



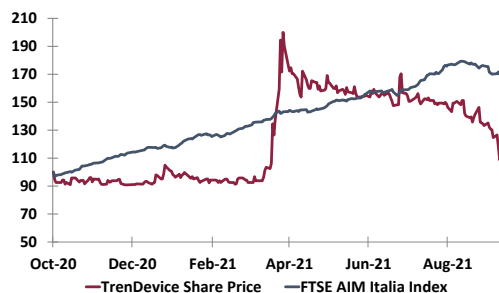
Broadening operations, running next steps along the leadership path

OUTPERFORM

Current Share Price (€): 0.91

Target Price (€): 1.71

TrenDevice - Performance since IPO



Source: S&P Capital IQ - Note: 27/10/2020 offer price=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 (€)	0.91
Date of Price	07/10/2021
Shares Outstanding (m)	12.3
Market Cap (€m)	11.2
Market Float (%)	27.4%
Daily Volume	30,000
Avg Daily Volume YTD	74,680
Target Price (€)	1.71
Upside (%)	88%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
TrenDevice - Absolute (%)	-26%	-27%	na
FTSE AIM Italia (%)	-5%	8%	64%
1Y Range H/L (€)		1.62	0.74
YTD Change (€) / %		0.17	23%

Source: S&P Capital IQ

Analysts

Franco Gaudenti - Head of Research
fgaudenti@enventcapitalmarkets.co.uk
Luigi Tardella - Co-Head of Research
ltardella@enventcapitalmarkets.uk

EnVent Capital Markets Limited

42, Berkeley Square - London W1J 5AW (UK)
Phone +44 (0) 20 35198451

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H1 2021: Double-digit top-line growth, temporary profitability slowdown, ongoing next steps of investment cycle

H1 2021 sales at €5m went up 34% on H1 2020, meeting our expectations. Competitive pressure on prices, more expensive import of used devices during lockdowns and higher overheads resulted in EBITDA at breakeven. Trade working capital almost stable at €0.6m, including €1.3m inventory. Net financial debt went up to €2.3m, from €1.5m in FY20, mainly for capex cash uses.

Launch of Validato.it, C2C marketplace of certified used devices and franchise network first steps

Last June TrenDevice launched its C2C marketplace of *certified* premium second-hand devices. Related fees will be collected by facilitating transactions between buyers and sellers, acting as guarantor of the transaction. The C2C marketplace is conceived to improve the matching between supply and demand and make transactions more appealing, in view of a hassle-free sale with possibly a higher sale price for a used device. Also, during H2 the training of candidates to be associated as franchisee will start.

Outlook and estimates revision: Running as promised

The market for refurbished and used smartphones continues to have a huge potential, also for the current focus on ESG themes involving extension of lifetime, recycling and reuse of e-waste. We appreciate that TrenDevice investment cycle and corporate strategy announced at the time of the IPO (ca. 1 year ago) are running as promised despite pandemic delays and troubles. We deem the current profitability setback as a temporary effect of accelerated investments - which are to be absorbed gradually with increasing volumes - and intensified competition of loss-making peers. We also take into account that the pressure on prices is likely to continue in H2. Accordingly, in our estimates we have adjusted operating costs to factor in the current and short-term expected effect.

TrenDevice overperforming the European peers

With its top-line steady growth progression and being profitable almost since the beginning of operations, TrenDevice is emerging from the European competitive arena, where the Finnish Swappie and the French Largo are loss-making companies, still in their investment cycle.

Target Price €1.71 per share, from €1.84, OUTPERFORM rating confirmed

Our valuation combining DCF and market multiples yields a target price of €1.71 per share, from €1.84, reflecting the revised profitability estimates. We confirm the OUTPERFORM recommendation on the stock, given the 88% upside on current share price at €0.91.

