# Triboo

Sector: Digital Services

Analysts

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# Growth potential not fully exploited yet

Triboo Group supports Italian corporates by providing eCommerce services and digital advertising / editorial solutions aimed at fully exploiting the opportunities of the digital revolution.

| | |
|---|---|
| **Fair Value (€)** | **3.36** |
| **Market Price (€)** | **2.20** |
| **Market Cap. (€m)** | **63.5** |

## FY17 a transition year. eCommerce takes the lead

FY17 has been a transition year due to both some business "bugs" in the Media division (now solved) and to the effort aimed at MTA stock market transfer that led to quite high non recurring costs. In details:

- Group Revenues saw single-digit growth (+5% YoY) with eCommerce division up a much higher +22% YoY;
- Reported EBITDA was down slightly less than 30% YoY (-20% YoY on an adjusted basis). Adj. EBITDA margin is still at a satisfactory 13.5% level;
- Balance Sheet remains well balanced despite Net Financial Position turning negative due to the consolidation of leasing contract on headquarter asset, which also lead to a valuable increase in Net Fixed Assets.

## More cautious estimates on FY18E-19E

We are lowering our top-line forecasts by roughly 10% taking into account a more cautious view given an increasing competitive scenario in the eCommerce space. Lower estimates for Revenues coupled with higher Opex imply a -22% downward revision on previous FY18E EBITDA forecast. The recently signed Aeffe contract should start positively impact as of 2H18.

## Recap on opportunities and risks

Among the positives we appreciate 1) arising cross-selling opportunities between the two divisions, 2) upcoming Extra-EU sales boost thank to new Triboo Shangai opening, 3) M&A activity to consolidate the competitive positioning. Among the main risks, we monitor a possible increasing competitive scenario in the ecommerce service business and potential disintermediation of Media agencies and Advertising concessionaries.

## Fair Value at €3.36 per share (down from previous €4.0)

We update our valuation on Triboo at **€3.36 fair value per share**, down vs. the previous €4.0, incorporating on one side a little reduction in peers multiples and on the other one a lower WACC for DCF due to the current presence of Net Debt. The achievement of such fair value would imply the stock trading back at 2017 level.

| KEY FINANCIALS (€m) | 2017A | 2018E | 2019E |
|---|---|---|---|
| REVENUES | 65.3 | 70.1 | 81.7 |
| EBITDA | 7.7 | 10.4 | 12.5 |
| EBIT | 1.9 | 3.4 | 4.6 |
| NET PROFIT | 1.4 | 2.0 | 2.7 |
| EQUITY | 35.7 | 37.0 | 38.6 |
| NET FINANCIAL POS. | -7.1 | -6.3 | -3.6 |
| EPS ADJ. (€) | 0.09 | 0.09 | 0.09 |
| DPS (€) | 0.03 | 0.04 | 0.05 |

*Source: Triboo (historical figures), Value Track (2018E-19E estimates)*

| RATIOS & MULTIPLES | 2017A | 2018E | 2019E |
|---|---|---|---|
| EBITDA MARGIN (%) | 11.8% | 14.9% | 15.2% |
| EBIT MARGIN (%) | 2.9% | 4.9% | 5.6% |
| NET DEBT / EBITDA (x) | 0.9 | 0.6 | 0.3 |
| NET DEBT / EQUITY (%) | -19.9% | -17.1% | -9.3% |
| EV/EBITDA (x) | 9.2 | 6.7 | 5.4 |
| EV/EBIT (x). | 37.8 | 20.6 | 14.8 |
| P/E ADJ. (x) | 25.4 | 24.7 | 23.8 |
| DIV YIELD (%) | 1.6% | 1.8% | 2.3% |

*Source: Triboo (historical figures), Value Track (2018E-19E estimates)*

| STOCK DATA | |
|---|---|
| FAIR VALUE (€) | 3.36 |
| MARKET PRICE (€) | 2.20 |
| SHS. OUT. (m) | 28.3 |
| MARKET CAP. (€m) | 63.5 |
| FREE FLOAT (%) | 31.9 |
| AVG. -20D VOL. ('000) | 26.8 |
| RIC / BBG | TB.MI / TB IM |
| 52 WK RANGE | 2.1-3.8 |

*Source: Stock Market Data*

VALUETRACK

## Business Description

Triboo is a young digital company that provides Italian corporates with eCommerce consulting / outsourcing support and digital advertising services, also trough direct online editorial content production.

As such, Triboo can be defined as a digital ecosystem enabler helping companies at 360 degrees in their effort to maximise opportunities provided by the digital revolution.

## Key Financials

| €mn | 2017A | 2018E | 2019E |
|---|---|---|---|
| **Net Revenues** | **65.3** | **70.1** | **81.7** |
| Chg. % YoY | 5.3% | 7.3% | 16.6% |
| **EBITDA** | **7.7** | **10.4** | **12.5** |
| EBITDA Margin (% of Net Revenues) | 11.8% | 14.9% | 15.2% |
| **EBIT** | **1.9** | **3.4** | **4.6** |
| EBIT Margin (% of Net Revenues) | 2.9% | 4.9% | 5.6% |
| **Net Profit** | **1.4** | **2.0** | **2.7** |
| Chg. % YoY | -62.6% | 44.9% | 37.0% |
| **Adjusted Net Profit** | **2.5** | **2.6** | **2.7** |
| Chg. % YoY | -35.6% | 2.4% | 4.8% |
| | | | |
| **Net Fin. Position** | **-7.1** | **-6.3** | **-3.6** |
| Net Fin. Pos. / EBITDA (x) | 0.9 | 0.6 | 0.3 |
| | | | |
| Capex | -7.8 | -6.5 | -7.0 |
| **OpFCF b.t.** | **0.5** | **4.2** | **5.8** |
| OpFCF b.t. as % of EBITDA | 6.8% | 39.9% | 46.5% |

*Source: Triboo SpA (historical figures), Value Track (estimates)*

## Investment case

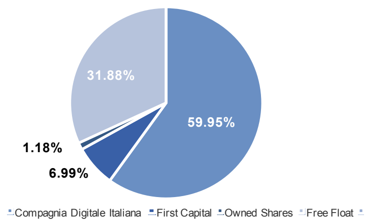
### Strengths / Opportunities

- eCommerce Service Provisioning business is highly scalable, sustained by revenue-sharing agreements, free of credit / inventory / faulted goods risks and exposed to Made in Italy success, now also in China;
- Media business leverages on wide / competitive editorial content and cutting edge technology (programmatic advertising).

### Weaknesses / Risks

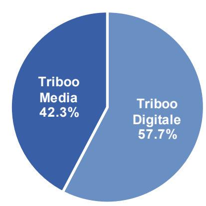
- Competition in the ecommerce service provision is increasing;
- Disintermediation of Media agencies and Advertising concessionaries.

### Shareholders structure



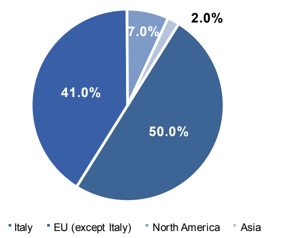

*Source: Triboo SpA*

### Sales breakdown by divisions




*Source: Triboo*

### TBD sales breakdown by geography




*Source: Triboo*

### Stock multiples @ €3.36 Fair Value

| | 2018E | 2019E |
|---|---|---|
| EV / SALES (x) | 1.4 | 1.2 |
| EV / EBITDA (x) | 9.9 | 8.1 |
| EV / EBIT (x) | 30.2 | 22.0 |
| EV / CAP.EMP. (x) | 2.3 | 2.3 |
| OpFCF Yield (%) | 3.9 | 5.5 |
| P / E (x) | 40.8 | 36.0 |
| P / BV (x) | 2.6 | 2.5 |
| Div. Yield. (%) | 1.2 | 1.5 |

*Source: Value Track*

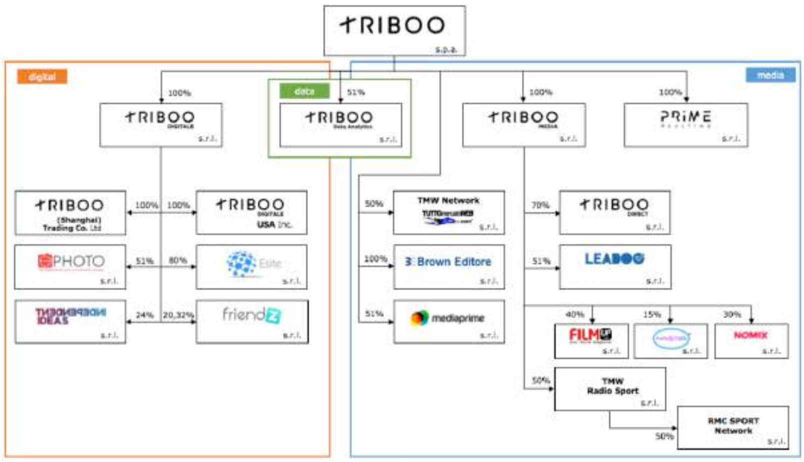
# Triboo business profile in a nutshell

### Triboo: unique digital ecosystem supporting corporates digital business

Triboo group is a B2B player offering to its clients an integrated and synergic range of services aimed at helping them to succeed in the digital world.

More specifically, Triboo is divided into **two main units** respectively dedicated to eCommerce business (**Triboo Digitale**) and Online Publishing / Advertising collection (**Triboo Media**). Both units exploit the skills of **Triboo Data Analytics**, active in both Digital and "Offline" data analytics perimeter with the aim to interpret digital data to explain online-offline retail clients' behaviour thus driving higher eCommerce sales and higher online advertising budgets.

