

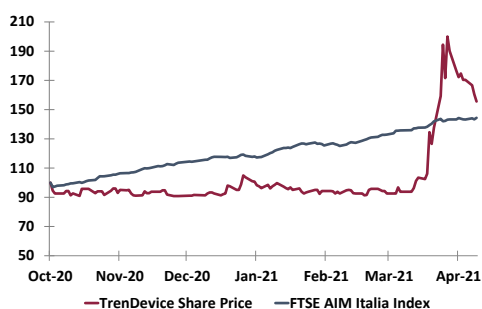


## OUTPERFORM

Current Share Price (€): 1.25

Target Price (€): 1.84

### TrenDevice - Performance since IPO



Source: S&P Capital IQ - Note: 27/10/2020=100

### Company data

ISIN number	IT0005422792
Bloomberg code	TD IM
Reuters code	TD.IM
Industry	Online consumer electronics retail
Stock market	AIM Italia
Share Price (€)	1.25
Date of Price	06/05/2021
Shares Outstanding (m)	12.3
Market Cap (€m)	15.3
Market Float (%)	27.4%
Daily Volume	54,000
Avg Daily Volume YTD	94,935
Target Price (€)	1.84
Upside (%)	47%
Recommendation	OUTPERFORM

### Share price performance

	1M	3M	1Y
TrenDevice - Absolute (%)	64%	57%	na
FTSE AIM Italia (%)	6%	18%	36%
1Y Range H/L (€)		1.62	0.74
YTD Change (€) / %		0.51	68%

Source: S&P Capital IQ

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## Sales 30% up, finance attracted by industry outlook

### E-commerce drives sales, champion in sustainability

FY20 sales at €9.3m vs. €7.2m in 2019, +29% YoY thanks to growth in e-commerce, with total revenues at €9.8m. EBITDA was €0.8m (10% deriving from services), consistent with previous years.

Trade working capital at €0.5m, from €0.1m in FY19, includes €1.5m inventory.

€2.5m capital expenditure financed through €2.7m IPO proceeds. Decrease in net financial debt from €1.8m in FY19 to €1.5m. €3.2m shareholders' equity at year-end.

1,500 tonnes of CO2 saved in 2020, +49% vs. 2019, thanks to the extended lifetime of refurbished electronic devices and the consequent reduction of e-waste.

### Outlook: benchmark player for refurbished devices

TrenDevice is the Italian market leader in refurbished electronic devices with a comprehensive offering of products and services, a value proposition recognized as benchmark by users. Part of this strategy are the focus on ancillary services -such as all-inclusive insurance, premium memberships and payments in installments- and on new projects. TrenDevice can count on a loyal customer base yielding visibility, word of mouth and recurring revenues on the e-commerce platform. Opening of own and franchise stores, and launch of the C2C marketplace for *certified* second-hand devices are planned to increase brand awareness and drive profitability.

### Refurbished business attracts capitals

In the last years, startups that are active in the electronic refurbishment business were able to complete substantial fundraising campaigns. Major European startups transactions include Swappie, which raised a total of \$48m in three rounds from VC and PE funds, and the 2021 listing on Euronext of Largo, totaling €23m IPO proceeds and a market capitalization of €46m. Differently from said international players, TrenDevice has been able to produce positive margins and is expected to reach sound cash generation, proving the strength of its business model.

### Target Price €1.90 per share, OUTPERFORM recommendation

The application of our DCF valuation model yields a share price of €1.84, revising our previous €1.29 per share, 47% upside on the current price of €1.25 and +127% on the IPO price of €0.81. Moreover, the comparability to other European national reconditioning leaders signals that there is an explicit market appreciation for the value embedded in customer base and proprietary platforms, which goes well beyond financial performances. As a consequence, we confirm the OUTPERFORM recommendation on the stock.