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	0.4	1.6	2.5
Margin	6%	8%	8%	3%	9%	10%
Net Income (Loss)	0.0	0.0	(0.2)	(0.7)	(0.1)	0.4
Net (Debt) Cash	(2.0)	(1.8)	(1.5)	(2.4)	(2.5)	(1.8)
Equity	0.3	0.7	3.2	2.5	2.4	2.8

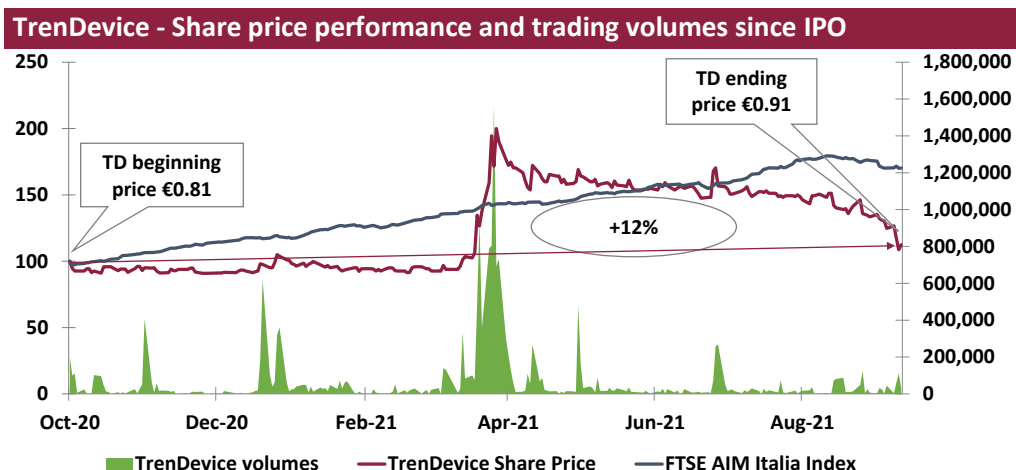
Source: Company data 2018-20A, EnVent Research 2021-23E

Market update

Trading price range €0.74-1.62 per share

Share price +12% growth performance

In the same period, the AIM Italia Index increased by 70%



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

H1 2021 results: Top-line growth +36%, temporary profitability slowdown

Revenue model of variable costs, lean organization and cost structure

Higher cost of services as a percentage of revenues, higher personnel cost to face growth

Operating margins struggling: i) temporary more expensive sourcing of used devices on international wholesale channels, ii) competitive pressure on prices, iii) higher overheads

Profit and Loss

€m	H1 2020	H1 2021
Sales	3.7	5.0
Other income	0.1	0.2
Revenues	3.9	5.3
YoY %	-	36%
Materials	(2.9)	(3.9)
Services	(0.4)	(0.8)
Personnel	(0.2)	(0.5)
Other operating costs	(0.1)	(0.1)
Operating costs	(3.5)	(5.2)
EBITDA	0.4	0.0
Margin	9%	0.2%
D&A	(0.3)	(0.5)
EBIT	0.1	(0.5)
Margin	3%	-9%
Interest	(0.1)	(0.1)
EBT	0.0	(0.6)
Margin	0.0%	-11%
Income taxes	(0.0)	0.2
Net Income (Loss)	0.0	(0.4)
Margin	0.0%	-8%

Source: Company data

Balance Sheet

Minimal working capital investment, immediate cash in, investment limited to inventory

Light balance sheet

€m	H1 2020	2020	H1 2021
Inventory	0.9	1.5	1.3
Trade receivables	0.1	0.1	0.2
Trade payables	(0.5)	(1.1)	(0.9)
Trade Working Capital	0.5	0.5	0.6
Other assets (liabilities)	(0.3)	0.2	0.3
Net Working Capital	0.3	0.8	0.9
Intangible assets	2.8	4.0	4.2
Property, plant and equipment	0.1	0.1	0.2
Non-current assets	2.9	4.1	4.4
Provisions	(0.1)	(0.1)	(0.2)
Net Invested Capital	3.1	4.7	5.1
Bank debt	2.2	1.8	2.2
Other financial debt (Shareholders)	0.2	0.3	0.3
Cash and equivalents	(0.1)	(0.5)	(0.2)
Net Debt (Cash)	2.3	1.5	2.3
Equity	0.7	3.2	2.8
Sources	3.1	4.7	5.1

