

# FERRAGAMO

Sector: Consumers

## NEUTRAL

Price: Eu11.92 - Target: Eu13.50

### 3Q23 Revenues Weak As Expected, Outlook Still Uncertain

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#### Stock Rating

**Rating:** Unchanged

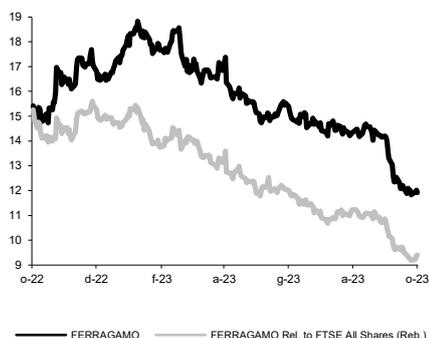
**Target Price (Eu):** from 13.80 to 13.50

	2023E	2024E	2025E
<b>Chg in Adj EPS</b>	0.0%	0.0%	0.0%

#### Next Event FY23 Revenues

Results out: January 2024

#### FERRAGAMO - 12M Performance



#### Stock Data

Reuters code: SFER.MI

Bloomberg code: SFER IM

Performance	1M	3M	12M
Absolute	-15.9%	-19.1%	-21.7%
Relative	-12.3%	-15.2%	-48.4%
12M (H/L)	18.83/11.83		
3M Average Volume (th):	194.05		

#### Shareholder Data

No. of Ord shares (mn):	169
Total no. of shares (mn):	169
Mkt Cap Ord (Eu mn):	2,012
Total Mkt Cap (Eu mn):	2,012
Mkt Float - Ord (Eu mn):	584
Mkt Float (in %):	29.0%
Main Shareholder:	
Ferragamo Family	65.0%

#### Balance Sheet Data

Book Value (Eu mn):	734
BVPS (Eu):	4.48
P/BV:	2.7
Net Financial Position (Eu mn):	-257
Enterprise Value (Eu mn):	1,693

■ **3Q23 revenues weak in both channels, broadly in line with our estimates.** 3Q23 revenues came to Eu244.1mn, down 16.0% YoY (-13.6% at constant ForEx), 0.8% lower than expected. By channel, Retail revenues fell 18.6% YoY to Eu184.4mn, featuring a negative like-for-like performance to the tune of 11% (our estimate), and Wholesale turnover was down 26.0% YoY to Eu50.4mn (-18.0% YoY at constant ForEx), mainly because of the closure of a number of wholesale doors in the US and in Asia, as well as a still limited recovery in Asian travel retail stores. Looking at geographical trends (at constant ForEx), APAC revenues were down 14.5% YoY, below the corresponding 2Q23 trend (-8.0% YoY) mainly due to slowing demand in China (also on a 2-year stack comparison); business in Japan experienced a flat YoY performance, better than in 2Q23. North America remained weak (-17.3% YoY), while Europe was the softest region compared to our estimates, witnessing a 13.2% YoY contraction, a sequential deterioration from previous quarters. The reduction of wholesale doors in the US and Europe dented regional performances.

■ **Summary of recent management indications.** According to the company, the overall sales performance reflects the ongoing focus on quality of sales and streamlining distribution networks, as well as the optimisation of the offer and the acceleration of transition to the new creative course, the full potential of which will become evident in 2024. Management is still committed to the strategic plan presented in 2022, but acknowledges that the current market environment is increasingly uncertain. The company appeared confident on the early results of new collections from Maximilian Davis (client rejuvenation) and on the new store concept (the Milan Montenapoleone Women's store will be the first to be upgraded in 1Q24). Management said prices will remain unchanged in 2024 and that the rationalisation of wholesale doors should be finalised by YE23.

■ **Change in estimates.** At this time we are not changing our recently-lowered estimates, which are now in line with consensus. However, 4Q23 revenue trend assumptions implicit in our FY23 forecasts (+8%) now look challenging, even considering the easier comparison base. Visibility is also low on our 2024 estimates (during the call management said it is too early to comments on 2024 forecasts).

■ **NEUTRAL confirmed; target from Eu13.8 to Eu13.5.** Quarterly figures were weak and current consensus remains challenging. Since the beginning of the year, the stock's underperformance of its peer group appears justified by its weaker operating trends. While we appreciate the brand's strong potential, we remain NEUTRAL on the stock pending greater visibility on top line recovery, which is yet to materialise. Our target reflects a change in fundamental value (Eu12.5 from Eu13.4) but also an increasing weight (from 5% to 10%) of a speculative scenario (where we value the company at Eu23.3p.s.). The revision of our fundamental value is because we added 0.5% to our risk-free rate assumption, a change partially offset by lifting terminal growth by 25bp to 2.75%.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	1,136	1,252	1,202	1,293	1,399
EBITDA Adj (Eu mn)	305	299	250	295	343
Net Profit Adj (Eu mn)	79	70	30	55	84
EPS New Adj (Eu)	0.466	0.412	0.175	0.327	0.496
EPS Old Adj (Eu)	0.466	0.412	0.175	0.327	0.496
DPS (Eu)	0.340	0.280	0.087	0.163	0.248
EV/EBITDA Adj	8.7	8.1	6.8	5.7	4.9
EV/EBIT Adj	18.5	18.9	23.0	15.1	11.1
P/E Adj	25.6	28.9	68.2	36.5	24.0
Div. Yield	2.9%	2.3%	0.7%	1.4%	2.1%
Net Debt/EBITDA Adj	0.7	0.7	1.0	0.8	0.7