### Key financials and estimates

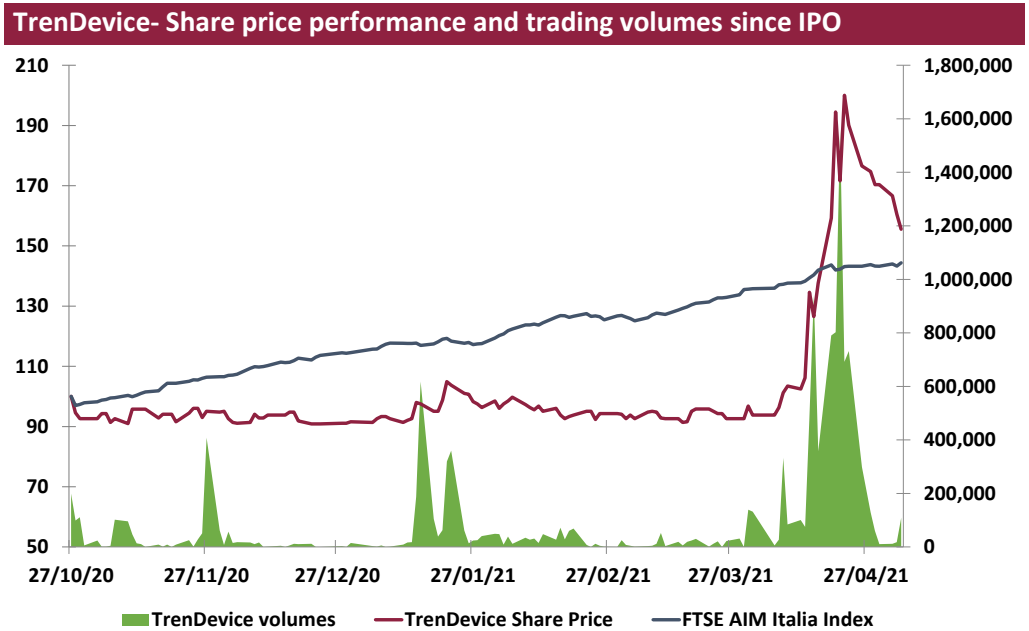
€m	2018	2019	2020	2021E	2022E	2023E
Revenues	5.1	7.4	9.8	12.5	17.5	24.0
EBITDA	0.3	0.6	0.8	1.3	2.0	3.0
Margin	5.7%	8.2%	7.7%	10.5%	11.7%	12.7%
Net Income	0.0	0.0	(0.2)	0.1	0.5	1.1
Net (Debt) Cash	(2.0)	(1.8)	(1.5)	(1.3)	(0.4)	1.2
Equity	0.3	0.7	3.2	3.3	3.7	4.8

Source: Company data 2017-20A, EnVent Research 2021-23E

## Market update

TrenDevice shares since IPO traded in the range €0.74-1.62, with beginning price at €0.81 and ending at €1.25, increased by 54%

In the same period, the AIM Italia Index increased by 44%



Source: EnVent Research on S&P Capital IQ - Note: 27/10/2020=100

## FY2020: double-digit growth, no harm from Covid-19

**FY20 sales +29% YoY**

2020 sales were €9.3m (+29%) and total revenues were €9.8m vs. €7.2m and €7.4m of FY19, thanks to growth in e-commerce. Cost of materials, which mainly includes the purchase of used devices, was €7.4m; 80% of revenues in line with prior years. EBITDA was €0.8m (7.7% margin) vs. €0.6m (8.4%) in 2019; 10% of EBITDA from services. EBIT and net income at breakeven.

**Minimal working capital investment limited to inventory**

Trade working capital was €0.5m after the doubling of inventory up to €1.5m, due to pandemic and Brexit related supply disruptions, only partially offset by payables. Capital expenditure was €2.5m related to the re-commerce platform and C2C marketplace development, investment in advertising was €0.25m.

**IPO proceeds financed 2020 investments**

Net financial debt as of December 2020 was €1.5m (vs. €1.8m in 2019), with Shareholders' equity of €3.2m after €2.7m IPO proceeds.

## Business update

- Supply agreements with primary EU and US operators in the wholesale trade of used smartphones and PCs. This move will increase the availability of products to refurbish and support growing demand
- Agreement with Net Insurance, specialized in *Insurtech*, and Mansutti, a broker, for the sale of ancillary insurance services
- Approval of a €4m bond issuance in 2021, with 6-year maturity and 3.5%-4.5% fixed coupon
- Launch of the *certified* used C2C marketplace by end of H1 2021

### **Industry trend**

In April 2021, Largo SA, the French eco-responsible leader in the refurbishment of mobile devices, was listed on Euronext Growth Paris raising €23m IPO proceeds and totaling €46m of market capitalization. With 40 employees and €10m revenues the Company is highly comparable to TrenDevice.

### **Circular economy and sustainability**

TrenDevice mission is to extend the life cycle of hi-tech products, which combines savings for consumers (refurbished devices cost about 40% less than new ones) and environmental protection. A refurbished smartphone avoids the emission in the air of an average of 80kg of CO<sub>2</sub> (estimate based on data provided by producers).

