

Company Note

Grifal

1H22 Results

In 1H22, the company recorded a 52% jump in sales, which we think confirms Grifal's efficient and sustainable packaging solutions. cArtù represented more than 30% of total sales and should be able to continue its mid-double-digit growth in the next few quarters, according to management. However, given the EBITDA and EBIT metrics below our estimates, we revised downwards our FY22-24E EBITDA projections.

1H22 results

Sales in 1H22 jumped by 52% yoy to EUR 18.6M vs. EUR 12.3M in 1H21. However, EBITDA, EBIT and net income came in strong, but below our estimates. Indeed, despite higher material costs as well as service costs, EBITDA came in at EUR 1.9M vs. EUR 1.3M in 1H21, with an EBITDA margin of 10.5%, also thanks to an increase in cArtù sales, which represented 31% of total revenues. EBIT turned positive at EUR 0.5M, while net income was EUR 0.12M.

Outlook and estimates

Despite recession risks which could trigger a decline in demand for consumer goods and consequently related packaging, we believe Grifal's mid-double-digit growth should continue going forward thanks to its flagship product "cArtù", which still represents only a small percentage of packaging volumes in Italy/Europe. We believe cArtù sales should accelerate further in FY22, increasing by 120% yoy to EUR 13.2M (vs. EUR 6.0M in FY21) with a weighting of approx. 35% in total sales. Management pointed out that demand for machinery is sharply accelerating. We maintain our FY21-24E revenues CAGR of +32.5%. However, in light of 1H22 results and to incorporate higher costs, we revise downwards our EBITDA margin forecasts by an average of 12% in FY22-23E to 11.0% and 13.0%, respectively (previously 12.9% and 14.2%) before reaching 14.2% in FY24E (previously 15.2%). In our valuation, we do not include the potential added revenues arising from the planned expansion in Europe through joint ventures.

Valuation

Following our estimates' revision and the update of our WACC parameters, our DCF model and peers' multiples valuation point to a **new target price of EUR 3.5/share** (from EUR 4.4/share). The implied potential upside of our new TP is above 80% above the current market price. Consequently, **we confirm our BUY recommendation on the stock.**

19 October 2022: 12:58 CET  
Date and time of production

BUY

Target Price: EUR 3.5  
(from EUR 4.4)

Italy/Containers & Packaging  
Update

EGM (ex-AIM)

Price Performance  
(RIC: GRALA.MI, BB: GRAL IM)



Grifal - Key Data

Price date (market close)	17/10/2022
Target price (EUR)	3.5
Target upside (%)	84.21
Market price (EUR)	1.90
Market cap (EUR M)	21.70
52Wk range (EUR)	4.88/1.83

Price performance %	1M	3M	12M
Absolute	-6.9	-15.2	-49.3
Rel. to FTSE IT All Sh	-3.4	-16.0	-36.4

Y/E Dec (EUR M)	FY21A	FY22E	FY23E
Revenues	26.07	36.80	47.82
EBITDA	2.11	4.04	6.22
EBIT	-0.72	1.09	3.18
Net income	-0.84	0.59	2.24
EPS (EUR)	-0.07	0.05	0.20
Net debt/-cash	12.24	19.34	18.33
Adj P/E (x)	Neg.	36.5	9.7
EV/EBITDA (x)	25.8	10.2	6.4
EV/EBIT (x)	Neg.	37.7	12.6
Div ord yield (%)	0	0	2.6

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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## 1H22 Results

Grifal reported a robust top-line metric with a 52% jump yoy. However, EBITDA, EBIT and net income came in strong, but below our estimates. In detail:

- **Revenues in 1H22 jumped by 52% yoy to EUR 18.6M** vs. EUR 12.3M in 1H21. On a like-for-like basis (i.e. excluding the consolidation of Tieng from February and Cornelli from April, which contributed with sales at around EUR 2.2M in FY21), revenues were up by 53% at EUR 16.4M;
- **EBITDA came in at EUR 1.9M vs. EUR 1.3M in 1H21, with an EBITDA margin of 10.5%**, also thanks to an increase in cArtù sales, which represented 31% of total sales. We note that EBITDA was impacted negatively by higher material costs as well as service costs, while labour costs represented 25% of revenues (vs. 31% in 1H21);
- **EBIT turned positive to EUR 0.5M** vs. EUR -0.03M in 1H21;
- **Net income was EUR 0.12M** vs. EUR -0.2M in 1H21, while net debt declined to EUR 18M, due to an increase in working capital (increase in sales) and to investments in new production lines in Cologno al Serio (Italy) and in Timisoara (Romania).