Source: Company data

Cash Flow

Ongoing investments in digital marketing and new projects

€m	H1 2020	H1 2021
EBIT	0.1	(0.5)
Current taxes	(0.0)	0.2
D&A	0.3	0.5
Cash flow from P&L operations	0.4	0.2
Trade Working Capital	(0.4)	(0.1)
Capex	(0.6)	(0.8)
Other assets and liabilities	0.2	(0.0)
Operating cash flow after working capital and capex	(0.5)	(0.7)
Interest	(0.1)	(0.1)
Net cash flow	(0.6)	(0.8)
Net (Debt) Cash - Beginning	(1.8)	(1.5)
Net (Debt) Cash - End	(2.3)	(2.3)
Change in Net (Debt) Cash	(0.6)	(0.8)

Source: Company data

Ratio analysis

KPIs	H1 2020	H1 2021
ROE	0%	-22%
ROS	3%	-9%
DSO	5	6
DPO	24	28
DOI	45	47
TWC/Sales	7%	6%
Net Debt / EBITDA	3.2x	5.8x
Net Debt / Equity	3.2x	0.8x
Cash flow from P&L operations / EBITDA	105%	nm
FCF / EBITDA	neg	neg

Source: Company data - Note: H1 KPIs calculated on LTM economics

Period facts

Franchise retail stores network project

- TrenDevice is working on the creation of a franchise retail stores network, with first openings in Q4 2021. The project is expected to contribute to the Company's profitability through startup and ongoing fees.
- Management reported that the opening of additional own retail stores is temporarily postponed as a consequence of past Covid-19 restrictions and lockdowns

Bond issuance 5% 2021-27

- A €4m bond was issued and started trading on ExtraMOT PRO last July, with 6-year maturity and 5% fixed coupon
- CFO and Marketing Director joining the management team

Sustainability update

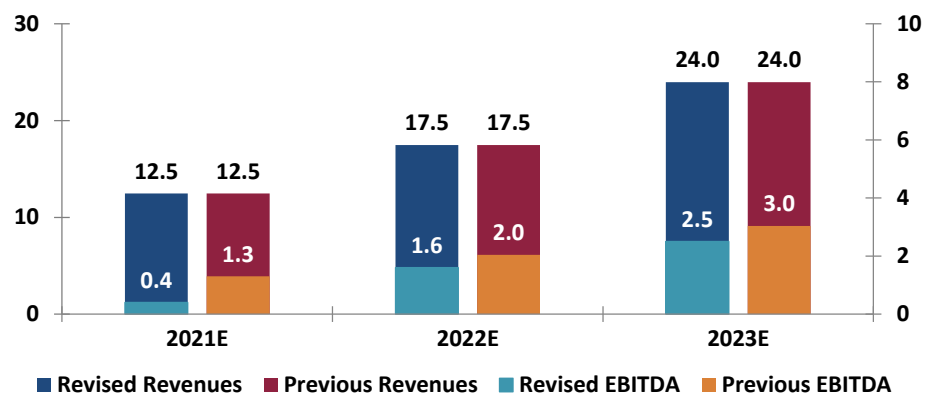
In H1 2021, 841 tons of CO2 were saved thanks to TrenDevice refurbished products and the consequent reduction of e-waste, +23% on H1 2020.

Estimates revision

H1 2021 sales of €5m were in line with our full year 2021 estimate, which takes into account the historical concentration of sales in Q4 due to Black Friday and Christmas purchases.

On the operating costs side, we acknowledge H1 increases in services and personnel and we also deem that the temporary more expensive sourcing of devices and the competitive pressure of foreign competitors could continue to impact profitability. Thus, we fine-tune our cost projections, with the effect of having more gradual profitability improvements.

Change in estimates



Source: EnVent Research

€m	Revised			Previous			Change %		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Revenues	12.5	17.5	24.0	12.5	17.5	24.0	0%	0%	0%
EBITDA	0.4	1.6	2.5	1.3	2.0	3.0	-69%	-21%	-18%
<i>Margin</i>	3%	9%	10%	10%	11%	11%			
EBIT	(0.7)	0.3	1.0	0.3	0.8	1.7	-352%	-60%	-37%
<i>Margin</i>	-5%	2%	4%	2%	5%	7%			
Net Income (Loss)	(0.7)	(0.1)	0.4	0.1	0.5	1.1	-1021%	-119%	-60%
Net Debt (Cash)	2.4	2.5	1.8	1.3	0.4	(1.2)			
<i>Net Debt / EBITDA</i>	6.0x	1.5x	0.7x	1.0x	0.2x	cash			