In 2020, 1,500 tonnes of CO<sub>2</sub> were saved thanks to TrenDevice refurbished products and the consequent reduction of e-waste, +49% vs. 2019.

### **Outlook: from pioneer to benchmark player in circular economy**

We recall that the market for refurbished and used smartphones before the pandemic was estimated to grow at a 13.6% CAGR 2018-23.

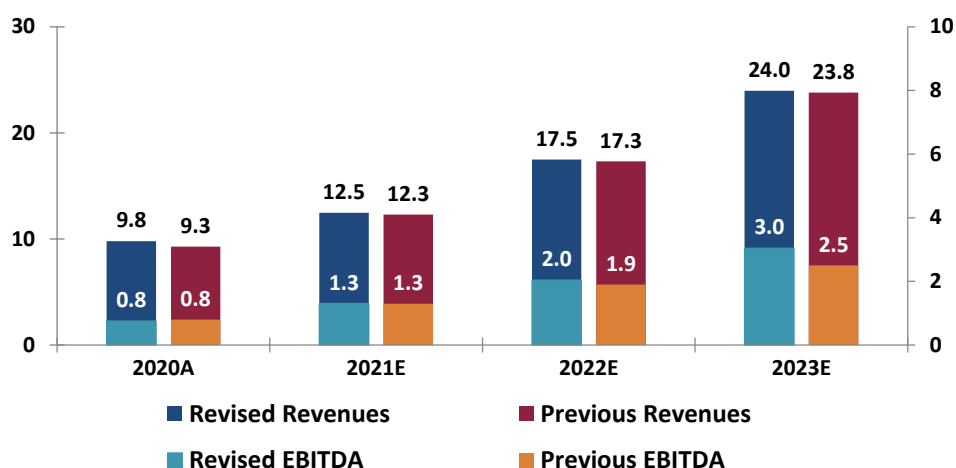
TrenDevice has proven able to become the Italian reference brand in the refurbished e-devices industry segment. The launch, planned for June 2021, of the new C2C marketplace for *certified* second-hand devices will furtherly increase brand awareness, also sustained by the recurring advertising campaigns.

We envisage further growth in the following years thanks to TrenDevice market leadership in Italy and focus on e-commerce, which benefited from the increase of internet usage after the pandemic.

### **Estimates revision**

TrenDevice 2020 revenues were ahead of our estimates (+14%), EBITDA in line, while EBIT was lower due to additional D&A relating to investments in advertising. The successful 2020, which was not impacted by the pandemic thanks to the resilience of e-commerce sales, together with the program for 2021 to open new physical stores and to launch new ancillary services, confirms our view about growth potential and improving operating margins. Thus, we are maintaining our estimates for 2021-2023, with just some fine tuning to factor in 2020 actual figures.

## Change in estimates



Source: EnVent Research

€m	Revised				Previous				Change %			
	2020A	2021E	2022E	2023E	2020E	2021E	2022E	2023E	2020A	2021E	2022E	2023E
<b>Revenues</b>	9.8	12.5	17.5	24.0	8.6	12.3	17.3	23.8	14%	1%	1%	1%
<b>EBITDA</b>	0.8	1.3	2.0	3.0	0.8	1.3	1.9	2.5	0%	0%	7%	22%
<i>Margin</i>	7.7%	10.5%	11.7%	12.7%	8.8%	10.2%	10.7%	10.7%				
<b>EBIT</b>	(0.2)	0.2	0.8	1.6	0.2	0.5	1.0	1.5	-202%	-50%	-20%	9%
<i>Margin</i>	-2%	2%	5%	7%	2%	4%	6%	6%				
<b>Net Income (Loss)</b>	(0.2)	0.1	0.5	1.1	0	0.2	0.6	1.0	n.a	-66%	-22%	7%
<b>Net Debt (Cash)</b>	1.5	1.3	0.4	(1.2)	(0.4)	(1.0)	(2.1)	(3.8)				
<i>Net Debt / EBITDA</i>	2.0x	1.0x	0.2x	neg.	neg.	neg.	neg.	neg.				