### Grifal – 1H22 results

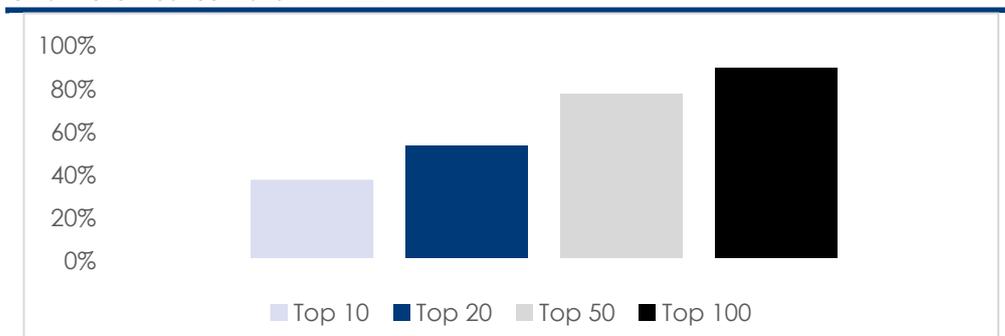
EUR M	1H20A	1H21A	FY21A	1H22A	1H22E	A/E%	yoy %	vs. 1H20 %	2022E
<b>Revenues</b>	<b>7.8</b>	<b>12.3</b>	<b>26.1</b>	<b>18.6</b>	<b>18.6</b>	<b>0.0</b>	<b>51.2</b>	<b>139.5</b>	<b>36.8</b>
Value of production	9.4	14.7	30.7	20.7	21.0	-1.4	43.0	124.0	41.9
EBITDA	0.2	1.3	2.1	1.9	2.3	-15.3	77.9	NM	4.8
Margin (%)	2.9	10.5	8.1	10.5	12.4	-15.3			12.9
EBIT	-0.7	0.0	-0.7	0.5	0.8	-38.9	NM	NM	1.8
Margin (%)	-9.1	-0.2	-2.7	2.6	4.3	-38.9			4.9
Pre tax	-0.8	-0.1	-1.0	0.2	0.7	-65.1	NM	NM	1.5
<b>Net Result</b>	<b>-0.6</b>	<b>-0.2</b>	<b>-0.8</b>	<b>0.1</b>	<b>0.5</b>	<b>-75.3</b>	<b>NM</b>	<b>NM</b>	<b>1.1</b>
Net debt/-cash	5.2	9.5	12.2	18.0	16.2	10.6	NM	NM	18.8

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

### Client concentration

Looking at sales, the client base is highly fragmented. The top 10 customers represented approx. 36% of total 1H22 revenues, the top 50 customers accounted for 52%, while the top 100 accounted for 88%. Grifal's primary clients include electromechanics, electronic, furniture and other industrial companies.

### Grifal – Client concentration in 1H22A



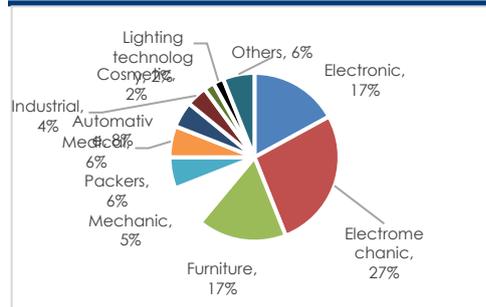
Source: Company data

**Grifal – Top 10 client by revenues in 1H22**

Clients	Sector
1	Electromechanics
2	Electromechanics
3	Furniture
4	Electromechanics
5	Industrial
6	electronic
7	electronic
8	Electromechanics
9	Mechanics
10	Electromechanics

Source: Company data

**Grifal – Client concentration by sector in 1H22**



Source: Company data

## Earnings Outlook

As stated in our last research report (28 April 2022), corrugated cardboard demand is linked to the performance of the economy and the demand for consumer goods. However, a potential recession that would trigger a decline in demand should not put Grifal's mid-double-digit growth at risk, according to the company, thanks to its sustainable packaging offer, of which cArtù represents a flagship product, as it still represents only a small percentage of packaging volumes in Italy. We believe cArtù sales should accelerate further in FY22, increasing by 120% yoy to EUR 13.2M (vs. EUR 6.0M in FY21) with a weighting of approx. 35% in total sales. Grifal also pointed out that demand for machinery is accelerating sharply.

