

# OVS GROUP

Sector: Consumers

## NEUTRAL

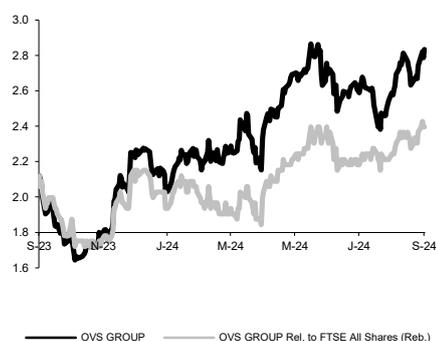
Price: Eu2.83 - Target: Eu2.90

## 1H24 in Line: Soft 2Q24 Growth but Solid Profitability

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

### OVS GROUP - 12M Performance



Stock Data			
Reuters code:	OVS.MI		
Bloomberg code:	OVS IM		
Performance	1M	3M	12M
Absolute	9.5%	5.3%	33.7%
Relative	7.3%	3.0%	15.6%
12M (H/L)	2.86/1.64		
3M Average Volume (th):	702.04		

Shareholder Data	
No. of Ord shares (mn):	291
Total no. of shares (mn):	291
Mkt Cap Ord (Eu mn):	824
Total Mkt Cap (Eu mn):	824
Mkt Float - Ord (Eu mn):	550
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):	-144
Enterprise Value (Eu mn):	1,015

- Results in line; UPIM outperforming OVS brand in 2Q24.** Yesterday OVS released 1H24 results that showed a slightly positive 2Q24 despite quite a favourable comparison base. This was the upshot of May featuring similar weather to last year, a worse June followed by normalisation and good trends in July. Overall, 2Q24 Group revenues stood at Eu409.5mn, up +2.8% YoY despite the lack of challenge in the comparison with last year (2Q23 -1.9% YoY). In terms of brands, the weather and consumer sensitivity to prices drove a better performance for UPIM than OVS, partly thanks to UPIM's lower exposure to the kids segment, with a successful essentials offering: OVS's 2Q24 sales came in at Eu301.7mn, flattish YoY (+0.7% YoY) and UPIM at Eu94.7mn, +8.7% YoY together with Stefanel/GAP at Eu13.1mn, +13.9% YoY. For the half year, Group sales stood at Eu761.7mn, +3.6% YoY with OVS +2.5% YoY and UPIM +7.4% YoY. This represents outperformance of the market, which was slightly negative in the period according to the company.
- Solid profitability thanks to record gross margin.** The 1H24 gross margin stood at 59.6% thanks to the normalisation of purchasing conditions vs. 1H23 (+190bp YoY) and to a lesser extent lower markdowns in July, more than offsetting the worse sale mix in terms of brands. 1H24 EBITDA came in at Eu89.0mn, with a sales margin of 11.7%, a touch lower vs. last year (-10bp). Benefits from gross margin expansion were mainly dented by higher personnel costs (-130bp YoY), as expected, while Rents (-30bp YoY) and Services (-20bp YoY) mainly related to network expansion.
- Neutral trends below EBITDA. NFP slightly higher YoY.** Pre-tax profit came in at Eu48.2mn after an increase in financial charges, and net income was Eu34.6mn, +2.7% YoY. The net financial position stood at Eu263mn, a touch higher than last year (Eu242mn) with a leverage ratio of 1.38x following higher absorption compared to last year (c.Eu20mn) after c.Eu80mn of outgoings between dividends and buyback.
- Buyback extended.** Buyback programme has been extended for a further Eu10mn.
- Current trading supportive. Estimates unchanged.** Management is seeing positive trends in 2H with DOS +7% YoY in August; September is benefiting from lower temperatures with a positive start of the autumn/winter season and double-digit sales growth month-to-date. More details will presumably come after today's conference call, but these indications resonate with our assumptions of accelerating revenues in 2H24 (+5.2% YoY) and margins (EBITDA margin 2H24E 12.6%, +60bp YoY vs. 12% in 2H23). In light of this, we are leaving our overall assumptions unchanged.
- NEUTRAL; target Eu2.9, confirmed.** This release confirms that the Group is reacting promptly to current trends and contingent headwinds, gaining traction and market share in a still-uncertain environment. The stock benefited from the reiterated buyback programme, which brought own shares to c.15% of the share capital. Leaving our estimates unchanged, and also in light of some uncertainties intrinsic to the implied 2H23 acceleration, we confirm our Eu2.90 TP, awaiting further visibility to become more constructive: NEUTRAL reiterated. Upside potential depends on sales growth confirmation and margin expansion in the second half of the year.

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	4.5	4.3
EV/EBIT Adj	6.4	7.2	8.1	6.8	6.5
P/E Adj	10.5	10.9	11.0	10.1	9.6
Div. Yield	2.1%	2.5%	2.4%	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)

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Frequency of research: quarterly.

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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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As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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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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