Source: EnVent Research

## Financial projections

### Consolidated Profit and Loss

€m	2018	2019	2020	2021E	2022E	2023E
Sales	5.1	7.2	9.3	12.3	17.3	23.8
Other income	0.0	0.2	0.5	0.2	0.2	0.2
<b>Revenues</b>	<b>5.1</b>	<b>7.4</b>	<b>9.8</b>	<b>12.5</b>	<b>17.5</b>	<b>24.0</b>
<i>YoY %</i>	43%	44%	32%	27%	40%	37%
Materials	(4.2)	(5.6)	(7.4)	(9.1)	(12.8)	(17.5)
Services	(0.5)	(0.7)	(1.0)	(1.2)	(1.6)	(1.9)
Personnel	(0.1)	(0.3)	(0.5)	(0.6)	(0.7)	(1.0)
Other operating costs	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)	(0.5)
<b>Operating charges</b>	<b>(4.8)</b>	<b>(6.8)</b>	<b>(9.0)</b>	<b>(11.2)</b>	<b>(15.4)</b>	<b>(20.9)</b>
<b>EBITDA</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	<b>1.3</b>	<b>2.0</b>	<b>3.0</b>
<i>Margin</i>	5.7%	8.2%	7.7%	10.5%	11.7%	12.7%
D&A	(0.1)	(0.4)	(1.0)	(1.0)	(1.2)	(1.4)
<b>EBIT</b>	<b>0.2</b>	<b>0.2</b>	<b>(0.2)</b>	<b>0.3</b>	<b>0.8</b>	<b>1.7</b>
<i>Margin</i>	3.3%	2.3%	-2.1%	2.1%	4.7%	6.9%
Interest	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
<b>EBT</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.4)</b>	<b>0.1</b>	<b>0.7</b>	<b>1.5</b>
<i>Margin</i>	0.6%	0.1%	-4.1%	0.9%	3.8%	6.3%
Income taxes	(0.0)	(0.0)	0.2	(0.0)	(0.2)	(0.4)
<b>Net Income (Loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.2)</b>	<b>0.1</b>	<b>0.5</b>	<b>1.1</b>
<i>Net Income Margin</i>	0.6%	0.0%	-2.4%	0.6%	2.7%	4.5%

Source: Company data 2018-20A, EnVent Research 2021-23E

Up to speed from 2022 on

2020-2021 investment phase,  
 lower invested capital since 2022

### Consolidated Balance Sheet

€m	2018	2019	2020	2021E	2022E	2023E
Inventory	0.6	0.7	1.5	1.5	2.2	3.0
Trade receivables	0.1	0.0	0.1	0.1	0.2	0.2
Trade payables	(0.3)	(0.6)	(1.1)	(1.2)	(1.7)	(2.3)
Trade Working Capital	0.3	0.1	0.5	0.4	0.6	0.9
Other assets (liabilities)	(0.0)	(0.1)	0.2	0.1	(0.1)	(0.3)
<b>Net Working Capital</b>	<b>0.3</b>	<b>0.0</b>	<b>0.8</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>
Intangible assets	2.0	2.5	4.0	3.9	3.5	2.8
Property, plant and equipment	0.0	0.1	0.1	0.2	0.3	0.4
<b>Non-current assets</b>	<b>2.0</b>	<b>2.5</b>	<b>4.1</b>	<b>4.2</b>	<b>3.8</b>	<b>3.2</b>
<b>Provisions</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>
<b>Net Invested Capital</b>	<b>2.3</b>	<b>2.5</b>	<b>4.7</b>	<b>4.5</b>	<b>4.1</b>	<b>3.6</b>
<b>Net Debt (Cash)</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>	<b>0.4</b>	<b>(1.2)</b>
<b>Equity</b>	<b>0.3</b>	<b>0.7</b>	<b>3.2</b>	<b>3.3</b>	<b>3.8</b>	<b>4.8</b>
<b>Sources</b>	<b>2.3</b>	<b>2.5</b>	<b>4.7</b>	<b>4.5</b>	<b>4.1</b>	<b>3.6</b>