Grifal's clients are not considered high energy consuming, thus minimising the risk of order cancellations due to rising energy costs, according to management. In light of 1H22 results, we incorporate a rise in raw materials, service costs, transport costs and labour costs in our new projections, even though the company stated that they should be able to pass through a significant percentage of cost hikes to clients.

Management also highlighted an ambitious strategy to expand rapidly in Europe by creating a network of production sites dedicated to the production and transformation of cArtù and to the sale of eco-sustainable packaging solutions based on this material. The model that should be adopted should be joint venture agreements with local players who already have a client portfolio in their domestic market. Despite the significance this project could have on the company's growth trajectory, we decided to not include it in our estimates at this point.

### Estimates revision

We incorporate the above-mentioned assumptions and thus:

- We keep our top-line forecast for the FY22-24E period unchanged;
- Given the margin erosion reported in 1H22 and assuming a negative impact from paper cost hikes, we reduce our EBITDA margin estimates for FY22E from 12.9% to 11.0% and for FY23E from 14.2% to 13%, reaching 14.2% in FY24E. The boost in profitability that we forecast is underpinned by the high margin of the machine division (in the region of 30%, according to management) and the further growth of cArtù and cushionPaper (2 products with higher margins than the standard ones);
- We cut by half our bottom-line forecast to EUR 0.6M in FY22E vs. the previous EUR 1.1M. We reduce it by 15% in FY23E to EUR 2.2M and by 10% in FY24E to EUR 4M;
- The diminishing cash generation should impact negatively on net debt, which should worsen by an average of 6% in the FY22-24E period vs. our previous estimates.

### Grifal – Estimates revision

EUR M	2022E			2023E			2024E		
	Old	New	Chg. %	Old	New	Chg. %	Old	New	Chg. %
<b>Sales</b>	<b>36.8</b>	<b>36.8</b>	<b>0.0</b>	<b>47.8</b>	<b>47.8</b>	<b>0.0</b>	<b>60.7</b>	<b>60.7</b>	<b>0.0</b>
Value of production	41.9	41.9	0.0	53.2	53.2	0.0	66.3	66.3	0.0
EBITDA	4.8	4.0	-15.3	6.8	6.2	-8.3	9.2	8.6	-6.8
% margin	12.9	11.0		14.2	13.0		15.2	14.2	
EBIT	1.8	1.1	-39.7	3.7	3.2	-14.7	6.1	5.5	-10.0
% margin	4.9	3.0		7.8	6.7		10.1	9.1	
Pre-tax	1.5	0.8	-47.6	3.5	3.0	-15.6	6.0	5.3	-10.3
<b>Net result</b>	<b>1.1</b>	<b>0.6</b>	<b>-47.6</b>	<b>2.6</b>	<b>2.2</b>	<b>-15.6</b>	<b>4.5</b>	<b>4.0</b>	<b>-10.3</b>
Net debt/-cash	18.8	19.3	2.9	17.4	18.3	5.7	16.2	17.6	9.0

E: estimates; Source: Intesa Sanpaolo Research

## Valuation

Following our estimates revision, we set our new **target price at EUR 3.5/share** (from EUR 4.4/share) based on a DCF valuation, with a 70% weighting, a peer based valuation on a wide sample of packaging companies (not necessarily perfect peers for Grifal), with a 10% weighting, and a relative valuation based on Sealed Air, which is active in the same segments where Grifal is present (20% weighting). We give a higher weighting to our DCF valuation as Grifal is in the middle of a transition, progressively replacing its plastic packaging products with its innovative cArtù and cushionPaper solutions, while launching its machinery division. Therefore, we believe 2023 should be a year of transition, making relative valuations less significant than a DCF, which has a longer time horizon. Given that the potential upside of our target price to the current share price is above 80%, **we confirm our BUY rating**.