**Triboo Group Structure**



*Source: Company Presentation*

## Triboo Digitale (€39mn Revenues 2017A): Low risk-high return model

Triboo Digitale acts as a "**one-stop-shop" eCommerce Service Provider** that currently manages **ca. 100 third-party producers' online stores**.

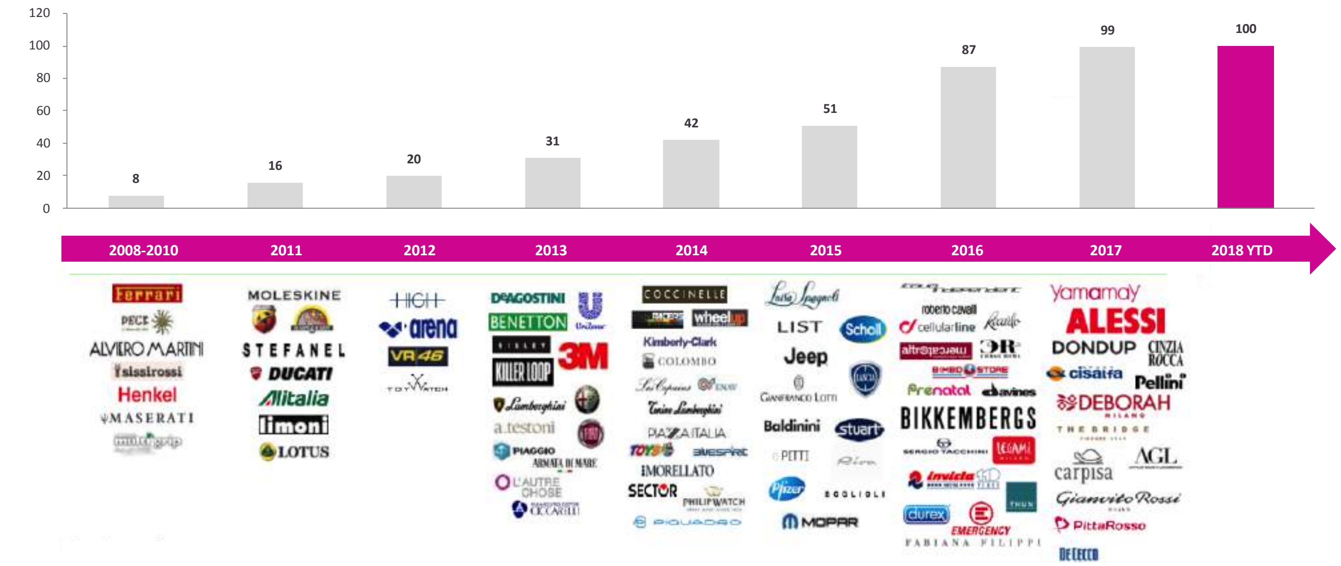
The company signs with its clients-partners **multi-year contracts** (from one to three years) offering not only marketing and strategic advisory services but also a **full outsourcing management of online sales activities** such as:

- Definition of online store development plans and implementation of online payment gateways;
- Management of online stores web presence and media activity;
- Logistics and shipping activities;
- Post-sales customer care.

### Riding the eCommerce disruption, now also in China

Through its technological platform Peanuts 2.0, Triboo Digitale covers the entire value chain of eCommerce needs of clients-partners, executing more than **700.000 orders per year** and generating more than **€81mn Gross Merchandise Value**, of which more than 45% cross-border, with material economies of scale on operating costs, logistics and payments.

**Triboo – Managed mono-brand online stores**




*Source: Company Presentation*

Despite being a business support agent and not the producer of services or products sold over the Internet, Triboo Digitale has a **direct and positive exposure to the growth of eCommerce business** of its clients-partners.

Indeed, the company charges to its clients-partners several types of fees:

- **One-off set up fee**, aimed at covering costs for the design and roll out of a new online store;
- **Additional one-off fees,** related to the above mentioned additional activities (Performance and Media Marketing, Digital Agency, Management of marketplace activity, Photo shooting of goods and more);
- **Recurring fees**, based on revenue-share agreements i.e. Triboo Digitale earns a percentage of Gross Merchandise Value (GMV) collected on the managed online stores.

As an effect of the above-mentioned fees, Triboo Digitale's revenues grow both driven by the number of stores managed and by the overall amount of online retail sales generated by these stores. Worthy of notice, Triboo Digitale has an **exclusivity mandate for selling partners' products on their online channels**.

The group now is expanding beyond the European boundaries. The newly established Triboo Shangai, which boast already 10 clients, aims to sustain the development of clients eCommerce channel in China through the management of orders, logistic, customer-care magament on main Chinese marketplaces. This newco have been recently **certified by Alibaba as unique Italian Tmall partner to ease the crossborder sales.**

## Low-risk business model

Triboo Digitale sells partners' goods on consignment through its own logistics facilities. Acting as an agent, the company benefits from the following positive business model features:

- **No credit risk.** Triboo buys the goods from partners only when the online user sends the order and collects its money as the order is confirmed;
- **No inventory risk.** Triboo is not responsible for the unsold products. On behalf of partners, Triboo can manage the sale on other channels or implement discount policies;
- **No faulted goods risk.** Triboo is the service provider, manages the returned stuff, but is not responsible for defects on products unless damages are due to shipping and logistics operations.

## Triboo Media (€28.6mn Revenues 2017A)

Triboo Media division operates in the digital space of the Italian media industry, offering such a wide range of advertising-related services and editorial content production / provisioning that only a few players are able to replicate it in Italy.

### Advertising services

Triboo Media is able to cover the whole advertising campaign lifecycle of its clients combining branding, performance, native and programmatic services.

Operations are planned and supervised by the proprietary software **Juice AdServer**, which tracks publisher results, and optimises web traffic in order to enhance the conversion rates of the advertising campaign.

More and more, Triboo Media is adopting a "two tails" way of running Ad business based on :

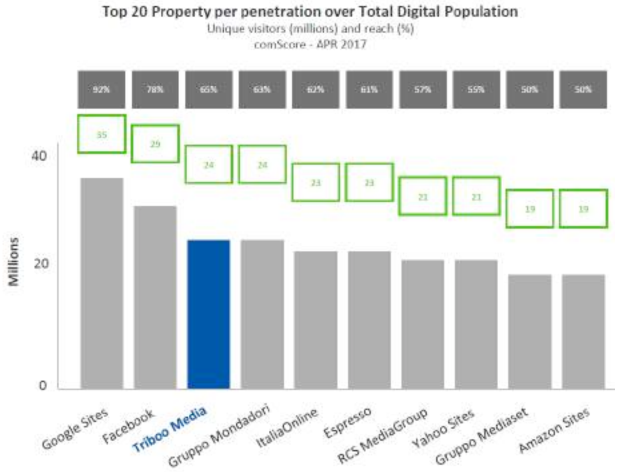
- On one side, the exploitation of **"programmatic driven" advertising services** dedicated to the long tail of the market characterised by low margin high volumes of ads;
- On the other side, the improvement of its editorial standing in order to become a **premium editor** capable to provide advertisers with tailor-made solutions and high-quality visibility.

### Multichannel Publisher

The company, leveraging on a network of **17 vertical integrated web properties**, 18 with Blogo acquisition, is able to produce over 18bn web pages and reach a notable audience. According to Comscore, **Triboo Media ranks as 3rd property per penetration with 65% reach and 24mn unique visitors**.

As far as the editorial product is concerned, Triboo Media either internally produces it or acquires it from third parties. In this latter case, the relationship with suppliers is regulated by multi-year contracts (from three to ten years) and based on revenue share formula on collected advertising sales.

**Triboo Media: Editorial portolio Brands and penetration**


*Source: Triboo*

## Data Analytics: the crucial part of the puzzle

Users generated data provide valuable insights to clients / partners, as they allow clustering information in order to know client behavioural features. That's why since the early months of 2017, **Triboo Data Analytics** is active in both Digital and "Offline" Analytics perimeter with the aim to increase conversion rates by interpreting digital data to explain online-offline retail clients' behaviour.

# Reference markets update

## eCommerce: Italy set to converge to other main European Countries

In our Initiation of coverage report on Triboo published back as of the end of November 2017 we underlined how Italy, despite being laggard if compared to more mature countries from the point of view of eCommerce development, is sharing with other coutries the secular trend of progressive shift of retail sales from offline to the online channel.

Preliminary 2017 figures allow us to confirm such a view. Indeed, focusing on B2C segment, **eCommerce turnover in Italy** increased by 16% YoY in 2015, 18% YoY in 2016 and **17% YoY to €23.6bn in 2017** (*Source: Osservatorio Digital Innov. della School of Management. del POLIMI*).

