Intermonte

Milan, 31 October 2023

Italian Equity Research – 3Q23 Results

TECHNOGYM

OUTPERFORM

Sector: Consumers

Price: Eu7.08 - **Target: Eu9.00**

3Q23 Ahead of Expectations. B2C Beat

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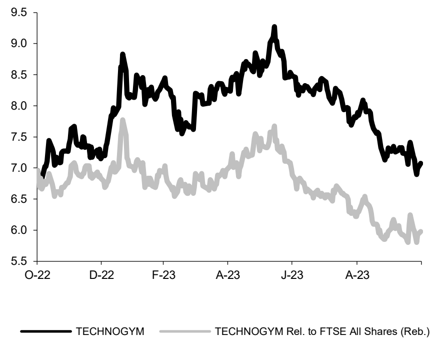
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 10.00 to 9.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-3.9%	-10.3%	-6.1%

TECHNOGYM - 12M Performance



Stock Data			
Reuters code:			TGYM.MI
Bloomberg code:			TGYM IM
Performance	**1M**	**3M**	**12M**
Absolute	-3.3%	-16.2%	1.5%
Relative	0.0%	-8.5%	-17.4%
12M (H/L)			9.27/6.72
3M Average Volume (th):			203.32

Shareholder Data	
No. of Ord shares (mn):	201
Total no. of shares (mn):	201
Mkt Cap Ord (Eu mn):	1,422
Total Mkt Cap (Eu mn):	1,422
Mkt Float - Ord (Eu mn):	785
Mkt Float (in %):	55.2%
Main Shareholder:	
Wellness Holding (N.Alessandri)	44.8%

Balance Sheet Data	
Book Value (Eu mn):	374
BVPS (Eu):	1.86
P/BV:	3.8
Net Financial Position (Eu mn):	159
Enterprise Value (Eu mn):	1,263

- **Solid revenue trends.** Technogym released revenues yesterday for the third quarter which came in slightly ahead of our / consensus estimates at Eu195.4m, +12.6% YoY. Even if the release was limited to the sales performance, we see a good set of results and positive signals hinting at continuing momentum for underlying trends (management indicated volumes as the key driver vs. pricing, which nevertheless is indicated stable). This has made us more confident on sticking to our top-line assumptions for FY23 at Eu821 or c.2% above consensus.
- **B2C beat.** While we had forecast a continuation of the volatile demand for the B2C segment, we were surprised by its performance, with revenues at Eu38.4m, holding up well in 3Q23 and sequentially accelerating to +11.6% YoY vs +3.3% YoY in 2Q23. This meant the 9M23 performance was almost flat YoY (+0.1%) vs. -4.6% in 1H23.
- **B2B continuing to perform nicely.** B2B came in at Eu157m, up +12.9% YoY, with all subsegments indicated at a double-digit pace of growth compared to the same period last year: Clubs, Hospitality & Residential and Health, Corporate & Performance with the latter accelerating above the segment average.
- **Growth across regions, US softer.** By geographies, we see double-digit growth across regions with management indicating consistent B2B client investments bolstering the strong performance of Europe (+11.6% YoY) and particularly of Italy (+48.9% YoY). MEIA confirmed its positive trajectory while APAC was still impacted by Chinese softness. North America grew by only +4.8% YoY even if sequentially improving (+0.9% YoY in 2Q23).
- **Estimates revision.** As mentioned above, we keep our assumptions on top-line performance unchanged while trimming margins somewhat in light of FX impacts and overall environment.
- **OUTPERFORM, target Eu9.00 (from Eu10).** 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 backlog, which make the story stand out at this time. We still consider actual levels an attractive entry point given the B2B developments, B2C recovery and visibility on targets, plus ongoing strong interest in wellness and well-being. We take a more cautious view on the evolution of margins, now more in line with company expectations (previously we projected outperformance). Estimates revision and an increase in the risk-free rate to 4.5% (from 4%) take our fair value per share to Eu9. In light of 20%+ upside potential from current prices, we stick to our outperform recommendation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	611	721	821	936	990
EBITDA Adj (Eu mn)	107	132	155	182	204
Net Profit Adj (Eu mn)	51	66	82	103	122
EPS New Adj (Eu)	0.255	0.329	0.409	0.513	0.606
EPS Old Adj (Eu)	0.255	0.329	0.426	0.572	0.646
DPS (Eu)	0.160	0.250	0.314	0.251	0.298
EV/EBITDA Adj	17.7	9.7	8.2	6.7	5.6
EV/EBIT Adj	22.0	10.7	9.0		
P/E Adj	27.8	21.5	17.3	13.8	11.7
Div. Yield	2.3%	3.5%	4.4%	3.5%	4.2%
Net Debt/EBITDA Adj	-0.9	-0.9	-1.0	-1.1	-1.4