**BUY rating confirmed, new target price at EUR 3.5/sh.**

### Grifal – Valuation summary

EUR		Weight %
DCF Valuation	3.4	70.0
Relative Valuation	2.1	10.0
Relative Valuation on Sealed Air	4.3	20.0
<b>Fair value</b>	<b>3.5</b>	<b>100.0</b>
Target price	3.5	
Current price	1.90	
Potential upside (%)	82.5	

Source: Intesa Sanpaolo Research estimates

### DCF valuation

Our DCF model gives a fair value of EUR 3.4/share. To calculate the company's WACC, we use the following assumptions:

- A risk-free rate of 3.0% (1.75% previously);
- A market risk premium of 6.50% (from 6.25%);
- An unleveraged beta of 0.76x, based on the average of Packaging & Containers industry, and Paper & Forest industries in Europe (source: Damodaran Jan-22). This beta becomes 1.13x when leveraged;
- A debt spread of 2.0%, which should be above the real cost of financing for Grifal;
- A debt/equity ratio of 42/58x, which is the structure reported in FY21;
- A terminal growth rate of 1.5% and an operating margin of 8.0% at terminal value, which is mostly in line with our expectation for 2023 and below our forecast for 2024;

We calculate a WACC of 7.4% (6.2% previously).

#### Grifal - WACC assumptions (%)

Risk Free rate (10Y BTP bench.)	3.0
Debt spread	2.0
Cost of debt [net]	3.4
Market risk premium	6.5
Beta (x)	1.13
Cost of equity	10.4
Weight of Debt	42
Weight of Equity	58
<b>WACC</b>	<b>7.4</b>

Source: Intesa Sanpaolo Research estimates

#### Grifal – Embedded DCF assumptions (%)

Revenue CAGR 2022-2030	12.8
EBIT CAGR 2022-2030	24.8
EBIT margin 2021	-2.7
Target EBIT margin at terminal value	8.0
Depr. on sales (avg 2022-2030)	7.0
Capex on sales (avg 2022-2030)	-8.6

Source: Intesa Sanpaolo Research estimates

Our DCF valuation implies an EV/EBITDA of 3.1x at terminal value.

**Grifal – DCF valuation**

	EUR M	% weighting
Sum of PV 2022-30 FCF	5.9	11
Terminal value	46.8	89
<b>Total Enterprise value</b>	<b>52.6</b>	<b>100</b>
- minorities	0.0	
- Pension Provision	-1.4	
- Net debt (+ cash) 2021A	-12.2	
<b>Total Equity value</b>	<b>39.0</b>	
Fully diluted number of shares (m)	11.4	
<b>Fair value per share (EUR)</b>	<b>3.41</b>	

Source: Intesa Sanpaolo Research estimates

**Peers-based valuation**

Grifal has no directly comparable peers that are listed, although there are several listed companies active in the packaging of both plastic and cardboard that include seven companies with market capitalisations of over EUR 5Bn. Our sample of companies see an average performance of -15.7% YTD vs. -54.5% for Grifal.

**Grifal – Peers multiples**

(x)	Market Cap	P/E		EV/EBITDA		EV/EBIT		Share perf.
	EUR M	2023	2024	2023	2024	2023	2024	YTD %
Berry Global Group Inc	6,072	6.0	5.5	6.2	6.3	9.3	9.3	-25.2
BillerudKorsnas AB	3,267	9.8	11.7	5.5	6.1	8.5	10.0	-15.3
DS Smith Plc	4,405	7.5	7.5	5.0	4.7	7.7	7.5	-30.0
Graphic Packaging	6,563	8.6	7.8	6.5	5.9	9.5	8.4	24.3
International Paper Company	12,255	8.3	8.5	5.5	5.3	8.5	8.3	-18.1
Metsa Board Oyj Class A	2,999	9.0	9.5	5.8	5.9	7.2	7.4	-3.6
Packaging Corporation of America	11,071	11.3	11.2	6.8	6.5	8.9	8.6	-1.4
<b>Sealed Air Corporation</b>	<b>6,992</b>	<b>10.9</b>	<b>9.8</b>	<b>7.8</b>	<b>7.1</b>	<b>9.7</b>	<b>8.9</b>	<b>-18.9</b>
Smurfit Kappa Group Plc	8,105	8.7	8.5	5.1	4.8	7.7	7.3	-35.5
Cascades Inc.	668	7.2	6.9	4.7	2.4	10.9	4.7	-31.9
Mpact	236	6.0	5.3	3.4	3.0	5.0	4.4	-17.5
<b>Average</b>		<b>8.5</b>	<b>8.4</b>	<b>5.7</b>	<b>5.3</b>	<b>8.4</b>	<b>7.7</b>	<b>-15.7</b>
<b>Median</b>		<b>8.6</b>	<b>8.5</b>	<b>5.5</b>	<b>5.9</b>	<b>8.5</b>	<b>8.3</b>	<b>-18.1</b>