Source: EnVent Research

Financial projections

Up to speed from 2022 on

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
Revenues	5.1	7.4	9.8	12.5	17.5	24.0
<i>YoY %</i>	42.7%	44.2%	32.4%	27.4%	40.3%	37.1%
Materials	(4.2)	(5.6)	(7.4)	(9.1)	(12.8)	(17.5)
Services	(0.5)	(0.7)	(1.0)	(1.8)	(1.7)	(2.4)
Personnel	(0.1)	(0.3)	(0.5)	(0.9)	(1.0)	(1.1)
Other operating costs	(0.0)	(0.1)	(0.1)	(0.1)	(0.3)	(0.5)
Operating costs	(4.8)	(6.8)	(9.0)	(12.1)	(15.9)	(21.5)
EBITDA	0.3	0.6	0.8	0.4	1.6	2.5
<i>Margin</i>	5.7%	8.2%	7.7%	3.2%	9.2%	10.4%
D&A	(0.1)	(0.4)	(1.0)	(1.1)	(1.3)	(1.5)
EBIT	0.2	0.2	(0.2)	(0.7)	0.3	1.0
<i>Margin</i>	3.3%	2.3%	-2.1%	-5.3%	1.9%	4.4%
Interest	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
EBT	0.0	0.0	(0.4)	(1.0)	(0.1)	0.6
<i>Margin</i>	0.6%	0.1%	-4.1%	-7.7%	-0.6%	2.6%
Income taxes	(0.0)	(0.0)	0.2	0.3	0.0	(0.2)
Net Income (Loss)	0.0	0.0	(0.2)	(0.7)	(0.1)	0.4
<i>Margin</i>	0.6%	0.0%	-2.4%	-5.7%	-0.5%	1.8%

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

Balance Sheet

€m	2018	2019	2020	2021E	2022E	2023E
Inventory	0.6	0.7	1.5	1.6	2.3	3.1
Trade receivables	0.1	0.0	0.1	0.2	0.3	0.4
Trade payables	(0.3)	(0.6)	(1.1)	(1.3)	(1.7)	(2.4)
Trade Working Capital	0.3	0.1	0.5	0.5	0.8	1.1
Other assets (liabilities)	(0.0)	(0.1)	0.2	0.2	0.2	0.2
Net Working Capital	0.3	0.0	0.8	0.7	1.0	1.3
Intangible assets	2.0	2.5	4.0	4.1	3.7	3.1
Property, plant and equipment	0.0	0.1	0.1	0.2	0.3	0.4
Non-current assets	2.0	2.5	4.1	4.4	4.0	3.5
Provisions	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Net Invested Capital	2.3	2.5	4.7	4.9	4.9	4.6
Net Debt (Cash)	2.0	1.8	1.5	2.4	2.5	1.8
Equity	0.3	0.7	3.2	2.5	2.4	2.8
Sources	2.3	2.5	4.7	4.9	4.9	4.6

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

Cash generation since 2023

Cash Flow

€m	2018	2019	2020	2021E	2022E	2023E
EBIT	0.2	0.2	(0.2)	(0.7)	0.3	1.0
Current taxes	(0.0)	(0.0)	0.2	0.3	0.0	(0.2)
D&A	0.1	0.4	1.0	1.1	1.3	1.5
Provisions	0.0	0.1	0.0	0.0	0.0	0.0
Cash flow from P&L operations	0.3	0.7	1.0	0.7	1.6	2.3
Trade Working Capital	0.3	0.2	(0.4)	0.0	(0.3)	(0.3)
Other assets and liabilities	0.0	0.1	(0.3)	0.0	0.0	0.0
Capex	(0.5)	(1.0)	(2.5)	(1.3)	(0.9)	(0.9)
Operating cash flow after WC and capex	0.1	(0.1)	(2.3)	(0.6)	0.4	1.1
Interest	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
Paid-in capital - IPO proceeds 2020	0.0	0.4	2.7	0.0	0.0	0.0
Net cash flow	0.0	0.2	0.2	(0.9)	(0.0)	0.7
Net Debt (Beginning)	(2.0)	(2.0)	(1.8)	(1.5)	(2.4)	(2.5)
Net Debt (End)	(2.0)	(1.8)	(1.5)	(2.4)	(2.5)	(1.8)
Change in Net Debt (Cash)	0.0	0.2	0.2	(0.9)	(0.0)	0.7