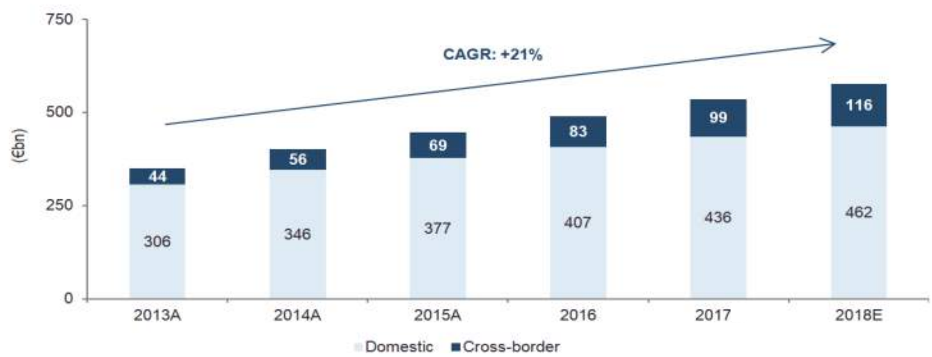
In 2017 Products purchases accounted for €12.2bn (+28% YoY) and exceeded for the first time Services, which increased 7% YoY reaching €11.4bn. The composition mix is gradually converging to the one of the most developed markets where products account for ca. 70% of the sales, driven by:

- Agreements between giant marketplaces;
- Technological innovation such as vocal assistants and Chabot;
- Boom of key recurring events (Single Day, Black Friday and Cyber Monday).

As an effect, **Italian online sales account for 5.7% of total retail purchases in 2017** (it was 4.9% in 2016), well below other European countries where eCommerce incidence is around 15%.

Another trend we highlighted back in November report was the one related to the **increasing percentage of Italian services / products sold online not only on a domestic basis but also abroad**. Well, according to the *Osservatorio*, export beyond the Italian boundaries was worth €3.5bn in 2017 and accounted for only 16% of total online sales and was mainly directed towards France, Germany and UK. This is quite common to other European countries, as Eurostat calculates that less than 20% of online clients have finalized a purchase from another European country so far, but the percentage of cross-border sales should continuously increase its weight. And **countries with strong brands, such as Italy and France, are expected to be net beneficiaries from this trend.**

**Evolution of domestic and cross-border B2C eCommerce sales in Europe**




*Source: EMOTA*

## Italian eMedia / eAdvertising market rebounding from its lows

### Ad market stance improving QoQ driven by better macro outlook

After disappointing data in the first half of the year, Italian advertising market closed 2017 up by +0.4% YoY thanks to a strong acceleration in December, when it grew 4.6%. As always, such a rebound was driven by a more robust stance of Italian economy with several upward revisions of GDP growth.

**Italian Advertising Market 2016 vs. 2017**

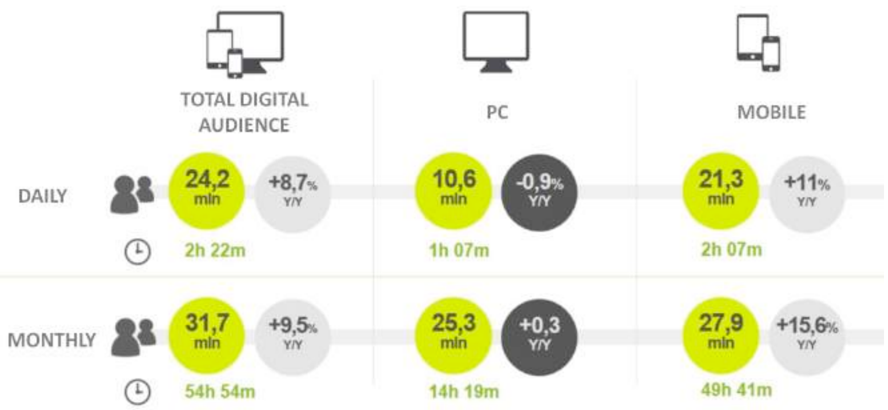
| (€mn) | 2016 | 2017 | Change (%) |
|---|---|---|---|
| Newspaper | 691.0 | 637.4 | -7.7 |
| Periodicals | 456.5 | 428.0 | -6.2 |
| TV | 3,837.1 | 3,776.3 | -1.6 |
| Radio | 384.5 | 405.1 | 5.4 |
| Internet | 448.5 | 456.1 | 1.7 |
| Outdoor | 87.5 | 77.7 | -11.2 |
| Transit | 130.6 | 137.0 | 4.9 |
| Go TV | 16.1 | 18.0 | 12.3 |
| Cinema | 19.9 | 20.4 | 2.4 |
| Direct Mail | 310.5 | 294.4 | -5.2 |
| **Total** | **6,382.1** | **6,250.7** | **-2.1** |
| **Total ex Search and Social** | | | **+0.4** |

*Source: Various*

As far as Web advertising is concerned, it grew overall by 7.7% YoY. However, isolating the effects of Search and Social **digital advertising grew +1.7% YoY** (it was -1.7% YoY in 1H17), a not very sound figure which partially explains the weak performance of Triboo Media advertising collection in the year.

Despite low investments, Italian digital audience increased almost two digits, driven by Mobile channel, which showed a +11% daily increase.

**Italian Internet Audience in 2017**




*Source: Audiweb*

As far as 2018, all hints lead to a general improvement of the Ad market scenario. Italian 2018 GDP growth is seen between 1.2% and 1.5% YoY in real terms and between 2.7% and 3.2% in nominal term,. To this we have to add the effect of football World Cup that will take place this summer, despite the absence of Italy will decrese the appeal of advertising.

**Italian GDP growth 2018E-20E estimates**

| (%) | 2018E | 2019E | 2020E |
|---|---|---|---|
| Real GDP growth | 1.5% | 1.2% | 1.2% |
| Forecasted Inflation | 1.2% | 1.6% | 2.0% |
| **Nominal GDP growth** | **2.7%** | **2.8%** | **3.2%** |

*Source: Various*

## Longer term risks remain there

While GDP remains the main growth driver for short term Ad investments, we keep underlying (see our Initiation of coverage report pubished back on November 2017 for more details on these points) that in the medium term the Internet market scenario should inevitably take into account of:

- Higher market share of Over the Top players;
- Reduced Invalid traffic risks unlock programmatic disruption.

As far as the first point, we note how Over The Top players such as **Facebook** and **Google** are gaining increasing market shares in the advertising space. eMarketer expects these two players to make combined $106bn advertising collection in 2017, nearly 70% of world's digital ad spend, thanks to their dominant position in mobile and video markets. Among other IT giants, we note that **Amazon** is planning to push its digital advertising presence in 2018, especially on its search and video products. In addition, three Chinese companies, Baidu, Alibaba and Tencent (so-called **BAT**) are progressively gaining field and **collectively raised some $36bn** Adspend in 2017.

As far as the 2nd point, we note how growth in programmatic naturally brings to **invalid traffic** (IVT) i.e. non-human traffic and Bots. Throughout 2017, this came at the high cost to advertisers of $1.28 million a day on fake websites. Indeed, invalid traffic hinders the industry's growth, which eMarketers expects to reach 83.6% of US digital display ad spending by 2019. In 2018 advertisers are fighting the threat with filtering technologies. By containing the risks, publishers could increase CPMs while advertisers could lose money to IVT.

# Triboo FY17 financial performance

Triboo Group has reported its FY17 figures according to **IFRS 15** "Revenue from contracts with customers" accounting principle, which became mandatory from 1st January 2018. This means that **Triboo Digitale's Top line is calculated on a net basis**, i.e. not the Gross Merchandise Value (GMV) but directly the fee pertaining to the company.

## Triboo Group: 2017A Key Financials at a glance

- **€65.3mn Net Revenues up 5% YoY** vs. 2016PF, substantially in line with our estimates;
- **€7.7mn Reported EBITDA (€8.8mn on and adjusted basis**) below our estimates especially as far as Triboo Digitale division is concerned. The gap is mainly due to new online stores "going live" in 2018 and not in 4Q17 and to a lower average transaction fee gained by Triboo on intemediated volumes.
- **€1.1mn Net Profit (€2.5mn Adjusted Net Profit)**, lower than our estimates as an effect of the lower operating profitability and of higher than forecasted D&A charges as an effect of cost capitalizations;
- **€7.1mn Net Debt position** compared to our €3.9mn Net Cash one, the difference being mainly related to the inclusion in Triboo's Balance Sheet of leasing contracts on real estate assets (i.e. its Milan offices) previously held by the unlisted parent company Compagnia Digitale.

### Triboo Group: 2017 Actual figures vs. Estimates

| (€mn) | 2017E | 2017A | Chg. % |
|---|---|---|---|
| Net Revenues | 67.1 | 65.3 | -2.7% |
| **Reported EBITDA** | **9.9** | **7.7** | **-22.4%** |
| TBD EBITDA | 7.9 | 6.4 | -19.3% |
| TBM EBITDA | 3.8 | 3.6 | -5.2% |
| Elisions & Holding Costs | -1.8 | -2.3 | nm |
| EBIT | 4.5 | 1.9 | -58.4% |
| Net profit | 2.6 | 1.4 | -46.2% |
| **Adjusted Net Profit** | **3.1** | **2.5** | **-19.3%** |
| **Net Cash / (Debt)** | **3.9** | **-7.1** | **nm** |

*Source: Triboo Group, Value Track analysis*

### Triboo Group: Evolution of Key Financials in 1H, 2H, FY 2017

| (€mn) | 2016PF | 1H17FY | 2H17FY | 2017A | Change YoY |
|---|---|---|---|---|---|
| Net Group Revenues | 62.0 | 31.6 | 33.7 | 65.3 | 5.3% |
| **EBITDA** | **11.0** | **4.0** | **3.7** | **7.7** | **-29.9%** |
| EBITDA Margin | 17.7% | 12.6% | 11.0% | 11.8% | |
| EBIT | 5.6 | 1.3 | 0.6 | 1.9 | -66.5% |
| EBIT Margin | 9.0% | 4.1% | 1.7% | 2.9% | |
| **Net Profit** | **3.6** | **0.7** | **0.6** | **1.4** | **-62.6%** |
| | | | | | |
| **Net Financial Position** | **4.2** | **-1.4** | **-7.1** | **-7.1** | **nm** |
| | | | | | |
| **OpFCF a.t.** | **5.4** | **0.2** | **0.6** | **-0.3** | **nm** |

*Source: Triboo Group, Value Track analysis*

In our view, the **key messages** of FY17 figures are as follows:

1. **Revenues.** TBD slower take up, but TBM shows signs of recovery;
2. **Profitability.** Weaker in 2H 17;
3. **Balance Sheet.** Still healthy despite Net Financial Position changing sign;
4. **OpFCF.** Lower as an effect of lower EBITDA.

