Milan, 16 May 2023

Italian Equity Research – 1Q23 Results

GEOX

OUTPERFORM

Sector: Consumers

Price: Eu0.96 - **Target: Eu1.50**

Do Not Mistake Precision for Weakness: Story Still Intact

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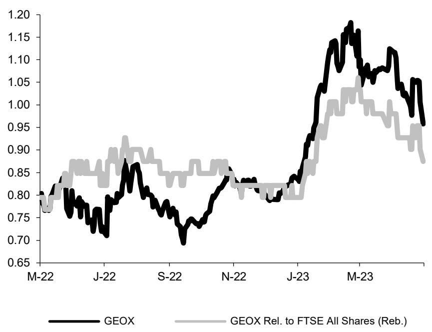
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 1.40 to 1.50
	2023E	**2024E**	**2025E**
Chg in Adj EPS	4.7%	1.5%	1.3%

GEOX - 12M Performance



Stock Data			
Reuters code:			GEO.MI
Bloomberg code:			GEO IM
Performance	**1M**	**3M**	**12M**
Absolute	-14.6%	-14.6%	18.1%
Relative	-12.3%	-13.3%	6.2%
12M (H/L)			1.18/0.69
3M Average Volume (th):			563.85

Shareholder Data	
No. of Ord shares (mn):	259
Total no. of shares (mn):	259
Mkt Cap Ord (Eu mn):	248
Total Mkt Cap (Eu mn):	248
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):	123
BVPS (Eu):	0.47
P/BV:	2.0
Net Financial Position (Eu mn):	-322
Enterprise Value (Eu mn):	570

- **Surprising reaction after better 1Q23 revenues and positive current trading.** We were a touch surprised by the stock reaction after the release of 1Q23 revenues that were well ahead of expectations, highlighting solid underlying trends above 2019 levels. Sales came in at Eu223.7mn, up 21.3% YoY thanks to the sound performance of the Spring/Summer 2023 collection which was magnified by the easier comparison base. In the year to May (up to week 18), current trading was positive, with DOS up +4.3% YoY (+3.8% vs. 2019) while the Wholesale channel accelerated at +12.9% YoY to the end of April, with management indicating this pace as a good proxy of the 1H22 growth rate. All regions showed positive double-digit growth even at CER and in the DOS channel (L4L).
- **FY23 margin guidance raised on improving underlying trends. Positive.** Instead of focusing on the FY23 sales clarification (see below) we should focus on the very positive messages emerging from the upgrade to margin guidance, well on track to meet business plan and 2024 targets. Once again, we should stress the reliability of management and its ability to deliver on announced objectives: improved supply chain conditions (availability and shipment speed of products has now normalised) and strong further reduction in DOS markdowns, led management to **revise its FY23 gross margin guidance upwards from +100-130bp in FY23 to +200bp in 1H23 and +130-150bp in 2H23.** This translates into a FY23 gross margin expansion of c.+140-150bp.
- **Fine-tuning of revenue indications. Negligible impact.** We acknowledge that the first pointer emerging in the release and picked up in press headlines was the slight change in the FY23 top line indication, trimmed from +6-8% to +4-6%, but we should also note that this is a minor change to the story made by a particularly transparent and reliable management team, which even at the very beginning of the year decided to provide detailed information on a technical matter such as the tough comp base in wholesale re-orders: weather conditions in April and May 2023 limited product re-orders (leaving the positive first orders trend intact) which were more robust last year: the tough comp base for these two months underpins this revision.
- **Change in estimates.** We are factoring in actual results and new indications resulting in a positive change in EPS, as margin improvement more than offsets the lower revenues.
- **OUTPERFORM confirmed; target Eu1.5 (from Eu1.4).** 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 the unjustified correction in the last few days, 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). Driven by reported results and prospects, we confirm our OUTPERFORM recommendation, raising our target price to Eu1.5 following the revision to our estimates.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	609	736	781	831	835
EBITDA Adj (Eu mn)	30	79	102	121	122
Net Profit Adj (Eu mn)	-60	-2	17	33	34
EPS New Adj (Eu)	-0.230	-0.007	0.064	0.128	0.133
EPS Old Adj (Eu)	-0.230	-0.007	0.062	0.126	
DPS (Eu)	0.000	0.000	0.000	0.064	0.066
EV/EBITDA Adj	19.7	6.9	5.6	4.5	4.5
EV/EBIT Adj	nm	nm			
P/E Adj	nm	nm	14.9	7.5	7.2
Div. Yield	0.0%	0.0%	0.0%	6.7%	6.9%
Net Debt/EBITDA Adj	11.1	4.2	3.1	2.5	2.4