

GIBUS (GBUS-IT)

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BUY

Last (€) 17.00
Valuation Range (€) 23-24

Strong FY21 results, undemanding valuation

Excellent FY21 results for GIBUS, visibility for the full year remains high given the extension of government incentives until 2024 and the substantial contribution of foreign sales. We also expect that the likely recovery of the HORECA segment should provide further support to demand. Keeping a cautious approach in our estimates we project a conservative top line growth, implying a CAGR of 4.7% between 2021-2024, assuming a normalised sector trend after the initial effect of fiscal measures.

Cost management was very positive last year, while for the current year we expect a more significant impact of raw material and energy costs, reducing the Industrial Margin while nonetheless leading the Group to achieve an EBITDA margin in line with the profitability averaged over the last three years, namely around 19%.

Based on our assumptions, we deem the equity story very attractive given the undemanding valuation and strong cash generation. At current prices the stock is trading at FY22-23 EV/EBITDA multiples of 4.8-4.4x, implying a discount vs. comps of ca. 25%. We set a VR of €23-€24, that gives the stock an upside potential of ca. 38% to the mid-point.

- FY21 profitability came in much better than expected, despite the impact of raw material and energy costs.** The Company released its FY21 preliminary sales on January 14th, up by a strong +61.3% vs. FY20. A much better than expected profitability was driven by an increase in volumes and a steady shift towards higher margin products, with more efficient cost management. At bottom line level, the Group released an increase of 158% y/y, leading the Board to propose a dividend of €1/sh as well as a buyback programme of up to 20% of capital. The Group has a Net Cash Position of €17.3m from €7.3m at FY20.
- Full-year visibility remains high.** The management expects the evolution of the reference market to remain positive, foreseeing a continuation of the upward trend and trusting in a return to normality with respect to the critical issues related to the pandemic crisis. On the other hand, it is also expected that the ongoing geopolitical tensions will increase uncertainty, especially on the supply chain side, and push up the cost of raw materials and energy, especially aluminium, having already reached historically high price levels. The Mgmt. stated that list price adjustments have limited the impact on margins in 2021, forecasting a more marked impact in the current year, however confirming profitability targets in line with the average of the last three years. Regarding the direct impact of the ongoing Russian-Ukrainian conflict, the Group reiterated that Gibus does not have a distribution network in the countries affected by the war, nor does it have production facilities there.
- BUY recommendation, with a valuation range of €23.0-24.0 (from €20.0-€21.0).** On the basis of our updated estimates and peers' multiples re-rating, we set a new valuation range of €23-24 (from €20.0-€21.0) on the stock, derived from the average of a DCF (€23.1 p.s.) and a relative (€23.8 p.s.) valuation. The stock is currently trading at FY22-23 EV/EBITDA and P/E multiples of 4.8-4.4x and 8.2-7.5x respectively. We reiterate our positive stance on Gibus on the back of a strong profitability and healthy cash generation.

KEY FINANCIALS

€m	2022E	2023E	2024E
Revenues	76.4	80.2	83.4
EBITDA	14.7	16.6	17.9
EBIT	12.4	13.9	14.9
PBT	14.1	15.7	16.7
Net income	10.3	11.3	12.0
Sales growth	5.0%	5.0%	4.0%
EBITDA mg	19.3%	20.7%	21.4%
EBIT mg	16.2%	17.4%	17.9%
PER	8.2	7.5	7.0

EV VALUATIONS

€m	2022E	2023E	2024E
+ Mkt Cap	84.6	84.6	84.6
+ Net Debt	-13.7	-11.7	-10.8
- Non-core assets	0.0	0.0	0.0
+/- Other	0.0	0.0	0.0
= EV	70.9	73.0	73.9
EV/Sales (x)	0.9	0.9	0.9
EV/EBITDA (x)	4.8	4.4	4.1
EV/EBIT (x)	5.7	5.2	4.9
EV/IC (x)	3.0	2.3	1.9

GBUS vs. FTSE-MIB



Source: Bestinver Securities & Factset

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■ FY21 Results

The Company released its FY21 preliminary sales on January 14th, up by a strong +61.3% vs. FY20 to €72.7mn. The high-end luxury segment recorded revenues of €32.4mn, +65.2% y/y, compared to €19.6mn at FY20, accounting for 46% of the total, plus 1% up from last year. The top line was boosted by a significant contribution from the Gibus Ateliers initiatives, in particular the 50% discount to final customers, and from resilient international sales, despite restrictions related to covid-19. Indeed, from a geographical standpoint, sales abroad were up by +33.2% y/y to €18.8mn, 25.8% of total, from €14.1mn in 2020, while the core Italian market increased by +74.1% y/y to €53.9mn from €31mn in 2020. In terms of segments: Luxury High Tech recorded an increase y/y of 70.8%, Sustainability of 52.8%, while Design reported an increase in sales by 63.7%.