Priced at market close on 17/10/2022; Source: FactSet

Based on a relative 2023-24 EV/EBITDA, Grifal would be valued at EUR 2.1/share, while other metrics (for example P/E or EV/EBIT) are not meaningful in our view, as the company is in the midst of its strategic investment plan.

**Grifal - Peer based valuation**

EUR M	2023E	2024E
<b>EV/EBITDA - peers</b>	<b>5.5</b>	<b>5.9</b>
EBITDA	6.2	8.6
Implied EV	34.0	50.6
Debt/-Cash	18.3	17.6
<b>A - Equity value</b>	<b>15.6</b>	<b>33.0</b>
Number of shares	11.42	11.42
<b>Fair value per share (EUR)</b>	<b>1.37</b>	<b>2.89</b>

Source: Intesa Sanpaolo Research estimates

We also use the multiples of Sealed Air, an American multinational company that offers packaging solutions and commodities similar to Grifal. Based on Sealed Air's current EV/EBITDA multiples, Grifal would be valued at EUR 4.33/share. At our EUR 3.5/share target price, Grifal would trade at 11.2x 2023 EV/EBITDA, which is above the average multiple of our sample of peers (5.7x).

**Grifal – Implicit multiples in our EUR 3.5/sh. target price**

(x)	2023E	2024E
P/E	22.5	12.5
EV/EBITDA	11.2	8.0
EV/EBIT	22.0	12.6
EV/Sales	1.8	1.6
P/BV	2.6	2.2
EV/ Capital employed	1.8	1.7

Source: Intesa Sanpaolo Research elaboration on FactSet

## ESG Matrix

### Grifal - ESG Matrix

Main KPIs		2019	2020	2021	Target	Trend
E	<b>Emissions</b>					
	Scope 1	6,587	5,563	6,735	//	+
	CO2 intensity index	78.5	68.6	67.4	66.0	-
	<b>Circular Economy</b>					
	Waste recycled rate (%)	88.0	89.0	90.0	91.0	+
	Wastes (tons)	98.0	91.0	86.0	//	-
	Packaging materials from recyclable sources (%)	100.0	100.0	100.0	//	=
	<b>Renewables Ratio</b>					
	Electricity from renewables on total consumption (%)	0.0	0.0	0.0	15.0	=
	Energy Consumption (GWhj)	0.6	0.9	1.0	1.1	+
Water withdrawals (m3/ton)	2,890	1,791	1,991	//	+	
S	Women in leadership roles (%)	21.4	20.0	16.7	25.0	-
	Training hrs per capita (No.)	44.6	37.3	20.7	21.0	-
	Turnover ratio (%)	0.1	0.0	0.0	NA	NA
	Work-related serious injuries	0.0	0.0	0.0	NA	NA
	Ethical code	No	No	No	Yes	=
G	Independent directors' rate (%)	11.0	29.0	29.0	30.0	=
	Women in BoD (%)	11.0	43.0	43.0	50.0	=
	Anti-corruption	No	No	No	Yes	=
	Management Remuneration Policy linked to ESG goals	No	No	No	Yes	=
	ESG Report	Yes	Yes	Yes	Yes	=
	Shareholders'/Consulting Agreement	NA	NA	NA	//	NA

Note: the indicators +/- refer to how the company, in ISP view, is progressing towards its targets and/or vs. its historic trend; //: no explicit targets; Source: Company data and Intesa Sanpaolo Research elaboration

