

GEOX

Sector: Consumers

OUTPERFORM

Price: Eu0.96 - Target: Eu1.40

Strong Results, Beating Targets. Very Solid Prospects

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Stock Rating

Rating: from NEUTRAL to OUTPERFORM

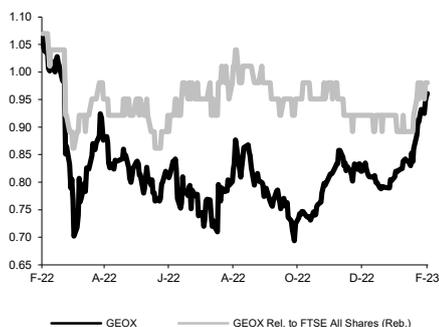
Target Price (Eu): from 0.92 to 1.40

	2022E	2023E	2024E
Chg in Adj EPS	n.m.	86.4%	50.0%

Next Event

FY Results Out 9 March

GEOX - 12M Performance



Stock Data

Reuters code: GEO.MI

Bloomberg code: GEO IM

Performance	1M	3M	12M
Absolute	18.6%	17.9%	-10.2%
Relative	6.6%	-0.8%	-8.6%
12M (H/L)		1.05/0.69	
3M Average Volume (th):		249.75	

Shareholder Data

No. of Ord shares (mn):	259
Total no. of shares (mn):	259
Mkt Cap Ord (Eu mn):	249
Total Mkt Cap (Eu mn):	249
Mkt Float - Ord (Eu mn):	72
Mkt Float (in %):	28.9%
Main Shareholder:	
Polegato Moretti Mario - LIR srl	71.1%

Balance Sheet Data

Book Value (Eu mn):	122
BVPS (Eu):	0.47
P/BV:	2.0
Net Financial Position (Eu mn):	-326
Enterprise Value (Eu mn):	575

■ **FY22 revenues +21% YoY.** Yesterday evening GEOX released preliminary FY22 results (sales and NFP, full results on 9 March) which were above consensus (+3.4%) and our expectations (+2.7%), posting remarkable sales of Eu735.5mn, up +21% YoY. The company delivered a positive performance across all distribution channels and main regions in 4Q22 with revenues at Eu166mn, up +14.4% YoY thanks to the full restoration of supply chain reliability, allowing customer demand to be met in full.

■ **NFP better than expected.** The net financial position as at 31 December 2022 (pre IFRS-16 and including the fair value of derivative contracts) was Eu49.8mn (Eu64.3mn at 31 Dec 2021) ahead of our estimate of Eu65mn thanks to the management and positive dynamics of working capital, with inventories from previous seasons almost sold out and the item now mainly comprising current and future seasons (positive impact of relative accounts payable).

■ **The real surprise from the release: EBIT already positive in FY22.** The main encouraging news from this preliminary release was the indication for positive operating profit already in FY22. Several headwinds encountered throughout the year, including additional freight costs and a lack of fresh product due to logistical hiccups, as well as a fire at a warehouse in 4Q22, drove FY22 EBIT consensus estimates below zero (Eu-3.5mn, our estimate Eu-2.9mn). Achieving positive profitability despite these headwinds is further testament to management's discipline, ability and commitment in delivering results even in a tough environment and, most importantly, that the turnaround strategy outlined in the business plan back in 2021 was judicious and is bearing fruit.

■ **Robust, crystal clear 2023 guidance with room for upside.** Despite all the uncertainties of the current macroeconomic environment and the fact that we are at the very beginning of the year, GEOX provided very solid and precise guidance for 2023: sales up +6-8% YoY; gross margin improvement of approx. 100-130bp YoY. This looks robust to us, as it is based on the visibility of orders already received and the normalisation of costs (mainly freight). We also see room for upside if DOS can outperform in FY23. Guidance implies FY23 revenues of Eu780mn-Eu794mn, +2-4% vs. current consensus at Eu765mn (our estimate Eu795mn). Gross margin expansion in 2023 is already reflected in consensus and our estimates, but the 2022 base will be higher, implying a 13-15% upward revision to current consensus estimates on 2023 EBIT.

■ **Change in estimates.** We are factoring in actual results and indications as well as a better bottom line profile from the use of deferred tax assets unlocked by positive results and higher visibility on the future, resulting in a significant positive change in EPS.

■ **OUTPERFORM from Neutral; target Eu1.4 (from Eu0.92).** Geox took the opportunity to embark on a profound turnaround during the pandemic, leaving the company leaner and better placed to tackle the current phase, with a focus on products, brand re-vamping and optimisation of logistical models. The results are already visible despite the one-off headwinds that mitigated its full potential. After FY22 preliminary results, current valuations seem even more depressed than before (the stock is trading at c.4x 2024 EV/EBITDA pre-IFRS16 compared to its historical - and fair - multiple of 8x) and we continue to believe the company is deploying its strategy in a very positive way (volumes, like-for-like sales performance and markdown discipline driving profitability are testament to this); after a pause and driven by reported results and prospects, we therefore revert to an OUTPERFORM recommendation, raising our target price to Eu1.4.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	535	609	736	816	869
EBITDA Adj (Eu mn)	-2	30	79	102	120
Net Profit Adj (Eu mn)	-127	-60	-2	16	33
EPS New Adj (Eu)	-0.491	-0.230	-0.007	0.062	0.126
EPS Old Adj (Eu)	-0.491	-0.230	-0.032	0.033	0.084
DPS (Eu)	0.000	0.000	0.000	0.000	0.063
EV/EBITDA Adj	nm	19.7	6.9	5.7	4.6
EV/EBIT Adj	nm	nm	nm		
P/E Adj	nm	nm	nm	15.6	7.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	6.6%
Net Debt/EBITDA Adj	-223.4	11.1	4.2	3.2	2.5