Figure 1: GBUS - FY21 Results (€mn)

	FY20A	FY21A	y/y	FY21E Bestinver	A/E
Net Sales	45.1	72.7	61%	72.7	
EBITDA	8.5	18.2	115%	14.0	30%
<i>margin</i>	18.8%	25.0%		19.2%	
D&A	1.9	1.9		2.1	
EBIT	7.1	16.2	129%	11.9	36%
<i>margin</i>	16%	22.3%		16.4%	
Net Profit	5.4	14.0	158%	10.5	33%
Net Debt/(cash)	(7.3)	(17.3)		(13.0)	

Source: Company data, Bestinver Securities estimates

In terms of profitability, the Group EBITDA recorded an increase of 115% y/y to €18.2mn, with 25.0% margin, vs. Bestinver Est. of €14.0m and 19.2% margin. The much better than expected profitability was driven by an increase in volumes and a steady shift towards higher margin products, with more efficient cost management. The Industrial Margin was at 48.2%, vs. 48.6% in 2020, and the Contribution Margin at 40%, vs. 38.9% in the previous year. The impact of overhead costs has been reduced and accounted for 15% vs. 20.2% in 2020. In terms of EBIT, growth was 129% y/y to €16.2mn, with 22.3% margin, vs. our estimate of €11.9mn. D&A increased slightly compared to 2020 at €2mn vs. €1.9mn in 2020, as a result of major investments made in recent years, and extraordinary income of €91k.

Net Profit was up by 158% y/y to €14.0mn vs. Bestinver Est. of €10.5mn, bringing the Company to propose a dividend of €1/sh, for ca. €5mn vs. €2.7mn of last year, accounting for a payout ratio of 35.7%, with 6.6% dividend yield.

In addition, the BoD will propose to the AGM to approve a buyback program up to 20% of the capital, the company is currently holding n° 3.800 treasury shares (0.076%).

Finally, the company holds a Net Debt / (Cash) position of -€17.3m from -€7.3m at FY20 vs. -€13.0mn Bestinver Est., after €2.5mn Capex and €2.7m dividends distributed and considering higher absorption from NWC of €5.9mn from €4.3mn in FY20.

■ Change in Estimates

In light of the Company's reported results, we revise our estimates for the current and next years, projecting a mid-single-digit linear top-line growth, and a return to normalized margins, discounting a scenario of rising costs related to higher raw material and energy prices.

Figure 2: GBUS - Change in Estimates (€mn)

	2022E			2023E		
	New	Old	% Chg	New	Old	% Chg
Revenues	76.4	68.3	12%	80.2	71.2	13%
<i>y/y</i>	<i>5.0%</i>	-6.1%		<i>5.0%</i>	4.2%	
EBITDA	14.7	12.8	15%	16.6	13.5	23%
<i>margin</i>	<i>19.3%</i>	18.7%		<i>20.7%</i>	19.0%	
EBIT	12.4	10.4	19%	13.9	10.8	29%
<i>margin</i>	<i>16.2%</i>	15.2%		<i>17.4%</i>	15.2%	
Net Income	10.3	9.1	13%	11.3	9.2	23%

Source: Company data and Bestinver Securities

Based on these assumptions we raise our revenue estimates by 12% and 13% from our old projections for 2022 and 2023 respectively, assuming top line growth for the next three years with a CAGR of 4.7%, and a return for the current year to an EBITDA margin in line with the average of the last three years.

■ Valuation

We value the company by applying multiples of comparable companies that currently show a premium of between 25% and 37% over Gibus' valuations, referring respectively to the EV/EBITDA and P/E metrics, and through a DCF model that assumes a WACC of 7.7% and terminal growth of 1%.