Source: Company data 2018-20A, EnVent Research 2021-23E

Continuing investment in 2020  
 supported by IPO proceeds

### Consolidated Cash Flow

€m	2018	2019	2020	2021E	2022E	2023E
<b>EBIT</b>	<b>0.2</b>	<b>0.2</b>	<b>(0.2)</b>	<b>0.3</b>	<b>0.8</b>	<b>1.7</b>
Current taxes	(0.0)	(0.0)	0.2	(0.0)	(0.2)	(0.4)
D&A	0.1	0.4	1.0	1.0	1.2	1.4
Provisions	0.0	0.1	0.0	0.0	0.0	0.0
<b>Cash flow from P&amp;L operations</b>	<b>0.3</b>	<b>0.7</b>	<b>1.0</b>	<b>1.3</b>	<b>1.9</b>	<b>2.6</b>
Trade Working Capital	0.3	0.2	(0.4)	0.1	(0.2)	(0.3)
Other assets and liabilities	0.0	0.1	(0.3)	0.2	0.2	0.2
Capex	(0.5)	(1.0)	(2.5)	(1.1)	(0.8)	(0.8)
<b>Operating cash flow after working capital and capex</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(2.3)</b>	<b>0.4</b>	<b>1.0</b>	<b>1.7</b>
Interest	(0.1)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Paid-in capital - IPO proceeds 2020	0.0	0.4	2.7	0.0	0.0	0.0
<b>Net cash flow</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.9</b>	<b>1.6</b>
Net Debt (Beginning)	(2.0)	(2.0)	(1.8)	(1.5)	(1.3)	(0.4)
Net Debt (End)	(2.0)	(1.8)	(1.5)	(1.3)	(0.4)	1.2
<b>Change in Net Debt (Cash)</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.9</b>	<b>1.6</b>

Source: Company data 2018-20A, EnVent Research 2021-23E

Cash generation since 2022

### Ratio analysis

KPIs	2018	2019	2020	2021E	2022E	2023E
ROE	10%	0%	-7%	2%	13%	22%
ROS (EBIT/Revenues)	3%	2%	-2%	2%	5%	7%
ROIC (NOPAT/Invested Capital)	5%	5%	-3%	4%	14%	33%
DSO	5	1	3	3	3	3
DPO	20	28	39	35	35	35
DOI	42	35	57	45	45	45
TWC/Revenues	7%	2%	5%	3%	3%	4%
Capex/Revenues	10%	14%	26%	9%	5%	3%
Net Debt / EBITDA	6.9x	2.9x	2.0x	1.0x	0.2x	cash
Net Debt / Equity	6.6x	2.4x	0.5x	0.4x	0.1x	cash
Cash flow from P&L operations / EBITDA	108%	108%	129%	98%	91%	87%
FCF / EBITDA	51%	neg.	neg.	33%	51%	58%

Source: Company data 2018-20A, EnVent Research 2021-23E

## Valuation

For the valuation of TrenDevice we make reference to both DCF and market metrics. As detailed afterwards, available market information present low reliability.

## Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.5% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, April 2021)
- Market return: 12.6% (3Y average. Source: Bloomberg, April 2021)
- Market risk premium: 11.1%
- Beta: 1 (neutral figure in absence of reliable records)
- Cost of equity: 12.6%
- Cost of debt: 4%
- Tax rate: 24% (IRES)
- 50% debt/(debt + equity)
- WACC 7.8%
- Perpetual growth rate after explicit projections: 2.5% based on online businesses expected trend
- Terminal Value assumes an EBITDA margin of 10%

### DCF Valuation

€m	2018	2019	2020	2021E	2022E	2023E	Perpetuity
<b>Revenues</b>	<b>5.1</b>	<b>7.4</b>	<b>9.8</b>	<b>12.5</b>	<b>17.5</b>	<b>24.0</b>	<b>24.6</b>
<b>EBITDA</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	<b>1.3</b>	<b>2.0</b>	<b>3.0</b>	<b>2.5</b>
<i>Margin</i>	5.7%	8.2%	7.7%	10.5%	11.7%	12.7%	10.0%
<b>EBIT</b>	<b>0.2</b>	<b>0.2</b>	<b>(0.2)</b>	<b>0.3</b>	<b>0.8</b>	<b>1.7</b>	<b>2.0</b>
<i>Margin</i>	3.3%	2.3%	-2.1%	2.1%	4.7%	6.9%	8.0%
Taxes	(0.0)	(0.0)	0.1	(0.1)	(0.2)	(0.5)	(0.5)
<b>NOPAT</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.2</b>	<b>0.6</b>	<b>1.2</b>	<b>1.4</b>
D&A	0.1	0.4	1.0	1.0	1.2	1.4	0.5
Provisions	0.0	0.1	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from P&amp;L operations</b>	<b>0.3</b>	<b>0.6</b>	<b>0.9</b>	<b>1.2</b>	<b>1.8</b>	<b>2.6</b>	<b>1.9</b>
Trade Working Capital	0.3	0.2	(0.4)	0.1	(0.2)	(0.3)	(0.2)
Other assets and liabilities	0.0	0.1	(0.3)	0.2	0.2	0.2	0.0
Capex	(0.5)	(1.0)	(2.5)	(1.1)	(0.8)	(0.8)	(0.5)
<b>Unlevered free cash flow</b>	<b>0.1</b>	<b>(0.1)</b>	<b>(2.4)</b>	<b>0.4</b>	<b>1.0</b>	<b>1.7</b>	<b>1.2</b>
WACC	7.8%						
Long-term growth (G)	2.5%						
<b>Discounted Cash Flows</b>				<b>0.4</b>	<b>0.9</b>	<b>1.4</b>	
Sum of Discounted Cash Flows	2.6						
<b>Terminal Value</b>							<b>23.1</b>
Discounted TV	18.5						
<b>Enterprise Value</b>	<b>21.1</b>						
Net Debt as of 31/12/20	1.5						
<b>Equity Value</b>	<b>22.6</b>						