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

Ratio analysis

KPIs	2018	2019	2020	2021E	2022E	2023E
ROE	10%	0%	-7%	-28%	-4%	15%
ROS (EBIT/Sales)	3%	2%	-2%	-5%	2%	4%
ROIC (NOPAT/Invested Capital)	5%	5%	-3%	-10%	5%	16%
DSO	5	1	3	5	5	5
DPO	20	28	39	35	35	35
DOI	42	35	57	47	47	47
TWC/Sales	7%	2%	6%	4%	5%	5%
Capex/Revenues	10%	14%	26%	11%	5%	4%
Net Debt / EBITDA	6.9x	2.9x	2.0x	6.0x	1.5x	0.7x
Net Debt / Equity	6.6x	2.4x	0.5x	1.0x	1.0x	0.6x
Cash flow from P&L operations / EBITDA	108%	108%	129%	175%	101%	93%
FCF / EBITDA	51%	neg	neg	neg	26%	44%

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

Valuation

For the valuation of TrenDevice we combine DCF and market metrics.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.2% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, October 2021)
- Market return: 12.4% (3Y average. Source: Bloomberg, October 2021)
- Market risk premium: 11.2%
- Beta: 0.9 (neutral figure in absence of reliable records)
- Cost of equity: 11.3%
- Cost of debt: 4%
- Tax rate: 24% (IRES)

- 50% debt/(debt + equity)
- WACC 7.2%
- 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
Revenues	5.1	7.4	9.8	12.5	17.5	24.0	24.6
EBITDA	0.3	0.6	0.8	0.4	1.6	2.5	2.5
<i>Margin</i>	6%	8%	8%	3%	9%	10%	10%
EBIT	0.2	0.2	(0.2)	(0.7)	0.3	1.0	2.0
<i>Margin</i>	3%	2%	-2%	-5%	2%	4%	8%
Taxes	(0.0)	(0.0)	0.1	0.2	(0.1)	(0.3)	(0.5)
NOPAT	0.1	0.1	(0.1)	(0.5)	0.2	0.8	1.4
D&A	0.1	0.4	1.0	1.1	1.3	1.5	0.5
Provisions	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Cash flow from P&L operations	0.3	0.6	0.9	0.6	1.5	2.2	1.9
Trade Working Capital	0.3	0.2	(0.4)	0.0	(0.3)	(0.3)	(0.2)
Other assets and liabilities	0.0	0.1	(0.3)	0.0	0.0	0.0	0.0
Capex	(0.5)	(1.0)	(2.5)	(1.3)	(0.9)	(0.9)	(0.5)
Yearly unlevered free cash flow	0.1	(0.1)	(2.4)	(0.7)	0.3	1.0	1.2
- H1 unlevered free cash flow				0.7			
Free cash Flow to be discounted				0.0	0.3	1.0	1.2
WACC	7.2%						
Long-term growth (G)	2.5%						
Discounted Cash Flows				0.0	0.3	0.8	
Sum of Discounted Cash Flows	1.2						
Terminal Value							25.1
Discounted TV	21.1						
Enterprise Value	22.3						
Net Debt as of 30/06/21	(2.3)						
Equity Value	20.0						

DCF - Implied multiples	2018	2019	2020	2021E	2022E	2023E
EV/Revenues	4.4x	3.0x	2.3x	1.8x	1.3x	0.9x
EV/EBITDA	76.8x	36.7x	29.5x	55.2x	13.9x	8.9x
EV/EBIT	nm	nm	neg	neg	68.5x	21.3x
P/E	nm	nm	neg	neg	nm	46.8x