Figure 3: GBUS - Multiples

	EV/Sales		EV/EBITDA		EV/EBIT		P/E	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Williams-Sonoma	1.2 x	1.1 x	6.1 x	5.9 x	6.9 x	6.7 x	9.6 x	9.2 x
RH	1.8 x	1.7 x	6.3 x	5.8 x	7.0 x	6.4 x	13.8 x	12.8 x
Lowe's Companies	1.8 x	1.8 x	12.2 x	11.9 x	14.0 x	13.7 x	16.2 x	14.7 x
Balta Group	0.8 x	0.7 x	5.3 x	4.4 x	8.1 x	6.6 x	12.3 x	6.3 x
SergeFerrari Group	0.9 x	0.9 x	6.5 x	6.1 x	12.1 x	10.9 x	15.0 x	13.3 x
Somfy	3.0 x	2.6 x	12.4 x	11.0 x	15.2 x	13.4 x	19.3 x	17.9 x
Elica	0.4 x	0.4 x	3.9 x	3.2 x	6.7 x	5.0 x	10.7 x	8.5 x
Griffon Corporation	0.8 x	0.7 x	7.5 x	5.9 x	10.0 x	7.5 x	10.2 x	7.9 x
Balco Group	1.7 x	1.4 x	11.3 x	9.4 x	13.9 x	11.2 x	17.7 x	14.7 x
Tyman	1.0 x	1.0 x	6.2 x	5.8 x	7.9 x	7.3 x	9.9 x	9.3 x
Mean	1.3 x	1.2 x	7.8 x	6.9 x	10.2 x	8.9 x	13.5 x	11.4 x
Median	1.1 x	1.0 x	6.4 x	5.9 x	9.0 x	7.4 x	13.1 x	11.0 x
Gibus	0.9 x	0.9 x	4.8 x	4.4 x	5.7 x	5.2 x	8.2 x	7.5 x
Premium/Discount vs. median	-16%	-12%	-25%	-25%	-37%	-29%	-37%	-32%
GBUS @ €23-24/sh.	1.4 x	1.3 x	7.0 x	6.4 x	8.4 x	7.6 x	11.4 x	10.4 x

Source: Factset, Bestinver Securities

Figure 4: GBUS - DCF Valuation Model: Sensitivity analysis

		Terminal Growth						
		-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.2%	24.1	25.4	26.9	28.6	30.8	33.5	36.9
	6.7%	22.7	23.8	25.0	26.5	28.2	30.3	33.0
	7.2%	21.5	22.4	23.4	24.7	26.1	27.8	29.9
	7.7%	20.4	21.2	22.1	23.1	24.3	25.7	27.4
	8.2%	19.4	20.1	20.9	21.8	22.8	24.0	25.4
	8.7%	18.6	19.2	19.9	20.6	21.5	22.5	23.6
	9.2%	17.8	18.3	18.9	19.6	20.3	21.2	22.2
	9.7%	17.1	17.6	18.1	18.7	19.4	20.1	20.9

Source: Bestinver Securities estimates

Applying the above methodologies, from the average of the two outputs, we have established a Valuation Range of €23-€24, implying a potential upside around 38% compared to current market prices.

Figure 5: GBUS - Summary of Valuation Methodologies

Method	€ ps	
DCF	23.1	Hyp: 7.7% WACC, 1.0% t.g.
Multiples	23.8	EV/EBITDA and P/E Median
Fair Value	23.4	
Valuation Range	23-24	

Source: Factset, Bestinver Securities

Summarised P&L Account and key ratios

€m	2019	2020	2021	2022E	2023E	2024E
Sales	40.9	45.1	72.7	76.4	80.2	83.4
EBITDA	5.6	8.5	18.2	14.7	16.6	17.9
Depr/Prov	(1.7)	(1.4)	(1.9)	(2.3)	(2.6)	(2.9)
EBIT	3.9	7.1	16.2	12.4	13.9	14.9
Net Int.Cost	(0.1)	(0.0)	2.6	1.8	1.8	1.8
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Impairment & Other	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
PBT	3.8	7.1	18.8	14.1	15.7	16.7
Taxes	(1.1)	(1.7)	(4.8)	(3.8)	(4.4)	(4.7)
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	2.8	5.4	14.0	10.3	11.3	12.0
EPS	0.5	1.1	2.8	2.1	2.3	2.4
Sales growth	20.4%	10.2%	61.3%	5.0%	5.0%	4.0%
EBITDA growth	21.5%	50.6%	114.9%	(19.1%)	12.6%	8.0%
Net Profit growth	20.3%	97.0%	158.4%	(26.3%)	9.4%	6.5%
EBITDA margin	13.7%	18.8%	25.0%	19.3%	20.7%	21.4%
EBIT margin	9.6%	15.7%	22.3%	16.2%	17.4%	17.9%
Net Pr. Margin	6.7%	12.0%	19.3%	13.5%	14.1%	14.4%
Gross Int. Cover (x) (1)	30.3	1,102.5	(6.3)	(7.1)	(7.9)	(8.5)

