well-known Mexican retail chain for a tableware products order worth approximately € 1.10 million.

Pozzi Milano remains committed to its internationalization and promotional policies, and renewed, through the proprietary brand EasyLife and the licensed brands Pozzi, Castello Pozzi and Pozzi Milano 1874, the supply of home products and tableware in partnership with Promotica, for a total amount of € 4.00 million.

## FY24E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY24E-26E

€/mln	FY24E	FY25E	FY26E
<b>VoP</b>			
New	21,2	23,3	25,8
Old	23,7	25,5	30,0
Change	-10,4%	-8,8%	-14,2%
<b>EBITDA</b>			
New	2,5	2,9	3,4
Old	2,8	3,2	3,9
Change	-9,1%	-9,5%	-14,1%
<b>EBITDA %</b>			
New	11,9%	12,4%	13,1%
Old	11,7%	12,5%	13,1%
Change	0,2%	-0,1%	0,0%
<b>EBIT</b>			
New	2,1	2,4	2,9
Old	2,4	2,8	3,5
Change	-12,8%	-14,5%	-18,6%
<b>Net Income</b>			
New	1,3	1,5	1,9
Old	1,5	1,8	2,3
Change	-16,7%	-16,7%	-19,6%
<b>NFP</b>			
New	0,0	(1,6)	(3,4)
Old	(0,3)	(2,1)	(4,9)
Change	n/a	n/a	n/a

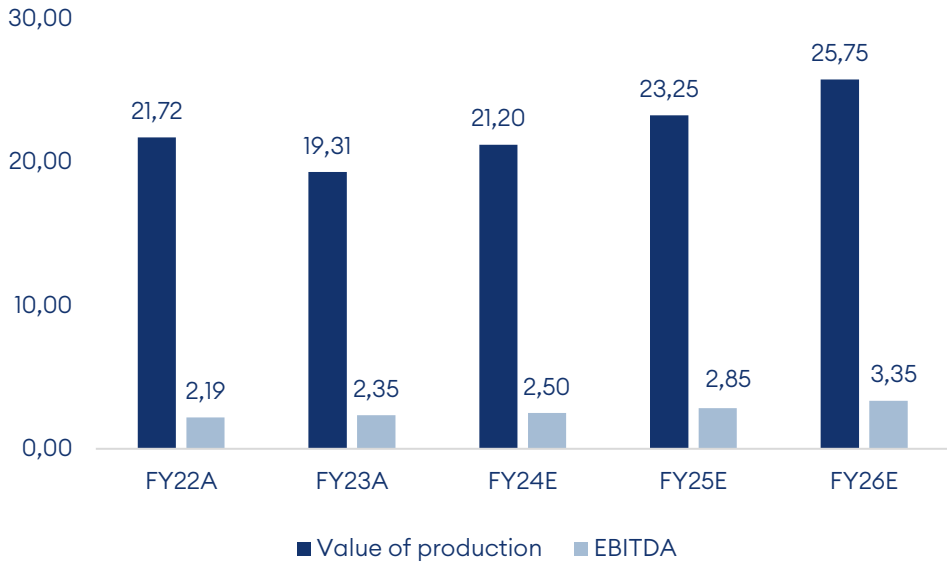
Source: Integrae SIM

In light of the results published in the annual report for FY23A, we substantially confirm our estimates for both the current year and the following years.

In particular, we estimate an FY24E value of production of € 21.20 million, and an EBITDA of € 2.50 million, corresponding to a margin of 11.9%. In the following years, we expect the value of production to reach € 25.75 million (CAGR 23A-26E: 10.1%) in FY26E, with EBITDA equal to € 3.35 million (corresponding to a margin of 13.1%), up from € 2.35 million in FY23A (corresponding to an EBITDA margin of 12.5%).

