

TECHNOGYM

Sector: Consumers

OUTPERFORM

Price: Eu8.81 - Target: Eu10.00

Health Is Wealth: A Mantra for Profitable Growth

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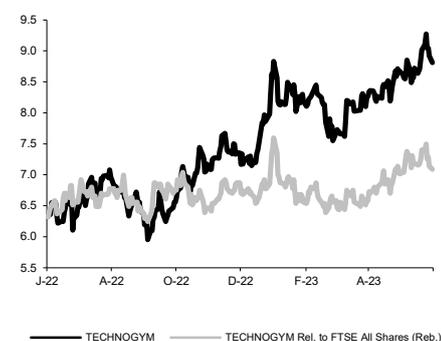
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Stock Rating

| | | | |
|---------------------------|--------------------|--------------|--------------|
| Rating: | Unchanged | | |
| Target Price (Eu): | from 9.50 to 10.00 | | |
| | 2023E | 2024E | 2025E |
| Chg in Adj EPS | 0.0% | 0.0% | 1.2% |

TECHNOGYM - 12M Performance



Stock Data

| | |
|-----------------|---------|
| Reuters code: | TGYM.MI |
| Bloomberg code: | TGYM IM |

| Performance | 1M | 3M | 12M |
|-------------------------|-----------|-------|-------|
| Absolute | 1.6% | 16.7% | 38.1% |
| Relative | 0.9% | 8.5% | 12.8% |
| 12M (H/L) | 9.27/5.96 | | |
| 3M Average Volume (th): | 346.88 | | |

Shareholder Data

| | |
|---------------------------------|-------|
| No. of Ord shares (mn): | 201 |
| Total no. of shares (mn): | 201 |
| Mkt Cap Ord (Eu mn): | 1,771 |
| Total Mkt Cap (Eu mn): | 1,771 |
| Mkt Float - Ord (Eu mn): | 978 |
| Mkt Float (in %): | 55.2% |
| Main Shareholder: | |
| Wellness Holding (N.Alessandri) | 44.8% |

Balance Sheet Data

| | |
|---------------------------------|-------|
| Book Value (Eu mn): | 377 |
| BVPS (Eu): | 1.88 |
| P/BV: | 4.7 |
| Net Financial Position (Eu mn): | 162 |
| Enterprise Value (Eu mn): | 1,608 |

■ **Lifestyle is the new medicine.** Yesterday we attended Technogym's Investor Day at the futuristic and inspiring Technogym Village in Cesena where CEO and founder Nerio Alessandri and the full management team presented the new strategic guidelines and financial targets for the next three years. Positioning itself as a *life science company* rather than a mere supplier of gym equipment is now becoming the leit motiv of Technogym's strategy in order to intercept increasingly important ageing population macro-trends and provide the perfect solution for medical prevention for people, institutions and governments. In doing this through its Wellness Institute, Technogym can leverage on its digital training data accumulated over time, precision training programs powered by AI, and exact and fully customized protocols that can act as a real "dose of fitness" and a medical solution for wellbeing. Nothing of this would be possible without the capabilities at the core of the company, which are its unmatched skills in designing and realizing the most advanced equipment incorporating digital monitoring systems and customization capabilities, rendering them precise and adaptable instruments for training, medical treatment and healthcare prevention.

■ **Building on the core strategy.** New opportunities and projects in medicine and life sciences come on top of the core underlying strategy, which has certainly not changed and involves further developing existing clusters. High-end and exclusive clubs are still key in the European and North American markets where Technogym enjoys higher market shares, while luxury residential opportunities are becoming increasingly important, particularly in the US, the Middle East and large cities in the Asia-Pacific regions such as Singapore, Hong Kong, and Bangkok. Luxury and high-end hospitality are key and developing well according to management.

■ **2023-2025 targets: reasonable yet conservative.** Targets provided are few, simple and clear, outlining positive prospects (slightly above consensus), even if still conservative in our opinion, particularly on profitability. For the next 3 years: (i) **+10% annual revenue growth**; (ii) **EBITDA adj. margin +40/+70bps per year to exceed 20% in 2025**; (iii) **annual cash conversion rate higher than 60%**.

■ **Estimates unchanged:** Our estimates were already above consensus, particularly on the outer years and even slightly above the current indications. We confirm our view on numbers considering the new prospects and the higher visibility on targets.

■ **OUTPERFORM; target Eu10 (from Eu9.5).** We think TGYM offers an appealing medium-term equity story thanks to its strong brand and leading position, attracting the interest of investors seeking exposure to the most premium global wellness industry through a high-end player. The company is well placed to continue to deliver sustainable and profitable growth recovering historical levels thanks both to the resilience of the underlying business and new developing opportunities. The stock is still trading near to the low point reached 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 still consider actual levels as an attractive entry point given the B2B developments and visibility on targets, plus ongoing strong interest in wellness and well-being. Based on the now-visible B2B speed of recovery and resilience as well as confirmed potential of new segments with consequent recovery of the gross margin, we slightly increase the adj. EBITDA margin for 2025 and trim our CapEx assumptions based on management indications, resulting in +Eu0.5 on our target price.

| Key Figures & Ratios | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 611 | 721 | 821 | 936 | 990 |
| EBITDA Adj (Eu mn) | 107 | 132 | 159 | 198 | 214 |
| Net Profit Adj (Eu mn) | 51 | 66 | 86 | 115 | 130 |
| EPS New Adj (Eu) | 0.255 | 0.329 | 0.426 | 0.572 | 0.646 |
| EPS Old Adj (Eu) | 0.255 | 0.329 | 0.426 | 0.572 | 0.638 |
| DPS (Eu) | 0.160 | 0.250 | 0.327 | 0.281 | 0.317 |
| EV/EBITDA Adj | 17.7 | 9.7 | 10.1 | 7.8 | 6.9 |
| EV/EBIT Adj | 22.0 | 10.7 | 11.5 | | |
| P/E Adj | 34.6 | 26.8 | 20.7 | 15.4 | 13.6 |
| Div. Yield | 1.8% | 2.8% | 3.7% | 3.2% | 3.6% |
| Net Debt/EBITDA Adj | -0.9 | -0.9 | -1.0 | -1.1 | -1.4 |