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Milan, 12 December 2024

Italian Equity Research – Change in View/3Q24 Preview

OVS GROUP

OUTPERFORM

Sector: Consumers

Price: Eu3.18 - **Target: Eu3.80**

Turning Positive on Momentum, Prospects More Visible

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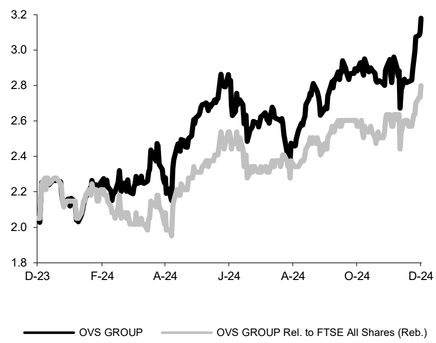
Stock Rating			
Rating:	from NEUTRAL to OUTPERFORM		
Target Price (Eu):	from 2.90 to 3.80		
	2024E	**2025E**	**2026E**
Chg in Adj EPS	21.2%	24.4%	28.0%

Next Event
Results Out Dec-16

OVS GROUP - 12M Performance



Stock Data			
Reuters code:			OVS.MI
Bloomberg code:			OVS IM
Performance	**1M**	**3M**	**12M**
Absolute	7.9%	18.7%	55.1%
Relative	6.7%	13.8%	41.1%
12M (H/L)			3.18/2.03
3M Average Volume (th):			853.50

Shareholder Data	
No. of Ord shares (mn):	291
Total no. of shares (mn):	245
Mkt Cap Ord (Eu mn):	925
Total Mkt Cap (Eu mn):	925
Mkt Float - Ord (Eu mn):	662
Mkt Float (in %):	71.6%
Main Shareholder:	
TIP - Tamburi	28.4%

Balance Sheet Data	
Book Value (Eu mn):	1,061
BVPS (Eu):	4.34
P/BV:	0.7
Net Financial Position (Eu mn):	-148
Enterprise Value (Eu mn):	972

OVS will report 3Q24 key figures (Aug-Oct) on Monday after market close with a conference call on Tuesday afternoon. We expect positive trends for the period as a result of the rebound by the OVS brand after the flattish 2Q24 and continuing momentum at UPIM. Other main brands are expected positive (Stefanel more than GAP). We expect also sound development of the EBITDA margin thanks to gross margin expansion more than offsetting higher costs for personnel and rents.
As highlighted in previous reports, we have waited for additional visibility on underlying trends in order to turn more constructive on the story, which at the moment we believe is confirmed, together with prospects for next year. The company is benefiting in our opinion from greater market share and new customers attracted by the wider and more diversified proposition across price points and categories. Besides this, OVS has potential to add further revenues with the Golden Point deal (next year), further network expansion, and international expansion.

- **3Q24E revenues +11.4% YoY.** We expect revenues in 3Q to have benefited from more normalized weather conditions, with a colder September and early October supporting the "back to school" period. This should have resulted in a very positive performance at OVS brand (3Q24E +12.3% YoY) and UPIM (3Q24E +9% YoY). Stefanel in particular and GAP should have also shown positive trends with expected growth of c.+9% YoY. Overall, group sales are expected at Eu409.3m, up +11.4% YoY, resulting in 9M24 at Eu1,171m +6.2% YoY.
- **Adj. EBITDA margin up 70bps YoY.** We expect solid sales growth and a supportive mix to have resulted in a gross margin at c.55% with an expansion of more than Eu40m YoY. This, offset partially by higher costs for personnel and rentals (already indicated by management in previous releases) should have resulted in 3Q24E adj. EBITDA at Eu42.2m with the margin on sales at 10.3% or +70bps YoY. 9M24E adj. EBITDA at Eu131.2m, 11.2% on sales (+20bps YoY).
- **Estimates revised upwards.** Given the expectations for 3Q24, we revised 2024 assumptions slightly up (now more visible), and have increased our expectations for 2025 and 2026 on the back of company developments, projects in place and further network expansion. This results in EPS accretion of c.+2%/+5%/+8% on total shares. In light of the material amount of treasury shares reached from conspicuous buybacks to date (c.Eu43m to date), which may be cancelled, from now on we consider only the outstanding share capital in the valuation.
- **Outperform (from Neutral), TP Eu3.8 (from 2.9).** We have always thought that the Group was reacting promptly to current trends and contingent headwinds, gaining traction and market share in a still-uncertain environment. We now turn positive in light of the visibility on sales growth, margin accretion and prospects. The stock can also further benefit from a reiterated buyback programme which in our opinion is still on the cards given that the current c.15% of share capital in treasury could potentially be cancelled. Our new estimates, rolling forward 1Y of valuation and considering share capital outstanding (ex treasury shares), result in a target price of Eu3.8 with c.20% upside potential and a consequent Outperform recommendation.

Key Figures & Ratios	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales (Eu mn)	1,513	1,536	1,613	1,686	1,765
EBITDA Adj (Eu mn)	180	182	197	209	219
Net Profit Adj (Eu mn)	78	76	77	85	92
EPS New Adj (Eu)	0.269	0.261	0.313	0.348	0.376
EPS Old Adj (Eu)	0.269	0.261	0.258	0.280	0.294
DPS (Eu)	0.060	0.070	0.084	0.093	0.101
EV/EBITDA Adj	4.2	4.7	4.9	4.1	3.9
EV/EBIT Adj	6.4	7.2	7.7	6.3	5.8
P/E Adj	11.8	12.2	10.2	9.1	8.5
Div. Yield	1.9%	2.2%	2.6%	2.9%	3.2%
Net Debt/EBITDA Adj	0.9	0.8	0.8	0.4	0.1

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- 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)

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

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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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