FERRAGAMO

NEUTRAL

Sector: Consumers

Price: Eu7.97 - **Target: Eu10.10**

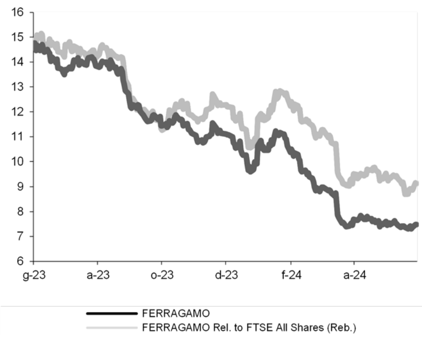
Tough Market Conditions Complicate Turnaround Attempts

Andrea Randone +39-02-77115.364
andrea.randone@intermonte.it
Francesco Brilli: +39-02-77115.439
francesco.brilli@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 11.20 to 10.10
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-5.4%	-6.2%	-8.0%

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	-16.5%	-29.3%	-46.0%
Relative	-12.1%	-25.0%	-66.2%
12M (H/L)			15.14/7.97
3M Average Volume (th):			376.37

Shareholder Data	
No. of Ord shares (mn):	169
Total no. of shares (mn):	169
Mkt Cap Ord (Eu mn):	1,345
Total Mkt Cap (Eu mn):	1,345
Mkt Float - Ord (Eu mn):	385
Mkt Float (in %):	28.6%
Main Shareholder:	
Ferragamo Family	63.4%

Balance Sheet Data	
Book Value (Eu mn):	727
BVPS (Eu):	4.32
P/BV:	1.8
Net Financial Position (Eu mn):	-619
Enterprise Value (Eu mn):	1,120

- **2Q24 revenues expected down YoY, albeit to a lesser extent than in 1Q24.** We expect 2Q24 revenues to come to Eu300.2mn, down 6.8% YoY due to a soft retail contribution (revenues expected at Eu210.2mn, down 6.2% YoY) and a similar drop in wholesale (Eu80.1mn, down 6.8% YoY). Compared to 1Q24, DTC revenues should show some limited progress thanks to the improved product assortment from the new collection in DOS, while the 1Q24 wholesale contribution was heavily affected by the streamlining of European doors and an unfavourable comparison on the timing of deliveries, effects that are not expected to have continued in 2Q24. Looking at geographical areas, Asia Pacific should record a double-digit decline in Greater China and Korea, while the rest of Asia should experience a more moderate contraction. In Europe, a much more limited drop in wholesale revenues should be combined with flattish retail performance.
- **We expect gross profit to rise slightly, but with EBIT burdened by adverse operating leverage.** We expect the gross margin to increase marginally YoY (+30bp to 72.5%) thanks to the channel mix. In terms of OpEx, we expect adverse operating leverage to have a meaningful impact, as we foresee flattish Selling and Distribution expenses, while marketing expenses are expected at about Eu47mn, consistent with management indications and down 9% YoY. All in all, half-yearly EBIT is seen at Eu24.2mn, down 48.4% YoY.
- **Change in estimates.** We are lowering our 2024/2025 revenue forecasts by 0.8%/1.5% to Eu1.08bn/Eu1.14bn, fully consistent with consensus expectations. Specifically, we are taking a slightly more prudent view on DTC performance, which is still expected to recover in 2H24 (+3.5% YoY) thanks to a much easier comparison base. As for EBIT, the reduction is worth 1.8%/4.3%. All in all, we now see 2024 EBIT at Eu57.8mn, a 5.3% margin on sales (from 5.4%).
- **NEUTRAL confirmed; target from Eu11.2 to Eu10.1.** Even though we do not understand yesterday's share price reaction (-12.7%), we remain NEUTRAL on the stock pending greater visibility on top line recovery, which is yet to materialise (2Q24 sales should continue to show a declining trend). The company is not providing clear indicators to the market and current industry volatility is likely to continue to penalise a brand that is in a restructuring phase. Our target reflects changes to the fundamental value (from Eu9.6 to Eu9.1) and to the valuation in a speculative scenario (from Eu17.5 to Eu14.1), which is still weighted at 20%.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,252	1,156	1,081	1,141	1,220
EBITDA Adj (Eu mn)	299	252	235	268	297
Net Profit Adj (Eu mn)	70	26	21	37	51
EPS New Adj (Eu)	0.412	0.154	0.126	0.222	0.300
EPS Old Adj (Eu)	0.412	0.154	0.133	0.236	0.326
DPS (Eu)	0.280	0.100	0.071	0.113	0.153
EV/EBITDA Adj	8.1	9.1	4.8	4.2	3.8
EV/EBIT Adj	18.9	31.8	19.4	13.8	11.2
P/E Adj	19.3	51.6	63.1	36.0	26.6
Div. Yield	3.5%	1.3%	0.9%	1.4%	1.9%
Net Debt/EBITDA Adj	0.7	1.9	2.6	2.8	3.0

DISCLAIMER (for more details go to DISCLAIMER)

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the PERFORMANCE web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

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;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte is acting as financial advisor to SGG Holding S.p.A. in relation to the voluntary public tender offer launched on SAES Getters S.p.A.

Intermonte is acting as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.

Intermonte is acting as financial advisor to Eagle S.p.A. and intermediary responsible for coordinating the collection of sale requests in relation to the sell-out procedure on Greenthesis S.p.A.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambienthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, El.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, Go Internet, GPI, Greenthesis (formerly Ambienthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luve, Matica Fintec, Mondadori, Notorious Pictures, Omer, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performes as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifire S.P.A., B&C Speakers, Cleanbnb, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, Intercos, Intred, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Notorious Pictures, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, Solid World Group, Spindox Digital Soul, Tamburi, Tesmec, Tinexta, Tps Group, Trendevice, Ulisse Biomed, Wiit.

Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website MiFID

Further information is available