DCF - Implied multiples	2018	2019	2020	2021E	2022E	2023E
EV/Revenues	4.1x	2.9x	2.2x	1.7x	1.2x	0.9x
EV/EBITDA	72.5x	34.6x	27.9x	16.2x	10.3x	6.9x
EV/EBIT	nm	nm	nm	nm	25.9x	12.7x
P/E	nm	nm	nm	nm	47.6x	20.9x

Source: EnVent Research

## Market multiples applicability

Within the proper match of refurbished e-devices market makers, only two public companies, the US PhoneX Holdings and French Largo SA, could be used as comparables. Thus, we extended our research by business similarities. We defined a cluster of international public companies that offer online generalist or tech-related marketplaces. We also added an Italian cluster with a generalist electronics e-commerce and a producer of smartphones accessories.

Selection factors:

- Market maker of refurbished devices - *core*
- Generalist marketplace
- Generalist e-commerce used products
- Stores of brand-new electronic devices

## Market multiples

Company	EV/Revenues				EV/EBITDA				EV/EBIT				P/E			
	2019	2020	2021E	2022E	2019	2020	2021E	2022E	2019	2020	2021E	2022E	2019	2020	2021E	2022E
<b>International peers</b>																
Jumia	1.5x	15.6x	13.0x	10.1x	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg
ECONOS	0.5x	0.6x	n.a.	n.a.	9.6x	62.5x	n.a.	n.a.	15.9x	n.a.	n.a.	n.a.	63.4x	n.a.	n.a.	n.a.
PhoneX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
M.video	0.6x	0.6x	0.5x	0.5x	7.2x	8.9x	5.9x	5.4x	8.5x	10.7x	10.3x	9.3x	12.9x	19.0x	10.4x	9.0x
Cerebra	0.6x	3.1x	n.a.	n.a.	5.1x	17.1x	n.a.	n.a.	5.1x	n.a.	n.a.	n.a.	64.2x	n.a.	n.a.	n.a.
Largo SA	0.2x	4.4x	n.a.	n.a.	neg.	neg.	n.a.	n.a.	neg	neg	n.a.	n.a.	n.a.	neg	n.a.	n.a.
<b>Average</b>	<b>0.7x</b>	<b>4.9x</b>	<b>6.8x</b>	<b>5.3x</b>	<b>7.3x</b>	<b>29.5x</b>	<b>5.9x</b>	<b>5.4x</b>	<b>9.8x</b>	<b>10.7x</b>	<b>10.3x</b>	<b>9.3x</b>	<b>46.8x</b>	<b>19.0x</b>	<b>10.4x</b>	<b>9.0x</b>
<b>Median</b>	<b>0.6x</b>	<b>3.1x</b>	<b>6.8x</b>	<b>5.3x</b>	<b>7.2x</b>	<b>17.1x</b>	<b>5.9x</b>	<b>5.4x</b>	<b>8.5x</b>	<b>10.7x</b>	<b>10.3x</b>	<b>9.3x</b>	<b>63.4x</b>	<b>19.0x</b>	<b>10.4x</b>	<b>9.0x</b>
<b>Italian peers</b>																
ePRICE	0.2x	0.2x	0.2x	n.a.	neg	neg	14.3x	n.a.	neg	neg	neg	n.a.	neg	neg	neg	n.a.
Cellularline	1.2x	1.4x	1.1x	0.9x	5.9x	9.0x	6.7x	5.0x	8.9x	96.3x	10.5x	6.8x	7.9x	6.6x	7.5x	5.5x
<b>Average</b>	<b>0.7x</b>	<b>0.8x</b>	<b>0.6x</b>	<b>0.9x</b>	<b>5.9x</b>	<b>9.0x</b>	<b>10.5x</b>	<b>5.0x</b>	<b>8.9x</b>	<b>96.3x</b>	<b>10.5x</b>	<b>6.8x</b>	<b>7.9x</b>	<b>6.6x</b>	<b>7.5x</b>	<b>5.5x</b>
<b>Median</b>	<b>0.7x</b>	<b>0.8x</b>	<b>0.6x</b>	<b>0.9x</b>	<b>5.9x</b>	<b>9.0x</b>	<b>10.5x</b>	<b>5.0x</b>	<b>8.9x</b>	<b>96.3x</b>	<b>10.5x</b>	<b>6.8x</b>	<b>7.9x</b>	<b>6.6x</b>	<b>7.5x</b>	<b>5.5x</b>
<b>Full sample</b>																
<b>Average</b>	<b>0.7x</b>	<b>3.7x</b>	<b>3.7x</b>	<b>3.8x</b>	<b>6.9x</b>	<b>24.4x</b>	<b>9.0x</b>	<b>5.2x</b>	<b>9.6x</b>	<b>53.5x</b>	<b>10.4x</b>	<b>8.0x</b>	<b>37.1x</b>	<b>12.8x</b>	<b>8.9x</b>	<b>7.2x</b>
<b>Median</b>	<b>0.6x</b>	<b>1.0x</b>	<b>0.8x</b>	<b>0.9x</b>	<b>6.5x</b>	<b>13.1x</b>	<b>6.7x</b>	<b>5.2x</b>	<b>8.7x</b>	<b>53.5x</b>	<b>10.4x</b>	<b>8.0x</b>	<b>38.1x</b>	<b>12.8x</b>	<b>8.9x</b>	<b>7.2x</b>

