

OVS GROUP

Sector: Consumers

NEUTRAL

Price: Eu2.83 - Target: Eu2.90

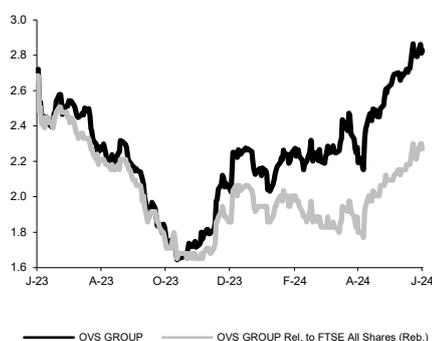
Positive Start to The Year, as Expected. Updating Our Model

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 2.50 to 2.90		
	2024E	2025E	2026E
Chg in Adj EPS	-1.7%		

OVS GROUP - 12M Performance



Stock Data

Reuters code:	OVS.MI
Bloomberg code:	OVS IM

Performance	1M	3M	12M
Absolute	8.1%	27.2%	5.4%
Relative	8.9%	25.3%	-18.4%
12M (H/L)	2.86/1.64		
3M Average Volume (th):	1,330.05		

Shareholder Data

No. of Ord shares (mn):	291
Total no. of shares (mn):	291
Mkt Cap Ord (Eu mn):	823
Total Mkt Cap (Eu mn):	823
Mkt Float - Ord (Eu mn):	548
Mkt Float (in %):	66.7%
Main Shareholder:	
TIP - Tamburi	23.3%

Balance Sheet Data

Book Value (Eu mn):	1,106
BVPS (Eu):	3.80
P/BV:	0.7
Net Financial Position (Eu mn):	-142
Enterprise Value (Eu mn):	1,011

- 1Q24 key indicators show positive developments.** OVS has published the main financial indicators for the first quarter of the year (Feb-Apr period) which resulted almost in line with our estimates and market expectations, with the exception of the bottom line, which benefited from the quarterly phasing of D&A and financial charges. Net sales came in at Eu352.2mn (our estimate Eu352.5mn), +5% YoY mainly driven by the performance at UPIM, up +5.9% YoY (supported by scope expansion) and OVS, +4.7% YoY. Stefanel and GAP, while marginal, posted negative performances, with revenues at Eu9.7mn, -6.7% YoY.
- EBITDA in line.** EBITDA was in line with our estimates at Eu29.7mn (Our estimate Eu29.4mn), up 7.8% YoY with an 8.4% margin on sales compared to 8.2% last year. By brand, margin expansion was more evident for UPIM, +80bp vs. OVS, which was up c.20bp YoY. Expansion was driven by operational leverage following higher volumes and gross margin improvements, which should have benefited from lower raw material costs.
- Positive trends below EBITDA and for net debt.** Adjusted profit before tax came in at Eu10.1mn (Eu7.7mn last year) above our Eu7.6mn forecast. More detail might come in today's conference call, but we assume the item benefited slightly from a different phasing of D&A and financial charges than was assumed. Net cash flow for the period improved by Eu3.5mn YoY, with net debt coming to Eu254.2mn after the Eu20.6mn buyback and Eu7.8mn dividend payment.
- Current trading supportive.** In the press release the company indicated that although for the second consecutive year May weather was unfavourable, the increase in sales remains robust and national contracts related to the trade sectors were renewed, albeit with a more dilutive impact than initially expected.
- Estimate revision.** We are publishing an update to our estimates after some time, reflecting the latest updates and the indications provided in this and other results releases. We assume +4.5% YoY sales growth for this year, with the EBITDA margin expanding by c.20bp (to 12.4% of sales). Personnel and rent costs should limit margin progression in 2025, and we therefore project a flat margin on sales.
- NEUTRAL confirmed; target Eu2.9 (from Eu2.5).** This latest release also 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 stock recently benefited from business trends and the reiterated buyback programme, which brought own shares to c.13% of the share capital. Our new estimates result in a new fair value per share based on a DCF model of Eu2.90, which represents very limited upside to current stock prices. We therefore reiterate our NEUTRAL stance on the back of our valuation. Upside potential depends on increased visibility on margin expansion and whether the company announces further stock remuneration programmes, as it has in the recent past.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,513	1,536	1,604	1,652	1,701
EBITDA Adj (Eu mn)	180	182	195	204	210
Net Profit Adj (Eu mn)	78	76	75	81	86
EPS New Adj (Eu)	0.269	0.261	0.258	0.280	0.294
EPS Old Adj (Eu)	0.228	0.223	0.263		
DPS (Eu)	0.060	0.070	0.069	0.075	0.079
EV/EBITDA Adj	4.2	4.7	5.2	4.4	4.3
EV/EBIT Adj	6.4	7.2	8.1	6.8	6.5
P/E Adj	10.5	10.8	11.0	10.1	9.6
Div. Yield	2.1%	2.5%	2.5%	2.7%	2.8%
Net Debt/EBITDA Adj	0.9	0.8	0.7	0.4	0.1

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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&PMB40 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.

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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;

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

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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 %

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Emittente	%	Long/Short

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