## 1. Revenues. TBD slower take up, but TBM shows signs of recovery

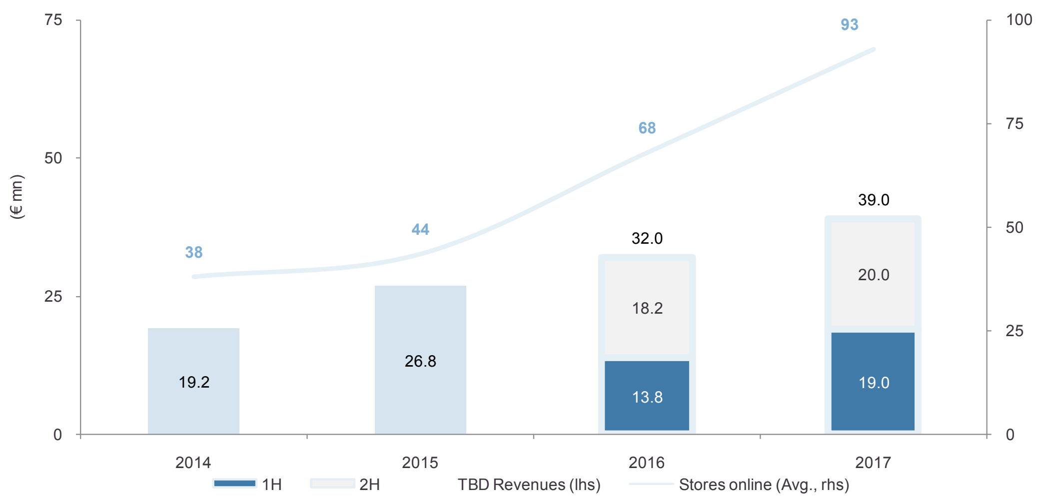
Group Revenues IFRS 15 compliant grew 5% YoY to €65.3mn in FY2017, grossly in line with our estimates of €67.1mn. However, the contribution of the two divisions detached from our expectations.

### Triboo Digitale: growth in GMV not followed by Revenues

Number of online stores managed kept growing regularly and new net additions are expected in the current year.

TBD Revenues reported a significant +22% growth reaching €39mn, which amounts to 60% of the Group Revenues, but missed our €43.8 estimates.

**Triboo Digitale – Revenues driven by additional managed stores**




*Source: Company Data, Value Track analysis*

Despite a €9mn increase in GMV to €45mn in 2H17, the second part of the year was relatively weak and reported almost flat Revenues to €20mn vs. €19mn in 1H16.

In the the last semester two relevant stores were lost, but we believe Benetton, which internalised its eStore, impacted most. The other, Ferrari, swithched to a competitor.

As expected, Triboo Digitale % Fee on GMV began to decrease. We believe there is a double effect from both competition attracted by the business peculiarity and the nature of contracts with customers which imply decreasing % fees at increasing GMV.

As far as competition is concerned, we note that in Italy there are no pure eCommerce Service Providers listed on the Stock Exchange but only companies that couple this business with online fashion marketplace management **(Yoox Net-A-Porter Group)** or with digital media activities (Triboo Digitale, Giglio Group). In particular:

- **Yoox Online Flagship Stores**: designs and manages online flagship stores of leading fashion and luxury brands looking to offer their latest collection on the online channel;

- **Ibox (Giglio Group)**: deriving from the recent acquisition of Evolve Group, the company provides eCommerce solutions to luxury, beauty and design brands.

Comparing the three listed players (figures as of 2017FY) we note that:

- Triboo Digitale boasts the higher number of online stores under management;
- Yoox manages less than half of TBD stores, but is able to achieve a considerably higher Gross Merchandise Value (+5.9% YoY) as it is focused on luxury brands.;
- Ibox is relatively small compared with both TBD and Yoox, counts on fewer stores and showed substantial GMV growth in 2017. It should be noted, however, that Ibox operates both in B2B, as eCommerce Service Provider, and B2C segments, as a marketplace.

**Italian listed eCommerce Service Providers – Main FY17 vs. FY16 figures**

| (€mn, values as of 2017FY) | Triboo Digitale | | Yoox Online Flagship Stores | | Ibox | |
|---|---|---|---|---|---|---|
| | FY16 | FY17 | FY16 | FY17 | FY16 | FY17 |
| Number of Stores (units) | 87 | 99 | 28 | 33 | 25 | 18* |
| **Gross Merchandise Value (GMV) (€mn)** | **77.6** | **81.3** | **205.3** | **217.5** | **18.2** | **60.5** |
| **Revenues minus Shipping Costs (€mn)** | **24.7** | **32.4** | **68.7** | **70.6** | **4.3** | **na** |
| Net Revenues / GMV (%) | 31.9% | 40% | 33.5% | 32.5% | 23.6% | na |
| **GMV per Store (€mn)** | **0.9** | **0.8** | **7.3** | **6.6** | **0.7** | **3.4** |

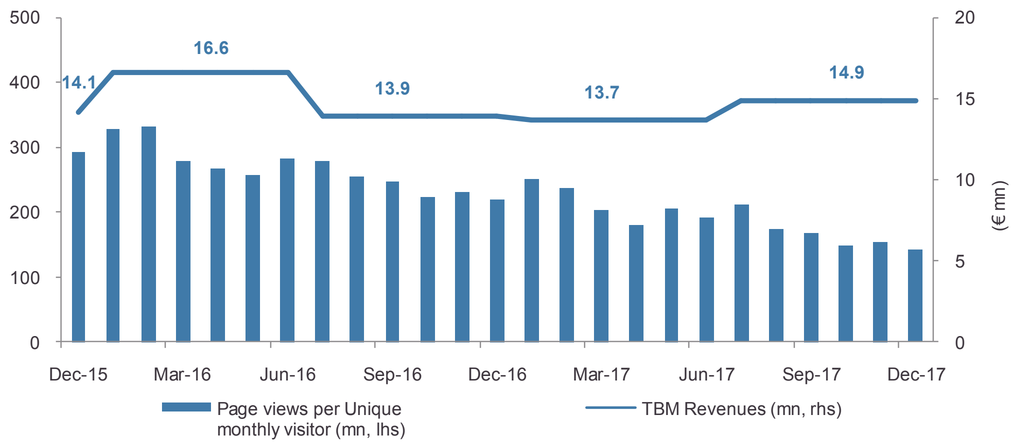
**Served stores*

*Source: Triboo, Yoox and Giglio financial data*

### Media: positive signs of recovery after bug fixing action

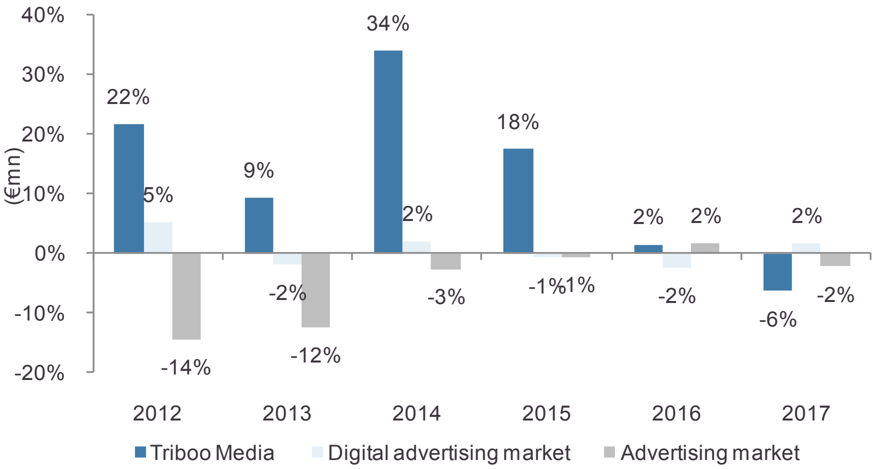
TBM Revenues slightly decreased from €30.5mn to €28.6mn (-5% YoY), but the actual figure was higher than our €25.4mn estimate. Indeed, after weak semesters related to a general decrease in digital audience, 2H17 Revenues showed some signs of recovery with a 7% YoY increase reaching €14.9mn both thanks a recovery in the reference market and a bug fixing action by the management. He focused on **restoring stable top management relationships** with main Media Centres and on **sales force restructuring**, nearly doubled from the beginning of the year.

