

FERRAGAMO

Sector: Consumers

NEUTRAL

Price: Eu18.45 - Target: Eu17.00

Results, Indications and Outlook Consistent with Consensus

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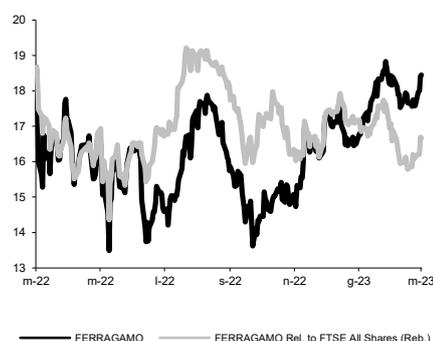
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 15.80 to 17.00		
	2023E	2024E	2025E
Chg in Adj EPS	-10.7%	-6.1%	

Next Event 1Q23 Revenues

Results out 20 April 2023

FERRAGAMO - 12M Performance



Stock Data

Reuters code:	SFER.MI		
Bloomberg code:	SFER IM		
Performance	1M	3M	12M
Absolute	1.6%	6.3%	-1.2%
Relative	0.5%	-4.8%	-11.9%
12M (H/L)	18.83/13.49		
3M Average Volume (th):	155.04		

Shareholder Data

No. of Ord shares (mn):	169
Total no. of shares (mn):	169
Mkt Cap Ord (Eu mn):	3,114
Total Mkt Cap (Eu mn):	3,114
Mkt Float - Ord (Eu mn):	904
Mkt Float (in %):	29.0%
Main Shareholder:	
Ferragamo Family	65.0%

Balance Sheet Data

Book Value (Eu mn):	746
BVPS (Eu):	4.57
P/BV:	4.0
Net Financial Position (Eu mn):	-251
Enterprise Value (Eu mn):	2,790

- EBIT margin in line with FY management guidance.** The gross profit margin, at 72.3%/72.0% in 4Q/FY22, was up 110/120bp YoY thanks mainly to stronger full-price revenues and a favourable ForEx effect, but was lower than expected. Operating costs were much higher than in 4Q21 but below our estimates, taking 4Q/FY22 EBIT to Eu14.1mn/Eu127.9mn, Eu2.5mn above our estimates and fully consistent with company indications for a FY22 EBIT margin of about 10%. During the call management highlighted the strong acceleration in communication and marketing expenses, which amounted to 7.4% of sales in FY22 but 11.4% of sales in 4Q22. Net cash, before the impact of IFRS16, came to Eu371mn at YE22, a touch lower than expected. The board proposed a Eu0.28 DPS, corresponding to a 68% payout.
- Management comments and estimate update.** Since the elimination of Covid-19 restrictions in December group business in Mainland China has recorded meaningful improvements, with management commenting that figures for January and February are “encouraging” (although week-by-week volatility persists). Management stressed the importance of new collections by Maximilian Davis, which have received positive feedback. New products will gradually become available in group boutiques in the coming weeks. In terms of 2023 indications, management expects the gross margin to be slightly lower than in 2022 due to less favourable ForEx and cost inflation. Marketing investments should be in line with 4Q22 (11.4% of sales), denting margins as already explained during the presentation of medium-term guidelines last year. In the US, Ferragamo is going to optimise wholesale distribution, implementing a selective approach on existing doors; in light of that, indications were quite cautious on wholesale performance in 1H23, suggesting a recovery should arrive in 2H23. In terms of pricing, the group is well positioned, so Ferragamo is not planning any great changes at the moment. As for CapEx, moves are afoot to refresh its most important stores, but no major new opening is planned in 2023, while the group is working to design a new store concept. Online business is expected to grow, mainly thanks to the release of a new platform powered by Farfetch.
- Change in estimates.** In this report we are leaving our top line forecasts broadly unchanged, assuming 8.6%/9.4% growth in 2023/24, which is also in line with consensus. At the same time we are trimming our 2023 EBIT margin from 6.6% to 6.3%, incorporating management indications, and we are also slightly raising net financial charges. All in all, we are cutting 2023 and 2024 EPS forecasts by 10.7% and 6.1% (now 4.9% and 0.6% below consensus).
- NEUTRAL confirmed; target from Eu15.8 to Eu17.0.** Quarterly figures did not spring any real surprises and indications on a recovery of business in China were already known. Overall, we think that 2023 consensus is unlikely to shift significantly. In the coming months, execution of actions to revitalise the brand get into full swing, affecting margins in the short term. While we appreciate the brand’s strong potential and management’s credibility, we remain NEUTRAL on the stock awaiting greater visibility on top line recovery. Our target price goes from Eu15.8 to Eu17.0 after rolling our valuation forward by one year (it is the combination of a fundamental fair value of Eu16.5 and a 5% chance of a takeover at Eu26.1 per share - 3.0x 2023 EV/sales).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,136	1,252	1,359	1,487	1,627
EBITDA Adj (Eu mn)	305	299	270	336	409
Net Profit Adj (Eu mn)	79	70	42	76	116
EPS New Adj (Eu)	0.466	0.412	0.246	0.450	0.688
EPS Old Adj (Eu)	0.468	0.424	0.276	0.479	
DPS (Eu)	0.340	0.280	0.123	0.225	0.344
EV/EBITDA Adj	8.7	8.1	10.3	8.3	6.7
EV/EBIT Adj	18.5	18.9	32.5	20.3	14.1
P/E Adj	39.6	44.7	74.9	41.0	26.8
Div. Yield	1.8%	1.5%	0.7%	1.2%	1.9%
Net Debt/EBITDA Adj	0.7	0.7	0.9	0.7	0.5

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