

TECHNOGYM

Sector: Consumers

OUTPERFORM

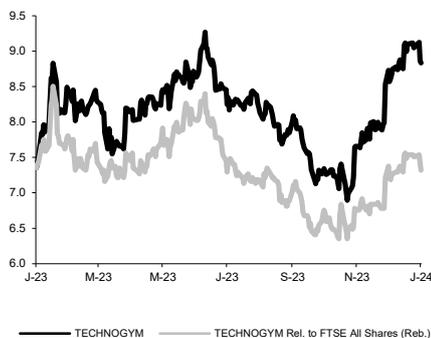
Price: Eu8.84 - Target: Eu10.00

Focusing on Sustainable Growth for the Longer Term

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

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 9.00 to 10.00		
	2023E	2024E	2025E
Chg in Adj EPS	-2.7%	-10.9%	-9.1%

TECHNOGYM - 12M Performance



Stock Data			
Reuters code:	TGYM.MI		
Bloomberg code:	TGYM IM		
Performance	1M	3M	12M
Absolute	1.2%	20.3%	20.2%
Relative	-0.8%	9.3%	-0.4%
12M (H/L)	9.27/6.89		
3M Average Volume (th):	301.49		

Shareholder Data	
No. of Ord shares (mn):	201
Total no. of shares (mn):	201
Mkt Cap Ord (Eu mn):	1,776
Total Mkt Cap (Eu mn):	1,776
Mkt Float - Ord (Eu mn):	981
Mkt Float (in %):	55.2%
Main Shareholder:	
Wellness Holding (N.Alessandri)	44.8%

Balance Sheet Data	
Book Value (Eu mn):	400
BVPS (Eu):	1.99
P/BV:	4.4
Net Financial Position (Eu mn):	180
Enterprise Value (Eu mn):	1,596

- Resilient trends across the years.** The latest release on 3Q/9M results showed solid revenue trends, with revenues up +12.6% in 3Q23, taking 9M23 up +13.3% YoY and thus hinting at continuing momentum for underlying trends (key driver being volumes vs. stable pricing). Management stuck to the indications provided during the CMD which pointed to a +10% revenue CAGR in the period 2023-2025 with mixed phasing across the years (2023 slightly above, 2024 slightly below). In light of the latest business developments and the company's focus, which is increasingly shifting towards the Health sector and Wellness space as a whole, we acknowledge that this strategy might imply a more evenly split growth path in the next years compared to our current assumptions. For this reason, we are rephasing our assumptions for the next three years to be more aligned now to the steady yet regular growth path foreseen by the company.
- Gradual improvements to profitability sustain growth.** Based on the foregoing, we acknowledge that to pursue its strategy of growth while promoting initiatives and programs at a global level such as "Exercise is Medicine" (one of the key trends for 2024 recently noted by the American College of Sports Medicine), Technogym might reinvest excess profitability to nurture growth and profits for the longer term. We remain convinced of the potential to achieve margin accretion higher than that indicated at the CMD (+40/70bps yearly on the adj. EBITDA margin) but we believe management will use this buffer in the next couple of years to pave the way to its objectives. Reinforcement of brand identity across geographies, digital transformation, salesforce strengthening and physical presence will be the main areas of development, not to mention next year's Olympics and all the projects aimed at getting closer to and penetrating the health sector. We remain confident on Technogym's underlying trends and its ability to achieve current consensus with some leeway for potential upside.
- Estimates update.** Our estimates are now generally closer to the guidance provided by the company at the CMD last June for the next three years, sticking to a c.10% revenue CAGR and average yearly adj. EBITDA margin accretion in the +40/+70bps range in the period.
- OUTPERFORM; target Eu10 (from Eu9).** We still think TGYM offers an appealing medium term equity story thanks to its strong brand and leading positioning, attracting the interest of investors seeking exposure to the global wellness industry through a high-end player. The company is well placed to continue to deliver sustainable and profitable growth as confirmed by the resilience of the underlying business while exploiting as a leading front-runner the increasingly relevant macro-trends intertwining wellness and the health sector. The stock is still trading below the historical average and not far off the lows touched during the pandemic, which in our opinion is completely unjustified in light of its prospects, cash profile and the visibility on the backlog, which make the story stand out at this time. We consider actual levels as an attractive entry point given the B2B developments, B2C normalization and visibility on targets. Despite the estimates revision for the next couple of years, the updated risk-free rate now at 4% to reflect rates as per house guidance (from 4.5%) and a terminal growth rate at 3.5% vs. the previous 2.5% to reflect the return of strategic investments to be made in '24-'25 take our fair value per share to Eu10.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	611	721	802	876	956
EBITDA Adj (Eu mn)	107	132	149	165	188
Net Profit Adj (Eu mn)	51	66	80	92	111
EPS New Adj (Eu)	0.255	0.329	0.398	0.457	0.551
EPS Old Adj (Eu)	0.255	0.329	0.409	0.513	0.606
DPS (Eu)	0.160	0.250	0.305	0.223	0.270
EV/EBITDA Adj	17.7	9.7	10.0	9.7	8.2
EV/EBIT Adj	22.0	10.7	10.7		
P/E Adj	34.7	26.8	22.2	19.3	16.0
Div. Yield	1.8%	2.8%	3.5%	2.5%	3.1%
Net Debt/EBITDA Adj	-0.9	-0.9	-0.9	-1.1	-1.3