Summarised Balance Sheet and key ratios

€m	2019	2020	2021	2022E	2023E	2024E
Fixed assets	7.9	9.3	9.8	17.4	24.8	31.8
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	5.5	5.6	8.1	8.6	8.6	8.5
Trade Receivables	7.4	8.1	12.9	13.9	14.8	15.7
Cash + S/T Invest. + Other	5.2	17.9	23.1	23.6	21.1	19.7
Total Assets	26.1	41.0	53.8	63.5	69.3	75.8
Sharehold. Equity	14.0	18.3	29.4	34.7	40.9	47.9
L-T Financial Debt	1.9	5.8	2.2	6.9	6.9	6.9
S-T Financial Debt	1.4	4.9	3.5	3.0	2.5	2.0
Trade Payables	6.6	9.5	15.1	16.4	16.3	16.2
Provisions + Other	2.1	2.6	3.6	2.4	2.6	2.7
Total Liabilities	26.0	41.0	53.8	63.5	69.3	75.8
Net Debt	(1.9)	(7.3)	(17.3)	(13.7)	(11.7)	(10.8)
WACC	7.7%	8.5%	8.3%	8.1%	8.0%	8.0%
Net Debt/Equity	(0.1)	(0.4)	(0.6)	(0.4)	(0.3)	(0.2)
ROCE (2)	23%	49%	100%	43%	34%	29%
ROE	20%	30%	48%	30%	28%	25%
ROCE/WACC (x)	3.0	5.8	11.9	5.3	4.3	3.6

Simplified Cash Flow Statement and key ratios

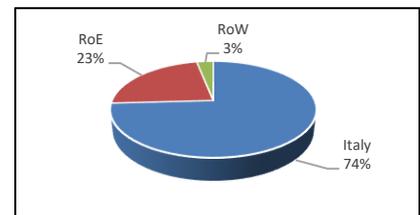
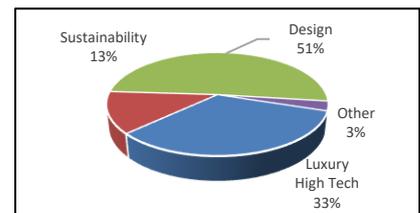
€m	2019	2020	2021	2022E	2023E	2024E
Net Profit	2.8	5.4	14.0	10.3	11.3	12.0
+ Depr. & Amortis.	1.7	1.4	1.9	2.3	2.6	2.9
+/- other	0.6	1.1	1.2	(1.1)	0.2	0.1
= Operating CF	5.0	7.9	17.1	11.5	14.1	15.1
- Change in Working K	(1.1)	2.0	(1.6)	(0.2)	(1.1)	(0.9)
- CAPEX of which	(2.1)	(3.2)	(2.5)	(10.0)	(10.0)	(10.0)
expansionary CAPEX	(0.4)	(1.8)	(0.6)	(7.7)	(7.4)	(7.1)
= FCF	1.9	6.7	13.1	1.4	3.0	4.2
- Dividends	(1.8)	(1.4)	(2.7)	(5.0)	(5.1)	(5.1)
FCF Yield (Mkt Cap)	6.3%	26.9%	20.1%	1.6%	3.6%	5.0%
FCF Yield (EV)	7.1%	38.2%	22.0%	(0.5%)	1.7%	3.3%
FCF (3)	2.3	8.5	13.6	9.0	10.4	11.3
FCF Yield (Mkt Cap)	7.6%	34.4%	21.0%	10.7%	12.3%	13.3%
FCF Yield (EV)	8.4%	48.8%	23.2%	10.3%	11.8%	12.9%

1) calculated as EBIT/Int. expenses (2) calculated as ROCE after taxes (3) calculated ex-expansionary CAPEX

(*) Source: company data and Bestinver Securities estimates

EV valuations

€m	2022E	2023E	2024E
+ Mkt Cap	84.6	84.6	84.6
+ Net Debt	-13.7	-11.7	-10.8
- Non-core assets	0.0	0.0	0.0
+/- Other	0.0	0.0	0.0
= EV	70.9	73.0	73.9
EV/Sales (x)	0.9	0.9	0.9
EV/EBITDA (x)	4.8	4.4	4.1
EV/EBIT (x)	5.7	5.2	4.9
EV/IC (x)	3.0	2.3	1.9

Geographical Sales BreakDown

Divisional Sales BreakDown

Debt Structure (€m)

Total Debt in the B. Sheet	5.7
Short Term	3.5
Long Term	2.2
<i>maturing in 24M</i>	
<i>maturing in 36M</i>	
<i>maturing in 48M or more</i>	
Cost Range	2.5%
Rating (Moody's)	
<i>Short term</i>	NA
<i>Long term</i>	NA

Estimated Off B/S Liabilities

Share Information	
Outstanding # shares (m)	5
Market Cap (€ m)	89
Avg. daily volume (€ m, last 6 months)	0.01
Free float %	16.7%
Major shareholders	
Terra Holding S.r.l.	83.3%

Management shares option scheme

% of Capital	
Nearest to vest	

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