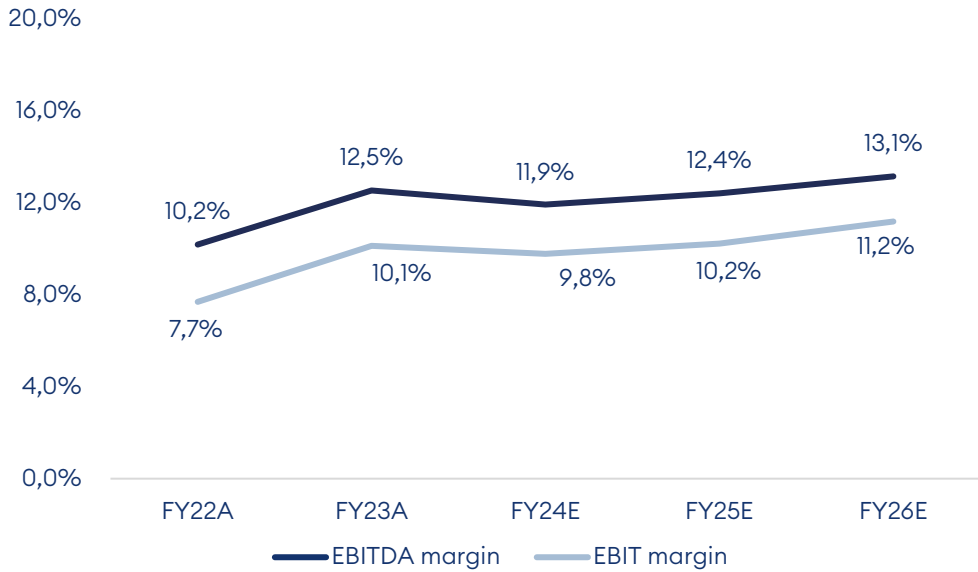


CHART 3 – VOP AND EBITDA FY22A-26E (€/MLN)



