

FERRAGAMO

Sector: Consumers

NEUTRAL

Price: Eu14.80 - Target: Eu14.40

2Q23 Revenues Expected Weak, Lowered FY23 Forecasts

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Stock Rating

Rating: Unchanged

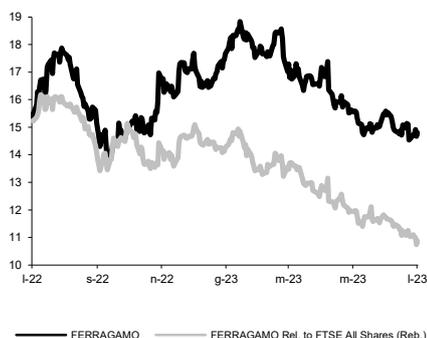
Target Price (Eu): from 17.00 to 14.40

	2023E	2024E	2025E
Chg in Adj EPS	-13.4%	-16.7%	-16.0%

Next Event 1H23 Results

Results out 3 August 2023

FERRAGAMO - 12M Performance



Stock Data

Reuters code: SFER.MI

Bloomberg code: SFER IM

Performance	1M	3M	12M
Absolute	-5.1%	-13.8%	-2.8%
Relative	-7.5%	-15.9%	-39.0%
12M (H/L)		18.83/13.62	
3M Average Volume (th):		174.22	

Shareholder Data

No. of Ord shares (mn): 169

Total no. of shares (mn): 169

Mkt Cap Ord (Eu mn): 2,498

Total Mkt Cap (Eu mn): 2,498

Mkt Float - Ord (Eu mn): 725

Mkt Float (in %): 29.0%

Main Shareholder:

Ferragamo Family 65.0%

Balance Sheet Data

Book Value (Eu mn): 741

BVPS (Eu): 4.53

P/BV: 3.3

Net Financial Position (Eu mn): -246

Enterprise Value (Eu mn): 2,169

■ **2Q23 revenues should remain weak.** We expect 2Q23 revenues to come to Eu224.4mn, down 4.8% YoY due to a weak retail contribution (revenues expected at Eu229.0mn, down 6.8% YoY) and a double-digit drop in wholesale (revenues expected at Eu85.1mn, down 13.4% YoY), mainly due to the ongoing rationalisation of US doors (travel retail channel has not recovered yet). Looking at geographical areas, Asia Pacific should improve, but it is still expected to fall 7.6% YoY. Group business in Mainland China (more than 50% of APAC revenues) had comparison very easy in April and May; Hong Kong and Macau (10% of APAC revenues) should witness a similar gradual acceleration month by month, while South Korea (25% of APAC revenues) should undergo a significant decline. Business trends are set to remain weak in North America (the expected decline is partly due to the already-commented reduction in wholesale distribution) and to worsen in Japan; in Europe we expect a much more moderate YoY growth compared to 1Q23 mainly due to a tougher comparison.

■ **We expect 1H23 EBIT down more than 50% YoY.** We expect gross margin to marginally increase YoY (+10bp to 71.9%) thanks to lower discounts. We expect management to have implemented an acceleration in marketing investments less aggressive than initially planned, taking total OPEX to grow by 9% YoY in 1H23. All in all, half-yearly EBIT is seen at Eu43.1mn, down 54.8% YoY.

■ **Change in estimates.** We reduce our 2023 revenue forecast by 6.3 % to Eu1.27bn. In terms of EBIT the reduction is worth just 10.4% because we expect management will rephase marketing investments to the less supportive scenario. All in all, we now see a 2023 EBIT at Eu76.8mn with a 6.0% margin on sales (from 6.3%). As for 2024 and 2025 we implement a slightly higher revision (revenues down 6.9% and 7.8% compared to previous estimates) to factor in the delayed marketing investments; we are also trimming our estimates in terms of marginality because of lower benefits from operating leverage.

■ **NEUTRAL confirmed; target Eu14.4 from Eu17.0.** Quarterly figures should be weak and are likely to take consensus down. Since the beginning of the year the stock's underperformance of its peer group seems justified by its weaker operating trends. Our target revision reflects the change in estimates. While we appreciate the brand's strong potential, we remain NEUTRAL on the stock awaiting greater visibility on a recovery in 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	1,274	1,384	1,501
EBITDA Adj (Eu mn)	305	299	253	302	361
Net Profit Adj (Eu mn)	79	70	36	63	98
EPS New Adj (Eu)	0.466	0.412	0.213	0.375	0.578
EPS Old Adj (Eu)	0.466	0.412	0.246	0.450	0.688
DPS (Eu)	0.340	0.280	0.107	0.187	0.289
EV/EBITDA Adj	8.7	8.1	8.6	7.2	6.0
EV/EBIT Adj	18.5	18.9	28.2	18.5	12.9
P/E Adj	31.8	35.9	69.4	39.5	25.6
Div. Yield	2.3%	1.9%	0.7%	1.3%	2.0%
Net Debt/EBITDA Adj	0.7	0.7	1.0	0.8	0.6