## Grifal – Key Data

Rating BUY	Target price (EUR/sh) Ord 3.5		Mkt price (EUR/sh) Ord 1.90		Sector Containers & Packaging	
<b>Values per share (EUR)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
No. ordinary shares (M)	10.55	10.55	11.42	11.42	11.42	11.42
Total no. of shares (M)	10.55	10.55	11.42	11.42	11.42	11.42
Market cap (EUR M)	44.05	27.06	42.12	21.70	21.70	21.70
Adj. EPS	0.05	-0.09	-0.07	0.05	0.20	0.35
CFPS	0.15	0.12	0.04	-0.01	0.43	0.46
BVPS	0.97	1.4	1.5	1.5	1.7	2.0
Dividend ord	0	0	0	0	0.05	0.08
<b>Income statement (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Revenues	18.64	16.76	26.07	36.80	47.82	60.67
EBITDA	2.48	0.95	2.11	4.04	6.22	8.61
EBIT	0.69	-1.01	-0.72	1.09	3.18	5.51
Pre-tax income	0.50	-1.20	-0.98	0.79	2.98	5.34
Net income	0.50	-0.91	-0.84	0.59	2.24	4.01
Adj. net income	0.50	-0.91	-0.84	0.59	2.24	4.01
<b>Cash flow (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Net income before minorities	0.5	-0.9	-0.8	0.6	2.2	4.0
Depreciation and provisions	1.8	1.9	2.8	2.9	3.0	3.1
Others/Uses of funds	0	0	0.0	0	0	0
Change in working capital	-0.7	0.2	-1.5	-3.6	-0.4	-1.8
Operating cash flow	1.6	1.2	0.4	-0.1	4.9	5.3
Capital expenditure	-3.0	-3.0	-6.8	-7.0	-3.9	-4.0
Financial investments	0	0	-1.1	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	-1.3	-1.8	-7.4	-7.1	1.0	1.3
Dividends	-0.3	0	0	0	0	-0.6
Equity changes & Non-op items	2.6	-0.5	1.9	0	0	0
Net cash flow	0.9	-2.3	-5.6	-7.1	1.0	0.7
<b>Balance sheet (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Net capital employed	14.7	21.1	28.9	36.6	37.8	40.6
of which associates	0	0	0	0	0	0
Net debt/-cash	4.4	6.7	12.2	19.3	18.3	17.6
Minorities	0	0	0	0	0	0
Net equity	10.3	14.4	16.7	17.3	19.5	22.9
Minorities value	0	0	0	0	0	0
Enterprise value	48.5	33.7	54.4	41.0	40.0	39.3
<b>Stock market ratios (x)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Adj. P/E	88.6	Neg.	Neg.	36.5	9.7	5.4
P/CFPS	27.0	22.1	95.9	Neg.	4.5	4.1
P/BVPS	4.3	1.9	2.5	1.3	1.1	0.95
Payout (%)	0	0	0	0	26	23
Dividend yield (% ord)	0	0	0	0	2.6	4.2
FCF yield (%)	-3.0	-6.5	-17.6	-32.7	4.6	5.9
EV/sales	2.6	2.0	2.1	1.1	0.84	0.65
EV/EBITDA	19.5	35.4	25.8	10.2	6.4	4.6
EV/EBIT	70.8	Neg.	Neg.	37.7	12.6	7.1
EV/CE	3.3	1.6	1.9	1.1	1.1	0.97
D/EBITDA	1.8	7.0	5.8	4.8	2.9	2.0
D/EBIT	6.5	Neg.	Neg.	17.8	5.8	3.2
<b>Profitability &amp; financial ratios (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
EBITDA margin	13.3	5.7	8.1	11.0	13.0	14.2
EBIT margin	3.7	-6.0	-2.7	3.0	6.7	9.1
Tax rate	0.8	24.7	14.2	24.5	25.0	25.0
Net income margin	2.7	-5.4	-3.2	1.6	4.7	6.6
ROCE	4.7	-4.8	-2.5	3.0	8.4	13.6
ROE	5.6	-7.3	-5.4	3.5	12.2	18.9
Interest cover	3.7	-5.4	-2.7	3.6	15.9	32.4
Debt/equity ratio	43.1	46.1	73.4	111.9	93.9	76.8
<b>Growth (%)</b>		<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Sales		-10.0	55.5	41.2	30.0	26.9
EBITDA		-61.6	NM	91.6	54.1	38.4
EBIT		NM	29.5	NM	NM	73.2
Pre-tax income		NM	18.8	NM	NM	79.1
Net income		NM	7.5	NM	NM	79.1
Adj. net income		NM	7.5	NM	NM	79.1

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

## Company Snapshot

### Company Description

Grifal is a leading industrial company providing innovative packaging solutions to >700 automotive, white goods, electronics, furniture and medical companies. The company will leverage on a disruptive corrugated cardboard product, called cArtù, which offers lower weight, lower cost and is 100% recyclable. In other word, cArtù is ecological and economical and, we believe, could rapidly replace other packaging commodity products. The company also produces packaging materials, mostly based on polyethylene foam. Grifal is 68.4% controlled by the founder's family, which still manages the company, was listed in 2018 at EUR 2.60/sh raising EUR 4.7M.

