

# OVS GROUP

Sector: Consumers

## OUTPERFORM

Price: Eu3.52 - Target: Eu4.00

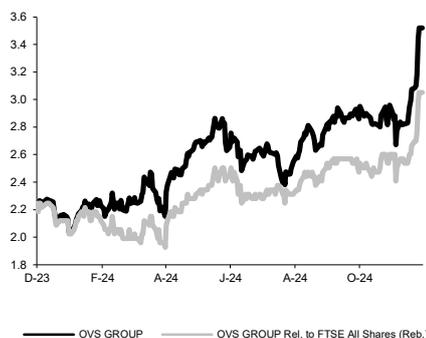
### 3Q24 ahead of expectations. Cancellation of treasury shares

**Francesco Brilli +39-02-77115.439**  
 francesco.brilli@intermonte.it  
**Andrea Randone: +39-02-77115.364**  
 andrea.randone@intermonte.it

#### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 3.80 to 4.00		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	5.9%	6.0%	6.0%

#### OVS GROUP - 12M Performance



#### Stock Data

Reuters code:	OVS.MI		
Bloomberg code:	OVS IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	18.9%	25.8%	56.3%
Relative	17.2%	22.2%	42.4%
12M (H/L)	3.52/2.03		
3M Average Volume (th):	1,003.13		

#### Shareholder Data

No. of Ord shares (mn):	291
Total no. of shares (mn):	245
Mkt Cap Ord (Eu mn):	1,024
Total Mkt Cap (Eu mn):	1,024
Mkt Float - Ord (Eu mn):	733
Mkt Float (in %):	71.6%
Main Shareholder:	
TIP - Tamburi	28.4%

#### Balance Sheet Data

Book Value (Eu mn):	1,066
BVPS (Eu):	4.35
P/BV:	0.8
Net Financial Position (Eu mn):	-137
Enterprise Value (Eu mn):	1,047

- Solid 3Q24 Results.** Yesterday evening after market close, OVS reported results for the third quarter which came in ahead of our expectations, mainly on profitability (conf call tomorrow at 3pm; dial-ins: IT: +39 028020911; UK: +44 1212818004). Sales came in at Eu414.7m (+1.3% vs. Intermonte), up double-digit by 12.8% YoY thanks to a robust performance across all group brands and product categories. This was supported by the favourable weather conditions with higher footfall and conversion rates as well as positive womenswear trends. OVS, as expected, posted the strongest growth at +15.5% YoY, followed by UPIM at +8.7% YoY, and Stefanel, which came back to positive territory after the negative performance in the first half. This brought 9M24 to Eu1.18bn, up 6.7% YoY (+7.4% DOS;+4.2% franchising).
- EBITDA margin +160bp YoY, cash generation confirmed.** Operating leverage from higher volumes helped to absorb higher personnel costs (expected) and resulted in an adj. EBITDA at Eu46.2m, up by 31.7% YoY with the margin on sales at 11.1% or +160bps YoY. 9M24 adj. EBITDA at Eu135.2m, +11.3% YoY with the margin on sales at 11.5% or +50bps YoY. Last twelve-month figures to 31 Oct. were Sales of Eu1,609m and adj. EBITDA of Eu196m (12.2% margin). 9M24 profit before tax came in at Eu72.3m, +20.4% YoY after depreciation slightly less than expected, ahead of our expectation by 9%. Net debt almost in line with our expectation and seasonality at Eu280.9 after Eu25.3m of dividends paid and a Eu42.7m cash-out for buyback. Net debt on EBITDA at 1.32x (1.41x in 9M23).
- Positive indications on current trading. Treasury shares to be cancelled.** While awaiting today's conference call for further indications, management already stated that the 4Q sales trend and EBITDA are expected in line with the 2023 performance and market consensus, thus confirming solid growth for FY24 and cash generation in line with 2023. Also, the interest in a portion of the Conbipel retail network was confirmed (not the brand nor the whole group) and the BoD resolved to convene an EGM (19 Feb.) to cancel treasury shares representing 10% of share capital and to grant a mandate to the BoD for a further cancellation of up to 5.5% of share capital in treasury. Further buybacks are not excluded.
- Estimates revision.** We recently revised our expectations upwards but 3Q24 trends require a further tweak to our estimates on top-line growth and CapEx, resulting in an EPS change before share adjustments of +6.1%/6.2%/6.2% for FY'24/'25/'26.
- Outperform confirmed, TP Eu4 (from Eu3.8).** 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. Visibility on sales growth, margin accretion and prospects are confirmed by the latest results. 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 will likely be cancelled. Our new estimates result in a target price of Eu4 with c.15% further upside potential from current levels. We are not including M&A or network expansion scenarios in our current assumptions, which might be further positive catalysts going forward.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	1,513	1,536	1,623	1,702	1,786
EBITDA Adj (Eu mn)	180	182	198	211	222
Net Profit Adj (Eu mn)	78	76	81	90	98
EPS New Adj (Eu)	0.269	0.261	0.331	0.369	0.399
EPS Old Adj (Eu)	0.269	0.261	0.313	0.348	0.376
DPS (Eu)	0.060	0.070	0.089	0.099	0.107
EV/EBITDA Adj	4.2	4.7	5.3	4.4	4.2
EV/EBIT Adj	6.4	7.2	8.2	6.7	6.1
P/E Adj	13.1	13.5	10.6	9.5	8.8
Div. Yield	1.7%	2.0%	2.5%	2.8%	3.0%
Net Debt/EBITDA Adj	0.9	0.8	0.7	0.4	0.0

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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&P500 Index, most of those on the MIBEX 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.

Explanation of our ratings system:

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

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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