Intermonte

Milan, 04 August 2023

Italian Equity Research – 1H23 Results

FERRAGAMO

NEUTRAL

Sector: Consumers

Price: Eu14.43 - **Target: Eu14.10**

2Q23 Revenues Weak as Expected

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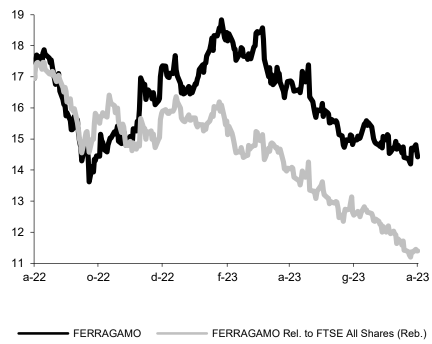
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 14.40 to 14.10
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-16.7%	-9.9%	-10.9%

Next Event 9M23 Revenues
Results out 19 October 2023

FERRAGAMO - 12M Performance



Stock Data			
Reuters code:			SFER.MI
Bloomberg code:			SFER IM
Performance	**1M**	**3M**	**12M**
Absolute	-4.3%	-9.2%	-14.9%
Relative	-6.6%	-16.9%	-41.6%
12M (H/L)			18.83/13.62
3M Average Volume (th):			171.04

Shareholder Data	
No. of Ord shares (mn):	169
Total no. of shares (mn):	169
Mkt Cap Ord (Eu mn):	2,436
Total Mkt Cap (Eu mn):	2,436
Mkt Float - Ord (Eu mn):	707
Mkt Float (in %):	29.0%
Main Shareholder:	
Ferragamo Family	65.0%

Balance Sheet Data	
Book Value (Eu mn):	735
BVPS (Eu):	4.50
P/BV:	3.2
Net Financial Position (Eu mn):	-264
Enterprise Value (Eu mn):	2,124

- **2Q23 revenues weak as expected.** 2Q23 revenues came to Eu322.2mn, 0.7% lower than expected and down 5.5% YoY due to a weak retail contribution (revenues at Eu224.1mn, down 8.8% YoY, 2% worse than expected) and a double-digit drop in wholesale (revenues at Eu85.9mn, down 12.6% YoY), mainly due to the ongoing rationalisation of US doors (the travel retail channel has not yet recovered).
- **1H23 EBIT down 50.8% YoY.** The gross margin increased 40bp YoY to 72.2% (71.9% expected) thanks to lower discounts. Below this line, management implemented an acceleration in marketing investments that almost doubled YoY to Eu61.7mn but also a reduction in G&A costs (-5% in organic terms), taking total OpEx up 8.2% YoY in 1H23. All in all, half-yearly EBIT amounted to Eu47.0mn, down 50.8% YoY but Eu4mn better than expected thanks to lower G&A costs.
- **Management indications**: 1) the 3Q23 revenue trend could be as weak as in 2Q23 but improvements should arrive in 4Q23 thanks to a larger contribution from new collections; 2) the gross margin for FY23 is expected between 71% and 72%; 3) marketing costs will remain at about 10% of revenues; 4) financial charges, including the IFRS16 component, will amount to Eu30-31mn in FY23; 5) the FY23 tax rate will be in the 30% to 33% range. From a strategic point of view, management confirmed the commitment to the strategic plan presented in 2022 and appeared confident it was on the right path thanks to early results of new collections from Maximilian Davis and the new store concept (the Milan Montenapoleone Women store will be the first to be upgraded).
- **Change in estimates.** We have reduced our 2023 revenue forecast by 2.5% to Eu1.24bn. In terms of EBIT, we are not changing our 6.0% forecast because we expect that management will try to adapt the cost structure to the less supportive scenario, even without compromising marketing efforts. For 2024 and 2025, we are implementing a slightly higher revision (revenues down 3.5% and 3.7% compared to previous estimates) to factor in more gradual delivery of the plan. Below the EBIT line, we align the financial charges forecast to management indications, amounting to an EPS cut of 16.7% and 9.9% for 2023 and 2024.
- **NEUTRAL confirmed; target Eu14.1 from Eu14.4.** Quarterly figures were weak and are likely to take consensus down. Since the beginning of the year, the stock's underperformance of its peer group appears justified by its weaker operating trends, considering that in the last 12 months the sector has performed better than expected (Altagamma's forecasts for 2023 are at the level that one year ago was expected for 2025). Our target revision reflects the change in estimates. While we appreciate the brand's strong potential, we remain NEUTRAL on the stock pending greater visibility on a recovery of the top line that could arrive in 4Q23 thanks to the new collections designed by Maximilian Davis.

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	1,136	1,252	1,242	1,336	1,445
EBITDA Adj (Eu mn)	305	299	251	299	351
Net Profit Adj (Eu mn)	79	70	30	57	87
EPS New Adj (Eu)	0.466	0.412	0.178	0.338	0.515
EPS Old Adj (Eu)	0.466	0.412	0.213	0.375	0.578
DPS (Eu)	0.340	0.280	0.089	0.169	0.258
EV/EBITDA Adj	8.7	8.1	8.5	7.1	6.0
EV/EBIT Adj	18.5	18.9	28.4	18.5	13.4
P/E Adj	31.0	35.0	81.3	42.7	28.0
Div. Yield	2.4%	1.9%	0.6%	1.2%	1.8%
Net Debt/EBITDA Adj	0.7	0.7	1.1	0.8	0.7

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