### Key data

Mkt price (EUR)	1.90	Free float (%)	36.6
No. of shares	11.42	Major shr	G-Quattron.
52Wk range (EUR)	4.88/1.83	(%)	63.2
Reuters	GRALA.MI	Bloomberg	GRAL IM
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	-6.9	-1M	-3.4
-3M	-15.2	-3M	-16.0
-12M	-49.3	-12M	-36.4

### Key Risks

#### Company specific risks:

- Limited production capacity and production constraints.
- Potential alternative products launched by large international companies;
- Negative impact from rising raw material and energy prices;
- Delays in building the new plant

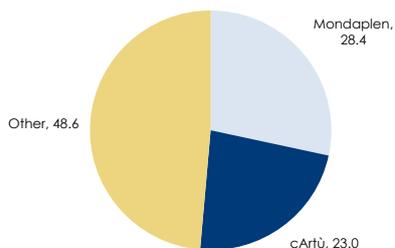
#### Sector generic risks:

- Paper/cardboard and EPE price fluctuations could reduce profitability;
- Technological breakthrough in the packaging technology, particularly for the material used;
- Increasing competition in the packaging industry.

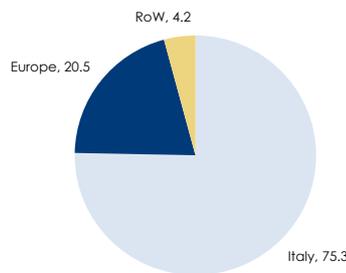
### Estimates vs. consensus

EUR M (Y/E Dec)	2021A	2022E	2022C	2023E	2023C	2024E	2024C
Sales	26.07	36.80	NM	47.82	NM	60.67	NM
EBITDA	2.11	4.04	NM	6.22	NM	8.61	NM
EBIT	-0.72	1.09	NM	3.18	NM	5.51	NM
Pre-tax income	-0.98	0.79	NM	2.98	NM	5.34	NM
Net income	-0.84	0.59	NM	2.24	NM	4.01	NM
EPS (EUR)	-0.07	0.05	NM	0.20	NM	0.35	NM

### Sales breakdown by product (%)



### Sales breakdown by geography (%)



NM: not meaningful; Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 17/10/2022)

## Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

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### Equity rating key: (long-term horizon: 12M)

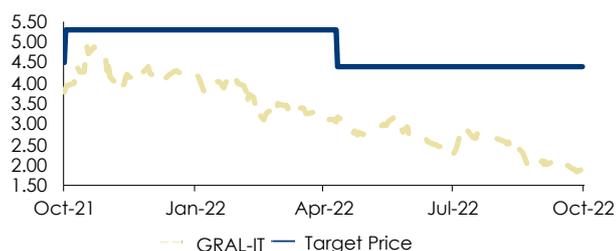
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**Equity Rating Key (long-term horizon: 12M)**

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
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NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

**Historical recommendations and target price trends (long-term horizon: 12M)**

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->. Note: please also refer to <https://group.intesasanpaolo.com/it/research/equity-credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

**Target price and market price trend (-1Y)****Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
28-Apr-22	BUY	4.4	3.2
19-Oct-21	BUY	5.3	3.9

**Equity rating allocations (long-term horizon: 12M)****Intesa Sanpaolo Research Rating Distribution (at October 2022)**

Number of companies considered: 127	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	65	18	17	0	0
of which Intesa Sanpaolo's Clients (%)**	83	39	55	0	0

\* Last rating refers to rating as at end of the previous quarter; \*\* Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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**Equity rating key (short-term horizon: 3M)**

<b>Short-term rating</b>	<b>Definition</b>
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- One or more of the companies of the Intesa Sanpaolo Banking Group are one of the main financial lenders to Grifal and its parent and group companies
- Intesa Sanpaolo acts as Corporate Broker relative to securities issued by Grifal

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