Source: S&P Capital IQ, April 2021

Except for Largo SA and PhoneX, the above selected listed companies do not include suitable peers of TrenDevice being their business models too different. In addition, given the high frequency of missing information and negative performances among available data and abnormally wide multiples' ranges, we do not see room to undertake a significant comparison analysis.

Thus, we do not deem appropriate to take average or median multiples as a reference for the valuation model of TrenDevice. Since for PhoneX -listed on an OTC market- only limited information are available, the only significant multiple is the 2020 EV/Revenues 4.4x for Largo SA which suggests an upside scenario for TrenDevice share price. Not a surprise, the same over 4x multiple would result from our 2021 TrenDevice valuation on its 2018 revenues.

As a consequence, we calculate our target price through the DCF model and note that the market position and growing customer base of TrenDevice may call for a premium valuation

### Upside potential

We believe that TrenDevice valuation should reflect:

- the high growth potential in a still unexplored domestic market of over 15m units per year
- the visibility and market share improvement expected from the retail and C2C marketplace projects
- the intangible values of customer base and proprietary platform, to which might be attributable the valuation premium recognized to European peers such as Largo and Swappie, despite operating losses.
- the long-term view about ESG compliant companies becoming prevalent amongst investors, matching TrenDevice mission based on the reduction of e-waste.

### Target Price

The application of our DCF valuation model yields a share price of €1.84, revising our previous €1.29 per share, 47% upside on the current price of €1.25 and +127% on the IPO price of €0.81. As a consequence, we confirm the OUTPERFORM recommendation on the stock.

Please refer to important disclosures at the end of this report.

<b>TrenDevice Price per Share</b>	<b>€</b>
<b>Target Price</b>	1.84
Current Share Price (06/05/2021)	1.25
<b>Premium (Discount)</b>	<b>47%</b>

Source: EnVent Research



## Investment case

### Company

TrenDevice SpA (TrenDevice) is an online re-commerce platform of refurbished premium smartphones, tablets, laptops and wearables, listed on AIM Italia in October 2020. TrenDevice is among the circular economy pioneers and developers in Italy and its mission is to provide a quality and hassle-free service to saving and sustainability conscious customers.

Revenues: €9.8m (2020), +32% YoY; 40% 2017-20 CAGR; over 80,000 devices refurbished since 2013

TrenDevice has been recognized as innovative SME, a status that allows tax incentives for investors and is also eligible as a target for investments under the PIR scheme.

### Drivers

#### Industry drivers

**Smartphones: a market driven by both need and impulse.** Smartphones sales are driven by replacement impulses from consumers excited by new launches, latest technology or just aspiring to upgrade to a premium product. The smartphone market is also driven by replacement needs for memory shortage, lifecycle of batteries ending, malfunctions or obsolescence.

