Milan, 30 March 2023

Italian Equity Research – FY22 Results

TECHNOGYM

OUTPERFORM

Sector: Consumers

Price: Eu7.85 - **Target: Eu9.00**

Strong Sales Performance with Positive Margin Trends

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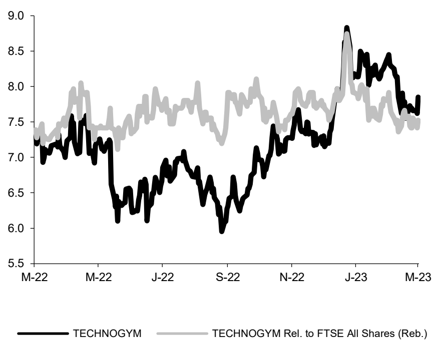
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 8.00 to 9.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-5.2%	-1.9%	

Next Event
CMD June, 19

TECHNOGYM - 12M Performance



Stock Data			
Reuters code:			TGYM.MI
Bloomberg code:			TGYM IM
Performance	**1M**	**3M**	**12M**
Absolute	-6.7%	7.5%	6.7%
Relative	-3.8%	-3.3%	2.0%
12M (H/L)			8.83/5.96
3M Average Volume (th):			329.63

Shareholder Data	
No. of Ord shares (mn):	201
Total no. of shares (mn):	201
Mkt Cap Ord (Eu mn):	1,578
Total Mkt Cap (Eu mn):	1,578
Mkt Float - Ord (Eu mn):	871
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:	4.2
Net Financial Position (Eu mn):	162
Enterprise Value (Eu mn):	1,415

- Positive overall results provide reassurance on underlying trends and delivery on targets and strategy, especially in North America and the very promising MEAI region. **We greatly appreciate the decision to schedule a Capital Markets Day on 19 June after a long hiatus, as it will bring the company's future prospects back into the spotlight.**
- **FY22 sales beat expectations.** Yesterday Technogym released FY22 results that showed revenues above our estimates and consensus (+2%) with strong double-digit growth across all regions (except for Italy standalone, up +1% YoY). Sales came in at Eu722mn, up +18% YoY with strong performances in North America (+46.4% YoY) and MEIA (+34% YoY) confirming the strength of underlying trends: 4Q22 sales were up +19.4%, the best quarterly performance of the year.
- **B2B recovery continuing, B2C normalising.** In terms of channels, B2B was up +29.4%, outperforming the group's average and reaching Eu556mn, very close to pre-pandemic levels (Eu579mn in FY19) driven by the strong performances in subsegments, Residential and Hotel in particular. Clubs went well, with management commenting on the increasingly positive performance throughout the year. B2C normalised (-9% YoY) with revenues slightly below last year. As for the so-called "Hybridisation" of training and Technogym's omnichannel strategy, management envisaging the current revenues split by channel continuing in the future (B2B/B2C 80%/20%).
- **Profitability in line.** Profitability was in line with expectations, with adj. EBITDA at Eu131.9mn, an +18.3% margin on sales, +80bp YoY. Guidance was for +100bp YoY, but with lower revenue growth. The accounting of buyback contracts in accordance with IFRS16 had a c.20bp impact on margins, meaning underlying performance was broadly in line with previous management indications.
- **Positive cash generation and record dividend proposed. Constructive indications from management.** NFP came in at Eu121.5mn, up from Eu96mn last year thanks to positive WC trends and despite higher CapEx. In light of the very positive cash position, the Board decided to propose a DPS of Eu0.25 (Eu0.17 expected) corresponding to a payout of c.80%. In terms of indications, current trading is positive and in line with 2022 trends. The CEO also indicated a further expansion of profitability in 2023.
- **Estimates almost unchanged:** we are tweaking our estimates to factor in actual figures and the few indications provided by management. We expect more visibility on the strategy to emerge in the June CMD.
- **OUTPERFORM; target Eu9 (from Eu8).** 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 after a period of disruption, and the faster B2B recovery confirms the resilience of the underlying business. The stock is still trading near to the low point 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, visibility on FY23 trends and the upcoming CMD in June, plus ongoing strong interest in wellness and wellbeing generally. New estimates and the rollover of our DCF valuation by one year brings the target price to Eu9 from Eu8 previously.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	611	721	821	936	990
EBITDA Adj (Eu mn)	107	132	159	198	212
Net Profit Adj (Eu mn)	51	66	86	115	128
EPS New Adj (Eu)	0.255	0.329	0.426	0.572	0.638
EPS Old Adj (Eu)	0.255	0.357	0.449	0.583	
DPS (Eu)	0.160	0.250	0.327	0.281	0.314
EV/EBITDA Adj	17.7	9.7	8.9	6.9	6.1
EV/EBIT Adj	22.0	10.7	10.1		
P/E Adj	30.8	23.9	18.4	13.7	12.3
Div. Yield	2.0%	3.2%	4.2%	3.6%	4.0%
Net Debt/EBITDA Adj	-0.9	-0.9	-1.0	-1.1	-1.3