Current market price - Implied multiples	2018	2019	2020	2021E	2022E	2023E
EV/Revenues	2.6x	1.8x	1.4x	1.1x	0.8x	0.6x
EV/EBITDA	46.5x	22.2x	17.9x	33.4x	8.4x	5.4x
EV/EBIT	79.3x	79.4x	neg	neg	41.5x	12.9x
P/E	nm	nm	neg	neg	nm	26.2x

Discount -39%

Source: EnVent Research

Market multiples

Company	EV/Revenues			EV/EBITDA			EV/EBIT			P/E		
	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E
International peers												
Jumia	17.0x	7.3x	5.8x	neg	neg	neg	neg	neg	neg	neg	neg	neg
ECONOS	0.6x	na	na	64.3x	na	na	neg	na	na	neg	na	na
PhoneX	na	na	na	na	na	na	na	na	na	na	na	na
M.video	0.6x	0.4x	0.3x	9.0x	3.5x	3.4x	10.8x	6.5x	6.4x	19.4x	8.0x	8.1x
Cerebra	2.1x	na	na	11.7x	na	na	11.9x	na	na	33.3x	na	na
Largo	na	2.1x	1.4x	na	neg	neg	na	neg	neg	na	neg	neg
Average	5.1x	3.2x	2.5x	28.3x	3.5x	3.4x	11.3x	6.5x	6.4x	26.3x	8.0x	8.1x
Median	1.4x	2.1x	1.4x	11.7x	3.5x	3.4x	11.3x	6.5x	6.4x	26.3x	8.0x	8.1x
Italian peers												
ePRICE	0.2x	0.2x	na	neg	14.3x	na	neg	neg	na	neg	neg	na
Cellularline	1.4x	1.1x	0.9x	9.4x	7.2x	5.1x	nm	11.8x	6.8x	7.1x	9.3x	6.1x
Average	0.8x	0.6x	0.9x	9.4x	10.8x	5.1x	nm	11.8x	6.8x	7.1x	9.3x	6.1x
Median	0.8x	0.6x	0.9x	9.4x	10.8x	5.1x	nm	11.8x	6.8x	7.1x	9.3x	6.1x
Full sample												
Average	3.7x	2.2x	2.1x	23.6x	8.4x	4.2x	11.3x	9.2x	6.6x	19.9x	8.6x	7.1x
Median	1.0x	0.7x	0.9x	10.6x	7.2x	4.2x	11.3x	9.2x	6.6x	19.4x	8.6x	7.1x
TrenDevice - Consensus	1.1x	1.2x	0.9x	14.1x	11.8x	7.6x	neg	50.9x	19.1x	neg	129.5x	25.9x
TrenDevice - Updated EnVent estimates	1.1x	1.2x	0.9x	14.1x	37.8x	9.5x	neg	neg	46.9x	neg	neg	106.1x

Source: S&P Capital IQ, October 2021

Except for Largo and PhoneX, the above selected listed companies are not suitable peers of TrenDevice being their business models too different. In addition, the high frequency of missing information and negative performances among available data and abnormally wide multiples' ranges make not appropriate to use average or median multiples as a reference for the valuation.

Low comparability

Since for PhoneX - listed on an OTC market - only limited information are available, the only reliable multiples are EV/Revenues for Largo, which continue to suggest an upside scenario for TrenDevice share price. We have thus applied to our 2021-22 estimates 2021-22E EV/Revenues for Largo and included the resulting figures into the valuation model.

Application of market multiples

€m					
TrenDevice		Multiple	EV	Net Debt	Equity Value
2021E Revenues	12.5	2.1x	26.2	(2.3)	23.8
2022E Revenues	17.5	1.4x	24.5	(2.3)	22.1
<i>Mean</i>					<u>23.0</u>

Source: EnVent Research

Target Price

We deem that the valuation of TrenDevice is to be driven also by looking at market multiples as high-end valuation range reference, in view of its market position and growing customer base.

Our updated valuation combining DCF and market multiples drives a target price of €1.71 per share, from the previous €1.84, due to the revised profitability estimates. The 88% upside on current share price at €0.91 implies an OUTPERFORM recommendation on the stock.

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

TrenDevice Price per Share	€
Target Price	1.71
Current Share Price (07/10/2021)	0.91
Premium (Discount)	88%

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
07/10/2021	OUTPERFORM	1.71	0.91

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