



Company : Papoutsanis SA Reason: Initiation

Investment Thesis

We initiate the coverage of Papoutsanis Industrial SA with an intrinsic value of 2.92€ and we rate it as undervalued.

Having a long history of 150 years, the company has been restructured in 2015 and is growing non-stop ever since. Since 2018, it is reporting 4 business segments: Hotels, branded products, production for 3rd parties, and soap bases.

Papoutsanis was experiencing a great momentum when the 2020 pandemic struck. The capital expenditure plan to bring down logistic costs was concluded, new promising contracts for the supply of hotel chains were signed, and an attempt to offer directly the branded products to capture the margins of the middlemen had been initiated.

The group's sales continued growing (€30M in 2019, €40M in 2020, €54M in 2021) even though the hotel segment was hit hard by covid (€9,2M sales in 2019, €3.2M in 2020, €7,1M in 2021). Now that the 2022 tourist season is in full swing, the pre-pandemic hotel contracts are generating their full potential. Worth noting that 1H22 hotel sales have already reached €6,7M.

The branded products segment, excluding the softening sales of covid related antiseptics, is characterized by an increase in sales albeit the falling market. The strategic decision to cut the middlemen of the branded products is paying off. Although it came with a one-off outflow of €350K in 1H22, it is resulting in gains in market share.

The environment is challenging with rising energy, transportation and input costs. Nevertheless, the margins appear to be guarded. The production for 3rd party sector, that accounted for 49% of 2021 revenues (and 44% of 1H22 revenues), mainly consists of contracts that account for input costs. On top, the energy costs is not decisive. Management has quantified the impact of rising energy costs to €1M during 1H22, which is far less than 5% of total expenses.

Finally, the soap bases segment, that was generating €4,2M in 2019 and accounted for 14% of the groups revenues, is growing fast with €7M in sales in 1H22 (21% of total).

Date	09/08/2022
Fair Estimated Price (€)	2,92 €
Investment Thesis	UV
Bloomberg Ticker	PAP:GA
Reuters Ticker	PAP.AT
Closing Price (08/08/22)	2,58
Low/High price 52w	2.08/2.97
Market Cap (€mn)	70
EPS (2022E)	0,19
DPS (2022 E)	0,07
Dividend Yield %	2,71%



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For important disclosure information, please refer to the disclaimer page of this report.

All N. Chrysochoidis Stock Brokerage I.S.S.A. research is available on the company website and FactSet.



Valuation

Papoutsanis is valued at €2.92 per share through a FCF exercise with a WACC of 8.91% and Risk free rate $R_f=3,5\%$. Currently the market is undervaluing Papoutsanis at €2.60, implying a much higher Risk free rate of 4.50% with which we do not agree.

Summary Financials				
(€mn)	2021	2022F	2023F	2024F
Profit & Loss Items				
Total Net Revenues	54.800,0	65.797,3	70.921,8	72.470,3
EBITDA	8.340,8	8.643,6	11.716,7	12.040,9
EBIT	6.754,8	7.057,6	10.130,7	10.454,9
Net Income	4.821,0	5.096,9	7.604,6	7.869,1
Balance Sheet Items				
Cash at Hand	6.377,0	4.453,0		
Total Debt	16.688,0	21.168,0		
Total Equity	25.277,0	26.463,0		
Debt/Equity	66,0%	80,0%		
Cash Flow Items				
Operating Cash Flow	5.395,0	5.885,7	8.393,4	8.657,9
Free Cash Flow (FCFF)	835,1	405,8	6.575,2	7.296,3
CAPEX	8.000,0	2.750,0	2.750,0	2.750,0
Key Financial Ratios				
Revenue Growth	34,2%	20,1%	7,8%	2,2%
EBITDA Margin	15,2%	13,1%	16,5%	16,6%
EPS	0,179	0,188	0,281	0,290
DPS	0,068	0,070	0,070	0,070
Total Debt / EBITDA (x)	2,0	2,4		

Ρήτρα Περιορισμού Ευθύνης:

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Σημειώσεις/Notes

P: Τρέχουσα Τιμή
 MCAP: Κεφαλαιοποίηση
 EPS: Καθαρά Κέρδη Ανά Μετοχή

Market Price
 Capitalization
 Earnings per Share

Οδηγός Συστάσεων/Ratings

UV Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος Underpriced/ Small Risk
 Stock Price < 20% of Fair
 UV1 Χαμηλή Αποτίμηση/ Κίνδυνος Underpriced/ Risk
 Stock Price < 10% of Fair
 FV Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος Fairly Priced/ Small Risk
 10% < Stock Price < 10%
 OV1 Σωστή Αποτίμηση/ Κίνδυνος Fairly Priced/ Risk
 Stock Price > 10% of Fair
 OV Υπερτιμημένη Μετοχή Overvalued
 Stock Price > 20% of Fair
 N/R Μη Αποτιμημένη Μετοχή Not Rated

P/E: Λόγος Τιμής προς Κέρδη Price/Earnings Ratio
 P/S: Λόγος Τιμής προς Πωλήσεις Price/Sales Ratio
 D/A: Συνολικός Δανεισμός προς Παθητικό Total Debt/ Assets Ratio
 DY: Απόδοση Μερισματος Dividend Yield
 ROE: Απόδοση Ιδίων Κεφαλαίων Return on Equity
 FV: Τιμή Σωστής Αποτίμησης Fair Value Price