

OVS GROUP

Sector: Consumers

NEUTRAL

Price: Eu2.20 - Target: Eu2.50

Unexpected FY22 update: positive profitability. COIN stop

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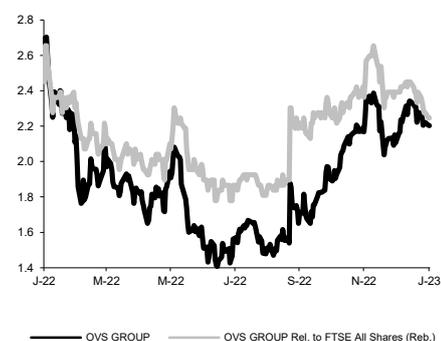
Stock Rating

Rating: Unchanged

Target Price (Eu): from 2.20 to 2.50

	2022E	2023E	2024E
Chg in Adj EPS	13.9%	10.6%	9.4%

OVS GROUP - 12M Performance



Stock Data

Reuters code: OVS.MI

Bloomberg code: OVS IM

Performance	1M	3M	12M
Absolute	4.6%	16.5%	-10.1%
Relative	-7.3%	-0.6%	-8.6%
12M (H/L)		2.70/1.41	
3M Average Volume (th):		1,202.70	

Shareholder Data

No. of Ord shares (mn): 291

Total no. of shares (mn): 291

Mkt Cap Ord (Eu mn): 641

Total Mkt Cap (Eu mn): 641

Mkt Float - Ord (Eu mn): 427

Mkt Float (in %): 66.7%

Main Shareholder:

TIP - Tamburi 23.3%

Balance Sheet Data

Book Value (Eu mn): 1,029

BVPS (Eu): 3.54

P/BV: 0.6

Net Financial Position (Eu mn): -110

Enterprise Value (Eu mn): 797

■ Yesterday evening at market close OVS published a trading update for 4Q22/FY22 on sales and EBITDA as well as an update on COIN negotiations with the decision to call them off. In addition, OVS provided constructive outlook on 2023, indicating further growth. This is positive news in our view as it mitigates fears of a slowdown on volumes and pressure on profitability from costs, while reassuring on the ongoing scenario and level of demand. We also welcome the decision on COIN, which preserves the company's financial resources and the focus on the core business. Full results will be disclosed on 19 April 2023.

■ **FY22 trading update: sales in line.** The company informed that the positive sales performance registered in 9M22 continued into 4Q22 with consolidated net sales of Eu420m, +11% YoY. This translates into FY22 revenues of c.Eu1,508m almost aligned to BBG consensus at Eu1,502 and c.1% above our Eu1,487m estimate.

■ **EBITDA c.4% ahead of consensus.** The margin also improved, with the company indicating that 4Q22 EBITDA was up more than 10% YoY, implying c.Eu47m in 4Q22 and FY22 EBITDA at Eu171m. This is c.3.5% ahead of BBG consensus and 6/7% above our Eu160m estimate. Such a result allowed better-than-expected free cash flow at c.Eu60m in FY22, with leverage below 1.0x as at year-end (31 January 2023).

■ **Expecting further growth in 2023.** According to the company, the inflationary pressures on costs that characterised 2022 are slowing down and are expected to reverse in the second half of 2023. In terms of sales, consumer trends show positive signs, and customers continue to show appreciation of the group's brands. In this context, OVS is expecting further growth in 2023. Current consensus expecting a +3.5% YoY in 2023.

■ **COIN: negotiations halted.** Yesterday was the last day of exclusivity in the negotiations between OVS and COIN, which had already been extended once. The company will continue to evaluate opportunities for external growth but prefers "to continue to focus on deleverage" which "appears to be in shareholders' best interest".

■ **Estimates revision.** We have updated our estimates to factor in new indications and the outlook provided. We remain cautious on the evolution of 2023 pending further visibility on the real start of the year.

■ **NEUTRAL confirmed; target Eu2.5 (from Eu2.2).** The update confirms that the Group is responding promptly to current trends and contingent headwinds, gaining traction and market share in a still uncertain market environment. The financial structure has been remarkably fixed, reaching a leverage ratio below 1x, thus mitigating the related risks (NFP/EBITDA at 1.34x in 9M22). Even if we acknowledge the company's confidence on the evolution of 2023, we reiterate our neutral stance on the back of increasing concerns about the overall economic environment affecting demand and consumer habits in 2023 and pending further visibility on the evolution of these trends. TP to Eu2.5 as a result of new estimates in our DCF model.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	1,018	1,359	1,507	1,576	1,611
EBITDA Adj (Eu mn)	73	147	171	169	186
Net Profit Adj (Eu mn)	-5	45	66	65	76
EPS New Adj (Eu)	-0.021	0.154	0.228	0.223	0.263
EPS Old Adj (Eu)	-0.021	0.154	0.201	0.201	0.240
DPS (Eu)	0.000	0.040	0.059	0.058	0.068
EV/EBITDA Adj	9.4	5.1	4.5	4.7	4.1
EV/EBIT Adj	nm	8.5	7.2	7.7	6.3
P/E Adj	nm	14.3	9.6	9.9	8.4
Div. Yield	0.0%	1.8%	2.7%	2.6%	3.1%
Net Debt/EBITDA Adj	5.5	1.3	0.9	0.6	0.4