

TECHNOGYM

Sector: Consumers

OUTPERFORM

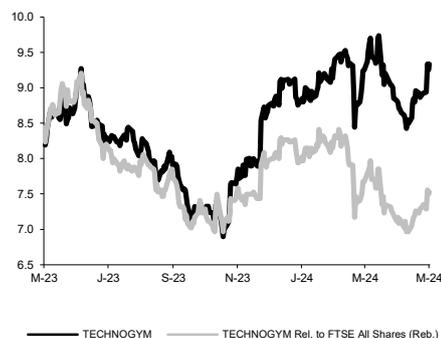
Price: Eu9.33 - Target: Eu11.00

Good Start to the Year with More Visibility on Next Quarters

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

Stock Rating			
Rating:	from NEUTRAL to OUTPERFORM		
Target Price (Eu):	from 10.00 to 11.00		
	2024E	2025E	2026E
Chg in Adj EPS	0.9%	2.3%	2.0%

TECHNOGYM - 12M Performance



Stock Data			
Reuters code:	TGYM.MI		
Bloomberg code:	TGYM IM		
Performance	1M	3M	12M
Absolute	6.2%	-0.7%	10.5%
Relative	5.0%	-10.6%	-13.3%
12M (H/L)	9.73/6.89		
3M Average Volume (th):	339.74		

Shareholder Data	
No. of Ord shares (mn):	201
Total no. of shares (mn):	201
Mkt Cap Ord (Eu mn):	1,875
Total Mkt Cap (Eu mn):	1,875
Mkt Float - Ord (Eu mn):	1,160
Mkt Float (in %):	61.8%
Main Shareholder:	
Wellness Holding (N.Alessandri)	33.8%

Balance Sheet Data	
Book Value (Eu mn):	398
BVPS (Eu):	1.98
P/BV:	4.7
Net Financial Position (Eu mn):	174
Enterprise Value (Eu mn):	1,701

■ 1Q24 in line with positive prospects... Technogym yesterday reported 1Q24 sales figures which came in almost aligned with consensus and our estimate (+1.8% vs. our estimates, +1.2% vs. Factset consensus). Sales came in at Eu187.5m, +7.4% YoY (+8.3% at cFX) with a surprise from better than expected B2C, and B2B flattish but off to a very strong comp base (+26.3% YoY in 1Q23). Overall, this is a positive set of results in light of the very strong comp base (1Q23 +15.2% YoY) and the expectations for a softer market environment. Unlike the last release, in which visibility on volume growth and overall underlying trends was scarce with the possibility of a soft start to the year (this ultimately determined our recommendation revision together with other factors), the performance achieved in 1Q24 and the comments provided by management hinted at a robust level of confidence on sales growth and margin development for the remainder of the year. This is also based on solid order backlog which management commented as now providing visibility for several more weeks compared to last year.

■ ...supported by well-balanced underlying trends. More importantly in our opinion, what should be highlighted is the quality of the results achieved, which show a well-balanced performance across segments and geographies. This is finally (and will be), in our opinion, the result of the company's strategy implementation, together with healthy market dynamics: (i) Clubs' revenues are rebounding in the B2B segment (last year most of the growth acceleration was due to Hospitality/Hotel/Corporate and Residential); (ii) B2C showed resilient trends and beat estimates; (iii) geographies with high potential such as US, Latam and APAC are improving sequentially and are expected to continue to do so; (iv) innovation on products and technologies continues rapidly; (v) consumer macro-trends are now more evident across geographies, confirming that 360 degrees Wellness and Longevity are becoming a mantra for an increasingly large portion of the worldwide population looking for a service which merges the fields of medicine, biotech, fitness and nutrition in the quest to slow the effect of aging. This is exactly the main focus of TGYM's strategy and we believe it is already resulting – among other things - in strong demand for equipment refurbishment and a shift to the most technological models.

■ Estimates revision. We adjust 2024 revenues slightly upward, adding some growth potential from 2025 onward. We also add some margin expansion to 2025 (Suez canal issues should have mitigated the upside on 2024).

■ OUTPERFORM (from NEUTRAL), target Eu11 (from Eu10). We 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. 1Q24 results substantially confirmed our expectations while the FY outlook and indications provided by management, particularly for the first part of the year, make us now more confident on the story. Estimate revision and the DCF valuation lead to a TP of Eu11 with c.18% upside vs. current stock levels. We therefore move our recommendation to Outperform.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	721	808	891	968	1,056
EBITDA Adj (Eu mn)	132	152	170	192	213
Net Profit Adj (Eu mn)	66	77	90	108	125
EPS New Adj (Eu)	0.329	0.385	0.445	0.535	0.620
EPS Old Adj (Eu)	0.329	0.385	0.441	0.523	0.607
DPS (Eu)	0.250	0.289	0.220	0.265	0.307
EV/EBITDA Adj	9.7	9.9	10.0	8.5	7.4
EV/EBIT Adj	10.7	10.7			
P/E Adj	28.4	24.2	21.0	17.4	15.1
Div. Yield	2.7%	3.1%	2.4%	2.8%	3.3%
Net Debt/EBITDA Adj	-0.9	-0.8	-1.0	-1.3	-1.5

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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.

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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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BUY:	25.21 %
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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Emitente	%	Long/Short
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