Milan, 03 October 2023

Italian Equity Research – Preview to 3Q23 Revenues

TOD'S

NEUTRAL

Sector: Consumers

Price: Eu33.96 - **Target: Eu40.10**

Industry Normalisation To Smooth Growth in 2H23

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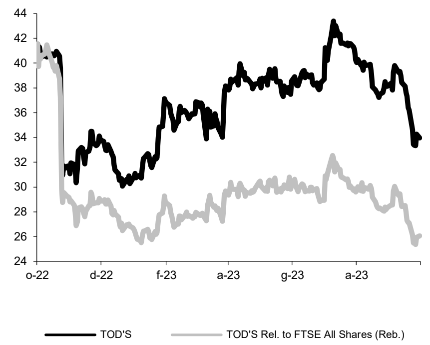
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 43.00 to 40.10
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-6.8%	-7.2%	-6.8%

Next Event 9M23 revenues
Results Out 8 November 2023

TOD'S - 12M Performance



Stock Data			
Reuters code:			TOD.MI
Bloomberg code:			TOD IM
Performance	**1M**	**3M**	**12M**
Absolute	-10.9%	-11.7%	-19.1%
Relative	-7.8%	-9.7%	-51.4%
12M (H/L)			43.40/30.08
3M Average Volume (th):			53.44

Shareholder Data	
No. of Ord shares (mn):	33
Total no. of shares (mn):	33
Mkt Cap Ord (Eu mn):	1,124
Total Mkt Cap (Eu mn):	1,124
Mkt Float - Ord (Eu mn):	237
Mkt Float (in %):	21.1%
Main Shareholder:	
Della Valle Family	63.6%

Balance Sheet Data	
Book Value (Eu mn):	1,084
BVPS (Eu):	32.77
P/BV:	1.0
Net Financial Position (Eu mn):	-542
Enterprise Value (Eu mn):	1,182

- **3Q23 revenues expected to have risen just 0.7% at current ForEx.** After an excellent 1H23 performance (+21.7% YoY), we expect top line growth to have slowed in 3Q23 (+0.7% YoY to Eu259.1mn) reflecting ongoing industry normalisation in all regions and a much more negative ForEx effect (-4.0% compared to -1.0% in 1H23). The different pace in 3Q23 vs. 1H23 is also partly explained by the fact that as of 3Q there is no meaningful price effect, an element that was worth about 10% in 1H23. In detail, we expect revenues from DOS to have come in at Eu179.8mn, down 1.1% or +3.4% at constant ForEx. On the other hand, revenues from the wholesale channel should have risen 4.9% YoY to Eu79.2mn. Geographically, we expect Italy to continue to report good numbers (Eu71.1mn, +6.6% YoY) thanks to both tourists and local demand, while the rest of Europe (Eu58.8mn, +2.3% YoY) should have witnessed a significant deceleration, mainly related to areas such as Germany and the UK, where macro trends are particularly volatile. Americas should have remained broadly in line with 1H23, down 2.5% at constant ForEx. Mainland China is also expected to have recorded a flattish performance, partly offset by improving trends in Hong Kong and Macau: overall, Greater China is expected to have risen 3.5% YoY at constant ForEx. In the rest of the world, Japan should have remained positive but with Korea still weak, taking the overall contribution to Eu40.3mn, up 10.7% at constant ForEx.
- **Recent management indications (from 1H23 results conference call)**. Wholesale: Autumn /Winter revenues should grow high single-digit / low double-digit at constant ForEx; Gross Margin: the FY23 gross margin may rise 180-200bp YoY. FY23 Margin: management does not expect 2H23 profitability to be higher than in 1H23, mainly because communication expenses on sales will be 200bp higher. Resignation of Walter Chiapponi: the creative team has remained the same and is working in continuity; there is therefore no inventory risk on current collections resulting from a change in style.
- **Change in estimates**. In this report we are lowering our 2023/2024 revenue estimates by 2.5%/3.0%, to take into account softer industry trends and a more negative ForEx effect. Our new forecasts imply 4.4% growth in 2H23 (+8.3% at constant ForEx). If we consider our 3Q23 forecasts, we are expecting 4Q23 to grow 11.7% at constant ForEx. In terms of margins, we are simply trimming our estimates by 20bp, bringing the 2023 EBIT margin from 8.2% to 8.0%, assuming the 2H23 gross margin remains flat YoY at 81.9% but the 2H23 EBIT margin declines from 7.5% to 5.4% due to higher communication costs. At bottom line, the EPS revision is -6.8%/ -7.2% on 2023/24.
- **NEUTRAL confirmed; target from Eu43.0 to Eu40.1.** We confirm our NEUTRAL stance as the increasing uncertainty, especially surrounding Chinese consumer spending, might be particularly significant for a group that is operating on a relatively smaller scale in the industry and has 34% exposure to China, while its price point is generally lower than peers. Our target is the combination of a fundamental fair value of Eu37.55 (from Eu40.75), and a speculative scenario priced at Eu50.6 (from Eu51.8) to which we assign a 20% likelihood.

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	884	1,007	1,132	1,215	1,310
EBITDA Adj (Eu mn)	161	207	252	277	301
Net Profit Adj (Eu mn)	-6	23	43	61	78
EPS New Adj (Eu)	-0.179	0.697	1.299	1.843	2.347
EPS Old Adj (Eu)	-0.179	0.697	1.393	1.987	2.519
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	9.3	6.4	4.7	4.1	3.7
EV/EBIT Adj	nm	22.6	13.0	10.4	8.4
P/E Adj	nm	48.7	26.1	18.4	14.5
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.2	2.7	2.2	1.8	1.6