

FERRAGAMO

Sector: Consumers

NEUTRAL

Price: Eu13.05 - Target: Eu13.80

3Q23 Revenues Should Stay Weak. Lowering Our FY Forecasts

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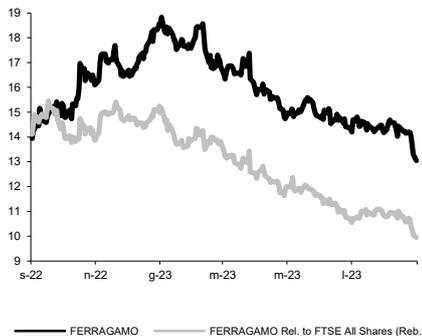
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 14.10 to 13.80		
	2023E	2024E	2025E
Chg in Adj EPS	-1.5%	-3.2%	-3.7%

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	-7.9%	-12.2%	-4.2%
Relative	-8.1%	-15.5%	-36.4%
12M (H/L)	18.83/13.05		
3M Average Volume (th):	182.71		

Shareholder Data

No. of Ord shares (mn):	169
Total no. of shares (mn):	169
Mkt Cap Ord (Eu mn):	2,203
Total Mkt Cap (Eu mn):	2,203
Mkt Float - Ord (Eu mn):	640
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:	2.9
Net Financial Position (Eu mn):	-257
Enterprise Value (Eu mn):	1,884

■ **3Q23 revenues to remain weak in both channels.** We expect 3Q23 revenues to have come to Eu246.0mn, down 15.3% YoY (-12.9% at constant ForEx), hence a weaker YoY trend compared to 2Q23 (-7.7% at constant ForEx). By channel, we expect Retail revenues to have fallen 18% YoY to Eu185.7mn, featuring a like-for-like performance negative by 10%, and Wholesale turnover down 23.3% YoY to Eu52.2mn (-17.1% 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), revenues in APAC should be down 12.4% YoY, slightly below the corresponding trend in 2Q23 (-8.0% YoY) due to a tougher comparison in Mainland China; business in Japan is expected to have experienced a -5.3% YoY performance, slightly better than in 2Q23. North America should have remained weak (-18.5% YoY), while Europe is expected to have witnessed a 9% YoY contraction, sequentially deteriorating on previous quarters. The reduction of wholesale doors in the US and Europe is expected to have impacted regional performances.

■ **Summary of recent management indications.** As a reminder, in the last conference call on 3 August management pointed out that the 3Q23 revenue trend could be weaker than in 2Q23 but improvements should arrive in 4Q23 thanks to a larger contribution from new collections. Management confirmed the commitment to the strategic plan presented in 2022 and appeared confident it was on the right track thanks to the early results of new collections from Maximilian Davis and to the new store concept (the Milan Montenapoleone Women's store will be the first to be upgraded).

■ **Change in estimates.** We have reduced our 2023 revenue forecast by 3.2% to Eu1,202mn. In terms of the EBIT margin, we are not changing our 6% forecast because we expect that management will try to adapt the cost structure to the less supportive scenario without compromising marketing efforts. For 2024 and 2025, we are implementing a similar revision. Our new 2023 estimates imply 5% revenue growth in 4Q23 (almost +10% at constant ForEx) thanks to a much easier comparison.

■ **NEUTRAL confirmed; target Eu13.8 from Eu14.1.** 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 appears justified by its weaker operating trends. Our target revision reflects the change in estimates (the target is the weighted average [95%/5%] of a fundamental value of Eu13.4p.s. and a speculative value of Eu23.3p.s.). While we appreciate the brand's strong potential, we remain NEUTRAL on the stock pending greater visibility on recovery of the top line that has not yet materialized.

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	0.178	0.338	0.515
DPS (Eu)	0.340	0.280	0.087	0.163	0.248
EV/EBITDA Adj	8.7	8.1	7.5	6.4	5.4
EV/EBIT Adj	18.5	18.9	25.6	16.8	12.3
P/E Adj	28.0	31.6	74.6	39.9	26.3
Div. Yield	2.6%	2.1%	0.7%	1.3%	1.9%
Net Debt/EBITDA Adj	0.7	0.7	1.0	0.8	0.7