fidentiis EQUITIES

INDEPENDENCE OF IDEAS

22 March 2019

PRISMI (PRM-IT)

FY18 release: Sales and EBITDA continue to grow, Net debt in line. Confirmed VR €3.3-3.5/share

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Last (€)	2.3
Valuation Range (€)	3.3-3.5
Recommendation	**BUY**

- **PRISMI released its FY18 results, showing a positive release compared to the slower FY17. Net Sales and EBITDA below company expectations but due to IFRS 15 on sales and to the negative contribution of subsidiaries InGrandimenti and Wellnet on EBITDA.**
  Wellnet reported negative results due to the continuation, for most of 2018, of the start-up phase. However, operating sales of Wellnet itself as of 19 March '19 showed an increase both compared to last year (+126%) and to the budget (+28%).
  Net debt almost in line. No consensus is available. No conference call is scheduled.

- **We confirm our Buy rating and the VR of €3.3-3.5/share. PRISMI is trading at 8.6x '19 EV/EBITDA, FCF Yield 9%.**

- FY18 results in details:
- **Net Sales €20.3m, and Value of Production of €21.2m (vs. co. exp. of €21.7m), +42% YoY,** vs. FidEst. Net Sales of €20.8m, +50% YoY, Value of Production €21.9m;
- **EBITDA €2.8m (vs. co. exp. of €3.3m),** +191% YoY, vs. FidEst. €3.2m (15.5% margin), vs. €0.95m in FY17;
- **EBIT €0.7m,** vs. FidEst. €1.0m, vs. -€1.1m in FY17;
- **Net Income €-1.6m, +53% YoY**, vs. FidEst. -€1.3m, vs. -€3.4m in FY17;
- **Net Debt €25m,** vs. FidEst. €21.6m, vs.€19m in FY17.

- **Confirmed '19-23 Business Plan (already released), with the following targets, above our estimates:**
- **'19 Rev. €27.2m, Ebitda €5.3m** (vs. FidEst.: '19 Rev. €24m, Ebitda €5.2m);
- **'23 Rev. €47m, Ebitda €13.4m.**

- **Other takeaways:**
  - The subsidiary **InGrandiMenti** had a particularly intense reorganisation process and will soon be merged into PRISMI.
  - The increase YoY in the Net Debt is due to the business model that provides for instalment payments by customers and is in line with the forecasts of growth in working capital against the significant increase in sales and due to the bond issues of the "PRISMI 85 2018-2024" loan.

PRISMI ytd: -4.5%.
PRISMI is trading at 8.6x '19EV/EBITDA. '19 FCF Yield 9%.

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’19-23 Business Plan

PRISMI approved its ‘19-23 Business Plan, which is above our current estimates:
- **'19: Rev €27.2m, Ebitda €5.3m** (vs. FidEst: ’19 Rev. €24m, Ebitda €5.2m)
- **’23: Rev. €47m, Ebitda €13.4m**

Main guidelines of the Industrial Plan are:

- Constant renewal of the offer and widening of the product range, with the **launch of new products**, all with a particular focus on advanced innovation;
- Further **improvement of delivery** including a project that aims to strengthen Customer Care;
- Continuous qualitative/quantitative strengthening of the sales network, helped by appropriate **commercial synergies between Group companies and innovation in the lead generation;**
- **Optimisation of the Group's resources through the merger of InGrandiMenti into PRISMI,** now fully integrated into the production process of the Parent Company, with the consequent strengthening of the Group's in-house production to follow the growth in volumes;
- **Strengthening of Wellnet,** possibly to be speeded up also through acquisitions;
- **Significant EBITDA growth thanks to the scale effec**t and further efficiencies also linked to cost rationalisation;
- Significant **improvements in NFP/turnover and NFP/EBITDA ratios** through the use of securitisation, reduction of payment terms and growth in Wellnet. In particular, the NFP/turnover ratio goes from 1.19 in FY18 to 0.80 in 2019 and 0.36 in FY23, while the NFP/EBITDA ratio goes from 9.18x in FY18 to 4.1x in 2019 and 1.27x in FY23.

BoD also approved a securitization plan worth €20m and stated that, **in terms of M&A, the company remains focused on targets with a medium-large client base, an innovative offer, located in Northern Italy and with a turnover of more than €2.5m.**
The acquisitions would make it possible to increase the size of Wellnet, implementing cross selling and working on commercial, production, organizational and corporate synergies.

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