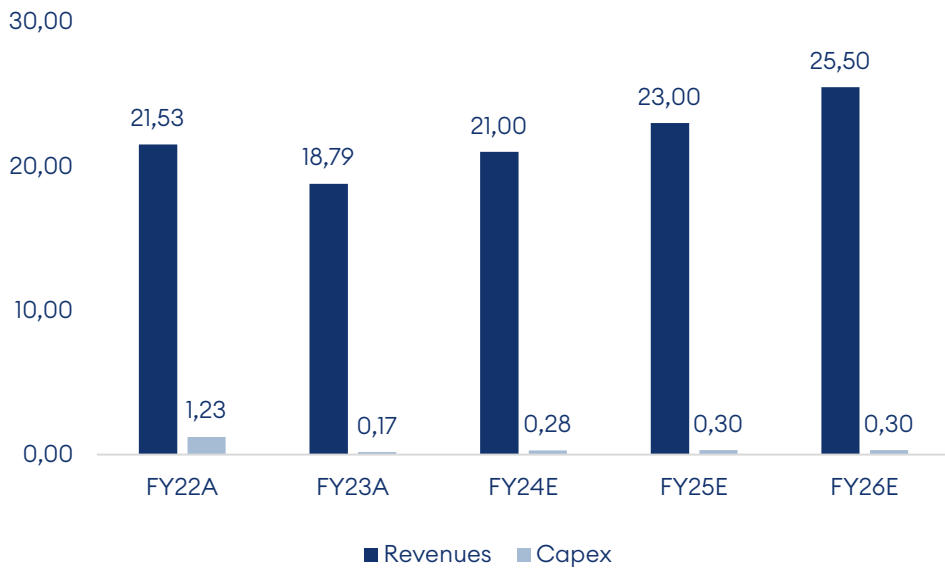
Source: Integrae SIM

CHART 4 – MARGIN FY22A-26E



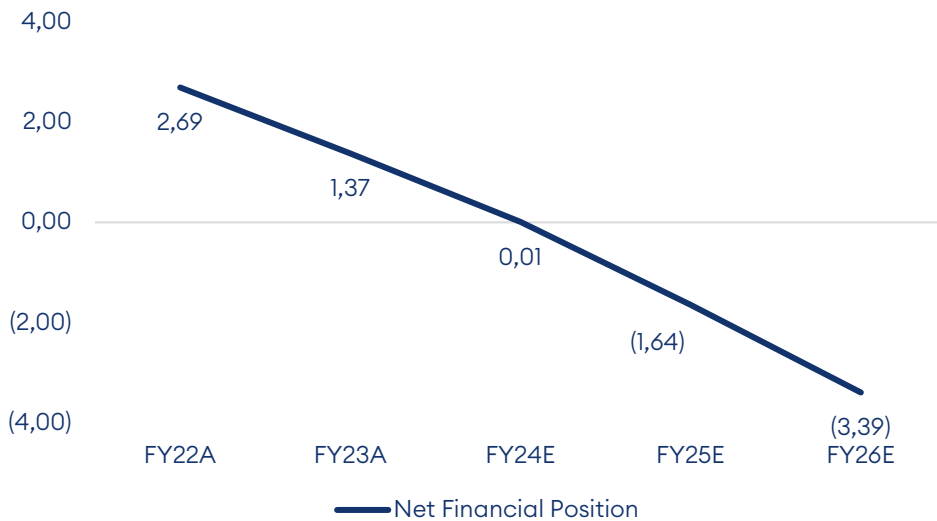
Source: Integrae SIM

CHART 5 – CAPEX FY22A-26E (€/MLN)



Source: Integrae SIM

CHART 6 – NFP FY22A-26E (€/MLN)



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			8,90%
D/E 122,2%	Risk Free Rate 3,2%	$\beta$ Adjusted 1,5	$\alpha$ (specific risk) 2,5%
Kd 3,0%	Market Premium 7,8%	$\beta$ Relevered 1,7	Ke 17,2%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 8,90%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO Actualized	9,24	17,2%
TV Actualized DCF	44,36	82,8%
<b>Enterprise Value</b>	<b>53,60</b>	<b>100,0%</b>
NFP (FY23A)	1,37	
<b>Equity Value</b>	<b>52,23</b>	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 52.23 million. The target price is therefore € 1.50 (prev. € 1.75).** **We confirm a BUY rating, and MEDIUM risk.**

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	WACC							
		7,4%	7,9%	8,4%	8,9%	9,4%	9,9%	10,4%
Growth Rate (g)	3,0%	87,1	77,6	69,8	63,4	58,0	53,4	49,5
	2,5%	79,1	71,2	64,6	59,1	54,4	50,4	46,9
	2,0%	72,6	65,9	60,2	55,4	51,3	47,7	44,6
	1,5%	67,1	61,4	56,5	52,2	48,6	45,3	42,5
	1,0%	62,5	57,5	53,2	49,4	46,1	43,2	40,7
	0,5%	58,6	54,2	50,3	47,0	44,0	41,4	39,0
	0,0%	55,2	51,3	47,8	44,8	42,1	39,7	37,5

Source: Integrae SIM

TABLE 7 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	10,2x	9,6x	8,5x	7,2x
EV/EBIT	12,7x	11,8x	10,3x	8,5x
P/E	22,2x	18,2x	15,1x	12,3x

Source: Integrae SIM

TABLE 8 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	22,8x	21,4x	18,8x	16,0x
EV/EBIT	28,2x	26,1x	22,8x	18,8x
P/E	50,9x	41,8x	34,8x	28,2x

Source: Integrae SIM

# Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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03/10/2023	1,03	Buy	1,75	Medium	Update
07/03/2024	0,75	Buy	1,75	Medium	Breaking News

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### Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the expected total return (ETR – absolute performance in the 12 months following the publication of the analysis, including the ordinary dividend paid by the company), 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 expected total return may temporarily fall outside the proposed range

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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