**New smartphones become soon underperforming, refurbished ones are smarter options.** Continued technology and design upgrades lead to sales of new smartphones and replacement by consumers aspiring to mid and premium segments at high price even without disruptive features. This makes appealing used or refurbished smartphones, moderately priced compared to new ones, which are gaining ground among consumers worldwide, together with repair services.

**Focus on ESG themes drives extension of lifetime of devices, expansion of recycling and reuse of e-waste.** Electronic waste keeps growing as a substantial environmental problem, with rising volumes being produced and increasing content of toxic and valuable materials. The main issues are: rapid obsolescence due to the pace of technology innovation; e-waste is classified as hazardous, with health impacts and environmental implications; e-waste is complicated to be processed as it contains different toxic and non-toxic materials. Increasing e-waste has led to call for new regulation and innovative solutions. Valuable materials may be reused in the circular economy with multiple benefits and refurbishment of devices may extend their lifetime.

**EU Circular Economy Action Plan.** The European Commission has adopted in 2020 a new Circular Economy Action Plan, part of the European Green Deal for sustainable growth. Circular economy is one of the main activities that EU wants to pursue to reduce waste and increase value of products by re-use and recycling. Electronic equipment is one of the fastest growing waste streams in the EU. Laws and rules can create significant incentives for industry growth, influencing the propensity to buy a refurbished product.

**Second-hand phone market and unauthorized repairers pose multiple risks.** The used phone market where sales occur between individuals is unregulated and carries a risk of being cheated. In addition, small independent shops providing repair services or selling used smartphones may present quality issues. As such, given the increasing demand for repair services, refurbished or used phones, the second-hand phone market urges to be populated with professional and structured operators.

**Technological change: 5G rollout will favor switches to new smartphones.** Since existing phones will not be able to access 5G networks, there might be an incentive to upgrade to a newer device, especially in metropolitan areas. However, older networks will still exist for a long time.

### **Company drivers**

**Service capability for the lifetime of the used device.** TrenDevice offers a professional full-service proposition, starting with the sale of premium electronic devices, a 1-year warranty (with the possibility of extension up to 2 years) and repair services dedicated to TrenDevice buyers. These factors help to overcome a possible consumer hesitancy to purchase refurbished devices.

**Control over the entire value chain.** TrenDevice is a lean company with direct management and control over the value chain, from device purchase from individual consumers and major distributors/corporate fleets, internal refurbishment and repair with an in-house technical team, to sales through its website.

**Proprietary e-commerce platform and data.** The proprietary e-commerce platform, which allows the purchase and sale of devices, has been developed since 2013. TrenDevice database includes over 350,000 contacts and its buyback engine processes on average +1,000 quotes of used products per day, representing a valuable source of industry data.

**Repeat purchase supports growing customer base.** Most of the customers own Apple devices and are classified as high spenders, being interested in innovative products and services. The repeat purchase rate in H1 2020 was over 30%. A loyal customer base yields visibility and a recurring revenue stream from the sale of ancillary value-added services.

## Challenges

**Market competitiveness and barriers to entry.** The competitive arena is fragmented and populated by large players (such as telecom carriers, producers, retailers, online marketplaces), together with a large number of small local players.

**Price pressure within the industry.** Given that smartphones are commodities and the reconditioning cost is assumed similar among operators, there is a risk of pressure on prices from competitors.

**Competition from producers and telcos initiatives.** Large tech and telecom companies, boosted by the circular economy trend, together with targeting new customers with lower buying power, are promoting buyback programs of their older products and marketing of refurbished devices.

**Reputation on the web, brand awareness and image.** TrenDevice has built up since 2013 the concept of certified refurbished product in Italy and is working to strengthen the awareness on its brand and image. The revenue acceleration program, while competitors invest massively in advertising, may require significant resources. Customer reviews and ratings also may challenge image.

**Profitability improvement.** A key management goal is the capability to move towards higher margins. Slower than expected sales growth or success in new initiatives may postpone operating margins expansion.

**Inventory requirement.** Increasing investment in inventory is required for meeting potential demand and in view of the opening of retail stores.

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NEUTRAL: stocks are expected to have a performance consistent with market or industry trend and appear less attractive than Outperform rated stocks;

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The stock price indicated is the reference price on the day indicated as “Date of Price” in the table on the front page of this publication.

## DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
05/11/2020	OUTPERFORM	1.29	0.74
06/05/2021	OUTPERFORM	1.84	1.25

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