**Triboo Media - Revenues evolution compared to Total Digital Audience**




*Source: Audiweb, Company Data, Value Track analysis*

### Triboo Media – Digital Advertising Market Revenues Evolution




*Source: Company Presentation, Audiweb*

### Italian Total Digital Audience Market Share

| (%) | Triboo | AdUX | IOL | Manzoni | Mediamond | Sky | RCS | Subito.it | WebSystem | Piemmeo | Other |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Aug-17 | 3.2% | 1.4% | 27.1% | 11.4% | 17.0% | 5.3% | 6.8% | 8.4% | 8.8% | 2.2% | 8.4% |
| Sep-17 | 2.5% | 1.2% | 32.0% | 11.2% | 16.0% | 5.6% | 5.3% | 8.3% | 7.4% | 2.6% | 7.9% |
| Oct-17 | 2.3% | 1.0% | 30.0% | 9.1% | 13.9% | 7.7% | 5.2% | 8.7% | 11.7% | 2.1% | 8.1% |
| Nov-17 | 2.4% | 1.2% | 30.4% | 9.9% | 15.1% | 7.2% | 4.7% | 8.2% | 11.3% | 2.2% | 7.5% |
| **Dec-17** | 2.6% | 1.0% | 29.0% | 10.8% | 14.9% | 7.7% | 4.9% | 8.0% | 10.7% | 2.4% | 8.1% |

*Source: Audiweb, Value Track analysis*

In the table below we show a KPIs comparison between TBM, Italiaonline, Italian audience leader, and Mondadori, which controls the advertising agency Mediamond and is leader in multichannel vertical content. We underline that:

- TBM manages advertising concessions for more websites than Italiaonline and Mondadori, but its 4.7mn Total Digital Audience (TDA) reached is considerably lower than Italiaonline and Mondadori ones;
- In addition, **TBM** exhibits much **less audience concentration** from its concessions with the top five websites covering 60% of TDA. The main contribution comes from TuttoMercatoWeb, able to reach a significant 1.6mn daily TDA;
- **Italiaonline audience** is extremely skewed on horizontals Libero and Virgilio. The lack of thematic content makes it difficult to target specific audience profiles and leads to low RPM;
- Mondadori reaches ca. half of Italiaonline TDA, thanks to the crucial contribution of Yahoo, which counts for half of its daily audience.

  With a **recent acquisition, Mondadori gained the exclusive concessions of Oroscopo.it and Banzai Media websites**, which included Donna Moderna and Giallozafferano, and reinforced its leading position as multichannel vertical editor.

### Main Advertising Agencies – Total Digital Audience (TDA) comparison

| | Triboo | | Italiaonline | | Mondadori |
|---|---|---|---|---|---|
| Digital Advertising Revenues (FY €mn) | 28.6 | | 98.0 | | 78.5 |
| Number of brands | 63 | | 46 | | 44 |
| **Daily TDA (mn)** | **4.7** | | **52.6** | | **27.1** |
| TuttoMercatoWeb | 1.6 | Libero | 36.9 | Yahoo | 11.6 |
| Finanzaonline | 0.6 | Virgilio | 11.4 | TGCOM24 | 3.5 |
| Fidelity House | 0.3 | 3BMeteo | 2.5 | alterVISTA | 2.2 |
| DireDonna | 0.2 | SeatPG | 1.2 | DonnaModerna | 1.6 |
| Leonardo Hi-Tech | 0.2 | SuperEva | 0.2 | GialloZafferano | 1.6 |
| **Top 5 as % of Total** | **60%** | | **99%** | | **76%** |

*Source: Triboo, Italiaonline, Mondadori, Audiweb as of December 2017*

## 2. Profitability weaker in 2H 17

Group FY17 Reported EBITDA stood at €7.7mn -30% YoY (FY16 €11mn), burdened by non recurring €1.1mn costs related to the planned move onto MTA Stock Exchange and by a lower profitability of TBM division. As far as the EBIT is concerned, there was a decrease in 2H, €0.6mn vs. €1.3mn in 1H, again mainly driven by non recurring additional costs.

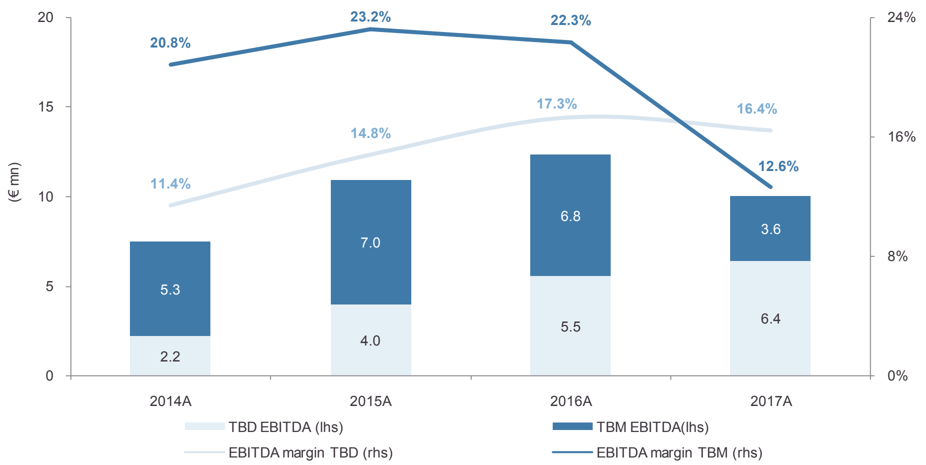
Regarding Triboo Media we underline:

- Despite we expected lower Revenues from TBM, our EBITDA figure for TBM was in line with actual reported numbers;
- EBITDA stood at €1.8mn in both semester. Although we see some signs of recovery, the increase in Revenues in 2H17 was not followed by an increase in EBITDA margin which decreased 1% to 12.1% due to higher Service and Labour costs;

Regarding Triboo Digitale we underline:

- The miss on revenues (vs. our estimates) has also led to a miss in EBITDA figures. Indeed, TBD reported €6.4mn EBITDA vs. our €7.9mn estimate.
- Higher logistic and shipping costs, necessary to support the business volumes, led to an increase in variable costs.

### Triboo: EBITDA (Gross of intragroup elisions) and EBITDA margin evolution by Divisions




*Source: Audiweb, Company Data, Value Track analysis*

### 3. Still healthy Balance Sheet despite Net Financial Position changing sign

In 2017A, we see an increase in Net Fixed Asset, mainly due to the transfer of the leasing contract for the headquarters building from Compagnia Digitale to Triboo Group in 2H17. As a result, Tangibles Assets increased from €1.3mn in FY16PF to €5.8mn in FY17 while Goodwill increased YoY by €4.3mn.

In addition, we note a consistent increase in Tax Assets which increased substantially to €5.1mn from €1.6mn. This rise is mainly due to VAT credits generated by domestic purchases and sales of foreign traffic from Prime Real Time. The company monetized €2.8mn from the Tax Asset via a non recourse factoring deal.

The increase in Net Fix Asset was the main cause which drove the Net Financial Position from €4.2mn liquidity to €7.1mn of Net Debt. In addition, €4.3mn were spent to support M&A activity. Despite this, leverage is definitevely not worring being less than 1x Net Debt/EBITDA.

**Triboo Group: FY17 Key Balance Sheet Items vs. FY16**

| (€mn) | 2016PF | 1H17A | 2017A |
|---|---|---|---|
| Working Capital | -7.2 | -7.3 | -7.4 |
| As a % of Sales | -11.7% | -23.2% | -11.4% |
| Net Fixed Assets | 42.0 | 46.5 | 52.3 |
| Provisions | -1.8 | 2.2 | -2.1 |
| **Total Capital Employed** | **33.0** | **37.1** | **42.8** |
| As a % of Sales | 53.2% | 58.6% | 65.5% |
| **Group Net Equity** | **37.1** | **35.7** | **35.7** |
| **Net Fin. Position [i.e. Net Debt (-) Cash (+)]** | **4.2** | **-1.4** | **-7.1** |

*Source: Triboo Group, Value Track analysis*

### 4. OpFCF. 2H lower as an effect of lower EBITDA

As mention above, EBITDA declined considerably compared with 2H16 to €3.7mn and the Group invested €4.2mn in 2H17, above our estimates. As a result, FY17A OpFCF a.t. was almost at break-evem due to the investment effort. A further negative impact to the Net Financial Position derives from the inclusion in the perimeter of the leasing contract for the headquartes for €3.4mn and €2.5mn from E-Photo earnout (both included in "Other").

**Triboo Group: FY17 Key Cash Flow Items vs. FY16**

| (€mn) | 1H16PF | 2H16PF | 1H17A | 2H17A |
|---|---|---|---|---|
| **EBITDA** | **4.4** | **6.6** | **4.0** | **3.7** |
| Op. WC requirements | -0.6 | 1.6 | 0.0 | 0.3 |
| Capex | -1.9 | -3.0 | -3.5 | -4.2 |
| Change in provisions / Other | 0.0 | -0.1 | 0.2 | 0.1 |
| Cash Taxes | -0.6 | -1.1 | -0.4 | -0.4 |
| **OpFCF a.t.** | **1.4** | **3.9** | **0.2** | **-0.5** |
| As a % of EBITDA | 32% | 60% | 5% | -12% |
| Cash Net Financial Charges | -0.1 | -0.1 | -0.1 | 0.5 |
| Dividend paid | -2.0 | 0.0 | -2.1 | 0.0 |
| Other (incl. Fin. Inv./ Disinv.) | -1.0 | -0.9 | -3.5 | -5.7 |
| **Change in Net Fin Position** | **-1.7** | **3.0** | **-5.6** | **-5.7** |

*Source: Triboo Group, Value Track analysis*

# Update of 2018E-19E forecasts

We have updated our 2018E-19E financial forecasts as follows.

