Milan, 10 May 2024

Italian Equity Research – 1Q24 Revenues

FERRAGAMO

NEUTRAL

Sector: Consumers

Price: Eu9.70 - **Target: Eu11.20**

Market Momentum Confirmed as Tough

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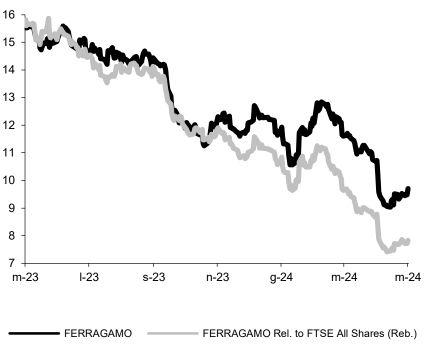
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event 1H24 Results
Results out 1 August 2024

FERRAGAMO - 12M Performance



Stock Data			
Reuters code:			SFER.MI
Bloomberg code:			SFER IM
Performance	**1M**	**3M**	**12M**
Absolute	-9.5%	-19.6%	-38.6%
Relative	-10.7%	-29.5%	-62.5%
12M (H/L)			15.63/9.04
3M Average Volume (th):			383.86

Shareholder Data	
No. of Ord shares (mn):	169
Total no. of shares (mn):	169
Mkt Cap Ord (Eu mn):	1,637
Total Mkt Cap (Eu mn):	1,637
Mkt Float - Ord (Eu mn):	469
Mkt Float (in %):	28.6%
Main Shareholder:	
Ferragamo Family	63.4%

Balance Sheet Data	
Book Value (Eu mn):	729
BVPS (Eu):	4.32
P/BV:	2.2
Net Financial Position (Eu mn):	-616
Enterprise Value (Eu mn):	1,409

- **1Q24 weak, down 18% YoY, as expected.** 1Q24 revenues came to Eu227.0mn, down 18.3% YoY due to a weak retail contribution (revenues at Eu169.8mn, down 11.1% YoY) and an even stronger drop in wholesale (revenues at Eu49.9mn, down 38.3% YoY), mainly due to the ongoing rationalisation of European doors (US third-party operated doors were rationalised in 1Q23) and to an unfavourable comparison on timing of deliveries. Looking at geographical areas at constant FOREX, Asia Pacific (-15.5% YoY) recorded a strong double-digit decline in Greater China and Korea, while the rest of Asia experienced a more moderate contraction. In Europe (-31.0% YoY), the reduction in wholesale revenues (down more than 50%) was partially offset by a slightly positive retail performance. Business trends in North America (-9.2% YoY) and Japan (-4.4% YoY) improved in the final part of the quarter.
- **Management indications.** According to management comments, in 1Q24 DTC business in Greater China experienced difficult demand, and numbers remained weak in March and April. Korea was also weak. On the bright side, Ferragamo is pleased by DTC trends in Europe, which has recorded positive numbers since February (and also in April), sustained by both local demand and by tourists (particularly Americans). The DTC performance in the US was in line with 1Q23, even though the US market looks more volatile than others, but the trend is improving. Japan, starting from February, has shown good numbers, and revenues in April were up YoY thanks to Chinese tourists and residents. At group level, DTC in April was commented as slightly negative, but slightly positive in the first week of May; volatility remains. Management do not expect a deterioration of the gross margin, inventories are under control. The product creative transition is largely completed. They are now working to create new, iconic products and customer reactions have been positive so far. They have 55%-60% of the business from carry-overs (a blend of new evergreen and classic evergreen products). Wholesale revenues were impacted by the general environment in Europe and in the US; travel retail has not recovered, and 1Q23 was a tough comparison base for timing of deliveries.
- **Estimates unchanged.** In our report published one month ago we cut our 2024/25 revenue forecast. Currently, our estimates imply DTC revenues from April to December 2024 up 1.4% YoY, while wholesale revenues are expected down 6.2% YoY. For the time being we are leaving our forecasts unchanged.
- **NEUTRAL confirmed; target Eu11.2 unchanged.** Even after the recent weak share performance, we remain NEUTRAL on the stock pending greater visibility on top-line recovery, which is yet to materialise. The company is not providing clear indicators to the market and current industry volatility is likely to continue penalizing a brand in a restructuring phase. Our target reflects a fundamental value of Eu9.6 and a speculative scenario valuation of Eu17.5, still weighted at 20%.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,252	1,156	1,089	1,158	1,245
EBITDA Adj (Eu mn)	299	252	236	271	302
Net Profit Adj (Eu mn)	70	26	23	40	55
EPS New Adj (Eu)	0.412	0.154	0.133	0.236	0.326
EPS Old Adj (Eu)	0.412	0.154	0.133	0.236	0.326
DPS (Eu)	0.280	0.100	0.075	0.121	0.166
EV/EBITDA Adj	8.1	9.1	6.0	5.2	4.6
EV/EBIT Adj	18.9	31.8	23.9	16.6	13.4
P/E Adj	23.5	62.8	72.7	41.0	29.8
Div. Yield	2.9%	1.0%	0.8%	1.2%	1.7%
Net Debt/EBITDA Adj	0.7	1.9	2.6	2.8	2.9

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- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.
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BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;
UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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