## Profit & Loss

### Triboo Group: FY18E-19E Key Financial Estimates

| (€mn) | 2017A | 2018E | | 2019E | |
|---|---|---|---|---|---|
| | | New | Old | New | Old |
| Net Group Revenues | 65.3 | 70.1 | 77.2 | 81.7 | 88.6 |
| **EBITDA** | **7.7** | **10.4** | **13.4** | **12.5** | **17.2** |
| EBITDA Margin | 11.8% | 14.9% | 17.4% | 15.3% | 19,4% |
| **EBIT** | **1.9** | **3.4** | **8.1** | **4.6** | **11.6** |
| EBIT Margin | 2.9% | 4.9% | 10.5% | 5.6% | 13.1% |
| **Net Profit** | **1.4** | **2.0** | **5.4** | **2.7** | **7.9** |
| | | | | | |
| **Net Financial Position** | **-7.1** | **-6.3** | **4.5** | **-3.6** | **8.0** |
| | | | | | |
| Capex | -7.8 | -6.5 | -4.9 | -7.0 | -5.5 |
| **OpFCF a.t.** | **-0.3** | **3.0** | **2.8** | **4.2** | **5.9** |

*Source: Triboo Group, Value Track analysis*

## Triboo Digitale: Revenue-share business driven

As mentioned before, Triboo Digitale Revenues are mainly driven by one-off fees from new stores and revenue-sharing agreements on online stores.

We estimate that TBD will continue to attract companies in outsourcing their online stores **reaching ca. 110 stores by 2019E**, net of lost ones. We adjust our 2018E estimes, as the company recently declared that more new clients were acquired going live in 2Q18. Between them there is one of the top fashion worldwide brands. In particular:

- We expect the 1H18E to be weaker than 1H17A due to the departure of Benetton and Ferrari. However, the lack of GMV should be compensated in the second semester with the new 5 stores managed for Aeffe.
- As a result, we expect TBD business to keep growing in size vs. the ca. €39mn achieved in 2017A and reach €51.5mn by 2019E, with also the contribution of the newly built Triboo Shangai.

### Triboo Digitale: 2017A-19E Revenues

| (€mn) | 2017A | 2018E | 2019E |
|---|---|---|---|
| Stores online (Avg.) | 93 | 96 | 105 |
| **Triboo Digitale Revenues** | **39.0** | **42.0** | **51.5** |
| Chg. (%, YoY) | 21.8% | 7.8% | 22.5% |
| Revenues per store (€m) | 0.42 | 0.44 | 0.49 |

*Source: Value Track forecasts on 2018E-19E*

## Triboo Media: relaunch continues

The bug-fixing action implemented by the management is starting to show the results and we expect the trend to continue. Therefore, we assume that TBM will be able to keep on its relaunch and growth high-single digit to €32.7mn by 2019E up from 2016PF €30.5mn.

In 1H18, we see further positive signs from this division: acquisition of 100% of Blogo editorial assets (170mn users), the selection as the digital advertising partner of Wind Tre, and the launch of Rmc Sport Network (25% ownership).

### Triboo Media: 2016PF-19E Revenues

| (€mn) | 2017A | 2018E | 2019E |
|---|---|---|---|
| **Triboo Media Revenues** | **28.6** | **30.4** | **32.7** |
| Chg. (%, YoY) | -6.2% | 6.4% | 7.4% |

*Source: Value Track forecasts on 2018E-19E*

## Triboo Group: Operating profitability

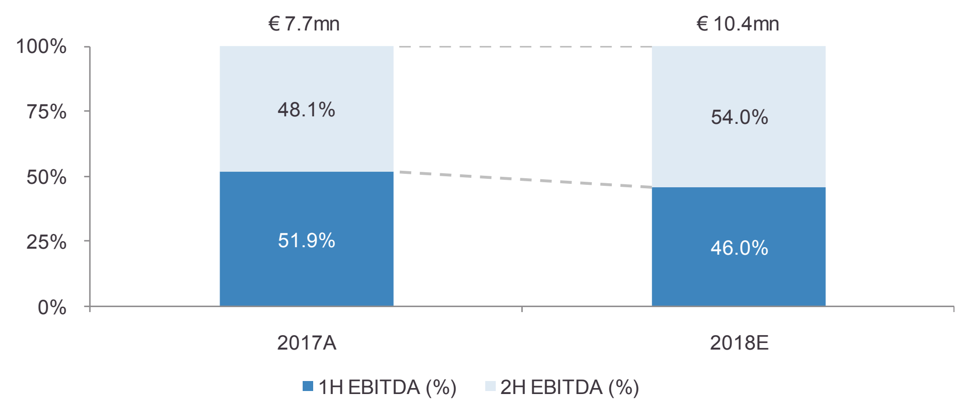
We expect the 1H18 will have a lower contribution to FY EBITDA due to the departure of the two relevant clients mentioned above and the increase in Cost of Services, mainly driven by Logistic costs, which we believe the Group will be able to reduce in the second part of the year.

### Triboo Group: 2017A-19E EBITDA

| (€mn) | 2017A | 2018E | 2019E |
|---|---|---|---|
| TBD EBITDA | 6.4 | 6.6 | 7.8 |
| EBITDA Margin % | 16.4% | 15.6% | 15.2% |
| TBM EBITDA | 3.6 | 4.9 | 5.7 |
| EBITDA Margin % | 12.6% | 16.1% | 17.3% |
| Holding & Non-Recurring Costs | -2.3 | -1.0 | -1.0 |
| **Triboo Group EBITDA** | **7.7** | **10.4** | **12.5** |
| EBITDA Margin % | 11.8% | 14.9% | 15.3% |

*Source: Value Track forecasts on 2017A-19E*

### Triboo Group: 2017A vs 2018E EBITDA breakdown by semester




*Source: Company Data, Value Track analysis*

### Triboo Group: From EBITDA to Net Profit evolution

We expect D&A to increase from €5.8mn in 2017A, to ca. €7mn in 2018 and then €7.9mn as a result of the substantial capex plan and the inclusion of the leasing contract in the Group perimeter. The latter being neutral for EBIT as leasing expenses are no longer considered Opex. As a consequence, EBIT will be impacted but able to progressively return close to previous profitability by 2019E and exceed €4.6mn

Net Financial Charges, which include the leasing charges would slightly affect the Pre-tax Profit. We consider a stable tax rate of 37% for the next few years.

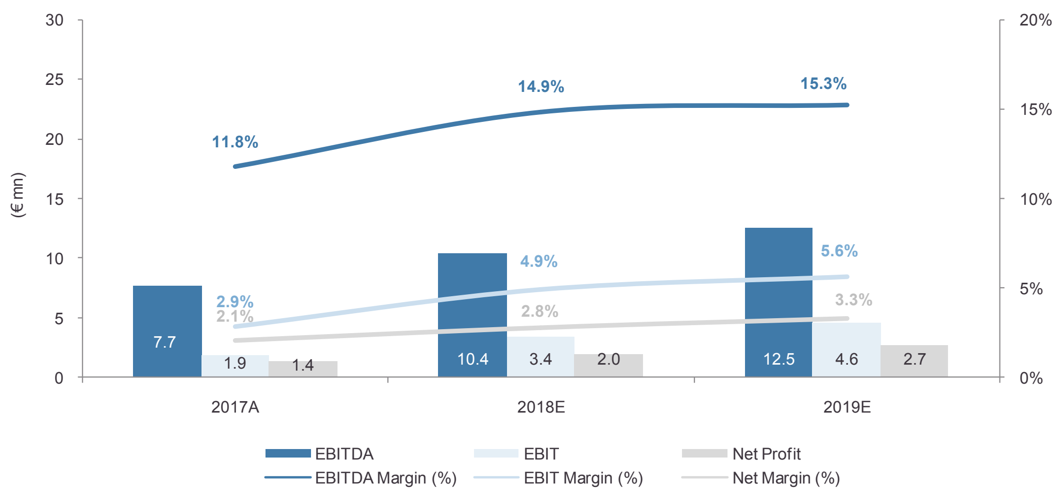
As far as the bottom line is concerned, Net Profit is expected to start rebouncing in 2018E with €2mn and reach ca. €2.7mn in 2019E.

**Triboo Group: From EBITDA down to the Bottom Line**

| (€mn) | 2017A | 2018E | 2019E | GAGR 17A-19E |
|---|---|---|---|---|
| **EBITDA** | **7.7** | **10.4** | **12.5** | **27.4%** |
| Depreciation & Amortization | -5.8 | -7.0 | -7.9 | |
| **EBIT** | **1.9** | **3.4** | **4.6** | **56.5%** |
| Net Fin.Income (Charges) | 0.3 | -0.3 | -0.3 | |
| **Pre-tax Profit** | **2.1** | **3.1** | **4.3** | **40.9%** |
| Tax | -0.8 | -1.2 | -1.6 | |
| Tax rate (%) | -40.8% | -37.0% | -37.0% | |
| **Group Net Profit (bef. Minor.)** | **1.1** | **2.0** | **2.7** | **53.8%** |
| Minorities | 0.2 | 0.0 | 0.0 | |
| **Net Profit** | **1.4** | **2.0** | **2.7** | **41.6%** |

*Source: Value Track forecasts on 2017A-19E*

**Triboo Group – Profitability and Margins**




*Source: Company Data, Value Track analysis*

### Balance Sheet and Cash Flow Statement

As far as 2018E-19E Balance Sheet and Cash Flow statements are concerned, we expect ca. €13.5mn Capex, including further leasing burden, and Net Debt Position to marginally improve to €6.3mn and €3.5mn respectively for 2018E and 2019E. We underline that M&A deals are not currently included in our estimates, even if the company aims at supporting future growth via external lines.

**Triboo Group: FY17A-19E Balance Sheet Key Items**

| (€mn) | 2017A | 2018E | 2019E |
|---|---|---|---|
| Working Capital | -7.4 | -7.5 | -7.5 |
| Net Fixed Assets | 52.3 | 53.2 | 52.3 |
| Provisions | 2.1 | 2.3 | 2.6 |
| **Total Capital Employed** | **42.8** | **43.4** | **42.2** |
| Group Net Equity | 35.7 | 37.1 | 38.6 |
| **Net Financial Position** | **-7.1** | **-6.3** | **-3.6** |

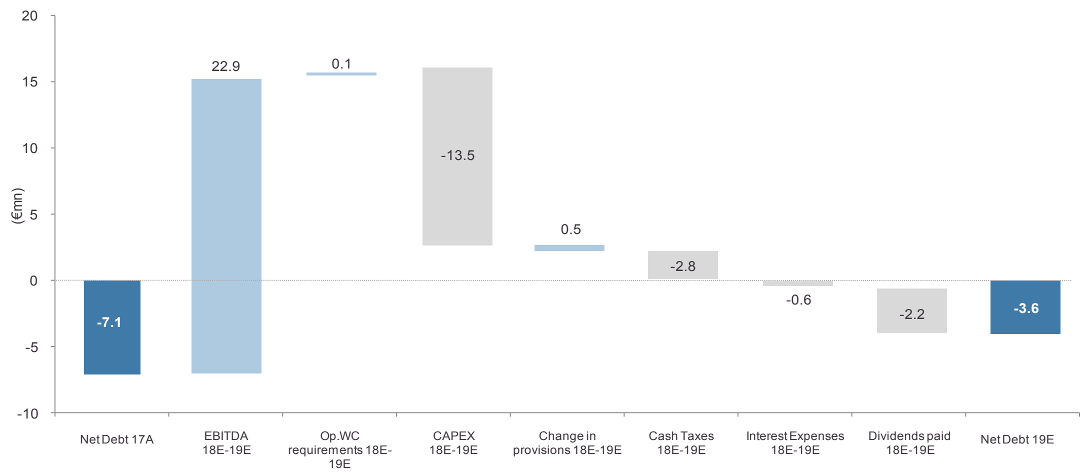
*Source: Triboo Group, Value Track analysis*

**Triboo Group: FY17A-19E Cash Flow Key Items**

| (€mn) | 2017A | 2018E | 2019E | Cumulated '18E-19E |
|---|---|---|---|---|
| **EBITDA** | 7.7 | 10.4 | 12.5 | 22.9 |
| WC need / Chg. in Provisions | 0.6 | 0.3 | 0.3 | 0.6 |
| Capex | -7.8 | -6.5 | -7.0 | -13.5 |
| Cash Taxes | -0.8 | -1.2 | -1.6 | -2.8 |
| **OpFCF a.t.** | **-0.3** | **3.0** | **4.2** | **7.2** |
| As a % of EBITDA | -3.9% | 28.9.% | 33.6% | 31.4%- |
| Cash Net Financial Charges | 0.3 | -0.3 | -0.3 | -0.6 |
| Dividend paid | -2.1 | -1.0 | -1.2 | -2.2 |
| Other (incl. Fin. Inv./ Disinv.) | -9.2 | -0.9 | 0.0 | -0.9 |
| **Change in Net Fin Position** | **-11.3** | **0.8** | **2.8** | **3.6** |

*Source: Triboo Group, Value Track analysis*

**Triboo Group – Net Debt 2017A-19E Bridge**




*Source: Audiweb, Company Data, Value Track analysis*

# Valuation

Taking into account FY17 figures and revised forecasts on one side and updated sector multiples / DCF results lead us to set a **fair value at €3.36 per share**, down from the previous €4.0 calculated in our Initiation of coverage report published back on November 2017. Such a fair value is determined as an average of multiple-based valuation and discounted cash flow one.

**Triboo: Sensitivity of implicit stock trading multiples in the €2.36 - €4.36 share price range**

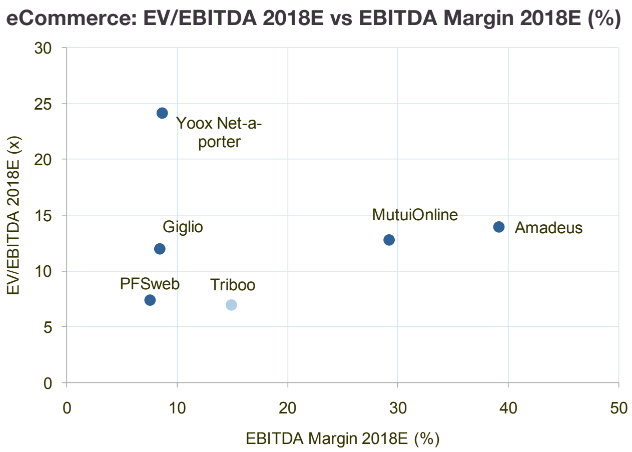
| Market Price (€ per share) | Enterprise Value | | EV / EBITDA (x) | | EV / EBIT (x) | | P / E (x) | | P / BV (x)(*) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018E | 2019E | 2018E | 2019E | 2018E | 2019E | 2018E | 2019E | 2018E | 2019E |
| 2.36 | 74.3 | 71.5 | 7.1 | 5.7 | 21.8 | 15.7 | 28.7 | 25.3 | 1.8 | 1.8 |
| 2.86 | 88.7 | 85.9 | 8.5 | 6.9 | 26.0 | 18.8 | 34.7 | 30.7 | 2.2 | 2.1 |
| **3.36** | **103.1** | **100.3** | **9.9** | **8.1** | **30.2** | **22.0** | **40.8** | **36.0** | **2.6** | **2.5** |
| 3.86 | 117.5 | 114.7 | 11.3 | 9.2 | 34.5 | 25.2 | 46.9 | 41.4 | 3.0 | 2.9 |
| 4.36 | 131.8 | 129.1 | 12.7 | 10.4 | 38.7 | 28.3 | 53.0 | 46.8 | 3.4 | 3.3 |

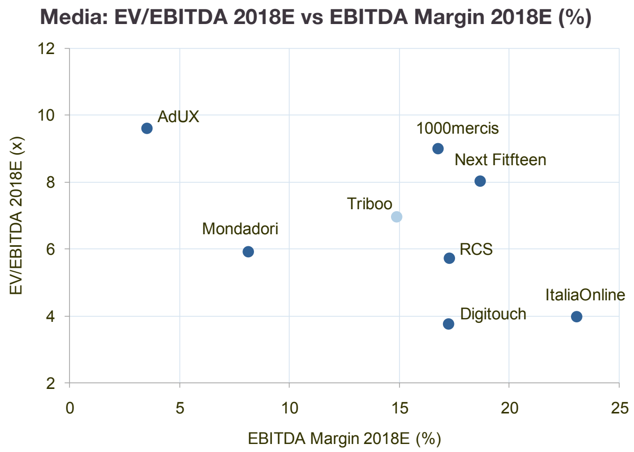
*Source: Value Track Analysis* *(*) ROE 2018A-19E at 5.4% and 7.2% respectively*

### S-o-P valuation built on peers stock multiples leads to €3.41 per share

Based on market consensus figures, we underline that stock trading multiples of Triboo comparables have slightly decreased from our latest report. Companies sharing with Triboo Digitale an exposure on eCommerce services growth are still trading at higher multiples than Media ones, apart from pure online media players, the ones more similar to Triboo Media for their focus on editorial content.

**Triboo Group: Peers' Value Maps**




*Source: Market Consensus, Value Track Analysis*

We remind that Yoox has received in January a PTO from its main shareholder Richemont on 70% of the remaining shares. The offer price was set at €2.7 and incorporated a 27% premium on market price.

For further details on the peers descriptions and relative industrial performance please refer to our Initiation of Coverage published in November 2017.

### Triboo Digitale Business Unit: Peers' stock trading multiples

| Company | EV / EBITDA (x) | | EV / EBIT (x) | | P / E (x) | | EV / OpFCF (x)(*) | |
|---|---|---|---|---|---|---|---|---|
| | 2018E | 2019E | 2018E | 2019E | 2018E | 2019E | 2018E | 2019E |
| Yoox Net-a-porter | 24.1 | 18.0 | nm | nm | nm | 41.9 | nm | 46.6 |
| PFSweb | 7.4 | 6.6 | 17.8 | 19.9 | 41.8 | 19.1 | 14.0 | 11.2 |
| Giglio Group | 12.0 | 10.0 | nm | 22.8 | nm | 14.9 | 100.5 | 43.4 |
| Amadeus | 14.0 | 12.8 | 19.4 | 17.6 | 24.7 | 24.7 | 21.4 | 19.1 |
| MutuiOnline | 12.8 | 11.2 | 14.1 | 12.2 | 22.7 | 21.0 | 13.4 | 11.6 |
| **Average** | **14.1** | **11.7** | **17.1** | **18.1** | **29.7** | **24.3** | **37.3** | **26.4** |
| **Median** | **12.8** | **11.2** | **17.8** | **18.8** | **24.7** | **21.0** | **17.7** | **19.1** |

*Source: Market Consensus, Value Track Analysis* *(*) OpFCF defined as (EBITDA-CAPEX) / Enterprise Value*

### Triboo Media Business Unit: Peers' stock trading multiples

| Company | EV / EBITDA (x) | | EV / EBIT (x) | | P / E (x) | | EV / OpFCF (x)(*) | |
|---|---|---|---|---|---|---|---|---|
| | 2018E | 2019E | 2018E | 2019E | 2018E | 2019E | 2018E | 2019E |
| ItaliaOnline | 4.0 | 2.9 | 9.1 | 5.9 | 17.1 | 13.7 | 3.1 | 4.0 |
| Next Fitfteen Communication | 8.0 | 8.0 | 9.1 | 9.0 | 12.5 | 11.8 | 8.9 | 8.8 |
| 1000mercis | 9.0 | 7.3 | 12.8 | 9.9 | 20.4 | 16.1 | 35.4 | 20.3 |
| Adux | 9.6 | 5.2 | nm | 23.3 | nm | nm | 6.3 | 3.8 |
| Digitouch | 3.8 | 2.7 | 5.4 | 3.6 | 9.3 | 6.7 | 5.5 | 3.7 |
| Arnoldo Mondadori Editore | 5.9 | 5.1 | 9.4 | 7.6 | 13.8 | 11.3 | 7.3 | 6.2 |
| RCS Mediagroup | 5.7 | 5.1 | 8.3 | 7.2 | 8.5 | 7.9 | 7.6 | 6.9 |
| **Average** | **6.6** | **5.2** | **9.0** | **9.5** | **13.6** | **11.2** | **10.6** | **7.7** |
| **Median** | **5.9** | **5.1** | **9.1** | **7.6** | **13.1** | **11.5** | **7.3** | **6.2** |

*Source: Market Consensus, Value Track Analysis* *(*) OpFCF defined as (EBITDA-CAPEX) / Enterprise Value*

Overall, we believe that multiples of 10x EV/EBITDA for Triboo Digitale and 6x EV/EBITDA for Triboo Media would be appropriate. As 2018 should only partially reflect the positive effect of new clients in the Digital division (i.e. Aeffe with its five brands) and of bug fixing in the Media one, we apply such multiples to FY19 forecasts.

Applying such "fair" multiples to Triboo's financial estimates of the two underlying businesses, net of Holding Costs, we get a **€3.41 per share multiples based Sum-Of-the-Parts value**.

### Triboo Group: Sum-of-the-Parts valuation

| Company | EV (€mn) | EV p.s. (€) | Valuation Method |
|---|---|---|---|
| Triboo Digitale | 78.5 | 2.7 | 10x EV/EBITDA 2019E |
| Triboo Media | 33.9 | 1.2 | 6x EV/EBITDA 2019E |
| Holding Costs | -8.0 | -0.3 | €1mn holding costs @ 8x multiple |
| **Total Enterprise Value** | **104.4** | **3.6** | |
| -Net Fin. Pos. 2018E | -6.3 | -0.2 | |
| **Net Sum-of-the-parts Value** | **98.1** | **3.41** | |

*Source: Value Track Analysis*

## DCF valuation leads to €3.31 – €3.57 per share

We hereby provide a Triboo's DCF valuation with our udpdated estimates and WACC assumptions. For further details on the model please refer to our Initiation of Coveraged published back as of November 2017.

Our updated WACC calculation of 9.1%, down from 10.4% mostly due to the different leverage structure, is based on the following assumptions:

- 2.0% risk-free rate to reflect medium-term target inflation;
- 1.15 levered beta (prev. 1.0 unlevered);
- 6.68% (prev. 7.43%) Equity Risk Premium obtained considering an implied US ERP of 4.95% as of April 1st, 2018 and the relative returns' standard deviation of the US and Italian markets;
- 1.0% liquidity premium which we are keen in removing once the company grows more than our expectation for 2018E and once MTA listing has been achieved;
- 4.5% pre-tax cost of debt implicitly calculated taking into account the above-mentioned 2% risk free rate to which we add 2.5% credit spread since Triboo's has no more a Net Cash position;
- 20% Leverage Structure (vs. prev. 0%).

Overall, we derive a **€3.31 per share "base case" DCF value**. Comparing with our previous valuation, we highlight that the €10mn increase in Net Debt is partially offset by lower WACC.

**Triboo Group: Discounted Cash Flow Model Summary Table**

| €mn | |
|---|---|
| PV of future cash flows FY18E-FY27E | 46.0 |
| PV of Terminal value with PGR at 2% | 55.5 |
| **Fair Enterprise value** | **101.5** |
| Implied EV/EBITDA 2018E (x) | 9.7 x |
| Net Cash Position 2018E | -6.3 |
| **Fair Equity value (€mn)** | **95.2** |
| **Fair Equity Value per share (€)** | **3.31** |

*Source: Value Track Analysis*

**Triboo Group: Fair Equity Value p.s. Sensitivity Analysis**

| | | Perpetuity Growth Rate | | | | |
|---|---|---|---|---|---|---|
| | | **1.50%** | **1.75%** | **2.00%** | **2.25%** | **2.50%** |
| **WACC** | **8.2%** | 3.43 | 3.50 | 3.57 | 3.65 | 3.73 |
| | **8.7%** | 3.30 | 3.37 | 3.44 | 3.51 | 3.59 |
| | **9.2%** | 3.18 | 3.25 | **3.31** | 3.38 | 3.46 |
| | **9.7%** | 3.07 | 3.13 | 3.19 | 3.26 | 3.33 |
| | **10.2%** | 2.96 | 3.02 | 3.08 | 3.14 | 3.21 |

*Source: Value Track Analysis*

As we said before, our estimated WACC takes into account a 1.0% liquidity premium which we are keen in removing once the company grows in line with our expectation for 2018E and once MTA listing has been achieved. Removing such 1% liquidity premium would lead to a 8.2% WACC corresponding to €3.57 fair value per share i.e. some €0.25 higher than our current base case.

# Appendix: 2016PF-19E financial figures

### Triboo Group: Income Statement

| €mn | 2016PF | 2017A | 2018E | 2019E |
|---|---|---|---|---|
| **Group Net Revenues** | **62.0** | **65.3** | **70.1** | **81.7** |
| Other | 2.4 | 2.4 | 2.3 | 2.3 |
| **Total Value of Production** | **64.4** | **67.7** | **72.4** | **84.0** |
| COGS & SG&A | -39.0 | -42.4 | -43.8 | -51.0 |
| Labour Costs | -14.5 | -17.6 | -18.2 | -20.6 |
| **EBITDA** | **11.0** | **7.7** | **10.4** | **12.5** |
| Depr. & Amort. & Provisions | -5.4 | -5.8 | -7.0 | -7.9 |
| **EBIT** | **5.6** | **1.9** | **3.4** | **4.6** |
| Interest expenses / income | -0.3 | 0.3 | -0.3 | -0.3 |
| **Pre-Tax Profit** | **5.4** | **2.1** | **3.1** | **4.3** |
| Taxes | -1.6 | -0.8 | -1.2 | -1.6 |
| Minorities | -0.1 | 0.2 | 0.0 | 0.0 |
| **Net Profit** | **3.6** | **1.4** | **2.0** | **2.7** |
| **Adj. Net Profit** | **3.9** | **2.5** | **2.6** | **2.7** |

*Source: Triboo Group, Value Track Analysis*

### Triboo Group: Statement of Financial Position

| €mn | 2016PF | 2017A | 2018E | 2019E |
|---|---|---|---|---|
| Fixed Assets | 42.0 | 52.3 | 53.2 | 52.3 |
| Net Working Capital | -7.2 | -7.4 | -7.5 | -7.5 |
| Long-Term non-Financial Liabilities | 1.8 | 2.1 | 2.3 | 2.6 |
| **Capital Employed** | **33.0** | **42.8** | **43.4** | **42.2** |
| Net Equity | 37.1 | 35.7 | 37.0 | 38.6 |
| **Net Financial Debt** | **4.2** | **-7.1** | **-6.3** | **-3.6** |

*Source: Triboo Group, Value Track Analysis*

### Triboo Group: Cash Flow Statement

| €mn | 2016PF | 2017A | 2018E | 2019E |
|---|---|---|---|---|
| **EBITDA** | **11.0** | **7.7** | **10.4** | **12.5** |
| Op. WC Requirements | 1.0 | 0.3 | 0.1 | 0.0 |
| Capex | -4.8 | -7.8 | -6.5 | -7.0 |
| Cash Taxes | -0.1 | 0.3 | 0.2 | 0.3 |
| Net Financial Charges | -1.6 | -0.8 | -1.2 | -1.6 |
| Other | -0.3 | 0.3 | -0.3 | -0.3 |
| **Change in Net Fin. Position** | -2.0 | -2.1 | -1.0 | -1.2 |

*Source: Triboo Group, Value Track Analysis*

### Triboo Group: Key Ratios

| (%) | 2016PF | 2017A | 2018E | 2019E |
|---|---|---|---|---|
| ROE | 10% | 4% | 5% | 7% |
| Dividend Payout | 55.0% | 74.1% | 58.8% | 53.6% |
| Dividend Yield | 2.7% | 1.6% | 1.8% | 2.3% |
| OpFCF Yield | 10.4% | 0.3% | 5.6% | 8.1% |
| P/B (x) | 2.0 | 1.8 | 1.7 | 1.7 |
| P/E Adj.(x) | 18.9 | 25.4 | 24.7 | 23.8 |
| EV/Sales (x) | 1.1 | 1.1 | 1.0 | 0.8 |
| EV/EBITDA (x) | 6.3 | 9.2 | 6.7 | 5.4 |

*Source: Triboo Group, Value Track Analysis*

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